

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: September 21, 2017
To: Harbor Commission
From: Scott Riedman, Waterfront Director
Subject: **Waterfront Department Fiscal Year 2017 Preliminary Budget Review**

RECOMMENDATION:

That Harbor Commission receive a staff report providing a brief summary of the Waterfront Department's revenues and expenditures as of June 30, 2017, and provide comments as appropriate.

1. Revenue

The Waterfront Department, as a whole, saw revenues exceed budget estimates by 4.7%, or \$682,300. The Department continues to see positive gains in revenue that can be attributed to a number of factors including a harbor that provides residents and visitors with great amenities and a clean and safe environment.

Revenue totals for FY 2017 programs are summarized below in Table 1:

Table 1: Waterfront Department Revenue By Program				
Program	Revised FY 2017 Budget	FY 2017 Actual	Variance Over/(Under) Budget	Variance %
Property Management	5,718,500	5,765,072	46,572	0.8%
Financial Management (1)	100,800	114,079	13,279	13.2%
Parking Services	2,886,500	2,980,265	93,765	3.2%
Marina Management	5,847,205	6,375,889	528,684	9.0%
Totals	14,553,005	15,235,305	682,300	4.7%

(1) *Interest Income*

Property Management income for FY 2017 totaled \$5,765,072. This total is approximately \$46,572, or a 0.8% increase over the budgeted amount. Harbor and Wharf commercial up 12% and 6.6%, respectively. Harbor food service and Wharf food service were both down 5.8% and 2.2%. Cruise ship revenues were a strong source of revenue for the Department in FY 2017. However, cruise ship revenues will be lowered by approximately 50% in FY 2018 because fewer (21 total) and smaller ships are scheduled to visit Santa Barbara. This is due to Princess repositioning their global fleet as well as working to diversify the cruise lines that visit Santa Barbara. While smaller

ships will visit in FY 2018, there is more variety of cruise lines represented which could strengthen the longevity of our cruise ship program.

Financial Management was 13.2% above budget estimates coming in at \$114,079. Financial Management activities are managed by the City's Finance Department.

Parking Services revenue for FY 2017 totaled \$2,980,265, which was \$93,765, or 3.2% above budget. The Department realized revenue increases in all but three of the parking lots, La Playa East, La Playa West, and Harbor Main. The La Playa lots were likely down due to significant construction activity at Santa Barbara City College over the summer of 2016. The sale of Waterfront parking permits remains strong as revenue was up 18% over budget.

Revenue from the Marina Management program totaled \$6,375,889 which was \$528,684, or 9% over budgeted estimates, primarily due to another year of heavy slip transfers. A total of 79 transfers took place, resulting in \$1,114,925 in slip transfer fee revenue. Visitor fees were up 3.8%, or \$19,212, despite Phase 7 of the Marina One Construction project, which required the Department to severely limit visitor slip availability in order to accommodate displaced slip permittees during the construction.

2. Expenditures

The table below shows Waterfront Department expenditures at the consolidated level as of June 30, 2017. Total expenditures for FY 2017 of \$13,387,260 or 92.46% of total budgeted expenditures. Total Salaries and Benefits, Allocated Costs, Total Supplies and Services, Community Promotion, Transfers to Capital, and Non-Capitalized Outlays are all at, or below, the budgeted expenditures for FY 2017. Salaries and Benefits expenditures are down primarily due to vacant positions and resultant savings in Parking (\$73,000), Harbor Patrol (\$108,000), Harbor Maintenance (\$120,000), and Wharf Maintenance (\$40,000). Supplies and Services are down due to savings in a variety of areas including Professional Services (\$30,000), Harbor Maintenance Vehicles Expenses (\$45,000), Facilities Maintenance at the Wharf and Harbor (\$46,000). Savings in Non-Capitalized Transfers include: a \$26,000 savings in computer hardware/software, \$12,000 savings in Parking equipment, \$15,000 in Harbor and Wharf Maintenance equipment, as \$42,000 that has been encumbered but not spent for new video equipment. The "Other" category includes credit card fees, arbitrage, and fiscal agent charges related to the Department's bond. The "Other" category was \$113,520 below budgeted expenditures. The reduction was due to a credit card processing contract for the new marina management software program that was approved and encumbered (\$113,000) but will not be expended until the new system is up and running.

Principal payments are below budgeted expenditures due to extremely delayed processing by the State of California. As of June 30, 2017, the Department stayed within its budgeted expenditures and actually came in \$1,128,624, or 7.54%, below budgeted amounts.

