

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: April 20, 2017
To: Harbor Commission
From: Scott Riedman, Waterfront Director
Subject: **Waterfront Department Fiscal Years 2018 & 2019 Budget Recommendation**

RECOMMENDATION: That Harbor Commission:

- A. Receive a staff presentation on the Waterfront Department's proposed Fiscal Year 2018 and 2019 budget submittal;
- B. Recommend approval of a 2% slip fee increase in Fiscal Year 2018 and Fiscal Year 2019;
- C. Recommend approval of a \$25 slip transfer fee increase to \$450 per linear foot for slips larger than 30 feet in Fiscal Year 2018;
- D. Recommend approval of a \$25 slip transfer fee increase to \$475 per linear foot for slips larger than 30 feet in Fiscal Year 2019; and,
- E. Forward a recommendation to City Council for approval of the Waterfront Department's proposed Fiscal Year 2018 and 2019 budget and incorporation into the City budget process.

BACKGROUND:

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

On February 16, 2017, the Harbor Commission received written reports and presentations on the FY 2017 mid-year budget review and an overview of the FY 2018 and 2019 budget proposals. The presentations included information on the current fiscal year, revenue and expenditure projections for FY 2018 and 2019, funding sources for the department's capital projects, and approved capital projects for both fiscal years.

On March 9, 2017, Department staff reviewed the draft budget with the City Administrator and Finance Department staff.

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. The Department also funds all of its Capital Improvement Projects.

For the most part, FY 2018 and 2019 budgets will remain status quo with relatively small adjustments in the overall projected revenues and expenditures of FY 2017. Overall, expenditures are expected to increase by 2% in FY 2018 and again in FY 2019. Revenues are projected to remain steady (-\$50,923) in FY 2018 and climb by 1.9% for FY 2019.

Revenue Assumptions for FY 2018

Proposed revenues for FY 2018 appear in Table 1, below. Overall, staff is expecting a slight decrease (-\$50,923) in revenues over FY 2017 projected revenues.

Property Management: Harbor and Stearns Wharf Commercial revenues have been consistent over the past few years and it is anticipated that 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 decrease by approximately \$260,000 to a new FY 2018 projection of \$250,000 as we anticipate fewer and smaller cruise ships carrying significantly less passengers for the fall and spring cruise season.

Financial Management: The Finance Department has provided the Department with a projected 6% increase in interest earnings for FY 2018 over FY 2017 projections.

Parking Services: Parking revenues continue to meet budget expectations and we expect FY 2018 revenue to be 1% higher than FY 2017 projected revenue. Strong sales of the Annual Parking Permits continue to be a primary driver regarding Parking revenues; however, renovation of the Cabrillo Pavilion is likely to negatively impact Cabrillo East and Cabrillo West parking lots in the latter half of FY 2018 and well into FY 2019.

Marina Management: Marina Management continues to post steady revenues and we expect FY 2018 revenue to be nearly identical, albeit a slight increase of 1%, compared to FY 2017 revenue. Slip Fees are proposed to increase by 2% and the Department has increased the revenue projection for Slip Transfer Fees due to strong FY 2017 year-to-date transfer activity.

Table 1: Waterfront Department Programs				
FY 17 Revenue Projection vs. FY 18 Proposed Budget				
Program	FY 2017 Budget	FY 2017 Projection	FY 2018 Proposed	% Change FY 17/18
Property Management	\$5,718,500	\$5,864,343	\$5,729,462	-2%
Financial Management (1)	\$100,800	\$112,400	\$119,600	6%
Parking Services	\$2,886,500	\$2,942,085	\$2,979,677	1%
Marina Management	\$5,847,205	\$5,999,611	\$6,038,777	1%
Totals	\$14,553,005	\$14,918,439	\$14,867,516	0%
(1) Interest Income				

Proposed Changes in Fees for FY 2018

The Department is considering the following fee adjustments for FY 2018 which were reviewed by the Harbor Commission Budget Committee on February 7, 2017, and were reviewed by the full Harbor Commission on February 16, 2017. These slip fee adjustments would be 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', and 30' and designated Commercial Fishing berths) in FY 2018. The slip transfer fee currently stands at \$425 per foot and would move to \$450 per foot; and,
- Slip fee increase of 2% in FY 2018 (projected revenue increase of \$87,492).

