

# CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

## MEMORANDUM

**Date:** February 18, 2016  
**To:** Harbor Commission  
**From:** Scott Riedman, Waterfront Director  
**Subject:** **Budget Overview for Fiscal Year 2017**

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**RECOMMENDATION:** That Harbor Commission:

- A. Receive a report on the status of the Fiscal Year 2017 Waterfront operating and capital budget; and,
- B. Provide comments on the various components of the draft budget proposal.

**DISCUSSION:**

Last year the Harbor Commission recommended, and the City Council adopted, a two-year budget which included Fiscal Years 2016 and 2017. Halfway through the two-year budget cycle, the Waterfront Department continues to meet budgeted revenue projections and maintain budgeted expenditures for FY 2016 as stated in the previous report this evening to the Harbor Commission.

As an Enterprise Fund, the Waterfront Department does not receive tax revenue as is the case with City General Fund Departments. Instead, the Department is entirely dependent on lease rents and user fees to maintain emergency and capital development reserves at required levels.

To continue to meet expenditures, the Department is proposing to adjust a number of fee adjustments including:

1. Adjusting slip fees upward by 2%;
2. Freezing slip transfer fees for 28 foot and 30 foot slips at \$400 per foot;
3. Freezing designated commercial fishing slips at \$400 per foot;
4. Adjusting the slip transfer fee upward for slips larger than 30 feet by \$25 per foot to \$425 per foot (excluding 20 foot slips which remain frozen at \$200, 25 foot slips which remain frozen at \$350 per foot.), and;
5. Adjusting liveaboard fees from \$140 /month to \$150/month (last increase 2004).

Staff met with the Harbor Commission Budget Subcommittee (Harbor Commissioners Sloan and MacIntosh) on February 3, 2016 to discuss the FY 2017 budget including program expenditures, capital projects, and fee recommendations.

### Significant Issues Affecting FY 2017 Budget

For the most part, the FY 2017 budget will remain status quo with slight adjustments in the overall projected revenues and expenditures. Overall, revenues are projected to climb by 2% and expenditures are expected to increase by 2.7% for the same period.

The continued presence of cruise ships making port calls in Santa Barbara will continue to be an important revenue source for the Waterfront Department and its Property Management program.

An increase in employee salaries due to new labor agreements will increase that line item by 3% and benefit expenditures will see a nearly 4% increase in FY 2017. These increases are accounted for in the budget proposal.

### Revenue Assumptions for FY 2017

Proposed revenues for FY 2017 appear in Table 1, below. Overall, staff is proposing a 2% increase in revenues over the FY 2016 budgeted amounts.

Property Management: Property Management revenues look to remain solid in FY 2017 and are projected to increase by approximately 3%.

Financial Management: These figures are provided by our Finance Department and it is anticipated that the Department will see a slight decrease in interest income of about -2% for FY 2017.

Parking Services: Parking revenues are expected to slightly decline in FY 2017 by an estimated 1% primarily due to the continued construction on lower State Street that will continue to negatively impact parking revenues on Stearns Wharf.

Marina Management: Marina Management is projected to continue to post solid revenues and we are proposing a modest 2% increase for FY 2017.

**Table 1: Waterfront Department Revenues By Program  
 FY 16 Budget vs. FY 17 Proposed Budget**

Program	FY 16 Budget (July-June)	FY 17 Proposed Budget	% Change FY 16 to 17
Property Management	\$ 5,091,282	\$ 5,248,638	3%
Financial Management	\$ 95,700	\$ 93,700	-2%
Parking Services	\$ 2,651,934	\$ 2,614,839	-1%
Marina Management	\$ 5,609,682	\$ 5,699,616	2%
<b>Totals</b>	<b>\$ 13,448,598</b>	<b>\$ 13,655,793</b>	<b>2%</b>

### Expenditure Assumptions for Fiscal Year 2017

Expenditures for FY 2017 are detailed at the consolidated level in Table 2 below. Overall the Waterfront Department is looking at an overall 3% increase in expenditures in FY 2017.

**Table 2: Waterfront Department Proposed Expenditures FY 2017  
 Consolidated**

Description	FY 16 Budget	FY 17 Proposed Budget	% Change FY16 vs. FY17
Total Salaries & Benefits	\$ 6,270,075	\$ 6,459,948	3.0%
Allocated Costs	\$ 1,250,822	\$ 1,350,937	8.0%
Total Supplies & Services	\$ 2,760,261	\$ 2,923,558	5.9%
Community Promotions (1)	\$ 139,252	\$ 143,322	2.9%
Transfers to Capital (2)	\$ 1,290,000	\$ 1,305,000	1.2%
Non-Capitalized Outlays (3)	\$ 110,500	\$ 145,500	31.7%
Beach Lifeguard Service	\$ 101,337	\$ 106,922	5.5%
Subtotal	\$ 11,922,247	\$ 12,435,187	4.3%
Other			
Principal - 581100	\$ 1,085,888	\$ 1,076,130	-0.9%
Interest - 581200	\$ 755,732	\$ 665,038	-12.0%
Appropriated Reserves/ Fiscal Agent Fees	\$ 100,000	\$ 100,000	0.0%
Total Other	\$ 1,941,620	\$ 1,841,168	-5.2%
Total	\$ 13,863,867	\$ 14,276,355	3.0%

