

**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



Paul Casey
Acting City Administrator

Ariel Pierre Calonne
City Attorney

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

**DECEMBER 9, 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 for rebroadcasts of Finance and Ordinance Committee meetings, and for any changes to the replay schedule.

ORDER OF BUSINESS

- 2:00 p.m. - City Council Meeting Begins
- 5:00 p.m. - Recess
- 6:00 p.m. - City Council Meeting Reconvenes

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

AFTERNOON SESSION

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL

CEREMONIAL ITEMS

1. Subject: Employee Recognition - Service Award Pins (410.01)

Recommendation: That Council authorize the Acting City Administrator to express the City's appreciation to employees who are eligible to receive service award pins for their years of service through December 31, 2014.

CHANGES TO THE AGENDA

PUBLIC COMMENT

CONSENT CALENDAR

2. Subject: Minutes

Recommendation: That Council waive further reading and approve the minutes of the regular meetings of November 11, and November 18, 2014, and the regular meeting (cancelled) of December 2, 2014.

3. Subject: Business Tax Exemption For Artists Earning Less Than \$5,000 In Annual Gross Receipts (280.01)

Recommendation: That Council introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Adding Section 5.04.735 of the Santa Barbara Municipal Code to Create a Business Tax Exemption For Artists Earning Less Than \$5,000 In Annual Gross Receipts.

4. Subject: Records Destruction For Airport Department (160.06)

Recommendation: That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Relating to the Destruction of Records Held in the Administration Division of the Airport Department.

5. Subject: Appropriation Of Funds From The Canine Unit Trust Fund (520.04)

Recommendation: That Council appropriate \$10,000 from the Police Canine Unit Trust Fund reserves for Fiscal Year 2015 to cover expenses related to the annual care, unexpected emergency care, maintenance and training for the canine program.

6. Subject: Contract For Asset Management Program Development Services For The Water Distribution System (540.11)

Recommendation: That Council authorize the Public Works Director to execute a contract with Brown and Caldwell in the amount of \$244,694 to provide Asset Management Program development services for the Water Distribution System, and authorize the Public Works Director to approve expenditures of up to \$24,469 for extra services of Brown and Caldwell that may result from necessary changes in the scope of work, for a total amount not to exceed \$269,163.

CONSENT CALENDAR (CONT'D)

7. Subject: Authorization To Apply For A State Revolving Fund Loan To Finance Needed Improvements At The El Estero Wastewater Treatment Plant And To Authorize Reimbursement Of Certain Expenses With Project Fund Proceeds (540.13)

Recommendation: That Council:

- A. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Authorizing the Acting City Administrator to Execute and Deliver an Application to the State Water Resources Control Board for a Clean Water State Revolving Fund Financing Agreement; and
- B. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Stating the City's Intent to Reimburse Expenditures Paid Prior to the Issuance of Obligations or the Approval by the State Water Resources Control Board of the Project Funds for the Biosolids Processes Improvements Project at the El Estero Wastewater Treatment Plant.

8. Subject: 2015 Bicycle Master Plan Award Of Contract (670.04)

Recommendation: That Council:

- A. Authorize the Public Works Director to execute a City Professional Services contract with Melendrez, a California corporation, in the amount of \$218,961 for professional services to update the Bicycle Master Plan; and approve up to \$24,039 for contract contingencies that may result from necessary changes in the scope of work; and
- B. Approve a transfer of \$43,000 from Transportation Development Act Fund reserves to the Streets Grants Fund to fund a portion of the contract with Melendrez, and increase appropriations and estimated revenues in the Streets Grants Fund by \$43,000.

9. Subject: State Grant Funding For Cachuma Emergency Pump Project (540.10)

Recommendation: That Council:

- A. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Approving and Authorizing Execution of an Agreement with the California Department of Water Resources to Receive Drought Emergency Response Program Grant Funding for the Cachuma Emergency Pumping Facility Project; and
- B. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Approving and Authorizing Execution of an Agreement with the California State Water Resources Control Board to Receive Public Water System Drought Emergency Response Program Grant Funding.

CONSENT CALENDAR (CONT'D)

10. Subject: Acceptance Of A Public Street Easement At 614 Chapala Street (530.04)

Recommendation: That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Accepting a New Public Street Easement Adjacent to the Public Right-of-Way Known as 614 Chapala Street, for All Street Purposes.

11. Subject: Contract For Construction Of The Alameda Park Well Relocation Project - Well Drilling And Construction (540.10)

Recommendation: That Council:

- A. Reject the apparent low bid for construction from Yellow Jacket Drilling Services as non-responsive for the Alameda Park Well Relocation Project - Well Drilling and Construction, Bid No. 3756; and
- B. Award a contract with Zim Industries, Inc., waiving a minor irregularity, in their lowest responsive bid amount of \$1,094,725 for construction of the Alameda Park Well Relocation Project - Well Drilling and Construction, Bid No. 3756; and authorize the Public Works Director to execute the contract and approve expenditures up to \$110,000 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.