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 FY 2019

Proposed revenues for FY 2019 appear in Table 2, below. Overall, staff is expecting a 1.9% increase in revenues over the FY 2018 budgeted amounts.

Property Management: Property Management revenues look to remain steady in FY 2019 and are expected to increase by 1.9%.

Financial Management: It is anticipated that the Department will see a slight increase in interest income of about 2.5% for FY 2019.

Parking Services: The Department expects a slight 2% 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 expected to continue to post steady revenues and we are expecting a modest 1.8% increase for FY 2019.

Table 2: Waterfront Department Programs			
FY 18 Proposed Budget vs. FY 19 Proposed Budget			
Program	FY 2018 Proposed	FY 2019 Proposed	% Change FY 18/19
Property Management	\$5,729,462	\$5,837,934	1.9%
Financial Management (1)	\$119,600	\$122,600	2.5%
Parking Services	\$2,979,677	\$3,039,178	2.0%
Marina Management	\$6,038,777	\$6,149,491	1.8%
Totals	\$14,867,516	\$15,149,203	1.9%

(1) Interest Income

Proposed Changes in Fees for FY 2019

The Department is considering the following fee adjustments for FY 2019 which were reviewed by the Harbor Commission Budget Committee on February 7, 2017, and were reviewed by the full Harbor Commission on February 16, 2017. These slip fee adjustments would be the same as slip fee adjustments that were made in FYs 2014, 2015, 2016, 2017, and 2018:

- Slip transfer fee increase of \$25 per foot \$25 per foot (except 20', 25', 28, and 30 and designated Commercial Fishing berths) in FY 2019. The slip transfer fee currently stands would move from \$450 per foot to \$475 per foot; and,
- Slip fee increase of 2% in FY 2019 (projected revenue increase of \$89,242).

NARRATIVE ANALYSIS OF EXPENDITURES:

Expenditure Assumptions for FY 2018 and 2019 Projections

For the most part, FY 2018 and 2019 budgets will remain status quo with relatively small adjustments in expenditures from FY 2017. Overall, expenditures are expected to increase by 2% in FY 2018 and again in FY 2019.

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	4,554,082	4,613,117	4,741,109	1%	3%
Total Benefits	\$ 2,070,283	\$ 2,081,699	\$ 2,211,212	1%	6%
Allocated Costs	\$ 1,349,862	\$ 1,513,952	\$ 1,561,973	12%	3%
Total Supplies & Expenses	\$ 3,049,903	\$ 3,312,313	\$ 3,336,453	9%	1%
Special Projects & Community Promotions (1)	\$ 379,320	\$ 348,279	\$ 354,045	-8%	2%
Non-Capitalized Outlays	\$ 267,216	\$ 115,870	\$ 117,996	-57%	2%
Subtotal	\$ 11,670,666	\$ 11,985,230	\$ 12,322,788	3%	3%
Other					
Principal	\$ 1,081,987	\$ 988,331	\$ 1,016,115	-9%	3%
Interest	\$ 659,181	\$ 745,106	\$ 716,114	13%	-4%
Appropriated Reserves/Fiscal Agent Fees	\$ 102,375	\$ 102,375	\$ 102,375	0%	0%
Total Other	\$ 1,843,543	\$ 1,835,812	\$ 1,834,604	0%	0%
Adjusted Total	\$ 13,514,209	\$ 13,821,042	\$ 14,157,392	2%	2%
(1) July 4th fireworks, Shuttle Bus, Lifeguards					

Salaries are expected to increase by 1% in FY 2018 and 3% in FY 2019 primarily due to new labor agreements currently being negotiated. Benefits are due to increase by 1% in FY 2018 and 6% in FY 2019.

Allocated Costs are costs that are provided to every City Department by City Administration for shared services and shared costs including items like vehicle replacement funds, overhead allocation, property insurance and liability insurance. FY 2018 includes a 12% increase before settling to a 3% increase in FY 2019. The increase is primarily due to increased property insurance premiums and overhead allocations.

