

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: March 21, 2019
To: Harbor Commission
From: Scott Riedman, Waterfront Director
Subject: **Waterfront Department Fiscal Year 2020 And 2021 Budget Recommendation**

RECOMMENDATION: That Harbor Commission:

- A. Receive a staff presentation on the Waterfront Department's proposed Fiscal Year 2020 and 2021 budget submittal;
- B. Recommend approval of a 1% slip fee increase in Fiscal Year 2020;
- C. Recommend approval of a 2% slip fee increase in Fiscal Year 2021;
- D. Recommend approval of a \$25 slip transfer fee increase to \$500 per linear foot for slips larger than 30 feet in Fiscal Year 2020;
- E. Recommend approval of a \$25 slip transfer fee increase to \$525 per linear foot for slips larger than 30 feet in Fiscal Year 2021;
- F. Recommend approval of a \$100 increase to the Annual West Beach Rack Permit from \$1,100 to \$1,200 in Fiscal Year 2020;
- G. Recommend approval of a \$100 increase to the Annual West Beach Rack Permit from \$1,200 to \$1,300 in Fiscal Year 2021;
- H. Recommend that the Waterfront Department institute a monthly fee for the electricity used at each slip pursuant to the Marina Electric Submetering Program;
- I. Recommend approval of a \$30 decrease in the monthly Live Aboard fee from \$150 to \$120; and,
- J. Forward a recommendation to City Council for approval of the Waterfront Department's proposed Fiscal Years 2020 and 2021 budget and incorporation into the City budget process.

BACKGROUND:

On February 13, 2019, Department staff met with the Harbor Commission Budget Subcommittee (Harbor Commissioners Sloan, Sligh, and Cramer) to review the Fiscal Year (FY) 2019 Mid-Year budget and discuss FY 2020 and 2021 budgets including program expenditures and capital projects.

On February 20, 2020, Department staff reviewed the draft budget with the City Administrator and Finance Department staff.

On February 21, 2019, the Harbor Commission received written reports and presentations on the FY 2019 mid-year budget and an overview of the FY 2020 and 2021 budget proposals. The presentations included information on the current fiscal year, revenue and

expenditure projections for FY 2020 and 2021, funding sources for the department's capital projects, and proposed capital projects for both fiscal years.

On March 12, 2019, Department staff met with the Harbor Commission Budget Subcommittee (Harbor Commissioners Sloan, Sligh, and Cramer) to discuss the proposed Marina Electrical Submetering Program and resulting budget impacts for slip permittees and revisions to the FY 2020 and 2021 proposed budget.

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 2020 and 2021 budgets will remain status quo with relatively small adjustments in the overall projected revenues and expenditures of FY 2019. Overall, expenditures are expected to increase by 2% in FY 2020 and by 3% in FY 2021. Revenues are projected to increase by 3.3% in FY 2020 and climb by 1.4% for FY 2021.

Revenue Assumptions for FY 2020

Proposed revenues for FY 2020 appear in Table 1, below. Overall, staff is expecting a 3.3% increase (\$506,697) in revenues over FY 2019 projected revenues.

Property Management: Overall we anticipate that revenues in Property Management will increase by 2.5% over FY 2019 projected revenues. Revenues from Cruise Ships are expected to increase by approximately \$150,000 due to an increase in the size and number of cruise ships (28 in FY 2020 vs 21 in FY 2019). We anticipate that food service revenues in the Harbor and Wharf will level out and the Department is proposing only a slight increase in food service revenue of \$28,724, or nearly 1%, versus FY 2019 projected.

Financial Management: The Finance Department has provided the Department with a projected 5.4% increase in interest earnings for FY 2020 over FY 2019 projections.

Parking Services: Parking revenues continue to meet budget expectations and we expect FY 2020 revenue to be 9% higher than FY 2019 projected revenue. Strong sales of the Annual Parking Permits continue to be a primary driver regarding Parking revenues and the Department has increased the revenue projection by \$75,000. We also expect that with the completion of the Cabrillo Pavilion renovation that we will see modest increases in Cabrillo East and Cabrillo West parking lot revenues versus the prior two fiscal years. The Garden Street lot saw significant revenue gains over the past 2-3 fiscal years due to

the construction activity on lower State Street. That construction activity is now concluded and we anticipate a corresponding decrease in use and in revenues of approximately 9%, or nearly \$25,000 versus the current year budget of \$276,954.

Marina Management: continues to post steady revenue increases and we expect FY 2020 revenues to normalize and increase by 1.5% compared to FY 2019 projected revenue. Slip Fees are proposed to increase by 1%. The Department has decreased the revenue projection for Slip Transfer Fees to \$1,000,000 as this revenue stream is highly unpredictable.