Table 2: Waterfront Department Expenditures				
Consolidated 6/30/2017				
Category	Revised FY 2017 Budget	FY 2017 Expense	Variance \$ Over/(Under) Budget	FY 2017 Variance %
Salaries & Benefits	6,530,053	6,121,580	(408,473)	-6.26%
Allocated Costs	1,349,862	1,349,862	0	0.00%
Supplies & Services	3,013,120	2,758,502	(254,619)	-8.45%
Community Promotions (1)	270,225	239,111	(31,114)	-11.51%
Capital Outlay Transfers (2)	1,551,262	1,484,370	(66,892)	-4.31%
Non Capitalized Transfers (3)	242,804	125,969	(116,835)	-48.12%
Beach Lifeguard Service	104,377	104,377	(0)	0.00%
Principal	1,081,987	968,212	(113,775)	-10.52%
Interest	659,181	681,321	22,140	3.36%
Appropriated Reserve	45,537	0	(45,537)	-100.00%
Other (4)	117,475	3,955	(113,520)	-96.63%
Total	14,965,883	13,837,260	(1,128,624)	-7.54%
Actual Total Expended	14,965,883	13,837,260	(1,128,624)	-7.54%

(1) July 4 fireworks, Shuttle Bus, GASB

(2) Transfer to fund Capital Projects.

(3) Non-capitalized equipment and computer software/hardware.

(4) CC Processing, Loss, Arbitrage, Fiscal Agent Charges

3. Revenues: 2017 vs. 2016

The attached revenue spreadsheet shows FY 2017 budget targets, actual FY 2017 revenue received, and FY 2016 revenues for comparison purposes. Total revenue for the Department was \$15,235,305 for FY 2017, a 3.04% increase from Fiscal Year 2016.

Attachment: Revenue by Line Item: FY 2017 vs. FY 2016

Prepared by: Brian Bosse, Waterfront Business Manager

Waterfront Department Revenues through June 30, 2017

The table below shows Waterfront Department Fiscal Year-End 2017 revenue at the line item level, and includes a comparison to Fiscal Year 2016 figures for the July-June time period.

Waterfront Department Revenue

Description	Revised FY17 Budget	FY 17 Actual	FY 16 Actual	Variance \$ FY17-FY 16	Variance % FY17-FY16
Harbor Commercial	955,000	1,072,011	1,001,986	70,025	6.99%
Wharf Commercial	600,000	639,849	605,756	34,094	5.63%
SB Waterfront Center (Museum)	12,000	12,369	12,281	88	0.71%
Harbor Food Service	1,300,000	1,223,571	1,313,628	(90,056)	-6.86%
Wharf Food Service	1,520,000	1,486,663	1,493,788	(7,125)	-0.48%
SB Waterfront Center (WF Grill)	385,000	373,364	368,391	4,973	1.35%
Harbor Other	219,000	228,824	231,700	(2,877)	-1.24%
SB Waterfront Center (NOAA)	16,800	16,760	16,760	-	0.00%
Ice Machine	40,000	34,488	35,787	(1,299)	-3.63%
CAM	95,700	95,081	101,487	(6,406)	-6.31%
Miscellaneous Revenue	65,000	84,808	76,367	8,441	11.05%
Cruise Ships	510,000	497,282	562,967	(65,685)	-11.67%
Total Property Management	5,718,500	5,765,072	5,820,898	(55,826)	-0.96%
Interest Income	100,800	114,079	125,630	(11,551)	-9.19%
Total Financial Management	100,800	114,079	125,630	(11,551)	-9.19%
Harbor Valet Parking	500	456	559	(103)	-18.39%
Cabrillo East	150,000	156,647	151,387	5,260	3.47%
Cabrillo West	170,000	185,901	167,703	18,199	10.85%
Palm Park	505,000	509,733	494,793	14,941	3.02%
Garden Street	275,000	281,197	281,634	(438)	-0.16%
Harbor West	185,000	189,666	191,450	(1,784)	-0.93%
Leadbetter	270,000	284,455	266,762	17,693	6.63%
La Playa East	11,500	10,506	9,334	1,172	12.56%
La Playa West	10,500	6,260	14,034	(7,774)	-55.40%
Harbor Lot	710,000	668,472	713,854	(45,382)	-6.36%
Stearns Wharf	170,000	176,581	167,506	9,076	5.42%
Waterfront Parking Permits	425,000	503,460	459,861	43,599	9.48%
Boat Wash Machine	4,000	4,020	3,830	191	4.98%
Misc. Parking	-	2,910	3327	(417)	-12.53%
Total Parking Services	2,886,500	2,980,265	2,926,033	54,232	1.85%
Patrol Reimbursement		5,535	1,777	3,759	211.57%
Live Aboard Fees	175,000	174,755	166,695	8,060	4.84%
Slip Rentals	4,374,610	4,420,996	4,288,151	132,845	3.10%
Visitor Fees	510,000	529,212	475,569	53,643	11.28%
Skiff Tie-Ups	6,630	5,150	5,552	(402)	-7.24%
Fish Hoist 1	7,650	6,288	9,830	(3,541)	-36.03%
Fish Hoist 2	665	0	223	(223)	-100.00%
Wharfage & Dockage	20,000	20,815	29,302	(8,487)	-28.96%
Slip Transfer Fees	685,000	1,114,925	855,975	258,950	30.25%
Slip Waiting List	2,250	2,360	2,230	130	5.83%
Key Card	12,000	11,391	11,463	(72)	-0.63%
SB Mooring Area Permit	6,400	5,000	5,300	(300)	-5.66%
Yacht Club Hoist	2,000	2,001	1,961	39	2.00%
Miscellaneous Revenue	45,000	52,203	58,860	(6,657)	-11.31%
Used Oil Grant		25,257			
Total Marina Management	5,847,205	6,370,354	5,911,112	459,242	7.77%
Department Total	14,553,005	15,235,305	14,785,448	449,856	3.04%

