

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: February 16, 2017
To: Harbor Commission
From: Scott Riedman, Waterfront Director
Subject: **Budget Overview for Fiscal Year 2018 and Fiscal Year 2019**

RECOMMENDATION: That Harbor Commission:

- A. Receive a report on the status of the Fiscal Year 2018 and Fiscal Year 2019 Waterfront operating and capital budget; and,
- B. Provide comments on the various components of the draft budget proposal.

DISCUSSION:

The City of Santa Barbara is currently preparing a two-year budget which includes Fiscal Year 2018 (July 1, 2017 through June 30, 2018) and Fiscal Year 2019 (July 1, 2018 through June 30, 2019).

Staff met with the Harbor Commission Budget Subcommittee (Commissioners Sloan and Cramer) on December 15, 2016, and February 7, 2017 to discuss the FY 2017 Mid-Year budget review and FY 2018 and 2019 budgets, including program expenditures and capital projects.

Proposed Fee Changes for FY 2018 and FY 2019

The Department is proposing the following fee adjustments for FY 2018 and FY 2019 which were reviewed by the Harbor Commission Budget Committee on February 7, 2017. These slip fee adjustments are the same as slip fee adjustments that were made in FYs 2013, 2014, 2015, 2016 and 2017:

- Slip transfer fee increase of \$25 per foot (except 20', 25', 28, 30', and Commercial Fishing vessels) in FY 2018 and FY 2019. The slip transfer fee currently stands at \$425 per foot and would move to \$450 per foot in FY 2018 and \$475 per foot in FY 2019 (except for exempted vessels noted above); and,
- Slip fee increase of 2% in FY 2018 and 2% in FY 2019 (projected revenue increase of \$87,000-\$89,000).

As with previous years, a survey of 18 marinas is underway and will 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.

Revenue Assumptions for Fiscal Year 2018

Proposed revenues for FY 2018 appear in Table 1 below. Overall, staff expects a moderate 2% increase in revenues over the FY 2017 budgeted amounts.

Property Management: Harbor and Stearns Wharf Commercial revenues have been consistent over the past few years and it is anticipated the trend will continue into FY 2018. The completion of many private projects in and around lower State Street as well as the completion of the Cabrillo Bridge project in late-spring will likely provide increased pedestrian and vehicle traffic to both Stearns Wharf and the Harbor. Revenues from Cruise Ships will increase to approximately \$530,000 with a busy Fall and Spring cruise season.

Financial Management: The Finance Department has provided the Department with a projected decrease in interest earnings for FY 2018.

Parking Services: Parking revenues continue to meet budget expectations and we have proposed a 1% increase in Parking Services revenue for FY 2018. Strong sales of the Annual Parking Permits continue to be a driver for Parking revenues.

Marina Management: Continues to post steady revenues and the Department recommends a 2% increase for FY 2018 and FY 2019. Due to a strong trend in Slip Transfer Fees, the Department has increased the budget target by \$90,000 to \$775,000.

Program	FY 2017 Projection	FY 2017 Budget	FY 2018 Proposed	% Change FY 17/18
Property Management	\$5,675,811	\$5,718,500	\$5,808,100	2%
Financial Management (1)	\$71,942	\$100,800	\$86,700	-14%
Parking Services	\$2,922,241	\$2,886,500	\$2,926,730	1%
Marina Management	\$5,999,611	\$5,847,205	\$5,983,777	2%
Totals	\$14,669,605	\$14,553,005	\$14,805,307	2%

(1) Interest Income

Revenue Assumptions for FY 2019

Proposed revenues for FY 2019 appear in Table 2, below. Overall, staff expects a 2.2% increase in revenues over the FY 2018 budgeted amounts.

Property Management: Property Management revenues look to remain steady in FY 2019 and are projected to increase by approximately 2%.

Financial Management: It is anticipated that the Department will see an increase in interest income of about 2% for FY 2019.

Parking Services: The Department anticipates a slight increase in revenues due to the continued popularity of the Waterfront and Harbor and anticipated heavy usage of our Chase Palm and Garden Street Parking lots as the Funk Zone continues to be a popular destination.

Marina Management Similar to the other revenue programs, Marina Management is projected to continue to post steady revenues and we expect a modest 2.2% increase for FY 2019.

