

Capital Budget

Fiscal Years 2018-19 to 2019-20

CAPITAL PLANNING COMMITTEE PRESENTATION

FEBRUARY 26, 2018

PRESENTED BY: ANANDA HIRSCH, CAPITAL MANAGER

Budget Overview

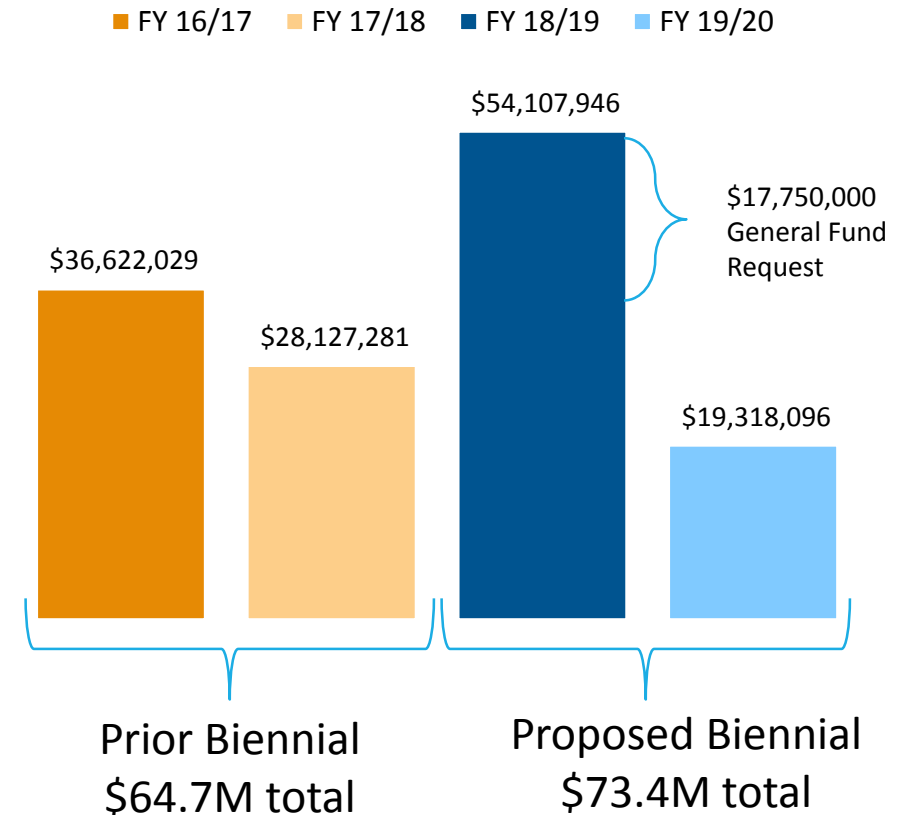
Proposed Biennial Capital Budget

- FY 18/19: \$54.1 million
 - \$36.4 million Port budget for CPC approval today
 - \$17.8 million General Fund request- later CPC discussion & action
- FY 19/20: \$19.3 million

Developing Port's first five-year Capital Improvement Program (CIP)

- Planning time horizon suited for capital project delivery
- FY 18/19 through FY 22/23: \$139 million
- New, five-year CIP to Port Commission in April

