

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: February 15, 2018
To: Harbor Commission
From: Scott Riedman, Waterfront Director
Subject: **Budget Overview for Fiscal Year 2019**

RECOMMENDATION: That Harbor Commission:

- A. Receive a report on the status of the 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 in the middle of 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) and was approved in June of 2017.

Staff met with the Harbor Commission Budget Committee (Commissioners Sloan, Cramer, and Sligh) on January 31, 2018 to discuss the FY 2019 budget, including projected revenue, program expenditures, proposed fee changes, and capital projects.

Revenue Assumptions for FY 2019

Proposed revenues for FY 2019 appear in Table 1, 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%. The Waterfront and the Harbor continue to be popular destinations for locals and visitors.

Financial Management: It is anticipated that interest income will continue to grow and see a slight increase in earnings of about 2.5% for FY 2019.

Parking Services: The Department expects a 3.7% decrease in revenues due primarily to parking impacts associated with the Cabrillo Pavilion Renovation Project. The Cabrillo East and Carrillo West Parking Lots will see fewer (approximately 50% fewer) public spaces available due to contractor staging areas associated with the 18 to 24 month project. All regularly scheduled summer programs (Junior Lifeguards, Reef and Run, SB Triathlon, etc.) will continue to take place at East Beach despite the construction activity. However, with as many as 50% of the parking spaces being occupied by the Project, the Waterfront Department is reducing the proposed revenues in both lots as follows: Cabrillo East \$90,000 for Fiscal Year 2019, down from \$170,921

and Cabrillo West \$80,000 for Fiscal Year 2019, down from \$168,118. We anticipate that the remaining Waterfront Parking Lots will continue to post strong revenues in FY 2019. If the proposed fee increases to Annual Parking Permits (discussed below and not included in Table 1) are approved for FY 2019, the Parking Services Division revenues would see an overall slight increase of 0.5%.

Marina Management is expected to continue to post steady revenues and we are expecting a 4.6% increase for FY 2019. This is primarily due to Slip Transfer Fee revenues that continue to be strong. As a result, the Department adjusted the projected revenues up from \$850,000 in FY 2018 to \$1,000,000 in FY 2019. If FY 2018 continues as predicted, it will result in Slip Transfer Fee revenues eclipsing the \$1,000,000 mark two of the past three years.

Table 1: 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	\$5,729,482	\$5,837,934	1.9%
Financial Management (1)	\$119,600	\$122,600	2.5%
Parking Services	\$2,979,677	\$2,870,138	-3.7%
Marina Management	\$6,038,834	\$6,319,491	4.6%
Totals	\$14,867,593	\$15,150,163	1.9%

(1) Interest Income

Expenditure Assumptions for Fiscal Year 2019

Expenditures for Fiscal Year 2019 are detailed at the consolidated level in Table 2, below. Overall, the Waterfront Department is looking at an increase in expenditures of 5% in FY 2019.

Salaries and Benefits are scheduled to go up by 3% and 6%, respectively, in 2019 primarily due to existing labor agreements in the various represented employee groups of the Waterfront Department. Allocated Costs increase by 1% or approximately \$14,000. The increase is primarily due to slight increases in property insurance premiums and overhead allocations. Supplies and Services are scheduled to increase by 1% due to a number of factors including an increase to the Work, Inc. contract due to State-mandated minimum wage increases.

Special Projects and Community Promotions will see a 20% increase due to a \$70,000 increase to the Waterfront Department's share of the Shuttle Bus Program. Non-Capitalized Outlays will increase by 2%, or approximately \$2,000, due to small increases in the equipment budget for the Parking, Harbor Patrol, and Facilities divisions.

Expenditures related to the Waterfront Department's debt service program principal will increase by 29%, or nearly \$300,000, in FY 2019 as the Department moves from a 30-year loan repayment schedule with the Division of Boating and Waterways (DBW) to a 20-year loan repayment schedule. Similarly, interest fees will increase by 3%, or \$22,425, in FY 2019.

Table 2: Waterfront Department Requested Expenditures			
Consolidated FY 18 and FY 19			
Description	FY 18 Requested Budget	FY 19 Requested Budget	% Change FY 18 vs. 19
Total Salaries	4,638,855	4,800,579	3%
Total Benefits	\$ 2,081,673	\$ 2,205,693	6%
Allocated Costs	\$ 1,485,669	\$ 1,499,624	1%
Total Supplies & Services	\$ 3,312,313	\$ 3,339,084	1%
Special Projects & Community Promotions (1)	\$ 348,279	\$ 418,893	20%
Non-Capitalized Outlays	\$ 108,864	\$ 110,891	2%
Subtotal	\$ 11,975,653	\$ 12,374,764	3%
Other			
Principal	\$ 988,331	\$ 1,278,707	29%
Interest	\$ 745,106	\$ 767,531	3%
Appropriated Reserves/Fiscal Agent Fees	\$ 102,375	\$ 102,375	0%
Total Other	\$ 1,835,812	\$ 2,148,613	17%
Adjusted Total	\$ 13,811,465	\$ 14,523,377	5%
(1) July 4th fireworks, Shuttle Bus			

Proposed Fee Changes for FY 2019

The Department is considering the following fee adjustments for FY 2019 which were conceptually discussed with the Harbor Commission Budget Subcommittee on January 31, 2018. The proposed fee adjustments are as follows:

- Slip transfer fee increase of \$25 per foot (except 20', 25', 28', 30', and designated Commercial Fishing berths) in FY 2019. The slip transfer fee would move from \$450 per foot to \$475 per foot (approved by Council for FY 2019);
- Slip fee increase of 2% in FY 2019 and the same as slip fee adjustments that were made in FYs 2014, 2015, 2016, 2017, and 2018 (projected revenue increase of \$89,242), approved by Council for FY 2019;
- Slip permittee annual parking permit increase from \$70 to \$125 (projected revenue increase of \$36,500). Last increase was July 1, 2006;

- Annual parking permit increase from \$100 to \$125 (projected revenue increase of approximately \$95,000). Last increase was July 1, 2015;
- Visiting/ Transient Vessel Fee for vessels 70 feet and above increase from \$1.00 per lineal foot to \$1.50 per lineal foot. The last increase was July 1, 2016; and,
- Annual West Beach Rack Permit increase from \$1,000 to \$1,100 (projected revenue increase of \$800).

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.

Proposed Capital Program for FY 2019

The Department’s capital program (Table 3, below) 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. Existing projects that will continue in FY 2019 include:

- Stearns Wharf Heavy Timber and Pile Replacement Program (\$425,000);
- Marina Renovation Program (\$275,000) which includes the continued replacement of dock fingers in Marina 4 as well as the replacement of the Marina Three end-tie; and,
- Parking Lot Maintenance Program (\$95,000) which will focus on the Garden Street Parking Lot and the Harbor 90-minute lots

New projects for FY 2019 include:

- 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).

Table 3: 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
Total	\$1,070,000
Capital Outlay Transfer	\$1,070,000