

**CITY OF SANTA BARBARA  
CITY COUNCIL**

**Helene Schneider**  
*Mayor*  
**Cathy Murillo**  
*Mayor Pro Tempore*  
**Randy Rowse**  
*Ordinance Committee Chair*  
**Dale Francisco**  
*Finance Committee Chair*  
**Gregg Hart**  
**Frank Hotchkiss**  
**Bendy White**



**James L. Armstrong**  
*City Administrator*

**Ariel Pierre Calonne**  
*City Attorney*

**City Hall**  
735 Anacapa Street  
<http://www.SantaBarbaraCA.gov>

**SEPTEMBER 23, 2014  
AGENDA**

**ORDER OF BUSINESS:** Regular meetings of the Finance Committee and the Ordinance Committee begin at 12:30 p.m. The regular City Council meeting begins at 2:00 p.m. in the Council Chamber at City Hall.

**REPORTS:** Copies of the reports relating to agenda items are available for review in the City Clerk's Office, at the Central Library, and <http://www.SantaBarbaraCA.gov>. In accordance with state law requirements, this agenda generally contains only a brief general description of each item of business to be transacted or discussed at the meeting. Should you wish more detailed information regarding any particular agenda item, you are encouraged to obtain a copy of the Council Agenda Report (a "CAR") for that item from either the Clerk's Office, the Reference Desk at the City's Main Library, or online at the City's website (<http://www.SantaBarbaraCA.gov>). Materials related to an item on this agenda submitted to the City Council after distribution of the agenda packet are available for public inspection in the City Clerk's Office located at City Hall, 735 Anacapa Street, Santa Barbara, CA 93101, during normal business hours.

**PUBLIC COMMENT:** At the beginning of the 2:00 p.m. session of each regular City Council meeting, and at the beginning of each special City Council meeting, any member of the public may address the City Council concerning any item not on the Council's agenda. Any person wishing to make such address should first complete and deliver a "Request to Speak" form prior to the time that public comment is taken up by the City Council. Should City Council business continue into the evening session of a regular City Council meeting at 6:00 p.m., the City Council will allow any member of the public who did not address them during the 2:00 p.m. session to do so. The total amount of time for public comments will be 15 minutes, and no individual speaker may speak for more than 1 minute. The City Council, upon majority vote, may decline to hear a speaker on the grounds that the subject matter is beyond their jurisdiction.

**REQUEST TO SPEAK:** A member of the public may address the Finance or Ordinance Committee or City Council regarding any scheduled agenda item. Any person wishing to make such address should first complete and deliver a "Request to Speak" form prior to the time that the item is taken up by the Finance or Ordinance Committee or City Council.

**CONSENT CALENDAR:** The Consent Calendar is comprised of items that will not usually require discussion by the City Council. A Consent Calendar item is open for discussion by the City Council upon request of a Councilmember, City staff, or member of the public. Items on the Consent Calendar may be approved by a single motion. Should you wish to comment on an item listed on the Consent Agenda, after turning in your "Request to Speak" form, you should come forward to speak at the time the Council considers the Consent Calendar.

**AMERICANS WITH DISABILITIES ACT:** If you need auxiliary aids or services or staff assistance to attend or participate in this meeting, please contact the City Administrator's Office at 564-5305. If possible, notification at least 48 hours prior to the meeting will usually enable the City to make reasonable arrangements. Specialized services, such as sign language interpretation or documents in Braille, may require additional lead time to arrange.

**TELEVISION COVERAGE:** Each regular City Council meeting is broadcast live in English and Spanish on City TV Channel 18 and rebroadcast in English on Wednesdays and Thursdays at 7:00 p.m. and Saturdays at 9:00 a.m., and in Spanish on Sundays at 4:00 p.m. Each televised Council meeting is closed captioned for the hearing impaired. Check the City TV program guide at [www.citytv18.com](http://www.citytv18.com) for rebroadcasts of Finance and Ordinance Committee meetings, and for any changes to the replay schedule.

## **ORDER OF BUSINESS**

- 12:30 p.m. - Finance Committee Meeting, David Gebhard Public Meeting Room,  
630 Garden Street  
2:00 p.m. - City Council Meeting

### **FINANCE COMMITTEE MEETING - 12:30 P.M. IN THE DAVID GEBHARD PUBLIC MEETING ROOM, 630 GARDEN STREET (120.03)**

**1. Subject: Consideration Of An Ordinance To Amend The Municipal Code Title 5 Related To Business License Taxes For Artists (120.03)**

Recommendation: That the Finance Committee consider and recommend to the Council an Ordinance to amend Municipal Code Title 5 pertaining to Business License Taxes to add an exemption for Artists with annual gross receipts of less than \$5,000.

**2. Subject: Financial Statements For The Fiscal Year Ended June 30, 2014 And Recognition Of A Loss On A Loan Tied To The Employee Mortgage Loan Assistance Program (120.03)**

Recommendation: That Finance Committee recommend that Council:

- A. Hear a report from staff on the status of revenues and expenditures in relation to budget for the fiscal year ended June 30, 2014;
- B. Accept the Interim Financial Statements for the Fiscal Year Ended June 30, 2014;
- C. Approve the proposed adjustments to Fiscal Year 2014 budget as detailed in the attached schedule of Proposed Budget Adjustments; and
- D. Approve the recognition of a \$96,230 loss in connection with an outstanding loan executed with a former City employee through the Employee Mortgage Loan Assistance Program.

(See Council Agenda Item No. 15)

## **REGULAR CITY COUNCIL MEETING – 2:00 P.M.**

### **CALL TO ORDER**

### **PLEDGE OF ALLEGIANCE**

### **ROLL CALL**

### **CEREMONIAL ITEMS**

- 1. Subject: Proclamation Declaring September 2014 As Suicide Prevention Month (120.04)**

### **CHANGES TO THE AGENDA**

### **PUBLIC COMMENT**

### **CONSENT CALENDAR**

- 2. Subject: Minutes**

Recommendation: That Council waive further reading and approve the minutes of the special meeting of September 11, 2014.

- 3. Subject: Adoption Of Ordinance Authorizing Approval Of Clean Water State Revolving Fund Financing For Air Process Improvement Project (540.13)**

Recommendation: That Council adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Authorizing the Approval and Execution by the Public Works Director of an Installment Sale Agreement in Connection With the Air Process Improvement Project Clean Water State Revolving Fund Project No. 7857-110.

## CONSENT CALENDAR (CONT'D)

**4. Subject: Introduction Of Ordinance For Amendment To Mercury Air Center - Santa Barbara, Inc. Fuel Storage Facility Lease (330.04)**

Recommendation: That Council introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Approving and Authorizing the Airport Director to Execute an Amendment of Agreement No. 19,528, Dated April 15, 1999, Between Mercury Air Center - Santa Barbara, Inc., dba Atlantic Aviation, a California Corporation, and the City of Santa Barbara for Operation of a Fuel Storage Facility, Amending Article V, "Rent" (B)(1) and (2) to Allow for the Collection of Fuel Flowage Fees for Fuel Dispensed to the Commercial Air Carriers at the Santa Barbara Airport.

**5. Subject: Introduction Of Ordinance For Amendment To Signature Flight Support Corporation Fuel Storage Facility Lease (330.04)**

Recommendation: That Council introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Approving and Authorizing the Airport Director to Execute an Amendment of Agreement No. 18,538, Dated March 14, 1997, Between Signature Flight Support Corporation, a Delaware Corporation, and the City of Santa Barbara for Operation of a Fuel Storage Facility, Amending Article IV, "Rent" (B)(1) and (D) to Allow for the Collection of Fuel Flowage Fees for Fuel Dispensed to the Commercial Air Carriers at the Santa Barbara Airport.

**6. Subject: Introduction Of Ordinance For Assignment And Amendment To Power Purchase Agreement For Cogeneration Project (540.13)**

Recommendation: That Council introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Authorizing the City Administrator to Execute a First Amendment to the Power Purchase Agreement (City Agreement No. 23,630) Between the City of Santa Barbara and California Power Partners, Inc., to Extend the Term of the Agreement to July 1, 2024, and Further Clarify Section 8.4 of the Agreement; and Authorize the City Administrator to Consent to the Assignment of Agreement No. 23,630, as Amended, from California Power Partners, Inc., to California Power Partners Santa Barbara, LLC.

**7. Subject: Fiscal Year 2015 Agreement For Countywide Library System (570.04)**

Recommendation: That Council approve and authorize the City Administrator to execute an agreement between the County of Santa Barbara and the Cities of Santa Barbara, Santa Maria and Lompoc for the operation of a Countywide Library system for Fiscal Year 2015.

## CONSENT CALENDAR (CONT'D)

### 8. **Subject: Contract For Construction Of The La Colina Force Main No. 2 Project (540.13)**

Recommendation: That Council:

- A. Award a contract with J&H Engineering General Contractors, Inc., waiving minor irregularities, in their low bid amount of \$515,730 for construction of the La Colina Force Main No. 2, Bid No. 3960; and authorize the Public Works Director to execute the contract and approve expenditures up to \$51,573 to cover any cost increases that may result from contract change orders for extra work and differences between estimated bid quantities and actual quantities measured for payment; and
- B. Authorize the Public Works Director to execute a contract with MNS Engineers, Inc., in the amount of \$14,840 for construction support services, and approve expenditures of up to \$1,484 for extra services that may result from necessary changes in the scope of work.

### 9. **Subject: Contracts For Construction Management Support Services Of The Mason Street Bridge Replacement Project (530.04)**

Recommendation: That Council:

- A. Authorize the Public Works Director to execute a City Professional Services contract with Filippin Engineering in the amount of \$1,215,003 for construction management services for the Mason Street Bridge Replacement Project, and authorize the Public Works Director to approve expenditures of up to \$60,750 for extra services that may result from necessary changes in the scope of work;
- B. Authorize the Public Works Director to execute a City Professional Services contract with Bengal Engineering, Inc., in the amount of \$138,760 for engineering (design) support services for the Mason Street Bridge Replacement Project, and authorize the Public Works Director to approve expenditures of up to \$6,938 for extra services that may result from necessary changes in the scope of work;
- C. Authorize the Public Works Director to execute a City Professional Services contract with Rincon Consultants, Inc., in the amount of \$164,725 for environmental coordination and biological monitor services for the Mason Street Bridge Replacement Project, and authorize the Public Works Director to approve expenditures of up to \$8,236 for extra services that may result from necessary changes in the scope of work;
- D. Increase appropriations and estimated revenues related to the Federal Highway Administration Grant by \$383,365 in the Fiscal Year 2015 Streets Capital Fund for the Mason Street Bridge Replacement Project; and
- E. Authorize an increase in appropriations and estimated revenue of \$298,622 in the Streets Capital Fund from revenues anticipated through the future sale of surplus properties acquired for current bridge replacement projects to cover the City's share of the cost of construction.

## **CONSENT CALENDAR (CONT'D)**

### **10. Subject: Amendment To The Position And Salary Control Resolution (410.06)**

Recommendation: That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Amending Resolution No. 14-046, the Position and Salary Control Resolution for Fiscal Year 2015, Affecting the City Administrator's Office, Effective October 4, 2014.

## **NOTICES**

11. The City Clerk has on Thursday, September 18, 2014, posted this agenda in the Office of the City Clerk, on the City Hall Public Notice Board on the outside balcony of City Hall, and on the Internet.
12. A City Council site visit is scheduled for Monday, September 29, 2014, at 1:30 p.m. to the property located at 215 La Jolla Drive, which is the subject of an appeal hearing set for September 30, 2014, at 2:00 p.m.
13. Receipt of communication advising of vacancies created on the Santa Barbara Youth Council with the resignation of Rachael Diaz, and the Downtown Parking Committee with the resignation of Bill Collyer. The vacancies will be part of the current City Advisory Groups Recruitment.

**This concludes the Consent Calendar.**

## **REPORT FROM THE FINANCE COMMITTEE**

### **CITY COUNCIL ADMINISTRATIVE AND ATTORNEY REPORTS**

#### **FINANCE DEPARTMENT**

### **14. Subject: Adoption Of Resolutions Increasing The City Administrator's Contracting Authority And Establishing Policies Related To The City Council Budgetary Level Of Control For Capital Projects (210.01)**

Recommendation: That Council:

- A. Adopt, by reading of title only, A Resolution of the City Council of the City of Santa Barbara Authorizing the City Administrator to Bind the City for the Acquisition of Certain Items and Rescinding Resolution No. 96-045; and
- B. Adopt, by reading of title only, A Resolution of the City Council of the City of Santa Barbara Establishing the City Council Budgetary Level of Control for Capital Projects.

## **CITY COUNCIL ADMINISTRATIVE AND ATTORNEY REPORTS (CONT'D)**

### **FINANCE DEPARTMENT (CONT'D)**

**15. Subject: Financial Statements For The Fiscal Year Ended June 30, 2014 And Recognition Of A Loss On A Loan Tied To The Employee Mortgage Loan Assistance Program (250.02)**

Recommendation: That Council:

- A. Hear a report from staff on the status of revenues and expenditures in relation to budget for the fiscal year ended June 30, 2014;
- B. Accept the Interim Financial Statements for the Fiscal Year Ended June 30, 2014;
- C. Approve the proposed adjustments to Fiscal Year 2014 budget as detailed in the attached schedule of Proposed Budget Adjustments; and
- D. Approve the recognition of a \$96,230 loss in connection with an outstanding loan executed with a former City employee through the Employee Mortgage Loan Assistance Program.

### **PUBLIC WORKS DEPARTMENT**

**16. Subject: Authorize Actions And Adopt A Resolution For Reactivating The Charles E. Meyer Desalination Facility (540.10)**

Recommendation: That Council:

- A. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Approving the Design-Build-Operate Procurement Method for the Contract to Reactivate and Operate the Charles E. Meyer Desalination Facility;
- B. Authorize staff to prepare and present an Enabling Ordinance to the Ordinance Committee for a Design-Build-Operate contract;
- C. Authorize staff to release a Request for Proposals to prospective contractors to design, build, and operate the Desalination Facility;
- D. Authorize staff to submit a Repair and Maintenance Coastal Development Permit application as needed to reactivate the Desalination Facility; and
- E. Authorize the City Attorney to amend Professional Services Agreement Number 24,835 to increase the not to exceed amount from \$25,000 to \$100,000 for legal support services related to contracting for services to design, build, and operate the Desalination Facility, and other contractual requirements as needed.

## CITY COUNCIL ADMINISTRATIVE AND ATTORNEY REPORTS (CONT'D)

### PUBLIC WORKS DEPARTMENT (CONT'D)

**17. Subject: Reserve Management Policy Direction For The Stage Three Drought Water Rate Study (540.05)**

Recommendation: That Council receive a presentation and provide direction on assumptions for the Stage Three Drought Water Rate Study, specifically for the assumed repayment term of debt needed to finance the Desalination Project and the planned reserves management during drought conditions.

## COUNCIL AND STAFF COMMUNICATIONS

## COUNCILMEMBER COMMITTEE ASSIGNMENT REPORTS

## CLOSED SESSIONS

**18. Subject: Conference With City Attorney – Pending Litigation (160.03)**

Recommendation: That Council hold a closed session to consider pending litigation pursuant to subsection (d)(1) of section 54956.9 of the Government Code and take appropriate action as needed. The pending litigation is *Frank Banales, Sebastian Aldana, Jr., Jacqueline Inda, Cruzito Herrera Cruz, and Benjamin Cheverez, v. City of Santa Barbara, et al.*, SBSC Case No. 1468167.

Scheduling: Duration, 60 minutes; anytime

Report: None anticipated

**19. Subject: Conference With Labor Negotiator (440.05)**

Recommendation: That Council hold a closed session, per Government Code Section 54957.6, to consider instructions to City negotiator Kristine Schmidt, Administrative Services Director, regarding negotiations with the Treatment and Patrol Bargaining Unit.

Scheduling: Duration, 30 minutes; anytime

Report: None anticipated

**20. Subject: Conference With City Attorney - Anticipated Litigation (160.03)**

Recommendation: That Council hold a closed session to consider anticipated litigation pursuant to subsection (d)(4) of Section 54956.9 of the Government Code and take appropriate action as needed (one potential case).

Scheduling: Duration, 30 minutes; anytime

Report: None anticipated

## **ADJOURNMENT**

To Monday, September 29, 2014, at 1:30 p.m. at the property located at 215 La Jolla Drive. (See Agenda Item No. 12)

CITY OF SANTA BARBARA

**FINANCE COMMITTEE**

MEETING AGENDA

DATE: September 23, 2014

Dale Francisco, Chair

TIME: 12:30 P.M.

Bendy White

PLACE: David Gebhard Public Meeting Room  
630 Garden Street

Gregg Hart

James L. Armstrong  
City Administrator

Robert Samario  
Finance Director

**ITEMS TO BE CONSIDERED:**

**1. Subject: Consideration Of An Ordinance To Amend The Municipal Code Title 5 Related To Business License Taxes for Artists**

Recommendation: That the Finance Committee consider and recommend to the Council an Ordinance to amend Municipal Code Title 5 pertaining to Business License Taxes to add an exemption for Artists with annual gross receipts of less than \$5,000.

**2. Subject: Financial Statements For The Fiscal Year Ended June 30, 2014 And Recognition Of A Loss On A Loan Tied To The Employee Mortgage Loan Assistance Program**

Recommendation: That Finance Committee recommend that Council:

- A. Hear a report from staff on the status of revenues and expenditures in relation to budget for the fiscal year ended June 30, 2014;
- B. Accept the Interim Financial Statements for the Fiscal Year Ended June 30, 2014;
- C. Approve the proposed adjustments to Fiscal Year 2014 budget as detailed in the attached schedule of Proposed Budget Adjustments; and
- D. Approve the recognition of a \$96,230 loss in connection with an outstanding loan executed with a former City employee through the Employee Mortgage Loan Assistance Program.

(See Council Agenda Item No. 15)



# CITY OF SANTA BARBARA

## FINANCE COMMITTEE AGENDA REPORT

**AGENDA DATE:** September 23, 2014

**TO:** Finance Committee

**FROM:** Administration Division, Finance Department

**SUBJECT:** Consideration Of An Ordinance To Amend The Municipal Code Title 5 Related To Business License Taxes For Artists

### RECOMMENDATION:

That the Finance Committee consider and recommend to the Council an Ordinance to amend Municipal Code Title 5 pertaining to Business License Taxes to add an exemption for Artists with annual gross receipts of less than \$5,000.

### DISCUSSION:

#### Background

The Business License Tax Ordinance was adopted in 1963 and was enacted solely to raise revenue, similar to other local taxes, for municipal purposes; it was not intended for regulatory purposes. The business license tax rate is structured either on a gross receipt basis or a flat fee basis, depending on the type of business (see Attachment 1). Per the Municipal Code, the tax rate is applied based on business category or business type as defined in the code. The Municipal Code also provides for certain exemptions to the tax, such as charitable, educational and religious organizations; minors; and disabled individuals. In addition, there is a reduced tax rate of \$5 for businesses with annual gross receipts of \$1,200 or less.

The Business License Tax Ordinance has not been substantially modified since its adoption in 1963. As a result, it does not reflect changes that may be appropriate given changes in the business landscape and increasing costs doing business.

In this context, one of the areas that may be deemed out of date is the \$1,200 exemption (subject to a \$5 tax only). The presumed intent of the \$1,200 threshold is to effectively exempt individuals that are not actively engaged in a particular business for purposes of making a living, but rather are engaged in the activity as hobby or passion for the craft.

### **Request from Artist Community**

Starting in fiscal year 2013, the Finance Department hired a consultant to assist in identifying businesses in the City that may not be in compliance with the City's business license tax ordinance. This effort augmented existing audit efforts related to the City's Transient Occupancy Tax and Utility Users' Tax ordinances, and the collection of sales taxes per State law.

As a result of this audit effort, many artists were identified and, where appropriate, requested to come into compliance with the business license tax requirements.

Representatives from various arts organizations and associations raised a number of questions and concerns with both Council and staff over the applicability of the ordinance to artists given that many of artists do not generate a significant amount of money from the sale of their art work. They also cited the value they bring to the cultural aspects of the community and the positive impacts to the local economy.

Over the past few months, Finance Department staff have addressed questions and concerns regarding the business license tax requirements for artists. Finance staff provided a fact sheet to the artist community (see Attachment 2) and attended the Santa Barbara Arts Advisory Committee in May 2014 during which City staff presented additional information and clarification of the business license tax requirements per the City's Municipal Code. Staff also provided an amnesty program that allowed Artists additional time to comply with the business license tax ordinance requirements without the penalties.

### **Tax Rates for Artists**

For artists preferring to be categorized as a "professional artist," the amount of tax is \$100 per year, pursuant to the Municipal Code section 5.04.420. For all other artists, the amount of tax is based on annual gross receipts with a minimum tax of \$30 for the Arts/Crafts – Home Occupation category (5.04.450). However, if an Artist has annual gross receipts of \$1,200 or less then the tax rate is \$5 (5.04.730).

### **Potential Change to the Business License Tax Ordinance**

In response to a request from Council and the concerns raised by the artist community, staff has developed a potential change to the Municipal Code that exempts any artists from the business license tax requirements that generates less than \$5,000 in gross earnings in any year. If approved by Council, this change would effectively exempt many artists that are not actively engaged in the sale of art, which is consistent with the intent of the ordinance and addresses many of the concerns of the artist community.

**BUDGET/FINANCIAL INFORMATION:**

Business license taxes generate approximately \$2.55 million in tax revenue each year, and the Artist category currently represents approximately \$14,000 of that amount. Staff estimates that the exemption for annual gross receipts of less than \$5,000 for Artists will result in a reduction of revenue by approximately \$7,000 annually.