Biennial Capital Budget Comparison



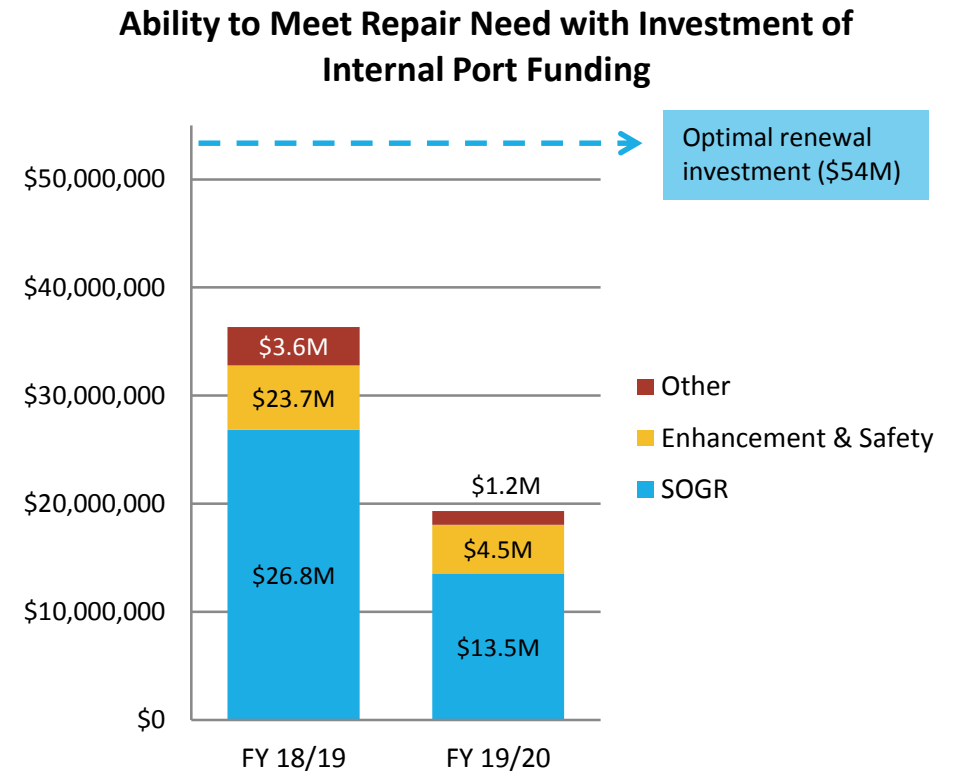
Capital Need Versus Investment

Port's Ten-Year Capital Plan FY 2018-27 identified \$1.5 billion total state of good repair (SOGR) need.

- \$54 million annual renewal need
- Plan projects funding available to meet 40% total SOGR need, including backlog and annual renewal

Port's Two-Year Capital Budget addresses highest priority needs and maximizes use of limited dollars:

- Capital Policy secures funding for investment
- Five-year CIP strives to establish a work and funding plan
- Project evaluation is criteria-based approach



Capital Budgeting Process

Port's Capital Technical Review Committee Criteria	Maximum Points
Committee Criteria	
Does the project address a code or regulatory issue?	20
Does the project significantly reduce potential liability to the Port?	15
Does the project promote maritime commerce, navigation or fisheries?	10
Does the project attract people to the waterfront?	10
Does the project protect natural or cultural resources?	15
Is the project improving state of good repair of existing Port assets?	30
Is the project at a primary screening location (priority locations for work based on nexus of Port's 10-year Capital Plan and priorities from the strategic plan)?	10
Financial Criteria	
What is the payback period, if 10 years or less?	10
What is the total 20-year financial benefit to the Port?	20
Total Possible Points	140