Table 1: Waterfront Department Revenue Programs				
FY19 Revenue Projections vs. FY 20 Proposed Budget				
Program	FY Budget	FY2019 Projection	FY 2020 Proposed	% Change FY 19/20
Property Management	\$5,837,934	\$5,824,758	\$5,968,229	2.5%
Financial Management	\$228,100	\$238,700	\$251,600	5.4%
Parking Services	\$2,840,138	\$2,838,846	\$3,095,246	9.0%
Marina Management	\$6,319,491	\$6,341,965	\$6,435,891	1.5%
Totals	\$15,255,663	\$15,244,269	\$15,750,966	3.3%

Proposed Changes in Fees for FY 2020

The Department is considering the following fee adjustments for FY 2020 which were reviewed by the Harbor Commission Budget Committee on February 13, 2019, and were reviewed by the full Harbor Commission on February 21, 2019. One change of note from the February 21, 2019, meeting of the Harbor Commission is the proposed slip fee increase going from 2% to 1%:

- Slip transfer fee increase of \$25 per foot (except 20', 25', 28', and 30' and designated Commercial Fishing berths) in FY 2020. The slip transfer fee currently stands at \$475 per foot and would move to \$500 per foot;
- Slip fee increase of 1% in FY 2020 (projected revenue increase of \$43,746);
- Increase the Annual West Beach Rack Permit from \$1,100 to \$1,200 (projected revenue increase of \$600);
- Institute a slip permittee monthly electrical fee for the number of kilowatt hours (KWH) used at each slip; and,
- Reduce the monthly Live Aboard fee by \$30 to \$120 per month.

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

Revenue Assumptions for FY 2021

Proposed revenues for FY 2021 appear in Table 2, below. Overall, staff is expecting a modest 1.4% increase (\$222,195) in revenues over the FY 2020 budgeted amounts.

Property Management: Property Management revenues look to remain steady in FY 2021 and are expected to increase by less than one percent.

Financial Management: It is anticipated that the Department will see a decrease in interest income revenue of approximately 1% for FY 2021.

Parking Services: The Department expects a slight 2.4% increase in revenues due to the continued popularity of the Waterfront and Harbor. In addition, the Department anticipates a continued growth in revenues in the Cabrillo East and Cabrillo West lots once the Cabrillo Pavilion renovation and restaurant construction are complete in the fall of 2019.

Marina Management: Similar to the other revenue programs, Marina Management is expected to continue to post steady revenues and we are expecting a modest 1.6% increase for FY 2021.

Table 2: Waterfront Department Revenue Programs			
FY 20 Proposed Budget vs. FY 21 Proposed Budget			
Program	FY2020 Projection	FY 2021 Proposed	% Change FY 20/21
Property Management	\$5,968,229	\$6,012,256	0.7%
Financial Management	\$251,600	\$249,200	-1.0%
Parking Services	\$3,095,246	\$3,169,916	2.4%
Marina Management	\$6,435,891	\$6,541,789	1.6%
Totals	\$15,750,966	\$15,973,161	1.4%

Proposed Changes in Fees for FY 2021

The Department is considering the following fee adjustments for FY 2021:

- Slip transfer fee increase of \$25 per foot (except 20', 25', 28, and 30 and designated Commercial Fishing berths) in FY 2021. The slip transfer fee would move from \$500 per foot to \$525 per foot;
- Slip fee increase of 2% in FY 2019 (projected revenue increase of \$89,242); and,
- Increase the Annual West Beach Rack Permit from \$1,200 to \$1,300 (projected revenue increase of \$600);

Expenditure Assumptions for FY 2020 and 2021 Projections

For the most part, FY 2020 and 2021 budgets will remain status quo with relatively small adjustments in expenditures from FY 2019. Overall, expenditures are expected to increase by 2% in FY 2020 and 3% in FY 2021.

Table 3: Waterfront Department Requested Expenditures					
Consolidated FY 19vs. FY 20 and FY 21					
Description	FY 19 Revised Budget	FY 20 Requested Budget	FY 21 Requested Budget	%Change FY 19 vs. 20	%Change FY 20 vs. 21
Total Salaries	\$4,821,038	\$4,921,570	\$5,052,050	2%	3%
Total Benefits	\$2,205,773	\$2,337,549	\$2,484,274	6%	6%
Allocated Costs	\$1,499,624	\$1,546,171	\$1,586,890	3%	3%
Total Supplies & Expenses	3,476,662	\$3,466,548	\$3550,012	0%	2%
Special Projects & Community Promotions	\$515,613	\$535,642	\$552,451	4%	3%
Non-Capitalized Outlays (equip)	\$126,384	\$182,329	\$185,825	44%	2%
Subtotal	\$12,645,094	\$12,989,809	\$13,411,502	3%	3%
Other					
Principal	\$1,278,707	\$1,308,535	\$1,356,991	2%	4%
Interest	\$767,531	\$735,112	\$685,201	-4%	-7%
Appropriated Reserves/ Fiscal	\$102,375	\$102,375	\$102,375	0%	0%
Total Other	\$2,148,613	\$2,146,022	\$2,144,567	0%	0%
Adjusted Total	\$14,793,707	\$15,135,831	\$15,556,069	2%	3%

Salaries and Benefits increase in both years due to labor agreements in the various represented employee groups of the Waterfront Department that are currently being negotiated. Allocated Costs are scheduled to increase by 3% in both FY 2020 and FY 2021. The increase is primarily due to increased liability insurance premiums and overhead allocations.

