

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: March 17, 2022
To: Harbor Commission
From: Mike Wiltshire, Waterfront Director
Subject: **Fiscal Year 2023 Budget Recommendation**

RECOMMENDATION: That Harbor Commission:

- A. Receive a staff presentation on the Waterfront Department's proposed Fiscal Year 2023 budget submittal;
- B. Recommend a 5% monthly slip permit fee increase in Fiscal Year 2023;
- C. Recommend a 5% monthly live aboard permit fee increase in Fiscal Year 2023;
- D. Recommend a Waterfront hourly parking rate increase from \$2.00 to \$2.50 per hour;
- E. Recommend a non-surrendered ticket fee increase from \$20 to \$45 per occurrence;
- F. Recommend a Stearns Wharf hourly parking rate increase \$2.50 to \$3.00 per hour;
- G. Recommend a non-surrendered ticket fee increase from \$20 to \$30 per occurrence;
- H. Recommend a boat trailer without time dated ticket fee increase from \$40 to \$65 per occurrence;
- I. Recommend a late slip permit fee payment increase from \$35 to \$50 per occurrence;
- J. Recommend a visitor late slip permit fee payment increase from \$5 to \$10 per day;
- K. Recommend a skiff row permit fee increase from \$200 to \$250 per year;
- L. Recommend a slip permit new boat/add spouse/permit exchange fee increase from \$50 to \$75 per occurrence;
- M. Recommend a marina gate key purchase increase from \$7 to \$10, and fob increase from \$12 to \$15;
- N. Recommend a cruise ship passenger fee increase from \$7 to \$10;
- O. Recommend a Catamaran Beach permit increase from \$200 per year to \$250 per year;
- P. Recommend a West Beach Outrigger permit increase from \$275 to \$300 per outrigger, per year;
- Q. Recommend a West Beach Outrigger rack/rack permit fee increase from \$1,200 to \$1,500 per year;
- R. Recommend a bike locker fee increase from \$100 to \$125 per year;
- S. Slip Permit Transfer Fee changes per the recommendation of the Slip Assignment Policy Subcommittee; and,
- T. Forward a recommendation to City Council for approval of the Waterfront Department's proposed Fiscal Year 2023 budget and incorporation into the City budget process.

EXECUTIVE SUMMARY:

Budget Balancing Strategy

The Waterfront Department's proposed FY 2023 financial plan takes a fiscally conservative approach at revenues and expenditures with the presumption that the worst of COVID-19 and its associated variants is over and a return to a pre-COVID-19 economy is on the horizon. As an enterprise fund, the Department receives no assistance from the General Fund and is responsible for generating its own revenues and closely managing expenditures. To continue to meet capital program requirements, policy reserve levels, minimum wage increases and other operational expenditure increases, the Department is proposing to adjust a number of fees, including, among others: monthly slip permit fee, live aboard monthly permit fee, hourly parking rates, West Beach outrigger permit fee, Catamaran Beach permit fee, and the cruise ship passenger fee. The proposed fee changes are discussed further down in the section titled *Proposed Changes in Fees for FY 2023*.

The proposed capital program for Fiscal Year 2023 includes nine capital projects totaling \$1,725,000. The Department plans on funding the projects from reserves above policy as detailed in the Capital Projects section of this memorandum.

Staff met with the Harbor Commission Budget Subcommittee on January 26, 2022, and February 9, 2022, to discuss the City budgeting process, status of the FY 2022 mid-year budget and an overview of the FY 2023 budget including proposed fee changes, program revenues, expenditures and proposed capital projects. On February 17, 2022, the Harbor Commission received a written report and presentation on the status of the FY 2022 budget at mid-year.

DISCUSSION:

As an Enterprise Fund, the Waterfront Department does not receive tax revenue or General Fund support as is the case with City General Fund Departments. Instead, the Department is entirely dependent on lease rents, permit fees, and user fees to maintain the operating budget and emergency and capital development reserves at required levels. The Department also funds the entirety of its Capital Improvement Program.

Revenue Assumptions for FY 2022 Projections

Table 1: 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 Fiscal Year 2022 slightly ahead of budgeted revenues. Although mid-year revenues are promising, we think a fiscally conservative approach is best due to the ongoing implications of the COVID-19 Omicron variant that continues to negatively impact the local economy including our local restaurant and retail industries.

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 rainstorms at the end of the calendar year and the COVID-19 Omicron variant have impacted parking revenues near the end of 2021. Heading into what is generally regarded as Parking's slow season adds to the Departments 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.

Revenue Assumptions for FY 2023

Proposed revenues for FY 2023 appear in Table 2, below. As stated in the Executive Summary, the Waterfront is taking a fiscally conservative approach with budgeting knowing that Waterfront revenues are consistently trending in an upward direction with the hope that a return to pre-COVID-19 revenues is on the horizon. Staff is expecting an 8.6% increase in revenues (\$1,344,530) over FY 2022 budgeted revenues as detailed below.

