

**CITY OF SANTA BARBARA WATERFRONT DEPARTMENT**

**MEMORANDUM**

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

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**RECOMMENDATION:** That Harbor Commission:

- A. Receive a staff presentation on the Waterfront Department's proposed Fiscal Year 2011 Budget submittal;
- B. Recommend approval of a \$25 per linear foot slip transfer fee increase in Fiscal Year 2011 on all slip categories except 20 foot slips;
- C. Recommend approval of a 4% slip fee increase in Fiscal Year 2011;
- D. Recommend approval of new rate categories for 60 foot and larger slips and end ties; and
- E. Forward a recommendation to City Council for approval of the Waterfront Department's proposed Fiscal Year 2011 Budget and incorporation into the City budget process.

**BACKGROUND:**

On November 19, 2009, the Harbor Commission reviewed the Waterfront Department's six-year Capital Improvement Plan (CIP), and recommended Council approval of the Waterfront CIP. \$2,555,000 is proposed to fund capital projects in FY 2011, including \$1.3 million in loan and grant funding from the State Department of Boating and Waterways (DBAW).

The Harbor Commission received a FY 2010 Mid-Year Budget review on January 21, 2010, including a status report on actual revenues and expenditures from July 1-December 31, 2009, as well as a seasonally adjusted estimate for year-end revenue totals.

Publicly noticed meetings of the Commission's Budget Committee (Commissioners Kelly and Cramer) met at the Waterfront Department conference room with staff on February 3, 2010, and again on March 3, to review budget issues for FY 2011 (July 1, 2010-June 30, 2011). One member of the public attended the March 3 meeting.

On February 18, 2010, the Commission received a detailed report on the development status of the proposed FY 2011 Waterfront Department operating and capital budget.

On March 1, 2010, Department staff reviewed the draft budget submittal with the City Administrator and Finance Department staff.

**DISCUSSION:**

**FY 2011 Expenditures**

At the February 18 Harbor Commission meeting, staff presented a detailed overview of the Department’s proposed operating budget. At the March 1 meeting with the City Administrator and Finance Department representatives, Waterfront staff was given direction to remove salary reductions /furlough savings from the Department’s FY 2011 budget projections since the negotiations have not been completed with the various labor bargaining units (Police, Fire, Treatment and Patrol, Supervisors, General and Hourly employees).

Additionally, the Capital Outlay Transfer was reduced by \$285,000. This amount will be made up from funds remaining in the Department’s Capital Fund from previous projects that have finished under budget or that have been cancelled. As a result, expenditure figures have been revised on the following table:

**Waterfront Expenditures**

FY 2011 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         | 5,674,711         | 155,184        | 2.81%          |
| Supplies & Services                         | 1,963,721         | 2,251,016         | 287,295        | 14.63%         |
| ICS & Allocated Costs (2)                   | 1,368,872         | 1,094,385         | -274,487       | -20.05%        |
| Capital Outlay (3)                          | 1,056,105         | 970,742           | -85,363        | -8.08%         |
| Debt Service                                | 1,593,441         | 1,665,997         | 72,556         | 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           |                |                |
| <b>Total w capital outlay</b>               | <b>11,807,035</b> | <b>11,961,220</b> | <b>154,185</b> | <b>1.31%</b>   |
| <b>w/o capital outlay</b>                   | <b>10,750,930</b> | <b>10,990,478</b> | <b>239,548</b> | <b>2.23%</b>   |

(1) 5% furlough removed.

(2) Charges to Waterfront from inter- City service departments.

(3) Transfers to fund Capital Projects.

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

**FY 2011 Fee Adjustments - July 1, 2010**

As discussed at the February Harbor Commission meeting and the February and March Budget Committee meetings, the following fee adjustments are recommended:

- \$25 per foot slip transfer fee increase on all size categories except 20' slips;
- 4% slip fee increase; and
- New per foot rate categories for 60' and larger slips and end ties.

The new rate categories will apply to a total of 42 berths, including 33 sixty-foot slips and end ties, and 9 end ties in 70-100 foot lengths (Attachment 1).

### **FY 2011 Revenue**

Following the February 18 Harbor Commission meeting and the March 1 meeting with the City Administrator and Finance Department representatives, revenue projections have been revised downward slightly. The Property Management program revenue has been revised downward by \$36,000 in anticipation of continued decline in percentage rent revenue, and the Marina Management program has been revised downward by \$47,500, primarily due to anticipated construction impacts on visitor slip fee revenue as slip permittees' vessels are relocated during Marina 1 construction.

|                      | FY 2010<br><u>Budget</u> | FY 2011<br><u>Proposed</u> | Variance<br><u>\$10/11</u> | Variance<br><u>% 10/11</u> |
|----------------------|--------------------------|----------------------------|----------------------------|----------------------------|
| Property Management  | 4,249,057                | 3,983,458                  | -265,599                   | -6.25%                     |
| Financial Management | 125,000                  | 178,859                    | 53,859                     | 43.09%                     |
| Parking Services     | 2,157,597                | 2,178,741                  | 21,144                     | 0.98%                      |
| Marina Management    | <u>4,990,694</u>         | <u>5,372,826</u>           | <u>382,132</u>             | <u>7.66%</u>               |
| <b>Total</b>         | <b>11,522,348</b>        | <b>11,713,884</b>          | <b>191,536</b>             | <b>1.66%</b>               |

### **Harbor Commission Budget Committee**

At the March 3 meeting, the Budget Committee (Commissioners Kelly and Cramer) reviewed the Department's debt service obligations (Attachment 2) and details of the Department's Salaries and Benefits line item (Attachment 3).

Each year, the Department conducts a fee survey of 18 publicly and privately operated marinas in eight publicly operated harbors from Oceanside to Monterey. The survey consists of 26 questions covering slip fees, liveaboard fees, fees charged to visiting vessels, parking fees, utility charges, marina gate key charges, and others. Data from the survey comparing Santa Barbara slip fees to other harbors is attached at the Committee's request (Attachment 4).

### **Summary:**

The Harbor Commission advisory role on the Waterfront Department budget development is very important. In fact, as per the City Charter, it is required. Staff requests the Commission to consider the information, analysis and recommendations submitted and be prepared to both discuss and make recommendations at the March 2010 meeting, which will then be forwarded to Council. Staff has attached last month's staff report and

attachments to assist the Commission or provide background for questions or concerns (Attachment 5).

Included with this year's Harbor Commission recommendation to the City Council regarding the FY 2011 Waterfront Department Budget will be the Commission's November 17, 2009, action and recommendation on the Lease Audit Program. Because the Lease Audit Program is a component of the City's P-3 Program, which is adopted, evaluated and monitored as part of the FY 2011 Budget process, the Harbor Commission recommendation will be incorporated into this year's Department presentation. The adopted Harbor Commission recommendation is to reduce the number of tenant lease audits from eight to no more than three audits annually for the next three years.

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. Council needs to adopt a final budget before July 1<sup>st</sup>.

- Attachments:
1. Proposed slip fee rates by category
  2. Waterfront Debt Service obligations
  3. FY 2011 Salaries & Benefits
  4. Slip fee comparison
  5. February 18<sup>th</sup> Staff Report and Attachments

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