

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: March 20, 2014
To: Harbor Commission
From: Scott Riedman, Waterfront Director
Subject: **Fiscal Year 2015 Operating and Capital Budget Recommendation**

RECOMMENDATION: That Harbor Commission:

- A. Receive a staff presentation on the Waterfront Department's proposed Fiscal Year 2015 budget submittal;
- B. Recommend approval of freezing slip transfer fees at \$350 per linear foot for 25 foot slips;
- C. Recommend approval of a \$25 per linear foot slip transfer fee increase in Fiscal Year 2015 on all slip categories except 20 and 25 foot slips;
- D. Recommend approval of a 2% slip fee increase in Fiscal Year 2015;
- E. Forward a recommendation to City Council for approval of the Waterfront Department's proposed Fiscal Year 2015 budget and incorporation into the City budget process.

BACKGROUND:

The Harbor Commission received a FY 2014 Mid-Year Budget review on January 23, 2014, including a status report on actual revenues and expenditures from July 1 - December 31, 2013, as well as a seasonally adjusted estimate for year-end revenue totals.

Staff met with the Harbor Commission Budget Committee (Commissioners Cramer, Kelly and Sloan {absent}) at a publicly-noticed meeting on February 13, 2014 to discuss the FY 2015 budget including program expenditures and capital projects. The Budget Committee supported the concept of proposed fee adjustments for FY 2015. On February 20, 2014, the Harbor Commission received a written report and presentation providing an overview of the FY 2015 budget. The presentation included information on the current fiscal year, revenue and expenditure projections for FY 2015, funding sources for the department's capital projects, and approved capital projects for FY 2015.

On February 20, 2013, the Commission received a detailed report on the development status of the proposed FY 2015 Waterfront Department operating budget and capital

projections for FY 2014 and expenditures for FY 2015, funding sources for the department's capital projects, and approved capital projects for FY 2015.

On March 13, 2014, Department staff reviewed the draft budget submittal with the City Administrator and Finance Department staff.

DISCUSSION:

Fiscal Year 2015 Expenditures

Expenditures for Fiscal Year 2015 are detailed at the programmatic level in Table 1 below. Overall the Waterfront Department is looking at a slight overall decrease in expenditures of 1.3%.

Small increases in salaries and benefits due to new labor agreements and changes in overhead costs and allocations will increase components of the budget. Administration & Community Relations will increase by 5.3% including \$40,000 to help fund the Waterfront Shuttle. Property Management is proposed to be reduced by 12.5% due in part 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. Financial Management expenditures will increase by 4.5% while Parking Services will decline by 1.4%. Harbor Patrol expenditures will increase by 3% due primarily to salary adjustments. In Marina Management, the installation of the new Marina Management software program in FY 14 will reduce the FY 2015 Computer Software line item by \$40,000 and will aid in that program seeing a 12% reduction in expenditures. Harbor Maintenance will decrease by approximately \$90,000 while Wharf Maintenance will increase slightly. 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.

Table 1: Waterfront Department Expenditures
 By Program

Program	FY 2014 Budget	FY 2015 Proposed Budget	% Change FY 14 vs. 15
Admin & Community Relations	\$ 1,892,641	\$ 1,992,793	5.3%
Property Management	\$ 462,716	\$ 404,694	-12.5%
Financial Management	\$ 250,876	\$ 262,231	4.5%
Parking Services	\$ 934,91	\$ 921,786	-1.4%
Harbor Patrol	\$ 2,092,778	\$ 2,155,480	3.0%
Marina Management	\$ 338,829	\$ 298,326	-12.0%

Harbor Maintenance	\$ 2,957,470	\$ 2,865,100	-3.1%
Wharf Maintenance	\$ 983,435	\$ 1,003,946	2.1%
Facilities Design & Capital Programs	\$ 3,645,329	\$ 3,481,537	-4.5%
Total	\$ 13,558,989	\$ 13,385,893	-1.3%

Proposed Fee Adjustments

The Department is considering the following fee adjustments for FY 2015 which were reviewed by the Harbor Commission Budget Committee on February 13, 2014 and the Harbor Commission on February 20, 2014. These slip fee adjustments would be the same as slip fee adjustments that were made in FYs 2012, 2013, and 2014:

