

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: March 17, 2016
To: Harbor Commission
From: Scott Riedman, Waterfront Director
Subject: **Waterfront Department Fiscal Year 2017 Budget Recommendation**

RECOMMENDATION: That Harbor Commission:

- A. Receive a staff presentation on the Waterfront Department's proposed Fiscal Year 2017 budget submittal;
- B. Recommend approval of a 2% slip fee increase in Fiscal Year 2017;
- C. Recommend holding slip transfer fees for 28 foot and 30 foot slips at \$400 per foot;
- D. Recommend holding designated commercial fishing slips in Marina 1-A and Fisherman's Floats North and South at \$400 per foot;
- E. Recommend approval of a \$25 slip transfer fee increase to \$425 per linear foot for slips larger than 30 feet;
- F. Recommend approval of a \$10 per month increase in liveaboard fees from \$140 per month to \$150 per month;
- G. Recommend adjusting Cruise Ship Fees from \$5 per person (passengers and crew) to \$7 per passenger (excluding crew);
- H. Recommend increasing Harbor Patrol Vessel Replacement Fund from \$75,000 per year to \$150,000 per year;
- I. Recommend addition of a new position, Administrative Specialist/ Accounting; and,
- J. Forward a recommendation to City Council for approval of the Waterfront Department's proposed Fiscal Year 2017 budget and incorporation into the City budget process.

BACKGROUND:

On December 17, 2015, Staff met with the Harbor Commission Budget Subcommittee (Commissioners Sloan and MacIntosh) to discuss the Fiscal Year 2017 budget including proposed program expenditures, fee adjustments, and capital projects.

On February 3, 2016, Staff met with the Harbor Commission Budget Subcommittee (Commissioners Sloan and MacIntosh) to discuss the Fiscal Year 2017 budget including proposed program revenues, proposed new position, expenditures and capital projects.

On February 18, 2016, The Harbor Commission received a Fiscal Year 2016 Mid-Year Budget review, including a status report on actual revenues and expenditures from July 1 - December 31, 2015, as well as a seasonally adjusted projection for year-end revenue and expense totals.

On February 18, 2016, the Harbor Commission received a written report and presentation providing an overview of the Fiscal Year 2017 budget. The presentation

included information on revenue and expenditure projections, funding sources for the department's capital projects, proposed fee adjustments, and approved capital projects for Fiscal Year 2017.

On March 3, 2016, Department staff reviewed the draft budget with the City Administrator and Finance Department staff.

Significant Issues Affecting FY 2017 Budget

For the most part, the FY 2017 budget will include moderate adjustments in the overall projected revenues and will remain mostly status quo on expenditures. Overall, revenues are projected to climb by 2% over FY 2016 projected revenues and expenditures are expected to increase by 2.5%. The presence of cruise ships making port calls in Santa Barbara will continue to be an important revenue source for the Waterfront Department and its Property Management program.

An increase in employee salaries due to new labor agreements will increase that line item by 3% and benefit expenditures will see a nearly 4% increase in FY 2017. In addition, the Department has received approval to add a new employee in FY 2017. The position will be an Administrative Specialist with an accounting emphasis and is discussed later in this report under *Proposed Staffing Changes*. These new costs are accounted for in the budget proposal.

DISCUSSION:

As an Enterprise Fund, the Waterfront Department does not receive tax revenue as is the case with City General Fund Departments. Instead, the Department is entirely dependent on lease rents and user fees to maintain the operating budget and emergency and capital development reserves at required levels.

Revenue Assumptions for FY 2017

As stated earlier, at the February 18 Harbor Commission meeting, staff presented the FY 2016 mid-year budget review including seasonally adjusted year-end revenue projections and an overview of the FY 2017 budget. The presentation included information on the current fiscal year, revenue and expenditure projections for FY 2017, funding sources for the department's capital projects, and approved capital projects. Since that time, the FY 2016 revenue projections have been adjusted to more accurately align with the 3-year revenue trend. Proposed revenues for FY 2017 appear in Table 1, below. Overall, staff is proposing a 2% increase (274,567) in revenues over the FY 2016 projected revenue amounts.

Property Management: Property Management revenues look to remain solid and continue to grow in FY 2017 and are projected to increase by a conservative 2%.

Financial Management: These figures are provided by the Finance Department and it is

anticipated that the Department will see a slight decrease in interest income of about \$300 for FY 2017.