Table 2: Waterfront Department Programs			
FY 18 Proposed Revenue vs. FY 19 Proposed Revenue			
Program	FY 2018 Proposed	FY 2019 Proposed	% Change FY 18/19
Property Management	\$5,808,100	\$5,913,086	1.8%
Financial Management (1)	\$86,700	\$89,700	3.5%
Parking Services	\$2,926,730	\$2,984,865	2.0%
Marina Management	\$5,983,777	\$6,140,995	2.6%
Totals	\$14,805,307	\$15,128,646	2.2%
(1) Interest Income			

A detailed presentation of revenue assumptions, including cruise ship forecasts and revenues as well as Slip Transfer Fees and their variability will take place at the Harbor Commission meeting on February 16.

Expenditure Assumptions for Fiscal Year 2018 and Fiscal Year 2019

Expenditures for Fiscal Year 2018 and 2019 are detailed at the consolidated level in Table 3 below. Overall the Waterfront Department is looking at an overall increase in expenditures in FY 2018 of 6% and 2% in FY 2019.

As mentioned earlier in this report, Allocated Costs are scheduled to increase in FY 2018 by 13% increase before settling to a 3% increase in FY 2019. The increase is primarily due to increased property insurance premiums and overhead allocations. Supplies and Services will also increase by 12% due to items such as a new SkiData Service Agreement to ensure smooth operation and maintenance of the Harbor Main and Stearns Wharf Parking Operations, new Harbor Patrol radios, training for new Harbor Patrol officers, training for Parking Services staff, more accurate Common Area Maintenance costs, as well as an increase to the Work, Inc. contract due to State-mandated minimum wage increases.

There will likely be an increase of approximately 3% in FY 2018 and in FY 2019 in salaries due to existing labor agreements in the various represented employee groups of the Waterfront Department that are currently being negotiated.

Non-Capitalized Outlays are reduced by over \$160,000 from FY 2017 to FY 2018 primarily due to one-time equipment purchases made in FY 2017. These purchases included the replacement of outdated Harbor Patrol weapons and outdated self-contained breathing apparatus (SCBA) for fire-fighting (\$75,000) and new Parking kiosk security cameras (\$75,000).

Expenditures related to the Waterfront Department's debt service program principal will increase by 14% or, \$155,493 in FY 2018 and level off with a slight increase of 2%, or \$27,784, in FY 2019. Interest fees will increase by 22%, or \$141,805 in FY 2018 and decline by 4% or \$28,991 in FY 2019. The increase in both categories from FY 2017 to FY 2018 is due to moving from a 30-year loan repayment schedule to a 20-year loan repayment schedule for the Division of Boating and Waterways (DBW) loan for the Marina 1 replacement.

Table 3: Waterfront Department Requested Expenditures					
Consolidated FY 17 vs. FY 18 and FY 19					
Description	FY 17 Budget	FY 18 Requested Budget	FY 19 Requested Budget	% Change FY 17 vs. 18	% Change FY 18 vs. 19
Total Salaries	4,463,583	4,616,684	4,744,892	3%	3%
Total Benefits	\$ 2,066,842	\$ 2,083,350	\$ 2,213,205	1%	6%
Allocated Costs	\$ 1,349,862	\$ 1,529,897	\$ 1,577,801	13%	3%
Total Supplies & Expenses	\$ 2,958,228	\$ 3,306,107	\$ 3,327,054	12%	1%
Special Projects & Community Promotions (1)	\$ 379,320	\$ 348,280	\$ 354,045	-8%	2%
Non-Capitalized Outlays (2)	\$ 277,216	\$ 115,871	\$ 117,996	-58%	2%
Subtotal	\$ 11,495,051	\$ 12,000,189	\$ 12,334,993	4%	3%
Other					
Principal	\$ 1,081,987	\$ 1,237,480	\$ 1,265,264	14%	2%
Interest	\$ 659,181	\$ 800,986	\$ 771,995	22%	-4%
Appropriated Reserves/Fiscal Agent Fees	\$ 102,375	\$ 102,375	\$ 102,375	0%	0%
Total Other	\$ 1,843,543	\$ 2,140,841	\$ 2,139,634	16%	0%
Adjusted Total	\$ 13,338,594	\$ 14,141,030	\$ 14,474,627	6%	2%
(1) July 4th fireworks, Shuttle Bus					
(2) Transfer to fund software upgrades, etc.					

