

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: February 18, 2021
To: Harbor Commission
From: Mike Wiltshire, Waterfront Director
Subject: **Fiscal Year 2021 Mid-Year Budget Report**

RECOMMENDATION:

That Harbor Commission receive and review a status report on the Waterfront Department Fiscal Year 2021 Mid-Year Budget revenues and expenditures.

DISCUSSION:

Fiscal Year 2021 Year-To-Date Revenues

The Waterfront Department's revenue and expenditures for the second quarter of FY 2021 continue to be heavily impacted by the COVID-19 pandemic, and it appears as though this trend will continue for some time. Nearly every revenue category was negatively impacted and continues to be as the COVID-19 pandemic impacts the national economy.

Table 1 (below) summarizes the Department's revenue as of December 31, 2020, 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 shows FY 2019 half-way through the fiscal year. Column four shows FY 20 year to date for comparison and Columns five and six show the change in dollars and percentage between the two fiscal years. Overall, Department revenues are down 6.3%, or -\$524,910, over last fiscal year at the same time.

Table 1: Waterfront Department Revenue at Mid-Year

By Program

Program	FY 2021 Budget (July-June)	FY 21 Actual YTD 12/31/2020	FY 20 Actual YTD 12/31/2019	Change From Prior Year \$	Variance %
Property Management	\$ 4,850,713	\$ 2,653,927	\$ 3,180,509	\$ (526,582)	-16.6%
Financial Management	\$ 224,800	\$ 59,507	\$ 127,440	\$ (67,933)	-53.3%
Parking Services	\$ 2,788,934	\$ 1,359,149	\$ 1,520,268	\$ (161,119)	-10.6%
Marina Management	\$ 6,556,843	\$ 3,720,023	\$ 3,489,299	\$ 230,724	6.6%
Totals	\$ 14,421,290	\$ 7,792,606	\$ 8,317,516	\$ (524,910)	-6.3%

The Property Management program is tracking nearly 17% below last year at the same time. The Attachment, "Waterfront Department Revenue", shows Fiscal Year 2021 year-to-date revenue at the line item level, and includes a comparison to Fiscal Year 2020

figures for the July-December time period. Commercial Leases (includes both Stearns Wharf and the Harbor) are up 1.82% (\$18,600) versus last year. Food Service Leases (includes both Stearns Wharf and the Harbor) are down 21.7% (-\$386,000) versus last year. Cruise Ship revenues and Harbor Festival revenues are absent as the cruise ship industry is on hold and the Harbor and Seafood Festival was not held in 2020. The rent deferral program allowed City tenants to defer rent for the months April 2020 through December 31, 2020. These deferred rents are due and payable within twelve months of the last month of the deferral program (i.e. currently, all deferred rent would be due and payable by December 31, 2021). City accounting policy, “books”, includes tenant rents automatically, even if not received. As such, the figures above include the rent amounts from tenants who have deferred rent. The total amount outstanding from tenants is approximately \$965,000 for Fiscal Year 2021.

The Financial Management program consists of interest earned on the Department’s reserves and figures are provided by the Finance Department. Interest revenue at mid-year is down over 50% over last year at the same time.

The Parking Services has been significantly impacted by the State and local mandates regarding COVID-19 and the resultant restrictions placed on local business operations. As a result, Parking services is down nearly 11% over last year at the same time. The Attachment shows the breakdown of parking revenues by individual parking lot. Through mid-year, only 3 of 10 Waterfront parking lots show an increase over last year at the same time.

Marina Management revenue is up 6.6% (\$230,724) over last year. Slip Permit Transfer Fees are up 31% (\$205,775) over last year at the same time. Live Aboard Fees are up slightly and Visitor Fees are up nearly 20% continuing to show that the Waterfront, even in the face of a global pandemic, is still a desirable location for boaters up and down the coast. A total of 61 transfers took place in the first half of the year representing \$869,075 in revenue.

Revenue Projections For FY 2021 Projections

Table 2: Waterfront Department FY 2021 Revenue Programs					
FY 2021 Revenue Projection vs. FY 2021 Budget					
Program	FY 21 Budget	FY 21 Actual YTD (July-Dec)	FY 21 Projection	Year End Variance \$	% Change
Property Management	\$ 4,850,713	\$ 2,653,927	\$ 3,805,000	\$ (1,045,713)	-21.6%
Financial Management	\$ 224,800	\$ 59,507	\$ 107,580	\$ (117,220)	-52.1%
Parking Services	\$ 2,788,934	\$ 1,359,149	\$ 2,546,415	\$ (242,519)	-8.7%
Marina Management	\$ 6,556,843	\$ 3,720,023	\$ 6,886,931	\$ 330,088	5.0%
Totals	\$ 14,421,290	\$ 7,792,606	\$ 13,345,926	\$ (1,075,364)	-7.5%

The Department is projecting to fall well short of budgeted revenues expectations for FY 2021 as the COVID-19 pandemic continues to negatively impact the local economy and most significantly, the local restaurant industry.