**ATTACHMENTS:** 1. Business License Tax Rates  
2. Business License Frequently Asked Questions (FAQs)

**PREPARED BY:** Genie Wilson, Treasury Manager

**SUBMITTED BY:** Robert Samario, Finance Director

**APPROVED BY:** City Administrator's Office

# BUSINESS TAX RATES CITY OF SANTA BARBARA

SECTION	A	GROSS RECEIPTS				
<p>This table is to be used for business description A1 through A5. Your first payment should be based on your estimated first year's gross sales. Your estimate should agree with the estimate provided to the State Board of Equalization to obtain a resale number/Seller's Permit. If an overpayment is made, a credit can be applied at renewal time. An underpayment must be added at renewal time.</p> <p>Select the gross receipts range in the left column within which your estimate falls. The number to the right in the column designated for your business description is the amount to pay. Example: Your estimated first year gross is \$185,000. Your business is a café description A2. Use column 2. The tax amount due is \$90.00.</p>						
If Annual Gross Receipts in dollars are:	1	2	3	4	5	
	Your tax is:					
0 - 20,000	25	25	25	30	30	
20,001 - 25,000	31	25	25	30	30	
25,001 - 30,000	35	25	25	35	30	
30,001 - 35,000	37	28	25	37	30	
35,001 - 40,000	39	30	25	39	30	
40,001 - 45,000	41	31	25	41	30	
45,001 - 50,000	43	32	25	43	30	
50,001 - 60,000	45	34	27	45	30	
60,001 - 70,000	49	37	29	49	30	
70,001 - 80,000	53	40	32	53	32	
80,001 - 90,000	58	44	35	58	35	
90,001 - 100,000	64	48	38	64	38	
100,001 - 125,000	75	57	45	75	45	
125,001 - 150,000	91	68	55	91	55	
150,001 - 175,000	106	80	64	106	64	
175,001 - 200,000	120	90	72	120	72	
200,001 - 250,000	142	107	85	142	85	
250,001 - 300,000	168	126	101	168	101	
300,001 - 350,000	195	146	117	195	117	
350,001 - 400,000	221	166	133	221	133	
400,001 - 450,000	242	182	145	242	145	
450,001 - 500,000	266	200	160	266	160	
500,001 - 600,000	292	219	175	292	175	
600,001 - 700,000	325	244	195	325	195	
700,001 - 800,000	360	270	216	360	216	
800,001 - 900,000	374	281	224	374	224	
900,000 - 1,000,000	400	300	240	400	240	
Over 1,000,000 +\$20 per 100,000 over one million (in \$20 increments-round up)	400+	300+	240+	400+	240+	
Over 3,000,000 +\$15 per 100,000 over three million (in \$15 increments-round up)	800+	700+	640+	800+	640+	
Over 6,000,000 +\$10 per 100,000 over six million (in \$10 increments-round up)	1,250+	1,150+	1,090+	1,250+	1,090+	
DO NOT REPORT THE SALE OF ALCOHOLIC BEVERAGES						

SECTION	B	CONTRACTORS
<p>These rates apply to all building trades contractors working in the city:</p> <p>State Classes: A and B, C-12, C-21, C-32, C-34 and C-42 pay \$100.00. (Engineering, General, Earthwork and Paving, Building Moving/Wrecking, Parking and Highway Improvement, Pipeline/Sewer and Sanitation Systems)</p> <p>All other classes: pay \$80.00</p>		

SECTION	C	PROFESSIONALS
<p>These rates apply to all professional businesses with a business location in the city. Professional businesses are listed in the Santa Barbara Municipal Code or classified as professional in the Directory of the Occupational Titles. The minimum is \$100.00 in this classification. Professionals from outside the city pay the minimum rate.</p> <ol style="list-style-type: none"> <li>For the first person, and each additional professional (partner or paid commission basis) pay <b>\$100.00</b>.</li> <li>For each salaried professional or semi-professional, pay <b>\$40.00</b>.</li> <li>For each non-professional or clerical, pay <b>\$20.00</b>.</li> </ol>		

SECTION	D	RENTAL PROPERTIES
<p>The tax amount is \$15.00 for the first \$10,000 annual gross rent estimate, and \$1.00 for each additional \$1,000 or fraction thereof.</p>		

SECTION	E	REAL ESTATE
<ol style="list-style-type: none"> <li>Each broker must pay \$100.00, plus \$40.00 for each salaried agent and \$20.00 for each clerical or non-licensed employee.</li> <li>Each sales agent must pay \$40.00.</li> <li>Brokers or sales agents whose business office is located outside the city must pay \$10.00 for each transaction involving property in the city (maximum \$100.00 for brokers, \$40.00 for sales agents).</li> </ol> <p><b>REAL ESTATE DEVELOPERS</b> - Fee is based on value of building permits on land located within the city. If permit value is \$0 to \$250,000, fee is \$100.00. If permit value is \$250,001 to \$500,000, fee is \$150.00. If permit value is \$500,001 or more, fee is \$200.00.</p>		

SECTION	F	SPECIAL CATEGORIES
<p>These businesses require special permits or registration:</p> <p>Approval is required prior to beginning business operations -</p> <ul style="list-style-type: none"> <li>Dances, Dance Halls, Café Entertainment</li> <li>Dating and Escort Services</li> <li>Firearms Sales</li> <li>Fortunetellers</li> <li>Massage Establishments or Practitioners</li> <li>Paratransit Service (Taxi, Limousine, etc.)</li> <li>Peddlers</li> <li>Private Handbill Distributor</li> <li>Video Arcade and Electronic Game Machines</li> </ul> <p>Limited operation may be permitted pending approval -</p> <ul style="list-style-type: none"> <li>Coin-operated machines (vending or amusement)</li> <li>Pawnbrokers</li> <li>Pool and Billiard Rooms</li> <li>Secondhand or Junk Dealers</li> <li>Towing Service</li> <li>Uniformed Security/Private Patrol Operators</li> </ul>		

## City of Santa Barbara

### Business License Information Sheet for the Art Community

The City of Santa Barbara is currently in the process of addressing questions and concerns regarding the Business License requirements for Artists. The most recent mass mailing from the City's audit firm, Muni Services, has created some confusion with the Artist Community. City staff would like the opportunity to address these concerns and clarify any misunderstanding of the City's business license program.

The City has contracted for business license audit services with Muni Services for the past two years. The Business License Audit Program is a comprehensive revenue audit program and general mailings are sent out to all the businesses identified by Muni Services as potentially non-compliant with the City's Municipal Code related to the assessment and collection of business license taxes. Muni Services does not target specific groups or segments of the business community.

City staff anticipates working with the various Artist organizations over the next several weeks to help continue to clarify the business license requirements and to provide an opportunity for feedback. We recognize that many local artists are likely not aware that they may have been subject to a City business license tax, so we will be flexible with respect to the penalties that would normally be assessed.

In the meantime, the following questions and answers may help to better inform the artist community of the City's business license regulations.

#### **When is a business license required?**

If an artist is conducting business within the City of Santa Barbara and meets one or more of the following criteria, they are subject to a business license tax. If none of these criteria are met, they are exempt.

1. The artist holds a Seller's Permit with the State Board of Equalization.
2. The artist has filed a Fictitious Name Statement (DBA-Doing Business As) with the County Clerk Recorder's Office.
3. The artist conducts business in the City of Santa Barbara. This would include the following scenarios:
  - a. They have a storefront in SB.
  - b. Their place of business is their home and they live in SB.
  - c. They live outside SB and have no storefront in SB, but sell their art in SB.
  - d. They have created a website for the purpose of selling their art and deliver their art to customers in SB.
4. The artist files a 'Schedule C -Business Profit/Loss Statement' with their State/Federal Tax returns.

These criteria are designed to distinguish between those who are **actively engaged in the sale of art as a business enterprise** vs. those for whom it is just a hobby. We believe the criteria are a good indication of whether someone is "in the business" of selling art or not. Obviously, there can be some gray areas, so we also apply some judgment when necessary.

For example, there are many artists who sell their art at consignment shops or galleries but otherwise are not actively engaged in the business (as determined by the criteria above). These artists will not need to obtain a business license.

### **How much is the business license tax?**

For those artists who consider themselves a “professional artist”, the amount of tax is \$100.00 per year, pursuant to the Municipal Code section 5.04.420.

For all other artists, the amount of tax is based on gross receipts with a minimum tax of \$30 for the Arts/Crafts – Home Occupation category (5.04.450). However, for businesses with annual gross receipts of \$1,200 or less, the amount of tax is \$5.00 (Section 5.04.730)

### **Are there any exemptions?**

The Municipal Code does exempt certain businesses from the tax entirely.

1. Charitable, Educational, or Religious Organizations (Section 5.04.690)
2. Minors – Sixteen (16) years and younger (Section 5.04.740)
3. Disabled Veterans (Section 5.04.750)
4. Disabled Persons (Section 5.04.760).

An exemption is also provided for all Veterans per the State Business and Professions Code Section 16001.7

### **How much are the penalties for late payment or a failure to pay?**

Pursuant to the Municipal code section 5.04.370, the penalties for failure to pay the tax on or before the delinquency date shall be 10% for each month the tax is delinquent and an additional 10% for each month thereafter; provided, that the amount of the such penalty added shall in no event exceed 100% of the tax to which penalty rates herein provided for have been applied.

### **Do I have to pay penalties if I was unaware of the BL requirement?**

City staff has some discretion on assessing penalties for those businesses not in compliance with the Business License ordinance. Staff will continue to evaluate to what extent penalties can be waived in these cases.

### **What if I am donating art that is later sold?**

Donating art to a non-profit does not constitute a sale by the artist. So, the mere act of donating art does not subject an artist to the tax even if the non-profit sells it and makes money on it. Again, it’s whether the artist meets any of the criteria above that determine whether an artist is subject to the tax. Additionally, while non-profits are required to register with the City as a “business”, they are NOT subject to a business license tax.

### **What if I live outside of the City limits and sell my art in the City?**

The rules governing the application of business license taxes mirror the rules and laws established by the State governing the collection and allocation of sales taxes.

The general rule is that the place of business is determined not by where the artist lives but where the business is conducted. So, if an artist lives in Goleta but sells their art within the City of Santa Barbara, they would be subject to the City business license tax.

If an artist has a website through which he/she sells artwork, the place of business is determined by the point of delivery. Again, this is consistent with State laws governing the collection and allocation of sales taxes arising from internet transactions.

Note that if an artist is conducting business in multiple jurisdictions, the artist may want to contact the other jurisdictions to determine the applicable business license requirements.

**What if I am participating in a special event?**

If you do not have a City Business License, a One Day Vendor's License can be issued for special events in the amount of \$10 per day by the City. The One Day Vendor's License application and \$10 per day fee can also be collected by the event promoter for remittance to the City. If you have a City Business License, a special event "One Day Vendor's License" is still required for display at the event; however, the \$10 per day fee is waived.

**What if I only sell my art or craft at the Santa Barbara Arts and Crafts Show?**

Artists and craftsmen who sell their goods solely at that Santa Barbara Arts and Crafts show are specifically exempt from paying a business license tax pursuant to Municipal Code section 15.08.160. However, they are required to pay the applicable fees to the Santa Barbara Parks and Recreation Department pursuant to the same code section.

**Why did I receive a letter from the audit firm, Muni Services?**

Our audit firm, Muni Services, has access to various public records identifying businesses that meet the criteria above – that is, businesses that have filed a DBA with the County, have a seller's permit, have filed a Schedule C with the IRS and FTB, or have a website for the purpose of selling. If an artist does not meet any of these criteria, they would not be identified by our auditors.

**Does the audit firm share the Business License information with the IRS or the Franchise Tax Board?**

No, Muni Services does not provide business tax information to the IRS or the Franchise Tax Board.

**Who do I contact if I have any questions regarding the business license tax?**

City of Santa Barbara, Business License Office  
735 Anacapa St, Santa Barbara, CA 93102  
Ph: 805-564-5346

[http://www.santabarbaraca.gov/business/license/tax\\_application/default.asp](http://www.santabarbaraca.gov/business/license/tax_application/default.asp)



**PROCLAMATION  
SUICIDE PREVENTION MONTH  
September 2014**

*WHEREAS, worldwide there are more deaths by suicide than by homicide and war combined; and*

*WHEREAS, in the United States, one person dies by suicide every 13.3 minutes, with 39,518 deaths by suicide in our country; and*

*WHEREAS, in our country, suicide is the 3rd leading cause of death for 15-24 year olds, and is the 10th leading cause of death for people of all ages; and*

*WHEREAS, in Santa Barbara County suicide was reported as the 5th leading cause of premature death; and*

*WHEREAS, each person's death by suicide intimately affects at least six other people, with over 200,000 newly bereaved each year; and*

*WHEREAS, a great many suicides are preventable and can be reduced through awareness, education and treatment.*

*NOW, THEREFORE, I, HELENE SCHNEIDER, by virtue of the authority vested in me as Mayor of the City of Santa Barbara, do hereby proclaim September as **SUICIDE PREVENTION MONTH** in Santa Barbara in support and recognition of the International Suicide Prevention Awareness Month.*

*IN WITNESS WHEREOF, I have hereunto set my hand and caused the Official Seal of the City of Santa Barbara, California, to be affixed this 8th day of September 2014.*



HELENE SCHNEIDER

Mayor

SEP 23 2014 #1

120.04



# CITY OF SANTA BARBARA CITY COUNCIL MINUTES

**SPECIAL MEETING  
September 11, 2014**

**DAVID GEBHARD PUBLIC MEETING ROOM, 630 GARDEN STREET**

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## **CALL TO ORDER**

Planning Commission Chair Deborah L. Schwartz called the joint meeting of the City Council and Planning Commission to order at 9:04 a.m.

## **ROLL CALL**

Councilmembers present: Gregg Hart, Frank Hotchkiss, Randy Rowse, Bendy White.  
Councilmembers absent: Dale Francisco, Cathy Murillo, Mayor Helene Schneider.  
Staff present: Assistant City Administrator Paul Casey, City Attorney Ariel Pierre Calonne, City Clerk Services Manager Gwen Peirce.

Planning Commissioners present: Bruce Bartlett, John P. Campanella, Michael Jordan, Sheila Lodge, June Pujo, Vice-Chair Addison Thompson, Chair Schwartz.  
Planning Commissioners absent: None.

## **PUBLIC COMMENT**

Speakers: Ethan Shenkman.

## **NOTICES**

The City Clerk has on Thursday, September 4, 2014, posted this agenda in the Office of the City Clerk, on the City Hall Public Notice Board on the outside balcony of City Hall, and on the Internet.

Mayor Schneider arrived at 9:08 a.m.

## **WORK SESSIONS**

### **Subject: Joint Council And Planning Commission Work Session Regarding Planning Division Workload And Program Activities (650.01)**

Recommendation: That Council hold a joint work session with the Planning Commission to receive status reports and discuss major work program activities in the Planning Division, including: Long Range Planning & General Plan Implementation; Zoning Information & Enforcement; Design Review & Historic Preservation; and Development & Environmental Review.

#### Documents:

- September 11, 2014, report from the Community Development Director.
- PowerPoint presentation prepared and made by Staff.

#### Speakers:

- Staff: Community Development Director George Buell, City Planner Bettie Weiss, Principal Planner II John Ledbetter.
- Historic Landmarks Commission: Members Craig Shallenberger, Judy Orias.

Councilmember Murrillo arrived at 9:18 a.m. Councilmember Francisco arrived at 9:25 a.m.

#### Discussion:

Principal Planner Ledbetter discussed the activities of the Planning Division, highlighting major projects, such as the Average Unit Density (AUD) Incentive Program; drought response and planning; changes to the Zoning Information Report (ZIR) process; update to the Design Review guidelines; Historic Preservation five-year work plan; Housing Element update; and the Local Coastal Program update. Principal Planner Ledbetter outlined Phase II of the General Plan Implementation Report, and discussed Environmental Impact Report Mitigation monitoring and Climate Action Plan implementation. Councilmembers and Planning Commissioners discussed the items, made comments, and their questions were answered.

## **ADJOURNMENT**

Mayor Schneider adjourned the meeting at 11:15 a.m.

SANTA BARBARA CITY COUNCIL

SANTA BARBARA  
CITY CLERK'S OFFICE

\_\_\_\_\_  
HELENE SCHNEIDER  
MAYOR

ATTEST: \_\_\_\_\_  
GWEN PEIRCE, CMC  
CITY CLERK SERVICES MANAGER

ORDINANCE NO. \_\_\_\_\_

ORDINANCE OF THE COUNCIL OF THE CITY OF SANTA BARBARA AUTHORIZING THE APPROVAL AND EXECUTION BY THE PUBLIC WORKS DIRECTOR OF AN INSTALLMENT SALE AGREEMENT IN CONNECTION WITH THE AIR PROCESS IMPROVEMENT PROJECT CLEAN WATER STATE REVOLVING FUND PROJECT NO. 7857-110

WHEREAS, in order to finance the Air Process Improvement Project, the City will sell the Project to the State Water Board and then purchase the Project from the State Water Board pursuant to an Installment Sale Agreement (the "Installment Sale Agreement");

WHEREAS, the State Water Board will provide the funds necessary to construct the Air Process Improvement Project through the financing provided in the Installment Sale Agreement which funds, together with 1.9% interest accruing thereon, will be repaid by the City in equal annual installments from the Wastewater Fund Net System Revenues for twenty (20) years, beginning one year after completion of construction.

WHEREAS, the City Council of the City (the "City Council") has been presented with the form of the Installment Sale Agreement, and the City Council has examined and approved such document and desires to authorize and direct the execution of such document;

NOW, THEREFORE, The City Council of the City of Santa Barbara does ordain as follows:

Section 1. All of the recitals herein contained are true and correct and the City Council so finds.

Section 2. The form of Installment Sale Agreement, on file with the City Clerk, is hereby approved, and the Public Works Director of the City and any such other officer of the City as the Public Works Director may designate (the "Authorized Officers"), are each hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Installment Sale Agreement in substantially said form with such changes therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the principle amount of the Installment Payments shall not exceed \$20,000,000, the final Installment Payment shall be payable no later than twenty years following the notice of completion of construction of the Project and the true interest cost of the interest on the Installment Payments shall not exceed 1.9% per annum.

Section 3. The Authorized Officers are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable in order to consummate the transactions herein authorized and otherwise to carry out, give effect to and comply with the terms and intent of this Ordinance. All actions heretofore taken by the officers, employees and agents of the City with respect to the transactions set forth above are hereby approved, confirmed and ratified.

Section 4. The Mayor shall sign and the City Clerk shall attest to the passage of this Ordinance. The City Council hereby orders that, in lieu of the publication of this Ordinance once in the official newspaper of the City within 15 days after its adoption, this Ordinance shall be published by title only once in the official newspaper of the City within 15 days after its adoption, provided that the full text shall be available to the public at the City Clerk's Office, and such publication by title only shall so state. This Ordinance shall become effective 30 days from and after the date of its adoption.



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** September 23, 2014

**TO:** Mayor and Councilmembers

**FROM:** Business & Property Division, Airport Department

**SUBJECT:** Introduction Of Ordinance For Amendment To Mercury Air Center – Santa Barbara, Inc. Fuel Storage Facility Lease

### **RECOMMENDATION:**

That Council introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Approving and Authorizing the Airport Director to Execute an Amendment of Agreement No. 19,528, Dated April 15, 1999, Between Mercury Air Center – Santa Barbara, Inc. dba Atlantic Aviation, a California Corporation, and the City of Santa Barbara for Operation of a Fuel Storage Facility, Amending Article V, “Rent” (B)(1) and (2) to Allow for the Collection of Fuel Flowage Fees for Fuel Dispensed to the Commercial Air Carriers at the Santa Barbara Airport.

### **DISCUSSION:**

#### Background

Mercury Air Center - Santa Barbara, Inc., dba Atlantic Aviation and the City are parties to a Master Lease (No. 200846) dated June 1, 2008, as amended November 22, 2011, for 453,457 square feet of aviation-zoned land at the Santa Barbara Airport. Atlantic is a fixed base operator (FBO) that provides general aviation services, including aircraft storage, aircraft maintenance, flight instruction, and fuel and oil sales, as required under the lease and the Minimum Standard Requirements for Airport Aeronautical Services.

On April 15, 1999, Atlantic entered into a construction and lease (“Fuel Lease”) agreement with the City for construction of a new above ground fuel storage facility on one-half acre of land south of Hollister Avenue at the northeast corner of the airfield. The facility, as constructed, has five tanks, with a holding capacity of 40,000 gallons of jet fuel, 12,000 gallons of aviation gas, 1,000 gallons of motor gas, and 1,000 gallons of diesel fuel.

The Fuel Lease has a thirty year term which commenced on August 28, 2001. This Lease contains a provision that requires it to be coterminous with the Master Lease.

The Fuel Lease cannot be assigned or transferred except to the holder of the Master Lease. The current Master Lease expires July 31, 2016.

### Fuel Lease Rent

The current base rent for the Fuel Lease is \$4,274 per month or \$.05 per gallon of fuel sold, whichever is greater. The base rent has an annual CPI adjustment and provides for the adjustment of the fuel flowage fees annually on July 1<sup>st</sup> at the discretion of the Airport Director.

On March 19, 2014 Airport Commission approved new fuel flowage fees of:

Jet A = \$.08 per gallon sold  
Av Gas = \$.05 per gallon sold  
Commercial Air Carriers = \$.04 per gallon dispensed

The fee rate changes are projected to result in increased revenue to the Airport of approximately \$175,000 for FY 2015.

### Changes in the Industry

Airport Commission recognized that changes in the Airport industry over the last ten years have introduced a two-tier system for aviation fuel, with one fee charged for AvGas and a higher fee charged for Jet A. At many airports, fuel flowage fees are also charged on commercial carriers. The difference in cost is related to the disproportionate wear and tear on runways and taxiways caused by jet aircraft which tend to be larger and heavier.

### Implementation of New Fees

The Fuel Lease allows the Airport Director to adjust Fuel Flowage Fees annually on July 1<sup>st</sup>. However, the Fuel Lease must be amended to allow for the imposition of fuel flowage fees on Commercial Carriers, which was not the standard practice at the time the agreement was written. The Commercial Carriers agreed to the establishment of the fees for fuel dispensed by the FBOs at the annual Rates & Charges meeting in January 2014.

### Airport Commission

Airport Commission recommended approval at their August 20, 2014 meeting.

**PREPARED BY:** Rebecca Fribley, Sr. Property Management Specialist

**SUBMITTED BY:** Hazel Johns, Airport Director

**APPROVED BY:** City Administrator's Office

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SANTA BARBARA APPROVING AND AUTHORIZING THE AIRPORT DIRECTOR TO EXECUTE AN AMENDMENT OF AGREEMENT NO. 19,528, DATED APRIL 15, 1999, BETWEEN MERCURY AIR CENTER – SANTA BARBARA, INC., DBA ATLANTIC AVIATION, A CALIFORNIA CORPORATION, AND THE CITY OF SANTA BARBARA FOR OPERATION OF A FUEL STORAGE FACILITY, AMENDING ARTICLE V, “RENT” (B)(1) AND (2) TO ALLOW FOR THE COLLECTION OF FUEL FLOWAGE FEES FOR FUEL DISPENSED TO THE COMMERCIAL AIR CARRIERS AT THE SANTA BARBARA AIRPORT.

