

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

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MEMORANDUM

Date: February 26, 2009
To: Harbor Commission
From: John N. Bridley, Waterfront Director
Subject: Fiscal Year 2010 Budget Overview

RECOMMENDATION:

That Harbor Commission receive a report on the development status of the Fiscal Year 2010 Waterfront Department operating and capital budget.

EXECUTIVE SUMMARY

Budget Balancing Strategy

As an Enterprise Fund the Waterfront Department does not receive tax revenue as is the case with City General Fund Departments. Instead, the Department balances its budget by cutting expenditures, including capital expenditures, and adjusting user fees to maintain emergency and capital development reserves at required levels for six years into the future. Due to declining revenues expected in FY 2009 and FY 2010, the Waterfront Department will need to cut supplies and services in the operating fund, comply with a City-wide unpaid 2½ week employee work furlough for the next two years, reduce and eliminate scheduled and approved capital improvement projects, and increase parking and marina fees.

The Department is proposing operating fund expense reductions of \$553,000 and fee increases of \$579,000 for FY 2010. The Department will also need to eliminate and /or reduce capital projects by \$170,000 in FY 2010 to meet revenue shortfalls.

Shifting the cost of Parks and Recreation programs—most likely the beach grooming program and/or the beach lifeguard program—to the Waterfront Department is also under consideration; details of the funding amounts and how the programs would be managed are unknown at this time, but should be known by the March Commission meeting.

Staff met with the Harbor Commission Budget Committee (Commissioners Kelly and Watson) at a publicly-noticed meeting on February 17 to discuss the FY 2010 budget. No members of the public attended the meeting.

ATTACHMENT

DISCUSSION:

Significant Issues Affecting FY 2010 Budget

For the Waterfront Enterprise, prior years' budgets have been dominated by operating expense increases and not revenue shortfalls. Fiscal Year 2009 and 2010 will be different. As shown on Attachment 1, the ongoing national economic crisis has adversely affected all four sources of Waterfront Department revenue; property management (percentage rent income and low Cost-of-Living base rent increases), financial management (interest income), parking services, and marina management (primarily slip transfer fees).

Proposed staffing changes

The Department will continue to operate with 46 full time employees; no new positions or reclassifications are under consideration. Hourly positions have been reduced in several programs including Parking, Harbor Maintenance and Wharf Maintenance.

Revenue Assumptions for FY 2009

The projected revenues for FY 2009 were evaluated at mid-year using a 3-year seasonally adjusted average using the method developed with Finance Department staff. However, due to the economic climate, the three year average methodology may not be as reliable a method for forecasting FY 2009 revenue as it has been for prior years. As of January 31, 2009, (58% of the year) Waterfront revenue is at 59% of budget and \$275,000 (4%) below actual revenue received by January 31, 2008. Staff projects that revenue will be \$500,000 below budget and below last year's revenue in June 30, 2009.

Revenue Assumptions and Variances for FY 2009

The most significant variance is in the Marina Management / Slip Transfer Fee line item, which was budgeted at \$688,500 for the year. As of January 31, 2009, only \$179,800 has been received for slip transfer fees compared to \$380,175 for the same time last year. It is expected that Waterfront will be approximately \$480,000 under budget for slip transfer fees alone.

EXPENDITURE ANALYSIS

As of January 31, 2009, (58% of the way through FY09) Waterfront has spent \$6,731,521 or 55% of its adopted budget. Therefore, it is anticipated that Waterfront will meet its FY09 budgeted expenditures. Waterfront does not expect any significant variances in FY 2009 expense projections at the program or Departmental level.