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

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 2015 Revenue Projections

Proposed revenues projections for FY2015 appear in the Table 2, below. Overall, staff is proposing a 1.6% increase in revenues over the FY 2014 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 FY 2014. Property Management: The Shoreline Beach Café has seen a 12% jump in revenues in the first six months of the fiscal year. Revenues from Cruise Ships will be reduced to an estimated \$230,000 due to fewer ships scheduled to make Santa Barbara a destination. Overall, Property Management looks to remain steady next fiscal year. Financial Management: Due to the upcoming refinance of the Department's bond debt it is anticipated that the Department will see a decrease of just over 11% in Financial Management revenues. Parking Services: The FY 2013 installation of Luke Self-Pay Parking Systems and the slight increase in parking fees in all former honor fee lots in FY 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 FY 2015. Marina Management continues to post steady revenues and we are proposing a 2.6% increase for FY2015.

Table 2: Waterfront Department Programs
 FY 14 Budgeted Revenue vs. FY 15 Requested Budget

Program	FY 2014 Projection	FY 2014 Budget	FY 2015 Requested	% Change FY 14/15
Property Management	4,869,177	4,728,839	4,737,609	0.2%
Financial Management (1)	129,800	132,000	117,000	-11.4%
Parking Services	2,395,205	2,262,750	2,327,416	2.9%
Marina Management	5,272,243	5,315,778	5,453,512	2.6%
Totals	12,666,425	12,439,367	12,635,537	1.6%

(1) Interest Income

Draft Six-Year Cash Flow Model

As with all budget submittals, staff includes a draft six-year cash flow model to identify positive or negative trends, particularly to maintain compliance with the Department's loan coverage requirements and reserve requirements. The attached cash flow model shows the Harbor Preservation Fund /Reserve for Capital dipping below the \$2 million required minimum in FY 2017 and dropping below the required debt service coverage ratio in FY 2018. However, staff is not recommending making any additional fee adjustments for FY 2015. Year-end revenues are expected to exceed budget expectations which could improve the cash flow model significantly. Additionally, the Department will be developing the next Six-Year Capital Plan in the fall and the next two-year budget in early 2015 and the draft cash flow model and any adjustments will be re-evaluated at that time.

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 on April 22, 2014. Council review of City Department budgets will continue into May and early June with Council tentatively scheduled to adopt a final budget on June 17, 2014.

Attachment: Six-Year Cash Flow Model

Prepared by: Brian Bosse, Waterfront Business Manager

WATERFRONT DEPARTMENT

Cash Flow Analysis

Fiscal Years 2010 - 2020

As of March 11, 2014

\$14,874,967 loan from DBW at 4.5%/ \$25 per foot slip transfer fee increase every year