Table 2: Waterfront Department Revenue Programs			
FY 22 Budget vs. FY 23 Proposed Budget			
Program	FY 2022 Budget	FY 2023 Proposed Budget	% Change FY 2022 vs. FY 2023
Property Management	\$ 5,545,073	\$ 6,134,786	10.6%
Financial Management	\$ 89,945	\$ 80,100	-10.9%
Parking Services	\$ 2,999,109	\$ 3,480,825	16.1%
Marina Management	\$ 7,024,874	\$ 7,307,820	4.0%
Totals	\$ 15,659,001	\$ 17,003,531	8.6%

Property Management: Overall, we anticipate that revenues in Property Management will increase by nearly 11% over FY 2022 budgeted revenues. Revenues from Cruise Ships (26 visits tentatively scheduled) are included in the FY 2023 budget at \$408,000, as the cruise ship industry plans to be up and running with a full cruising schedule in the spring of 2022. Commercial revenues in FY 2022 continue to exceed expectations with consistent growth year-over-year and we anticipate that trend will continue in FY 2023. We are projecting continued growth from our restaurant leases and are projecting that those revenues will exceed FY 2019 (the last full year of revenues not impacted by COVID-19) levels by approximately 4.5% (FY 2019 at \$3,108,590 vs, FY 2023 at \$3,250,000).

Financial Management: The Finance Department has provided the Department with a projected 10.9% decrease in interest earnings for FY 2023 over FY 2022. The decrease in interest earnings is due to the Department having a lower cash balance and, therefore, less invested. Additionally, consistently low interest rates impact the interest generated on the lower cash amount.

Parking Services: Parking revenues are expected to end FY 2022 up approximately 2% over budgeted amounts. We expect Parking revenues to continue to rebound quicker than other impacted revenues and anticipate a nearly 11% increase over FY 2022 budgeted amounts. Strong sales of the Annual Parking Permits continue to be a primary driver in Parking revenues. In addition, the popularity of the City's Waterfront and Harbor continues to result in consistent revenue streams in all Waterfront parking lots over FY 2021.

Marina Management continues to post steady revenue increases and we expect FY 2023 revenues to increase by 4% compared to FY 2022 budgeted revenue. Slip Fees are proposed to increase by 5%. The Department is proposing a shift in the slip transfer fee based on a nearly two year public process which engaged the Harbor Commission, a Harbor Commission Subcommittee, and members of the public. It is anticipated that the change in slip transfer fee assessment will result in a revenue neutral scenario and provide a more equitable slip transfer fee assessment. The Department has seen a decline in slip transfer fee activity over the past 3 months and noting that this revenue stream is somewhat unstable we have reduced the FY 2023 budgeted revenues by \$200,000 to \$1,000,000.

Proposed Changes in Fees for FY 2023

As stated earlier in this report, as an Enterprise Fund, the Waterfront Department does not receive tax revenue or General Fund support as is the case with City General Fund Departments. Instead, the Department is entirely dependent on lease rents, permit fees, and user fees to maintain the operating budget, capital project budget, and emergency and capital development reserves at required levels. The Department is considering the following fee adjustments for FY 2023 which were reviewed by the Harbor Commission Budget Subcommittee on February 9, 2022:

- Hourly parking rate increase from \$2.00/hour to \$2.50/per hour (projected revenue increase \$523,463)
 - Non-Surrendered ticket increase from \$20 to \$45 per occurrence (projected revenue increase included in the \$523,463 above)
- Stearns Wharf hourly parking rate increase \$2.50/hour to \$3.00/hour (projected revenue increase included in the \$523,463 above)
 - Non-surrendered ticket increase from \$20 to \$30 per occurrence (projected revenue increase included in the \$523,463 above)
- Boat trailer without time dated ticket increase from \$40 to \$65 per occurrence (projected revenue increase included in the \$523,463 above)
- Slip permit fee increase of 5% (projected revenue increase of \$241,500)
- Live Aboard permit fee increase of 5% (projected revenue increase of \$7,400)
- Commercial Fishing slip permit fee increase of 5% (included in the \$241,500 noted above);
- Late slip fee payment increase from \$35 to \$50 (projected revenue increase of \$4,500)
- Visitor late slip fee payment increase from \$5/day to \$10/day (projected revenue increase of \$7,500)
- Skiff Row permit fee increase from \$200 to \$250 (projected revenue increase of \$2,000)
- Slip permit new boat/add spouse/permit exchange fee increase from \$50 to \$75 (projected revenue increase of \$425)

