

## CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

### MEMORANDUM

**Date:** February 16, 2012  
**To:** Harbor Commission  
**From:** Scott Riedman, Waterfront Director  
**Subject:** **Fiscal Year 2013 Budget Update**

---

**RECOMMENDATION:** That Harbor Commission:

- A. Receive a report on the Fiscal Year 2013 Budget including approved fee increases, projected revenue and expenses, and capital projects; and
- B. Receive a report from the Harbor Commission Budget Committee meeting.

**DISCUSSION:**

As discussed at the January Harbor Commission meeting, no unfavorable trends were identified during the Fiscal Year 2012 mid-year budget review. Revenues are up compared to last year and revenue and expenditures are on track to meet budget expectations.

**Approved Fee Increases**

The following fee increases were recommended by the Commission and approved by Council as part of FY 2012/2013 two-year budget adoption:

- Slip fee increase of 2%
- Slip transfer fee increase of \$25 per linear foot (i.e. \$300 to \$325), except 20' slips
- No planned parking fee or annual parking permit fee increase

**Fiscal Year 2013 Revenue**

Fiscal Year 2013 revenue is forecast to be similar to the FY 2012 year end projection. The Property Management program has been increased to account for additional expected cruise ship visits (Cruise ship revenue is posted in the Property Management program because the passengers are routed through Harbor lessee Sea Landing).

The primary difference between FY 2012 and FY 2013 revenue is that all City departments received a one-time Workers Compensation Insurance rebate in FY 2012; the Waterfront Department's share was \$453,481. This rebate will not reoccur in FY 2013. The following table shows the Department's FY 2012 and FY 2013 revenue projections.

**Waterfront Department Revenue**  
 By Program

|                      | FY 2011<br>Actual<br>Year End | FY 2012<br>Adopted<br>Budget | FY 2012<br>Projected<br>Year End | FY 2013<br>Projected<br>Budget | Variance<br>FY12 v FY 13<br>\$ |
|----------------------|-------------------------------|------------------------------|----------------------------------|--------------------------------|--------------------------------|
| Property Management  | 4,185,515                     | 4,140,296                    | 4,379,464                        | 4,443,952                      | 64,488                         |
| Financial Management | 173,953                       | 185,859                      | 162,312                          | 163,000                        | 688                            |
| Parking Services     | 1,994,074                     | 2,158,450                    | 2,167,916                        | 2,150,240                      | -17,676                        |
| Marina Management    | 5,098,236                     | 5,265,432                    | 5,299,927                        | 5,239,472                      | -60,455                        |
| Worker's Comp Rebate |                               | 453,481                      | 453,481                          |                                | -453,481                       |
| <b>Total</b>         | <b>11,451,778</b>             | <b>12,203,518</b>            | <b>12,463,100</b>                | <b>11,996,664</b>              | <b>-466,436</b>                |

**Fiscal Year 2013 Expenditures**

Fiscal Year 2013 expenditures are preliminary at this time with some revisions expected next month. The variances between the FY 2012 amended budget and the FY 2013 budget are primarily due to furlough savings in FY 2012, which is not reflected in FY 2013, an increase in the Capital Outlay transfer to fund capital projects, and an increase in debt service associated with the loan from the Department of Boating and Waterways (DBW).

**Waterfront Department Expenditures**  
 Consolidated

|                               | FY 2012<br>Amended<br>Budget | FY 2013<br>Adopted<br>Budget | Variance<br>\$ | Variance<br>% |
|-------------------------------|------------------------------|------------------------------|----------------|---------------|
| Salaries & Benefits (1)       | 5,461,051                    | 5,711,062                    | 250,011        | 4.58%         |
| Supplies & Services           | 3,455,120                    | 3,480,147                    | 25,027         | 0.72%         |
| Community Promotions (2)      | 60,000                       | 60,000                       | 0              | 0.00%         |
| Capital Outlay Transfers (3)  | 934,483                      | 1,070,000                    | 135,517        | 14.50%        |
| Non Capitalized Transfers (4) | 117,500                      | 117,500                      | 0              | 0.00%         |
| Beach Lifeguard Service       | 77,020                       | 80,685                       | 3,665          | 4.76%         |
| Principal                     | 692,216                      | 741,425                      | 49,209         | 7.11%         |
| Interest                      | 1,084,573                    | 1,107,680                    | 23,107         | 2.13%         |
| Appropriated Reserve          | 100,000                      | 100,000                      | 0              | 0.00%         |
| <b>Total</b>                  | <b>11,981,963</b>            | <b>12,468,499</b>            | <b>486,536</b> | <b>4.06%</b>  |