Parking Services: Parking revenues are expected to continue to increase in FY 2017 by an estimated 1% as the Waterfront continues to remain a significant draw for residents and visitors even with the continued construction on lower State Street.

Marina Management: Marina Management is projected to continue to post solid revenues and a 3% increase is projected for FY 2017.

**Table 1: Waterfront Department Program Revenue
 FY 2016 Revenue Projection vs. FY 2017 Proposed Budget**

Program	FY 16 Projection (July-June)	FY 17 Proposed Budget	% Change FY 16 to 17
Property Management	\$ 5,630,854	\$ 5,718,500	2%
Financial Management	\$ 101,100	\$ 100,800	0%
Parking Services	\$ 2,867,238	\$ 2,886,500	1%
Marina Management	\$ 5,679,246	\$ 5,847,205	3%
Totals	\$ 14,278,438	\$ 14,553,005	2%

Proposed Changes in Fees for FY 2017

The Department is considering the following fee adjustments for FY 2017 which were reviewed by the Harbor Commission Budget Committee on February 3, 2016 and the Harbor Commission on February 18, 2016. These slip fee adjustments would be the same as slip fee adjustments that were made in FYs 2013, 2014, 2015 and 2016.

- Adjusting slip fees upward by 2%;
- Holding slip transfer fees for 28 foot and 30 foot slips at \$400 per foot;
- Holding designated commercial fishing slips at \$400 per foot;
- Adjusting the slip transfer fee upward for slips larger than 30 feet by \$25 per foot to \$425 per foot (excluding 20 foot slips which remain frozen at \$200, 25 foot slips which remain frozen at \$350 per foot.);
- Adjusting liveaboard fees from \$140/month to \$150/month (last increase 2004); and,
- Adjusting Cruise Ship Fees from \$5 per person (passengers and crew) to \$7 per person (passengers only).

NARRATIVE ANALYSIS OF EXPENDITURES:

Expenditure Assumptions for FY 2017 Projections

Expenditures for FY 2017 are detailed at the consolidated level in Table 2 below. The FY 2017 budget is primarily status quo with minor proposed changes in a number of expenditure categories which are outlined below. Overall the Waterfront Department is looking at an overall 2.5% increase in expenditures in FY 2017.

Table 2: Waterfront Department Proposed Expenditures FY 2017 Consolidated

Description	FY 16 Budget	FY 17 Proposed Budget	% Change FY16 vs. FY17
Total Salaries and Benefits	\$ 6,272,587	\$ 6,531,948	4.1%
Allocated Costs	\$ 1,257,973	\$ 1,350,937	7.4%
Supplies & Services	\$ 2,759,181	\$ 2,921,728	5.9%
Community Promotions (1)	\$ 139,252	\$ 143,322	2.9%
Transfers to Capital (2)	\$ 1,453,144	\$ 1,190,000	-18.1%
Transfer to Harbor Patrol Vessel Replacement Fund	\$ 75,000	\$ 150,000	100.0%
Non-Capitalized Outlays (3)	\$ 110,500	\$ 220,500	99.5%
Beach Lifeguard Service	\$ 101,337	\$ 106,922	5.5%
Subtotal	\$ 12,168,974	\$ 12,615,357	3.7%
Other			
Principal - 581100	\$ 1,085,888	\$ 1,081,987	-0.4%
Interest - 581200	\$ 755,732	\$ 659,181	-12.8%
Appropriated Reserves/Fiscal Agent Fees	\$ 100,000	\$ 102,375	2.4%
Total Other	\$ 1,941,620	\$ 1,843,543	-5.1%
Total	\$ 14,110,594	\$ 14,458,900	2.5%

- (1) July 4th fireworks, Shuttle Bus
- (2) Transfer to fund capital projects, patrol boat, etc.
- (3) Non-capitalized equipment and computer hardware

Supplies and Services increase by 5.9% in FY 2017 a slight increase over the status quo due primarily to the proposed inclusion of Signage Program Improvements (\$15,000), increased credit card fees (\$15,000), costs associated with the remodel of the Harbor Patrol Locker Room (\$53,000). Additionally, \$40,000 is proposed to be used to pay for revenue examinations which review revenues from the Department's larger percentage rent tenants and ensures compliance with lease agreements.

Transfers to Capital are the monies that are used to fund the Department's capital projects and vary by year depending on what capital projects will be undertaken by the Department. FY 2017 will see an approximately \$263,000 decrease in capital program costs. The capital program is detailed later in this memo.

