

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: February 18, 2010
To: Harbor Commission
From: John N. Bridley, Waterfront Director
Subject: **Fiscal Year 2011 Budget Overview**

RECOMMENDATION: That Harbor Commission:

- A. Receive a report on the development status of the Fiscal Year 2011 Waterfront Department operating and capital budget; and
- B. Provide comments and direction on the various components of the draft budget proposal.

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 reducing expenditures, including capital expenditures, and adjusting user fees to maintain emergency and capital development reserves at required levels for six years into the future. Since revenue has stabilized in FY 2010 compared to FY 2009, the Waterfront Department does not anticipate the need to cut supplies and services in the operating fund to the same extent as last year. It is expected that the Waterfront Department will still be subject to an unpaid 2½ week employee work furlough for the second year in a row (Police and Fire Departments and Harbor Patrol were not previously subject to the mandatory furlough). As a result of last year's funding and program shifts from the General Fund to the Waterfront Department (Beach Lifeguard program, July 4th fireworks, three public restrooms, Dolphin Fountain maintenance, etc.) and the upcoming debt service for the Marina One reconstruction, the Department will leave several capital improvement projects unfunded, and will need to increase marina fees including slip fees and slip transfer fees.

To meet expenditures, the Department is proposing a 4% slip fee increase for FY 2011. Additionally, the Department is proposing new slip rate categories for thirty-eight 60 foot and larger slips and end ties, which have historically been charged the same rates as 50 foot slips. The Department will also need to leave \$1.9 million in future capital improvement projects unfunded to keep reserves at minimum required levels five to six years out.

Staff met with the Harbor Commission Budget Committee (Commissioners Kelly and Cramer) at a publicly-noticed meeting on February 3, 2010 to discuss the FY 2011

budget including program expenditures, the potential 4% slip fee increase and the new rate categories for 60 foot and larger berths. The Budget Committee supported the concept of the new rate for 60 foot and larger slips and end ties. The Committee also expressed interest in having staff research and produce an analysis of slip fees by square footage of the berth and comparing that to the current method of categorizing slip fees by lineal foot. No members of the public attended the Budget Committee meeting.

DISCUSSION:

Significant Issues Affecting FY 2011 Budget

The Waterfront budget needs to address operating expense increases as well as revenue shortfalls. As shown on Attachment 1, the ongoing national economic crisis has adversely affected property management (percentage rent income and low / negative Cost-of-Living base rent adjustments), and financial management / interest income compared to FY 2009. August 1, 2010 marks the beginning of the new debt service payment of \$143,000 to the State Department of Boating and Waterways for the Marina 1 loan; the new debt service payment will increase each year and is expected to reach \$422,500 per year by 2016 as the Marina 1 Replacement Project progresses through the first five phases of construction (6-year cash flow model/ Attachment 2).

Proposed Staffing

The Department will continue to operate with 46 full time employees; no new positions or reclassifications are under consideration as part of the FY 2011 budget submittal. However, a Wharf Maintenance Supervisor position was eliminated and a Wharf Maintenance Crew Leader position was created at mid year FY 2010, resulting in a minor annual reduction in the salaries & benefits line item. Hourly positions have been reduced in the Marina Management program due to a permanent staff member returning from a leave of absence. Hourly positions have been increased in the Wharf Maintenance program due to the Waterfront Department assuming maintenance of the public restrooms at the foot of Stearns Wharf and adjacent to the Chamber of Commerce Visitor Center as well as maintaining the Dolphin fountain. Hourly staffing levels in the Parking, Harbor Patrol, and Harbor Maintenance programs will remain unchanged.

Revenue Assumptions for FY 2010

As reported at the January 21, 2010 Harbor Commission meeting, projected revenues for FY 2010 were evaluated at mid-year using a 3-year seasonally adjusted average. As of December 31, 2009, (50% of the year) Waterfront revenue is at 54% of budget and \$375,000 (6%) above actual revenue received by December 31, 2008. If the trend continues, revenue will be at or near budget estimates by June 30, 2010. However, the extended periods of stormy weather in January and February will have a negative effect on Property Management and Parking revenue, and revenue projections may fall below mid-year expectations as a result.

Revenue Assumptions and Variances for FY 2010

The most significant variance is the positive variance in the Marina Management / Slip Transfer Fee line item, which was budgeted at \$250,000 for the year. As of December 31, 2009, \$300,875 had been received for slip transfer fees compared to \$169,500 for the same time last year. In the Property Management program, commercial and food service lease revenue is down by \$116,000 (5.5%) compared to last year.

Expenditure Analysis

As of December 31, 2009, (50% of the way through FY10) Waterfront had spent \$6,469,547 or 54% of its adopted budget. Therefore, it is anticipated that Waterfront will finish the year within its FY 2010 budgeted expenditures. Waterfront does not expect any significant variances in FY 2010 expense projections at the program or Departmental level.

Program Expenditures for FY 2011

Waterfront Expenditures

by program

	FY 2010 <u>Budget</u>	FY 2011 <u>Proposed</u>	Variance <u>\$10/11</u>	Variance <u>% 10/11</u>
Administration (1)	4,479,057	4,665,722	186,665	4.17%
Property Management (2)	233,358	247,140	13,782	5.91%
Financial Management (3)	196,557	192,070	-4,487	-2.28%
Parking Services (3)	923,100	896,958	-26,142	-2.83%
Harbor Patrol (4)	1,833,413	1,946,595	113,182	6.17%
Marina Management (3)	296,063	279,800	-16,263	-5.49%
Harbor Maintenance (5)	2,649,730	2,694,241	44,511	1.68%
Wharf Maintenance (6)	941,328	953,936	12,608	1.34%
Facilities & Capital Design (3)	254,429	251,551	-2,878	-1.13%
	11,807,035	12,128,013	320,978	2.72%

(1) Includes new DBAW debt service & \$200K increase in Capital Outlay Transfer.