THE COUNCIL OF THE CITY OF SANTA BARBARA DOES ORDAIN AS FOLLOWS:

SECTION 1. In accordance with the provisions of Section 521 of the Charter of the City of Santa Barbara, that certain amendment to Lease Agreement No. 19,528 between Mercury Air Center – Santa Barbara, Inc., dba Atlantic Aviation, and the City of Santa Barbara, establishing a fuel flowage fee for fuel dispensed to commercial air carriers at the Santa Barbara Airport, is hereby approved.



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** September 23, 2014

**TO:** Mayor and Councilmembers

**FROM:** Business & Property Division, Airport Department

**SUBJECT:** Introduction Of Ordinance For Amendment To Signature Flight Support Corporation Fuel Storage Facility Lease

### RECOMMENDATION:

That Council introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Approving and Authorizing the Airport Director to Execute an Amendment of Agreement No. 18,538, Dated March 14, 1997, Between Signature Flight Support Corporation, a Delaware Corporation, and the City of Santa Barbara for Operation of a Fuel Storage Facility, Amending Article IV, "Rent" (B)(1) and (D) to Allow for the Collection of Fuel Flowage Fees for Fuel Dispensed to the Commercial Air Carriers at the Santa Barbara Airport.

### DISCUSSION:

#### Background

Signature Flight Support and the City are parties to a Master Lease (No. 12,037.2 – Restated October 12, 2012) for 938,321 square feet of aviation-zoned land at the Santa Barbara Airport. Signature is a fixed base operator (FBO) that provides general aviation services, including aircraft storage, aircraft maintenance, flight instruction, and fuel and oil sales, as required under the lease and the Minimum Standard Requirements for Airport Aeronautical Services

On October 8, 1996, Signature entered into an lease and construction agreement for construction of a new above ground fuel storage facility on one-half acre of land south of Hollister Avenue at the northeast corner of the airfield ("Fuel Lease"). The facility, as constructed, has four storage tanks, with a holding capacity of 32,000 gallons of jet fuel and 12,000 gallons of aviation gas.

The Fuel Lease has a thirty year term which commenced at the issuance of the Certificate of Occupancy by the City on March 14, 1997. The Fuel Lease contains a provision that requires the Fuel lease to be coterminous with the Master Lease. It

cannot be assigned or transferred except to the holder of the Master Lease. The current Master Lease expires July 31, 2016.

For over thirty years the Santa Barbara Airport had an established fuel flowage fee of \$.05 per gallon payable to the Airport for each gallon sold. The fee rate changes are projected to result in increased revenue to the Airport of approximately \$175,000 for FY 2015.

On March 19, 2014 Airport Commission approved new fuel flowage fees of:

Jet A = \$.08 per gallon sold  
Av Gas = \$.05 per gallon sold  
Commercial Air Carriers = \$.04 per gallon dispensed

### Changes in the Industry

Airport Commission recognized that changes in the Airport industry over the last ten years have introduced a two-tier system for aviation fuel, with one fee charged for AvGas and a higher fee charged for Jet A. At many airports, fuel flowage fees are also charged on commercial carriers. The difference in cost is related to the disproportionate wear and tear on runways and taxiways caused by jet aircraft which tend to be larger and heavier.

### Implementation of New Fees

Signature's Fuel Storage Facility Agreement allows the Airport Director to adjust Fuel Flowage Fees annually on July 1<sup>st</sup>. However, the Fuel Lease must be amended to allow for the imposition of fuel flowage fees on Commercial Carriers, which was not the standard practice at the time the agreement was written. The Commercial Carriers agreed to the establishment of the fees for fuel dispensed by the FBOs at the annual Rates & Charges meeting in January 2014.

### Airport Commission

Airport Commission recommended approval at their August 20, 2014 meeting.

**PREPARED BY:** Rebecca Fribley, Sr. Property Management Specialist

**SUBMITTED BY:** Hazel Johns, Airport Director

**APPROVED BY:** City Administrator's Office

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SANTA BARBARA APPROVING AND AUTHORIZING THE AIRPORT DIRECTOR TO EXECUTE AN AMENDMENT OF AGREEMENT NO. 18,538, DATED MARCH 14, 1997, BETWEEN SIGNATURE FLIGHT SUPPORT CORPORATION, A DELAWARE CORPORATION, AND THE CITY OF SANTA BARBARA FOR OPERATION OF A FUEL STORAGE FACILITY, AMENDING ARTICLE IV, "RENT" (B)(1) AND (D) TO ALLOW FOR THE COLLECTION OF FUEL FLOWAGE FEES FOR FUEL DISPENSED TO THE COMMERCIAL AIR CARRIERS AT THE SANTA BARBARA AIRPORT.

THE COUNCIL OF THE CITY OF SANTA BARBARA DOES ORDAIN AS FOLLOWS:

SECTION 1. In accordance with the provisions of Section 521 of the Charter of the City of Santa Barbara, that certain amendment to Lease Agreement No. 18,538 between Signature Flight Support Corporation and the City of Santa Barbara, establishing a fuel flowage fee for fuel dispensed to commercial air carriers at the Santa Barbara Airport, is hereby approved.



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** September 23, 2014

**TO:** Mayor and Councilmembers

**FROM:** Facilities Division, Public Works Department

**SUBJECT:** Introduction Of Ordinance For Assignment And Amendment To Power Purchase Agreement For Cogeneration Project

### **RECOMMENDATION:**

That Council introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Authorizing the City Administrator to Execute a First Amendment to the Power Purchase Agreement (City Agreement No. 23,630) Between the City of Santa Barbara and California Power Partners, Inc., to Extend the Term of the Agreement to July 1, 2024, and Further Clarify Section 8.4 of the Agreement; and Authorize the City Administrator to Consent to the Assignment of Agreement No. 23,630, as Amended, from California Power Partners, Inc., to California Power Partners Santa Barbara, LLC.

### **DISCUSSION:**

#### Background

As a part of the wastewater treatment process, the El Estero Wastewater Treatment Plant (El Estero) operates two digesters that produce methane gas (digester gas). The digester gas is currently used by the Cogeneration System (System), installed by California Power Partners, Inc. (CalPwr), which began operating in December 2013, and provides up to 60% of El Estero's electrical needs. Previously, the digester gas was wasted and flared.

In order to make this capital-intensive Cogeneration Project (Project) possible, the City entered into a Power Purchase Agreement (PPA) with CalPwr in 2011. Pursuant to the terms of the PPA, CalPwr constructed the Cogeneration Plant (Plant) at its own cost, and now sells the energy generated from the Plant to the City at a flat rate of 8.49 cents per kWh until termination of the agreement on December 31, 2021. Presently, the City also receives all waste heat that is produced by the system at no additional charge. It is anticipated that the City will save an estimated average of \$60,000 per year on electricity through this PPA. Staff is currently investigating different options for applying the waste heat that will increase energy savings.

Requested Amendment and Assignment

City staff and CalPwr now wish to amend the PPA to address certain issues that arose after construction of the Plant and its initial operation. First, Staff and CalPwr are requesting an extension of the term of the PPA due to the delayed start of operation of the System. The System was initially forecast to launch in early 2012, but did not launch until December 2013, due to several regulatory hurdles. The original term of the PPA was from April 12, 2011 to December 31, 2021. However, due to the delay in the construction and operation of the Plant, staff and CalPwr would like to amend Section 3.1 to extend the term of the PPA. The new proposed date of the PPA will be from July 1, 2014 to July 1, 2024. This is a benefit to the City, as it will allow for the prolonged use of the favorable electrical rate agreed upon in the original PPA for the length of the extended term of the PPA.

Secondly, staff is requesting to amend Section 8.4 of the PPA, which states that the City will provide a backup of natural gas. Staff would like this section to include allowing CalPwr to supply the natural gas at the City's discretion. The original PPA anticipated that the City would provide a backup supply of natural gas during peak operational hours; however, during construction of the Plant, CalPwr invested in metering infrastructure that allows the City to easily monitor gas use and be billed by CalPwr accordingly. Since the metering infrastructure has already been installed for CalPwr's use, at no cost to the City, staff supports an amendment to the PPA to allow CalPwr to continue providing the gas at the City's convenience and discretion.

Further, CalPwr is requesting that the PPA be assigned to California Power Partners Santa Barbara, LLC (CalPwr SB), a California Limited Liability Company, in order to facilitate the refinance of the construction loan it obtained to construct the Plant. This refinance was contemplated during the initial contract negotiations and is permitted under Section 4 of the PPA through written consent of the City. CalPwr SB has provided documentation to the City reflecting that it is a limited liability company currently in good standing with the California Secretary of State. Upon assignment, CalPwr SB will be subject to the same insurance and indemnification provisions as CalPwr. The Plant, and the assets derived therefrom, are the only intended assets of CalPwr SB.

**BUDGET/FINANCIAL INFORMATION:**

The only budgetary impact from these contract amendments and subsequent assignment to CalPwr is the extension of the cost benefit from the lower electrical rates provided during the term of the Agreement. Over the term of the PPA, it is anticipated that Southern California Edison's electricity rates will increase by as much as 3 percent per year. CalPwr SB's rates are currently lower than Southern California Edison's present rates, and will remain stable and predictable over the course of the PPA.

Council Agenda Report

Introduction Of Ordinance For Assignment And Amendment To Power Purchase Agreement For Cogeneration Project

September 23, 2014

Page 3

Additionally, the System provides an effective mechanism to lower electrical demand costs, which are set by the Plant's highest electrical demand from the utility. It is anticipated that the City will save as much as \$60,000 per year in electrical costs.

**SUSTAINABILITY IMPACT:**

Cogeneration uses the majority of the biogas produced by El Estero, providing electricity and heat for plant operations from a renewable resource. Previously, much of the existing biogas produced by the plant was disposed of through a flaring process.

**PREPARED BY:** Jim Dewey, Facilities & Energy Manager/AP/mh

**SUBMITTED BY:** Rebecca J. Bjork, Public Works Director

**APPROVED BY:** City Administrator's Office

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SANTA BARBARA AUTHORIZING THE CITY ADMINISTRATOR TO EXECUTE A FIRST AMENDMENT TO THE POWER PURCHASE AGREEMENT (CITY AGREEMENT NO. 23,630) BETWEEN THE CITY OF SANTA BARBARA AND CALIFORNIA POWER PARTNERS, INC., TO EXTEND THE TERM OF THE AGREEMENT TO JULY 1, 2024, AND FURTHER CLARIFY SECTION 8.4 OF THE AGREEMENT; AND AUTHORIZE THE CITY ADMINISTRATOR TO CONSENT TO THE ASSIGNMENT OF AGREEMENT NO. 23,630, AS AMENDED, FROM CALIFORNIA POWER PARTNERS, INC., TO CALIFORNIA POWER PARTNERS SANTA BARBARA, LLC

THE CITY COUNCIL OF THE CITY OF SANTA BARBARA DOES ORDAIN AS FOLLOWS:

SECTION 1. The City Administrator of the City is hereby authorized to execute a first amendment to the Power Purchase Agreement (City Agreement No. 23,630) by and between the City of Santa Barbara and California Power Partners, Inc. (hereinafter referred to as "CalPwr"), amending Sections 3.1 and 8.4 of the Agreement to extend the term of the contract from December 31, 2021 to July 1, 2024, and allow CalPwr, at the City's discretion, to provide and invoice the City for backup supply of natural gas.

SECTION 2. Upon the effective date of this Ordinance, the City Administrator is authorized to consent to the assignment of City Agreement No. 23,630 from CalPwr to California Power Partners Santa Barbara, LLC, a California Limited Liability Company.



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** September 23, 2014

**TO:** Mayor and Councilmembers

**FROM:** Administration, Library Department

**SUBJECT:** Fiscal Year 2015 Agreement For Countywide Library System

### **RECOMMENDATION:**

That Council approve and authorize the City Administrator to execute an agreement between the County of Santa Barbara and the Cities of Santa Barbara, Santa Maria and Lompoc for the operation of a Countywide Library system for Fiscal Year 2015.

### **DISCUSSION:**

The Agreement for Operation of a Countywide Library system for Fiscal Year 2015, which is recommended for approval and execution, provides for continued funding of Library services for all Santa Barbara County residents and designate the Cities of Santa Barbara, Lompoc and Santa Maria as administrators of County Library Zones 1, 2, and 3 respectively. The City of Santa Barbara furnishes library service to all persons inhabiting Library Zone 1, including Carpinteria, Montecito, Goleta, Los Olivos, Santa Ynez and Solvang.

On June 30, 2014, the previous one-year contract expired. A new one-year contract allows the library zones to receive the approved funding for library operations. The County of Santa Barbara approved this Agreement on August 26, 2014.

### **BUDGET/FINANCIAL INFORMATION:**

Under the terms and conditions of this contract, the Santa Barbara Public Library System will receive a total of \$1,683,620 for the provision of library services:

- \$616,066 of County per capita funding for support of the Central and Eastside Branch Libraries (City Libraries);
- \$895,556 of County per capita funds for support of the Carpinteria, Montecito, Goleta, Los Olivos, Santa Ynez and Solvang libraries; and
- Estimated assessment revenue of \$172,000 collected within the unincorporated portion of the County Service Area and available to the Goleta Library as a result of voter-approved Measure L.

A 9% library administrative fee for managing the libraries in Carpinteria, Los Olivos, Montecito, Santa Ynez and Solvang in the amount of \$26,460 is charged to the County Library fund for this contract.

The existing Agreement between the City of Santa Barbara and the City of Goleta for library services includes a library administration fee of 9% (\$102,127) for fiscal year 2015 which will be paid from the funding provided for the support of the Goleta Library.

**PREPARED BY:** Margaret Esther, Library Services Manager

**SUBMITTED BY:** Irene Macias, Library Director

**APPROVED BY:** City Administrator's Office



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** September 23, 2014

**TO:** Mayor and Councilmembers

**FROM:** Engineering Division, Public Works Department

**SUBJECT:** Contract For Construction Of The La Colina Force Main No. 2 Project

**RECOMMENDATION:** That Council:

- A. Award a contract with J&H Engineering General Contractors, Inc., waiving minor irregularities, in their low bid amount of \$515,730 for construction of the La Colina Force Main No. 2, Bid No. 3960; and authorize the Public Works Director to execute the contract and approve expenditures up to \$51,573 to cover any cost increases that may result from contract change orders for extra work and differences between estimated bid quantities and actual quantities measured for payment; and
- B. Authorize the Public Works Director to execute a contract with MNS Engineers, Inc., in the amount of \$14,840 for construction support services, and approve expenditures of up to \$1,484 for extra services that may result from necessary changes in the scope of work.

**DISCUSSION:**

**BACKGROUND**

In 2012, Brown & Caldwell (BC) prepared a Lift Station and Force Main Condition Assessment Report (Report) for the City's seven wastewater collection system lift stations. This Report identified recommended improvements to both the lift stations and force mains, prioritized the improvements, and made repair recommendations. Force mains are pressurized sewer pipes.

Based on the BC Report, staff proposes to install new redundant parallel force mains at the La Colina, Via Lucero, and El Camino De La Luz Lift Stations. These existing force mains pose a high risk of failure due to the age and materials.

The Braemar Lift Station had a new force main installed in 1994 and is in good condition; however the original force main was abandoned in place, and therefore,

cannot provide redundancy. Braemar Lift Station is critical due to its proximity to Arroyo Burro Creek and high flows, therefore, staff proposes to replace the existing abandoned force main using the pipe-bursting method.

On December 10, 2013, Council authorized a contract with MNS Engineers, Inc. (MNS), for design services of the Lift Station Improvement Project, which provides for final design services of the La Colina, Via Lucero, El Camino De La Luz and Braemar Lift Station force mains. Construction is planned in phases to match current and future year budgeted appropriations. The design of the La Colina Force Main is now complete and ready for construction.

#### PROJECT DESCRIPTION

The work for the construction of the La Colina Force Main No. 2 Project (Project) consists of installation of a second, parallel 3,200-linear-foot force main at the La Colina Lift Station, replacement of a manhole, expansion of the valve vault, bypassing, and miscellaneous utility relocation and coordination.

#### CONTRACT BIDS

A total of eight bids were received for the subject work, ranging as follows:

	<b>BIDDER</b>	<b>BID AMOUNT</b>
1.	J&H Engineering General Contractors, Inc. Camarillo, CA	\$515,730.00*
2.	Lash Construction, Inc. Santa Barbara, CA	\$540,847.00
3.	Tierra Contracting Goleta, CA	\$571,663.00
4.	D-KAL Engineering, Inc. San Luis Obispo, CA	\$607,939.00
5.	Toro Enterprises, Inc. Oxnard, CA	\$620,184.00
6.	Cedro Construction Santa Paula, CA	\$754,180.00*
7.	Blois Construction, Inc. Oxnard, CA	\$783,624.00
8.	Specialty Construction, Inc. San Luis Obispo, CA	\$945,045.00

*\*corrected bid total*

The low bid of \$515,730, submitted by J&H Engineering General Contractors, Inc., is an acceptable bid that is responsive to and meets the requirements of the bid specifications. The change order funding recommendation of \$51,573, or 10 percent, is typical for this type of work and size of project.

#### CONSTRUCTION PHASE CONTRACT SERVICES

Staff recommends that Council authorize the Public Works Director to execute a contract with MNS in the total amount of \$16,324 for construction support services. MNS designed the Project and is experienced in this type of work.

#### COMMUNITY OUTREACH

On July 24, 2014, Project Notification Letters were sent out to residents and businesses, providing them with basic project related information. A pre-construction public meeting was held on August 5, 2014, to inform residents and businesses of the construction timeline and to review project details.

Staff will send out a Pre-Construction Notification Letter two weeks prior to construction to provide updated project related information to residents and businesses. The contractor is also required to place lighted message boards in the neighborhood two weeks prior to construction, and will provide door hangers to affected residences and businesses 72 hours prior to construction.

#### FUNDING

This Project is funded by the Wastewater Fund, and there are sufficient appropriated funds to cover the cost of this Project.

The following summarizes the expenditures recommended in this report:

#### CONSTRUCTION CONTRACT FUNDING SUMMARY

	Basic Contract	Change Funds	Total
J&H Engineering	\$515,730	\$51,573	\$567,303
MNS	\$14,840	\$1,484	\$16,324
<b>TOTAL RECOMMENDED AUTHORIZATION</b>			<b>\$583,627</b>

The following summarizes all Project design costs, construction contract funding, and other Project costs:

**ESTIMATED TOTAL PROJECT COST**

*\*Cents have been rounded to the nearest dollar in this table.*

Design (by Contract)	\$87,491
City Staff Costs	\$24,244
<b>Subtotal</b>	<b>\$111,735</b>
Construction Contract	\$515,730
Construction Change Order Allowance	51,573
<b>Subtotal</b>	<b>\$567,303</b>
Other Construction Costs (testing, etc.)	\$7,500
Construction Support Services (by Contract)	\$16,324
Construction Management/Inspection (by City Staff)	\$91,056
<b>Subtotal</b>	<b>\$114,880</b>
<b>TOTAL PROJECT COST</b>	<b>\$793,918</b>

**PREPARED BY:** Lisa Arroyo, Supervising Civil Engineer/BR/mh

**SUBMITTED BY:** Rebecca J. Bjork, Public Works Director

**APPROVED BY:** City Administrator's Office



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** September 23, 2014

**TO:** Mayor and Councilmembers

**FROM:** Engineering Division, Public Works Department

**SUBJECT:** Contracts For Construction Management Support Services Of The Mason Street Bridge Replacement Project

**RECOMMENDATION:** That Council:

- A. Authorize the Public Works Director to execute a City Professional Services contract with Filippin Engineering in the amount of \$1,215,003 for construction management services for the Mason Street Bridge Replacement Project, and authorize the Public Works Director to approve expenditures of up to \$60,750 for extra services that may result from necessary changes in the scope of work;
- B. Authorize the Public Works Director to execute a City Professional Services contract with Bengal Engineering, Inc., in the amount of \$138,760 for engineering (design) support services for the Mason Street Bridge Replacement Project, and authorize the Public Works Director to approve expenditures of up to \$6,938 for extra services that may result from necessary changes in the scope of work;
- C. Authorize the Public Works Director to execute a City Professional Services contract with Rincon Consultants, Inc., in the amount of \$164,725 for environmental coordination and biological monitor services for the Mason Street Bridge Replacement Project, and authorize the Public Works Director to approve expenditures of up to \$8,236 for extra services that may result from necessary changes in the scope of work;
- D. Increase appropriations and estimated revenues related to the Federal Highway Administration Grant by \$383,365 in the Fiscal Year 2015 Streets Capital Fund for the Mason Street Bridge Replacement Project; and
- E. Authorize an increase in appropriations and estimated revenue of \$298,622 in the Streets Capital Fund from revenues anticipated through the future sale of surplus properties acquired for current bridge replacement projects to cover the City's share of the cost of construction.

## **EXECUTIVE SUMMARY:**

The Mason Street Bridge Replacement Project (Project) will remove a structurally deficient bridge over Mission Creek and replace it with a new bridge that meets the current State of California Department of Transportation (Caltrans) standards. As part of the overall Lower Mission Creek Flood Control Project (LMCFC Project) to reduce neighborhood flooding, the Project will construct the LMCFC Project Reach 1A Phase 2 Project (Phase 2 Project) that is located immediately adjacent to and downstream of the Mason Street Bridge.

In accordance with the cost-sharing agreement between the City and the Santa Barbara County Flood Control and Water Conservation District (County) (approved by Council on January 4, 2014, and the Santa Barbara County Board of Supervisors on September 9, 2014), construction contract costs from the LMCFC Project Reach 1A Phase 2 Project will be fully reimbursed by the County.

Staff solicited proposals for professional construction management support services during the design phase of the Project. The Project will have multiple, concurrent tasks that need to be planned and coordinated. Services will include resident engineering/inspecting; labor compliance monitoring; materials testing; engineering (design) support; environmental permit compliance monitoring; biological monitoring; assisting staff with final reporting to Caltrans and environmental regulatory permit agencies; and preparing record drawings. In addition, services will include coordinating with adjacent development projects such as the Entrada de Santa Barbara Project, the Children's Museum Project, and the City's Cabrillo Boulevard Bridge Replacement Project.

## **DISCUSSION:**

### **BACKGROUND**

The Project is a part of the overall LMCFC Project since it includes the creek channel. The LMCFC Project was initiated in the 1960s as a long-term, joint effort project between the United States Army Corps of Engineers, the County of Santa Barbara, and the City. It addresses the last 1.3 miles of the lower Mission Creek from just downstream of Canon Perdido Street to the Cabrillo Boulevard Bridge, just before the creek enters the Pacific Ocean.

