

**CITY OF SANTA BARBARA WATERFRONT DEPARTMENT**

**MEMORANDUM**

**Date:** April 16, 2009  
**To:** Harbor Commission  
**From:** John N. Bridley, Waterfront Director  
**Subject:** **Fiscal Year 2010 Operating Budget Recommendation**

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**RECOMMENDATION:** That Harbor Commission:

- A. Receive a staff presentation on the Waterfront Department's proposed FY 2010 Budget submittal, including various budget scenarios requested by the Commission at the March 2009 meeting;
- B. Recommend approval of a \$25 per linear foot slip transfer fee increase in Fiscal Year 2010 on all slip categories except 20 foot slips;
- C. Recommend approval of a 4% slip fee increase in Fiscal Year 2010; and
- D. Forward a recommendation to City Council for approval of the Waterfront Department's proposed FY 2010 Budget and incorporation into the City budget process.

**BACKGROUND:**

On November 20, 2008, the Harbor Commission reviewed the Waterfront Department's six-year Capital Improvement Plan (CIP), and recommended Council approval of the Waterfront two-year CIP.

Harbor Commission received a FY 2009 Mid-Year Budget review on January 15, 2009, including a status report on budget performance for year-to-date, as well as a seasonally adjusted method for revenue projections.

On February 17, 2009, a publicly noticed meeting of the Commission's Budget Committee (Commissioners Kelly and Watson) convened at the Waterfront Marine Center Classroom with staff to review budget issues for fiscal years 2010 (July 1, 2009-June 30, 2010).

On February 26, 2009, the Commission received a detailed report on the development status of the proposed Fiscal Year 2010 Waterfront Department operating and capital budget.

On March 2, 2009, Department staff reviewed the draft budget submittal with the City Administrator and Finance Department staff.

On March 19, 2009, the Commission received a detailed report on the Waterfront Department staff recommendation for the FY2010 operating budget including program cuts, capital project

cuts, potential funding shifts to the general fund (Parks and Recreation Department), and fee increases to address the expected FY2009- FY2010 budget shortfall. At the March meeting, the Commission requested staff to develop an alternative budget scenario in which the fund shifts and budget shortfall would be met by cutting Department staffing levels by \$250,000 and/or \$500,000 annually instead of fee increases and capital program cuts.

## **DISCUSSION:**

### **Expenditure Adjustments**

At the February and March Harbor Commission meetings staff presented detailed overviews of the Department's proposed operating budget. To address the difficult economic times and expected revenue shortfall, the Department proposed adjustments to the FY2010 budget as follows:

Operating Fund Expense Reductions	\$553,000
Reduction of Capital Improvement Program (CIP)	\$170,000
Overall Fee Adjustments – Increases	\$577,000

No permanent staffing changes are proposed. However, hourly positions (temporary or seasonal) have been reduced by almost 9.5%. It is expected this reduction will result in over \$75,000 savings to the Department annually.

The Department is expecting that the City will negotiate and implement work furloughs to all City Departments during fiscal year 2010. These furloughs and how they will be implemented are currently being negotiated with employee unions and City Administration. It is expected that, if approved, the salary savings will be approximately 5% or \$150,000 annually. It has been discussed or contemplated that these furloughs may continue in 2011.

### **Revenue/Fee Increases**

Based on the mid-year review of revenue, the Department is expected to be \$500,000 under budget for FY2009. Revenue assumptions for FY2010 are expected to be similar to FY2009 resulting in an estimated shortfall of approximately \$500,000. Based on these declining or flat revenue forecasts the Department recommended the following budget adjustments to maintain reserves at required levels:

### **Baseline Scenario**

Operating budget reduction of \$553,000 in FY2010;  
Capital program reduction \$170,000 in FY2010, additional capital program reductions of \$395,000 FY 2011-2015 (Attachment 1)  
Fee increases of \$577,000 in FY2010;  
Hourly Parking Fee increase from \$1.50 to \$2.00/hour;

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Wharf Parking Fee increase from \$2.00 to \$2.50/hour (no change to 90-minute free w/ validation);

Slip Fee increase 2% in FY2010 and each year thereafter;

Visitor Slip fee increase 50% from \$ .60/foot/night to \$ .90/foot/night (except commercial fishing);

Slip transfer fee increase \$25/foot (\$225 to \$250 except 20' slips) in FY 2010 and each year thereafter.