Total Supplies and Services also increase by 9% in FY 2018 due to items such as a new SkiData Service Agreement to ensure smooth operation of the Harbor Main and Stearns Wharf Parking Operations, one time purchases of new Harbor Patrol radios, more accurate Common Area Maintenance costs, as well as an increase to the Work, Inc. contract due to State-mandated minimum wage increases.

Special Projects and Community Promotions decreases by 8% in FY 2018 due to reduced cost for the July 4th fireworks program. The expenses then increase slightly (2%) due to annual cost increases related to lifeguard services.

Non-Capitalized outlays are proposed to decrease significantly in FY 2018 due to one-time purchases made in FY 2017 for 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 and new security cameras and servers in the Stearns Wharf Kiosk and Harbor Main Kiosk.

Principal decreases by 9% in FY 2018 and then increases slightly in FY 2019. Interest jumps up by 13% in FY 2018 before being reduced by 4% in FY 2019.

Appropriated Reserves and Fiscal Agent fees are expected to remain constant for FY 2018 and FY 2019.

Six-Year Cash Flow Model

As part of the budget presentation, staff will discuss the six-year cash flow model including operating revenues vs. operating expenses, projected debt coverage ratios, and reserve fund balances.

Budget Schedule

The City's proposed budget will be presented to the City Council on April 25, 2017. Following that meeting, each department will present its budget, including proposed fee changes, to the City Council on specified dates. The Waterfront Department will be presenting the proposed fee changes to the City's Finance Committee on May 23, 2017, and will present its proposed budget to City Council on May 24, 2017. The City's entire budget package is scheduled for final consideration by the City Council on Tuesday, June 20, 2017.

SUMMARY:

The Harbor Commission's advisory role on the Waterfront Department budget development process is very important and is mandated in the City Charter. Staff requests that the Commission consider the information, analysis, and recommendations submitted and be prepared to both discuss and make recommendations at the April 20, 2017, meeting. The Harbor Commission's recommendations will then be forwarded to City Council for consideration.

Attachment: Fiscal Year 2018 and 2019 Capital Program

Prepared by: Brian Bosse, Waterfront Business Manager

Proposed Capital Program for FY 2018

The Department is prepared to proceed with the following capital projects in FY 2018 and plans on using \$3,013,376 in Harbor Preservation Funds and \$894,781 in Waterfront Fund operating revenues to fund the projects.

Table 4: Waterfront Capital Program FY 2018	
<u>Project</u>	FY 2018 Recommended
Marina One Replacement Project	\$1,912,200
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	\$3,908,200
Capital Outlay Transfer	\$3,908,200
* Additional Funds Required for FY 17 approved project	
Total	\$3,908,200
Capital Outlay Transfer	\$3,908,200

The Department’s capital program is focused on improving the Waterfront area for locals and visitors while at the same time maintaining and improving the working harbor for many years to come. The Department is planning to not draw down any additional funds from the California Division of Boating and Waterways (DBW) loan for the construction of Phase 8: A, B, C, and D fingers. Instead, the project will be funded from a combination of operating revenues and Harbor Preservation Fund reserves.

Existing projects that will continue in FY 2018 include: The 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 2; The 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 #3; The 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 the 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

Similar to FY 2018, the 2019 capital program is focused on improving the Waterfront area for locals and visitors while at the same time maintaining and improving the working harbor for many years to come.

Table 5: Waterfront Capital Program FY 2019	
<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

The proposed projects in Table 5 total \$1,155,000 and the Department plans on using \$314,883 in Harbor Preservation Funds and \$840,117 in Waterfront Fund operating revenues to fund the projects. Existing projects that will continue in FY 2019 include: The Stearns Wharf Heavy Timber and Pile Replacement Program (\$425,000); The Marina Renovation Program which includes the continued replacement of dock fingers in Marina 4 as well as the replacement of the Marina 3 end-tie; The Parking Lot Maintenance Program (\$95,000) which will focus on the Garden Street Parking Lot and the Harbor 90-minute lots; and, The Marina End Tie Widening Project which will widen end ties in a number of Marinas (\$85,000).