The Project received construction bids on August 18, 2014. A total of three bids were received. The low bid of \$6,658,081 was submitted by Lash Construction. On September 9, 2014, Council awarded the construction contract for this Project and the Phase 2 Project to Lash Construction, and authorized the Public Works Director to execute a contract and approve expenditures of up to \$622,628 to cover any cost increases that may result from contract change orders for extra work and differences between estimated bid quantities and actual quantities measured for payment.

## PROJECT DESCRIPTION

The Project is located at the Mason Street Bridge between Chapala Street and State Street. The Project consists of removing and replacing a concrete bridge and roadway approaches; removing building facilities, including abating hazardous building materials; relocating domestic water and sanitary sewer facilities; constructing concrete secant pile channel walls; realigning a roadway; planting landscape materials; and installing storm drainage facilities, street lights, and irrigation systems. The proposed bridge consists of a precast/pre-stress concrete deck and cast-in-place concrete abutment walls that incorporate concrete secant pile deep foundations. The concrete secant pile deep foundation was selected as the preferred pile construction method because it is a drilled pile method that greatly minimizes the impacts associated with the conventional pile driving method. This method received special approval from Caltrans and is a milestone for City projects because it is an innovative method that meets or exceeds structural requirements while minimizing environmental impacts.

The Phase 2 Project is located immediately adjacent to and downstream of the Mason Street Bridge. It consists of removing and replacing channel walls. The proposed channel walls also consist of concrete secant piles.

## CONSTRUCTION MANAGEMENT SUPPORT SERVICES

Staff recommends that Council authorize the Public Works Director to execute a contract with Filippin Engineering in the amount of \$1,215,003 for construction management services and \$60,750 for potential extra services, for a total amount of \$1,275,753. Staff requested proposals from consulting construction management firms and received proposals from five firms. Staff evaluated the proposals and concluded that Filippin Engineering is the best qualified firm. Staff also negotiated the fee with Filippin Engineering and concluded that the fee is fair compensation for the services.

Staff also recommends that Council authorize the Public Works Director to execute a contract with Bengal Engineering, Inc. (Bengal) in the amount of \$138,760 for engineering (design) support services and \$6,938 for potential extra services, for a total amount of \$145,698. Bengal was the designer and is experienced in this type of work. Staff reviewed Bengal's proposal and concluded that it is fair and reasonable and provides the best value and continuity of services without delay.

Finally, staff recommends that Council authorize the Public Works Director to execute a contract with Rincon Consultants, Inc. (Rincon), in the amount of \$164,725 for environmental coordination and biological monitor services, and \$8,236 for potential extra services, for a total amount of \$172,961. Staff requested proposals from consulting environmental firms and received proposals from three firms. Staff evaluated the proposals and concluded that Rincon is the best qualified firm. Staff negotiated the fee with Rincon and concluded that the fee is fair compensation for the services.

## COMMUNITY OUTREACH

The Project is one of several other projects that will be starting construction this fall in the lower State Street area. These other projects include adjacent development projects such as the Entrada de Santa Barbara Project, the Children's Museum Project, and the Cabrillo Boulevard Bridge Replacement Project. Another future development project, the 101 State Street Project, is tentatively scheduled for construction in summer 2015. Staff is currently coordinating all these projects. Traffic control and haul routes are planned to minimize public inconvenience.

Approximately two months ago, written notices with fact sheets were mailed to adjacent properties within 500 feet of the Project site. The fact sheets contained information about the Project's benefit, location, construction schedule, a traffic control map that shows temporary road closures and detours, staff's contact information, and the City website information for construction status updates.

Staff will also be mailing written notices at a minimum of two weeks in advance of the start of construction activity. The written notices will provide detailed information of construction hours and staff's contact information. Once the construction contractor is issued the notice to proceed, the construction contractor will deliver another written notice 72 hours in advance of any construction activity to the adjacent properties within 500 feet of the Project site.

## FUNDING

The City will receive both construction and construction management funding authorizations in the total amount of \$7,483,365 from the Federal Highway Administration Highway Bridge Program (HBP), for construction and construction management costs that are eligible for federal reimbursement. The current federal share for the construction contract is \$6,098,913 and the federal share for construction management is \$1,384,453. While the bridge is considered 100 percent funded, there are construction management costs for the total project that are not eligible for Federal reimbursement. The City will be paying for some City staff time, the County's construction management costs, and any construction management extra services in the amount of \$318,621 or about 18% of the total construction management budget. Staff received written assurance from Caltrans that HBP funding is available and that the funding authorization will be amended after award of the professional services agreements.

The Phase 2 Project construction cost is funded by Santa Barbara County Flood Control Benefit Assessment Fees. The division of costs between the City and County is covered by a cost-sharing agreement that was approved by Council on January 4, 2014, and by the Santa Barbara County Board of Supervisors on September 9, 2014.

To cover the City's share of the cost of construction, staff recommends an increase in appropriations of \$298,622 in the Streets Capital Fund from revenues anticipated

through the future sale of surplus properties that were acquired for current bridge replacement projects. The surplus properties are 20 West Mason Street, 221 West Cota Street, 230 West Cota Street, and 536 Bath Street. Sales are estimated to result in approximately \$3.5 million in revenues in approximately two years. Between the \$2,125,000 of the anticipated surplus property revenue reserved for the Cabrillo Boulevard Bridge Replacement Project and the anticipated need of \$318,621 for this project there is a balance of \$1,056,379 for future projects. The difference between the City's total share of \$318,621 and the recommended \$298,622 appropriation amount is a result of previously budgeted funds for the construction phase.

The following summarizes the expenditures recommended in this report:

**CONSTRUCTION MANAGEMENT CONTRACT FUNDING SUMMARY**

<b>Vendor</b>	<b>Basic Contract</b>	<b>Change Funds</b>	<b>Total</b>
Filippin Engineering	\$1,215,003	\$60,750	\$1,275,753
Bengal Engineering	\$138,760	\$6,938	\$145,698
Rincon Consultants	\$164,725	\$8,236	\$172,961
<b>TOTAL RECOMMENDED AUTHORIZATION</b>			<b>\$1,594,412</b>

The following summarizes all estimated total Project costs:

**ESTIMATED TOTAL PROJECT COST**

*\*Cents have been rounded to the nearest dollar in this table.*

<b>Project Cost</b>	<b>Federal Share</b>	<b>City Share</b>	<b>County Share</b>	<b>Total</b>
Design Cost (Contract)	\$803,159	\$104,058		\$907,217
Right of Way Cost (Contract)	\$74,891			\$74,891
Right of Way Acquisition and Relocation Costs	\$4,695,293			\$4,695,293
Other Preconstruction Cost- Sycamore Tree Propagation (Contract)	\$4,591	\$595		\$5,186
Project Management Cost (City Staff)	\$367,043	\$98,304		\$465,347
<b>Subtotal</b>	<b>\$5,944,977</b>	<b>\$202,957</b>		<b>\$6,147,934</b>
Construction Contract	\$5,544,466		\$1,113,615	\$6,658,081
Construction Contract Change Order Allowance	\$554,447		\$68,181	\$622,628
<b>Subtotal</b>	<b>\$6,098,913</b>		<b>\$1,181,796</b>	<b>\$7,280,709</b>

Construction Management/Inspection/Material Testing (Contract)	\$1,057,053	\$218,700		\$1,275,753
Engineering Support Services Cost (Contract)	\$138,760	\$6,938		\$145,698
Environmental Coordination/Biological Monitoring (Contract)	124,806	\$48,155		\$172,961
Construction Management (City Staff)	\$63,834	\$44,828		\$108,662
<b>Subtotal</b>	<b>\$1,384,453</b>	<b>\$318,622</b>		<b>\$1,703,075</b>
<b>TOTAL PROJECT COST</b>	<b>\$13,428,343</b>	<b>\$521,579</b>	<b>\$1,181,796</b>	<b>\$15,131,718</b>

**SUSTAINABILITY IMPACT:**

The Project's environmental process has led to many special conditions to protect the environment during construction and provide for sustainability in the future. Native plants will be used, and major species to the riparian community will be restored along the Project Reach. Aquatic habitat will also be enhanced with the improvement of the streambed characteristics. The bridge will be widened from the current 32 feet to just over 49 feet, and will provide a bike lane and sidewalks at least 6 feet wide. The bridge widening will improve safety and accessibility for pedestrians and will, therefore; contribute to the City's sustainability goals by encouraging more people to walk, reduce energy consumption and air pollution.

**PREPARED BY:** Linda Sumansky, Principal Civil Engineer/JI/mj

**SUBMITTED BY:** Rebecca J. Bjork, Public Works Director

**APPROVED BY:** City Administrator's Office



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** September 23, 2014

**TO:** Mayor and Councilmembers

**FROM:** Mayor and Council Ad Hoc Recruitment Committee

**SUBJECT:** Amendment To The Position And Salary Control Resolution

### **RECOMMENDATION:**

That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Amending Resolution No. 14-046, the Position and Salary Control Resolution for Fiscal Year 2015, Affecting the City Administrator's Office, Effective October 4, 2014.

### **DISCUSSION:**

The City Administrator recruitment process is currently underway and is expected to be finished by January 2015 with the selection and hiring of a new City Administrator. Since City Administrator Jim Armstrong retires at the beginning of October 2014, at its meeting of September 9, 2014, Council announced the appointment of Paul Casey, Assistant City Administrator, to be the Acting City Administrator. The Position and Salary Control Resolution does not include an Acting City Administrator position; therefore, this position is to be created at \$8854.05 biweekly. The position will be deleted when a new City Administrator is appointed.

### **BUDGET/FINANCIAL INFORMATION:**

The cost of this position will be accommodated within the City Administrator's Department budget without the need for an additional appropriation.

**PREPARED BY:** Kristine Schmidt, Administrative Services Director

**SUBMITTED BY:** Mayor Helene Schneider

**APPROVED BY:** City Administrator's Office

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE COUNCIL OF THE CITY OF SANTA BARBARA AMENDING RESOLUTION NO. 14-046, THE POSITION AND SALARY CONTROL RESOLUTION FOR FISCAL YEAR 2015, AFFECTING THE CITY ADMINISTRATOR'S OFFICE, EFFECTIVE OCTOBER 4, 2014.

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SANTA BARBARA THAT Resolution No. 14-046, the Position and Salary Control Resolution for Fiscal Year 2015, is hereby amended as follows:

<u>Classification Title</u>	<u>FLSA</u>	<u>Service Status</u>	<u>Unit</u>	<u>Range</u>	<u>Biweekly Salary</u>
Acting City Administrator	E	U	M	A	\$8,854.05



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** September 23, 2014

**TO:** Mayor and Councilmembers

**FROM:** Administration Division, Finance Department

**SUBJECT:** Adoption Of Resolutions Increasing The City Administrator's Contracting Authority And Establishing Policies Related To The City Council Budgetary Level Of Control For Capital Projects

**RECOMMENDATION:** That Council:

- A. Adopt, by reading of title only, A Resolution of the City Council of the City of Santa Barbara Authorizing the City Administrator to Bind the City for the Acquisition of Certain Items and Rescinding Resolution No. 96-045; and
- B. Adopt, by reading of title only, A Resolution of the City Council of the City of Santa Barbara Establishing the City Council Budgetary Level of Control for Capital Projects.

### **DISCUSSION:**

#### **Proposed Increase to City Administrator's Contract Authority**

Section 518 of the City Charter provides that the City Council may authorize the City Administrator to bind the City, either with or without a written contract, for the acquisition of equipment, materials, supplies, labor, services or other items included within the budget approved by the City Council. The Council may also impose a monetary limit on this authority.

On April 23, 1996, the City Council granted the City Administrator the above authority with a monetary limit of \$25,000. Since then, the consumer price index (CPI) has grown by nearly 54.6%, indicating the increased price of goods and services over the last 18 years.

With the above price inflation, staff recommends increasing the City Administrator's contract authority from \$25,000 to \$35,000 to reflect the increased cost to purchase goods and services.

#### **Clarifying Council's Level of Budgetary Control for Capital Projects**

Section 1205 of the City Charter provides that the Finance Director, with the approval of the City Administrator, may authorize the transfer of funds from one line item account or

program to another within the same department. Conversely, any changes to a department's budget that changes the bottom line total must be approved by Council.

Section 1205 of the City Charter, as worded, would appear to also allow the City Administrator to approve transfers of appropriations between capital projects accounted for in a separate fund since these funds are created for most departments. However, staff believes the intent of the Charter is to be more restrictive, requiring Council approval in some of these cases.

Consequently, staff is proposing policies that clarify when Council must approve changes to funding approved by Council for capital projects, and which changes can be approved by City staff.

Staff proposes the following situations require Council's approval:

- Adding a new project using appropriations from an existing project approved by Council; and
- Transferring between capital projects when the total amount being transferred exceeds \$35,000.

The City Administrator would be delegated authority to approve the following changes:

- Transfers of funding between capital projects approved by Council when the total amount being transferred does not exceed \$35,000.

There may be occasions when a project approved by Council in connection with the adoption of the annual budget represents a capital "program" made up of smaller discrete projects. In these cases, staff proposes that the City Administrator must approve any transfer of funding between different projects that fall under the umbrella of a single capital project/program approved by Council.

Note that the above policy uses a threshold of \$35,000 for purposes of determining what level of approval is required. This threshold is tied to the City Administrator's contracting authority, which staff is proposing to increase from \$25,000 to \$35,000, as discussed above.

Staff presented both items to the Finance Committee and the Committee unanimously voted to recommend Council's approval of both the proposed policies and increase in the City Administrator's contracting authority.

**PREPARED BY:** Michael Pease, Budget Manager

**SUBMITTED BY:** Robert Samario, Finance Director

**APPROVED BY:** City Administrator's Office

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA BARBARA AUTHORIZING THE CITY ADMINISTRATOR TO BIND THE CITY FOR THE ACQUISITION OF CERTAIN ITEMS AND RESCINDING RESOLUTION NO. 96-045.

WHEREAS, Section 518 of the Charter of the City of Santa Barbara provides that the City Council may authorize the City Administrator to bind the City, either with or without a written contract, for the acquisition of equipment, materials, supplies, labor, services or other items included within the budget approved by the City Council; and

WHEREAS, Section 518 provides that the City Council may impose a monetary limit upon the aforementioned authority; and

WHEREAS, the City Council desires to extend to the City Administrator's current authority of \$25,000 and to impose an increased thirty-five thousand dollar (\$35,000) limit upon such authority;

NOW, THEREFORE, be it resolved by the City Council of the City of Santa Barbara as follows:

Section 1. The City Administrator of the City of Santa Barbara is hereby authorized to bind the City, with or without a written contract, for the acquisition of equipment, materials, supplies, labor, services or other items included within the budget approved by the City Council.

Section 2. The authority extended to the City Administrator hereby shall have a monetary limit of thirty-five thousand dollars (\$35,000).

Section 3. Resolution No. 96-045 adopted April 23, 1996 is hereby rescinded.

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE CITY COUNCIL OF THE  
CITY OF SANTA BARBARA ESTABLISHING THE  
CITY COUNCIL BUDGETARY LEVEL OF CONTROL  
FOR CAPITAL PROJECTS.

WHEREAS, Section 1205 of the City Charter provides that the Finance Director, with the approval of the City Administrator, may authorize the transfer of funds from one (1) object or purpose to another within the same department, office, or agency; and

WHEREAS, Section 1205 also allows the City Administrator to approve transfers of appropriations between capital projects accounted for in a separate fund since these funds are established at a department level; and

WHEREAS, Council believes the intent of the Charter is to be more restrictive, requiring Council approval of changes to funding levels authorized by Council for capital projects above certain thresholds; and

WHEREAS, the Council has considered the proposed policies at a regular Council meeting on September 23, 2014;

NOW, THEREFORE, be it resolved by the City Council of the City of Santa Barbara as follows:

1. The City Council is required to approve changes to funding approved by Council for capital projects when:
  - Adding a new project using appropriations from an existing project approved by Council;
  - Transferring between capital projects when the total amount being transferred exceeds \$35,000; or
  - As otherwise provided by law.
2. The City Administrator is authorized to approve changes to funding approved by Council for capital projects when:
  - Transferring funding between capital projects approved by Council when the total amount being transferred does not exceed \$35,000; or
  - Transferring funding between different projects under the umbrella of a single capital project/program approved by Council.



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** September 23, 2014

**TO:** Mayor and Councilmembers

**FROM:** Accounting Division, Finance Department

**SUBJECT:** Financial Statements For The Fiscal Year Ended June 30, 2014  
And Recognition Of A Loss On A Loan Tied To The Employee  
Mortgage Loan Assistance Program

**RECOMMENDATION:** That Council:

- A. Hear a report from staff on the status of revenues and expenditures in relation to budget for the fiscal year ended June 30, 2014;
- B. Accept the Interim Financial Statements for the Fiscal Year Ended June 30, 2014;
- C. Approve the proposed adjustments to Fiscal Year 2014 budget as detailed in the attached schedule of Proposed Budget Adjustments; and
- D. Approve the recognition of a \$96,230 loss in connection with an outstanding loan executed with a former City employee through the Employee Mortgage Loan Assistance Program.

**DISCUSSION:**

Each month, staff presents the interim financial statements (Attachment 1) showing the status of revenues and expenditures in relation to budget for each of the City's Funds. Each quarter, the interim financial statements are expanded to include a detailed narrative analysis of the General Fund and Enterprise Funds. This narrative analysis is included in Attachment 2.

In addition to the budget analysis, staff brings forward recommended adjustments for City Council approval. In general, the adjustments address budget shortfalls and/or additional costs and to make technical corrections to departmental budgets. A listing and description of each proposed adjustment to the current year budget is provided in Attachment 3.

Interim financial statements presented to City Council throughout the year focus on the progress of revenues and expenditures against the budget, including a discussion of where the actual revenues and expenditures might finish at year end. Since this is the final quarterly report, the revenues and expenditures are close to final year-end totals. They are still subject to change as final adjustments are made for purposes of preparing

for the annual audit and preparation of the City's annual financial report, which will be brought to Council later in the fiscal year.

### **Loss on Employee Mortgage Loan**

The City currently has a number of loans outstanding associated with the now defunct Employee Mortgage Loan Assistance Program. The loans provided to qualifying employees include a loan equal to 15% of the purchase price secured by a 2<sup>nd</sup> trust deed; and a "points loan" equal to the four points paid by the City to the primary lender to buy down the interest on the 1<sup>st</sup> loan.

We were advised during fiscal year 2014 that a former City employee filed for bankruptcy under Chapter 13. The effect of this filing was to discharge the City's "points loan" totaling \$14,448. Because the value of home was less than the total debt outstanding, the City's 15% loan with a balance of \$81,782 was effectively unsecured.

The City Attorney's Office advised that challenging the bankruptcy would not be fruitful. Therefore, we are prepared to "write-off" the loan from the books and recognize a loss. The loss will be charged to the General Fund for the combined loan total of \$96,230.

Staff is recommending an increase in the Finance Department budget for the same amount to cover this loss, which is included in the Schedule of Proposed Budget Adjustments. Unlike other losses incurred by the City, these types of losses are infrequent and unpredictable, and therefore not budgeted.

