

**CITY OF SANTA BARBARA WATERFRONT DEPA**

**MEMORANDUM**

**Date:** January 18, 2018  
**To:** Harbor Commission  
**From:** Scott Riedman, Waterfront Director  
**Subject:** Fiscal Year 2018 Mid-Year Budget Report

**RECOMMENDATION:**

That Harbor Commission receive and review a status report on the Waterfront Department Fiscal Year 2018 Mid-Year Budget revenues and expenditures.

**Fiscal Year 2018 Year-To-Date Revenue**

Table 1 (below) summarizes the Department’s revenue as of December 31, 2017, which is 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 18 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 0.5% above budget (\$75,001) at the end of the fiscal year (June 30, 2018). This projection provides a very slim margin above projected revenues for the Waterfront Department at year end. The Thomas Fire that began December 4, 2017 will likely have a significant impact on those December percentage rent figures and the resultant mudslides of January 9, 2018 will have a similar impact on January percentage rent figures. Please note that the percentage rent payments for December are not reflected in the table below as they appear a month later.

Table 1:  
Waterfront Department Revenue Projection by Program

Program	FY 18 Budget (July-June)	FY 18 Actual YTD (July-Dec)	FY 18 Projection (July-June)	Year End Variance \$	Year End Variance %
Property Management	\$ 5,729,462	\$ 3,221,733	\$ 5,449,740	\$ (279,722)	-4.9%
Financial Management	\$ 119,600	\$ 72,348	\$ 135,000	\$ 15,400	12.9%
Parking Services	\$ 2,979,677	\$ 1,479,101	\$ 2,955,500	\$ (24,177)	-0.8%
Marina Management	\$ 6,038,777	\$ 3,377,062	\$ 6,402,277	\$ 363,500	6.0%
<b>Totals</b>	<b>\$ 14,867,516</b>	<b>\$ 8,150,243</b>	<b>\$ 14,942,517</b>	<b>\$ 75,001</b>	<b>0.5%</b>

The Property Management program, based on the seasonally weighted three-year average, is looking to come in 4.9% below budgeted revenue expectations. Harbor and

Wharf Commercial revenues looked good through November with a number of Wharf and Harbor businesses seeing double digit increases in sales revenue. With Southern California access to the Santa Barbara area essentially cut-off, we will likely see these numbers decline significantly in January. In calendar year 2017, the Wharf saw 124,000 fewer pedestrians than in calendar year 2016 yet automobile traffic increased by over 13,000 vehicles. This decrease in foot traffic is likely a contributing reason for overall revenues being lower in FY 2018. Cruise ship revenues are down due to fewer and smaller ships visiting Santa Barbara in the fall season as the cruise ship industry is repositioning its global fleet. The decrease in cruise ship revenue was planned for and budgeted accordingly in FY 2018.

The Financial Management program consists of interest earned on the Department's reserves. Interest revenue is significantly above budget projections and continues to reflect overall low interest rates in the financial sector.

The Parking Services program is on track to come in slightly below budget projections for Fiscal Year 2018. Through mid-year, 7 of 10 Waterfront parking lots show a decline over last year at the same time. East Cabrillo Parking Lot is down, due primarily to the parking lot being closed for the better part of October, November, and December to accommodate necessary gas line work for the Cabrillo Pavilion renovation project. The project is scheduled to last a minimum of 18-months so future revenues will be impacted. The revenue decreases seen in many of the lots can be directly tied to the Thomas Fire as the Waterfront was relatively empty for two weeks due to the air quality. In addition, in an effort to assist our Wharf tenants, the parking gates were opened and free parking allowed for a number of days.

Marina Management revenue is expected to finish the year approximately 6% above Fiscal Year 2018 budget expectations based on the three-year seasonally weighted averages. Revenues in Marina Management have been buoyed by a strong showing in Slip Transfer Fees. The Department had 48 transfers in the first six-months resulting in \$712,200 in revenue.

The Attachment, "Waterfront Department Revenues Through December 31, 2017", shows 2018 year-to-date revenue at the line item level, and includes a comparison to Fiscal Year 2017 figures for the July-December time period.

