

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: February 20, 2014
To: Harbor Commission
From: Scott Riedman, Waterfront Director
Subject: **Budget Overview for Fiscal Year 2015**

RECOMMENDATION: That Harbor Commission:

- A. Receive a report on the status of the Fiscal Year 2015 Waterfront operating and capital budget; and,
- B. Provide comments and/or direction 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 2014 and 2015. Halfway through the two-year budget cycle, the Waterfront Department continues to meet budgeted revenue projections and maintain budgeted expenditures. Staff met with the Harbor Commission Budget Committee at a publicly-noticed meeting on February 13, 2014, to discuss the budget for Fiscal Year 2015 including program expenditures and capital projects. The Budget Committee was presented with the staff proposal to:

- Provide a 2% increase on slip fees similar to the previous three fiscal years;
- Provide a \$25 per foot increase on slip transfer fees excluding the 20-foot slips which remain frozen at \$200 per foot; and,
- Freeze the slip transfer fee for 25-foot slips at the current rate of \$350 per foot.

Issues Affecting Fiscal Year 2015 Budget:

For the most part, 2015 budget will remain status quo with small adjustments in the overall revenues and expenditures.

An overall increase in employee salaries and benefits due to new labor agreements will increase those line items by 2% in Fiscal Year 15. These increases are accounted for in the Fiscal Year 2015 budget. Also on the horizon for Fiscal Year 2015 are changes to the State of California's minimum wage laws. These changes will require up to an additional \$32,000 for the custodial and maintenance services provided by UCP/Work Inc. It is anticipated that the proposed increase will be considered by City Council in March.

The continued presence of cruise ships making stops in Santa Barbara (a total of 18 for the spring season) will continue to be an important revenue source for the Waterfront Department and nearly fills the revenue void left by the Santa Barbara Maritime Museum completing its rent buy-down obligation and the offshore oil industry moving its crew transfer operations back to Carpinteria.

Revenue Analysis for Current Fiscal Year 2014:

As reported at the January 23, 2014 meeting of the Harbor Commission, projected revenues for Fiscal Year 2014 were evaluated at mid-year using a three-year seasonally adjusted average. The Parking Services program is on track to exceed budget expectations. This is likely due to a number of factors including a slight increase in parking fees, the completed installation of 13 Luke Self-Pay Parking Systems in the five non-staffed Waterfront parking lots, and the great weather last summer coupled with a warm fall and winter season. Marina Management revenue is expected to finish the year near budget expectations, despite a slight downturn in visitor fees half way through the fiscal year. Slip transfer fees are tracking slightly above budget estimates and included a flurry of activity at the end of the calendar year. If the pattern continues for the second half of the fiscal year, it is estimated that Department revenue will be approximately 1% (\$151,500) above budget at June 30, 2013.

Expenditure Analysis for Current Fiscal Year 2014

As of December 31, 2013 (50% of the way through Fiscal Year 2014), Waterfront had spent \$7,520,406 or 55.46% of its adopted budget. 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 \$740,793 are backed out, the Department has expended 50% of its budget as of mid-year. Additionally, approximately 87% or \$739,000, 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 Fiscal Year FY 2014 expense projections at the program or Departmental level. Therefore, it is anticipated that Waterfront will finish the year within its FY 2014 budgeted expenditures.

Revenue Assumptions for Fiscal Year 2015

The Department is considering the following fee changes which were discussed with the Harbor Commission Budget Committee on February 13, 2014:

- Slip transfer fee increase of \$25 per foot (except 20' and 25' slips) in Fiscal Year 2015. The slip transfer fee currently stands at \$350 per foot and would move to \$375 per foot.
- Slip fee increase of 2% in Fiscal Year 2015 (projected \$75,000 increase in revenue).

Table 1: Waterfront Department Programs
 Fiscal Year 14 Revenue Projection vs. Fiscal Year 15 Proposed Budget

Program	FY 2014 Projection	FY 2014 Budget	FY 2015 Proposed	% Change FY 14/15
Property Management	4,749,190	4,728,839	4,807,610	1.7%
Financial Management (1)	129,800	137,700	62,000	-55.0%
Parking Services	2,395,350	2,262,750	2,327,416	2.9%
Marina Management	5,322,270	5,315,778	5,453,512	2.6%
Totals	12,596,610	12,445,067	12,650,538	1.7%

(1) Interest Income

Proposed revenues for Fiscal Year 2015 appear in the table above. Overall, staff is proposing a 1.7% increase in revenues over the Fiscal Year 14 budgeted amounts. As stated earlier, the good weather in the summer season followed by a warm and sunny fall and winter have had an overall positive impact on Waterfront Department revenues for Fiscal Year 2014. The Shoreline Beach Café has seen a 12% jump in revenues in the first six months of the fiscal year. Property Management looks to increase by almost 2% next fiscal year. Due to the upcoming refinance of the Department's bond debt it is anticipated that the Department will see a decrease of over 50% in Financial Management revenues. The Fiscal Year 2013 installation of Luke Self-Pay Parking Systems and the slight increase in parking fees in all former honor fee lots in Fiscal Year 2014 is expected to continue to slightly increase Parking revenues over time. As a result, we have proposed a modest 2.9% increase in Parking Services revenue for Fiscal Year 2015. Marina Management continues to post steady revenues and we are proposing a 2.6% increase for Fiscal Year 2015.

