

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: February 18, 2016
To: Harbor Commission
From: Scott Riedman, Waterfront Director
Subject: Fiscal Year 2016 Mid-Year Budget Report

RECOMMENDATION:

That Harbor Commission receive and review a status report on the Waterfront Department Fiscal Year 2016 Mid-Year Budget revenues and expenditures.

Fiscal Year 2016 Year-To-Date Revenue

The following table, Table 1, summarizes the Department's revenue as of December 31, 2015 (half way through the fiscal year). Column two reflects budgeted revenue estimates. Column three shows actual year-to-date (YTD) revenues while column four, titled "FY 16 Projection (July – June)" shows projected revenue at year-end using a seasonally weighted three-year average. If the pattern continues, it is estimated that Department revenue will be approximately 3% above budget (\$413,046) at the end of the fiscal year (June 30, 2016).

**Table 1: Waterfront Department Revenue Projection
By Program**

Program	FY 16 Budget (July-June)	FY 16 Actual YTD (July-Dec)	FY 16 Projection (July-June)	Year End Variance \$	Year End Variance %
Property Management	\$ 5,091,282	\$ 3,198,375	\$ 5,467,596	\$376,314	7%
Financial Management	\$ 95,700	\$ 60,088	\$ 95,023	\$ (677)	-1%
Parking Services	\$ 2,651,934	\$ 1,537,948	\$ 2,726,538	\$ 74,604	3%
Marina Management	\$ 5,609,682	\$ 2,926,338	\$ 5,572,487	\$(37,195)	-1%
Totals	\$ 13,448,598	\$ 7,722,749	\$ 13,861,644	\$413,046	3%

The Property Management program is tracking 7% above budget expectations even though Stearns Wharf commercial and food service revenues are lower than last year at the same time. One possible reason for the decline in commercial and food service revenues could be the significant construction projects on lower State Street adjacent to

the Wharf. Vehicle traffic has been heavily-impacted as a result of various traffic lane closures at State Street and Cabrillo Boulevard including no left turns onto the Wharf for westbound traffic. The general appearance of construction is also considered a deterrent to possible visitors, both pedestrians and those in automobiles. Since July of 2015, when the construction-related traffic lane closures began, vehicle traffic and pedestrian flow in the area was reduced by 7,833 fewer pedestrians and 9,291 fewer automobiles entering Stearns Wharf as compared to the same time period in 2014. Continued impacts to revenue are due to continue through early 2017 when the major construction work is scheduled to conclude.

The Financial Management program consists of interest earned on the Department's reserves. Interest revenue is slightly above budget projections. Interest income projections are provided by the Finance Department as part of the budget development process and continue to reflect overall low interest rates in the financial sector.

The Parking Services program is on track to meet or exceed budget Fiscal Year 2016. Stearns Wharf parking is down \$58,517, or -40.92%, over last year at this time. Staff attributes this shortfall primarily to the large amount of construction near the base of Stearns Wharf that has significantly impeded automobile access and pedestrian flow onto the Wharf. As stated earlier in this memorandum, there have been 7,833 fewer pedestrians and 9,291 fewer automobiles entering Stearns Wharf this year versus last year from July through December.

Marina Management revenue is expected to finish the year approximately 1% below Fiscal Year 2016 budget expectations based on the three-year seasonally weighted averages. Visitor Slip Fees are down approximately 7% compared with this time last year primarily due to fewer visitors during the first six months of the year. Visitor Slip Fees will likely be further impacted by the Marina One construction project currently taking place. Revenues in Marina Management include a significant year-to-year decrease in the record-breaking Transfer Fees that were recorded last Fiscal Year. However, when the anomaly that was Fiscal Year 2015 transfer fees is removed from the equation, slip transfer fees are on par with recent fiscal years. Slip transfer fees are tracking in line with budget estimates and have included 30 transfers as of December 31, 2015 for total revenue of \$351,975.