- ATTACHMENTS:**
1. Summary by Fund Statement of Revenues and Expenditures for the Year Ended June 30, 2014
  2. Interim Financial Statements for the Year Ended June 30, 2014 (Narrative Analysis)
  3. Schedule of Proposed Budget Adjustments

**PREPARED BY:** Robert Samario, Finance Director

**APPROVED BY:** City Administrator's Office

**CITY OF SANTA BARBARA**  
**Interim Statement of Revenues and Expenditures**  
**Summary by Fund**  
**For the Twelve Months Ended June 30, 2014 (100% of Fiscal Year)**

	<u>Annual Budget</u>	<u>YTD Actual</u>	<u>Encum- brances</u>	<u>Remaining Balance</u>	<u>Percent of Budget</u>
<b>GENERAL FUND</b>					
Revenue	111,826,852	113,308,846	-	(1,481,993)	101.3%
Expenditures	<u>112,062,731</u>	<u>109,692,133</u>	<u>669,638</u>	1,700,960	98.5%
<i>Addition to / (use of) reserves</i>	<u>(235,879)</u>	<u>3,616,712</u>	<u>(669,638)</u>		
<b>SOLID WASTE FUND</b>					
Revenue	20,127,443	20,689,401	-	(561,958)	102.8%
Expenditures	<u>20,247,668</u>	<u>19,852,861</u>	<u>149,268</u>	245,539	98.8%
<i>Addition to / (use of) reserves</i>	<u>(120,225)</u>	<u>836,540</u>	<u>(149,268)</u>		
<b>WATER OPERATING FUND</b>					
Revenue	36,709,435	37,156,084	-	(446,649)	101.2%
Expenditures	<u>45,179,425</u>	<u>38,974,841</u>	<u>1,086,613</u>	5,117,971	88.7%
<i>Addition to / (use of) reserves</i>	<u>(8,469,990)</u>	<u>(1,818,757)</u>	<u>(1,086,613)</u>		
<b>WASTEWATER OPERATING FUND</b>					
Revenue	17,907,479	18,191,272	-	(283,793)	101.6%
Expenditures	<u>19,048,005</u>	<u>17,155,652</u>	<u>720,525</u>	1,171,829	93.8%
<i>Addition to / (use of) reserves</i>	<u>(1,140,526)</u>	<u>1,035,620</u>	<u>(720,525)</u>		
<b>DOWNTOWN PARKING</b>					
Revenue	7,420,709	8,095,813	-	(675,104)	109.1%
Expenditures	<u>8,601,079</u>	<u>8,215,444</u>	<u>18,882</u>	366,754	95.7%
<i>Addition to / (use of) reserves</i>	<u>(1,180,370)</u>	<u>(119,631)</u>	<u>(18,882)</u>		
<b>AIRPORT OPERATING FUND</b>					
Revenue	15,751,093	15,497,778	-	253,315	98.4%
Expenditures	<u>16,571,531</u>	<u>15,550,615</u>	<u>122,867</u>	898,049	94.6%
<i>Addition to / (use of) reserves</i>	<u>(820,438)</u>	<u>(52,836)</u>	<u>(122,867)</u>		
<b>GOLF COURSE FUND</b>					
Revenue	2,108,459	2,040,894	-	67,565	96.8%
Expenditures	<u>2,106,923</u>	<u>2,121,993</u>	-	(15,070)	100.7%
<i>Addition to / (use of) reserves</i>	<u>1,536</u>	<u>(81,100)</u>	-		
<b>INTRA-CITY SERVICE FUND</b>					
Revenue	5,604,962	5,021,955	-	583,007	89.6%
Expenditures	<u>5,911,688</u>	<u>5,679,747</u>	<u>66,249</u>	165,692	97.2%
<i>Addition to / (use of) reserves</i>	<u>(306,726)</u>	<u>(657,792)</u>	<u>(66,249)</u>		

**CITY OF SANTA BARBARA**  
**Interim Statement of Revenues and Expenditures**  
**Summary by Fund**  
**For the Twelve Months Ended June 30, 2014 (100% of Fiscal Year)**

	<u>Annual Budget</u>	<u>YTD Actual</u>	<u>Encum- brances</u>	<u>Remaining Balance</u>	<u>Percent of Budget</u>
<b>FLEET REPLACEMENT FUND</b>					
Revenue	2,758,201	2,644,557	-	113,644	95.9%
Expenditures	<u>5,134,991</u>	<u>1,538,172</u>	<u>2,067,148</u>	1,529,671	70.2%
<i>Addition to / (use of) reserves</i>	<u>(2,376,790)</u>	<u>1,106,385</u>	<u>(2,067,148)</u>		
<b>FLEET MAINTENANCE FUND</b>					
Revenue	2,576,502	2,619,166	-	(42,664)	101.7%
Expenditures	<u>2,650,738</u>	<u>2,387,523</u>	<u>39,744</u>	223,471	91.6%
<i>Addition to / (use of) reserves</i>	<u>(74,236)</u>	<u>231,644</u>	<u>(39,744)</u>		
<b>SELF INSURANCE TRUST FUND</b>					
Revenue	5,960,947	5,990,134	-	(29,187)	100.5%
Expenditures	<u>6,022,747</u>	<u>6,158,725</u>	<u>129,366</u>	(265,344)	104.4%
<i>Addition to / (use of) reserves</i>	<u>(61,800)</u>	<u>(168,591)</u>	<u>(129,366)</u>		
<b>INFORMATION SYSTEMS ICS FUND</b>					
Revenue	2,514,997	2,514,997	-	-	100.0%
Expenditures	<u>2,965,594</u>	<u>2,794,188</u>	<u>43,556</u>	127,850	95.7%
<i>Addition to / (use of) reserves</i>	<u>(450,597)</u>	<u>(279,191)</u>	<u>(43,556)</u>		
<b>WATERFRONT FUND</b>					
Revenue	12,445,067	13,911,749	-	(1,466,682)	111.8%
Expenditures	<u>13,558,989</u>	<u>13,519,865</u>	<u>208,938</u>	(169,814)	101.3%
<i>Addition to / (use of) reserves</i>	<u>(1,113,922)</u>	<u>391,883</u>	<u>(208,938)</u>		
<b>TOTAL FOR ALL FUNDS</b>					
Revenue	243,712,146	247,682,644	-	(3,970,497)	101.6%
Expenditures	<u>260,062,110</u>	<u>243,641,760</u>	<u>5,322,793</u>	11,097,557	95.7%
<i>Addition to / (use of) reserves</i>	<u>(16,349,964)</u>	<u>4,040,884</u>	<u>(5,322,793)</u>		

*\*\* It is City policy to adopt a balanced budget. In most cases, encumbrance balances exist at year-end. These encumbrance balances are obligations of each fund and must be reported at the beginning of each fiscal year. In addition, a corresponding appropriations entry must be in order to accommodate the 'carried-over' encumbrance amount. Most differences between budgeted annual revenues and expenses are due to these encumbrance carryovers.*

**CITY OF SANTA BARBARA**  
**General Fund**  
**Interim Statement of Budgeted and Actual Revenues**  
**For the Twelve Months Ended June 30, 2014 (100% of Fiscal Year)**

	<u>Annual Budget</u>	<u>YTD Actual</u>	<u>Remaining Balance</u>	<u>Percent Received</u>
<b>TAXES</b>				
Sales and Use	21,084,894	21,323,309	(238,415)	101.1%
Property Taxes	25,475,500	26,555,242	(1,079,742)	104.2%
Utility Users Tax	6,975,300	7,008,202	(32,902)	100.5%
Transient Occupancy Tax	16,202,000	16,821,995	(619,995)	103.8%
Business License	2,415,000	2,555,399	(140,399)	105.8%
Real Property Transfer Tax	537,900	668,641	(130,741)	124.3%
<b>Total</b>	<u>72,690,594</u>	<u>74,932,787</u>	<u>(2,242,193)</u>	103.1%
<b>LICENSES &amp; PERMITS</b>				
Licenses & Permits	219,180	197,663	21,517	90.2%
<b>Total</b>	<u>219,180</u>	<u>197,663</u>	<u>21,517</u>	90.2%
<b>FINES &amp; FORFEITURES</b>				
Parking Violations	2,628,967	2,565,829	63,138	97.6%
Library Fines	135,000	136,396	(1,396)	101.0%
Municipal Court Fines	120,000	86,224	33,776	71.9%
Other Fines & Forfeitures	250,000	339,593	(89,593)	135.8%
<b>Total</b>	<u>3,133,967</u>	<u>3,128,042</u>	<u>5,925</u>	99.8%
<b>USE OF MONEY &amp; PROPERTY</b>				
Investment Income	676,267	651,862	24,405	96.4%
Rents & Concessions	396,322	371,333	24,989	93.7%
<b>Total</b>	<u>1,072,589</u>	<u>1,023,195</u>	<u>49,394</u>	95.4%
<b>INTERGOVERNMENTAL</b>				
Grants	306,016	269,557	36,459	88.1%
Vehicle License Fees	-	39,945	(39,945)	100.0%
Reimbursements	414,320	1,094,149	(679,829)	264.1%
<b>Total</b>	<u>720,336</u>	<u>1,403,651</u>	<u>(683,314)</u>	194.9%
<b>FEES &amp; SERVICE CHARGES</b>				
Finance	926,598	937,703	(11,105)	101.2%
Community Development	4,480,075	4,296,934	183,141	95.9%
Recreation	2,951,818	3,025,198	(73,380)	102.5%
Public Safety	631,938	567,506	64,432	89.8%
Public Works	5,661,288	5,599,902	61,386	98.9%
Library	753,839	757,187	(3,347)	100.4%
Reimbursements	4,293,383	4,221,680	71,703	98.3%
<b>Total</b>	<u>19,698,939</u>	<u>19,406,108</u>	<u>292,831</u>	98.5%
<b>OTHER REVENUES</b>				
Miscellaneous	1,634,051	1,510,781	123,270	92.5%
Franchise Fees	3,660,300	3,822,441	(162,141)	104.4%
Indirect Allocations	6,292,740	6,292,740	-	100.0%
Operating Transfers-In	1,504,156	1,591,438	(87,282)	105.8%
Anticipated Year-End Variance	1,200,000	-	1,200,000	0.0%
<b>Total</b>	<u>14,291,247</u>	<u>13,217,400</u>	<u>1,073,847</u>	92.5%
<b>TOTAL REVENUES</b>	<u>111,826,852</u>	<u>113,308,846</u>	<u>(1,481,993)</u>	101.3%

**CITY OF SANTA BARBARA**  
**General Fund**  
**Interim Statement of Appropriations, Expenditures and Encumbrances**  
**For the Twelve Months Ended June 30, 2014 (100% of Fiscal Year)**

	<u>Annual Budget</u>	<u>YTD Actual</u>	<u>Encum- brances</u>	<u>Remaining Balance</u>	<u>YTD Expended and Encumbered</u>
<b>GENERAL GOVERNMENT</b>					
<u>Mayor &amp; City Council</u>					
MAYOR & CITY COUNCIL	770,723	738,660	3,191	28,872	96.3%
ARTS AND COMMUNITY PROMOTIONS	-	5,000	-	(5,000)	100.0%
<i>Total</i>	<u>770,723</u>	<u>743,660</u>	<u>3,191</u>	<u>23,872</u>	<u>96.9%</u>
<u>City Attorney</u>					
CITY ATTORNEY	2,129,254	2,083,451	11,031	34,772	98.4%
<i>Total</i>	<u>2,129,254</u>	<u>2,083,451</u>	<u>11,031</u>	<u>34,772</u>	<u>98.4%</u>
<u>Administration</u>					
CITY ADMINISTRATOR	1,587,391	1,517,448	8,000	61,943	96.1%
CITY TV	558,637	520,336	23,602	14,699	97.4%
<i>Total</i>	<u>2,146,028</u>	<u>2,037,785</u>	<u>31,602</u>	<u>76,641</u>	<u>96.4%</u>
<u>Administrative Services</u>					
CITY CLERK	475,090	471,928	83	3,079	99.4%
ELECTIONS	300,000	200,331	-	99,669	66.8%
HUMAN RESOURCES	1,412,691	1,205,261	5,801	201,629	85.7%
EMPLOYEE DEVELOPMENT	14,447	11,573	-	2,874	80.1%
<i>Total</i>	<u>2,202,228</u>	<u>1,889,094</u>	<u>5,884</u>	<u>307,251</u>	<u>86.0%</u>
<u>Finance</u>					
ADMINISTRATION	221,336	235,965	4,168	(18,797)	108.5%
REVENUE & CASH MANAGEMENT	510,731	465,626	17,600	27,505	94.6%
CASHIERING & COLLECTION	458,460	459,796	-	(1,336)	100.3%
LICENSES & PERMITS	469,695	471,911	10,807	(13,023)	102.8%
BUDGET MANAGEMENT	430,198	420,212	-	9,986	97.7%
ACCOUNTING	624,561	608,756	7,557	8,248	98.7%
PAYROLL	294,274	290,998	-	3,276	98.9%
ACCOUNTS PAYABLE	226,149	224,236	-	1,913	99.2%
CITY BILLING & CUSTOMER SERVICE	681,888	648,661	51,102	(17,875)	102.6%
PURCHASING	639,289	596,235	833	42,221	93.4%
CENTRAL WAREHOUSE	170,978	169,670	207	1,102	99.4%
MAIL SERVICES	109,740	107,948	207	1,585	98.6%
<i>Total</i>	<u>4,837,299</u>	<u>4,700,012</u>	<u>92,481</u>	<u>44,806</u>	<u>99.1%</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>12,085,532</u>	<u>11,454,001</u>	<u>144,188</u>	<u>487,342</u>	<u>96.0%</u>
<b>PUBLIC SAFETY</b>					
<u>Police</u>					
CHIEF'S STAFF	1,051,028	1,105,767	-	(54,739)	105.2%
SUPPORT SERVICES	723,647	727,451	364	(4,168)	100.6%
RECORDS BUREAU	1,293,046	1,257,086	8,545	27,414	97.9%

**CITY OF SANTA BARBARA**  
**General Fund**  
**Interim Statement of Appropriations, Expenditures and Encumbrances**  
**For the Twelve Months Ended June 30, 2014 (100% of Fiscal Year)**

	<u>Annual Budget</u>	<u>YTD Actual</u>	<u>Encum- brances</u>	<u>Remaining Balance</u>	<u>YTD Expended and Encumbered</u>
<b>PUBLIC SAFETY</b>					
<u>Police</u>					
ADMIN SERVICES	1,055,911	1,006,876	13,306	35,729	96.6%
PROPERTY ROOM	213,001	184,204	-	28,797	86.5%
TRAINING/RECRUITMENT	483,113	442,729	15,080	25,304	94.8%
RANGE	1,272,799	1,271,826	12,026	(11,053)	100.9%
COMMUNITY & MEDIA RELATIONS	858,553	904,292	-	(45,739)	105.3%
INFORMATION TECHNOLOGY	1,185,630	1,179,400	7,874	(1,644)	100.1%
INVESTIGATIVE DIVISION	4,978,937	5,168,760	-	(189,823)	103.8%
CRIME LAB	155,092	139,959	-	15,133	90.2%
PATROL DIVISION	15,757,918	15,787,420	23,411	(52,913)	100.3%
TRAFFIC	1,411,082	1,395,360	-	15,722	98.9%
SPECIAL EVENTS	831,095	968,318	-	(137,223)	116.5%
TACTICAL PATROL FORCE	1,497,838	1,341,263	-	156,575	89.5%
STREET SWEEPING ENFORCEMENT	340,916	339,488	-	1,428	99.6%
NIGHT LIFE ENFORCEMENT	301,944	325,867	-	(23,923)	107.9%
PARKING ENFORCEMENT	989,866	986,615	-	3,251	99.7%
COMBINED COMMAND CENTER	2,462,970	2,205,043	-	257,927	89.5%
ANIMAL CONTROL	658,550	559,600	-	98,950	85.0%
<i>Total</i>	<u>37,522,935</u>	<u>37,297,324</u>	<u>80,606</u>	<u>145,004</u>	99.6%
<u>Fire</u>					
ADMINISTRATION	816,274	809,268	1,921	5,085	99.4%
EMERGENCY SERVICES AND PUBLIC ED	294,891	287,280	-	7,611	97.4%
PREVENTION	1,118,386	1,148,219	-	(29,833)	102.7%
WILDLAND FIRE MITIGATION PROGRAM	194,013	188,521	1,800	3,693	98.1%
OPERATIONS	18,069,121	18,575,653	25,561	(532,093)	102.9%
ARFF	1,860,354	1,781,807	-	78,547	95.8%
<i>Total</i>	<u>22,353,039</u>	<u>22,790,747</u>	<u>29,282</u>	<u>(466,990)</u>	102.1%
<b>TOTAL PUBLIC SAFETY</b>	<u>59,875,974</u>	<u>60,088,072</u>	<u>109,888</u>	<u>(321,985)</u>	100.5%
<b>PUBLIC WORKS</b>					
<u>Public Works</u>					
ADMINISTRATION	1,049,511	896,714	4,619	148,178	85.9%
ENGINEERING SVCS	4,871,823	4,702,447	2,713	166,663	96.6%
PUBLIC RT OF WAY MGMT	1,042,862	1,013,696	5,510	23,656	97.7%
ENVIRONMENTAL PROGRAMS	507,253	334,912	82,833	89,508	82.4%
<i>Total</i>	<u>7,471,449</u>	<u>6,947,769</u>	<u>95,675</u>	<u>428,005</u>	94.3%
<b>TOTAL PUBLIC WORKS</b>	<u>7,471,449</u>	<u>6,947,769</u>	<u>95,675</u>	<u>428,005</u>	94.3%
<b>COMMUNITY SERVICES</b>					
<u>Parks &amp; Recreation</u>					
REC PROGRAM MGMT	748,170	675,935	-	72,235	90.3%

**CITY OF SANTA BARBARA**  
**General Fund**  
**Interim Statement of Appropriations, Expenditures and Encumbrances**  
**For the Twelve Months Ended June 30, 2014 (100% of Fiscal Year)**

	Annual Budget	YTD Actual	Encum- brances	Remaining Balance	YTD Expended and Encumbered
<b>COMMUNITY SERVICES</b>					
<u>Parks &amp; Recreation</u>					
FACILITIES & SPECIAL EVENTS	784,564	753,824	-	30,740	96.1%
YOUTH ACTIVITIES	900,541	979,116	-	(78,575)	108.7%
ACTIVE ADULTS	716,529	694,248	-	22,281	96.9%
AQUATICS	1,263,670	1,238,894	9,672	15,104	98.8%
SPORTS	540,018	571,577	-	(31,558)	105.8%
TENNIS	276,873	270,655	-	6,218	97.8%
NEIGHBORHOOD & OUTREACH SERV	1,038,248	1,102,105	-	(63,857)	106.2%
ADMINISTRATION	643,802	670,335	8,407	(34,940)	105.4%
PROJECT MANAGEMENT TEAM	366,272	309,885	2,576	53,811	85.3%
BUSINESS SERVICES	6,082	1,298	-	4,785	21.3%
PARK OPERATIONS MANAGEMENT	953,835	918,291	750	34,794	96.4%
GROUNDS & FACILITIES MAINTENANCE	4,698,526	4,471,683	173,859	52,985	98.9%
FORESTRY	1,243,687	1,207,362	8,816	27,509	97.8%
BEACH MAINTENANCE	157,332	142,197	10,572	4,563	97.1%
MEDIANS PARKWAYS & CONTRACTS	-	-	15,164	(15,164)	100.0%
<i>Total</i>	<u>14,338,150</u>	<u>14,007,404</u>	<u>229,817</u>	<u>100,929</u>	<u>99.3%</u>
 <u>Library</u>					
ADMINISTRATION	460,433	457,695	-	2,738	99.4%
PUBLIC SERVICES	2,607,620	2,516,818	-	90,802	96.5%
SUPPORT SERVICES	1,617,031	1,653,255	16,389	(52,612)	103.3%
<i>Total</i>	<u>4,685,085</u>	<u>4,627,768</u>	<u>16,389</u>	<u>40,928</u>	<u>99.1%</u>
<b>TOTAL COMMUNITY SERVICES</b>	<u>19,023,234</u>	<u>18,635,172</u>	<u>246,205</u>	<u>141,857</u>	<u>99.3%</u>
 <b>COMMUNITY DEVELOPMENT</b>					
<u>Community Development</u>					
ADMINISTRATION	551,107	504,198	52	46,857	91.5%
ECONOMIC DEVELOPMENT	48,420	42,507	-	5,913	87.8%
CITY ARTS ADVISORY PROGRAM	437,260	437,260	-	-	100.0%
RENTAL HOUSING MEDIATION	249,060	188,927	-	60,132	75.9%
HUMAN SERVICES	821,025	814,852	4,250	1,923	99.8%
HOUSING PRESERVATION AND DEV	59,645	21,866	37,784	(5)	100.0%
LONG RANGE PLAN & SPEC STUDY	905,914	794,758	20,036	91,120	89.9%
DEVEL & ENVIRONMENTAL REVIEW	1,350,777	1,269,951	209	80,617	94.0%
ZONING INFO & ENFORCEMENT	1,264,867	1,218,955	2,275	43,637	96.6%
DESIGN REV & HIST PRESERVATION	1,100,803	1,030,227	91	70,484	93.6%
BLDG INSP & CODE ENFORCEMENT	1,147,440	1,069,605	12	77,823	93.2%
RECORDS ARCHIVES & CLER SVCS	563,562	521,020	6,567	35,975	93.6%
BLDG COUNTER & PLAN REV SVCS	1,302,478	1,255,834	2,405	44,239	96.6%
<i>Total</i>	<u>9,802,357</u>	<u>9,169,960</u>	<u>73,681</u>	<u>558,716</u>	<u>94.3%</u>
<b>TOTAL COMMUNITY DEVELOPMENT</b>	<u>9,802,357</u>	<u>9,169,960</u>	<u>73,681</u>	<u>558,716</u>	<u>94.3%</u>

**CITY OF SANTA BARBARA**  
**General Fund**  
**Interim Statement of Appropriations, Expenditures and Encumbrances**  
**For the Twelve Months Ended June 30, 2014 (100% of Fiscal Year)**

	<u>Annual Budget</u>	<u>YTD Actual</u>	<u>Encum- brances</u>	<u>Remaining Balance</u>	<u>YTD Expended and Encumbered</u>
<b>NON-DEPARTMENTAL</b>					
<u>Non-Departmental</u>					
DUES, MEMBERSHIPS, & LICENSES	22,272	23,940	-	(1,668)	107.5%
TRANSFERS OUT	43,500	43,500	-	-	100.0%
<b>NON-DEPARTMENTAL</b>					
<u>Non-Departmental</u>					
DEBT SERVICE TRANSFERS	350,746	322,078	-	28,668	91.8%
CAPITAL OUTLAY TRANSFER	1,000,000	1,000,000	-	-	100.0%
APPROP.RESERVE	359,658	-	-	359,658	0.0%
NON-DEPT - COMMUNITY PROMOTIONS	2,028,008	2,007,641	-	20,367	99.0%
<i>Total</i>	<u>3,804,184</u>	<u>3,397,159</u>	<u>-</u>	<u>407,024</u>	<u>89.3%</u>
<b>TOTAL NON-DEPARTMENTAL</b>	<u>3,804,184</u>	<u>3,397,159</u>	<u>-</u>	<u>407,024</u>	<u>89.3%</u>
<b>TOTAL EXPENDITURES</b>	<u>112,062,731</u>	<u>109,692,133</u>	<u>669,638</u>	<u>1,700,959</u>	<u>98.5%</u>

*\*\* The legal level of budgetary control is at the department level for the General Fund. Therefore, as long as the department as a whole is within budget, budgetary compliance has been achieved. The City actively monitors the budget status of each department and takes measures to address potential over budget situations before they occur.*

*For Enterprise and Internal Service Funds, the level of budgetary control is at the fund level. The City also monitors and addresses these fund types for potential over budget situations.*

**CITY OF SANTA BARBARA**  
**Interim Statement of Revenues and Expenditures**  
**Special Revenue Funds**  
**For the Twelve Months Ended June 30, 2014 (100% of Fiscal Year)**

	<u>Annual Budget</u>	<u>YTD Actual</u>	<u>Encum- brances</u>	<u>Remaining Balance</u>	<u>Percent of Budget</u>
<b>TRAFFIC SAFETY FUND</b>					
Revenue	506,204	580,151	-	(73,947)	114.6%
Expenditures	<u>506,204</u>	<u>580,151</u>	<u>-</u>	<u>(73,947)</u>	114.6%
<i>Revenue Less Expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>CREEK RESTORATION/WATER QUALITY IMPRVMT</b>					
Revenue	3,367,572	3,464,352	-	(96,780)	102.9%
Expenditures	<u>5,433,182</u>	<u>4,651,150</u>	<u>201,822</u>	<u>580,210</u>	89.3%
<i>Revenue Less Expenditures</i>	<u>(2,065,610)</u>	<u>(1,186,798)</u>	<u>(201,822)</u>	<u>(676,990)</u>	
<b>COMMUNITY DEVELOPMENT BLOCK GRANT</b>					
Revenue	1,853,369	1,074,163	-	779,206	58.0%
Expenditures	<u>2,167,813</u>	<u>1,044,459</u>	<u>17,893</u>	<u>1,105,460</u>	49.0%
<i>Revenue Less Expenditures</i>	<u>(314,444)</u>	<u>29,704</u>	<u>(17,893)</u>	<u>(326,255)</u>	
<b>COUNTY LIBRARY</b>					
Revenue	2,017,383	2,077,184	-	(59,801)	103.0%
Expenditures	<u>2,234,214</u>	<u>2,065,199</u>	<u>2,060</u>	<u>166,955</u>	92.5%
<i>Revenue Less Expenditures</i>	<u>(216,831)</u>	<u>11,985</u>	<u>(2,060)</u>	<u>(226,756)</u>	
<b>STREETS FUND</b>					
Revenue	14,746,123	14,716,639	-	29,484	99.8%
Expenditures	<u>19,205,075</u>	<u>11,079,132</u>	<u>3,164,044</u>	<u>4,961,898</u>	74.2%
<i>Revenue Less Expenditures</i>	<u>(4,458,952)</u>	<u>3,637,507</u>	<u>(3,164,044)</u>	<u>(4,932,415)</u>	
<b>MEASURE A</b>					
Revenue	3,411,416	3,442,166	-	(30,750)	100.9%
Expenditures	<u>4,761,898</u>	<u>3,153,775</u>	<u>1,162,223</u>	<u>445,900</u>	90.6%
<i>Revenue Less Expenditures</i>	<u>(1,350,482)</u>	<u>288,391</u>	<u>(1,162,223)</u>	<u>(476,650)</u>	