12. Subject: Contract For Construction Of Children's Library Renovation At The Central Library Building (570.04)

Recommendation: That Council:

- A. Award a contract with Viola, Inc. (Viola), in their low bid amount of \$1,497,296 for construction of the Children's Library Renovation at the Central Library Building, Bid No. 3754, and authorize the Public Works Director to execute the contract and approve expenditures up to \$225,000 to cover any cost increases that may result from contract change orders or for extra work and differences between estimated bid quantities and actual quantities measured for payment; and
- B. Increase appropriations and estimated revenues in the Capital Outlay Fund by \$1,222,296 funded from a transfer from the Library Gift Fund in the amount of \$450,000 and donations collected by the Santa Barbara Public Library Foundation on behalf of the Library in the amount of \$772,296 which will be transferred to the City.

CONSENT CALENDAR (CONT'D)

13. Subject: Agreements For Franceschi Park And Skofield Park Resident Caretakers (570.05)

Recommendation: That Council:

- A. Authorize the Parks and Recreation Director to execute a Caretaker Rental Agreement for Franceschi Park with Charles Christman, commencing January 1, 2015, through December 31, 2015; and
- B. Authorize the Parks and Recreation Director to execute a Caretaker Rental Agreement for Skofield Park with James Rumbley, commencing January 1, 2015, through December 31, 2015.

14. Subject: Pearl Chase Society Donation For The Purchase Of Irricades For The Historic Stone Pines On East Anapamu Street (570.05)

Recommendation: That Council increase appropriations and estimated revenues by \$14,560 in the Parks and Recreation Department Fiscal Year 2015 Miscellaneous Grants Fund for the purchase of irricades for the Historic Stone Pines on East Anapamu Street funded from a donation from the Pearl Chase Society.

15. Subject: Adoption Of Ordinance To Amend Municipal Code To Require The Payment Of Prevailing Wages On Public Works Projects As Defined By California Senate Bill 7 (210.01)

Recommendation: That Council adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara to Amend Municipal Code Section 4.52.160 to Require the Payment of Prevailing Wages on Public Works Projects as Defined and Required by California Senate Bill 7.

CONSENT PUBLIC HEARINGS

16. Subject: Hotel And Related Commerce Zone Amendment (Clean-Up Amendment) For Area A Of The Cabrillo Plaza Specific Plan (640.09)

Recommendation: That Council introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Amending Section 28.22.030 of Chapter 28.22 of Title 28 of the Santa Barbara Municipal Code.

CONSENT CALENDAR (CONT'D)

NOTICES

17. The City Clerk has on Thursday, December 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.

This concludes the Consent Calendar.

CITY COUNCIL ADMINISTRATIVE AND ATTORNEY REPORTS

CITY ADMINISTRATOR

18. **Subject: Downtown Organization Annual Assessment Report For 2015 And Intention To Levy (290.00)**

Recommendation: That Council:

- A. Approve the Downtown Organization and Old Town Business Improvement District Annual Assessment Report for 2015;
- B. Appoint an advisory board to oversee the Downtown Organization and Old Town Business Improvement District; and
- C. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Declaring Council's Intention to Levy Downtown Business Improvement District and Old Town Business Improvement District Assessment Rates for 2015, at a Public Hearing to be Held on January 13, 2015, at 2:00 p.m.

PARKS AND RECREATION DEPARTMENT

19. **Subject: Potential Acquisition Of Real Property At 810 Castillo Street (APN 037-032-020) For Creek Restoration And Water Quality Improvement (330.03)**

Recommendation: That Council receive a report on the potential acquisition of real property at 810 Castillo Street for a future creek restoration and water quality improvement project.

CITY COUNCIL ADMINISTRATIVE AND ATTORNEY REPORTS (CONT'D)

PUBLIC WORKS DEPARTMENT

20. Subject: Rate Structure Policy Direction For The Drought Related Water Rate Study (540.05)

Recommendation: That Council receive a presentation and provide direction on assumptions for the Drought Related Water Rate Study, specifically for the level of desalination debt service to recover in fixed revenues, and the size of the Tier 2 allotment for Single Family Residential customers.

MAYOR AND COUNCIL REPORTS

21. Subject: Appointments To City Advisory Groups (140.05)

Recommendation: That Council make appointments to the City's advisory groups.

COUNCIL AND STAFF COMMUNICATIONS

COUNCILMEMBER COMMITTEE ASSIGNMENT REPORTS

CLOSED SESSIONS

22. Subject: Public Employment/Public Employee Appointment (160.01)

Recommendation: That Council hold a closed session pursuant to Section 54957 of the Government Code regarding the City Administrator selection process.

23. 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 Fire Management Association.