(2) Increase in Advertising & Promotions line item.

(3) Salary & Benefits savings due to furlough.

(4) Negotiated salary adjustment.

(5) Janitorial contract, CAM expenses, lot sweeping contract.

(6) Janitorial supplies & utilities for new restrooms.

Waterfront Expenditures

Summary

	FY 2010	FY 2011		
	<u>Budget</u>	<u>Proposed</u>	<u>\$10/11</u>	<u>% 10/11</u>
Salaries & Benefits (1)	5,519,527	5,556,390	36,863	0.67%
Supplies & Services	1,963,721	2,027,174	63,453	3.23%
ICS & Allocated Costs (2)	1,368,872	1,317,977	-50,895	-3.72%
Capital Outlay (3)	1,056,105	1,256,105	200,000	18.94%
Debt Service	1,593,441	1,665,998	72,557	4.55%
Equipment & Software	83,500	77,500	-6,000	-7.19%
Special Projects & Community Promotions (4)	121,869	126,869	5,000	4.10%
Appropriated Reserve	100,000	100,000		
Total w capital outlay	<u>11,807,035</u>	<u>12,128,013</u>	<u>320,978</u>	<u>2.72%</u>
w/o capital outlay	10,750,930	10,871,908	120,978	1.13%

(1) Includes 5% furlough.

(2) Refer to attachment 3.

(3) Transfers to fund Capital Projects.

(4) Beach Lifeguard program & July 4th fireworks (new FY2010).

Potential Slip Fee Revenue- 60 foot slips and larger end ties

All slip lengths between 20 and 50 feet are charged monthly fees based on a step scale (the larger the slip, the higher the per-foot fee), but 60 foot slips and larger end ties are subject to the 50 foot rate which is the top of the Department's current fee scale (Attachment 4). Currently, a 100 foot end tie is subject to the same per-foot rate as a 50 foot slip. It is logical that 60 foot slips and larger end ties should be subject to a higher per-foot fee, consistent with all the other slip size categories (20'-50').

The average percentage of fee increase between slips separated by ten feet in length (i.e. 20' vs. 30', 30' vs. 40', etc.) is 8.5%. The Department recommends establishing new fee categories in which a 60 foot berth fee will be 8.5% higher per foot than a 50 foot berth, a 70 foot end tie fee will be 8.5% higher per foot than a 60 foot slip/end tie, an 80 foot end tie fee will be 8.5% higher than a 70 foot end tie, a 90 foot end tie fee will be 8.5% more than an 80 foot end tie, and a 100 foot end tie fee will be 8.5% more than a 90 foot end tie. In all cases, 50 foot and larger end ties are the most desirable berthing locations in Santa Barbara Harbor.

Revenue Assumptions for FY 2011

For the most part, FY 2011 revenue is forecasted to be flat (equivalent to FY 2010 expected) except line items that may be subject to fee increases (slip transfers and slip fees). The Department is considering the following fee increases:

Slip transfer fee increase \$25/foot (except 20'slips)	\$50,000
Slip fee increase 4%	\$147,000
New rate categories for 60' and larger berths	<u>\$40,542</u>
Total	\$237,542

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. The completed survey will be available at the March Harbor Commission meeting.

Capital Projects

As reported in greater detail at the November 19, 2009, Harbor Commission meeting, the Waterfront Department will fund \$2,555,000 in capital projects in FY 2010. The replacement of O and P fingers in Marina 1 will be funded by a \$1,200,000 installment of the approved loan from the California Department of Boating and Waterways (DBAW). The Department has also applied for an \$800,000 grant from DBAW to replace the concrete launch ramp in 2011 and 2012. Staff is also optimistic that a large portion of the \$325,000 estimated for the West Beach Dredging can be funded by other agencies and the sand from West Beach will be used to help replenish sand lost at Goleta Beach.

Waterfront Department Capital Projects

FY 2011

Marina 1- O & P dock replacement (loan)	1,200,000
Marina Renovation	225,000
Parking Lot Maintenance	70,000
Stearns Wharf Heavy Timber Replacement	300,000
West Beach Dredging	325,000
Repair Fish Hoist	30,000
Harbor Restroom ADA Remodel	50,000
Replace lift station at Stearns Wharf	15,000
Seawall ADA handrail / sidewalk repairs	20,000
Solar Thermal upgrade	30,000
Launch ramp concrete (grant)	100,000
125 building windows and decking	90,000
Marina 3 ADA	25,000
Waterfront Center Building renovation	<u>75,000</u>
Total	2,555,000

Fiscal Year 2011 Budget Overview

February 18, 2010

Page 6

Staff will present a PowerPoint presentation covering the Waterfront Department budget development status at the February 18 Harbor Commission meeting.

Attachments: 1. July-January Year-To-Date Revenue FY09/FY10
2. Six-Year Cash Flow Model
3. ICS and Overhead Allocation programs
4. Existing and proposed slip fee categories

Prepared by: Scott Riedman, Waterfront Business Manager