

# CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

## MEMORANDUM

**Date:** September 17, 2015  
**To:** Harbor Commission  
**From:** Scott Riedman, Waterfront Director  
**Subject:** **Waterfront Department Fiscal Year 2015 Preliminary Budget Review**

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### RECOMMENDATION:

That Harbor Commission receive a staff report providing a brief summary of the Waterfront Department's revenues and expenditures as of June 30, 2015, and provide comments as appropriate.

### Revenue

The Waterfront Department, as a whole, saw revenues exceed budget estimates by 19.6%. The Department continues to see positive gains in revenue that can be attributed to a number of factors including four years of unseasonably good weather, a harbor that provides locals and visitors with great amenities and a clean and safe environment, as well as a slowly improving economy. The attached revenue spreadsheet (Attachment 1) shows FY 2015 budget targets, actual FY 2015 revenue received and FY 2014 revenues for comparison purposes. Revenue totals for FY 2015 programs are summarized below in Table 1:

| <b>Table 1: Waterfront Department Revenue By Program</b> |                   |                   |                              |              |
|----------------------------------------------------------|-------------------|-------------------|------------------------------|--------------|
| Program                                                  | FY 2015 Budget    | FY 2015 Actual    | Variance Over/(Under) Budget | Variance %   |
| Property Management                                      | 4,737,609         | 5,875,783         | 1,138,174                    | 24.0%        |
| Financial Management (1)                                 | 117,000           | 124,897           | 7,897                        | 6.7%         |
| Parking Services                                         | 2,327,416         | 2,917,537         | 590,121                      | 25.4%        |
| Marina Management                                        | 5,453,512         | 6,188,060         | 734,548                      | 13.5%        |
| <b>Totals</b>                                            | <b>12,635,537</b> | <b>15,106,277</b> | <b>2,470,740</b>             | <b>19.6%</b> |

Property Management income for FY 2015 totaled \$5,875,783. This total is approximately \$1,138,174 or a 24.0% increase over the budgeted amount. Wharf and Harbor restaurant sales were up 12.9% and 11.27%, respectively, over last year. On the Wharf, Moby Dick was up over 4% and Santa Barbara Shellfish was up 13%. In the Harbor area, the Breakwater Restaurant was up 9% and Brophy Bros. was up over 7.5%. Cruise ship revenues are down 16.8% compared to FY 14 due to 24 cruise ships visiting in FY 15 versus 28 in FY 14.

Financial Management was slightly above budget estimates coming in at \$124,897, up 6.7%. Financial Management activities are managed by the City's Finance Department.

Parking revenue for FY 2015 totaled \$2,917,537, which was \$590,121 or 25.4% above budget. The Department realized revenue increases in all but three parking lots. Although below budgeted revenue estimates in FY 15, we anticipate a significant increase in revenue for the Garden Street Lot now that there is a public access point in the northwest corner of the lot to accommodate patrons of the Funk Zone.

Revenue from the Marina Management program was \$6,188,060, which was \$734,548 or 13.5% over budgeted estimates, primarily due to a record year active slip transfer fees, slight increase in both visitor slip fees and visitor slip rentals in FY 2015. Slip transfer fees reached \$1,215,900, a record, in FY 15 and 80% increase over FY 14. A breakdown of the slip fee activity will be presented at the September 17 meeting of the Harbor Commission.

Total revenue for the Department was \$15,106,277 for FY 2015, a 19.6% increase over budgeted estimates and an 8.58% increase over Fiscal Year 2014.

## **Expenditures**

The Waterfront Department saw expenditures total \$13,080,519, or 4.49% below budgeted estimates. Expenditures at the consolidated level can be found in Attachment 2. Total operating fund expenditures for the Department for FY 2015 were \$15,198,197 however, \$2,117,675 in reserves above policy were moved to the Harbor Preservation Fund per City Council approval on May 19, 2015. The reduction in expenditures comes primarily from two categories: a \$230,763 savings in Salaries and Benefits and a \$160,638 savings in Supplies and Services.

Expenditures at the programmatic level can be found in Attachment 3 and show all programs coming in below budgeted expenditures.

The unanticipated surplus revenue generated in FY 2015 will be applied to the Department's capital reserve (Harbor Preservation Fund). Staff is requesting City Council approval to use a portion of these surplus revenues (approximately \$1,001,237) to pay off the General Fund loan related to Stearns Wharf which currently has a 6% interest rate. In addition, staff still intends to self-fund the last one or two phases of the Marina 1 reconstruction project with accumulated capital reserves and minimize the need to borrow funds from the State Division of Boating and Waterways at a 4.5% interest rate. The current cost estimates for Phase 7 and Phase 8, \$1,950,000 and \$1,885,000, respectively.