Scheduling: Duration, 30 minutes; anytime

Report: None anticipated

CLOSED SESSIONS (CONT'D)

24. Subject: Conference With Real Property Negotiators (330.03)

Recommendation: That Council hold a closed session pursuant to Government Code Section 54956.8 to consider the possible purchase of real property.

Real Property: 810 Castillo Street, Santa Barbara, California, APN 037-032-020.

City Negotiators: Cameron Benson, Creeks Restoration/Clean Water Manager; Ariel Calonne, City Attorney; N. Scott Vincent, Assistant City Attorney.

Negotiating Parties: Errol Jahnke, Berkshire Hathaway HomeServices, for property owner, RBH Family Living Trust and Heidi Knightstep.

Under Negotiation: Price and terms of payment for real property.

Scheduling: Duration, 15 minutes; anytime

Report: None anticipated

25. 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 *Lucio Delgadillo v. Taylor Electric, A Corp., Mark Taylor, The City Of Santa Barbara, Michael Ricotta, et al.* [SBSC Case No., 1439502].

Scheduling: Duration, 15 minutes; anytime

Report: None anticipated

RECESS

EVENING SESSION

RECONVENE

ROLL CALL

PUBLIC COMMENT

CITY COUNCIL ADMINISTRATIVE AND ATTORNEY REPORTS

PARKS AND RECREATION DEPARTMENT

26. Subject: Options For Municipal Golf Course (570.02)

Recommendation: That Council:

- A. Receive a report on the status of the municipal golf course, including trends, financial projections, and options the City might consider to improve the financial outlook for the continued operation of the course; and
- B. Provide direction to staff on whether to pursue continuing to operate the golf course in a model which would include outsourcing maintenance, or whether the policy issue and consideration of General Fund support should be addressed through the budget process with a decision reached by June 2015.

ADJOURNMENT



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: December 9, 2014

TO: Mayor and Councilmembers

FROM: City Administrator's Office

SUBJECT: Employee Recognition – Service Award Pins

RECOMMENDATION:

That Council authorize the Acting City Administrator to express the City's appreciation to employees who are eligible to receive service award pins for their years of service through December 31, 2014.

DISCUSSION:

Since 1980, the City Employees' Recognition Program has recognized length of City Service. Service award pins are presented to employees for every five years of service. Those employees achieving 25 years of service or more are eligible to receive their pins in front of the City Council.

Attached is a list of those employees who will be awarded pins for their service through December 31, 2014.

ATTACHMENT: December 2014 Service Awards

PREPARED BY: Myndi Hegeman, Administrative Specialist

SUBMITTED BY: Kristine Schmidt, Administrative Services Director

APPROVED BY: City Administrator's Office

DECEMBER 2014 SERVICE AWARDS

December 9, 2014 Council Meeting

5 YEARS

Christopher Toth, Wastewater Systems Manager, Public Works Department

10 YEARS

James Hernandez, Maintenance Crew Leader, Public Works Department

Mark Wilkening, Accounting Assistant, Public Works Department

Juan Garcia, Grounds Maintenance Worker II, Parks and Recreation Department

Karl Treiberg, Waterfront Facilities Manager, Waterfront Department

15 YEARS

David Lopez, Airport Patrol Officer, Airport Department

Brian Bosse, Waterfront Business Manager, Waterfront Department



CITY OF SANTA BARBARA CITY COUNCIL MINUTES

REGULAR MEETING November 11, 2014 COUNCIL CHAMBER, 735 ANACAPA STREET

CALL TO ORDER

Mayor Helene Schneider called the meeting to order at 2:00 p.m. (The Ordinance Committee met at 12:30 p.m. The Finance Committee which ordinarily meets at 12:30 p.m., did not meet on this date.)

PLEDGE OF ALLEGIANCE

Mayor Schneider.

ROLL CALL

Councilmembers present: Gregg Hart, Frank Hotchkiss, Cathy Murillo, Randy Rowse, Bendy White, Mayor Schneider.

Councilmembers absent: Dale Francisco.

Staff present: Acting City Administrator Paul Casey, City Attorney Ariel Pierre Calonne, Deputy City Clerk Deborah L. Applegate.

CEREMONIAL ITEMS

- 1. Subject: Proclamation Acknowledging Soroptimist International Of Santa Barbara's "Workplace Campaign To End Domestic Violence"**

Action: Proclamation presented to Jayne Brechwald, president of Soroptimist International Of Santa Barbara.

- 2. Subject: Proclamation Declaring November 2014 As National Runaway Prevention Month**

Action: Proclamation presented to Megan Rourke, Associate Shelter Director, Youth and Family Services – Channel Islands YMCA.

PUBLIC COMMENT

Speakers: Nancy McCradie; Kenneth Loch; Robert Hansen; Peter Marin, Committee For Social Justice; Marjorie Brandon; Bonnie Raisin.