(1) FY 2013 does not include furlough

(2) July 4 fireworks.

(3) Transfer to fund Capital Projects.

(4) Non-capitalized equipment and computer hardware.

## Capital Projects

The Department is prepared to proceed with the following approved capital projects. Funding will come from surplus operating revenue at the end of FY 2012, and additional funding of the loan from DBW, with the balance drawn from the Department's Capital Reserve (Harbor Preservation Fund) as needed.

### Waterfront Capital Projects

| <u>Project</u>                                | <u>FY 2013<br/>Budget</u> |
|---|---------------------------|
| Marina One Replacement (Loan)                 | 1,915,328                 |
| Marina Renovation Program                     | 225,000                   |
| Parking Lot Maintenance Program               | 75,000                    |
| Stearns Wharf Heavy Timber & Pile Replacement | 300,000                   |
| Harbor ADA Restroom Remodel                   | 20,000                    |
| Seawall ADA Handrail & Sidewalk Replacement   | 50,000                    |
| Parking Self-Pay System (Luke)                | 40,000                    |
| Breakwater Lights                             | 360,000                   |
| <b>Subtotal</b>                               | <b>2,985,328</b>          |
| DBW Loan                                      | -1,915,328                |
| <b>Total</b>                                  | <b>1,070,000</b>          |

## Additional Information

Staff will meet with the Budget Committee (Commissioners Cramer, Kelly and Sloan) on February 10 to review the Department's six-year cash flow model, reserve balances, possible changes to the Capital Improvement plan and other items. Staff and/or the Committee members will report the results of that meeting at the February 16 Commission meeting.

At the January meeting, Commissioners requested additional information on the City's investments relating to the Financial Management program interest income. Under State law and the City's Investment Policy, the City's Treasury Division is prohibited from investing in any risky investment that would subject the portfolio to a loss of principal, such as stocks. The City is invested primarily in medium term (1-5 year) government agency bonds, medium term corporate notes, and the State Local Agency Investment Fund (LAIF) pooled money market account. The current yield on the portfolio is 1.668% reflecting the current low interest environment.

A copy of the December 31, 2011, Investment Report is attached for background information (Attachment 1).

At December 31, 2011, the following is a breakdown of investments by category:

| <b>Type of Investment</b>             | <b>Book Value</b> | <b>Yield</b> | <b>% of Total</b> |
|---------------------------------------|-------------------|--------------|-------------------|
| Calif. LAIF Pooled Money Market Funds | \$42,000,000      | 0.385%       | 25.8%             |
| Certificates of Deposit               | 2,000,000         | 0.800%       | 1.2%              |
| Federal Agency Bonds                  | 100,979,651       | 1.894%       | 61.9%             |
| Corporate/Medium Term Notes           | 12,226,654        | 1.780%       | 7.5%              |
| SB Airport Promissory Note            | 5,877,335         | 7.000%       | 3.6%              |
| Total Investments                     | \$163,083,640     | 1.670%       | 100%              |

At the January meeting, Commissioners also requested detail regarding the number and type of slip transfers taking place in addition to the revenue generated. Twenty-six slip transfers took place during the first six months of FY 2012 and 23 took place during the first six months of FY 2011. A greater number of larger slips (45'+) transferred in FY 2012, accounting for the increased revenue in FY 2012 compared to FY 2011. Slip transfer data is attached on the following pages as Attachment 2.

- Attachments: 1. December 31, 2011, Investment report  
 2. Slip transfer data