- Marina gate key increase from \$7 to \$10 and fob increase from \$12 to \$15 (projected revenue increase of \$0. Increase covers cost of key and fob)
- Cruise ship passenger fee increase from \$7 to \$10 (projected revenue increase of \$152,200)
- Catamaran Beach permit increase from \$200 to \$250 (projected revenue increase of \$1,500)
- Outriggers on West Beach permit increase from \$275 to \$300 (projected revenue increase of \$1,250)
- Outrigger rack/SBYF rack permit fee increase from \$1,200 to \$1,500 (projected revenue increase of \$1,800 and \$600, respectively)
- Bike locker fee increase from \$100/year to \$125/year (projected revenue increase of \$700)
- Slip Permit Transfer Fee changes per the recommendation of the Slip Assignment Policy Subcommittee as follows:

Proposed Fee Adjustment	Current	Proposed	Estimated Revenue Impact	Last Changed	Equivalent Annual % Increase
Slip Transfer Fees					
20 Foot	\$200.00	\$175.00	\$0	2021	-6.3%
25 Foot	\$350.00	\$300.00	\$0	2021	-7.1%
28 Foot	\$400.00	\$350.00	\$0	2021	-6.3%
30 Foot	\$400.00	\$350.00	\$0	2021	-6.3%
35 Foot	\$525.00	\$500.00	\$0	2021	-2.4%
40 Foot	\$525.00	\$525.00	\$0	2021	0.0%
43 Foot	\$525.00	\$525.00	\$0	2021	0.0%
45 Foot	\$525.00	\$525.00	\$0	2021	0.0%
50 Foot	\$525.00	\$575.00	\$0	2021	4.8%
>60 Foot	\$525.00	\$600.00	\$0	2021	7.1%

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

Narrative Analysis of Expenditures:

Expenditures At FY 2022 Mid-Year

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. We anticipate all Waterfront Department programs to be under proposed budget expenditures at the conclusion of Fiscal Year 2022.

Table 3: Waterfront Department Expenditures			
Summary 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, next, shows Waterfront Department budgeted expenditures and estimated year-end expenditures at the consolidated level for FY 2022. Waterfront Department management meet regularly throughout the fiscal year to review and identify opportunities to reduce costs. As a result, year-end projections show the Waterfront Department coming in well below budgeted expenditures (-4%, -\$671,809). The majority of the savings come in the Supplies and Services category and include a reduction of over \$486,000 for FY 2022. Reductions appear in the majority of expenditure categories most notably in cruise ship expenditures due to the cancellation of all ships visiting in the fall of 2021, Harbor and Seafood Festival costs were non-existent due to its cancellation, a reduction in credit card fees, waste disposal fees, staff training, janitorial supplies, and engineering services.

Special Project expenditures were reduced due to scaled-back firework shows for both July 4th and Parade of Lights due to ongoing COVID concerns. Non-Capitalized Outlay is reduced due to lower expenditures in Harbor Patrol equipment (-\$17,500) and over \$10,000 in reductions between Facilities Equipment needs at the Harbor and Wharf.

Table 4: Waterfront Department Expenditures			
Consolidated FY 2022 Budget and Year-End Projection			
Description	FY 2022 Budget	FY 2022 Projection	Projection as % Of Budget
Total Salaries	\$ 4,985,686	\$ 4,993,765	100%
Total Benefits	\$ 2,722,267	\$ 2,690,949	99%
Allocated Costs	\$ 1,736,554	\$ 1,736,554	100%
Total Supplies & Services	\$ 3,576,793	\$ 3,090,093	86%
Special Projects & Community Promotions (1)	\$ 206,101	\$ 173,601	84%
Non-Capitalized Outlays (2)	\$ 171,067	\$ 141,697	83%
Subtotal	\$ 13,398,468	\$ 12,826,659	96%
Other (Capital Outlay)	\$ -	\$ -	
Principal	\$ 1,407,542	\$ 1,407,542	100%
Interest	\$ 631,958	\$ 631,958	100%
Appropriated Reserves/Fiscal Agent Fees	\$ 102,375	\$ 2,375	2%
Total Other	\$ 2,141,875	\$ 2,041,875	95%
Adjusted Total	\$ 15,540,343	\$ 14,868,534	96%
(1) July 4th fireworks, Shuttle Bus, Lifeguards, Used Oil Disposal			
(2) Non-capitalized equipment and computer hardware			

Expenditure Assumptions for FY 2023

The Waterfront Department anticipates a 7% increase (\$1,017,964) in Department expenditures for FY 2023 when compared to the FY 2022 budget (see Table 5, below). Salaries are set to increase by 9%, due to various bargaining unit agreements and the assumption that the Department will have all of its positions filled. Benefits are due to increase by 5%. Allocated Costs are due to increase by 25% primarily due to significant increases in the Waterfront's cost for property insurance and liability insurance. Special Projects and Community Promotions see a cost decrease of 6% due to FY 2022 including a \$25,000 expenditure by the Waterfront as a matching amount for a Federal grant that Commercial Fisherman of Santa Barbara received. Capitalized Outlays decline by 10% for FY 2023 due to fewer equipment and computer hardware needs in the coming year. Waterfront Department debt service payments on principal increase by 4% while the trend on the interest portion continues to decrease due to the Waterfront Department converting the payback period from a 30-year to a 20-year program. Appropriate Reserves/Fiscal Agent Fees remain unchanged for FY 2023.