CONSENT CALENDAR

Motion:

Councilmembers Murillo/Hotchkiss to approve the Consent Calendar as recommended.

Vote:

Unanimous voice vote (Absent: Councilmember Francisco).

CITY COUNCIL

3. Subject: Minutes

Recommendation: That Council waive further reading and approve the minutes of the regular meeting of October 28, 2014.

Action: Approved the recommendation.

4. Subject: Appropriation Of Federal Shared Asset Forfeiture Reserve Funds (520.04)

Recommendation: That Council appropriate \$25,866 of the Federal Shared Asset Forfeiture Reserve to the Police Department's Federal Shared Asset Forfeiture Fund for the purchase and installation of a metal detector in the Police Department lobby, and reimbursement for the new monitors and stands for the new Communications Center.

Action: Approved the recommendation (November 11, 2014, report from the Chief of Police).

5. Subject: Approval Of Parcel Map And Execution Of Agreements For 836 Bath Street (640.08)

Recommendation: That Council approve and authorize the City Administrator to execute and record Parcel Map Number 20,808 and standard agreements relating to the approved subdivision at 836 Bath Street, and authorize the City Engineer to record, upon completion of any required public improvements, a recital document stating that the public improvements have been completed, and that the previously recorded Land Development Agreement may be removed from the title document.

Action: Approved the recommendation; Agreement Nos. 25,016; 25,025 - 25,026 (November 11, 2014, report from the Public Works Director).

6. Subject: Approval Of Parcel Map And Execution Of Agreements For 128 Anacapa Street (640.08)

Recommendation: That Council approve and authorize the City Administrator to execute and record Parcel Map Number 20,806 and standard agreements relating to the approved subdivision at 128 Anacapa Street, and authorize the City Engineer to record, upon completion of any required public improvements, a recital document stating that the public improvements have been completed, and that the previously recorded Land Development Agreement may be removed from the title document.

Action: Approved the recommendation; Agreement Nos. 25,017; 25,027 - 25,028 (November 11, 2014, report from the Public Works Director).

7. Subject: Sole Source Vendor For The MyRide Bus Pass Program (150.05)

Recommendation: That Council:

- A. Authorize the City's General Services Manager to issue a purchase order to the Metropolitan Transit District in the amount of \$55,000 according to the Sole Source provisions of Santa Barbara Municipal Code Section 4.52.070 (K) in order to fund the cost of rides taken under the City's Employee Bus Pass Program for Fiscal Year 2015; and
- B. Authorize the City's General Services Manager to renew the Purchase Order with Santa Barbara Metropolitan Transit District annually through Fiscal Year 2019, subject to Council approval of the annual Downtown Parking Fund budget.

Action: Approved the recommendations (November 11, 2014, report from the Public Works Director).

8. Subject: Agreement For Surface Water And Groundwater Monitoring (540.11)

Recommendation: That Council:

- A. Authorize the Public Works Director to execute a joint funding agreement with United States Geological Survey for water resources investigations related to surface water and groundwater measurements for the period of November 1, 2014 through October 31, 2015, with a City cost share not to exceed \$146,900; and
- B. Authorize the Public Works Director to approve expenditures up to \$20,000 for extra monitoring services.

Action: Approved the recommendations; Agreement No. 25,018 (November 11, 2014, report from the Public Works Director).

9. Subject: Professional Service Contract For The Bikestation Module For City Parking Lot 3 And Contract For Construction (550.03)

Recommendation: That Council:

- A. Authorize the Public Works Director to award a professional service agreement with Mobis Transportation Alternatives in the amount of \$119,143 for provision of the Bikestation Module, and approve expenditures up to \$17,870 for extra services that may result from necessary change in the scope of work; and
- B. Award a contract with Draper Construction, waiving minor bid irregularities, in their low bid amount of \$98,690 for construction of site improvements for the Bikestation Module For City Parking Lot 3, Bid No. 3680; and authorize the Public Works Director to execute the contract and approve expenditures up to \$14,804 to cover any cost increases that may result from contract change orders for extra work.

Action: Approved the recommendations; Agreement Nos. 25,019 - 25,020 (November 11, 2014, report from the Public Works Director).

10. Subject: On-Bill Financing Agreements For Los Banos Pool Lights And Granada Garage Carbon Monoxide Sensors (550.01)

Recommendation: That Council:

- A. Authorize the Public Works Director to enter into two On-Bill Financing Agreements with Southern California Edison for a combined amount of \$24,402.87 that will be used to reimburse the City for costs associated with a pool light upgrade at the Los Banos Del Mar Pool and a sensor upgrade at the Granada Garage; and
- B. Increase estimated revenues by \$10,015.47 in the Intra-City Services Fund and increase estimated revenues by \$14,387.40 in the Downtown Parking Fund.

Action: Approved the recommendations; Agreement Nos. 25,021 - 25,022; (November 11, 2014, report from the Public Works Director).

