

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: March 21, 2013
To: Harbor Commission
From: Scott Riedman, Waterfront Director
Subject: **Fiscal Year 2014 and 2015 Operating Budget Recommendation**

RECOMMENDATION: That Harbor Commission:

- A. Receive a staff presentation on the Waterfront Department's proposed Fiscal Year 2014 and Fiscal Year 2015 budget submittal;
- B. Recommend approval of a \$25 per linear foot slip transfer fee increase in Fiscal Year 2014 and Fiscal Year 2015 on all slip categories except 20 foot slips;
- C. Recommend approval of a 2% slip fee increase in Fiscal Year 2014 and Fiscal Year 2015;
- D. Recommend approval of a parking fee adjustment in self-pay lots from \$3 for three hours with a maximum of \$7 per day to \$2 per hour with a maximum of \$12 per day; and
- E. Forward a recommendation to City Council for approval of the Waterfront Department's proposed Fiscal Year 2014 and Fiscal Year 2015 budget and incorporation into the City budget process.

BACKGROUND:

On November 15, 2012, the Harbor Commission reviewed the Waterfront Department's six-year Capital Improvement Plan (CIP), and recommended Council approval of the Waterfront CIP. \$4,606,000 is proposed to fund capital projects in FY 2014 and FY 2015, including \$1.9 million in loan funding from the State Department of Boating and Waterways (DBW).

The Harbor Commission received a FY 2013 Mid-Year Budget review on January 24, 2013, including a status report on actual revenues and expenditures from July 1 - December 31, 2012, as well as a seasonally adjusted estimate for year-end revenue totals.

A publicly noticed meeting of the Commission's Budget Committee (Commissioners Kelly, Cramer and Sloan) met at the Waterfront Department conference room with staff on February 12, 2013, to review budget issues for FY 2014 and FY 2015 (July 1, 2013-June 30, 2014 and July 1, 2014-June 30, 2015). The Budget Committee supported the concept of proposed fee adjustments for FY 2014 and 2015.

On February 21, 2013, the Commission received a detailed report on the development status of the proposed FY 2014 and FY 2015 Waterfront Department operating budget. The presentation included information on the current fiscal year, revenues projections for FY 2014 and expenditures for FY 2015, funding sources for the department's capital projects, approved capital projects for FY 2014, reserve requirements, and terms of the Department's debt service obligations.

On March 18, 2013, Department staff reviewed the draft budget submittal with the City Administrator and Finance Department staff, including the Department's Six-Year Cash Flow Model (Attached).

DISCUSSION:

Fiscal Year 2014 and 2015 Expenditures

Expenditures for Fiscal Years 2014 and 2015 are detailed at the program level in Table 1 below. Overall, the Waterfront Department is looking at a slight increase in expenditures for FY 2014 of almost 3% and a slight decrease from FY 2014 to FY 2015 of 0.19%.

Administration and Community Relations will see a slight increase of approximately 6% in FY 14 primarily due to increases in insurance rates and the department's overhead allocation.

Property Management expenditures are estimated to increase significantly in FY 2014 due to approximately \$107,000 in newly identified costs associated with cruise ship visits. These costs include fees for additional MTD service, permit fees, and fees associated with assisting the Downtown Organization and the Conference and Visitors Bureau with advertising, staffing, supplies, and volunteer recruitment.

The proposed installation of the new Marina Management software program by the end of FY 2013 will reduce FY 2014 expenditures by \$40,000 and will aid in that program seeing a 10.50% reduction. 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.

The Waterfront Department funds the Parks and Recreation Department's beach lifeguard program through the Harbor Patrol budget. West Beach continues to see a rise in beach and water activity and in order to address that increase in activity the lifeguard program will expand onto West Beach with the addition of a new seasonally staffed lifeguard tower.

The new staffing at West Beach will act as an additional safety presence on the beach with the ability to quickly alert Harbor Patrol of any issues needing their attention.