Last Fiscal Year the Harbor Commission recommended and the City Council approved the establishment of a Harbor Patrol Vessel Replacement Fund with an annual

contribution of \$75,000. Staff is recommending that the amount be increased to \$150,000 per year to accelerate the accrual rate of the fund noting the age of the Harbor Patrol Vessels.

Non-Capitalized outlays are proposed to increase by approximately \$110,000 in FY 2017. The increase is due to much-needed equipment in Harbor Patrol including new firearms and new Self-Contained Breathing Apparatus (SCBA) to be in compliance with City Fire Department standards. In addition, new security cameras and servers are needed in the Stearns Wharf Kiosk and Harbor Main Kiosk.

Overall expenditures related to the Waterfront Department's debt service payments will decrease by 5.1% or, approximately \$100,000 in FY 2017 due to the Waterfront Department paying off a \$1,000,000 General Fund Loan that had a 6% interest rate.

OTHER DISCUSSION ITEMS:

Proposed Staffing Changes

As mentioned earlier in this report, there will be a small increase, approximately 3% in FY 2017 in salaries due to existing labor agreements in the various represented employee groups of the Waterfront Department. Staff has also requested, and received approval for the addition of a new Administrative Specialist position (accounting emphasis), the first staffing increase in over 14 years. This new position will be within the accounting division and assist with the billing and accounts receivable duties since the Department has assumed all such duties from the Finance Department. These duties include monthly billing and receipts on 1,139 boat slips and 67 leaseholds as well as revenue tracking and other important duties. The cost of the new position requires an additional \$72,000 in the salaries and benefits category. The cost of the new Administrative Specialist position would be partially offset by Waterfront expenditure savings resulting from the Department having taken over billing responsibilities from Finance in 2014.

Proposed Capital Program for FY 2017

The Department is prepared to proceed with the following capital projects in FY 2017. Funding will come from surplus operating revenue at the end of FY 2016, reserves above policy in Fund 5800, a loan from the California Division of Boating and Waterways (DBW), with any necessary additional funds drawn from the Department's capital reserve (Harbor Preservation Fund). Similar to FY 2016, the 2017 capital program is focused on improving the Waterfront area for residents and visitors while at the same time maintaining and improving the working harbor for many years to come. The Department will draw down an additional \$1,974,788 of the loan from the California Division of Boating and Waterways (DBW) for the construction of Phase 7: E, F, and G fingers.

Table 3: Approved Capital Program

Project	FY 2017 Recommended
Marina One Replacement Ph. 7 (Loan)	\$1,974,788
Stearns Wharf Timber/Pile Replacement	\$400,000
Marina Renovation Program	\$225,000
Harbor ADA Restroom Remodel	\$200,000
Repower Harbor Patrol Vessels	\$130,000
Marina 2, 3, 4 End Tie Replacement	\$100,000
Parking Lot Maintenance Program	\$85,000
Seawall ADA Handrail & Sidewalk Repairs	\$50,000
Subtotal	\$3,164,788
DBW Loan	-\$1,974,788
Capital Outlay Transfer Total	\$1,190,000

The proposed projects in the table above total \$3,164,788 before the DBW Loan is factored in and will be funded from the Waterfront Department's capital fund. Existing projects that will continue in FY 2017 include the Stearns Wharf Heavy Timber and Pile Replacement Program (\$400,000); the Marina Renovation Program which includes the continued re-decking of Marina 4 (\$225,000); repowering efforts will be focused on Harbor Patrol Boat #2 (\$130,000). The Parking Lot Maintenance Program (\$85,000) which will focus on the Boat Launch Lot and the Seawall ADA Handrail and Sidewalk Repair project (\$50,000) which will focus on the area between Marina 3 and 4 of the Harbor.

New projects include the Harbor ADA Restroom Remodel: Marina 2 (\$200,000) and the Marina 2, 3, and 4 End Tie Replacement project (\$100,000).

Waterfront Department Reserves Summary

Waterfront Department Reserves will continue to be maintained at or above required minimums as depicted in Table 4, below.

Waterfront Funds- Reserve Balances	
as of 7/1/2015	
Operating Reserve Fund 5800	\$3,145,613
*25% of budget	
Harbor Preservation/ Capital Fund 5820	\$4,424,149
*min. \$2 million	
Vessel Replacement Fund 5830	\$75,000