11. Subject: Mills Act Historic Property Contract For 612 East Valerio Street (640.06)

Recommendation: That Council grant an exception to the Mills Act contract limits outlined in Santa Barbara Municipal Code Section 22.22.160.C.4(m) for a designated Structure of Merit property at 612 East Valerio Street and authorize the Community Development Director to execute a historic property contract.

Action: Approved the recommendation; Contract No. 25,023; (November 11, 2014, report from the Community Development Director).

SUCCESSOR AGENCY

12. Subject: Geotechnical Contract Services For Cabrillo Pavilion And Bathhouse Renovation Project (570.08)

Recommendation: That the Successor Agency:

- A. Authorize the Executive Director to execute a contract between the Successor Agency and Fugro Consultants, Incorporated, in the amount of \$55,271 to prepare a Geotechnical Study for the Cabrillo Pavilion and Bathhouse Renovation Project, and
- B. Authorize the Executive Director to approve extra work, as necessary, in an amount not to exceed \$5,527, or 10 percent.

Action: Approved the recommendations; Contract No. 25,024 (November 11, 2014, report from the Parks and Recreation Director).

NOTICES

- 13. The City Clerk has on Thursday, November 6, 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.
- 14. A City Council site visit is scheduled for Monday, November 17, 2014, at 1:30 p.m. to the property located at 3435 Marina Drive, which is the subject of an appeal hearing set for November 18, 2014, at 2:00 p.m.

This concluded the Consent Calendar.

REPORT FROM THE ORDINANCE COMMITTEE

Ordinance Committee Chair Rowse reported that the Committee met to hear proposed amendments to Municipal Code Title 16 Pertaining to Liquid and Industrial Waste Disposal. The Committee will be bringing the items to Council at an upcoming meeting.

CITY COUNCIL ADMINISTRATIVE AND ATTORNEY REPORTS

CITY ADMINISTRATOR

15. Subject: Proposed Eastside Business Improvement District (150.05)

Recommendation: That Council receive a status report from the Milpas Community Association on proposed plans to create an Eastside Business Improvement District.

(Cont'd)

15. **(Cont'd)**

Documents:

- November 11, 2014, report from the Acting City Administrator.
- PowerPoint presentation prepared and presented by Staff.
- PowerPoint presentation prepared and presented by Milpas Community Association.

Speakers:

- Staff: Assistant to City Administrator Nina Johnson.
- Milpas Community Association: Sharon Burns.
- Members of the Public: Ken Oplinger, Santa Barbara Chamber of Commerce; Kathy Janega-Dykes, Visit Santa Barbara; Matthew La Vine, Fess Parker Hotel; Mohammad Sethar, 76 Gas Station, Robert Hansen; Maria Perez, Business Owner; Jacqueline Inda, Property Owner; Marcos Olivarez; Peter Marin, Comm for Social Justice; Edward R. Gularte III, Milpas Community Association; Jeff Shaffer; Kathy Swift; Natasha Todorovic; Natalia Goron; Sebastian Aldana, Jr.; Santos Guzman; Marissa Garcia; Denice Spangler Adams; Paul Gifford; Chris Hagerty; Alan Bleecker, Milpas Community Association; Bea Molina, Milpas Community Association; Ernie Lopez, Milpas Community Association; Maria Hernandez; John Dixon, Tri-County Produce; Emily Allen, Common Ground; Rigo, Central Coast (All) United For A Sustainable Economy.

By consensus, the Council received the report and their questions were answered.

RECESS

Mayor Schneider recessed the meeting at 4:33 p.m. – 4:42 p.m.

POLICE DEPARTMENT

16. Subject: Police Department Update And Additional Police Officer Position (520.04)

Recommendation: That Council:

- A. Receive an oral presentation from the Police Chief regarding the Santa Barbara Police Department; and
- B. 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 Police Department Effective November 11, 2014.

(Cont'd)

16. **(Cont'd)**

Documents:

- November 11, 2014, report from the Chief of Police.
- Proposed Resolution.
- PowerPoint presentation prepared and presented by staff.

Speakers:

- Staff: Chief of Police Cam Sanchez, Deputy Police Chief Frank Mannix, Captain David Whitham, Sergeant Lorenzo Duarte, Sergeant Riley Harwood, Captain Gilbert Torres, Officer Kent Wojciechoski.
- Members of the Public: Robert Hansen.

Motion:

Councilmembers Hart/Hotchkiss to approve the recommendation; Resolution No. 14-077.

Vote:

Majority roll call vote (Noes: Councilmember White, Mayor Schneider; Absent: Councilmember Francisco).