- (1) July 4th fireworks, Shuttle Bus
- (2) Transfer to fund capital projects, patrol boat, software upgrade
- (3) Non-capitalized equipment and computer hardware

As mentioned earlier in this report, there will be a small increase, approximately 3% in FY 2017 in salaries due to existing labor agreements in the various represented employee groups of the Waterfront Department. Staff has also requested that an Administrative Specialist position (accounting emphasis) be added to the Department, the first staffing increase request in over 14 years. This new position would be within the accounting division and assist with the billing and accounts receivable duties since the Department has assumed all such duties from the Finance Department. These duties include monthly billing and receipts on 1,139 boat slips and 67 leaseholds as well as revenue tracking and other important duties. The request is currently under review by the Human Resources Department and City Administration. If approved, the cost of the new Administrative Specialist position would be offset by Waterfront having taken over billing responsibilities from Finance in 2014.

Allocated Costs will increase by approximately 8%, or \$100,000 in FY 2017. Approximately \$75,000 of the \$100,000 increase, is due to increased costs associated

with the City's property and liability insurance programs and overhead allocations. Supplies and Expenses increases by 5.9% in FY 2017 due primarily to the inclusion of Signage Program Improvements (\$15,000), increased credit card fees (\$15,000), and costs associated with the remodel of the Harbor Patrol Locker Room (\$53,000). Additionally, \$40,000 is proposed to be used to pay for revenue examinations which review revenues from the Department's larger percentage rent tenants and ensures compliance with lease agreements.

Special Projects and Community Promotions expenditures are estimated to increase by 2.9%, or approximately \$4,000 in FY 2017. The increases are primarily due to existing labor agreements with the lifeguards and an estimated 2% increase in costs associated with the Shuttle Bus program. Transfers to Capital are the monies that are used to fund the Department's capital projects and vary by year depending on what capital projects will be undertaken by the Department. FY 2017 will see a \$15,000 increase in capital program costs. The capital program is detailed in Attachment 1: Fiscal Year 2017 Capital Program.

Non-Capitalized outlays are proposed to increase by approximately \$35,000 in FY 2017. The increase is due to much-needed equipment in Harbor Patrol including new firearms and new Self-Contained Breathing Apparatus (SCBA) to be in compliance with City Fire Department standards. Overall expenditures related to the Waterfront Department's debt service program will decrease by 5.2% or, approximately \$100,000 in FY 2017 due to the Waterfront Department paying off a \$1,000,000 General Fund Loan that had a 6% interest rate.

Staff will provide additional details regarding the proposed expenditures for Fiscal Year 2017 at the Harbor Commission meeting on February 18.

Attachment: Fiscal Year 2017 Capital Program

Prepared by: Brian Bosse, Waterfront Business Manager

**Fiscal Year 2017 Capital Program**

<u>Project</u>	FY 2017 Recommended
Marina One Replacement Ph. 7 (Loan)	\$1,753,311
Stearns Wharf Timber/Pile Replacement	\$400,000
Marina Renovation Program	\$250,000
Harbor ADA Restroom Remodel	\$200,000
Marina 2, 3, 4 End Tie Replacement	\$150,000
Repower Harbor Patrol Vessels	\$130,000
Parking Lot Maintenance Program	\$85,000
Seawall ADA Handrail & Sidewalk Repairs	\$90,000
<b>Subtotal</b>	<b>\$3,058,311</b>
DBW Loan	-\$1,753,311
<b>Capital Outlay Transfer Total</b>	<b>\$1,305,000</b>

Similar to FY2016, the 2017 capital program is focused on improving the Waterfront area for residents and visitors while at the same time maintaining and improving the working harbor for many years to come. The Department will draw down an additional \$1,753,311 of the loan from the California Division of Boating and Waterways (DBW) for the construction of Phase 7: E, F, and G fingers.

The proposed projects in the table above total \$3,058,311 before the DBW Loan is factored in and will be funded from the Waterfront Department's capital fund. Existing projects that will continue in FY2017 include the Marina Renovation Program which includes the continued re-decking of Marina 4; Stearns Wharf Heavy Timber and Pile Replacement Program (\$400,000); and, the Parking Lot Maintenance Program (\$85,000) which will focus on the Leadbetter Beach parking lot. The Seawall ADA Handrail and Sidewalk Repair project (\$90,000) will focus on the area between Marina 3 and 4 of the Harbor and repowering efforts will be focused on Harbor Patrol Boat #2 (\$130,000).

New projects include Marina 2 Restroom ADA Remodel (\$200,000) and the Marina 2, 3, and 4 End Tie Replacement project (\$150,000).