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Program Reductions for FY 2010

| | FY 2009 <u>Budget</u> | FY 2010 <u>Proposed</u> | \$ 09/10 | % 09/10 |
|---|--------------------------|----------------------------|-----------------|---------------|
| Salaries- Full Time | 3,078,569 | 3,131,159 | 52,590 | 1.71% |
| Salaries- Hourly | 809,712 | 734,206 | -75,506 | -9.33% |
| Benefits | 1,607,590 | 1,654,162 | 46,572 | 2.90% |
| Furlough (13 days) | | -156,558 | -156,558 | |
| Subtotal Salaries & Benefits | 5,495,871 | 5,362,969 | -132,902 | -2.42% |
| Discretionary Supplies & Services (1) | 2,259,816 | 2,047,221 | -212,595 | -9.41% |
| ICS, Allocated Costs, Overhead Allocation (2) | 1,518,043 | 1,358,873 | -159,170 | -10.49% |
| Appropriated Reserve | 150,000 | 100,000 | -50,000 | -33.33% |
| Debt Service | 1,592,259 | 1,593,438 | 1,179 | 0.07% |
| Total Operating | 11,015,989 | 10,462,501 | -553,488 | -5.02% |

- (1) Includes Wharf Woody and Equipment
 (2) Includes Parks Landscape Maintenance

Revenue Assumptions for FY 2010

For the most part, FY 2010 revenue is forecast as being flat (equivalent to FY 2009 expected) except line items that may be subject to fee increases. The Finance Department forecast FY 2010 interest revenue at \$125,000 for the Waterfront operating fund.

The Department is considering the following fee increases to meet the expected FY 2009/2010 revenue shortfalls:

| | |
|--|------------------|
| • Hourly parking fee increase from \$1.50 to \$2.00 | \$223,079 |
| • Stearns Wharf parking fee increase from \$2 to \$2.50/hour | 49,033 |
| • Slip transfer fee increase \$25 per foot (except 20' slips) | 50,000 |
| • Slip rental fee increase by 2% | 70,707 |
| • Visitor slip fee increase from \$0.60/night to \$0.90/night (Commercial fishermen \$0.60/night to \$0.70/night) | 181,737 |
| • Six passenger charter permits increase from \$100/year to \$250 | 2,400 |
| Total | \$576,956 |

The following fee adjustments are also under consideration, but do not generate significant revenue:

- Meeting room rentals: \$25/hr \$100 day maximum to \$50/hour \$200/day max
- Dockage fee: \$0.40 to \$0.50 per foot per tie-up per day
- Administrative processing fee (slip trades, etc.) \$25 to \$50
- Maximum all day vehicle parking fee increase from \$9 to \$10
- Maximum all day trailer parking fee increase from \$6 to \$8

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As with previous years, a survey of 19 marinas is being conducted this month to help determine how Santa Barbara slip rental rates and various other fees compare with other publicly-operated harbors.

Potential Funding Shift

As the Commission is aware, the City's General Fund is experiencing significant revenue declines for the upcoming year. Based on several different budget balancing scenarios, it is likely that the cost of certain Parks and Recreation programs (most likely the beach grooming program and/or the beach lifeguard program) will be shifted to the Waterfront Department. As of the packet distribution deadline for the February 26, 2009, Harbor Commission meeting, a cost allocation amount has not been determined and is therefore not included in this budget report. Additional program cuts, capital program cuts and fee increases will likely be needed to compensate for any proposed funding shifts. Information on the effects of the potential funding shifts and several alternative methods to deal with them will be provided at the March Harbor Commission meeting.

- Attachments: 1. July-January Year-To-Date Revenue FY08/FY09
2. Six-Year Cash Flow Model: Baseline w/o Parks Funding Shift

Prepared by: Scott Riedman, Waterfront Business Manager

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Waterfront Department Year-to-Date Revenue

| | FY 2009 | FY 2008 | | |
|----------------------|------------------|------------------|-----------------|-----------------|
| | July-Jan | July-Jan | \$ | % |
| | <u>Actual</u> | <u>Actual</u> | <u>Variance</u> | <u>Variance</u> |
| Property Management | 2,631,503 | 2,706,876 | -75,373 | -2.8% |
| Financial Management | 210,864 | 235,157 | -24,293 | -10.3% |
| Parking Services | 1,134,522 | 1,151,023 | -16,501 | -1.4% |
| Marina Management | 2,769,041 | 2,927,967 | -158,926 | -5.4% |
| Total | 6,745,930 | 7,021,023 | -275,093 | -3.9% |