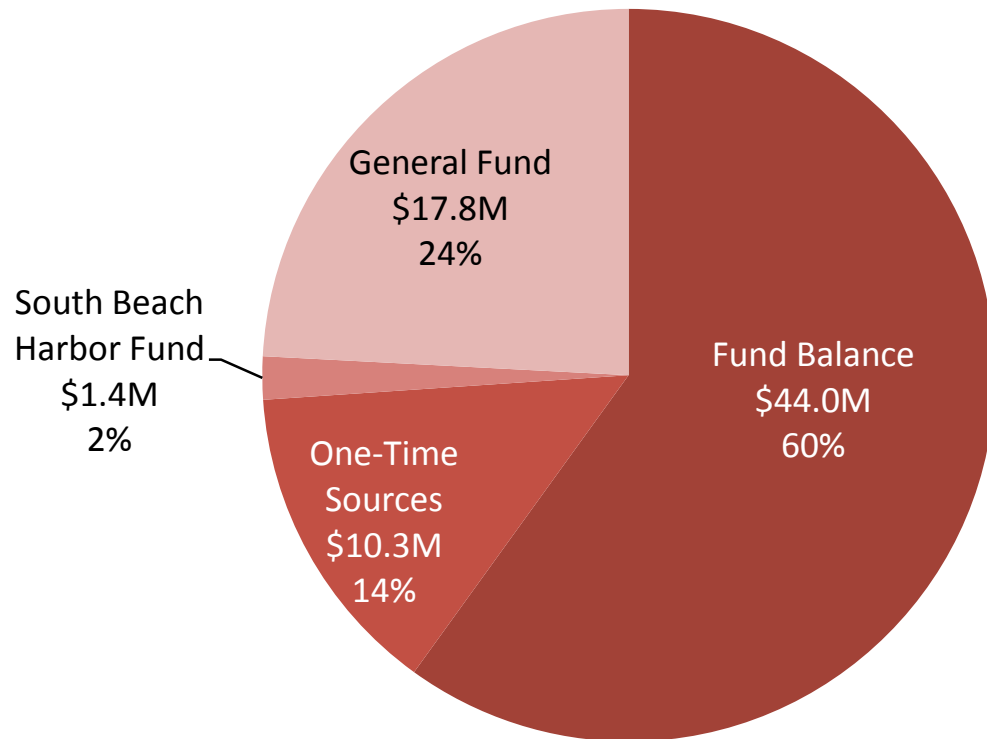
Capital Budgeting Process



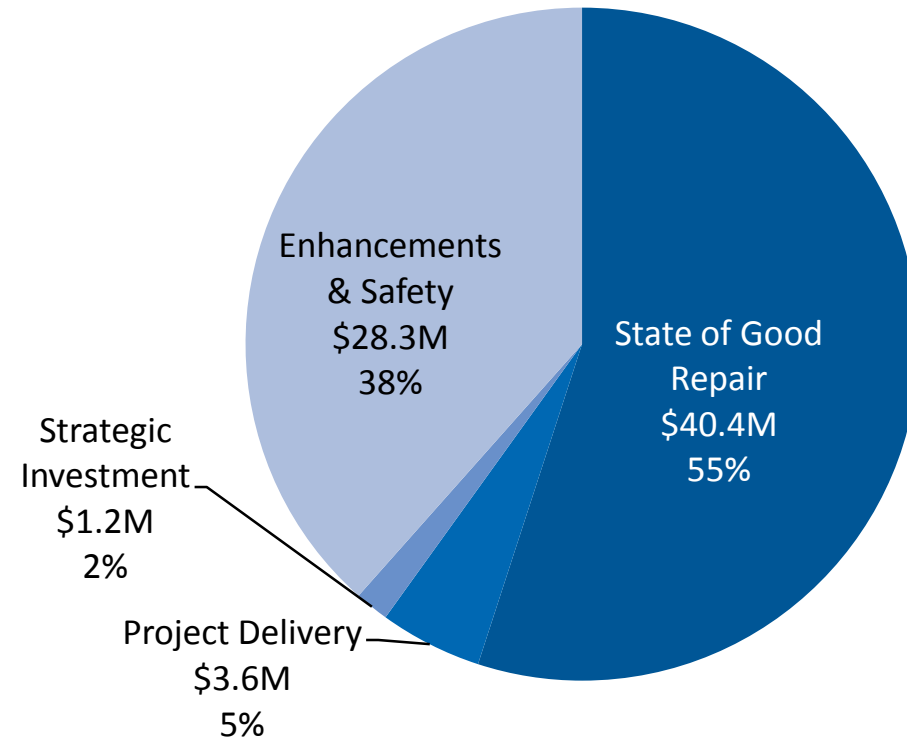
Funding Principles

- Honor Prior Commitments
- Address Health and Safety
- Meet Imminent Leasing Needs
- Improve Project Delivery Rate
- Leverage Port Funds

Sources and Uses



Sources in Proposed
Biennial Capital Budget



Uses in Proposed
Biennial Capital Budget

Funded Projects: State of Good Repair (\$40.7M)

