

# CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

## MEMORANDUM

**Date:** February 21, 2019  
**To:** Harbor Commission  
**From:** Scott Riedman, Waterfront Director  
**Subject:** **Budget Overview for Fiscal Year 2020 and Fiscal Year 2021**

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**RECOMMENDATION:** That Harbor Commission:

- A. Receive a report on the status of Fiscal Years 2020 and 2021 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 developing a two-year budget which includes Fiscal Year 2020 (July 1, 2019 through June 30, 2020) and Fiscal Year 2021 (July 1, 2020 through June 30, 2021).

Staff met with the Harbor Commission Budget Committee (Commissioners Sloan, Cramer, and Sligh) on February 13, 2019 to discuss the FY 2020 and FY 2021 budgets, including projected revenue, program expenditures, proposed fee changes, and capital projects.

**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 will be reviewed by the Harbor Commission on February 21, 2019:

- Slip transfer fee increase of \$25 per foot (except 20', 25', 28, and 30 and designated Commercial Fishing berths). The slip transfer fee currently stands at \$475 per foot and would move to \$500 per foot;
- Slip fee increase of 2% (projected revenue increase of \$92,847). This slip fee adjustment would be the same as slip fee adjustments that were made in FYs 2013-2019;
- Increase the Annual West Beach Rack Permit from \$1,100 to \$1,200 (projected revenue increase of \$600); and,
- Institute a slip permittee monthly electrical fee for the number of kilowatt hours (KWH) used at each slip.

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 marinas. Santa Barbara's marina fees are generally lower than other marinas surveyed, particularly marinas south of Point Conception.

## **Revenue Assumptions for FY 2020**

Proposed revenues for FY 2020 appear in Table 1, below. Overall, staff is expecting a slight 0.9% increase in revenues (\$140,002) over FY 2019 projected revenues. Property Management: Overall it is anticipated that revenues in Property Management will increase by 2.5% over FY 2019 projected revenues. Harbor and Stearns Wharf Commercial revenues are expected to increase by a modest 2% over FY 2019 projections. 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). Food service revenues for FY 2019 are projected to end the year down 2% versus budget. One possible reason is a slow-down in Wharf pedestrian traffic. Although vehicle traffic has increased from last calendar year (+2,000 vehicles), pedestrian traffic onto the Wharf continued to decline for the fourth consecutive year with 63,735 fewer pedestrians in calendar year 2018 versus 2017. This decrease in foot traffic is likely a contributing reason for certain Wharf revenues being lower in FY 2019. We anticipate that food service revenues in the Harbor and Wharf will level out and the Department is proposing 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 3.2% higher than FY 2019 projected revenue. Strong sales of the Annual Parking Permits continue to be a primary driver regarding Parking revenues. It is also expected 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 anticipate a corresponding decrease in use and in revenues of approximately 9%, or nearly \$25,000.

Marina Management continues to post steady revenue increases and we expect FY 2020 revenues to normalize and decrease by 1.6% compared to FY 2019 projected revenue. Slip Fees are proposed to increase by 2%. The Department has decreased the revenue projection for Slip Transfer Fees by \$200,000 versus FY 2019 projections as this revenue stream is highly unpredictable.

**Table 1: Waterfront Department Revenue Programs**

FY 19 Revenue Projection vs. FY 20 Proposed Budget

Program	FY 19 Budget	FY 19 Projection	FY 20 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	\$ 2,870,138	\$ 2,927,541	\$ 3,020,246	3.2%
Marina Management	\$ 6,319,491	\$ 6,541,965	\$ 6,435,891	-1.6%
<b>Totals</b>	<b>\$ 15,255,663</b>	<b>\$ 15,532,964</b>	<b>\$ 15,675,966</b>	<b>0.9%</b>

### Proposed Changes in Fees for FY 2021

The Department is considering the following fee adjustments for FY 2021 which were reviewed by the Harbor Commission Budget Committee on February 13, 2019 and will be reviewed by the Harbor Commission on February 21, 2019:

- Slip transfer fee increase of \$25 per foot (except 20', 25', 28, and 30 and designated Commercial Fishing berths). The slip transfer fee would move from \$500 per foot to \$525 per foot;
- Slip fee increase of 2% (projected revenue increase of \$94,698); and,
- Increase the Annual West Beach Rack Permit from \$1,200 to \$1,300 (projected revenue increase of \$600).

### 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 2.5% 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. It is expected that a modest 1.6% increase for FY 2021.

**Table 2: Waterfront Department Revenue Programs**

FY 20 Proposed Budget vs. FY 21 Proposed Budget

<b>Program</b>	<b>FY 2020 Proposed</b>	<b>FY 2021 Proposed</b>	<b>% Change FY 20/21</b>
Property Management	\$ 5,968,229	\$ 6,012,256	0.7%
Financial Management	\$ 251,600	\$ 249,200	-1.0%
Parking Services	\$ 3,020,246	\$ 3,094,916	2.5%
Marina Management	\$ 6,435,891	\$ 6,541,789	1.6%
<b>Totals</b>	<b>\$ 15,675,966</b>	<b>\$ 15,898,161</b>	<b>1.4%</b>

**Expenditure Assumptions for Fiscal Year 2020 and Fiscal Year 2021**

Expenditures for Fiscal Year 2020 and 2021 are detailed at the consolidated level in Table 3 below. Overall the Waterfront Department is looking at an overall increase in expenditures in FY 2020 of 2% and 3% in FY 2021.

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 increases 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.

**Table 3: Waterfront Department Requested Expenditures**

Consolidated FY 19 vs. 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	\$ 3,550,012	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 Agent Fees	\$ 102,375	\$ 102,375	\$ 102,375	0%	0%
Total Other	\$ 2,148,613	\$ 2,146,022	\$ 2,144,567	0%	0%
<b>Adjusted Total</b>	<b>\$ 14,793,707</b>	<b>\$ 15,135,831</b>	<b>\$ 15,556,069</b>	<b>2%</b>	<b>3%</b>

### Proposed Capital Program for FY 2020

The Department is prepared to proceed with the following capital projects in FY 2020 and plans on using \$2,045,000 in Harbor Preservation Funds to fund the projects.

**Table 4: Waterfront Capital Program FY 2020**

Project	FY 2020 Recommended
Parking Lot Maintenance Program	\$70,000
117 Alley Trench Drain	\$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
<b>Total</b>	<b>\$2,045,000</b>
Capital Outlay Transfer	\$2,045,000

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 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); 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.

<b>Table 5: Waterfront Capital Program FY 2021</b>	
<u>Project</u>	FY 2021 Recommended
Parking Lot Maintenance Program	\$120,000
Parking Infrastructure Improvements	\$125,000
Update Security Camera System	\$200,000
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
<b>Total</b>	<b>\$2,045,000</b>
Capital Outlay Transfer	\$2,045,000

The proposed projects in Table 5 total \$2,045,000 and the Department plans on using Harbor Preservation Funds 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; the continued update of 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; upgrade the lighting in the Harbor Main Lot (\$250,000); and, replace the aged Stearns Wharf Lift Station system (\$600,000).

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