Table 5: Waterfront Department Expenditures			
Consolidated FY 2022 and FY 2023			
Description	FY 2022 Budget	FY 2023 Proposed Budget	% Change FY 2022 vs. FY 2023
Total Salaries	\$ 4,985,686	\$ 5,424,515	9%
Total Benefits	\$ 2,722,267	\$ 2,845,740	5%
Allocated Costs	\$ 1,736,554	\$ 2,164,982	25%
Total Supplies & Services	\$ 3,576,793	\$ 3,636,680	2%
Special Projects & Community Promotions (1)	\$ 206,101	\$ 193,000	-6%
Non-Capitalized Outlays (2)	\$ 171,067	\$ 154,050	-10%
Subtotal	\$ 13,398,468	\$ 14,418,967	8%
Other (Capital Outlay)	\$ -	*TBD	
Principal	\$ 1,407,542	\$ 1,461,086	4%
Interest	\$ 631,958	\$ 575,879	-9%
Appropriated Reserves/Fiscal Agent Fees	\$ 102,375	\$ 102,375	0%
Total Other	\$ 2,141,875	\$ 2,139,340	0%
Adjusted Total	\$ 15,540,343	\$ 16,558,307	7%
* The Department is currently working with Finance to determine the exact capital outlay required for FY 23			
(1) July 4th fireworks, Shuttle Bus, Lifeguards, Used Oil Disposal			
(2) Non-capitalized equipment and computer hardware			

Proposed Capital Program for FY 2023

The Department's capital program is focused primarily on health and safety related projects and programs. The Department is prepared to proceed with the capital projects listed in Table 6 for FY 2023. The nine projects total \$1,725,000, and will be funded from reserves above policy.

Table 6: Waterfront Proposed Capital Program FY 2023	
Project	FY 2023 Recommended
Fire Alarm System Update	\$50,000
Leadbetter Pedestrian/Bike Path Conceptual Design	\$50,000
Harbor Gateway Conceptual Design	\$50,000
Parking Self Pay System	\$75,000

Harbor Patrol Shed/Jibcrane/Float Replacement	\$150,000
Roof Replacement: 132 Harbor Way	\$200,000
Leadbetter Restroom Renovation	\$250,000
Marina Annual Maintenance Program	\$350,000
Stearns Wharf Timber/Pile Replacement	\$550,000
Total	\$1,725,000
Separate Funding	
Harbor Patrol Boat 3 Replacement	\$750,000
Dredging- Wharf and Interior Harbor	\$175,000

Existing projects that will continue in FY 2023 include: Parking Self Pay System (\$75,000) to replace aged Luke Pay Stations throughout the Waterfront; the Marina Annual Maintenance Program (\$350,000), which includes replacing dock fingers, dock boxes, power centers, and utilities in the various marinas; and, the Stearns Wharf Timber/Pile Replacement Program (\$550,000).

New projects include Fire Alarm System Update (\$50,000), Leadbetter Beach Pedestrian/Bike Path Conceptual Design (\$50,000), Harbor Gateway Conceptual Design (\$50,000), Harbor Patrol Shed/ Jibcrane/ Float Replacement (\$150,000), Roof Replacement: 132 Harbor Way (\$200,000), and Leadbetter Restroom Renovation (\$250,000).

The Waterfront will also be conducting dredging operations at the Wharf and interior of the Harbor using funds previously set aside in the Waterfront budget. Additionally, the Department will be replacing a Harbor Patrol Vessel at a cost of approximately \$750,000. The Department annually sets aside funding for the eventual replacement of Harbor Patrol Vessels similar to the City's Fleet Replacement Program. The entirety of this funding will come from our Harbor Patrol Vessel Replacement Fund.

Budget Schedule

The Waterfront Department will present the proposed budget to City Council on May 4, 2022. The Waterfront Department will be presenting proposed fee changes to the City's Finance Committee on May 10, 2022. The City's entire budget package is scheduled for final consideration by the City Council on Tuesday, June 21, 2022.

SUMMARY:

The Harbor Commission's advisory role on the Waterfront Department budget development process is 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 17, 2022, meeting. The Harbor Commission's recommendations will then be forwarded to City Council for consideration.

Prepared by: Brian Bosse, Waterfront Business Manager