COUNCILMEMBER COMMITTEE ASSIGNMENT REPORTS

Information:

- Councilmember Murillo reported her attendance at the following events/meetings: 1) Mesa Architects, 2) Organic Soup Kitchen's re-opening at the Veteran's Memorial Building, 3) Arlington West – Veterans For Peace Santa Barbara event, 4) fundraiser for the Santa Barbara Mariachi Bands, 5) Housing Authority's Family Self Sufficiency dinner, 6) Community Action Commission board meeting, and the 7) Housing Authority of the City of Santa Barbara Commission meeting.
- Councilmember Rowse spoke regarding the meeting of the Mesa Homeowner's Association where Derek Bailey gave a presentation on transportation issues affecting local neighborhoods.
- Councilmember White reported on the presentations of City of Santa Barbara's infrastructure informational meetings and his attendance at the Yacht Club and Water Commission meetings.
- Councilmember Hart commented on his attendance at the Veteran's Day Parade and the Valle Verde Retirement Community facility expansion dedication.
- Councilmember Hotchkiss reported on his attendance at the Veteran's Day Parade.
- Mayor Schneider reported on the Joint Legislative Committee on Emergency Management meeting she attended, where the discussion centered on how the state and individual counties are updating their emergency plans.

RECESS

Mayor Schneider recessed the meeting at 5:55 p.m. in order for the Council to reconvene in closed session for Agenda Item No. 17. She stated no reportable action is anticipated.

CLOSED SESSIONS

17. **Subject: Conference With City Attorney - Anticipated Litigation - Initiation Of Litigation On One Matter (160.03)**

Recommendation: That Council hold a closed session to consider initiating 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

Documents:

November 11, 2014, report from the City Attorney.

Time:

5:55 p.m. – 6:25 p.m. (Councilmember Francisco was absent).

No report made.

RECESS

5:55 p.m. – 6:28 p.m.

Mayor Schneider presiding.

Councilmembers present: Hart, Hotchkiss, Murillo, Rowse, White, Mayor Schneider.

Councilmembers absent: Councilmember Francisco

Staff present: Acting City Administrator Casey, City Attorney Calonne, Deputy City Clerk Applegate.

PUBLIC COMMENT

No one indicated a desire to speak.

MAYOR AND COUNCIL REPORTS

18. **Subject: Interviews For City Advisory Groups (140.05)**

Recommendation: That Council hold interviews of applicants to various City Advisory Groups.

(Continued from October 28, 2014)

(Cont'd)

18. (Cont'd)

Documents:

November 11, 2014, report from the Administrative Services Director.

Speakers:

The following applicants were interviewed:

Access Advisory Committee:

Ken McLellan

Airport Commission:

Jason Middleton

Architectural Board of Review:

Amy Fitzgerald Tripp

Joseph Alcasar Terrell

Arts Advisory Committee:

Joseph Alcasar Terrell

Community Development And Human Services Committee:

Yesenia Curiel

Patricia "Max" Rorty

Community Events & Festivals Committee:

Kate Schwab

Dacia Harwood

Creeks Advisory Committee:

Danielle DeSmeth

Downtown Parking Committee:

Ethan Shenkman

Harbor Commission:

Betsy R. Cramer

Historic Landmarks Commission:

Joseph Alcasar Terrell

Julio Juan Veyna

Neighborhood Advisory Council:

Chelsea Lancaster

Javier Limon

Planning Commission:

Ethan Shenkman

Jay Higgins

Rental Housing Mediation Task Force:

Chris Casebeer

Scott Wexler

Rene Gomez

Sign Committee:

Bob Cunningham

ADJOURNMENT

Mayor Schneider adjourned the meeting at 7:14 p.m. to a City Council site visit on Monday, November 17, 2014, at 1:30 p.m. at the property located at 3435 Marina Drive.

SANTA BARBARA CITY COUNCIL

SANTA BARBARA
CITY CLERK'S OFFICE

_____ ATTEST: _____
HELENE SCHNEIDER DEBORAH L. APPLGATE
MAYOR DEPUTY CITY CLERK



CITY OF SANTA BARBARA CITY COUNCIL MINUTES

REGULAR MEETING November 18, 2014 COUNCIL CHAMBER, 735 ANACAPA STREET

CALL TO ORDER

Mayor Helene Schneider called the meeting to order at 2:04 p.m. (The Finance Committee and Ordinance Committee met at 12:30 p.m.)

PLEDGE OF ALLEGIANCE

Mayor Schneider.

ROLL CALL

Councilmembers present: Gregg Hart, Frank Hotchkiss, Cathy Murillo, Randy Rowse, Mayor Schneider.

Councilmembers absent: Dale Francisco, Bendy White.

Staff present: Acting City Administrator Paul Casey, City Attorney Ariel Pierre Calonne, City Clerk Services Manager Gwen Peirce.

PUBLIC COMMENT

Speakers: Bob Hansen, Nancy McCradie, Kenneth Loch.

Councilmember Francisco arrived at 2:10 p.m.

CONSENT CALENDAR (Item Nos. 1 – 12)

The titles of the resolutions and ordinance related to Consent Calendar items were read.