ATTACHMENT # 1

ATTACHMENT

WATERFRONT DEPARTMENT
Cash Flow Analysis
Fiscal Years 2006 - 2015

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Baseline

\$5,550,000 loan from DBW at 4.5% / \$25 per foot slip transfer fee increase every year, 50% visitor fee inc 2010, hourly parking increase to \$2 FY2010

| Operating Revenue | Actual 2006 | Actual 2007 | Actual 2008 | Budget 2009 | Expected 2009 | 2.0% | | | | | 2015 | | |
|------------------------------|-------------|--------------|--------------|-------------|---------------|--------------|--------------|------------|------------|------------|------|--|--|
| | | | | | | 2010 | 2011 | 2012 | 2013 | 2014 | | | |
| Leases | | | | | | | | | | | | | |
| Commercial | 1,123,892 | 1,262,881 | 1,340,498 | 1,300,992 | 1,338,598 | 1,351,984 | 1,379,024 | 1,406,604 | 1,434,737 | 1,463,431 | | | |
| Food Service | 2,009,969 | 2,124,705 | 2,187,782 | 2,150,524 | 2,112,225 | 2,133,347 | 2,176,014 | 2,219,834 | 2,261,928 | 2,309,204 | | | |
| Waterfront Center | 411,509 | 438,457 | 462,501 | 435,449 | 473,219 | 473,219 | 473,219 | 473,219 | 473,219 | 473,219 | | | |
| Leases - Other | 125,887 | 121,276 | 241,227 | 134,034 | 181,161 | 138,082 | 140,843 | 143,660 | 146,534 | 149,464 | | | |
| Ice Machine | | | | | 6,579 | 6,750 | 6,954 | 7,093 | 7,235 | 7,380 | | | |
| Misc Revenue | 77,051 | 94,206 | 82,195 | 94,493 | 43,919 | 87,549 | 88,424 | 91,997 | 93,837 | 95,714 | | | |
| CAM Reimbursements | | | | | 85,997 | 94,000 | 96,839 | 98,776 | 100,751 | 102,756 | | | |
| Total Leases | 3,748,408 | 4,041,525 | 4,314,202 | 4,115,492 | 4,241,698 | 4,286,815 | 4,363,087 | 4,440,884 | 4,520,237 | 4,602,959 | | | |
| Service Charges | | | | | | | | | | | | | |
| Slip Fees | 3,294,295 | 3,409,520 | 3,457,237 | 3,335,370 | 3,529,507 | 3,606,077 | 3,678,199 | 3,751,763 | 3,826,798 | 3,903,334 | | | |
| Slip Transfer Fees | 627,950 | 673,600 | 606,375 | 688,500 | 200,000 | 250,000 | 277,750 | 300,000 | 400,000 | 500,000 | | | |
| Visitor Fees | 465,283 | 482,945 | 524,271 | 442,690 | 518,263 | 700,000 | 731,140 | 735,563 | 730,274 | 765,280 | | | |
| Other | 386,685 | 412,019 | 407,134 | 409,787 | 372,921 | 363,909 | 374,900 | 382,398 | 390,046 | 397,847 | | | |
