

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: February 17, 2022
To: Harbor Commission
From: Mike Wiltshire, Waterfront Director
Subject: **Fiscal Year 2022 Mid-Year Budget Report**

RECOMMENDATION:

That Harbor Commission receive and review a status report on the Waterfront Department Fiscal Year 2022 Mid-Year Budget revenues and expenditures.

DISCUSSION:

Fiscal Year 2022 Year-To-Date Revenues

The COVID-19 pandemic and its numerous variants continue to negatively impact Waterfront Department revenues through the second quarter of Fiscal Year (FY) 2022. However, the Department did see improvements in parking revenues as well as commercial and restaurant revenues over the first two quarters leading us to believe that the worst of the COVID-19 impacts may be over and a return to pre-COVID revenues is on the horizon.

Table 1 (below) summarizes the Department's revenue as of December 31, 2021, 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 2021 half-way through the fiscal year for comparison. Columns five and six show the change in dollars and percentage between the two fiscal years. Overall, Department revenues are up 15.3%, or \$1,191,283, over last fiscal year at the same time.

Table 1: Waterfront Department Revenue at Mid-Year					
By Program					
Program	FY 2022 Budget (July-June)	FY 2022 Actual YTD 12/31/2021	FY 2021 Actual YTD 12/31/2020	Change From Prior Year \$	Variance %
Property Management	\$ 5,545,073	\$ 3,386,026	\$ 2,653,927	\$ 732,099	27.6%
Financial Management	\$ 89,945	\$ 48,396	\$ 59,507	\$ (11,111)	-18.7%
Parking Services	\$ 2,999,109	\$ 1,729,854	\$ 1,359,149	\$ 370,705	27.3%
Marina Management	\$ 7,024,874	\$ 3,819,613	\$ 3,720,023	\$ 99,590	2.7%
Totals	\$ 15,659,001	\$ 8,983,888	\$ 7,792,606	\$ 1,191,283	15.3%

The Property Management program is tracking nearly 28% higher than last year at the same time. The attachment, "Waterfront Department Revenue", shows Fiscal Year 2022 year-to-date revenue at the line item level, and includes a comparison to Fiscal Year 2021

figures for the July-December time period. Commercial Leases (includes both Stearns Wharf and the Harbor) are up 21.69% (\$222,262) versus last year. Food Service Leases (includes both Stearns Wharf and the Harbor) are up 32.19% (\$448,101) versus last year. Cruise Ship revenues and Harbor Festival revenues are absent as the cruise ship industry is on hold and, for the second year in a row, the Harbor and Seafood Festival did not take place.

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 18% (-\$11,111) compared to last year at the same time.

The Parking Services program was significantly impacted by State and local mandates regarding COVID-19 in FY 2021, however, this revenue program has seen significant improvement in the first half of the fiscal year. Parking Services revenue is up over 27%, or \$370,705, over last year at the same time. The attachment shows the breakdown of parking revenues by individual parking lot. Through mid-year, all Waterfront parking lots show an increase over last year at the same time.

Marina Management revenue is up nearly 2.7% (\$99,590) over last year. Slip Permit Transfers fees remain strong, although down nearly 17% (-\$146,975) when compared to last year at the same time. A total of 50 transfers took place in the first half of the fiscal year representing \$722,100 in revenue. Live Aboard fees and Visitor Fees are up 6.26% (\$4,751) and 34.24% (\$119,206), respectively, continuing to show that the Waterfront, even in the face of an global pandemic, is still a desirable location for boaters up and down the coast.

Revenue Projections For FY 2022

Table 2: Waterfront Department Revenue Projection					
By Program					
Program	FY 2022 Budget (July-June)	FY 2022 Actual YTD (July-Dec)	FY 2022 Projection (July-June)	Year End Variance \$	Year End Variance %
Property Management	\$ 5,545,073	\$ 3,386,026	\$ 5,650,000	\$ 104,927	1.9%
Financial Management	\$ 89,945	\$ 48,396	\$ 95,000	\$ 5,055	5.6%
Parking Services	\$ 2,999,109	\$ 1,729,854	\$ 3,000,000	\$ 891	0.0%
Marina Management	\$ 7,024,874	\$ 3,819,613	\$ 7,025,000	\$ 126	0.0%
Totals	\$ 15,659,001	\$ 8,983,888	\$ 15,770,000	\$ 110,999	0.7%

The Department is projecting to end the fiscal year slightly ahead of budgeted revenues. Although mid-year revenues are promising, we think a cautiously optimistic approach is best due to the implications of the COVID-19 Omicron variant that continues to negatively impact the local economy including our local restaurant industry.

