

NOV 19 2009
#10

	Rent & interest recovered	PWDM Fees recovered	Total Recovered	PWDM Fees Paid by City	Net Gain
1995	\$ 235,879.00	\$ 17,604.00	\$ 253,483.00	\$ 6,347.00	
1996	\$ 123,161.00	\$ 23,468.00	\$ 146,629.00	\$ 19,259.00	
1997	\$ 1,922.00	\$ 4,970.00	\$ 6,892.00	\$ 7,669.00	
1998	\$ 17,274.00	\$ 3,400.00	\$ 20,674.00	\$ 2,909.00	
1999	\$ 10,906.00	\$ 5,430.00	\$ 16,336.00	\$ 18,927.00	
2000	\$ 19,306.00	\$ 2,500.00	\$ 21,806.00	\$ 18,461.00	
2001	\$ 8,882.00	\$ 2,620.00	\$ 11,502.00	\$ 37,610.00	
2002	\$ 16,460.00	\$ 3,400.00	\$ 19,860.00	\$ 2,775.00	
2003	\$ -	\$ 2,775.00	\$ 2,775.00	\$ 25,267.00	
2004	\$ 15,637.00	\$ 4,000.00	\$ 19,637.00	\$ 25,291.00	
2005	\$ 1,157.00	\$ -	\$ 1,157.00	\$ 30,440.00	
2006	\$ 655.00	\$ -	\$ 655.00	\$ 35,390.00	
2007	\$ 5,950.00	\$ 3,539.00	\$ 9,489.00	\$ 24,644.00	
2008	\$ 22,712.00	\$ 3,539.00	\$ 26,251.00	\$ 32,203.00	
2009	\$ 805.00	\$ -	\$ 805.00	\$ 29,760.00	
Total	\$ 480,706.00	\$ 77,245.00	\$ 557,951.00	\$ 316,952.00	\$ 240,999.00


	Total Recovered	PWDM Fees Paid by City	Unrecovered Cost	Yearly Totals of Unrecovered Cost
1995	\$ 253,483.00	\$ 6,347.00		
1996	\$ 146,629.00	\$ 19,259.00		
1997	\$ 6,892.00	\$ 7,669.00	(\$797.00)	(\$133,527.00) 13 year
1998	\$ 20,674.00	\$ 2,909.00	\$17,765.00	(\$132,730.00)
1999	\$ 16,336.00	\$ 18,927.00	(\$2,591.00)	(\$150,495.00) 11 year
2000	\$ 21,806.00	\$ 18,461.00	\$3,345.00	(\$147,904.00)
2001	\$ 11,502.00	\$ 37,610.00	(\$26,108.00)	(\$151,249.00) 9 year
2002	\$ 19,860.00	\$ 2,775.00	\$17,085.00	(\$125,141.00)
2003	\$ 2,775.00	\$ 25,267.00	(\$22,492.00)	(\$142,226.00) 7 year
2004	\$ 19,637.00	\$ 25,291.00	(\$5,654.00)	(\$119,734.00)
2005	\$ 1,157.00	\$ 30,440.00	(\$29,283.00)	(\$114,080.00) 5 year
2006	\$ 655.00	\$ 35,390.00	(\$34,735.00)	(\$84,797.00)
2007	\$ 9,489.00	\$ 24,644.00	(\$15,155.00)	(\$50,062.00) 3 year
2008	\$ 26,251.00	\$ 32,203.00	(\$5,952.00)	(\$34,907.00)
2009	\$ 805.00	\$ 29,760.00	(\$28,955.00)	(\$28,955.00) 1 year
Total	\$ 557,951.00	\$ 316,952.00	\$7,671	
Net Gain		\$ 240,999.00		Annual Average Recovered Last 5 Years

ATTACHMENT #1

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

JUL 16 2009
#5
NOV 19 2009
#10

Date: July 16, 2009
To: Harbor Commission
From: John N. Bridley, Waterfront Director 
Subject: Business Services Report - General Update

LEASE AUDITS

Since 1995, the firm of Pyne, Waltrip, Decker, & McCoy has conducted revenue examinations ("audits") for the Waterfront Department. Pyne/Waltrip also provides auditing services to the Airport Department, Finance Department, and occasionally for tenants of the Parks and Recreation Department.

Since many Waterfront tenants calculate their monthly rent based on a percentage of gross sales, the audit program helps ensure that sales are reported fully and rents are calculated accurately.

The Department's policy is to audit each tenant every three to four years, and prior to a lease renewal or lease assignment. Pyne, Waltrip, Decker & McCoy provides a report at the conclusion of each audit that lists accounting recommendations, and indicates if any additional rent is due.

Audits ordered during Fiscal Year 2009 are summarized as follows:

<u>Business</u>	<u>Status</u>
Harbor Marine Works	Completed January 2009
The Store at Brophys	Completed February 2009
McCormix	Completed March 2009
Capt Don's	Completed April 2009
Paddle Sports	Completed June 2009
Deep Blue Sea	Completed June 2009
Nature's Own	Completed June 2009
Harbor Market	Completed June 2009

The businesses audited during FY 2009 were primarily audited for rent paid during the three-year period from January 2005 to December 31, 2007. Total rent paid by the tenants during the audited period was approximately \$716,561, of which \$181,631 (25%) was percentage rent and the balance (\$534,930 or 75%) was base rent.

ATTACHMENT #2

JUL 16 2009 #5
NOV 19 2009 #10

New tenants are provided with information indicating the types of records which must be maintained to remain in compliance with the lease. Waterfront leases require tenants to retain documents such as bank statements, State and Federal tax returns, and supporting documentation for a period of five years.

The audits currently cost the Department \$3,720 each. Waterfront leases require a tenant to pay for the audit fees if gross sales have been understated by more than two percent (2%) in a calendar year and past due rents are owed as a result. Since Pyne/Waltrip began the lease audit program in 1995, the Department spent \$316,952 on the audit program and recovered \$557,146 in past due rents, late fees, and audit fees (Attachment).

Attachment: Summary of Revenue Examination Results

Prepared by: Scott Riedman, Waterfront Business Manager



Summary of Audit Results
1995-2009

JUL 16 2009
#15
NOV 19 2009
#10

Rent & Interest Recovered	\$ 480,706.00
Auditor's Fees Recovered	\$ <u>77,245.00</u>
Total Revenue Recovered	\$ 557,951.00
Total Expense	\$ 316,952.00
Net Gain	\$ 240,999.00

ATTACHMENT #2

ATTACHMENT