### **Fiscal Year 2018 Year-To-Date Expenditures**

Table 2 (below) shows Waterfront Department Expenditures, by program, through December 31, 2017. 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. Most Waterfront Department program areas are under proposed budget expenditures at mid-year except Facilities Design and Capital Programs which is 16.06% above budgeted expenditures. This is due to initiating and funding of capital projects in the first half of the fiscal year in

order to get the projects up and running. We anticipate all Waterfront Department programs to be under the proposed budget expenditures at the conclusion of Fiscal Year 2018.

Table 2:  
 Waterfront Department Expenditures by Program as of 12/31/17

Program	FY 18 Budget	YTD Expenditures as of 12/31/17	FY 17 % of Budget
Admin & Community Relations	\$ 2,645,966	\$ 1,240,703	46.89%
Property Management	\$ 479,911	\$ 187,575	39.09%
Financial Management	\$ 361,198	\$ 187,068	51.79%
Parking Services	\$ 1,091,335	\$ 531,578	48.71%
Harbor Patrol	\$ 2,461,164	\$ 1,162,160	47.22%
Marina Management	\$ 367,350	\$ 132,651	36.11%
Harbor Maintenance	\$ 3,522,094	\$ 1,475,991	41.91%
Wharf Maintenance	\$ 1,095,935	\$ 443,936	40.51%
Facilities Design & Capital Programs	\$ 3,750,216	\$ 2,477,550	66.06%
<b>Total</b>	<b>\$ 15,775,169</b>	<b>\$ 7,839,212</b>	<b>49.69%</b>

Table 3 (below) shows Waterfront Department expenditures at the consolidated level as of December 31, 2017. The encumbrance and debt service amounts are included in this table and show total expenditures of \$8,847,544 or 56.09% of total budgeted expenditures. Total Salaries and Benefits, Total Supplies and Expenses, Community Promotion, are all at, or below, the budgeted expenditures at the mid-year mark. Transfers to Capital, as earlier in this report, are above 50% due to initiating and funding of capital projects in the first half of the fiscal year in order to get the projects up and running. Non-Capitalized Outlays are slightly above 50% due to the purchase of five AEDs (automated external defibrillators) that will be placed in various Waterfront locations to assist staff and the public in case of emergencies. 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, 2017, the Department is on track to stay within its budgeted expenditures.

**Table 3: Waterfront Department Expenditures**

Consolidated as of 12/31/17

Description	FY 18 Budget	YTD Expense as of 12/31/17	FY 18 % of Budget
Total Salaries & Benefits	\$ 6,698,647	\$ 3,166,956	<b>47.28%</b>
Allocated Costs	\$ 1,485,669	\$ 742,910	<b>50.01%</b>
Total Supplies & Expenses	\$ 3,427,171	\$ 1,304,931	<b>38.08%</b>
Community Promotions (1)	\$ 333,697	\$ 144,444	<b>43.29%</b>
Transfers to Capital (2)	\$ 1,717,407	\$ 1,220,016	<b>71.04%</b>
Non-Capitalized Outlays (3)	\$ 167,706	\$ 93,574	<b>55.80%</b>
Beach Lifeguard Service	\$ 109,060	\$ 54,530	<b>50.00%</b>
Subtotal	\$ 13,939,357	\$ 6,727,362	<b>48.26%</b>
Other			
Principal - 581100	\$ 988,331	\$ 554,927	<b>56.15%</b>
Interest - 581200	\$ 745,106	\$ 555,547	<b>74.56%</b>
Appropriated Reserves/Fiscal Agent Fees	\$ 102,375	\$ 1,375	<b>1.34%</b>
Total Other	\$ 1,835,812	\$ 1,111,850	<b>60.56%</b>
Subtotal	\$ 15,775,169	\$ 7,839,212	<b>49.69%</b>
Encumbrances (4)		\$ 1,008,332	
<b>Adjusted Total</b>	<b>\$ 15,775,169</b>	<b>\$ 8,847,544</b>	<b>56.09%</b>
(1) July 4th fireworks, Shuttle Bus			
(2) Transfer to fund capital projects, patrol boat, software upgrade, dredging			
(3) Non-capitalized equipment and computer hardware			
(4) Funding committed but not yet expended i.e., contracts			

Attachment: Waterfront Department Revenues through December 31, 2017

Prepared by: Brian Bosse, Waterfront Business Manager