**CITY OF SANTA BARBARA**  
**Interim Statement of Revenues and Expenditures**  
**For the Twelve Months Ended June 30, 2014 (100% of Fiscal Year)**

**SOLID WASTE FUND**

	<u>Annual Budget</u>	<u>YTD Actual</u>	<u>Encum- brances</u>	<u>Remaining Balance</u>	<u>Percent of Budget</u>
<b>REVENUES</b>					
Service charges	19,399,527	19,889,577	-	(490,050)	102.5%
Other Fees & Charges	474,816	539,553	-	(64,737)	113.6%
Grants	20,000	23,654	-	(3,654)	118.3%
Miscellaneous	233,100	236,616	-	(3,516)	101.5%
<b>TOTAL REVENUES</b>	<u>20,127,443</u>	<u>20,689,401</u>	<u>-</u>	<u>(561,958)</u>	<u>102.8%</u>
<b>EXPENSES</b>					
Salaries & Benefits	819,688	803,217	-	16,471	98.0%
Materials, Supplies & Services	18,700,727	18,412,836	140,315	147,576	99.2%
Special Projects	585,988	557,697	8,953	19,338	96.7%
Transfers-Out	50,000	50,000	-	-	100.0%
Capital Outlay Transfers	17,556	17,556	-	-	100.0%
Equipment	13,709	11,556	-	2,153	84.3%
Capitalized Fixed Assets	10,000	-	-	10,000	0.0%
Other	50,000	-	-	50,000	0.0%
<b>TOTAL EXPENSES</b>	<u>20,247,668</u>	<u>19,852,861</u>	<u>149,268</u>	<u>245,539</u>	<u>98.8%</u>

**CITY OF SANTA BARBARA**  
**Interim Statement of Revenues and Expenditures**  
**For the Twelve Months Ended June 30, 2014 (100% of Fiscal Year)**

**WATER OPERATING FUND**

	<u>Annual Budget</u>	<u>YTD Actual</u>	<u>Encum- brances</u>	<u>Remaining Balance</u>	<u>Percent of Budget</u>
<b>REVENUES</b>					
Water Sales- Metered	32,300,000	33,296,287	-	(996,287)	103.1%
Service Charges	506,500	624,169	-	(117,669)	123.2%
Cater JPA Treatment Charges	2,467,510	1,907,084	-	560,426	77.3%
Investment Income	534,400	544,344	-	(9,944)	101.9%
Rents & Concessions	22,872	22,872	-	-	100.0%
Reimbursements	673,153	490,269	-	182,885	72.8%
Miscellaneous	20,000	86,059	-	(66,059)	430.3%
Operating Transfers-In	185,000	185,000	-	-	100.0%
<b>TOTAL REVENUES</b>	<u>36,709,435</u>	<u>37,156,084</u>	<u>-</u>	<u>(446,649)</u>	<u>101.2%</u>
<b>EXPENSES</b>					
Salaries & Benefits	8,318,512	7,819,151	-	499,361	94.0%
Materials, Supplies & Services	10,521,198	7,855,725	853,024	1,812,448	82.8%
Special Projects	1,105,856	443,012	72,099	590,745	46.6%
Water Purchases	8,016,230	7,568,604	111,462	336,164	95.8%
Debt Service	5,566,589	3,912,189	-	1,654,400	70.3%
Capital Outlay Transfers	11,189,231	11,189,231	-	-	100.0%
Equipment	146,195	77,629	42,153	26,413	81.9%
Capitalized Fixed Assets	132,839	84,343	7,875	40,621	69.4%
Other	32,775	24,957	-	7,818	76.1%
Appropriated Reserve	150,000	-	-	150,000	0.0%
<b>TOTAL EXPENSES</b>	<u>45,179,425</u>	<u>38,974,841</u>	<u>1,086,613</u>	<u>5,117,971</u>	<u>88.7%</u>

NOTE-These figures reflect the operating fund only. Though the capital fund is excluded, the current year contribution from the operating fund is shown in the Capital Transfers.

**CITY OF SANTA BARBARA**  
**Interim Statement of Revenues and Expenditures**  
**For the Twelve Months Ended June 30, 2014 (100% of Fiscal Year)**

**WASTEWATER OPERATING FUND**

	<u>Annual Budget</u>	<u>YTD Actual</u>	<u>Encum- brances</u>	<u>Remaining Balance</u>	<u>Percent of Budget</u>
<b>REVENUES</b>					
Service Charges	16,997,000	17,235,843	-	(238,843)	101.4%
Fees	692,579	754,734	-	(62,155)	109.0%
Investment Income	150,900	161,116	-	(10,216)	106.8%
Rents & Concessions	32,000	15,650	-	16,350	48.9%
Miscellaneous	35,000	23,928	-	11,072	68.4%
<b>TOTAL REVENUES</b>	<u>17,907,479</u>	<u>18,191,272</u>	<u>-</u>	<u>(283,793)</u>	<u>101.6%</u>
<b>EXPENSES</b>					
Salaries & Benefits	5,630,999	5,153,522	-	477,477	91.5%
Materials, Supplies & Services	6,852,640	6,218,838	593,975	39,827	99.4%
Special Projects	465,500	113,708	124,982	226,810	51.3%
Debt Service	1,668,096	1,431,361	-	236,735	85.8%
Capital Outlay Transfers	4,154,727	4,154,727	-	-	100.0%
Equipment	97,044	58,296	1,568	37,179	61.7%
Capitalized Fixed Assets	26,000	24,200	-	1,800	93.1%
Other	3,000	1,000	-	2,000	33.3%
Appropriated Reserve	150,000	-	-	150,000	0.0%
<b>TOTAL EXPENSES</b>	<u>19,048,005</u>	<u>17,155,652</u>	<u>720,525</u>	<u>1,171,829</u>	<u>93.8%</u>

NOTE-These figures reflect the operating fund only. Though the capital fund is excluded, the current year contribution from the operating fund is shown in the Capital Transfers.

**CITY OF SANTA BARBARA**  
**Interim Statement of Revenues and Expenditures**  
**For the Twelve Months Ended June 30, 2014 (100% of Fiscal Year)**

***DOWNTOWN PARKING FUND***

	<u>Annual Budget</u>	<u>YTD Actual</u>	<u>Encum- brances</u>	<u>Remaining Balance</u>	<u>Percent of Budget</u>
<b>REVENUES</b>					
Improvement Tax	875,000	1,009,607	-	(134,607)	115.4%
Parking Fees	6,313,084	6,824,016	-	(510,932)	108.1%
Other Fees & Charges	1,000	2,853	-	(1,853)	285.3%
Investment Income	98,200	101,968	-	(3,768)	103.8%
Rents & Concessions	88,925	71,873	-	17,052	80.8%
Miscellaneous	1,000	41,996	-	(40,996)	4199.6%
Operating Transfers-In	43,500	43,500	-	-	100.0%
<b>TOTAL REVENUES</b>	<u>7,420,709</u>	<u>8,095,813</u>	<u>-</u>	<u>(675,104)</u>	<u>109.1%</u>
<b>EXPENSES</b>					
Salaries & Benefits	4,049,433	3,992,438	-	56,995	98.6%
Materials, Supplies & Services	2,108,134	1,872,344	6,417	229,372	89.1%
Special Projects	531,852	504,431	9,995	17,426	96.7%
Transfer-Out	328,908	328,908	-	-	100.0%
Capital Outlay Transfers	1,507,753	1,507,753	-	-	100.0%
Equipment	25,000	9,569	2,470	12,961	48.2%
Appropriated Reserve	50,000	-	-	50,000	0.0%
<b>TOTAL EXPENSES</b>	<u>8,601,079</u>	<u>8,215,444</u>	<u>18,882</u>	<u>366,754</u>	<u>95.7%</u>

NOTE-These figures reflect the operating fund only. Though the capital fund is excluded, the current year contribution from the operating fund is shown in the Capital Transfers.

**CITY OF SANTA BARBARA**  
**Interim Statement of Revenues and Expenditures**  
**For the Twelve Months Ended June 30, 2014 (100% of Fiscal Year)**

**AIRPORT OPERATING FUND**

	<u>Annual Budget</u>	<u>YTD Actual</u>	<u>Encum- brances</u>	<u>Remaining Balance</u>	<u>Percent of Budget</u>
<b>REVENUES</b>					
Leases-Commercial/Industrial	4,472,500	4,190,885	-	281,615	93.7%
Leases-Terminal	5,189,964	4,980,946	-	209,018	96.0%
Leases-Non-Commercial Aviation	1,895,929	1,714,470	-	181,459	90.4%
Leases-Commercial Aviation	3,939,000	4,278,204	-	(339,204)	108.6%
Investment Income	111,100	119,140	-	(8,040)	107.2%
Miscellaneous	142,600	214,133	-	(71,533)	150.2%
<b>TOTAL REVENUES</b>	<u>15,751,093</u>	<u>15,497,778</u>	<u>-</u>	<u>253,315</u>	<u>98.4%</u>
<b>EXPENSES</b>					
Salaries & Benefits	5,500,302	5,053,075	-	447,227	91.9%
Materials, Supplies & Services	7,748,566	7,393,916	109,133	245,517	96.8%
Special Projects	563,000	464,952	-	98,048	82.6%
Transfer-Out	19,728	19,728	-	-	100.0%
Debt Service	1,817,106	1,823,905	-	(6,799)	100.4%
Capital Outlay Transfers	744,632	744,632	-	-	100.0%
Equipment	82,358	50,406	13,734	18,218	77.9%
Appropriated Reserve	95,839	-	-	95,839	0.0%
<b>TOTAL EXPENSES</b>	<u>16,571,531</u>	<u>15,550,615</u>	<u>122,867</u>	<u>898,049</u>	<u>94.6%</u>

NOTE-These figures reflect the operating fund only. Though the capital fund is excluded, the current year contribution from the operating fund is shown in the Capital Transfers.

**CITY OF SANTA BARBARA**  
**Interim Statement of Revenues and Expenditures**  
**For the Twelve Months Ended June 30, 2014 (100% of Fiscal Year)**

**GOLF COURSE FUND**

	<u>Annual Budget</u>	<u>YTD Actual</u>	<u>Encum- brances</u>	<u>Remaining Balance</u>	<u>Percent of Budget</u>
<b>REVENUES</b>					
Fees & Card Sales	1,739,239	1,664,726	-	74,513	95.7%
Investment Income	8,800	9,519	-	(719)	108.2%
Rents & Concessions	332,520	328,701	-	3,819	98.9%
Miscellaneous	27,900	37,948	-	(10,048)	136.0%
<b>TOTAL REVENUES</b>	<u>2,108,459</u>	<u>2,040,894</u>	<u>-</u>	<u>67,565</u>	<u>96.8%</u>
<b>EXPENSES</b>					
Salaries & Benefits	1,022,332	1,062,931	-	(40,599)	104.0%
Materials, Supplies & Services	620,507	569,154	-	51,353	91.7%
Debt Service	245,698	274,559	-	(28,861)	111.7%
Capital Outlay Transfers	214,486	214,486	-	-	100.0%
Equipment	3,000	-	-	3,000	0.0%
Other	900	864	-	36	96.0%
<b>TOTAL EXPENSES</b>	<u>2,106,923</u>	<u>2,121,993</u>	<u>-</u>	<u>(15,070)</u>	<u>100.7%</u>

NOTE-These figures reflect the operating fund only. Though the capital fund is excluded, the current year contribution from the operating fund is shown in the Capital Transfers.

**CITY OF SANTA BARBARA**  
**Interim Statement of Revenues and Expenditures**  
**For the Twelve Months Ended June 30, 2014 (100% of Fiscal Year)**

**INTRA-CITY SERVICE FUND**

	<u>Annual Budget</u>	<u>YTD Actual</u>	<u>Encum- brances</u>	<u>Remaining Balance</u>	<u>Percent of Budget</u>
<b>REVENUES</b>					
Service Charges	2,530,773	2,530,773	-	-	100.0%
Work Orders - Bldg Maint.	2,592,140	2,354,361	-	237,779	90.8%
Grants	120,449	92,922	-	27,527	77.1%
Miscellaneous	361,600	43,899	-	317,701	12.1%
<b>TOTAL REVENUES</b>	<u>5,604,962</u>	<u>5,021,955</u>	<u>-</u>	<u>583,007</u>	89.6%
<b>EXPENSES</b>					
Salaries & Benefits	3,462,955	3,309,174	-	153,781	95.6%
Materials, Supplies & Services	1,460,873	1,483,149	11,478	(33,754)	102.3%
Special Projects	940,978	864,774	51,422	24,782	97.4%
Equipment	15,000	3,000	-	12,000	20.0%
Capitalized Fixed Assets	31,882	19,649	3,349	8,883	72.1%
<b>TOTAL EXPENSES</b>	<u>5,911,688</u>	<u>5,679,747</u>	<u>66,249</u>	<u>165,692</u>	97.2%

**CITY OF SANTA BARBARA**  
**Interim Statement of Revenues and Expenditures**  
**For the Twelve Months Ended June 30, 2014 (100% of Fiscal Year)**

**FLEET REPLACEMENT FUND**

	<u>Annual Budget</u>	<u>YTD Actual</u>	<u>Encum- brances</u>	<u>Remaining Balance</u>	<u>Percent of Budget</u>
<b>REVENUES</b>					
Vehicle Rental Charges	2,228,805	2,228,805	-	-	100.0%
Investment Income	122,300	122,004	-	296	99.8%
Rents & Concessions	233,978	233,978	-	-	100.0%
Miscellaneous	173,118	59,770	-	113,348	34.5%
<b>TOTAL REVENUES</b>	<u>2,758,201</u>	<u>2,644,557</u>	<u>-</u>	<u>113,644</u>	95.9%
<b>EXPENSES</b>					
Salaries & Benefits	193,629	182,455	-	11,175	94.2%
Materials, Supplies & Services	3,061	3,006	-	55	98.2%
Special Projects	1,161,400	29,543	-	1,131,857	2.5%
Capitalized Fixed Assets	3,776,901	1,323,169	2,067,148	386,584	89.8%
<b>TOTAL EXPENSES</b>	<u>5,134,991</u>	<u>1,538,172</u>	<u>2,067,148</u>	<u>1,529,671</u>	70.2%

**CITY OF SANTA BARBARA**  
**Interim Statement of Revenues and Expenditures**  
**For the Twelve Months Ended June 30, 2014 (100% of Fiscal Year)**

**FLEET MAINTENANCE FUND**

	<u>Annual Budget</u>	<u>YTD Actual</u>	<u>Encum- brances</u>	<u>Remaining Balance</u>	<u>Percent of Budget</u>
<b>REVENUES</b>					
Vehicle Maintenance Charges	2,463,432	2,463,432	-	-	100.0%
Reimbursements	10,000	10,000	-	-	100.0%
Miscellaneous	103,070	145,734	-	(42,664)	141.4%
<b>TOTAL REVENUES</b>	<u>2,576,502</u>	<u>2,619,166</u>	<u>-</u>	<u>(42,664)</u>	101.7%
<b>EXPENSES</b>					
Salaries & Benefits	1,280,067	1,197,627	-	82,440	93.6%
Materials, Supplies & Services	1,181,623	1,063,582	30,338	87,703	92.6%
Special Projects	64,663	27,688	1,300	35,674	44.8%
Debt Service	43,070	43,070	-	-	100.0%
Equipment	15,800	12,990	-	2,810	82.2%
Capitalized Fixed Assets	48,623	42,566	8,106	(2,049)	104.2%
Appropriated Reserve	16,893	-	-	16,893	0.0%
<b>TOTAL EXPENSES</b>	<u>2,650,738</u>	<u>2,387,523</u>	<u>39,744</u>	<u>223,471</u>	91.6%

**CITY OF SANTA BARBARA**  
**Interim Statement of Revenues and Expenditures**  
**For the Twelve Months Ended June 30, 2014 (100% of Fiscal Year)**

**SELF INSURANCE TRUST FUND**

	<u>Annual Budget</u>	<u>YTD Actual</u>	<u>Encum- brances</u>	<u>Remaining Balance</u>	<u>Percent of Budget</u>
<b>REVENUES</b>					
Insurance Premiums	2,756,112	2,756,112	-	-	100.0%
Workers' Compensation Premiums	2,950,702	2,950,702	-	-	100.0%
OSH Charges	193,833	193,833	-	-	100.0%
Investment Income	60,300	48,759	-	11,541	80.9%
Miscellaneous	-	40,728	-	(40,728)	100.0%
<b>TOTAL REVENUES</b>	<u>5,960,947</u>	<u>5,990,134</u>	<u>-</u>	<u>(29,187)</u>	100.5%
<b>EXPENSES</b>					
Salaries & Benefits	538,662	453,494	-	85,169	84.2%
Materials, Supplies & Services	5,483,919	5,705,166	129,366	(350,613)	106.4%
Special Projects	100	-	-	100	0.0%
Equipment	66	66	-	-	100.0%
<b>TOTAL EXPENSES</b>	<u>6,022,747</u>	<u>6,158,725</u>	<u>129,366</u>	<u>(265,344)</u>	104.4%

The Self Insurance Trust Fund is an internal service fund of the City, which accounts for the cost of providing workers' compensation, property and liability insurance as well as unemployment insurance and certain self-insured employee benefits on a city-wide basis. Internal Service Funds charge other funds for the cost of providing their specific services.

**CITY OF SANTA BARBARA**  
**Interim Statement of Revenues and Expenditures**  
**For the Twelve Months Ended June 30, 2014 (100% of Fiscal Year)**

**INFORMATION SYSTEMS ICS FUND**

	<u>Annual Budget</u>	<u>YTD Actual</u>	<u>Encum- brances</u>	<u>Remaining Balance</u>	<u>Percent of Budget</u>
<b>REVENUES</b>					
Service charges	2,514,997	2,514,997	-	-	100.0%
<b>TOTAL REVENUES</b>	<u>2,514,997</u>	<u>2,514,997</u>	<u>-</u>	<u>-</u>	<u>100.0%</u>
<b>EXPENSES</b>					
Salaries & Benefits	1,591,218	1,591,188	-	30	100.0%
Materials, Supplies & Services	984,806	846,725	43,556	94,525	90.4%
Special Projects	18,500	305	-	18,195	1.6%
Capital Outlay Transfers	212,000	212,000	-	-	100.0%
Equipment	23,484	22,190	-	1,294	94.5%
Capital Fixed Assets	123,000	121,781	-	1,219	99.0%
Appropriated Reserve	12,586	-	-	12,586	0.0%
<b>TOTAL EXPENSES</b>	<u>2,965,594</u>	<u>2,794,188</u>	<u>43,556</u>	<u>127,850</u>	<u>95.7%</u>

NOTE-These figures reflect the operating fund only. Though the capital fund is excluded, the current year contribution from the operating fund is shown in the Capital Transfers.

**CITY OF SANTA BARBARA**  
**Interim Statement of Revenues and Expenditures**  
**For the Twelve Months Ended June 30, 2014 (100% of Fiscal Year)**

**WATERFRONT FUND**

	<u>Annual Budget</u>	<u>YTD Actual</u>	<u>Encum- brances</u>	<u>Remaining Balance</u>	<u>Percent of Budget</u>
<b>REVENUES</b>					
Leases - Commercial	1,373,772	1,467,157	-	(93,385)	106.8%
Leases - Food Service	2,641,800	2,977,798	-	(335,998)	112.7%
Slip Rental Fees	4,122,293	4,138,316	-	(16,023)	100.4%
Visitors Fees	450,000	454,520	-	(4,520)	101.0%
Slip Transfer Fees	525,000	672,450	-	(147,450)	128.1%
Parking Revenue	2,009,800	2,492,160	-	(482,360)	124.0%
Wharf Parking	250,000	277,482	-	(27,482)	111.0%
Other Fees & Charges	236,435	252,421	-	(15,986)	106.8%
Investment Income	137,700	142,375	-	(4,675)	103.4%
Rents & Concessions	306,267	317,498	-	(11,231)	103.7%
Miscellaneous	392,000	719,572	-	(327,572)	183.6%
<b>TOTAL REVENUES</b>	<u>12,445,067</u>	<u>13,911,749</u>	<u>-</u>	<u>(1,466,682)</u>	<u>111.8%</u>
<b>EXPENSES</b>					
Salaries & Benefits	5,866,308	5,661,758	-	204,550	96.5%
Materials, Supplies & Services	4,015,598	3,785,880	189,575	40,143	99.0%
Special Projects	190,438	163,750	-	26,688	86.0%
Debt Service	1,843,880	2,316,955	-	(473,075)	125.7%
Capital Outlay Transfers	1,544,155	1,544,155	-	-	100.0%
Equipment	55,610	21,673	2,259	31,678	43.0%
Capital Fixed Assets	40,000	22,896	17,104	-	100.0%
Other	-	2,798	-	(2,798)	100.0%
Appropriated Reserve	3,000	-	-	3,000	0.0%
<b>TOTAL EXPENSES</b>	<u>13,558,989</u>	<u>13,519,865</u>	<u>208,938</u>	<u>(169,814)</u>	<u>101.3%</u>

NOTE - These figures reflect the operating fund only. Though the capital fund is excluded, the current year contribution from the operating fund is shown in the Capital Transfers.

*Fiscal Year 2014 Interim Financial Statements  
For the Year Ended June 30, 2014 (100% of Year Elapsed)*

## General Fund Revenues

The table below summarizes General Fund revenues for the year ended June 30, 2014. For interim financial statement purposes, revenues are reported on a cash basis (i.e. when the funds are received). The table below does not include year-end adjusting entries to close the books, which will occur during the next several weeks, in preparation for the annual audit and compilation of the annual financial statements. Final results will be presented in connection with the Council's review and approval of the City's Comprehensive Annual Financial Report later in the fiscal year. Major revenues and significant variances are discussed below.