Harbor and Wharf Maintenance continue to remain steady in FY 2014 and FY 2015.

Table 1: Waterfront Expenditures by Program

FY 2013 v FY 2014 v FY 2015

Program	FY 2013	FY 2014	FY 2015	Change	Change %
	<u>Budget</u>	<u>Recomm.</u>	<u>Recomm.</u>	<u>% FY 13/14</u>	<u>FY 14/15</u>
Admin & Community Relations	1,789,152	1,896,085	1,939,872	5.98	2.31
Property Management	284,420	391,444	400,437	37.63	2.30
Financial Management	201,826	251,281	256,629	24.50	2.13
Parking Services	936,317	935,557	912,054	-0.08	-2.51
Harbor Patrol	2,014,421	2,083,971	2,129,547	3.45	2.19
Marina Management	334,682	299,305	310,450	-10.57	3.72
Harbor Maintenance	2,797,631	2,864,468	2,872,579	2.39	0.28
Wharf Maintenance	972,702	987,836	1,008,826	1.56	2.12
Facilities Design & Capital	3,634,683	3,640,742	3,495,221	0.17	-4.00
Total	12,965,834	13,350,689	13,325,615	2.97	-0.19

Proposed Fee Adjustments

The Department is recommending the following fee adjustments for FY 2014 which were reviewed by the Harbor Commission Budget Committee on February 12, 2013 and the Harbor Commission on February 21, 2013:

- Slip transfer fee increase of \$25 per foot except 20' slips in FY 2014 and FY 2015. The slip transfer fee currently stands at \$325 per foot;
- Slip fee increase of 2% in FY 2014 and FY 2015 (projected \$80,830 increase in revenue); and,
- Parking fee adjustment in self-pay lots from \$3 for three hours (maximum of \$7 per day) 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.

Fiscal Year 2014 and 2015 Revenue Projections

Revenue projections for FY 2014 and 2015 appear in Table 2 below. 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.

Due to great weather and the impressive projected gains in property management in FY 2013 and noting the loss of \$142,000 per year in lease revenue with the Maritime Museum paying off their lease obligation, staff has taken a conservative approach and reduced overall revenue expectations by approximately 1.1% for FY 2014 with a slight increase of 2.36% for FY 2015. Revenue from cruise ship visits is expected to offset the loss of lease revenue from the Maritime Museum and the loss of \$140,000 annual revenue from the DCOR oil rig crew transfer operations at the City pier.

It is expected that the completion of the installation of LUKE Payment Stations in all former honor fee lots will continue to slowly increase revenues and hourly staff savings in the coming years. However, noting solid parking revenues in FY 2013, due in good part to an unseasonably warm summer and fall, it is anticipated that Parking Services revenues will remain steady in FY 2014 and increase by a conservative 2.86% in FY 2015. Marina Management continues to post strong revenues and a 2.25% increase in revenues for FY 2014 and 2.59% increase for FY 2015 are projected.

Table 2: Waterfront Department Revenue Projection
Fiscal Year 2014 and 2015 By Program

Program	FY 2012	FY 2013	FY 2014	FY 2015	Change	Change
	Actual	Projected	Recomm.	Recomm.	% FY 13/14	% FY 14/15
Property Management	4,485,633	4,978,473	4,728,838	4,825,849	-5.01	2.05
Financial Management (1)	166,113	145,000	137,700	132,000	-5.03	-4.14
Parking Services	2,271,185	2,262,267	2,262,750	2,327,416	0.02	2.86
Marina Management	5,312,682	5,198,687	5,315,778	5,453,512	2.25	2.59
Rebates	392,456	0	0	0	0.00	0.00
Totals	12,628,069	12,584,427	12,445,066	12,738,777	-1.11	2.36

(1) Interest Income

Summary

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 review of City Department budgets will continue into May and early June with Council tentatively scheduled to adopt a final budget on June 18th.

Attachment: Six-Year Cash Flow Model

Prepared by: Brian Bosse, Waterfront Business Manager