

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: February 17, 2011
To: Harbor Commission
From: John N. Bridley, Waterfront Director 
Subject: Fiscal Year 2012/2013 Budget Overview

RECOMMENDATION: That Harbor Commission:

- A. Receive a report on the development status of the Fiscal Year 2012 and 2013 Waterfront Department operating and capital budget; and
- B. Provide comments and /or direction on the various components of the draft budget proposal.

EXECUTIVE SUMMARY:

Budget Overview

As an Enterprise Fund the Waterfront Department does not receive tax revenue as is the case with City General Fund Departments. Instead, the Department balances its budget by reducing expenditures, including capital expenditures, and adjusting user fees to maintain emergency reserves and capital development reserves (Harbor Preservation Fund). For planning purposes the Department also develops a six-year budget forecast in addition to the annual budget proposal to help ensure that reserves and debt service coverage ratio requirements can be sustained into the near future (Attachment 1). This forecast is used as a planning tool, not a projection or determination of future year budget submittals.

Unlike previous years in which one-year budgets were developed and adopted, each City Department will be submitting a two-year budget during this cycle. It is expected that the majority of Waterfront Department staff could be subject to an unpaid two week employee work furlough for the third and fourth year in a row (approximately 4% of annual salaries)..

To meet expenditures and maintain required debt service coverage ratios, the Department intends to propose a 3% slip fee increase for FY 2012 and a 2% increase for FY 2013. The Department will also need to leave \$2.3 million in future capital improvement projects unfunded to keep reserves at minimum required levels six years into the future.

Staff met with the Harbor Commission Budget Committee (Commissioners Kelly and Cramer) at a publicly-noticed meeting on February 8, 2011 to discuss the FY 2012/2013 budget including program expenditures and the potential 3% and 2% slip fee increase.

The Committee also expressed interest in having staff research and produce an analysis of slip fees by square footage of the berth and comparing that to the current method of categorizing slip fees by linear foot. No members of the public attended the Budget Committee meeting.

DISCUSSION:

Significant Issues Affecting FY 2012 / 2013 Budget

As reported at the January 20, 2011 Harbor Commission meeting, the national economic climate and record cool foggy weather throughout the FY 2011 summer season adversely affected Waterfront revenues in all four revenue-generating programs: Property Management (lower percentage rents), Financial Management (less interest generated from reserves), Parking Services (Revenue generally reduced due to poor summer weather) and Marina Management (decline in slip transfer fee revenue and visitor slip rentals). Additionally, increasing debt service payments to the California Department of Boating and Waterways for the Marina 1 loan will increase each year and is expected to reach \$256,000 in FY 2012 and \$332,000 in FY 2013 as the Marina 1 Replacement Project progresses through phased construction.

Proposed Staffing

The Department will continue to operate with 46 full-time employees; no additional permanent positions are proposed. One reclassification of a Vessel Technician position is under consideration as part of the FY 2012/2013 budget submittal. Hourly staffing levels in the Parking, Harbor Patrol, and Harbor Maintenance programs will remain unchanged.

Revenue Assumptions for current year FY 2011

As reported at the January 20, 2011 Harbor Commission meeting, projected revenues for FY 2011 were evaluated at mid-year using a 3-year seasonally adjusted average. As of December 31, 2010, (50% of the year) Waterfront revenue was at 51% of budget but \$218,000 (3.5%) below actual revenue received by December 31, 2009. If the trend continues, revenue could be approximately \$444,000 below budget estimates by June 30, 2011. However, the unseasonably warm weather in January and February may have a positive effect on Property Management and Parking revenue, slip transfer fee revenue rebounded somewhat in January, and revenue projections may rise above mid-year expectations as a result.

Expenditure Analysis for current year FY 2011

As of December 31, 2010, Waterfront had spent or encumbered \$6,461,000 or 54.6% of its adopted budget. Therefore, it is anticipated that Waterfront will finish the year within its FY 2011 budgeted expenditures. Waterfront does not expect any significant variances in FY 2011 expense projections at the program or Departmental level.

Proposed Expenditures for FY 2012 / 2013

The tables on the following page show FY 2012 proposed expenditures compared to FY 2011 budgeted expenditures rounded to the nearest thousand dollars. Overall Department expenditures are proposed to increase in FY 2012 by approximately \$58,000 or 0.48% when compared to FY 2011.