| Total Marina Management | 4,774,213 | 4,978,084 | 4,995,017 | 5,076,347 | 4,620,691 | 4,919,986 | 5,147,803 | 5,344,759 | 5,544,654 | 5,744,327 | | | |
| Parking Fees | 1,654,853 | 1,754,236 | 1,860,564 | 1,879,854 | 1,807,922 | 2,100,721 | 2,142,735 | 2,185,590 | 2,229,302 | 2,275,888 | | | |
| Interest/Financial Mgmt | 281,429 | 392,958 | 392,166 | 276,019 | 331,156 | 125,000 | 128,775 | 131,351 | 133,978 | 136,657 | | | |
| Rebates (Expense Reductions) | | | | | | | | | | | | | |
| Other Revenues | 126,392 | 121,294 | 69,506 | 85,832 | | | | | | | | | |
| Total Operating Revenue | 10,585,494 | 11,288,097 | 11,631,455 | 11,528,706 | 11,001,467 | 11,544,284 | 11,782,400 | 12,102,584 | 12,427,171 | 12,758,031 | | | |
| Salaries & Benefits | 4,780,275 | 4,986,697 | 5,096,152 | 5,495,871 | 5,495,871 | 5,519,527 | 5,615,864 | 5,784,340 | 5,937,870 | 6,136,606 | | | |
| Furloughs | | | | | | (156,558) | (158,527) | | | | | | |
| Supplies & Services | 3,257,442 | 3,114,247 | 3,366,195 | 3,375,799 | 3,375,799 | 3,093,269 | 3,184,911 | 3,264,534 | 3,346,147 | 3,429,801 | | | |
| Parks Landscape Maintenance | | 207,920 | 217,276 | 227,054 | 227,054 | 229,325 | 233,912 | 239,760 | 245,754 | 251,898 | | | |
| Parks Funding Shift | | | | | | | | | | | | | |
| MTD Wharf Shuttle | | | | | | | | | | | | | |
| Debt Service (Princ & Int) | 1,374,871 | 27,989 | 38,830 | 29,694 | 30,506 | | | | | | | | |
| Other Transfers | 1,918 | 1,372,913 | 1,376,412 | 1,368,759 | 1,368,759 | 1,369,938 | 1,291,734 | 1,289,253 | 1,285,947 | 1,282,863 | | | |
| Debt Service for Chandyery | | | | | | | | | | | | | |
| Debt - Service - Repay GF | 100,000 | 100,000 | 123,500 | 123,500 | 123,500 | 123,500 | 123,500 | 123,500 | 123,500 | 123,500 | | | |
| Debt - Service - Marina One | | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | | | |
| Equipment & Software | 94,663 | 153,626 | 130,202 | 159,500 | 144,500 | 83,500 | 87,500 | 89,250 | 91,035 | 92,856 | | | |
| Other/Appropriated Reserves | 58,951 | 22,103 | | | | | | | | | | | |
| Total Operating Expenses | 9,668,120 | 10,120,566 | 10,470,670 | 10,880,177 | 10,865,989 | 10,362,501 | 10,510,894 | 10,922,636 | 11,377,402 | 11,684,676 | | | |
| Net operating gain / (loss) | \$ 917,374 | \$ 1,167,531 | \$ 1,160,785 | \$ 648,529 | \$ 135,478 | \$ 1,011,463 | \$ 1,033,390 | \$ 859,763 | \$ 725,182 | \$ 742,495 | | | |