Staff will provide additional details regarding the proposed expenditures for both Fiscal Years 2018 and 2019 at the Harbor Commission meeting on February 16.

Proposed Capital Program for FY 2018

The Department is prepared to proceed with the following capital projects in FY 2018. Funding will come from surplus operating revenue at the end of FY 2017, with any necessary additional funds drawn from the Department's capital reserve (Harbor Preservation Fund).

Table 4: Waterfront Capital Program FY 2018	
<u>Project</u>	FY 2018 Recommended
Marina One Replacement Project	\$1,912,000
Stearns Wharf Timber/Pile Replacement	\$425,000
Stearns Wharf Waterline Replacement	\$350,000
Marina Renovation Program	\$250,000
Parking Infrastructure Improvements	\$240,000
Repower Harbor Patrol Vessels	\$200,000
Seawall Guardrail Upgrade & Cobble Removal	\$170,000
Marina Two Restroom ADA Remodel	\$150,000
Parking Lot Maintenance Program	\$110,000
Stearns Wharf Guardrail	\$101,000
Total	\$3,908,000
Capital Outlay Transfer	\$3,908,000
* Additional Funds Required for FY 17 approved project	

The Department's capital program focuses 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 is not planning to draw down any additional funds from the California Division of Boating and Waterways (DBW) loan for the final phase of the Marina 1 project; replacement of A, B, C, and D fingers. Sufficient funds should be available in the Department's capital reserve to pay for the final phase of Marina 1.

Proposed projects in Table 4 total \$3,908,000 and will be funded from the Waterfront Department's capital fund. The capital fund is also known as the Harbor Preservation Fund. Existing projects that will continue in FY 2018 include:

- Stearns Wharf Heavy Timber and Pile Replacement Program (\$425,000);
- Marina Renovation Program which includes the replacement of dock fingers in Marina 4 and new dock boxes and power centers in Marina Two;
- Expansion of the Luke Pay and Display Parking System into the Garden Street Parking Lot, Chase Palm Parking Lot, and Cabrillo East and West Parking Lots as well as new security cameras in the parking kiosks (\$240,000);

- Repower of Harbor Patrol Boat #2;
- Seawall Guardrail and Cobble Removal project will focus on the area between Marina 4 and the Launch Ramp and removal of cobble along the seawall to increase marina depth (\$170,000);
- Additional funds for the Marina Two Restroom ADA Remodel Project; and, the Parking Lot Maintenance Program (\$110,000) will focus on the Harbor West parking lot and the maintenance yard.

New projects in FY 2018 include the Stearns Wharf Waterline Replacement Project which will replace 4-inch and 6-inch laterals under the Wharf (\$350,000) and the installation of a guardrail at the seaward end of Stearns Wharf (\$101,000).

Proposed Capital Program for FY 2019

Existing projects that will continue in FY 2019 include:

- Stearns Wharf Heavy Timber and Pile Replacement Program (\$425,000);
- Marina Renovation Program which includes the continued replacement of dock fingers in Marina 4 as well as the replacement of the Marina Three end-tie;
- Parking Lot Maintenance Program (\$95,000) which will focus on the Garden Street Parking Lot and the Harbor 90-minute lots;
- Marina End Tie Widening Project which will widen end ties in a number of Marinas (\$85,000).

New projects include the Harbor Way Sidewalk project which will construct a new sidewalk on the west side of the U.S. Coast Guard Building (\$125,000); and, the replacement of Fish Hoists #1, 2, and 3 on the City Pier (150,000).

<u>Project</u>	FY 2019 Recommended
Stearns Wharf Timber/Pile Replacement	\$425,000
Marina Renovation Program	\$275,000
Replace Hoists 1, 2, and 3	\$150,000
Harbor Way Sidewalk	\$125,000
Parking Lot Maintenance Program	\$95,000
Marina End Tie Widening Project	\$85,000
Total	\$1,155,000
Capital Outlay Transfer	\$1,155,000