Waterfront Expenditures				
By program / in thousands				
	FY 2011	FY 2012	Dollar	Percentage
	<u>Budget</u>	<u>Proposed</u>	Increase	Increase
			<u>FY 2011/2012</u>	<u>FY 2011/2012</u>
Administration	1,702	1,731	29	1.70%
Admin. (Debt Service)	1,666	1,737	71	4.26%
Admin. (Capital Transfer)	1,255	965	-290	-23.11%
Admin Subtotal	4,623	4,433	-190	-4.11%
Property Management	246	246	0	0.00%
Financial Management	191	195	4	2.09%
Parking Services	911	913	2	0.22%
Harbor Patrol	1,943	1,996	53	2.73%
Marina Management	278	288	10	3.60%
Harbor Maintenance	2,680	2,749	69	2.57%
Wharf Maintenance	951	947	-4	-0.42%
Facilities & Capital Design	231	229	-2	-0.87%
Total	12,054	11,996	-58	-0.48%

Waterfront Expenditures				
Department summary / in thousands				
	FY 2011	FY 2012	Dollar Increase	% Increase
	<u>Budget</u>	<u>Proposed</u>	<u>FY 2011/2012</u>	<u>FY 2011/2012</u>
Salaries & Benefits (1)	5,519	5,599	80	1.45%
Supplies & Services	3,309	3,342	33	1.00%
Capital Outlay Transfer	1,256	965	-291	-23.17%
Debt Service	1,666	1,737	71	4.26%
Equipment & Software	77	117	40	51.95%
Special Projects & Community Promotions (2)	127	137	10	7.87%
Appropriated Reserve	100	100		
Total	12,054	11,997	-57	-0.47%
(1) Includes 5% furlough.				
(2) Beach Lifeguard program & July 4th fireworks				

Revenue Assumptions for FY 2012

For the most part, FY 2012 revenue is forecasted to be flat (equivalent to FY 2011 budget expectations) except for the decline in slip transfer fee revenue and the projected 3% slip fee increase which is expected to generate an additional \$156,000 in FY 2012 and \$80,000 in FY 2013.

The Department recently completed its annual survey of 19 marinas to help determine how Santa Barbara slip rental rates and various other fees compare with other publicly-operated harbors. The completed survey is attached for reference (Attachment 2).

Capital Projects

The Waterfront Department will fund approximately \$2,484,000 in capital projects in FY 2012 and \$2,950,000 in FY 2013. The replacement of "M" and "N" fingers in Marina 1 will be funded by a \$3,034,000 installment of the approved loan from the California Department of Boating and Waterways (DBAW). The Department has also received approval for a \$400,000 grant from DBAW to replace deteriorated concrete in the easterly side of the launch ramp in FY 2012.

Waterfront Department Capital Projects		
Dollar amount expressed in thousands		
Description	FY 2012 Budget	FY 2013 Budget
Marina 1- dock replacement (loan)	1,119	1,915
Marina Renovation	225	225
Parking Lot Maintenance	75	75
Stearns Wharf Heavy Timber Replacement	300	300
Harbor ADA Restroom Remodel	20	20
Replace Sump Pump-Marina 1	20	
Replace lift station at Stearns Wharf	85	
Seawall ADA handrail / sidewalk repairs	20	50
Parking Self-Pay System	40	40
Solar Thermal upgrade	25	
Launch ramp concrete (grant)	400	
Recoat Wharf Passenger Loading Ramp	30	
125 Building windows and decking	90	
Breakwater Lights	<u>35</u>	<u>325</u>
Total	2,484	2,950

Six-Year Cash Flow Model

The attached draft Six-Year Cash Flow Model includes the following basic assumptions:

- 2% growth in lease revenue each fiscal year 2013-2017;
- 3% growth in slip revenue in FY 2012 and 2% increase annually thereafter;
- Gradual recovery and growth in other marina revenues such as visitor fees and slip transfer fees;
- 2% growth in parking revenue each fiscal year 2013-2017;
- Continued 4% salary furloughs in the Salaries and Benefits category in FY 2012 and FY 2013 and 3% growth between FY 2013 and FY 2014 and annually thereafter;
- 2.5% annual growth in the Supplies & Services category between FY 2013 and FY 2014 and annually thereafter;
- Increasing debt service payments to DBAW for the Marina 1 reconstruction loan.

Staff will present a PowerPoint presentation covering the Waterfront Department budget development status at the February 17 Harbor Commission meeting.

Attachments: 1. Draft Six-Year Cash Flow Model
2. 2011 Marina survey

Prepared by: Scott Riedman, Waterfront Business Manager