	Actual 2011	Actual 2012	Actual 2013	Budget 2014	Budget 2015	2.0% 2016	2.0% 2017	2.0% Projected 2018	2.0% 2019	2.0% 2020
Operating Revenue										
Leases										
Commercial	\$ 1,197,508	1,288,598	1,383,715	1,361,771	1,389,007	1,416,787	1,445,123	1,474,025	1,503,506	1,533,576
Food Service	2,151,111	2,231,285	2,345,263	2,315,400	2,361,708	2,408,942	2,457,121	2,506,263	2,556,389	2,607,516
Waterfront Center	400,810	455,151	786,937	368,400	361,688	362,191	362,191	362,191	362,191	362,191
Leases- Other	181,961	174,459	186,119	186,100	196,236	200,161	204,164	208,247	212,412	216,660
Ice Machine	26,368	32,380	20,168	30,000	30,000	30,600	31,212	31,836	32,473	33,122
Misc. Revenue	126,970	212,577	247,093	377,000	307,000	313,140	319,403	325,791	332,307	338,953
CAM Reimbursements	100,788	91,183	82,650	90,167	91,970	93,809	95,686	97,599	99,551	101,542
Total Leases	4,185,516	4,485,632	5,051,945	4,728,838	4,737,609	4,825,630	4,914,899	5,005,953	5,098,829	5,193,561
Service Charges										
Slip Fees	3,861,692	3,974,448	4,065,437	4,122,293	4,204,739	4,288,834	4,374,610	4,462,103	4,551,345	4,642,372
Slip Transfer Fees	428,875	614,000	649,825	525,000	575,000	605,000	650,000	675,000	700,000	730,000
Visitor Fees	416,262	400,350	419,053	450,000	455,000	464,100	473,382	482,850	492,507	502,357
Other	391,407	323,883	254,251	218,485	218,773	223,148	227,611	232,164	236,807	241,543
Total Marina Management	5,098,236	5,312,681	5,388,566	5,315,778	5,453,512	5,581,082	5,725,604	5,852,116	5,980,658	6,116,271
Parking Fees	1,994,074	2,271,185	2,333,093	2,262,750	2,327,416	2,373,964	2,421,444	2,469,872	2,519,270	2,569,655
Interest/Financial Mgmt	173,953	166,113	150,685	137,700	117,000	119,340	121,727	124,161	126,645	129,177
Rebates (Expense Reductions)		392,456								
"YOther"	-	-	10,830							
Total Operating Revenue	11,451,779	12,628,067	12,935,119	12,445,066	12,635,537	12,900,017	13,183,673	13,452,103	13,725,401	14,008,666
	Actual	Actual	Actual	Budget	Budget	Projected				
Perminant Salaries & Benefits	4,737,361	4,611,187	4,841,891	5,168,352	5,341,507	5,555,167	5,777,374	6,008,469	6,248,808	6,498,760
Temporary Salaries & Benefits	757,321	727,732	696,560	705,684	678,455	698,809	719,773	741,366	763,607	786,515
Furloughs/Labor Concessions	-	-	-	-	-	-	-	-	-	-
Supplies & Services	2,996,888	3,127,285	3,374,970	3,504,348	3,606,614	3,678,746	3,752,321	3,827,368	3,903,915	3,981,993
Parks Landscape Maintenance	229,325	232,729	229,325	229,325	229,325	233,912	238,590	243,362	248,229	253,193
Life Guards/FASB 45	75,824	77,020	84,808	87,443	97,270	99,215	101,200	103,224	105,288	107,394
Fireworks	45,059	40,539	40,295	79,807	60,000	60,000	60,000	60,000	60,000	60,000
MTD Waterfront Shuttle	-	-	-	-	40,000	40,800	41,616	42,448	43,297	44,163
Debt Service (Princ & Int)	724,470	703,139	1,285,947	1,274,944	1,160,104	1,155,645	1,162,911	1,154,813	1,153,605	1,154,384
Other Transfers (FMS)		84,483	90,978	99,155						
Debt Service for Chandlery	123,500	123,503	123,503	123,503	123,503	123,503	123,503	123,503	123,503	123,503
Debt - Service - Repay GF	107,718	69,980	107,718	107,718	107,718	107,718	107,718	107,718	107,718	107,718
Debt - Service - Marina One	2,942	129,198	166,959	337,715	337,715	386,259	489,151	598,981	718,695	834,418
Equipment & Software	74,046	120,306	81,846	147,500	2,500	2,550	2,601	2,653	2,706	2,760
Other/Appropriated Reserves	19,563	19,563	12,165	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Operating Expenses	9,894,017	10,066,664	11,136,965	11,965,494	11,884,711	12,242,324	12,676,758	13,113,904	13,579,371	14,054,802
Net operating gain / (loss)	\$ 1,557,762	\$ 2,561,403	1,798,154	479,572	750,826	657,693	506,916	338,199	146,030	(46,137)
Updated debt service Status quo slip fees										
			3.36	2.59	2.86	2.85	2.81	2.79	2.75	2.70
Coverage Ratio - Bond/DBAW	3.49	4.43	2.47	1.56	1.72	1.64	1.51	1.38	1.25	1.14

Funding Sources	2011		2012		2013		2014		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020				
Carry Forward	\$ 5,876,802	\$ 6,657,001	\$ 8,000,281	\$ 7,575,181	\$ 6,631,767	\$ 6,070,900	\$ 5,931,088	\$ 5,140,914	\$ 4,491,878	\$ 3,310,510				
Re-Allocation of Reserves	80,445	(448,262)												
Transfer to Capital Fund (FMS)														
Interest - Harbor Preservation Fund (@ 2%)	71,992	90,139	109,456	92,014	73,308	62,494	57,910	39,934	24,768	-				
Other Income - HFP														
Release of unused capital appropriations														
Use of Capital Fund Reserves														
Capital Projects - Grants	40,000	400,000	350,000											
Capital Projects - Loans	2,110,640	1,118,998	1,915,328	100,000	1,676,000	1,789,000	1,950,000	1,885,000						
TOTAL FUNDS AVAILABLE	8,179,879	7,817,876	10,375,065	7,767,195	8,381,074	7,922,395	7,938,998	7,065,848	4,516,647	3,310,510				