Fiscal Year 2017 Year-End Revenue vs. Fiscal Year 2016 Year-End Revenue

Overall, the Department exceeded FY 2016 revenues by 3.04%, or \$449,856. The Property Management program ended FY 2017 slightly below FY 2016 figures. Both Harbor Commercial and Wharf Commercial revenues continue to be strong and are up 6.99% and 5.63%, respectively. Harbor Food Service finished below FY 2016 by -6.86%, or -\$90,056 versus FY 2016. Part of the reason for the slight decline in Harbor Food Service is due to Brophy Bros being closed for two weeks in March to conduct infrastructure improvements in the kitchen and bar areas. Wharf Food Service is nearly identical to FY 2016, albeit off a mere \$7,125, and is also below budgeted revenue estimates for FY 2017 by nearly \$33,337, or -2.2%. One major reason for the decline in food service revenues was the inclement weather during February and March. A number of heavy rainstorms hit the area including President's Weekend, significantly impacting the Harbor and Wharf businesses. In addition, the significant construction projects taking place on lower State Street adjacent to Stearns Wharf have impacted overall visitor numbers to the Wharf. Cruise ship revenues are down slightly over Fiscal Year 2016 due to fewer ships visiting Santa Barbara in the early part of the spring season. Although the Department exceeded budgeted revenues for FY 2017 by \$46,572, revenues are 0.96% lower than those of FY 2016.

The Financial Management program consists of interest earned on the Department's reserves. Interest revenue exceeded budget projections by 13%, or \$13,000. However, when compared to FY 2016, interest income is down 9.19%.

The Parking Services program finished FY 2017 1.85%, or \$54,232, higher than FY 2016 and \$93,765, or 3.2% above FY 2017 budget expectations. The table above shows the breakdown of parking revenues by individual parking lot. Most lots finished above FY 2016 levels. La Playa West finished below FY 2016 partially due to a significant portion of the parking lot being fenced off for Santa Barbara City College construction projects that required a staging area. Harbor Main Parking Lot was off by 6.36%, or \$45,382 versus FY 2016. Despite the inclement weather in February and March, Parking rebounded and finished the year strong.

Patrol Reimbursement was a grant that Harbor Patrol received from the Santa Barbara Firefighters Alliance to help pay for new radios.

The Marina Management program finished the year \$523,149, or 8.9% above FY 2017 budget estimates and 7.7%, or \$459,242 above FY 2016. Slip Rentals and Visitor Fees both had strong years posting gains of 3.10% and 11.28%, respectively. It should be noted that Visitor Slip Fees are up despite the construction of Phase 7 of the Marina One Construction project which limits the availability of visitor slips. Revenues in Marina Management include a significant year-to-year increase in the Slip Transfer Fees (+30.25% or +\$258,950) over FY 2016. The Department exceeded the annual budget for Slip Transfer Fees in late-February and ended the year with a total of 79 slip transfers. Miscellaneous Revenue includes Cat Beach permit revenues and West Beach Kayak/ Outrigger permits which were above budget estimates but below FY 2016 amounts.