Attachments: 1. FY 2015 Revenue by Line Item  
2. FY 2015 Expenditures Summary  
3. FY 2015 Expenditures by Program

Prepared by: Brian J. Bosse, Waterfront Business Manager

**Waterfront Department Revenue**

| Description                       | FY15 Budget       | FY 15 Actual      | FY 14 Actual      | Variance \$<br>FY15-FY 14 | Variance %<br>FY15-FY14 |
|-----------------------------------|-------------------|-------------------|-------------------|---------------------------|-------------------------|
| Harbor Commercial                 | 860,234           | 974,819           | 892,398           | 82,421                    | 9.24%                   |
| Wharf Commercial                  | 528,773           | 619,978           | 562,792           | 57,186                    | 10.16%                  |
| SB Waterfront Center (Museum)     | 12,000            | 12,163            | 11,967            | 196                       | 1.64%                   |
| Harbor Food Service               | 1,040,400         | 1,328,632         | 1,194,025         | 134,607                   | 11.27%                  |
| Wharf Food Service                | 1,321,308         | 1,584,209         | 1,403,205         | 181,004                   | 12.90%                  |
| SB Waterfront Center (WF Grill)   | 332,928           | 413,817           | 380,568           | 33,249                    | 8.74%                   |
| Harbor Other                      | 196,236           | 220,624           | 221,046           | (422)                     | <b>-0.19%</b>           |
| SB Waterfront Center (NOAA)       | 16,760            | 11,173            | 8,380             | 2,793                     | 33.33%                  |
| Ice Machine                       | 30,000            | 36,589            | 26,393            | 10,196                    | 38.63%                  |
| CAM                               | 91,970            | 97,826            | 88,072            | 9,754                     | 11.07%                  |
| Miscellaneous Revenue             | 77,000            | 64,978            | 64,966            | 12                        | 0.02%                   |
| Cruise Ships                      | 230,000           | 510,976           | 614,208           | (103,232)                 | <b>-16.81%</b>          |
| <b>Total Property Management</b>  | <b>4,737,609</b>  | <b>5,875,783</b>  | <b>5,468,019</b>  | 407,764                   | 7.46%                   |
| Interest Income                   | 117,000           | 124,897           | 142,375           | (17,478)                  | <b>-12.28%</b>          |
| <b>Total Financial Management</b> | <b>117,000</b>    | <b>124,897</b>    | <b>142,375</b>    | (17,478)                  | <b>-12.28%</b>          |
| EV Charging Station               | 150               | 102               | 667               | (565)                     | <b>-84.66%</b>          |
| Cabrillo East                     | 98,175            | 131,426           | 129,625           | 1,801                     | 1.39%                   |
| Cabrillo West                     | 103,950           | 148,320           | 140,877           | 7,443                     | 5.28%                   |
| Palm Park                         | 405,405           | 510,787           | 488,550           | 22,237                    | 4.55%                   |
| Garden Street                     | 190,733           | 238,738           | 250,027           | (11,288)                  | <b>-4.51%</b>           |
| Harbor West                       | 118,703           | 177,646           | 171,904           | 5,742                     | 3.34%                   |
| Leadbetter                        | 220,000           | 244,366           | 219,905           | 24,460                    | 11.12%                  |
| La Playa East                     | 11,000            | 12,383            | 15,272            | (2,889)                   | <b>-18.92%</b>          |
| La Playa West                     | 10,000            | 10,713            | 11,295            | (582)                     | <b>-5.15%</b>           |
| Harbor Lot                        | 561,000           | 736,348           | 681,811           | 54,537                    | 8.00%                   |
| Stearns Wharf                     | 255,000           | 280,539           | 277,482           | 3,057                     | 1.10%                   |
| Waterfront Parking Permits        | 350,000           | 421,429           | 382,399           | 39,030                    | 10.21%                  |
| Boat Wash Machine                 | 2,800             | 4,486             | 2,310             | 2,177                     | 94.23%                  |
| Misc. Parking                     | 500               | 254               | 1,567             | (1,313)                   | <b>-83.77%</b>          |
| <b>Total Parking Services</b>     | <b>2,327,416</b>  | <b>2,917,537</b>  | <b>2,773,690</b>  | 143,846                   | 5.19%                   |
| Live Aboard Fees                  | 153,000           | 153,422           | 151,074           | 2,347                     | 1.55%                   |
| Slip Rentals                      | 4,204,739         | 4,199,917         | 4,138,316         | 61,602                    | 1.49%                   |
| Visitor Fees                      | 455,000           | 486,835           | 454,520           | 32,314                    | 7.11%                   |
| Skiff Tie-Ups                     | 6,500             | 6,436             | 8,257             | (1,821)                   | <b>-22.05%</b>          |
| Fish Hoist 1                      | 7,500             | 6,665             | 8,028             | (1,363)                   | <b>-16.97%</b>          |
| Fish Hoist 2                      | 650               | 358               | 578               | (220)                     | <b>-38.11%</b>          |
| Wharfage & Dockage                | 15,000            | 29,757            | 29,219            | 537                       | 1.84%                   |
| Slip Transfer Fees                | 575,000           | 1,215,900         | 672,450           | 543,450                   | 80.82%                  |
| Slip Waiting List                 | 2,200             | 1,600             | 2,000             | (400)                     | <b>-20.00%</b>          |
| Key Card                          | 11,000            | 12,342            | 12,230            | 112                       | 0.92%                   |
| SB Mooring Area Permit            | 6,000             | 6,050             | 10,346            | (4,296)                   | <b>-41.52%</b>          |
| Yacht Club Hoist                  | 1,923             | 1,923             | 1,885             | 38                        | 2.00%                   |
| Miscellaneous Revenue             | 15,000            | 66,856            | 39,076            | 27,780                    | 71.09%                  |
| <b>Total Marina Management</b>    | <b>5,453,512</b>  | <b>6,188,060</b>  | <b>5,527,980</b>  | 660,080                   | 11.94%                  |
| Work Comp Rebate                  |                   |                   |                   |                           |                         |
| <b>Department Total</b>           | <b>12,635,537</b> | <b>15,106,277</b> | <b>13,912,065</b> | 1,194,212                 | 8.58%                   |