Revenue generated from the proposed fee adjustments is summarized below:

• Hourly parking fee increase from \$1.50 to \$2.00	\$223,000
• Stearns Wharf parking fee increase from \$2 to \$2.50/hour	49,000
• Slip transfer fee increase \$25/foot (except 20' slips)	50,000
• Slip rental fee increase by 2%	70,000
• Visitor slip fee increase from \$ .60/night to \$0.90/night (Commercial fishermen\$ .60/night to \$ .70/night)	182,000
• Six passenger charter permits increase from \$100/year to \$250	3,000
<b>Total</b>	<b>\$577,000</b>

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: \$ .40 to \$ .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 \$12
- Maximum all day trailer parking fee increase from \$6 to \$8

### Program and Funding Shift

As discussed at the January 2009 Harbor Commission Budget Committee meeting and the February and March 2009 Harbor Commission meetings, a possible funding shift or a program responsibility shift involving the Waterfront Department and the Park and Recreation Department is expected as part of budget deliberations. Details of this program have been finalized and are proposed as follows:

1. Waterfront funding of summer beach lifeguard program:	\$147,000
2. Funding of July 4 <sup>th</sup> fireworks contract:	55,000
3. Waterfront takes over 3 restrooms and Dolphin Fountain:	33,000
4. Contingency for restrooms, fountain and fireworks:	<u>15,000</u>
<b>Total</b>	<b>\$250,000</b>

Staff has prepared an analysis of this budgetary program and funding shift to the Department's baseline budget. In order to pay for or absorb these program costs, the following changes to the submitted budget would be necessary:

#### **Park and Recreation Fund Shift Scenario**

All of the previously discussed program cuts and fee increases, plus:

Increase honor fee parking lots from \$2/three hours to \$3/ three hours;

4% slip fee increase in FY2010, 4% in FY2011, 3% in FY2012, (5% additional increase over three years) and 2% thereafter; and

Additional capital program cuts of \$200,000 FY2011-2015 for a total reduction of \$765,000 to the Department's 6-year CIP (Attachment 1).

The combination of operating fund reductions, capital program cuts and fee increases will maintain reserves at required levels as shown on the attached 6-year cash flow model (Attachment 2).

#### **Harbor Commission Budget Scenario Request**

At the March meeting, the Commission made two motions:

1. Reject the budget as proposed because it does not address the unsustainable salary and benefit package structure for Waterfront employees; and
2. Have staff resubmit the proposed operating budget showing staff and service reductions with two scenarios: one identifying \$250,000 in staff reductions including dollar amount of positions; and another scenario showing \$500,000 in additional staff reductions and how the department would deal with these staff reductions and the effects these staff reductions would have on services in the Harbor.

In response, staff developed two staff reduction/layoff budget scenarios. The first scenario includes eliminating the following positions in the Administration, Financial Management, Parking Services, Facilities Maintenance /Harbor, and Harbor Patrol programs:

1. Executive Assistant
2. Accounting Assistant
3. Assistant Parking Coordinator
4. Waterfront Maintenance Worker I
5. Night Wharfinger
6. Harbor Patrol Crew

The budget reduction or cost savings from these positions being eliminated and individuals being laid off would be \$352,000 in FY2010. This operational savings allows for the capital projects previously identified to be added back in and slip fee increases remain at the projected 2% in FY2010, FY2011 and FY2012 instead of the 4% in FY2010, 4% in FY2011 and 3% in FY2012.

The second scenario including \$713,000 in staffing cuts has been identified and developed but is not discussed in this report as the program/fund shift amount is now known to be equivalent to \$250,000.

The staff reduction/layoff scenario, combined with the “baseline” program cuts and fee increases discussed previously, will maintain reserves at required levels (Attachment 3) However, it must be noted that a 9% reduction in permanent staffing and additional hourly cuts in the Harbor Patrol program would have significant impacts on service levels (Attachment 4 - Service Impacts). Additionally, the Department has already submitted \$553,000 in operating budget reductions. Therefore, the Department is not recommending this method of addressing the budget shortfall created by the “program shift.”

The Waterfront Department has 46 full time, permanent employees. Based on a study of other Harbors’ budgets and staffing levels that the Commission requested in 2003, the Department confirmed that the staffing levels and operating costs were consistent with other harbors of similar size, budgets, etc. (Attachment 5).

### **Recommendation**

The staff recommendation is to forward to Council a recommended budget for FY2010 summarized as follows:

Operating Fund Expense Reductions	\$553,000
Reduction of Capital Improvement Program (CIP)	\$170,000
Overall Fee Adjustments – Increases	\$722,000

### **Summary**

It should be noted that this is a one-year budget proposal. If economic conditions improve, changes could be made to fees and/or the capital program as part of the FY2011 Budget process. It may be that additional fee increases over the next several years may not be necessary or as much as the projected amounts.

The City’s overall budget development and review process continues for several more months. The Council is expected to receive the submitted City Budget in mid to late April. Council reviews of City Department budgets will continue into May and early June. The Waterfront Department budget is tentatively scheduled for Council review at 3:00 p.m. on Monday, June 1, 2009. Council needs to adopt a final budget before July 1<sup>st</sup>. This will be a very challenging budget review and approval process.

- Attachment:
1. Reductions to Capital Improvement Program
  2. 6 year cash flow/recommended
  3. 6 year cash flow/layoff scenario
  4. Service impacts of eliminating positions
  5. 2003 Harbor budget survey