Dredging 19-20 Maintenance Dredging and Sediment Sampling	10,660,400
Concrete Pile Repair Crew	4,501,388
Amador Street Sewer And Pavement Repair	3,800,000
Dry Docking of Pile Drivers & Barges	3,700,000
Wood Pile Repair Crew	2,894,729
Pier 29 & 31 Substructure Repair	2,852,174
Pier 70 Shipyard	2,769,000
Wharf J9 Seawall Repair Project	2,200,000
Pier 19 N. Apron	2,000,000
Hyde Street Harbor Repair & Improvements	1,335,000
Pier 40 North Guest Dock Replacement	1,082,000
Pier 19.5 Roofing Project	688,000
China Basin Floats & Dry Dock Repair	670,000
Pier 80 Repair Project	650,000
Pier 40 North Guest Dock Kayak Launch	310,000
Pier 7.5 Sewer Re-routing to Street	262,500

Funded Projects: Enhancements & Safety (\$28.3M)

<i>Mission Bay Ferry Landing* (requested)</i>	11,000,000
<i>Seawall Earthquake Safety Program* (requested)</i>	6,750,000
Pier 19 & 23 Leasing Improvements	2,650,000
Portwide Electrical Safety Upgrade	1,155,000
Pier 90 Silo Demolition Project	1,150,000
Southern Waterfront Open Space Enhancements	1,100,000
Pier 26 Deluge System Mod. & New Fire Standpipe System	952,116
Pier 29.5 Pump Station & Force Main Upgrade	800,000
Beltline Building	680,000
Pier 31 New Fire Standpipe System	676,522
Fire Protection Engineer	475,303
Roundhouse Enhancement Project	420,000
Pier 50 Shed B Apron Partial Repair	341,250
Roundhouse 2 HVAC System Improvements	105,000

Funded Projects: Project Delivery (\$3.6M) Strategic Investment (\$1.2M)

Project Delivery

Project Delivery Team	2,460,832
Contingency Fund	1,154,826

Strategic Investment

Pier 70 Capital Investment	1,200,000*
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*\$1,200,00 is proposed in the Capital Budget. The amount is intended to supplement exiting project fund balances to enable a total investment of \$6,500,000, as detailed on the Pier 70 Investment slide.

Highlights: Project Management Office

Parsons/Lotus Water analyzed Port and recommended adding project management staff to meet continued capital funding levels

- Proposal: \$2.5 million over two years, five new FTE
 - ✓ Four project managers
 - ✓ One analyst
- Anticipated benefit:
 - ✓ Complete an additional 10-15 projects per year
 - ✓ Improve internal coordination and management of resources
 - ✓ Improve procedures, data collection, and monitoring



Highlights: General Fund Requests



Project Construction = \$35.7 million
General Fund Request = \$11 Million



Project Planning = \$16 million
General Fund Request = \$6.75 Million

Highlights: Pier 70 Investment

Proposed Capital Budget includes \$6.5 million investment in FY 18/19

- Committee scored proposal favorably
- Investment size balances current SOGR needs against long-term financial benefit of investing
- Net return of \$9.9 million in nominal dollars; \$5.7 million when discounted to present value
- Port sees a return on the investment in six years; enables greater future capital expenditures
- Diversifies Port investments
- Aligns Port and tenant interest in a successful project

**Pier 70 Investment – Sources and Returns Over Ten Years
(Nominal - Compared to Base)**

Port Investment	\$ 6,500,000
Current Available Funding	\$ 5,300,000
Waterfront Development Project	\$ 2,030,000
20th Street Improvements	\$ 3,270,000
New Funding, FY 2018-19	\$ 1,200,000
Port Returns	\$ 16,413,522
Capital Distribution (est. 2025)	\$ 6,500,000
Return on Investment (10 years)	\$ 8,514,731
IFD & CFD Proceeds (10 years)	\$ 1,398,790
Net Return to the Port	\$ 9,913,522

Questions?

Thank You.



David Yu photography