The Attachment, Waterfront Department Fiscal Year 2016 YTD Revenue, shows Waterfront Department Fiscal Year 2016 year-to-date revenue at the line item level, and includes a comparison to Fiscal Year 2015 figures for the July-December time period.

Fiscal Year 2016 Year-To-Date Expenditures

Overall, the Department spent approximately 50.11% of its Fiscal Year 2016 budget as of December 31, 2015, as shown on Table 2, below:

**Table 2: Waterfront Department Expenditures
 By Program as of 12/31/15**

Program	FY 16 Budget	YTD Expenditures as of 12/31/15	FY 16 % of Budget
Admin & Community Relations	\$ 2,122,991	\$ 1,030,605	48.54%
Property Management	\$ 378,030	\$ 181,907	48.12%
Financial Management	\$ 330,978	\$ 156,047	47.15%
Parking Services	\$ 996,659	\$ 509,638	51.13%
Harbor Patrol	\$ 2,208,832	\$ 969,464	43.89%
Marina Management	\$ 304,937	\$ 134,179	44.00%
Harbor Maintenance	\$ 3,076,382	\$ 1,555,497	50.56%
Wharf Maintenance	\$ 1,026,259	\$ 456,221	44.45%
Facilities Design & Capital Programs	\$ 3,418,799	\$ 1,953,241	57.13%
Total	\$ 13,863,867	\$ 6,946,801	50.11%

The table above does not include encumbrances, which are funds that were “promised” by entering into contracts at the beginning of the fiscal year but are actually expended throughout the year, usually on a monthly basis. If unspent encumbrances (\$646,397) are added to the expenditure total above, the Department has expended a total of \$7,593,198, or 54.77% of its budget as of mid-year. All Waterfront Department program areas are under proposed budget expenditures at mid-year except Parking Services which is 1.13% above budgeted expenditures and Harbor Maintenance which is 0.56% above budgeted expenditures. We anticipate all Waterfront Department programs to be under the proposed budget expenditures at the conclusion of Fiscal Year 2016.

Table 3, below, shows Waterfront Department expenditures at the consolidated level as of December 31, 2015. The encumbrance and debt service amounts are included in this table and again, show total expenditures of \$7,593,198 or 54.77% of total budgeted expenditures. Most categories are below the 50% mark however, Transfers to Capital and Principal and Interest are above the budgeted expenditures. Transfers to Capital is slightly above due to the commencement of Phase 6 of the Marina One Replacement program. Principal and Interest payments for Department debt service are above mid-year budget expenditure levels because both payments are front-loaded for the early part of the fiscal year. As of December 31, 2015, the Department is on track to stay within its budgeted expenditures.

**Table 3: Waterfront Department Expenditures
 Consolidated as of 12/31/15**

Description	FY 16 Budget	YTD Expense as of 12/31/15	FY 16 % of Budget
Total Salaries & Benefits	\$ 6,270,075	\$ 2,923,590	46.63%
Allocated Costs	\$ 1,250,822	\$ 628,986	50.29%
Total Supplies & Expenses	\$ 2,760,261	\$ 1,445,682	52.37%
Community Promotions (1)	\$ 139,252	\$ 56,388	40.49%
Transfers to Capital (2)	\$ 1,290,000	\$ 726,572	56.32%
Non-Capitalized Outlays (3)	\$ 110,500	\$ 19,834	17.95%
Beach Lifeguard Service	\$ 101,337	\$ 50,669	50.00%
Subtotal	\$ 11,922,247	\$ 5,851,721	49.08%
Other			
Principal - 581100	\$ 1,085,888	\$ 602,356	55.47%
Interest - 581200	\$ 755,732	\$ 491,349	65.02%
Appropriated Reserves/ Fiscal Agent Fees	\$ 100,000	\$ 1,375	1.38%
Total Other	\$ 1,941,620	\$ 1,095,080	56.40%
Subtotal	\$ 13,863,867	\$ 6,946,801	50.11%
Encumbrances (4)		\$ 646,397	
Adjusted Total	\$ 13,863,867	\$ 7,593,198	54.77%