The Property Management program is expecting to finish the year slightly above budgeted revenue expectations (+1.9%, \$104,927). Harbor and Wharf food service

revenues are expected to continue to be strong and account for the majority of program revenues.

The Financial Management program consists of interest earned on the Department's reserves. Interest revenue is slightly ahead of budgeted revenue projections and is projected to finish the year approximately \$5,000 above estimated budget projections.

Parking Services is estimated to come in close to budgeted revenue estimates although recent rainstorms and the continued rise in the COVID-19 Omicron variant have recently impacted parking revenues. Heading into what is generally regarded as Parking's slow season adds to the Department's conservative approach with Parking revenue projections.

Marina Management is also expected to come in close to budgeted revenue estimates. Through mid-year, revenues in the Marina Management Program have been buoyed by strong Slip Transfer Fees, although nearly 17% less than last year at the same time. The Department had a total of 50 transfers take place in the first half of the year representing \$722,100 in revenue, however, the Department has seen a steady decline in the number of slip transfers taking place towards the end of the calendar year and continuing into January.

Fiscal Year 2022 Year-To-Date Expenditures

Table 3, (below), shows Waterfront Department expenditures, by program, through December 31, 2021. The table does not include current encumbrances totaling \$901,629, 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 17.06% 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. Additionally, debt service payments are frontloaded in the first half of the fiscal year, thus slightly skewing the numbers at mid-year. We anticipate all Waterfront Department programs to be under proposed budget expenditures at the conclusion of Fiscal Year 2022.

Table 3: Waterfront Department Expenditures By Program as of 12/31/2021			
Program	FY 2022 Budget	YTD Expenditures as of 12/31/2021	FY 2022 % of Budget
Admin & Community Relations	\$ 2,921,832	\$ 1,312,709	44.93%
Property Management	\$ 469,986	\$ 150,446	32.01%
Financial Management	\$ 512,500	\$ 232,836	45.43%
Parking Services	\$ 1,265,834	\$ 624,925	49.37%
Harbor Patrol	\$ 2,838,458	\$ 1,427,868	50.30%
Marina Management	\$ 475,507	\$ 167,335	35.19%
Harbor Maintenance	\$ 3,703,882	\$ 1,533,241	41.40%
Wharf Maintenance	\$ 1,211,287	\$ 549,283	45.35%
Facilities Design & Capital Programs	\$ 2,485,589	\$ 1,666,783	67.06%
Total	\$ 15,884,875	\$ 7,665,426	48.26%

Table 4, below, shows mid-year actual expenditures at \$8,567,056 (includes encumbrances of \$901,629), or nearly 54% of the annual budget.

As mentioned above, Debt Service payments are frontloaded with nearly 72% (\$1,467,989) of principal and interest being paid in the first half of the fiscal year causing the Department to show overall expenditures at nearly 54% as opposed to 50% halfway through the fiscal year. Salaries and Benefits are slightly below budgeted expenditures at the mid-year point. The savings are the result of positions being held vacant including a Harbor Patrol Officer, Facilities Maintenance Workers, as well as numerous hourly positions. Special Project expenditures were budgeted significantly lower than previous years due to the continued cancellation of the Waterfront Shuttle and the Waterfront Department's \$300,000 annual contribution to that service. Additionally, the July 4th celebration and Parade of Lights Firework shows were significantly scaled-down due to ongoing COVID concerns.

As of December 31, 2021, the Department is on track to stay below its budgeted expenditures and the Department is projecting over \$635,000 in expenditure savings at year-end.

Table 4: Waterfront Department Expenditures			
Consolidated as of 12/31/2021			
Description	FY 2022 Budget	YTD Expense as of 12/31/2021	FY 2021 % of Budget
Total Salaries & Benefits	\$ 7,710,675	\$ 3,825,270	49.61%
Allocated Costs	\$ 1,837,559	\$ 868,277	47.25%
Total Supplies & Expenses	\$ 3,667,032	\$ 1,342,985	36.62%
Special Projects	\$ 114,683	\$ 27,852	24.29%
Transfers to Capital	\$ 109,414	\$ 54,707	50.00%
Non-Capitalized Outlays	\$ 132,428	\$ 17,501	13.22%
Capitalized Outlays	\$ 53,544		
Beach Lifeguard Service	\$ 118,665	\$ 59,333	50.00%
Subtotal	\$ 13,744,000	\$ 6,195,925	45.08%
Other			
Principal - 581100	\$ 1,407,542	\$ 942,063	66.93%
Interest - 581200	\$ 630,958	\$ 525,926	83.35%
Appropriated Reserves/Fiscal Agent Fees	\$ 102,375	\$ 1,513	1.48%
Total Other	\$ 2,140,875	\$ 1,469,502	68.64%
Subtotal	\$ 15,884,875	\$ 7,665,427	48.26%
Encumbrances		\$ 901,629	
Adjusted Total	\$ 15,884,875	\$ 8,567,056	53.93%

