



**City of Santa Barbara**  
Waterfront Department

**Memorandum**

**DATE:** February 21, 2013  
**TO:** Harbor Commission  
**FROM:** Scott Riedman, Waterfront Director  
**SUBJECT:** Budget Overview for Fiscal Years 2014 & 2015

---

**RECOMMENDATION:** That Harbor Commission:

- A. Receive a report on the development of the Fiscal Year 2014 and 2015 Waterfront operating and capital budget; and,
- B. Provide comments and/or direction on the various components of the draft budget proposal.

**DISCUSSION:**

The Waterfront Department continues to meet budgeted revenue projections and maintain budgeted expenditures. Overall, the budgets being proposed by Waterfront staff result in a 1.36% increase in Fiscal Year (FY) 2014 and a 3% increase in FY 2015. Staff met with the Harbor Commission Budget Committee (Commissioners Cramer, Kelly and Sloan) at a publicly-noticed meeting on February 12, 2013 to discuss the budgets for Fiscal Year (FY) 2014 and FY 2015 including program expenditures and capital projects. The Budget Committee was presented with the staff proposal of modifying the parking fee in all self-pay lots to be consistent with the parking fees across all Waterfront Parking Lots as well as a 2% increase on slip fees and a \$25/foot increase on slip transfer fees except 20 foot slips.

**Significant Issues Affecting FY 2014 and 2015 Budgets:**

For the most part, the FY 2014 and 2015 budgets will remain status quo with small increases in the overall budget. One issue of significance is the Santa Barbara Maritime Museum completing their loan obligation in the month of March with a final balloon payment and thus, no longer result in a monthly lease payment from the Museum. This will result in a reduction in lease revenue of approximately \$142,000 per year beginning in FY 2014. The continued presence of cruise ships making stops in Santa Barbara will continue to be an important revenue source for the Waterfront Department.

**Revenue Analysis for Current Fiscal Year 2013:**

As reported at the January 21, 2013 meeting of the Harbor Commission, projected revenues for Fiscal Year 2013 were evaluated at mid-year using a three-year seasonally adjusted average. The great weather last summer coupled with a pleasantly warm fall season have proven, again, to be a significant factor for a solid year in Property Management, Parking Services and Marina Management. If the pattern continues for the

second half of the fiscal year, it is estimated that Department revenue will be approximately 2.5% (\$297,361) above budget at June 30, 2013 (See Attachment 1). As mentioned above, the Santa Barbara Maritime Museum will be completing their loan obligation in the month of March with a final balloon payment estimated at \$268,000. Marina Management revenue is also expected to finish the year above budget expectations, primarily due to an increase in visiting boaters and the subsequent visitor fees as well as a healthy amount of slip transfers taking place during the first two quarters of the fiscal year.

### **Expenditure Analysis for Current Fiscal Year 2013**

As of December 31, 2012 (50% of the way through FY 2013), Waterfront had spent \$7,295,751 or 55.4% of its adopted budget (See Attachment 2). However, the mid-year totals include encumbrances, which are funds that were “promised” by entering into a contract at the beginning of the fiscal year but are actually expended throughout the year, usually on a monthly basis. If the unspent encumbrances of \$605,661 are backed out, the Department has expended 50.8% of its budget as of mid year (See Attachment 3). Additionally, approximately 86% or \$636,000, of the principal on the Department’s annual debt service is paid in accordance with loan agreements prior to December 31 each year. Waterfront does not expect any significant variances in FY 2013 expense projections at the program or Departmental level. Therefore, it is anticipated that Waterfront will finish the year within its FY 2013 budgeted expenditures.

### **Revenue Assumptions for Fiscal Years 2014 and 2015**

The Department is considering the following fee changes which were discussed with the Harbor Commission Budget Committee on February 12, 2013:

- Slip transfer fee increase of \$25 per foot except 20’ slips in FY 2014. The slip transfer fee currently stands at \$300 per foot.
- Slip fee increase of 2% in FY 2014 (projected \$80,830 increase in revenue); and,
- Parking fee adjustment in self-pay lots from \$3 for three hours to \$2 per hour (maximum of \$12 per day) thus making all Waterfront Department lots identical in rate structure. (Except Stearns Wharf)

As with previous years, a survey of 18 marinas was completed in February to help determine how City of Santa Barbara slip rental rates and various other fees compare with other publicly-operated harbors. Santa Barbara marina fees are generally lower than other harbors surveyed, particularly harbors south of Point Conception.