Motion:

Councilmembers Hotchkiss/Rowse to approve the Consent Calendar as recommended.

Vote:

Unanimous roll call vote (Absent: Councilmember White).

1. Subject: Amendment To The Position And Salary Control Resolution For Drought Related Water Supply Positions (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 Public Works Department, Effective November 18, 2014.

Action: Approved the recommendation; Resolution No. 14-078 (November 18, 2014, report from the Administrative Services Director; proposed resolution).

2. Subject: Grant From The Institute Of Museum And Library Services For Family Literacy (570.04)

Recommendation: That Council:

- A. Authorize the Library Director to accept a \$249,914 grant from the Institute of Museum and Library Services for the Read Together Program; and
- B. Increase appropriations and estimated revenue in the General Fund, Library Department's Public Services Program by \$62,333.25 in Fiscal Year 2015.

Action: Approved the recommendations (November 18, 2014, report from the Library Director).

3. Subject: Adoption Of Revised Minimum Standard Requirements For Airport Aeronautical Activities (560.01)

Recommendation: That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Approving the Revised Minimum Standard Requirements for Airport Aeronautical Activities at the Santa Barbara Airport and Repealing Resolution No. 06-078.

Action: Approved the recommendation; Resolution No. 14-079 (November 18, 2014, report from the Airport Director; proposed resolution).

4. Subject: Purchase Order For Skidata, Inc., Parking Revenue Control Equipment At Stearns Wharf (550.08)

Recommendation: That Council find it in the City's best interest to waive the formal bid procedure as authorized by Municipal Code Section 4.52.070(L), and authorize the General Services Manager to issue a purchase order to Sentry Control Systems for Skidata parking revenue control equipment for Stearns Wharf in an amount not to exceed \$84,500.

Action: Approved the recommendation (November 18, 2014, report from the Waterfront Director).

5. Subject: Cancellation Of Certain Council Meetings In 2015 (120.09)

Recommendation: That Council cancel the regular Council Meetings on the following dates: January 6, January 20, February 17, March 31, May 26, July 7, August 18, August 25, September 8, November 3, December 1, December 22, and December 29, 2015.

Action: Approved the recommendation (November 18, 2014, report from the Acting City Administrator).

6. Subject: Contract For Design Of Sodium Hypochlorite Line Replacement At The El Estero Wastewater Treatment Plant (540.13)

Recommendation: That Council authorize the Public Works Director to execute a City Professional Services contract with MNS Engineers, Inc., in the amount of \$51,105 for design services of the Sodium Hypochlorite Line Replacement Project at the El Estero Wastewater Treatment Plant, and authorize the Public Works Director to approve expenditures of up to \$5,110 for extra services of MNS Engineers, Inc., that may result from necessary changes in the scope of work.

Action: Approved the recommendation; Contract No. 25,030 (November 18, 2014, report from the Public Works Director).

7. Subject: Contract For Construction Management For El Estero Digester Cleaning And Equipment Rehabilitation Project (540.13)

Recommendation: That Council authorize the Public Works Director to execute a contract with MNS Engineering, Inc., in the amount of \$54,600 for construction support services, and approve expenditures of up to \$5,460 for extra services of MNS Engineers, Inc., that may result from necessary changes in the scope of work.

Action: Approved the recommendation; Contract No. 25,031 (November 18, 2014, report from the Public Works Director).

8. Subject: Introduction Of Ordinance To Amend Municipal Code Title 16, Liquid And Industrial Waste Disposal (540.13)

Recommendation: That Council:

- A. Introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Amending the Municipal Code By Repealing Title 16 in its Entirety and Adding Title 16 Pertaining to Liquid and Industrial Waste Disposal; and
- B. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Approving an Updated Pretreatment Program Enforcement Response Plan.

Action: Approved the recommendations; Resolution No. 14-080 (November 18, 2014, report from the Public Works Director; proposed ordinance and resolution).

9. Subject: Records Destruction For Police Department (160.06)

Recommendation: That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Relating to the Destruction of Records Held by the Police Department.

Action: Approved the recommendation; Resolution No. 14-081 (November 18, 2014, report from the Chief of Police; proposed resolution).

NOTICES

10. The City Clerk has on Thursday, November 13, 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.
11. A City Council site visit is scheduled for Monday, November 24, 2014, at 1:30 p.m. to the property located at 3626 San Remo Drive, which is the subject of an appeal hearing set for November 25, 2014, at 2:00 p.m.
12. Receipt of communication advising of vacancy created on the Parks and Recreation Commission with the resignation of Carolyn Brown. This vacancy will be part of the current City Advisory Groups Recruitment.

This concluded the Consent Calendar.

REPORT FROM THE FINANCE COMMITTEE

Finance Committee Chair Dale Francisco reported that the Committee met to hear a report on the financial status of the municipal golf course and made recommendations to forward to Council at the December 9 Council meeting.