- (1) July 4th fireworks, Shuttle Bus
- (2) Transfer to fund capital projects, patrol boat
- (3) Non-capitalized equipment and computer hardware
- (4) Funding committed but not yet expended 1.e., contracts

Attachment: Waterfront Department Fiscal Year 2016 YTD Revenue

Prepared by: Brian J. Bosse, Waterfront Business Manager

Fiscal Year 2016 YTD Revenue vs. Fiscal Year 2015 YTD Revenue

Table A, Waterfront Department Revenue, shows Waterfront Department Fiscal Year 2016 year-to-date revenue at the line item level, and includes a comparison to Fiscal Year 2015 figures for the July-December time period. When comparing Fiscal Year 2016 YTD and Fiscal Year 2015 YTD it is important to remember that Fiscal Year 2015 was the best revenue year on record for the Waterfront Department.

As shown below, the Property Management program is tracking 7% above budget expectations. However, when compared to Fiscal Year 2015 both Harbor commercial and Wharf commercial revenues are -4.29% and -2.82% below budgeted estimates. Harbor food service, Wharf food service, and the Waterfront Grill are all below Fiscal Year 2015's record numbers by -1.41%, -5.19%, and -10.99%, respectively. However, all three revenue streams are on track to finish Fiscal Year 2016 above budgeted estimates. One possible reason for the decline in commercial and food service revenues could be the significant construction projects on lower State Street adjacent to the Wharf. Vehicle traffic has been heavily impacted as a result of various traffic lane closures at State Street and Cabrillo Boulevard including no left turns onto the Wharf for westbound traffic. Westbound traffic makes up the majority of vehicles exiting the 101 freeway from the south. Since July of 2015, when the construction-related traffic lane closures began, vehicle traffic and pedestrian flow in the area was reduced by 7,833 fewer pedestrians and 9,291 fewer automobiles entering Stearns Wharf. Thankfully, the first 6 months of the calendar year posted strong pedestrian and automobile numbers. Cruise ship revenues are up slightly over Fiscal Year 2015 due to three additional ships visiting Santa Barbara in the fall season. Miscellaneous Revenue consists of room rentals, Business Activity Permits, etc., and is on target to exceed the budgeted Fiscal Year 2015's revenues. Recent technological improvements to the Marina Center Classroom space will hopefully increase revenues on classroom rentals in the coming years.

The Financial Management program consists of interest earned on the Department's reserves. Interest revenue is slightly above budget projections. Interest income projections are provided by the Finance Department as part of the budget development process and continue to reflect overall low interest rates in the financial sector.

The Parking Services program is on track to meet or exceed budget Fiscal Year 2016. Year-to-date when compared to Fiscal Year 2015 shows an increase of 2.28%, or \$34,333. The spreadsheet below shows the breakdown of parking revenues by individual parking lot. East Cabrillo Parking Lot is down \$680, or -6.79%, when compared to last Fiscal Year however, we expect the lot will achieve its budgeted revenue goal by fiscal year end. Stearns Wharf parking is down \$58,517, or -40.92%, over last year at this time. Staff attributes this downfall primarily to the large amount

of construction near the base of Stearns Wharf that has significantly impeded automobile access and pedestrian flow onto the Wharf since July and since that time there have been 7,833 fewer pedestrians and 9,291 fewer automobiles entering Stearns Wharf this year versus last year during the same period.

Marina Management revenue is expected to finish the year approximately 1% below Fiscal Year 2016 budget expectations based on the three-year seasonally weighted averages. Visitor Slip Fees are down approximately 7% compared with this time last year primarily due to fewer visitors during the first six months of the year. Visitor Slip Fees will likely be further impacted by the Marina One construction project currently taking place. Revenues in Marina Management include a significant year-to-year decrease in the record-breaking Transfer Fees that were recorded last Fiscal Year. However, when the anomaly that was Fiscal Year 2015 transfer fees is removed from the equation, slip transfer fees are on par with recent fiscal years. Slip transfer fees are tracking in line with budget estimates and have included 30 transfers as of December 31, 2015 for total revenue of \$351,975.