<b>Summary of Revenues For the Fiscal Year Ended June 30, 2014 GENERAL FUND</b>				
<b>Current Year Analysis</b>				
	<b>Annual Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Rec'd</b>
Sales & Use Tax	\$ 21,084,894	\$ 21,323,309	\$ 238,415	101.13%
Property Tax	25,475,500	26,555,242	1,079,742	104.24%
UUT	6,975,300	7,008,202	32,902	100.47%
TOT	16,202,000	16,821,995	619,995	103.83%
Bus License	2,415,000	2,555,399	140,399	105.81%
Prop Trans Tax	537,900	668,641	130,741	124.31%
<b>Total Taxes</b>	<b>72,690,594</b>	<b>74,932,787</b>	<b>2,242,193</b>	<b>103.08%</b>
License & Permits	219,180	197,663	(21,517)	90.18%
Fines & Forfeitures	3,133,967	3,128,042	(5,925)	99.81%
Franchise Fee	3,660,300	3,822,441	162,141	104.43%
Use of Money & Property	1,072,589	1,023,195	(49,394)	95.39%
Intergovernmental	720,336	1,403,651	683,314	194.86%
Fee & Charges	19,698,939	19,406,108	(292,831)	98.51%
Miscellaneous	9,430,947	9,394,959	(35,988)	99.62%
<b>Total Other</b>	<b>37,936,258</b>	<b>38,376,058</b>	<b>439,800</b>	<b>101.16%</b>
Total Before Budgeted Variances	<b>110,626,852</b>	<b>113,308,846</b>	<b>2,681,993</b>	<b>102.42%</b>
Anticipated Year-End Var	1,200,000	-	(1,200,000)	0.00%
<b>Total Revenues</b>	<b>\$ 111,826,852</b>	<b>\$ 113,308,846</b>	<b>\$ 1,481,993</b>	<b>101.33%</b>

As seen in the table above, total revenues are approximately \$2,424,000 above the budget through June 30, 2014.

## Sales Taxes

Sales tax revenue through June 30, 2014 was \$238,415 above the budget. Sales taxes earned between April 1, 2014 and June 30, 2014 are received between July and September. Revenues for the quarter ended June 2014 were 9.1% above those from the June 2013 quarter. Sales tax revenues continue to show recovery from growth lost during the recession and have now exceeded the level of sales tax receipts in the June quarter of fiscal year 2007, which was the City's peak year for sales tax revenue.

*Fiscal Year 2014 Interim Financial Statements  
For the Year Ended June 30, 2014 (100% of Year Elapsed)*

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**Property Tax**

Property tax revenue ended the year \$1,079,743 over budget. The actual secured and unsecured property taxes exceeded staff's budgeted growth estimates based on information received by the County early in the fiscal year. Revenue growth for fiscal year 2014 was approximately 4% relative to prior year, the strongest growth since fiscal year 2008.

**Transient Occupancy Tax**

TOT revenue was \$619,995 above the budget at June 30, 2014 as shown on the table on the previous page. This 15.9% increase from the prior year is partly due to the completion of major renovations completed at high-end hotel after more than a year of construction and to unseasonably warm weather during the winter months.

**Business License Tax**

Business License revenue is \$140,399 above the budget. The budget assumed 1% earned revenue growth in Fiscal Year 2014. However, both a slight increase in business license renewals, and steady increases in revenue resulting from the business license audit program, has resulted in a 1.6% growth over the prior year.

**Property Transfer Tax**

Property Transfer Tax is derived from the sale of real property. The rate is \$0.55 per \$1,000 of value. Approximately \$1.2 billion in sales during fiscal year 2014 generated \$668,641 in revenues to the City, resulting in a \$130,741 favorable variance from budget at year-end. This 3.8% increase over the prior year is likely due to the increase in property values from prior year.

**Intergovernmental**

Intergovernmental revenue was approximately \$683,000 above budget. The largest component of intergovernmental revenue is mutual aid reimbursements received by the Fire Department for providing assistance to other agencies. The City is reimbursed for the actual costs of providing assistance plus an overhead factor. The Fire Department budgeted \$400,000 in reimbursements and has received \$1,079,421 in reimbursements as of June 30, 2014.

**Miscellaneous**

Miscellaneous revenue was approximately \$35,988 below the year-to-date budget. The table below lists the largest components of miscellaneous revenue, which includes overhead cost recovery, transfers in from the Traffic Safety Fund and Police Grants Fund, donations, administrative citations, auction revenue, City TV revenue, sale of property, insurance rebates, refunds, and other miscellaneous revenue.

***Fiscal Year 2014 Interim Financial Statements  
For the Year Ended June 30, 2014 (100% of Year Elapsed)***

Miscellaneous Revenue General Fund For the Year Ended June 30, 2014				
Type of Misc. Revenue	Annual Budget	YTD Actual	Budget Variance	Percent Received YTD
Miscellaneous Revenue	\$ 1,634,051	\$ 1,510,781	\$ (123,270)	92.5%
Transfers In	1,504,156	1,591,438	87,282	105.8%
Overhead Allocation	6,292,740	6,292,740	-	100.0%
<b>Total</b>	<b>\$ 9,430,947</b>	<b>\$ 9,394,959</b>	<b>\$ (35,988)</b>	<b>99.6%</b>

**Fees & Service Charges**

Overall, fees and service charges ended the year \$292,831 under budget. The table below provides more details on fees and service charges by department. The more significant mid-year variances are also discussed.

Fees and Service Charges General Fund For the Year Ended June 30, 2014				
Department	Annual Budget	YTD Actual	Budget Variance	Percent Received YTD
Finance	\$ 926,598	\$ 937,703	\$ 11,105	101.2%
Community Development	4,480,075	4,296,934	(183,141)	95.9%
Parks & Recreation	2,951,818	3,025,198	73,380	102.5%
Public Safety	631,938	567,506	(64,432)	89.8%
Public Works	5,661,288	5,599,902	(61,386)	98.9%
Library	753,839	757,187	3,347	100.4%
Inter-Fund Charges	4,293,383	4,221,680	(71,703)	98.3%
<b>Total</b>	<b>\$ 19,698,939</b>	<b>\$ 19,406,108</b>	<b>\$ (292,831)</b>	<b>98.5%</b>

Community Development fees are approximately \$183,000 below the year-to-date budget. This variance is largely due to slow growth in building-related activity charges, such as planning work orders fees, building permit fees.

Parks & Recreation fees are approximately \$73,000 above budget. Revenues for many recreation programs performed well, providing for a year of strong growth.

Public Safety fees and charges are approximately \$64,000 under budget. Several revenues are down slightly relative to the budget, including DUI response cost recovery, identification fees, and dismissal fees in the Police Department, and certain plan check fees in the Fire Department. In addition, Police Officer Standards and Training (POST) reimbursements for costs of training reimbursable by the State is down.

*Fiscal Year 2014 Interim Financial Statements  
For the Year Ended June 30, 2014 (100% of Year Elapsed)*

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Inter-Fund charges are \$72,000 below the budget. These charges represent reimbursements from other City funds and departments and from other governments for various services.

**Anticipated Year-End Variance**

It is important to note that the table on page 1 includes \$1,200,000 for anticipated year-end budget variances. The \$1.2 million is roughly equal to 1.1% of budgeted operating expenditures in the General Fund and, although budgeted as revenue, represents staff's estimate of the favorable expenditure variances (i.e. expenditures *under* budget) for the year. As is the case each year, the Anticipated Year-End Variance budgeted will not reflect any actual revenues, but rather favorable variances in expenditures by year-end.

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*Fiscal Year 2014 Interim Financial Statements  
For the Year Ended June 30, 2014 (100% of Year Elapsed)*

**General Fund Expenditures**

The table below summarizes the General Fund budget and year-to-date expenditures through June 30, 2014. The "Adjusted Annual Budget" column represents the adopted budget, appropriation carryovers from the prior year, and any supplemental appropriations approved by Council in the current year.

The table includes actual expenditures without encumbrances, and separate column for the variance after considering encumbrances. Outstanding encumbrances include certain appropriations that were carried forward from prior year and contracts.

SUMMARY OF EXPENDITURES GENERAL FUND For the Year Ended June 30, 2014						
Department	Adjusted Annual Budget	YTD Actual	YTD Variance Without Encumbrance	Encum- brance	YTD Variance With Encumb Favorable (Unfavorable)	
					\$	%
Mayor & Council	\$ 770,723	\$ 743,660	\$ 27,063	\$ 3,191	\$ 23,872	3.1%
City Attorney	2,129,254	2,083,451	45,803	11,031	34,772	1.6%
City Administrator	2,146,028	2,037,785	108,243	31,602	76,641	3.6%
Administrative Svs.	2,202,228	1,889,094	313,134	5,884	307,250	14.0%
Finance	4,837,299	4,700,012	137,287	92,481	44,806	0.9%
Police	37,522,935	37,297,324	225,611	80,606	145,005	0.4%
Fire	22,353,039	22,790,747	(437,708)	29,282	(466,990)	-2.1%
Public Works	7,471,449	6,947,769	523,680	95,675	428,005	5.7%
Parks & Recreation	14,338,150	14,007,404	330,746	229,817	100,929	0.7%
Library	4,685,085	4,627,768	57,317	16,389	40,928	0.9%
Community Development	9,802,357	9,169,960	632,397	73,681	558,716	5.7%
Community Prom/Gen Gov't	3,804,184	3,397,159	407,025	-	407,025	10.7%
Total	<u>\$ 112,062,731</u>	<u>\$ 109,692,133</u>	<u>\$ 2,370,598</u>	<u>\$ 669,639</u>	<u>\$ 1,700,959</u>	1.5%
<b>% of annual budget</b>		<b>97.9%</b>	<b>2.1%</b>	<b>0.6%</b>	<b>1.5%</b>	

The Adjusted Annual Budget of \$112.1 million at June 30, compared to actual expenditures of \$109.7 million, resulted in a favorable variance of approximately \$2.4 million before encumbrances. Significant variances in departments are discussed below.

**Administrative Services**

Administrative Services ended the year \$313,134 under budget. This department consists of two programs accounted for in the General Fund, Human Resources and City Clerk. The Human Resources Program ended \$200,000 below budget, primarily due to a Personnel Analyst position that was vacant all year. Finding a suitable candidate through two open recruitments has not been successful.

*Fiscal Year 2014 Interim Financial Statements  
For the Year Ended June 30, 2014 (100% of Year Elapsed)*

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The City Clerk's Office conducted the bi-annual election in November 2013 for vacant City Council seats. Staff budgets \$300,000 in every election year, even though the costs vary depending on the number of candidates and whether any other items are on the ballot. In this year, only \$200,331 of the \$300,000 was needed, resulting in savings of almost \$100,000.

### **Fire Department**

The Fire Department is over budget by \$437,708 at year end, attributable to two separate items. The first is overtime related to mutual aid calls. The level of response is difficult to predict, and staff budgets an amount approximating historical averages. This past year, due to continued dry conditions, was a high fire year. As such, the Fire Department incurred a total of \$782,409 in mutual aid costs against a budget of \$349,560, for an overage of \$432,849. These costs are more than offset by mutual aid reimbursements which, for fiscal year 2014, totaled almost \$1.1 million, exceeding budget by over \$680,000.

The Fire Department also exceeded its overtime budget by approximately \$250,000 due to a higher than expected number of injuries and family medical leave. With minimum staffing requirements, an increase in time off for injuries, sickness or other unplanned absences results in an increase in overtime costs.

### **Public Works**

The \$523,680 favorable expenditures variance is due to various factors. The largest, accounting for \$257,177 of the variance, relates to savings in salary and benefits. The savings are primarily due to the following: (1) the appointment of new Public Works Director at a lower salary than budgeted; (2) a Principal Engineer who is being paid out of the Water Fund while serving as Acting Water Resources Manager; and (3) vacant Supervising Surveyor position. The balance of savings is derived from a variety of line-items across the department, primarily in the Supplies & Services category.

### **Community Development**

The department ended the year well under budget. The \$632,397 savings were primarily attributable to the following:

1. Leave of Absences – Approximately \$90,000 in savings was realized in salaries and benefits due to a long-term leave of absence of an employee in the Long Range Planning Program.
2. Vacancies – Approximately \$271,000 in savings was the result of staff vacancies, including a Building Inspector Aide and the Community Development Director. There was also smaller savings in Plan Check hourly salaries and approximately \$60,000 in savings in the Rental Housing Mediation Program staff salaries.
3. General Savings in Supplies & Services – The department achieved approximately \$252,000 in savings across a number of line-item accounts, most notably in professional services, non-contractual services and equipment.

*Fiscal Year 2014 Interim Financial Statements  
For the Year Ended June 30, 2014 (100% of Year Elapsed)*

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**Community Promotions/General Government**

The year-end savings of \$407,025 is almost entirely due to the unspent portion of appropriated reserves. These funds, if used, are allocated to the department where the monies are needed. This year, all of the \$359,658 budgeted went unspent.

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*Fiscal Year 2014 Interim Financial Statements  
For the Year Ended June 30, 2014 (100% of Year Elapsed)*

**ENTERPRISE REVENUES AND EXPENSES ANALYSIS**

Unlike the General Fund, which relies primarily on taxes to subsidize programs and services, Enterprise Fund operations are financed primarily from user fees and other non-tax revenues. The table below summarizes Enterprise Fund revenues and expenses through June 30, 2014, with a comparison to the current year budget and prior year expenses. The expenses shown in the table do not include outstanding encumbrances at June 30, 2014. Outstanding encumbrances include appropriations that were carried forward from prior year as part of the appropriation carryovers and contracts.

<b>SUMMARY OF REVENUES &amp; EXPENSES For the Year Ended June 30, 2014 ENTERPRISE FUNDS</b>						
	<u>Current Year Analysis</u>				<u>Prior Year Analysis</u>	
	<u>Amended Budget</u>	<u>YTD Actual</u>	<u>YTD Variance</u>	<u>YTD Percent</u>	<u>YTD Actual</u>	<u>% Variance</u>
<b>Water Fund</b>						
Revenues	\$36,709,435	\$ 37,156,084	\$ 446,649	101.2%	\$ 38,936,859	-4.6%
Expenses	45,179,425	38,974,841	6,204,584	86.3%	30,926,183	26.0%
<b>Wastewater Fund</b>						
Revenues	17,907,479	18,191,272	283,793	101.6%	20,407,931	-10.9%
Expenses	19,048,005	17,155,652	1,892,353	90.1%	15,619,483	9.8%
<b>Downtown Parking Fund</b>						
Revenues	7,420,709	8,095,813	675,104	109.1%	8,209,916	-1.4%
Expenses	8,601,079	8,215,444	385,635	95.5%	7,484,514	9.8%
<b>Airport Fund</b>						
Revenues	15,751,093	15,497,778	(253,315)	98.4%	15,168,981	2.2%
Expenses	16,571,531	15,550,615	1,020,916	93.8%	15,476,398	0.5%
<b>Golf Fund</b>						
Revenues	2,108,459	2,040,894	(67,565)	96.8%	1,855,377	10.0%
Expenses	2,106,923	2,121,993	(15,070)	100.7%	1,951,485	8.7%
<b>Waterfront Fund</b>						
Revenues	12,445,067	13,911,749	1,466,682	111.8%	12,935,121	7.6%
Expenses	13,558,989	13,519,865	39,124	99.7%	12,447,394	8.6%

The following discussion highlights some of the more significant revenue and expense variances of the enterprise funds, in relation to budget or prior year.

## **Water Fund**

Water Fund revenues ended the year \$446,649 (1.2%) over budget. This is essentially in line with expectations.

Water Fund expenses ended the year \$6.2 million below budget. This large variance is attributable to two factors. The first was the delayed start up of the Ortega Groundwater Well Plant. During fiscal year 2014, the Plant was online for approximately sixty days. However, the budget for chemical and energy costs assumed the plant would be operational for most of the year. As a result, the Water Fund realized savings of \$661,952 directly related to the delays.

Another factor was the better than expected performance of the Cater ozone treatment process. When the process was activated, it required less powdered activated carbon (PAC) than anticipated, which costs approximately \$25,000 per truckload. This has resulted in savings of almost \$370,000.

The largest factor pertains to debt service. During fiscal year 2014, the 1994 Refunding Revenue Bonds were paid off, and both the 2002 Refunding Certificates of Participation (COPs) and the 2003 State loan used to fund the Sheffield Water Quality Improvement Project were refinanced through the issuance of the 2013 Refunding COPs. The combination of these debt retirements and refinancing resulted in an overall reduction in fiscal year debt service costs of \$968,204 relative to the amounts budgeted.

In addition to the savings described above, the Water Fund also realized savings in debt service costs from the delay in the completion of the Ortega Groundwater Treatment Plant project, which is funded from another State loan. During construction, only interest is paid; and when the project is complete, the loan is fully amortized to include the payment of both principal and interest. Staff expected, and therefore budgeted, the repayment of principal and interest in fiscal year 2014 based on the expected completion of the project in that same year. Due to the delays, a total of \$686,195 in debt service was not incurred in fiscal year 2014 but will be incurred starting in fiscal year 2015 when the project is expected to be completed.

Other expenditure savings in the Water Fund include the following:

- Staff vacancies stemming from turnover generated approximately \$500,000 in savings.
- Planned repairs to one of the heating, ventilation and air conditioning (HVAC) systems was delayed, saving approximately \$150,000.
- Amounts budgeted for the City's share of the Cachuma Operations and Maintenance Board (COMB) and Cachuma Conservation Release Board (CCRB) are based on preliminary budget information provided from those agencies. In fiscal year 2014, the final amounts paid to these entities, totaling approximately \$2.8 million, was \$336,164 less than budgeted.
- A groundwater management plan was expected to commence this year but has been delayed to the allocation of resources to respond to, and develop a plan for, the impacts on water supplies of the drought. The project was budgeted at \$182,000.

*Fiscal Year 2014 Interim Financial Statements  
For the Year Ended June 30, 2014 (100% of Year Elapsed)*

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- The appropriated reserve of \$150,000 was not used and therefore resulted in a corresponding saving.

### **Wastewater Fund**

Wastewater Fund revenues ended the year \$283,793 (1.6%) over budget. Given that these budget estimates were developed almost 1 ½ years earlier, this variance is well within a reasonable margin of error.

The \$1.9 million savings (excluding \$451,770 in encumbrances) in expenses relative to the budget is attributable to several factors.

- Staff budgeted debt service costs for a new State Revolving Loan to fund the Fats, Oil and Grease Project and the Headworks Screening Project. However, repayment of the principal on the loan will not begin until fiscal year 2015, resulting in savings of \$150,000.
- There was a fair amount of turnover in staff during the year that led to periods of vacancies, resulting in \$477,477 in savings.
- \$150,000 in appropriated reserves was not used during the year.
- In Wastewater Treatment, only \$113,544 was spent on two special projects totaling \$350,000. One of the projects related to the City's Industrial Waste Pretreatment Program. This effort was not started due to staff shortages. The other project related to ocean monitoring and water sampling associated with the NPDES permit. The contract awarded for these services were less than budgeted.
- Savings of \$633,822 were realized in the Materials & Supplies category. However, \$593,975 of the savings were encumbered as of June 30, 2014, so these savings temporary since the funds will be carried forward to, and spent in, fiscal year 2015.

### **Downtown Parking**

Over the last few years, Downtown Parking revenues have been conservatively budgeted due to the general uncertainty in the economy and its potential impacts on parking activity. Accordingly, the \$675,104 year-end revenue surplus stems from a conservative budget estimate. Interestingly, revenues are down \$114,103 from the prior year. In any case, budgeted revenues for fiscal year have been increased to \$7.9 million to reflect more recent revenue trends.

Downtown Parking expenses are slightly below budget at year-end, resulting in a \$385,635 (4.5%) savings. This is due to savings realized across all expense categories, primarily in materials and supplies.

### **Airport**

Overall, Airport revenues are only \$253,315 (1.6%) below budget at year-end. However, individual revenue categories realized more significant variances, both favorable and unfavorable.

Lease revenues generated from the commercial/industrial properties owned by the Airport and located on the north side of Hollister Avenue fell short of budget by \$281,615. This shortfall is

*Fiscal Year 2014 Interim Financial Statements  
For the Year Ended June 30, 2014 (100% of Year Elapsed)*

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primarily due to two major properties (a tire shop and restaurant) being vacant during the year. One of the properties has been rented in fiscal year 2015, while the other remains vacant.

Parking revenues ended the year approximately \$270,000 below the \$3 million budgeted in fiscal year 2014. Most of the shortfall is attributable to the loss of American Eagle in April 2014; the balance is likely attributed to, in hindsight, overly optimistic revenue assumptions.

Revenues from rental car companies, which are tied to gross receipts, exceeded expectations by over \$100,000. This was surprising given the loss of American Eagle and may be an anomaly. Staff does not have sufficient data from the rental car companies to accurately assess the reason for the favorable results.

Aviation building lease revenues, budgeted at \$2.1 million, ended the year \$181,818 over budget. The fiscal year 2014 budgeted revenues for this revenue were based on rates and fees negotiated with airlines in fiscal year 2013. Since then, the Airport negotiated new rates with airlines, which increased building lease rates from \$85/ft. to \$87/ft. and boosted total building lease revenues. Similarly, new landing fees were negotiated with airlines resulting in additional revenues above budget of \$128,111.

More than offsetting the revenue shortfalls, expenses ended the year \$1,020,916 under budget. A large portion of the savings came from a number of staff vacancies that were backfilled with hourly staff and overtime, generating almost approximately \$450,000 in savings. Unused appropriated reserves provided an additional \$95,839 in saving; and the balance of savings was across a number of materials and supplies line-item accounts.

### **Golf Course Fund**

The Golf Course operation has been challenged over the last several years with maintaining the level of play. The overarching issue facing all golf courses nationally is the general decline in golf play over the last 15-20 years. This decline was more acute during the recession.

Fortunately, the great weather (ignoring the impacts on water supply) helped the Golf Course with strong revenues during the winter relative to historical trends. Unfortunately, starting in May 2014, the number of rounds has dropped precipitously and has continued through the entire summer which is traditionally the strongest period. Primarily because of the weak performance at the end of the fiscal year, revenues fell short of budget by \$67,565 (3.2%). Although the shortfall, in of itself, is not particularly material, the current trend is troubling given the weakening financial condition of the Golf Fund.

