



CITY OF MARTINEZ

**CITY COUNCIL AGENDA
February 18, 2009**

TO: Mayor and City Council

FROM: Joann Tool, Deputy Director Community and Economic Development-
Recreation, Community Services & Marina

SUBJECT: Marina Loan Collateral Request from the State Department of Boating and
Waterways in the Amount of \$350,000

DATE: February 13, 2009

RECOMMENDATION:

Discuss current status and conditions of the Marina loan request to the State Department of Boating and Waterways (DBW), and consider adopting a resolution authorizing the creation of a special bank account from General Fund fund balance in the amount of \$350,000 to act as collateral for the debt service on new and outstanding DBW loans.

BACKGROUND:

In March 2008, City staff began working with DBW staff to secure an additional \$3.375 million loan for the renovation of the Marina. This new loan will be combined with the previously committed \$2.973 million loan to provide the City with the funding needed to meet our construction obligations under the long-term Sublease agreement with Martinez Marina, LP. Pursuant to this Sublease, the City committed to undertake: 1) renovation of the existing breakwater wall, 2) construction of a new breakwater extension, 3) complete dredging of the Marina basin to maximum allowable depths, 4) construction of 50% of the site, utilities, landscaping, and additional parking and 5) demolition of all existing docks. Removal of the old ferry pier has already been completed. Martinez Marina LP is responsible for: 1) replacement of the docks and slips, 2) replacement of the fuel dock and storage tanks, 3) creation of additional boat storage, 4) renovation of the bait shop and harbormaster's office, 5) construction of new restrooms and 6) 50% of the site utilities, landscaping and additional parking.

City staff and Tom Hogan of Martinez Marina LP have worked diligently with DBW staff over the last several years to come up with a financially feasible program to revitalize the Martinez Marina. This plan will repay all seven current and proposed DBW loans and most importantly turn the Martinez Marina into an economic development engine.

Due to the State Budget as well as DBW funding and staffing issues, consideration of our loan request has been delayed. DBW has also added additional loan requirements. The DBW Commission will consider the City's loan request of \$3,375,000 on February 26th. However, DBW can only consider approval of \$338,000 of the \$3,375,000 loan request because that is all DBW has left to allocate in fiscal year 2008-09. The DBW Commission will consider the entire loan in concept as well as our financial projections and vision. Conceptual approval will make it easier for DBW to allocate the remaining \$3,037,000 when DBW receives additional funding in future fiscal years. Additional funding for the city's loan request is expected in 2010/11 or sooner. The timing of the final loan amount will depend on the State's fiscal situation.

Given this situation, city staff has had numerous discussions with Tom Hogan. Pending approval of the total loan amount by the DBW Commission and approval of the lease extension with the State Lands Commission, city staff proposes to complete the final design work and begin the repair or the existing breakwater wall and the new breakwater wall extension over the next 9-12 months after the Sublease with Martinez Marina LP has been completed and approved. Tom Hogan, representing Martinez Marina LP, has agreed to begin final negotiations with the City on the Sublease. Construction plans for the phased reconstruction of the marina can begin as the \$2,973,000 loan will be released.

Based upon the above discussion, the following steps will allow the City to satisfy the DBW requirements and secure the necessary funding for its portion of the reconstruction of the Marina:

- A. Agree to new terms of the 1959/1960 loan (\$1.3 million)
 1. Begin interest only payments in 2015
 2. Full payments (interest and principal) in 2020
 3. Payment in full in 2042

- B. Seek approval of \$338,000 of the \$3.375 million loan and conceptual approval of the full loan amount at the February 26, 2009 DBW Commission meeting.

- C. Provide collateral for the debt service on new and outstanding loans
 1. Draft a Security Agreement
 2. Set-up a special separate bank account from City General Fund fund balance that is revenues do not meet the debt service in any given year
 3. Replenish the above described account if needed to keep a constant balance of \$350,000

- D. Return to the DBW Commission to request the additional \$3,037,000 in fiscal year 2010/2011 or sooner.

DBW has supported the City's Marina since 1959 awarding loans totaling \$5,948,000. DBW staff continues to share the Marina vision with a recommendation to their Commission to approve the initial \$338,000 with the expectation of an approval of the remaining \$3,037,000 in fiscal year 2010/2011.

FISCAL IMPACT:

\$350,000 from the General Fund fund balance will be needed to fund the separate bank account requested by DBW to meet DBW's new collateral requirement.

ACTION:

Approve the resolution authorizing the creation of a separate bank account in the amount of \$350,000 from the General Fund fund balance to satisfy the DBW collateral requirement.

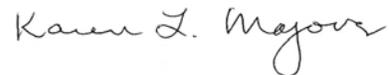
Attachment: Resolution

APPROVED BY:



City Manager
&

APPROVED BY:



Assistant City Manager Community
Economic Development

RESOLUTION NO. -09

**AUTHORIZE THE CREATION OF A SPECIAL BANK ACCOUNT
IN THE AMOUNT OF \$350,000 FROM GENERAL FUND FUND BALANCE
AS COLLATERAL FOR DEBT SERVICE ON NEW AND OUTSTANDING
DEPARTMENT OF BOATING AND WATERWAYS LOANS**

WHEREAS, the City Council wishes to continue the improvements being made at the Martinez Marina; and

WHEREAS, a new, additional loan in the amount of \$3,375,000 is needed to cover the City's construction obligations under the long-term sublease with Martinez Marina, LP; and

WHEREAS, these improvements include 1) breakwater repair, 2) breakwater extension, 3) dredging to the original Marina basin depths and 5) shared cost of utilities, landscaping and additional parking; and

WHEREAS, the Department of Boating and Waterways has agreed to present a loan in the amount of \$3,375,000: \$338,000 funded from its 2008/2009 fiscal year and the remainder of \$3,037,000 in a future fiscal year, as State funding allows, to its Commission for approval on February 26, 2009; and

WHEREAS, a new collateral condition of \$350,000 has been imposed to cover outstanding and new loan debt; and

WHEREAS, the collateral must be in a special bank account to which \$350,000 is assigned.

NOW, THEREFORE, BE IT RESOLVED that the Martinez City Council hereby approves the creation of a special bank account accessible by both the City and the Department of Boating and Waterways in the amount of \$350,000 taken from General Fund Fund Balance.

* * * * *

I HEREBY CERTIFY that the foregoing is a true and correct copy of a resolution duly adopted by the City Council of the City of Martinez at a Regular Meeting of said Council held on the 18th day of February 2009 by the following vote:

AYES:

NOES:

ABSENT:

RICHARD G. HERNANDEZ, CITY CLERK
CITY OF MARTINEZ