Waterfront Department Revenue					
as of December 31, 2015					
Description	Annual Budget	Actual YTD 12/31/2015	Actual YTD 12/31/2014	Change from Prior Year \$	Change from Prior Year %
Harbor Commercial	877,439	556,208	581,137	(24,929)	-4.29%
Wharf Commercial	539,348	333,348	343,026	(9,678)	-2.82%
SB Waterfront Center (Museum)	12,000	6,136	6,072	64	1.05%
Harbor Food Service	1,122,408	720,944	731,239	(10,295)	-1.41%
Wharf Food Service	1,388,534	852,287	898,901	(46,614)	-5.19%
SB Waterfront Center (WF Grill)	333,391	209,143	234,960	(25,817)	-10.99%
Harbor Other	200,161	114,715	106,779	7,936	7.43%
SB Waterfront Center (NOAA)	16,800	8,380	2,793	5,587	200.00%
Ice Machine	30,600	23,448	18,743	4,705	25.10%
CAM	93,809	48,861	48,964	(103)	-0.21%
Cruise Ships	419,792	279,220	248,275	30,945	12.46%
Miscellaneous Revenue	57,000	45,683	40,059	5,625	14.04%
Workers Comp Rebate					
Total Property Management	5,091,282	3,198,375	3,260,949	(62,574)	-1.92%
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Interest Income	95,700	60,088	46,232	13,856	29.97%
Total Financial Management	95,700	60,088	46,232	13,856	29.97%
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Cabrillo East	127,500	81,036	65,335	15,701	24.03%
Cabrillo West	137,700	96,752	80,483	16,269	20.21%
Palm Park	474,300	291,946	281,311	10,635	3.78%
Garden Street	255,000	154,428	131,229	23,200	17.68%
Harbor West	153,000	105,612	97,897	7,715	7.88%
Leadbetter	224,400	149,443	134,866	14,577	10.81%
La Playa East	11,220	9,334	10,014	(680)	-6.79%
La Playa West	10,200	11,479	8,190	3,289	40.16%
Harbor Lot	612,000	401,933	401,640	293	0.07%
Stearns Wharf	262,258	84,476	142,993	(58,517)	-40.92%
Waterfront Parking Permits	380,000	147,845	145,866	1,980	1.36%
Boat Wash Machine	2,856	2,565	2,815	(251)	-8.90%
Harbor Valet Parking	500	0	0	-	N/A
Over (short)		1,100	876	224	25.59%
Total Parking Services	2,650,934	1,537,948	1,503,513	34,435	2.29%
				-	
Live Aboard Fees	156,060	82,894	74,797	8,097	10.82%
Slip Rentals	4,288,834	2,162,493	2,125,789	36,703	1.73%
Visitor Fees	500,000	274,414	295,197	(20,784)	-7.04%
Skiff Tie-Ups	6,630	3,147	3,286	(139)	-4.23%
Fish Hoist 1	7,650	4,097	3,388	709	20.93%
Fish Hoist 2	663	221	196	25	12.76%
Wharfage & Dockage	15,300	14,561	15,249	(688)	-4.51%
Slip Transfer Fees	575,000	351,975	721,700	(369,725)	-51.23%
Slip Waiting List	2,244	1,930	1,600	330	20.63%
Key Card	11,220	7,083	7,189	(106)	-1.47%
SB Mooring Area Permit	6,120	5,300	5,250	50	0.95%
Yacht Club Hoist	1,961	981	961	19	2.00%
Miscellaneous Revenue	38,000	17,194	18,762	(1,568)	-8.36%
Over/Short	-	50	36	14	37.73%
Total Marina Management	5,609,682	2,926,338	3,273,401	(347,063)	-10.60%
				-	
Department Total	13,447,598	7,722,749	8,084,095	(361,346)	-4.47%