Supplies and Services remain relatively unchanged for FY 2020 and increase 2% in FY 2021. Notable items in Supplies and Services include a new SkiData Service Agreement to ensure smooth operation of the Harbor Main and Stearns Wharf Parking Operations, as well as an increase to the Work, Inc. contract due to State-mandated minimum wage increases.

Special Projects and Community Promotion expenses increase by 4% and 3% in FY 2020 and FY 2021, respectively due to increased costs associated with Lifeguard Services and continued cost increases in the Metropolitan Transit District Shuttle Bus contract. Non-Capitalized Outlays increase by over \$50,000 in FY 2020 and FY 2021 due to the need to replace the aged SkiData Parking Management System at Harbor Main and Stearns Wharf.

Expenditures related to the Waterfront Department's debt service program principal will increase by 2% or, \$29,828, in FY 2020 and increase by 4%, or \$48,456, in FY 2021 due to the Department changing from a 30-year repayment schedule to a 20-year loan repayment schedule for the Division of Boating and Waterways loan for Marina One. Correspondingly, interest fees will decrease by 4%, or \$32,419 in FY 2020 and decline by 7% or \$49,911 in FY 2021.

Budget Schedule

On a date yet to be determined, the Waterfront Department will be presenting the proposed fee changes to the City's Finance Committee. The Waterfront Department will present its proposed budget to City Council on May 6, 2019. The City's entire budget package is scheduled for final consideration by the City Council on Tuesday, June 18, 2019.

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 21, 2019, meeting. The Harbor Commission's recommendations will then be forwarded to City Council for consideration.

Attachment: Fiscal Year 2020 and 2021 Capital Program

Prepared by: Brian Bosse, Waterfront Business Manager

Proposed Capital Program for Fiscal Year 2020

The Department is prepared to proceed with the following capital projects in Fiscal Year(FY) 2020 totaling \$2,170,000, of which \$1.6 million will be funded from Waterfront Operating Reserves above policy with the balance funded from current year revenue. The projected balance in reserves at the end of FY 2019 is \$2.3 million.

Waterfront Capital Program FY 2020

<u>Project</u>	FY 2020 Recommended
Parking Lot Maintenance Program	\$70,000
117 Alley Trench Drain	\$125,000
Interior Remodel of 132-A Offices	\$125,000
Repair Hoists 1 and 2	\$125,000
Update Security Camera System	\$150,000
Accommodation Dock Gangway	\$225,000
Marina Renovation Program	\$275,000
Stearns Wharf Timber/Pile Replacement	\$475,000
Replace Ice House	\$600,000
Total	\$2,170,000
Capital Outlay Transfer	\$2,170,000

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.

Existing projects that will continue in FY 2020 include: the Parking Lot Maintenance Program (\$70,000), which will focus on the Cabrillo East and West parking lots; the Marina Renovation Program (\$275,000), which includes the replacing dock fingers, dock boxes, power centers, and utilities in the various marinas; and, the Stearns Wharf Heavy Timber and Pile Replacement Program (\$475,000).

New projects in FY 2020 include the replacement of the 117 Alley Trench Drain (\$125,000); remodeling of the 132-A Offices (\$125,000); repairing Hoists #1 and #2 on the City Pier (\$125,000); an update to the Department’s Security Camera System (\$150,000); the installation of an ADA compliant gangway at the Accommodation Dock for visiting boaters (\$225,000), and a complete replacement of the Ice House on the City Pier (\$600,000).

Proposed Capital Program for FY 2021

Similar to FY 2020, the 2021 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.

Waterfront Capital Program FY 2021

<u>Project</u>	FY 2021 Recommended
Parking Lot Maintenance Program	\$120,000
Parking Infrastructure Improvements	\$125,000
Renovate Maintenance Shop	\$150,000
Update Security Camera System	\$200,000
Stearns Wharf Waterline Replacement	\$250,000
Harbor Main Parking Lot Lighting	\$250,000
Marina Renovation Program	\$275,000
Stearns Wharf Timber/Pile Replacement	\$475,000
Replace Stearns Wharf Lift Stations	\$600,000
Total	\$2,445,000
Capital Outlay Transfer	\$2,445,000

The proposed projects in the table above total \$2,445,000 and the Department plans on using Capital Fund Reserves to fund the projects.

Existing projects that will continue in FY 2021 include: The Parking Lot Maintenance Program (\$120,000) which will focus on the Chase Palm Park lot; continue to update the Department's Security Camera System (\$200,000), the Marina Renovation Program (\$275,000) which will continue to replace dock fingers, dock boxes, power centers, and utilities in the various marinas; and, the Stearns Wharf Heavy Timber and Pile Replacement Program (\$475,000).

New projects include Parking Infrastructure Improvements (\$125,000) that will install two new Luke Pay-and-Display Parking Stations and replace three older Luke Pay-and-Display Parking Stations in the Chase Palm Park lot; renovation of the Waterfront Department's aged Maintenance Shop (\$150,000); Stearns Wharf Waterline Replacement (\$250,000); upgrade the lighting in the Harbor Main Lot (\$250,000); and replace the aged Stearns Wharf Lift Station system (\$600,000).