SUMMARY

The Waterfront Department's revenue and expenditures for the second quarter of FY 2022 continue to be negatively impacted by the COVID-19 pandemic and its variants although things appear to be headed in the right direction. Along with savings in salaries/benefits, and supplies and services, the Waterfront Department continues to try and reduce operational costs. Due to ongoing concerns related to COVID-19 and COVID variants, the Department is taking a cautious approach to year-end revenue and expenditure projections. At year end we are projecting to exceed budgeted revenues by nearly \$111,000 and reduce budgeted expenditures by over \$635,000.

Attachment: Waterfront Department Revenues through December 31, 2021

Prepared by: Brian Bosse, Waterfront Business Manager

Waterfront Department Revenue

as of December 31, 2021

Description	Annual Budget	Actual YTD 12/31/2021	Actual YTD 12/31/2020	Change from Prior Year \$	Change from Prior Year %
Leases - Commercial	1,850,000	1,246,856	1,024,594	222,262	21.69%
Leases - Food Service	2,795,000	1,840,009	1,391,909	448,101	32.19%
Leases - Other	300,000	169,479	157,457	12,023	7.64%
CAM	85,000	38,467	36,166	2,302	6.36%
Cruise Ships	400,000	219	-	219	N/A
Harbor Festival	-	-	-	-	N/A
Miscellaneous Revenue	75,771	69,245	12,054	57,192	474.48%
Ice Machine	39,302	21,750	31,749	(9,999)	-31.49%
Total Property Management	5,545,073	3,386,026	2,653,927	732,099	27.59%
-					
Interest Income	89,945	48,396	59,507	(11,111)	-18.67%
Total Financial Management	89,945	48,396	59,507	(11,111)	-18.67%
-					
Cabrillo East	110,000	70,117	54,425	15,692	28.83%
Cabrillo West	160,000	93,024	70,968	22,056	31.08%
Palm Park	525,000	276,471	196,486	79,985	40.71%
Garden Street	250,000	177,227	67,474	109,753	162.66%
Harbor West	183,600	84,984	73,199	11,785	16.10%
Leadbetter	316,200	185,366	168,015	17,350	10.33%
La Playa East	10,200	3,297	-	3,297	N/A
La Playa West	6,885	2,948	1,964	984	50.10%
Harbor Lot	652,800	451,548	373,905	77,643	20.77%
Stearns Wharf	180,000	143,135	122,492	20,643	16.85%
Waterfront Parking Permits	600,000	240,333	229,110	11,223	4.90%
Boat Wash Machine	4,424	1,215	1,318	(103)	-7.83%
Harbor Valet Parking	-	-	-	-	N/A
Over (short)	-	189	(208)	397	190.96%
Compensation - Property Damage	-	-	-	-	-
Total Parking Services	2,999,109	1,729,854	1,359,149	370,705	27.27%
-					
Used Oil Grant	-	-	-	-	N/A
-					
Live Aboard Fees	152,770	80,624	75,873	4,751	6.26%
Slip Rentals	4,829,458	2,449,561	2,368,215	81,346	3.43%
Visitor Fees	649,459	467,340	348,134	119,206	34.24%
Skiff Tie-Ups	4,794	4,529	3,025	1,504	49.70%
Fish Hoist 1	5,304	2,061	2,027	34	1.69%
Electricity Cost Recovery	100,000	48,787	58,100	(9,313)	-16.03%
Wharfage & Dockage	7,500	8,257	(10,216)	18,473	180.83%
Slip Transfer Fees	1,200,000	722,100	869,075	(146,975)	-16.91%
Slip Waiting List	2,000	1,520	1,800	(280)	-15.56%
Key Card	13,260	7,292	6,268	1,024	16.34%
SB Mooring Area Permit	4,000	4,950	4,250	700	16.47%
Yacht Club Hoist	2,208	1,104	1,072	32	2.99%
Miscellaneous Revenue	54,121	21,603	(7,598)	29,202	384.32%
Over/Short	-	(116)	(1)	(115)	0.00%
Total Marina Management	7,024,874	3,819,613	3,720,023	99,590	2.68%
Department Total	15,659,001	8,983,888	7,792,606	1,191,283	15.29%