

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: February 16, 2017
To: Harbor Commission
From: Scott Riedman, Waterfront Director
Subject: Fiscal Year 2017 Mid-Year Budget Report

RECOMMENDATION:

That Harbor Commission receive and review a status report on the Waterfront Department Fiscal Year 2017 Mid-Year Budget revenues and expenditures.

Fiscal Year 2017 Year-To-Date Revenue

Table 1 (below) summarizes the Department's revenue as of December 31, 2016, which half-way through the fiscal year. Column two reflects budgeted revenue estimates. Column three shows actual year-to-date revenues while column four, titled "FY 17 Projection (July – June)" shows projected revenue at year-end using a seasonally weighted three-year average. If the pattern continues, it is estimated that Department revenue will be approximately 0.8% above budget (\$116,600) at the end of the fiscal year (June 30, 2017).

Table 1:
Waterfront Department Revenue Projection by Program

Program	FY 17 Budget (July-June)	FY 17 Actual YTD (July-Dec)	FY 17 Projection (July-June)	Year End Variance \$	Year End Variance %
Property Management	\$ 5,718,500	\$ 3,287,088	\$ 5,675,811	\$ (42,689)	-0.7%
Financial Management	\$ 100,800	\$ 42,336	\$ 71,942	\$ (28,858)	-28.6%
Parking Services	\$ 2,886,500	\$ 1,551,083	\$ 2,922,241	\$ 35,741	1.2%
Marina Management	\$ 5,847,205	\$ 3,187,702	\$ 5,999,611	\$ 152,406	2.6%
Totals	\$ 14,553,005	\$ 8,068,209	\$ 14,669,605	\$ 116,600	0.8%

The Property Management program, based on the seasonally weighted three-year average, is looking to come in 0.7% below budget expectations, primarily due to Wharf Food Service revenues being down 5.61% (\$47,788) over last year at the same time. Harbor and Wharf Commercial revenues look good and are up by 11.15% and 6.46%, respectively, over last year at the same time. One possible reason for the decline in food service revenues on the Wharf could be the significant construction projects that

continue to take place on lower State Street. Although vehicle traffic has rebounded significantly from last year, pedestrian traffic onto the Wharf has declined. Generally speaking, the appearance of construction negatively impacts pedestrian activity and the Waterfront Department has been working with Public Works to increase signage in the area in an effort to move pedestrians onto the Wharf. In calendar year 2016, the Wharf saw 67,503 fewer pedestrians than in calendar year 2015 yet automobile traffic remained steady. Revenues are likely to be somewhat impacted through early May 2017 when the major construction work is scheduled to conclude. Cruise ship revenues are up slightly over Fiscal Year 2016 due to two additional ships visiting Santa Barbara in the fall season and a change in cruise ship fees from \$5 per passenger to \$7 per passenger.

The Financial Management program consists of interest earned on the Department's reserves. Interest revenue is significantly below budget projections. Interest income projections are provided by the Finance Department as part of the budget development process and continue to reflect overall low interest rates in the financial sector.

The Parking Services program is on track to meet or slightly exceed budget projections for Fiscal Year 2017. Stearns Wharf parking is up 10.54% (\$8,903) over last year at this time. Staff attributes at least a portion of this improvement to an increase of over 18,000 vehicles entering the Wharf in calendar year 2016 vs. 2015. The large amount of construction near the base of Stearns Wharf continues however, the Department has worked with Public Works staff to add signage in and around the construction zone to assist visitors and locals in getting to the Wharf. It is anticipated that the pedestrian and vehicle visitation numbers on the Wharf will increase in the coming fiscal year as the major projects on State Street are due to be complete prior to summer.

Marina Management revenue is expected to finish the year approximately 2.6% above Fiscal Year 2017 budget expectations based on the three-year seasonally weighted averages. Visitor Slip Fees are up approximately 6.75% compared with this time last year even though Phase 7 of the Marina One Replacement project limited visitor slips during the late fall and early-winter months. Revenues in Marina Management include a significant year-to-year increase in Slip Transfer Fees of 52.59% (\$185,000). The Department had 37 transfers in the first six-months resulting in \$537,075 in revenue.

