

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: March 19, 2009
To: Harbor Commission
From: John N. Bridley, Waterfront Director
Subject: **Fiscal Year 2010 Operating Budget Recommendation**

RECOMMENDATION: That Harbor Commission:

- A. Receive a staff presentation on the Waterfront Department's proposed FY 2010 Budget submittal;
- B. Recommend approval of a \$25 per linear foot slip transfer fee increase in Fiscal Year 2010 on all slip categories except 20 foot slips;
- C. Recommend approval of a 2% slip fee increase in Fiscal Year 2010; and
- D. Forward a recommendation to City Council for approval of the Waterfront Department's proposed FY 2010 Budget and incorporation into the City budget process.

BACKGROUND:

On November 20, 2008, the Harbor Commission reviewed the Waterfront Department's six-year Capital Improvement Plan (CIP), and recommended Council approval of the Waterfront two year CIP.

The Harbor Commission received a FY 2009 Mid-Year Budget review on January 15, 2009, including a status report on budget performance for year-to-date, as well as a seasonally adjusted method for revenue projections.

On February 17, 2009, a publicly noticed meeting of the Commission's Budget Committee (Commissioners Kelly and Watson) convened at the Waterfront Marine Center Classroom with staff to review budget issues for fiscal years 2010 (July 1, 2009-June 30, 2010).

On February 26, 2009, the Commission received a detailed report on the development status of the proposed Fiscal Year 2010 Waterfront Department operating and capital budget.

On March 2, 2009, Department staff reviewed the draft budget submittal with the City Administrator and Finance Department staff.

DISCUSSION:

Expenditure Adjustments

At the February Harbor Commission meeting staff presented a detailed overview of the Department's proposed operating budget. Due to the difficult economic times and declining revenues, the Department is proposing adjustments to next year's budget as follows:

Operating Fund Expense Reductions	\$553,000
Reduction of Capital Improvement Projects	\$170,000
Overall Fee Adjustments – Increases	\$579,000

No significant permanent staffing levels changes are proposed. However, hourly positions (temporary or seasonal) have been adjusted by reducing hours to be worked by almost 9.5%. It is expected this reduction will result in over \$75,000 savings to the Department.

The Department is expecting that the City will mandate work furloughs to all City Departments during fiscal year 2010. These furloughs and how they will be implemented are currently being negotiated with employee unions and City Administration. It is expected that, if approved, the salary savings will be approximately 5% or \$150,000 annually. It has been discussed or contemplated that these furloughs may continue in 2011.

Revenue/Fee Increases

Revenue assumptions for FY 2010 are expected to be similar to FY 2009 resulting in an estimated shortfall of approximately \$500,000. Based on these declining or flat revenue forecasts the Department is recommending the following fee increases:

The Department is considering the following fee increases to meet the expected FY 2010 revenue shortfalls:

• Hourly parking fee increase from \$1.50 to \$2.00	\$223,079
• Stearns Wharf parking fee increase from \$2 to \$2.50/hour	49,033
• Slip transfer fee increase \$25 per foot (except 20' slips)	50,000
• Slip rental fee increase by 2%	70,707
• Visitor slip fee increase from \$0.60/night to \$0.90/night (Commercial fishermen \$0.60/night to \$0.70/night)	181,737
• Six passenger charter permits increase from \$100/year to \$250	2,400
Total	\$576,956

The following fee adjustments are also under consideration, but do not generate significant revenue:

- Meeting room rentals: \$25/hr \$100 day maximum to \$50/hour \$200/day max

- Dockage fee: \$0.40 to \$0.50 per foot per tie-up per day
- Administrative processing fee (slip trades, etc.) \$25 to \$50
- Maximum all day vehicle parking fee increase from \$9 to \$12
- Maximum all day trailer parking fee increase from \$6 to \$8

Potential Funding Shift

As discussed at the February meeting a possible funding shift or a program responsibility shift involving the Waterfront Department and the Park and Recreation Department is expected as part of budget deliberations. It is likely that some combination of beach grooming/cleaning, beach lifeguard program and restroom maintenance/cleaning will be shifted to the Waterfront Department. Details of this potential budgetary change and impact are not yet finalized. Additionally, neither the total amount of the funding shift nor details of how the programs will be managed are available at this time.

For preliminary budget purposes, the Department was asked to evaluate a possible \$250,000 program funding shift. Staff has prepared an analysis of this budgetary "shift" or expense to the Department's baseline or submitted budget. In order to pay for or absorb these program costs the following changes to the submitted budget would be necessary:

Baseline:

Operating budget reduction of \$553,000 in FY 2010

Capital program reduction \$170,000 in FY 2010, additional capital program reductions of \$395,000 FY 2011-2015

Fee increases of \$577,000 in FY 2010

Hourly Parking Fee increase from \$1.50 to \$2.00 / hour

Wharf Parking Fee increase from \$2.00 to \$2.50 / hour (no change to 90 minute free w/ validation)

Slip Fee increase 2% in FY 2010 and each year thereafter

Visitor Slip fee increase 50% from \$0.60 /foot/ night to \$0.90 /foot/ night (except commercial fishing)

Slip transfer fee increase \$25 per foot (\$225 to \$250 except 20' slips) in FY 2010 and each year thereafter

Park & Recreation Fund shift scenario:

All of the above, plus:

Increase honor fee parking lots from \$2/three hours to \$3/ three hours

4% slip fee increase in FY 2010, 4% in FY2011, 3% in FY 2012, 2% thereafter

Additional Capital program cuts of \$200,000 FY 2011-2015 for a total reduction of \$765,000 to the Department's 6 year CIP

Summary:

As mentioned at last month's meeting, 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 asked the Commissioners to consider the information,

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analysis and recommendation submitted and be prepared to both discuss and make recommendations, to be forwarded to Council at the March 2009 meeting. Staff has attached last month's staff report and attachments to assist the Commission or provide background for questions or concerns.

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 1st. This will be a very challenging budget review and approval process.

Attachment: February 16th Staff Report and Attachments