The Property Management program is expecting to come in well below budgeted revenue expectations (-22%, -\$1,045,713) due to the negative impacts of the COVID-19 pandemic. Harbor and Wharf food service revenues account for the majority of the shortfall with the remainder coming from projected shortfalls in Harbor and Wharf commercial revenues and other miscellaneous revenues. It is important to keep in mind that this shortfall does not include the approximately \$950,000 in tenant rents owed to the Department as part of the City's Temporary Eviction Moratorium Ordinance's Deferred Rent Program which ended on December 31, 2020.

The Financial Management program consists of interest earned on the Department's reserves. Interest revenue is well below budget projections and is projected to finish the year approximately \$117,000 below originally estimated budget projections.

Parking Services has been significantly impacted by the State and local mandates regarding COVID-19 and the resultant restrictions placed on local business operations. Parking Services is estimated to come in nearly 9% below budget projections (\$2,546,415 projected vs \$2,788,934 budgeted) for Fiscal Year 2021. Through mid-year, only 3 of 10 Waterfront parking lots show an increase over last year at the same time.

Marina Management revenue is expected to finish the year up nearly 5%. Through mid-year, revenues in Marina Management Program have been buoyed by continued strong Slip Transfer Fees. The Department had a total of 61 transfers take place in the first half of the year representing \$869,075 in revenue. Live Aboard fee revenues are up 2.5% and Visitor Fee revenues are up 20% at mid-year continuing to show that the Waterfront, even in the face of a global pandemic, is still a desirable location for boaters up and down the coast.

Fiscal Year 2021 Year-To-Date Expenditures

Table 3, (below), shows Waterfront Department Expenditures, by program, through December 31, 2020. The table does not include current encumbrances totaling \$1,239,052, which are funds that were "promised" by entering into contracts at the beginning of the fiscal year but are actually expended throughout the year. All Waterfront Department program areas are under proposed budget expenditures at mid-year except Facilities Design and Capital Programs which is 8.65% 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 as well as the debt service payments that are frontloaded in the first half of the fiscal year. We anticipate all Waterfront Department programs to be under the proposed budget expenditures at the conclusion of Fiscal Year 2021.

Table 3: Waterfront Department Expenditures			
By Program as of 12/31/2020			
Program	FY 2021 Budget	YTD Expenditures as of 12/31/2020	FY 2021 % of Budget
Admin & Community Relations	\$ 2,511,198	\$ 1,233,931	49.14%
Property Management	\$ 510,229	\$ 144,429	28.31%
Financial Management	\$ 480,391	\$ 216,107	44.99%
Parking Services	\$ 1,291,407	\$ 514,390	39.83%
Harbor Patrol	\$ 2,769,684	\$ 1,268,914	45.81%
Marina Management	\$ 391,564	\$ 128,480	32.81%
Harbor Maintenance	\$ 3,537,163	\$ 1,565,682	44.26%
Wharf Maintenance	\$ 1,153,800	\$ 501,161	43.44%
Facilities Design & Capital Programs	\$ 4,112,194	\$ 2,411,942	58.65%
Total	\$ 16,757,630	\$ 7,985,036	47.65%

Table 4, below, shows mid-year actual expenditures at \$9,224,087 (includes encumbrances of \$1,239,052), or 55% of the annual budget.

Debt Service payments are frontloaded with nearly 72% (\$1,469,709) of principal and interest being paid in the first half of the fiscal year causing the Department to show overall expenditures at 53% as opposed to 50% half way through the fiscal year. All other expenditure categories are below 50% for the fiscal year. Salaries and Benefits finished below budget for the second quarter. The savings are the result of numerous positions being vacant including the Waterfront Facilities Manager, Administrative Specialist, and a Harbor Patrol Officer, as well as numerous hourly positions. Special Project expenditures were budgeted significantly lower than prior years due to the cancellation of the Waterfront Shuttle and the Waterfront Department's \$300,000 annual contribution to that service. Additionally, the July 4th celebration and the Parade of Lights firework shows were cancelled and therefore not budgeted for Fiscal Year 2021.

As of December 31, 2020, the Department is on track to stay well below its budgeted expenditures and we are projecting a nearly \$1,750,000 savings in annual Waterfront expenditures.