The Attachment, "Waterfront Department Revenues Through December 31, 2016", shows 2017 year-to-date revenue at the line item level, and includes a comparison to Fiscal Year 2016 figures for the July-December time period.

Fiscal Year 2017 Year-To-Date Expenditures

Table 2 (below) shows Waterfront Department Expenditures, by program, through December 31, 2016. The table does not include encumbrances, which are funds that were "promised" by entering into contracts at the beginning of the fiscal year but are

actually expended throughout the year, usually on a monthly basis. All Waterfront Department program areas are under proposed budget expenditures at mid-year except Facilities Design and Capital Programs which is 4.57% above budgeted expenditures. This is primarily due to initiating and funding of capital projects in the first half of the fiscal year yet continue throughout the fiscal year. We anticipate all Waterfront Department programs to be under the proposed budget expenditures at the conclusion of Fiscal Year 2017.

Table 2:
 Waterfront Department Expenditures by Program as of 12/31/16

Waterfront Department Expenditures			
By Program as of 12/31/16			
Program	FY 17 Budget	YTD Expenditures as of 12/31/16	FY 17 % of
Admin & Community Relations	2,445,167	1,083,712	44.32%
Property Management	459,616	221,587	48.21%
Financial Management	352,862	163,766	46.41%
Parking Services	1,081,422	509,109	47.08%
Harbor Patrol	2,329,891	1,089,408	46.76%
Marina Management	360,406	119,414	33.13%
Harbor Maintenance	3,266,723	1,448,865	44.35%
Wharf Maintenance	1,033,420	503,945	48.76%
Facilities Design & Capital Programs	3,492,436	1,905,699	54.57%
Total	14,821,943	7,045,505	47.53%

Table 3 (below) shows Waterfront Department expenditures at the consolidated level as of December 31, 2016. The encumbrance and debt service amounts are included in this table and show total expenditures of \$7,931,082 or 53.51% of total budgeted expenditures. Total Salaries and Benefits, Allocated Costs, Total Supplies and Expenses, Community Promotion, Transfers to Capital, Non-Capital Outlay and Beach Lifeguard Service are all at, or below, the budgeted expenditures at the mid-year mark. Principal and Interest payments for Department debt service are above mid-year budget expenditure levels because both payments are front-loaded for the early part of the fiscal year. As of December 31, 2016, the Department is on track to stay within its budgeted expenditures.

Table 3:
 Waterfront Department Expenditures Consolidated as of 12/31/16

Description	FY 17 Budget	YTD Expense as of 12/31/15	FY 17 % of Budget
Total Salaries & Benefits	\$ 6,530,053	\$ 3,038,940	46.54%
Allocated Costs	\$ 1,349,862	\$ 674,931	50.00%
Total Supplies & Expenses	\$ 2,994,423	\$ 1,342,811	44.84%
Community Promotions (1)	\$ 270,225	\$ 68,660	25.41%
Transfers to Capital (2)	\$ 1,498,619	\$ 732,919	48.91%
Non-Capitalized Outlays (3)	\$ 270,304	\$ 19,834	7.34%
Beach Lifeguard Service	\$ 104,377	\$ 52,188	50.00%
Subtotal	\$ 13,017,863	\$ 5,930,285	45.55%
Other			
Principal - 581100	\$ 1,081,987	\$ 571,092	52.78%
Interest - 581200	\$ 659,181	\$ 500,491	75.93%
Appropriated Reserves/Fiscal Agent Fees	\$ 62,912	\$ 1,375	2.19%
Total Other	\$ 1,804,080	\$ 1,072,957	59.47%
Subtotal	\$ 14,821,943	\$ 7,003,242	47.25%
Encumbrances (4)		\$ 927,840	
Adjusted Total	\$ 14,821,943	\$ 7,931,082	53.51%
(1) July 4th fireworks, Shuttle Bus			
(2) Transfer to fund capital projects, patrol boat, software upgrade			
(3) Non-capitalized equipment and computer hardware			
(4) Funding committed but not yet expended i.e., contracts			

Attachment: Waterfront Department Revenues Through December 31, 2016

Prepared by: Brian Bosse, Waterfront Business Manager