**Waterfront Department Revenue Projection**  
 Fiscal Year 2014 and 2015 By Program

Program	FY 2012	FY 2013	FY 2014	FY 2015	Change %	Change %
	Actual	Projected	Projection	Projection	FY 13/14	FY 14/15
Property Management	4,501,090	4,978,473	4,728,838	4,825,849	-5.00%	2.05%
Financial Management (1)	183,147	145,000	145,000	145,000	0.00%	0.00%
Parking Services	2,297,526	2,262,267	2,378,650	2,399,450	5.14%	1.00%
Marina Management	5,333,920	5,198,687	5,315,778	5,453,512	2.00%	2.59%
<b>Totals</b>	<b>12,315,683</b>	<b>12,584,427</b>	<b>12,568,266</b>	<b>12,823,811</b>	<b>-0.13%</b>	<b>2.00%</b>

(1) Interest Income

Revenue projections for FY 2014 and 2015 appear in the table above. As stated earlier, the good weather in the summer season followed by a warm and sunny fall season have had an overall positive impact on Waterfront Department revenues for FY 2013. Both Stearns Wharf and Harbor Food Services are above revenue expectations including Chuck's Waterfront Grill which is up 75% over last year at the mid-year point. Due to great weather and the impressive projected gains in property management in FY 2013 we have taken a conservative approach and reduced revenue expectations by 5% for FY 2014 with a slight increase of 2% for FY 2015. The completion of the installation of LUKE Payment Stations in all former honor lots is expected to continue to increase revenues in Parking. As a result, we have proposed a conservative 5% increase in Parking Services revenue for FY 2014. Marina Management continues to post strong revenues and we are proposing a 2% increase in revenues for FY 2014.

**Expenditure Assumptions for Fiscal Years 2014 and 2015**

Expenditures for Fiscal Years 2014 and 2015 are detailed at the programmatic level in the table below. Overall the Waterfront Department is looking at a slight increase in expenditures for FY 2014 of 1.36% and an increase from FY 2014 to FY 2015 of 3%.

Property Management expenditures are estimated to increase by 9% in FY 2014. The proposed installation of the new Marina Management software program by the end of FY 2013 will reduce the FY 2014 Computer Software line item by \$40,000 and will aid in that program seeing a 10.50% reduction in expenditures in FY 2014. Due to the changing habits of consumers accompanied by the consumer-friendly installation of LUKE Payment Systems and modernization of Parking Services and Marina Management auto-pay programs, the Waterfront Department has seen a significant increase in the use of debit and credit cards over the past few years. The increase in the use of these cards has had a subsequent impact by increased bank fees (\$45,000 increase in FY 2014) the Department pays from the Financial Management program. Harbor and Wharf Maintenance continue to remain steady in FY 2014 and FY 2015.

**Waterfront Expenditures by Program**  
 FY 2013 v FY 2014 v FY 2015

Program	FY 2012	FY 2013	FY 2014	FY 2015	Change	Change
	<u>Actual</u>	<u>Budget</u>	<u>Proposed</u>	<u>Proposed</u>	<u>FY 13/14</u>	<u>FY 14/15</u>
Admin. & Community Relations	1,513,300	1,789,152	1,896,545	1,933,332	6.00	1.94
Property Management	393,911	284,420	310,277	319,270	9.09	2.90
Financial Management	181,065	201,826	251,609	256,957	24.67	2.13
Parking Services	905,176	936,317	939,484	916,145	0.34	-2.48
Harbor Patrol	1,983,447	2,014,421	2,079,110	2,117,403	3.21	1.84
Marina Management	250,399	334,682	299,531	310,676	-10.50	3.72
Harbor Maintenance	2,792,624	2,797,631	2,869,583	2,942,694	2.57	2.55
Wharf Maintenance	876,761	972,702	991,496	1,012,486	1.93	2.12
Facilities Design & Capital	2,214,400	3,634,683	3,504,146	3,727,510	-3.59	6.37
<b>Total</b>	<b>11,111,083</b>	<b>12,965,834</b>	<b>13,141,781</b>	<b>13,536,473</b>	<b>1.36</b>	<b>3.00</b>

**Additional Information**

Staff met with the Budget Committee (Commissioners Cramer, Kelly and Sloan) on February 12 to review the Department's six-year cash flow model, reserve balances, possible changes to the Capital Improvement plan and other items. Budget Committee members had a number of information requests at the meeting and staff will provide answers and clarifications at the February 21 meeting.

- Attachments: 1. Waterfront Department Revenue Projection  
 2. Waterfront Department Expenditures by Program  
 3. Waterfront Department Expenditures- Consolidated  
 4. Waterfront Expenditures Summary Fiscal Year 2014 and 2015

Prepared by: Brian Bosse, Waterfront Business Manager