**Waterfront Department Expenditures**

Consolidated 6/30/2015

|                                                | FY 2015<br>Budget | FY 2015<br>Expense | Variance \$<br>over/ (under)<br>Budget | FY 2015<br>Variance % |
|------------------------------------------------|-------------------|--------------------|----------------------------------------|-----------------------|
| Salaries & Benefits                            | 6,030,686         | 5,799,923          | (230,763)                              | -3.83%                |
| Allocated Costs                                | 1,277,239         | 1,257,970          | (19,269)                               | -1.51%                |
| Supplies & Services                            | 2,780,225         | 2,619,588          | (160,638)                              | -5.78%                |
| Community Promotions (1)                       | 138,636           | 100,725            | (37,911)                               | -27.35%               |
| Capital Outlay Transfers (2)                   | 1,385,000         | 1,385,000          | 0                                      | 0.00%                 |
| Reserves Above Policy FY14 Transfer (3)        | 2,117,678         | 2,117,678          | 0                                      | 0.00%                 |
| Non Capitalized Transfers (4)                  | 80,450            | 37,238             | (43,212)                               | -53.71%               |
| Beach Lifeguard Service                        | 97,270            | 97,270             | 0                                      | 0.00%                 |
| Principal                                      | 1,050,243         | 1,050,244          | 1                                      | 0.00%                 |
| Interest                                       | 730,108           | 730,107            | (1)                                    | 0.00%                 |
| Appropriated Reserve                           | 100,000           | 0                  | (100,000)                              | -100.00%              |
| Other                                          | 25,680            | 2,455              | (23,225)                               | -90.44%               |
| <b>Total</b>                                   | <b>15,813,215</b> | <b>15,198,197</b>  | <b>(615,019)</b>                       | <b>-3.89%</b>         |
| Encumbrances (5)                               |                   | 184,350            |                                        |                       |
| <b>Actual Subtotal Expended</b>                | <b>15,813,215</b> | <b>15,198,197</b>  | <b>(615,019)</b>                       | <b>-3.89%</b>         |
| <b>Reserves Above Policy FY14 Transfer (3)</b> | <b>-2,117,678</b> | <b>-2,117,678</b>  |                                        |                       |
| <b>Actual Total Expended</b>                   | <b>13,695,537</b> | <b>13,080,519</b>  | <b>(615,019)</b>                       | <b>-4.49%</b>         |

- (1) July 4 fireworks and Shuttle Bus
- (2) Transfer to fund Capital Projects. (see CAR dated 5192015 #20)
- (3) Transfer Funds into HPF - see note below and see CAR dated 501920
- (4) Non-capitalized equipment and computer software/hardware.
- (5) Funding committed but not yet paid, i.e., contracts.

Encumbrances not included in expenses - listed here for reporting purposes

**Waterfront Department Expenditures**

By Program 6/30/2015

|                                      | FY 2015<br>Budget | FY 2015<br>Expenditures | Variance<br>Over/(Under)<br>Budget | FY 2015<br>Variance % |
|--------------------------------------|-------------------|-------------------------|------------------------------------|-----------------------|
| Admin & Community Relations          | 2,021,999         | 1,837,841               | (184,157)                          | -9.11%                |
| Property Management                  | 428,470           | 419,261                 | (9,209)                            | -2.15%                |
| Financial Management                 | 293,384           | 286,228                 | (7,156)                            | -2.44%                |
| Parking Services                     | 920,696           | 902,113                 | (18,583)                           | -2.02%                |
| Harbor Patrol                        | 2,207,052         | 2,121,612               | (85,440)                           | -3.87%                |
| Marina Management                    | 317,554           | 255,239                 | (62,315)                           | -19.62%               |
| Harbor Maintenance                   | 3,036,565         | 2,871,805               | (164,760)                          | -5.43%                |
| Wharf Maintenance                    | 1,020,938         | 962,045                 | (58,892)                           | -5.77%                |
| Facilities Design & Capital Programs | 5,566,557         | 5,542,052               | (24,505)                           | -0.44%                |
| <b>Total</b>                         | <b>15,813,215</b> | <b>15,198,197</b>       | <b>-615,018</b>                    | <b>-3.89%</b>         |