

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: March 15, 2018
To: Harbor Commission
From: Scott Riedman, Waterfront Director
Subject: **Waterfront Department Fiscal Year 2019 Budget Recommendation**

RECOMMENDATION: That Harbor Commission:

- A. Receive a staff presentation on the Waterfront Department's proposed Fiscal Year 2019 budget submittal;
- B. Recommend approval of a 2% slip fee increase in Fiscal Year 2019;
- C. Recommend approval of a slip transfer fee increase from \$450 to \$475 per linear foot for slips larger than 30 feet in Fiscal Year 2019;
- D. Recommend approval of an increase to slip permittee annual parking permits from \$70 to \$125 in Fiscal Year 2019;
- E. Recommend approval of an increase to annual parking permits from \$100 to \$125 in Fiscal Year 2019;
- F. Recommend approval of an increase to the Visiting/Transient Vessel Fee for vessels 70 feet and above from \$1.00 to \$1.50 per linear foot in Fiscal Year 2019;
- G. Recommend approval of an increase for the Annual West Beach Rack Permit from \$1,000 to \$1,100 in Fiscal Year 2019; and,
- H. Forward a recommendation to City Council for approval of the Waterfront Department's proposed Fiscal Year 2019 budget and incorporation into the City budget process.

BACKGROUND

On January 18, 2018, the Harbor Commission received a written report and presentation on the FY 2018 mid-year budget review.

On January 31, 2018, staff met with the Harbor Commission Budget Subcommittee (Harbor Commissioners Sloan, Cramer, and Sligh) and provided an overview of the 2019 budget including program expenditures, possible fee changes, and capital projects.

On February 15, 2018, the Harbor Commission received a written report and presentation that included an overview of the 2019 budget proposal. The presentation included information on the current fiscal year, revenue and expenditure projections for FY 2019, funding sources for the department's capital projects, and approved capital projects for FY 2019.

On February 26, 2018, 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, the 2019 budget will remain status quo with relatively small adjustments in the overall projected revenues and expenditures of FY 2018. Overall, expenditures are expected to increase by 5% in FY 2019. Revenues are projected to climb by 1.9% for FY 2019.

Revenue Assumptions for FY 2019

Proposed revenues for FY 2019 appear in the table below. Overall, staff is expecting a 1.9% increase in revenues over the FY 2018 projected amounts. Please note that the proposed figures for FY 2019 do not include additional revenues that would be realized with the proposed Annual Parking Permit Fee increases for slip permittees and the general public (estimated at \$36,500 and \$95,000, respectively).

Property Management: Property Management revenues remain steady in FY 2019 and are expected to increase by 7.1% over projected FY 2018 revenues. The Waterfront and the Harbor continue to be popular destinations for locals and visitors and the Department expects an increase in revenues from FY 2018 projected due to a combination of factors including (1) a financial rebound from the impacts of the Thomas Fire, the Montecito Mud Flow and resultant 101 Freeway closures; and (2) a conservative 2% growth in revenues.

Financial Management: It is anticipated that Department interest income will increase to over \$235,000. Interest Income figures are provided by the Finance Department and reflect increasing interest rates in the last year.

Parking Services: The Department expects a 2.9% decrease in projected FY 2018 revenues due to parking impacts associated with the Cabrillo Pavilion and Bathhouse Renovation Project. The Cabrillo East and Carrillo West Parking Lots will see fewer (approximately 40% 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 40% 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.

Marina Management: is expected to continue to post steady revenues and we are expecting a 1.3% decrease for FY 2019 over FY 2018 revenue projections as we expect Slip Permit Transfer Fees revenues to normalize in FY 2019. Slip Permit Transfer Fee revenues in FY 2018 have been well above normal and if they continue as anticipated, it will result in those revenues eclipsing the \$1,000,000 mark two of the past three years. As a result, the Department adjusted the projected revenues up from \$830,000 in FY 2018 to \$1,000,000 in FY 2019.