Table 4: Waterfront Department Expenditures

Consolidated as of 12/31/2020

Description	FY 2021 Budget	YTD Expense as of 12/31/2020	FY 2021 % of Budget
Total Salaries & Benefits	\$ 7,404,058	\$ 3,475,602	46.94%
Allocated Costs	\$ 1,594,108	\$ 797,054	50.00%
Total Supplies & Expenses	\$ 3,510,009	\$ 1,267,791	36.12%
Special Projects (1)	\$ 1,597	\$ 388	24.30%
Transfers to Capital (2)	\$ 1,761,243	\$ 880,621	50.00%
Non-Capitalized Outlays (3)	\$ 179,391	\$ 34,189	19.06%
Capitalized Outlays (4)	\$ 46,044		
Beach Lifeguard Service	\$ 116,338	\$ 58,169	50.00%
Subtotal	\$ 14,612,788	\$ 6,513,813	44.58%
Other			
Principal - 581100	\$ 1,356,991	\$ 905,721	66.74%
Interest - 581200	\$ 685,201	\$ 563,988	82.31%
Appropriated Reserves/Fiscal Agent Fees	\$ 102,650	\$ 1,513	1.47%
Total Other	\$ 2,144,842	\$ 1,471,222	68.59%
Subtotal	\$ 16,757,630	\$ 7,985,035	47.65%
Encumbrances (5)		\$ 1,239,052	
Adjusted Total	\$ 16,757,630	\$ 9,224,087	55.04%
(1) July 4th fireworks, Shuttle Bus, Used Oil Disposal			
(2) Transfer to fund capital projects, patrol boat, software upgrade, dredging			
(3) Non-capitalized equipment and computer hardware			
(4) New Vehicle and Marina Management Software			
(5) Funding committed but not yet expended i.e., contracts			

Attachment: Waterfront Department Revenues through December 31, 2020

Prepared by: Brian Bosse, Waterfront Business Manager

Waterfront Department Revenue

as of December 31, 2020

Description	Annual Budget	Actual YTD 12/31/2020	Actual YTD 12/31/2019	Change from Prior Year \$	Change from Prior Year %
Leases - Commercial	1,595,397	1,024,594	1,005,995	18,599	1.85%
Leases - Food Service	2,762,500	1,391,909	1,777,441	(385,533)	-21.69%
Leases - Other	280,000	157,457	148,439	9,018	6.08%
CAM	100,000	36,166	41,182	(5,016)	-12.18%
Cruise Ships	-	-	144,772	(144,772)	-100.00%
Harbor Festival	-	-	14,345	(14,345)	-100.00%
Miscellaneous Revenue	74,285	12,054	22,458	(10,404)	-46.33%
Ice Machine	38,531	31,749	25,878	5,871	22.69%
Total Property Management	4,850,713	2,653,927	3,180,509	(526,582)	-16.56%
-					
Interest Income	224,800	59,507	127,440	(67,932)	-53.31%
Total Financial Management	224,800	59,507	127,440	(67,932)	-53.31%
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Cabrillo East	107,300	54,425	22,125	32,300	145.99%
Cabrillo West	153,000	70,968	64,468	6,500	10.08%
Palm Park	488,094	196,486	284,926	(88,440)	-31.04%
Garden Street	229,500	67,474	131,139	(63,665)	-48.55%
Harbor West	162,000	73,199	104,860	(31,661)	-30.19%
Leadbetter	279,000	168,015	188,891	(20,876)	-11.05%
La Playa East	9,000	-	12,863	(12,863)	-100.00%
La Playa West	6,075	1,964	6,650	(4,686)	-70.47%
Harbor Lot	576,000	373,905	362,747	11,159	3.08%
Stearns Wharf	200,000	122,492	137,582	(15,090)	-10.97%
Waterfront Parking Permits	575,000	229,110	199,546	29,564	14.82%
Boat Wash Machine	3,500	1,318	4,364	(3,046)	-69.79%
Harbor Valet Parking	465	-	175	(175)	-100.00%
Over (short)	-	(208)	(67)	(141)	211.23%
Compensation - Property Damage	-	-	-	-	-
Total Parking Services	2,788,934	1,359,149	1,520,268	(161,120)	-10.60%
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Used Oil Grant	-	-	-	-	N/A
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Live Aboard Fees	148,320	75,873	73,994	1,879	2.54%
Slip Rentals	4,688,794	2,368,215	2,344,265	23,950	1.02%
Visitor Fees	530,604	348,134	291,985	56,149	19.23%
Skiff Tie-Ups	4,700	3,025	2,285	740	32.39%
Fish Hoist 1	5,200	2,027	1,750	277	15.85%
Electricity Cost Recovery	100,000	58,100	33,500	24,599	73.43%
Wharfage & Dockage	5,000	(10,216)	35,104	(45,320)	-129.10%
Slip Transfer Fees	1,000,000	869,075	663,300	205,775	31.02%
Slip Waiting List	2,000	1,800	1,360	440	32.35%
Key Card	13,000	6,268	17,488	(11,220)	-64.16%
SB Mooring Area Permit	4,000	4,250	4,150	100	2.41%
Yacht Club Hoist	2,165	1,072	1,051	21	1.99%
Miscellaneous Revenue	53,060	(7,598)	19,067	(26,665)	-139.85%
Over/Short	-	(1)	1	(2)	-288.68%
Total Marina Management	6,556,843	3,720,023	3,489,299	230,724	6.61%
Department Total	14,421,290	7,792,606	8,317,516	(524,911)	-6.31%