Expenditure Assumptions for Fiscal Year 2015

Expenditures for Fiscal Year 2015 are detailed at the programmatic level in Table 2 below. Overall the Waterfront Department is looking at a slight overall decrease in expenditures of 1.7%.

As mentioned earlier in this report, small increases in salaries and benefits (Attachment 1) due to new labor agreements and changes in overhead costs and allocations will increase components of the budget. Administration & Community Relations, Financial Management and Harbor Patrol expenditures will increase between 2-3%. Property Management is proposed to be reduced by 12.5% due to a front-loaded two year agreement with our Washington D.C. lobbying firm (for Federal Dredging Funds) and an overall reduction in contractual services. The installation of the new Marina Management software program in Fiscal Year 14 will reduce the Fiscal Year 2015 Computer Software line item by \$40,000 and will aid in that program seeing a 12% reduction in expenditures. Harbor and Wharf Maintenance continue to remain steady and combined will decrease by less than 1% in Fiscal Year 2015. Facilities Design and Capital Program expenditures will decrease by 4.5% and will continue to have an

aggressive capital program composed of ten projects totaling over \$3,000,000 (see Attachment 2: Proposed Fiscal Year 2015 Capital Program).

**Table 2: Waterfront Department Proposed Expenditures
 by Program**

Program	FY 2014 Budget	FY 2015 Proposed Budget	% Change FY 14 vs. 15
Admin & Community Relations	\$ 1,892,641	\$ 1,952,793.00	3.2%
Property Management	\$ 462,716	\$ 404,694.00	-12.5%
Financial Management	\$ 250,876	\$ 262,231.00	4.5%
Parking Services	\$ 934,915	\$ 921,786.00	-1.4%
Harbor Patrol	\$ 2,092,778	\$ 2,155,480.00	3.0%
Marina Management	\$ 338,829	\$ 298,326.00	-12.0%
Harbor Maintenance	\$ 2,957,470	\$ 2,866,066.00	-3.1%
Wharf Maintenance	\$ 983,435	\$ 1,003,946.00	2.1%
Facilities Design & Capital Programs	\$ 3,645,329	\$ 3,481,537.00	-4.5%
Total	\$ 13,558,989	\$ 13,346,859.00	-1.6%

Attachments: 1. Waterfront Department Expenditures – Consolidated FY 14 vs. FY 15
 2. Proposed Fiscal Year 2015 Capital Program

Prepared by: Brian Bosse, Waterfront Business Manager

Waterfront Department Expenditures
Consolidated FY 14 vs. FY 15

Description	FY 14 Budget	FY 15 Proposed	% Change FY 14 vs 15
Total Salaries & Benefits	\$ 5,866,308	\$ 6,019,962	2.6%
Total Supplies & Expenses	\$ 4,011,598	\$ 3,836,905	-4.4%
Community Promotions (1)	\$ 60,000	\$ 60,000	0.0%
Transfers to Capital (2)	\$ 1,544,155	\$ 1,385,000	-10.3%
Beach Lifeguard Service	\$ 90,438	\$ 97,270	7.6%
Computer Software (3)	\$ 42,610	\$ 2,500	-94.1%
Subtotal	\$ 11,615,109	\$ 11,401,637	-1.8%
Other			
Principal	\$ 850,716	\$ 820,779	-3.5%
Interest	\$ 993,164	\$ 1,024,443	3.1%
Appropriated Reserves	\$ 100,000	\$ 100,000	0.0%
Total Other	\$ 1,943,880	\$ 1,945,222	0.1%
Total	\$ 13,558,989	\$ 13,346,859	-1.6%

- (1) July 4th fireworks
- (2) Transfer to fund capital projects
- (3) Marina Management Software

Waterfront Capital Program / Fund 623

<u>Project</u>	FY 2015 Recommended
Marina One Replacement (Loan)	\$1,676,000
Marina Renovation Program	\$250,000
Stearns Wharf Heavy Timber/Pile Replacement	\$400,000
Parking Equipment Infrastructure Replacement	\$100,000
Parking Lot Maintenance Program	\$80,000
Seawall ADA Handrail & Sidewalk Replacement	\$30,000
Harbor ADA Restroom Remodel	\$200,000
117 Harbor Way Electrical Upgrade	\$150,000
Marina 2, 3, & 4 Endtie Replacement	\$150,000
Replace Lift Station at Stearns Wharf	\$25,000
Subtotal	\$3,061,000
DBW Loan	-\$1,676,000
Total	\$1,385,000
Capital Outlay Transfer	\$1,385,000