Capital Projects

Marina One Replacement	1	2,110,640	1,118,998	1,915,328	100,000	1,676,000	1,789,000	1,950,000	1,885,000		
Marina Renovation Program		225,000	225,000	225,000	250,000	250,000	250,000	250,000	250,000	275,000	275,000
Parking Lot Maintenance Program		70,000	75,000	75,000	75,000	80,000	105,000	300,000	80,000	80,000	85,000
Stearns Wharf Heavy Timber & Pile Replacement		300,000	300,000	300,000	350,000	400,000	425,000	425,000	425,000	425,000	425,000
West Beach Dredging											
Replace Hoists 1, 2, 3 and 4		30,000					50,000		50,000		
Harbor ADA Restroom remodel (NEW)		50,000	20,000	90,000		200,000		200,000		150,000	
Replace Sump Pump - Marina One West Restroom			20,000								
M1 East Restroom Sump Tank											
Replace Lift Station at Stearns Wharf		15,000	85,000			25,000					
Seawall ADA Handrailing and Sidewalk repairs	#	20,000	20,000	20,000	50,000	30,000	30,000	30,000	30,000	30,000	30,000
Upgrade Accom Dock				75,000							
Parking Equipment Infrastructure Replacement (NEW)			40,000	165,000	200,000	100,000					
Solar Thermal		30,000	25,000								
Launch Ramp Concrete (Grant)		40,000	400,000	350,000							
Recoat PLR			30,000		30,000						
125 Windows and Decking		90,000			90,000						
Marina 3 ADA		25,000									
FMS Replacement											
Sealanding Sidewalk & Landscaping (NEW)					320,000						
Waterfront Center Renovation		75,000									
117 Building Electrical Upgrade (NEW)						150,000					
Breakwater Cap			20,000	400,000							
Replace/Upgrade Video System				25,000							
M4B Endtie Expansion				75,000							
Marina 2 - 4 Endtie Replacement (NEW)						150,000		150,000			
Stearns Wharf Waterline Replacment										200,000	
Ice House Upgrade (NEW)					150,000						

UNFUNDED PROJECTS

Renovate Maintenance Shop / \$100,000 /2015											
Replace Patrol Boat 3 / \$400,000 / 2016											
125 Elevator / \$350,000 / 2016											
119 Elevator / \$350,000 / 2015											
Breakwater Cap Replacement / \$700,000 / 2016											
217 Elevator / \$350,000 2016											
132 Emergency Generator / \$100,000 2017											

TOTAL EXPENSES		3,080,640	2,378,998	3,715,328	1,615,000	3,061,000	2,649,000	3,305,000	2,720,000	1,160,000	815,000
NET SURPLUS / (DEFICIT)		\$ 5,099,239	\$ 5,438,878	\$ 6,659,737	\$ 6,152,195	\$ 5,320,074	\$ 5,273,395	\$ 4,633,998	\$ 4,345,848	\$ 3,356,647	\$ 2,495,510
Net Gain from Operating Fund		1,557,762	2,561,403	1,798,154	479,572	750,826	657,693	506,916	146,030	(46,137)	612,094
Reserves - June 30th		\$ 6,657,001	\$ 8,000,281	\$ 8,457,891	\$ 6,631,767	\$ 6,070,900	\$ 5,931,088	\$ 5,140,914	\$ 4,491,878	\$ 3,310,510	\$ 3,107,604
Operating Fund - Reserve Requirements		\$ 2,150,036	\$ 2,527,505	\$ 2,974,490	\$ 2,966,373	\$ 2,946,178	\$ 3,035,581	\$ 3,144,189	\$ 3,253,476	\$ 3,369,843	\$ 3,488,701
Harbor Preservation Fund		\$ 4,506,965	\$ 5,472,776	\$ 4,600,691	\$ 3,665,394	\$ 3,124,722	\$ 2,895,507	\$ 1,996,725	\$ 1,238,402	\$ (59,333)	\$ (381,097)
		\$ 6,657,001	\$ 8,000,281	\$ 7,575,181	\$ 6,631,767	\$ 6,070,900	\$ 5,931,088	\$ 5,140,914	\$ 4,491,878	\$ 3,310,510	\$ 3,107,604

Assumptions: 1) Loan from DBW (Additional Debt Service)

Capital Outlay Transfer		930,000	860,000	1,450,000	1,515,000	1,385,000	860,000	1,355,000	835,000	1,160,000	815,000
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