Parks & Recreation Department staff have been working on developing alternative strategies to respond the overall financial concerns and long-trends to ensure the Golf Course can continue to operate and become financially sustainable over the long-term. The strategies will be presented to the Finance Committee in October.

Golf Fund expenses exceeded budget by \$15,070. This was due to several factors, including increased costs for salaries and benefits for a new Administrative Analyst position hired during the year that were partly allocated to the Golf Fund. One of the key areas the new position would be focusing on is assisting with evaluating the finances and operations of the Golf Course, specifically indentifying opportunities to make the Golf Course financially sustainable.

*Fiscal Year 2014 Interim Financial Statements  
For the Year Ended June 30, 2014 (100% of Year Elapsed)*

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Another area where costs exceeded budget is in debt service. At year end, Finance adjusts the accounting records to an accrual basis of accounting, which includes recognizing accrued but unpaid interest on outstanding debt. These year-end adjustments required for closing the books and preparing the annual financial report caused debt service costs to exceed budget.

**Waterfront**

The Waterfront Department, as a whole, saw revenues exceed budget by \$1,466,682 (11%). This continues a three-year trend in Waterfront revenues that can be broadly be attributed to unseasonably good weather, the implementation of automated payment system at the parking lots, and an improving economy. In general, Waterfront revenues, in particular leases with businesses on the wharf and harbor, parking and slip transfer fees, are largely affected by weather and/or economic conditions.

Waterfront expenses exceeded budget by approximately \$170,000. This is entirely due to unbudgeted costs associated with the refinancing of the 2002 Waterfront Refunding COPs. Any time bonds or COPs are paid off, all unamortized costs, such as issuance costs and premiums paid at the time of original issuance, must be fully recognized (expensed) in that period. In addition, any accrued interest payable related to the retired debt was paid off at the time of refinancing. The total of these unbudgeted costs totaled over \$400,000. Savings in other areas reduce this impact down to approximately \$170,000 for the fund.

**City of Santa Barbara**  
**Interim Financial Statements for the Fiscal Year Ended June 30, 2014**  
**Proposed Budget Adjustments**

	<u>Increase (Decrease) in Appropriations</u>	<u>Increase (Decrease) in Estimated Revenues</u>	<u>Addition to (Use of) Reserves</u>
<b>GENERAL FUND</b>			
<b>General Government</b>			
Transfer 50% of Estimated Surplus to Capital Outlay Fund	\$ 1,840,000	\$ -	\$ (1,840,000)
<b>Finance</b>			
Increase in Appropriation Authority to Cover Loss on EMLAP Loan	96,230	-	(96,230)
<b>Fire</b>			
Increase costs related to mutual aid calls funded by reimbursements	500,000	500,000	-
<b>GENERAL FUND TOTAL</b>	<u>\$ 2,436,230</u>	<u>\$ 500,000</u>	<u>\$ (1,936,230)</u>
<b>SPECIAL REVENUE FUNDS</b>			
<b>Miscellaneous Grants Fund</b>			
Increase Appropriations & Estimated Revenues for AVOID 12 Grant	\$ 12,371	\$ 12,371	\$ -
Transfer Unused Reserve Funds in the Miscellaneous Grants Fund to the General Fund	72,265	-	(72,265)
<b>SPECIAL REVENUE FUND TOTAL</b>	<u>\$ 84,636</u>	<u>\$ 12,371</u>	<u>\$ (72,265)</u>
<b>ENTERPRISE FUNDS</b>			
<b>Golf Course</b>			
Increase appropriations to cover unbudgeted costs for salaries & benefits and debt service.	\$ 20,000	\$ -	\$ (20,000)
<b>Waterfront Fund</b>			
Increase appropriations to cover one-time costs associated with the refinancing of the 2002 Waterfront Revenue Bonds	200,000	200,000	-
<b>Airport Grants Fund</b>			
Transfer Unused Matching Funds from FAA Grants Fund to Airport Capital Fund			
- Reduce Capital Budget	(59,812)	-	59,812
- Increase Transfers Out	59,812	-	(59,812)
<b>Wastewater Capital Fund</b>			
Increase funding for the Replacement of Influent Pump Project	62,123	-	(62,123)
Increase funding for the El Estero Strategic Plan Implementation Project	76,310	-	(76,310)
Allocate Available Funds from the El Estero Equipment Rehab Project	(138,433)	-	138,433
<b>ENTERPRISE FUND TOTAL</b>	<u>\$ 220,000</u>	<u>\$ 200,000</u>	<u>\$ (20,000)</u>

	<u>Increase (Decrease) in Appropriations</u>	<u>Increase (Decrease) in Estimated Revenues</u>	<u>Addition to (Use of) Reserves</u>
<b>INTERNAL SERVICE FUNDS</b>			
<b>Self-Insurance Fund</b>			
Increase appropriations to cover increased costs for liability claims, workers' compensation claims, and property insurance.	\$ 270,000	\$ -	(270,000)
<b>Facilities Capital Fund</b>			
Increase Funding for the Following Projects:	308,645	-	(308,645)
- Installation of New Security System at 630 Garden Street			
- Haley Youth Center Improvements			
- Roof Coating at Fire Station #2			
- Community Development Office Improvements			
- City Attorney Security System Installation			
Provide Funding for Fire Station #6 Improvements - Flooring, roof insulation, and attic fan	45,177	-	(45,177)
Allocate Funds from the following projects			
- Police HVAC Replacement (project funded in FY 2015)	(327,082)	-	327,082
- Fire Station #2 Kitchen Remodel	(26,740)	-	26,740
<b>INTERNAL SERVICE FUND TOTAL</b>	<u>\$ 270,000</u>	<u>\$ -</u>	<u>\$ (270,000)</u>



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** September 23, 2014

**TO:** Mayor and Councilmembers

**FROM:** Public Works Department, Water Resources Division

**SUBJECT:** Authorize Actions And Adopt A Resolution For Reactivating The Charles E. Meyer Desalination Facility

**RECOMMENDATION:** That Council:

- A. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Approving the Design-Build-Operate Procurement Method for the Contract to Reactivate and Operate the Charles E. Meyer Desalination Facility;
- B. Authorize staff to prepare and present an Enabling Ordinance to the Ordinance Committee for a Design-Build-Operate contract;
- C. Authorize staff to release a Request for Proposals to prospective contractors to design, build, and operate the Desalination Facility;
- D. Authorize staff to submit a Repair and Maintenance Coastal Development Permit application as needed to reactivate the Desalination Facility; and
- E. Authorize the City Attorney to amend Professional Services Agreement Number 24,835 to increase the not to exceed amount from \$25,000 to \$100,000 for legal support services related to contracting for services to design, build, and operate the Desalination Facility, and other contractual requirements as needed.

**DISCUSSION:**

### **Background**

The City conducted a public process that culminated in the adoption of the current Long Term Water Supply Plan (LTWSP) by Council in 2011. Included in the plan as a recognized drought water supply is the City's Charles Meyer Desalination Facility ("Desal Facility"), which was completed in March 1992, and put into long-term standby mode in 1997. The City is currently experiencing a drought that is drier than the historic drought of record used as the drought planning basis of the LTWSP. The City is preparing to reactivate the Desal Facility, should conditions continue to remain dry, to ensure that the community continues to have sufficient uninterrupted drinking water supplies.

## **Project Status Update**

*Study Phase Report* – On May 6, 2014, Carollo Engineers, Inc. (Carollo), was authorized by City Council to create project documents for reactivating the Desal Facility. Within this scope of work, Carollo is finalizing a Study Phase Report, which includes assessments of the Desal Facility's condition, needed repairs, required equipment replacement and upgrades, and necessary work for complying with the facility's permits. Carollo, assisted by HansonBridgett and the City Attorney's Office, is also drafting contract documents and specifications to solicit proposals from contractors to perform final design, construction, and operation of the Desal Facility.

*Intake Water Quality Monitoring* – As required by the State Water Resources Control Board, a 12-month source-water sampling program near the Desal Facility's intake began in July 2014. The water sampling information will be used to confirm that the proposed Desal Facility will provide sufficient treatment in compliance with all State Drinking Water Regulations.

*Coastal Development Permit* – Technical and environmental studies associated with the City's existing California Coastal Commission (CCC) Coastal Development Permit (CDP) were authorized by City Council on July 29, 2014. A biological assessment of the seafloor surrounding the intake structure and in areas potentially affected by anchoring activities has been performed. The biological assessment characterizes the biota (coverage, type, density, estimated biomass) on the intake structure and surrounding area, the impact of removing the biomass from the structure, and recommendations for minimizing impacts from the needed repairs and maintenance. All recommendations are being incorporated into the project description. As directed by Council, Staff will submit an application for a Repair and Maintenance CDP including an assessment of Coastal Act consistency.

*Funding* – On July 29, 2014, City Council approved a contract with Raftelis, Inc. (Raftelis), to develop water rates to support reactivation and operation of the Desal Facility. Raftelis is currently developing water rates under three different operating scenarios for the Desal Facility. Staff has also submitted a pre-application for a low-interest State Revolving Fund loan. Other debt options, such as certificates of participation and revenue bonds, are also under consideration.

*National Pollution Discharge Elimination System (NPDES) Permit for El Estero and the Desal Facility.* The NPDES permit expires in early 2015 and staff is working on the renewal application to be submitted soon. Additionally, staff is working cooperatively with Regional Water Quality Control Board staff to process an amendment to the NPDES permit to address Water Code Section 13142.5(b) as it relates to the use of best available site, design, technology and mitigation measures.

*Brine Discharge Modeling* – Computer modeling of the El Estero Wastewater Treatment Plant's (El Estero) outfall diffuser system has been completed. The modeling demonstrates that when the Desal Facility produces 3,125 AFY or more, the existing diffuser system provides adequate mixing. When Desal water production is low, operational modifications may be needed to ensure there is adequate mixing in the diffuser system. The modeling results will be submitted to the Regional Water Quality Control Board, along with an application to renew the NPDES permit.

*State Water Board - California Ocean Plan.* Amendments to the California Ocean Plan were released for comments in early July 2014. Staff submitted comments to the State Water Resources Control Board on August 18, 2014. Staff is working cooperatively with the State Water Board staff and Board to confirm the status of Desal Facility as an existing facility under the Amended Ocean Plan.

### **Proposed Work**

The next steps towards reactivating the Desal Facility are to begin the contractor selection effort, continue with the permitting process, and establish a framework for completing the project by fall of 2016, should the current drought persist. At this time, staff is recommending that Council authorize the following:

1. *Adoption of Resolution to Allow Alternate Procurement Method:* Charter Section 519 allows the City Council to authorize alternate procurement methods for Water Department projects such as the design-build-operate (DBO) method. Such exceptions to the more traditional design, bid, build method must be approved by affirmative vote of a majority of the total members of the City Council.

In this case, Council authorization to proceed under a DBO procurement method is warranted for a number of reasons. First, the DBO method is likely to result in significant time savings compared with traditional design, bid, build method. This time savings is critical to the operational needs of this project which requires that the water be available in time to meet the demand. Second, the DBO method is likely to result in significant monetary savings over the traditional design, bid, build method where multiple firms are used to provide different services. Contracting with one entity to perform all of the work provides a "best value" approach to project costs and allows more refined project pricing. Finally, when the same entity is obligated to operate the system it designs and builds, there is a greater level of certainty that the quality of construction and construction methods will be the best available.

Staff is also requesting authority to prepare and present an Enabling Ordinance to the Ordinance Committee for a DBO contract. Staff anticipates it will be ready with a draft ordinance by October 2014. The ordinance will set forth in detail the DBO procurement method including details on the selections process and a suggested not to exceed reimbursement amount to be paid to the 3 or 4 short-listed qualified firms asked to submit proposals.

Council Agenda Report

Authorize Actions And Adopt A Resolution For Reactivating The Charles E. Meyer Desalination Facility

September 23, 2014

Page 4

Staff is also requesting approval to increase the not to exceed amount of Professional Services Agreement No. 24,835 dated June 10, 2014. HansonBridgett LLP is providing critical legal services in the drafting of the Request for Qualifications, Request for Proposals and the contract document for the Design-Built-Operate Contract. This is a highly sophisticated and complex contract that requires extensive legal review and experience. Staff requests authorization to increase the Agreement from \$25,000 to \$100,000 at this time.

The decision to reactivate the Desalination Facility will be made based upon adaptive management of the City's water supplies at the end of March 2015. However, if the current drought conditions persists, the City will need the Desalination Facility to be operational by fall of 2016. The only way to meet this timeline is for Council to authorize the DBO procurement method as allowed by Charter Section 519.

2. *Contractor Selection Process:* Authorize staff to release a Request for Proposals to contractors who have been pre-qualified through a Request for Qualifications process for reactivating and operating the Desalination Facility.
3. *Permitting Process:* Authorize staff to submit a Repair and Maintenance CDP application to the CCC to enable the City to perform repair and maintenance activities on the Desalination Facility's intake structure and weir box on the beach.

**PREPARED BY:** Joshua Haggmark, Acting Water Resources Manager/CT/mh

**SUBMITTED BY:** Rebecca J. Bjork, Public Works Director

**APPROVED BY:** City Administrator's Office

RESOLUTION NO. \_\_\_\_

A RESOLUTION OF THE COUNCIL OF THE CITY OF SANTA BARBARA APPROVING THE DESIGN-BUILD-OPERATE PROCUREMENT METHOD FOR THE CONTRACT TO REACTIVATE AND OPERATE THE CHARLES MEYER DESALINATION FACILITY.

WHEREAS, the City of Santa Barbara currently owns and maintains in a long-term standby mode the Charles Meyer Desalination Plant ("Desalination Facility") located at 525 East Yanonali Street, Santa Barbara, California;

WHEREAS, after three years of below average rainfall, the City declared a drought on February 11, 2014 and, in accordance with the City's Long Term Water Supply Plan of 2011, has decided to reactivate its Desalination Facility;

WHEREAS, due to the severity of the drought, in the event there is insignificant rainfall in the coming months to alleviate the water shortage, the Desalination Facility must be operational and producing water by the summer of 2016;

WHEREAS, City of Santa Barbara Charter section 519 allows the City Council by affirmative vote of a majority of the total members of the City Council to allow water projects to utilize alternate procurement methods; and

WHEREAS, Design-Build-Operate is an alternate procurement method that is likely to result in significant time and monetary savings when compared with the more traditional design, bid, built procurement method.

NOW, THEREFORE, BE IT RESOLVED, BY THE COUNCIL OF THE CITY OF SANTA BARBARA, AS FOLLOWS:

SECTION 1. All of the recitals herein contained are true and correct and the City Council so finds.

SECTION 2. Because the Design-Build-Operate procurement method will likely result in significant time and monetary savings compared with more traditional design, bid, built method, the City Council finds that this procurement method should be utilized to reactivate and operate the Charles Meyer Desalination Plant.

SECTION 3. In accordance with Santa Barbara Charter section 519, the City Council does hereby authorize utilization of a Design-Build-Operate procurement method in contracting to reactivate the Charles Meyer Desalination Facility.

This Resolution shall take effect immediately upon its adoption.



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** September 23, 2014

**TO:** Mayor and Councilmembers

**FROM:** Water Resources Division, Public Works Department

**SUBJECT:** Reserve Management Policy Direction For The Stage Three Drought Water Rate Study

### **RECOMMENDATION:**

That Council receive a presentation and provide direction on assumptions for the Stage Three Drought Water Rate Study, specifically for the assumed repayment term of debt needed to finance the Desalination Project and the planned reserves management during drought conditions.

### **DISCUSSION:**

On July 29, 2014, Council authorized the Public Works Director to execute a City Professional Services contract with Raftelis Financial Consultants, Inc. (Raftelis), in the amount of \$33,917 for the development of the Stage Three Drought Water Rate Model Study (Study), and authorized the Public Works Director to approve expenditures of up to \$8,480 for extra services that may result from necessary changes in the scope of work.

The Study is being developed in preparation for continued drought conditions and the need for the reactivation of the City's Charles Meyer Desalination Facility (Plant). The scope of the Study is to update the Water Fund Financial Plan and develop a rate structure that generates sufficient revenues to cover the cost of the Plant's reactivation, along with other expected drought related costs. The new rates will also be structured to increase the incentive for reduction in customer water use to ensure that the planned 20% reduction in demand is achieved.

Raftelis has begun to update the City's existing water rate model, based on preliminary cost information available for a Plant capacity of 3,125 acre-feet per year (AFY), which is considered the first phase of the Plant's reactivation. Preliminary capital costs are estimated at \$32.4 million. Annual operating costs are estimated at approximately \$5.2 million per year for full Plant production, and approximately \$2.5 million per year for standby mode. The Study assumes that the Plant will produce 3,125 AFY of desalinated

water for one year, beginning in the summer of 2016, and then be put in standby mode, where it will produce a minimal amount of water to keep the Plant in a ready state. If drought conditions continue, prompting the need for extended operations or increased Plant capacity, a subsequent rate study will be performed.

For water rate modeling purposes, assumptions need to be made regarding the repayment period for the debt contemplated to finance the Desalination Project and, to what extent, if any, Water Fund reserves are used during drought conditions.

Repayment Scenarios

Two capital payment periods have been considered: 10 years and 20 years. The table below shows a comparison of the annual payments and total interest paid for each.

<b>Parameter</b>	<b>10-Year Payment Scenario</b>	<b>20-Year Payment Scenario</b>
Interest Rate*	2.12%	3.36%
Annual Debt Service	\$3.8 million	\$2.3 million
Cumulative Present Value of Debt Service Payments**	\$31.1 million	\$33.8 million

\*Based on market conditions as of August 2014

\*\*Based on 3% discount rate

Given the relatively small difference in annual debt service payment costs staff recommends minimizing the term of the debt to a 10-year payment scenario. At its regular meeting on August 11, 2014, the Water Commission agreed with the staff recommendation to use the 10-year payment period for purposes of the water rate model. Since the August Water Commission meeting, staff have been discussing lending options with State Water Board staff administering Safe Drinking Water State Revolving Loan Fund programs regarding a low interest loan. Such a loan may not have a 10 year repayment option, yet may offer attractive interest rates. Given this information, staff recommends continuing to use the 10 year repayment scenario for rate planning purposes, but will pursue the financing option that is most advantageous to rate payers.

Reserve Management Scenarios

Water Fund reserves consist of policy reserves and a separate reserve account established as a “Rate Stabilization Fund” (RSF). The RSF was established in connection with the most recent bond issuance and, unlike other reserves, can be used and treated as revenue for purposes of meeting debt service coverage ratios required by outstanding bond covenants. While staff believe it is prudent to maintain such reserves, there is no requirement to maintain it.

As of June 2014, reserve balances were approximately \$23.4 million plus \$5.0 million in the RSF, for a total of \$28.4 million. Projected use of Fiscal Year 2015 reserves is approximately \$5.3 million (based on adopted FY15 budget and July 29, 2014 authorization to appropriate \$686K from reserves), resulting in a projected balance of

\$23.1 (\$18.1 million in reserves and \$5.0 million in the RSF) at June 30, 2015. Under adopted financial policies, the Water Fund Policy reserves should total an estimated \$16.5 million in Fiscal Year 2016.

Two reserve management scenarios are being proposed for discussion:

Scenario 1 - No Use of Reserves: The first scenario assumes no use of any reserves to meet projected expenses for the 10-year financial period starting in Fiscal Year 2016. This scenario assumes that all projected expenses would be met entirely with revenues recovered from water rates. This would result in planning to maintain reserves at \$23.1 million in FY 16.

Scenario 2 – Some Use of Reserves: Under the second scenario, the funds currently in the RSF are considered as part of the total policy reserves (although they will continue to be managed as a separate reserve fund for accounting purposes). In this scenario, reserves above policy are used for one-time drought expenses, while maintaining a total reserve balance equal to or slightly above policy targets.

Preliminary results show that projected increase in revenue requirements range between approximately 24-30 percent for FY16 depending on reserve management; however, the analysis continues to be refined and updated information will be presented.

Given the volatility in water demands and supply conditions, staff does not recommend water rate planning that assumes a drop of reserves below Council policy. Staff recommends the second scenario in which funds currently in the RSF will be considered part of the total policy reserves, and rate planning is developed with the assumption that total reserve funds remain equal to or above Council policy. Staff recommends that reserves above policy only be used to cover extraordinary one-time drought costs (capital or operating), and that reserves are not used to cover expected ongoing costs.

**PREPARED BY:** Joshua Haggmark, Acting Water Resources Manager /KD/mh

**SUBMITTED BY:** Rebecca J. Bjork, Public Works Director

**APPROVED BY:** City Administrator's Office



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** September 23, 2014  
**TO:** Mayor and Councilmembers  
**FROM:** City Attorney's Office  
**SUBJECT:** Conference With City Attorney – Pending Litigation

### RECOMMENDATION:

That Council hold a closed session to consider pending litigation pursuant to subsection (d)(1) of section 54956.9 of the Government Code and take appropriate action as needed.

The pending litigation is *Frank Banales, Sebastian Aldana, Jr., Jacqueline Inda, Cruzito Herrera Cruz, and Benjamin Cheverez, v. City of Santa Barbara, et al.*, SBSC Case No. 1468167.

**SCHEDULING:** Duration, 60 minutes; anytime  
**REPORT:** None anticipated  
**SUBMITTED BY:** Ariel Calonne, City Attorney  
**APPROVED BY:** City Administrator's Office



Agenda Item No. 19

File Code No. 440.05

# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** September 23, 2014

**TO:** Mayor and Councilmembers

**FROM:** City Administrator's Office

**SUBJECT:** Conference With Labor Negotiator

**RECOMMENDATION:**

That Council hold a closed session, per Government Code Section 54957.6, to consider instructions to City negotiator Kristine Schmidt, Administrative Services Director, regarding negotiations with the Treatment and Patrol Bargaining Unit.

**SCHEDULING:** Duration, 30 minutes; anytime

**REPORT:** None anticipated

**SUBMITTED BY:** Kristine Schmidt, Administrative Services Director

**APPROVED BY:** City Administrator's Office



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** September 23, 2014  
**TO:** Mayor and Councilmembers  
**FROM:** City Attorney's Office  
**SUBJECT:** Conference With City Attorney – Anticipated Litigation

### RECOMMENDATION:

That Council hold a closed session to consider anticipated litigation pursuant to subsection (d)(4) of Section 54956.9 of the Government Code and take appropriate action as needed (one potential case).

**SCHEDULING:** Duration, 30 minutes; anytime  
**REPORT:** None anticipated  
**SUBMITTED BY:** Ariel Calonne, City Attorney  
**APPROVED BY:** City Administrator's Office