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| Funding Sources | Year 1 | | Year 2 | | Year 3 | | Year 4 | | Year 5 | | Year 6 | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------|--------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Carry Forward | \$ 6,278,350 | \$ 4,828,828 | \$ 4,846,691 | \$ 4,860,099 | \$ 4,692,510 | \$ 4,719,630 | \$ 4,686,636 | | | | | |
| Re-Allocation of Reserves | | | | | | | | | | | | |
| Transfer to Capital Fund (FMS) | 100,000 | 61,400 | (61,328) | (43,290) | | | | | | | | |
| Interest - Harbor Preservation Fund | | | 156,347 | 150,938 | | | | | | | | |
| Other Income - HFP | | | | | | | | | | | | |
| Release of unused capital appropriations | | | | | | | | | | | | |
| Use of Capital Fund Reserves | | 75,000 | 1,000,000 | | | | | | | | | |
| Capital Projects - Grants | | 2,500,000 | | | | | | | | | | |
| Capital Projects - Loans | | 7,465,228 | 5,941,709 | 6,167,747 | 630,000 | 1,200,000 | 5,479,449 | 1,200,000 | 6,054,141 | 4,814,996 | | |
| TOTAL FUNDS AVAILABLE | 6,378,350 | 7,465,228 | 5,941,709 | 6,167,747 | 630,000 | 1,200,000 | 5,479,449 | 1,200,000 | 6,054,141 | 4,814,996 | | |
| Capital Projects | | | | | | | | | | | | |
| Breakwater Repairs | 800,000 | | | | | | | | | | | |
| Marina One Replacement | | 2,500,000 | | | | | | | | | | |
| Marina Maintenance Annual Repairs | 240,000 | 225,000 | 225,000 | 1,200,000 | 650,000 | 1,200,000 | 650,000 | 1,200,000 | 650,000 | 1,200,000 | | |
| Parking Lot Maintenance Program | 95,000 | 250,000 | 70,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 250,000 | |
| Stearns Wharf Annual Repair Program | 350,000 | 300,000 | 300,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 400,000 | |
| Renovate Stearns Wharf Kiosk | | | | | | | | | | | | |
| West Beach Dredging | | | | | | | | | | | | |
| Navy Pier - Heavy Timber Replacement | 80,000 | 80,000 | 80,000 | 350,000 | | | | | | | | |
| Repair Hoists 1, 2, 3 and 4 | | | | | | | | | | | | |
| Harbor ADA Restroom remodel | | 30,000 | 30,000 | 30,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 50,000 | |
| Replace Sump Pump - Marina One West Restroom | | | | | | | | | | | | |
| Stearns Wharf Waterline Replacement | | 50,000 | | | | | | | | | | |
| Replace Lift Station at Stearns Wharf | | 20,000 | 15,000 | 85,000 | 85,000 | 85,000 | 85,000 | 85,000 | 85,000 | 85,000 | 85,000 | |
| Seawall ADA Handrailing and Sidewalk repairs | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 50,000 | |
| 125 Harbor Way - new roof | 50,000 | | | | | | | | | | | |
| Replax Maximo with Cartograph | | | | | | | | | | | | |
| Upgrade Accom Dock | 10,000 | 40,000 | | | | | | | | | | |
| NEW | | | | | | | | | | | | |
| Solar Thermal | 40,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 70,000 |
| Launch Ramp Concrete (Grant) | | | | | | | | | | | | |
| Recoat PLR | | 75,000 | 1,000,000 | | | | | | | | | |
| 125 Windows and Decking | | | | | | | | | | | | |
| Marina 3 ADA | | 50,000 | 25,000 | | | | | | | | | |
| Replace Video Security System | | 35,000 | | | | | | | | | | |
| Parking - Point of Sale System | | | | | | | | | | | | |
| Breakwater Lights | | | | | | | | | | | | |
| Other Misc Projects | | 25,000 | | | | | | | | | | |
| TOTAL EXPENSES | 1,685,000 | 3,630,000 | 2,115,000 | 2,335,000 | 2,110,000 | 2,110,000 | 1,485,000 | 2,110,000 | 2,110,000 | 855,000 | | |
| NET SURPLUS / (DEFICIT) | \$ 4,693,350 | \$ 3,835,228 | \$ 3,826,709 | \$ 3,832,747 | \$ 3,944,141 | \$ 3,944,141 | \$ 3,994,449 | \$ 3,944,141 | \$ 3,944,141 | \$ 3,939,996 | | |
| Net Gain from Operating Fund | 155,478 | 1,011,463 | 1,033,390 | 859,763 | 723,182 | 742,495 | 723,182 | 742,495 | 723,182 | 721,687 | | |
| Reserves - June 30th | \$ 4,828,828 | \$ 4,846,691 | \$ 4,860,099 | \$ 4,692,510 | \$ 4,719,630 | \$ 4,686,636 | \$ 4,686,636 | \$ 4,686,636 | \$ 4,686,636 | \$ 4,681,684 | | |
| Operating Fund - Reserve Requirements | 2,192,266 | 2,240,915 | 2,344,471 | 2,410,202 | 2,477,790 | 2,547,290 | 2,619,722 | 2,692,266 | 2,769,766 | 2,847,266 | | |
| Harbor Preservation Fund | 2,636,562 | 2,605,776 | 2,515,628 | 2,282,309 | 2,241,840 | 2,139,346 | 2,061,961 | 2,061,961 | 2,061,961 | 2,061,961 | | |
| Assumptions: 1) Loan from DBW or other agency (Additional Debt Service) | \$ 4,828,828 | \$ 4,846,691 | \$ 4,860,099 | \$ 4,692,510 | \$ 4,719,630 | \$ 4,686,636 | \$ 4,686,636 | \$ 4,686,636 | \$ 4,686,636 | \$ 4,681,684 | | |
| Outlined projects have been deleted | | | | | | | | | | | | |
| Projects shown in bold italics have been reduced | | | | | | | | | | | | |
| Capital Outlay Transfer | | | | | | | | | | | | |
| Reserve Requirements Based upon upcoming fiscal year | | 1,055,000 | 1,115,000 | 1,135,000 | 895,000 | 910,000 | 855,000 | 855,000 | 855,000 | 855,000 | | |

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