Program	FY 2018 Budgeted	FY 18 Projection (July-June)	FY 2019 Proposed	% Change FY 18 Projected vs. FY 19 Proposed
Property Management	\$5,729,482	\$ 5,449,740	\$5,837,934	7.1%
Financial Management	\$119,600	\$ 174,100	\$235,500	35.3%
Parking Services	\$2,979,677	\$ 2,955,500	\$2,870,138	-2.9%
Marina Management	\$6,038,834	\$ 6,402,277	\$6,319,491	-1.3%
Totals	\$14,867,593	\$ 14,981,617	\$15,263,063	1.9%

Proposed Changes in Fees for FY 2019

The Department is considering the following fee adjustments for FY 2019 which were discussed with the Harbor Commission on February 15, 2018. The proposed slip fee adjustments would be the same as slip fee adjustments that were made in FYs 2014, 2015, 2016, 2017, and 2018. As stated above, the proposed increases for the Annual Parking Permits for slip permittees and the general public have not been included in the FY 2019 proposed revenues in the chart above. The proposed fee changes for FY 2019 include:

- Slip permit transfer fee increase of \$25 per foot (except 20', 25', 28, and 30 and designated Commercial Fishing berths) in FY 2019. The slip permit transfer fee would move from \$450 per foot to \$475 per foot and was approved by Council for FY 2019 (projected revenue increase of approximately \$60,000);
- 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. Last increase was July 1, 2016; and,
- Annual West Beach Rack Permit increase from \$1,000 to \$1,100 (projected revenue increase of \$600).

As with previous years, a survey of 18 marinas is underway and will help determine how the City of Santa Barbara slip rental rates and various other fees compare with other publicly-operated harbors and marinas. Santa Barbara marina fees are generally lower than other harbors surveyed, particularly harbors south of Point Conception.

NARRATIVE ANALYSIS OF EXPENDITURES

Expenditure Assumptions for FY 2019 Projections

For the most part, FY 2019 budget will remain status quo with relatively small adjustments in expenditures from FY 2018. Overall, expenditures are expected to increase by 5% in FY 2019.

Table 2: Waterfront Department Requested Expenditures			
Consolidated FY 18 and FY 19			
Description	FY 18 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	\$ 413,129	\$ 418,893	1%
Non-Capitalized Outlays	\$ 108,864	\$ 110,891	2%
Subtotal	\$ 12,040,503	\$ 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	\$ 13,876,315	\$ 14,523,377	5%

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 City.

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 1% increase.

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.

Appropriated Reserves and Fiscal Agent Fees: are expected to remain constant for FY 2019.

Budget Schedule

The City's proposed budget will be presented to the City Council on April 17, 2018. Following that meeting, each department will present its budget, including proposed fee changes, to the City Council on specified dates. The Waterfront Department will present its proposed budget to City Council on May 7, 2018. On a date yet to be determined, the Waterfront Department will also be presenting the proposed fee changes to the City's Finance Committee. The City's entire budget package is scheduled for final consideration by the City Council on Tuesday, June 19, 2018.

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 March 15, 2018, meeting. The Harbor Commission's recommendations will then be forwarded to City Council for consideration.

Attachment: Fiscal Year 2019 Capital Program

Prepared by: Brian Bosse, Waterfront Business Manager

Proposed Capital Program for FY 2019

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. The Department is prepared to proceed with the following capital projects in FY 2019.

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 and 2	\$150,000
Harbor Way Sidewalk	\$125,000
Parking Lot Maintenance Program	\$95,000
Total	\$1,070,000
Capital Outlay Transfer	\$1,070,000

The proposed projects in the table above total \$1,070,000. 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 and 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 and #2 on the City Pier (\$150,000).

The capital program will be funded in part from reserves \$432,007 with the balance from operating revenues. The Waterfront Operating Fund has more than sufficient reserves above policy to fund this amount.