REPORT FROM THE ORDINANCE COMMITTEE

Ordinance Committee Chair Randy Rowse reported that the Committee met to consider amendments to the City's recreational vehicle parking ordinance. The Committee approved to forward the ordinance amendments to the full Council for its consideration in a few months.

Councilmember White arrived at 2:15 p.m.

PUBLIC HEARINGS

13. **Subject: Public Hearing To Adopt A Resolution Of Necessity For The Cabrillo Boulevard Bridge Replacement Project And Authorization For Agreement For Legal Services (530.04)**

Recommendation: That Council:

- A. Hold a public hearing, and make the necessary findings to acquire the real property rights in the parcels subject to this hearing, and subsequently adopt (by a 2/3 vote), by reading of title only, A Resolution of Necessity of the Council of the City of Santa Barbara to Acquire Certain Real Property Rights Over the Property Commonly Known as 13 (Otherwise Known as 15) East Cabrillo Boulevard (APN: 033-111-012), 21 Helena Avenue (APN: 033-111-004), and 6 State Street (APN: 033-111-011); and
- B. Authorize the City Attorney to execute a professional services agreement with the law firm of Best Best & Krieger, LLP, in the not-to-exceed amount of \$200,000 for special legal services to the City on matters related to the Cabrillo Boulevard Bridge Replacement Project.

Documents:

- November 18, 2014, report from the Public Works Director.
- Proposed resolution.
- Binder containing the Notice of Determination, Mitigated Negative Declaration, National Environmental Policy Act Categorical Exclusion and Revalidation.
- PowerPoint presentation prepared and made by Staff.
- November 4, 2014, letter from Virginia Castagnola-Hunter.

The title of the resolution was read.

Public Comment Opened:

2:28 p.m.

Speakers:

- Staff: Assistant Public Works Director/City Engineer Pat Kelly, Deputy City Attorney Tava Ostrenger.
- Best, Best & Krieger, LLP: Bruce Beach.
- Members of the Public: Steven Amerikaner, representing Virginia Castagnola-Hunter.

Public Comment Closed:

2:32 p.m.

Motion:

Councilmembers Murillo/Rowse to approve the recommendations; Resolution No. 14-082; Agreement No. 25,032.

Vote:

Majority roll call vote (Noes: Councilmember Francisco).

CITY COUNCIL ADMINISTRATIVE AND ATTORNEY REPORTS

PUBLIC WORKS DEPARTMENT

14. Subject: Stage Two Drought Update (540.05)

Recommendation: That Council receive an update on the status of the current drought and the implementation of the Parks and Recreation Department's Park and Tree Drought Response Plan.

Documents:

- November 18, 2014, report from the Public Works Director.
- PowerPoint presentation prepared and made by Staff.

Speakers:

Staff: Acting Water Resources Manager Joshua Haggmark, Water Resources Supervisor Kelley Dyer, Acting Water Conservation Coordinator Madeline Ward, Assistant Parks and Recreation Director Jill Zachary.

Discussion:

Staff's presentation included: 1) a discussion of the area weather forecast for the next three months; 2) charts showing water use trends; 3) current water supply strategy; 4) Lake Cachuma status update; 5) information on the United States Geological Survey (USGS) Groundwater Modeling; 6) an update on drought response capital projects; 7) an overview of recent water main breaks; 8) an explanation of the current conservation outreach program; and 9) an overview of the Parks and Recreation Drought Response Plan. Councilmembers' questions were answered.

RECESS

3:48 p.m. – 3:57 p.m.

PUBLIC HEARINGS (CONT'D)

15. Subject: Appeal Of Planning Commission Approval Of A Coastal Development Permit For A New Residence At 3435 Marina Drive (640.07)

Recommendation: That Council deny the appeal of Kitch Wilson, Ron Green, Mike Moore, and Don Santee, and uphold the decision and findings of the Planning Commission to approve the application of Mr. Charles Rudd for a Coastal Development Permit for a new single-family residence on a vacant lot.

(Cont'd)

15. (Cont'd)

Documents:

- November 18, 2014, report from the Community Development Director.
- PowerPoint presentation prepared and made by Staff.
- PowerPoint presentation prepared and made by the Appellants.
- PowerPoint presentation prepared and made by the Applicant.
- November 7, 2014, letter from Ruben Rodriguez.
- November 11, 2014, letter from Ronald Green.
- November 11, 2014, packet from Kitch Wilson.
- November 14, 2014, packet from Paul Zink.
- November 16, 2014, email from Marc Whitten.
- November 17, 2014, email from Beth Collins-Burgard.
- November 17, 2014, email from Ann Collins-Burgard.
- November 18, 2014, packet of petitions, submitted by Kitch Wilson.

Public Comment Opened:

3:58 p.m.

Speakers:

- Staff: Project Planner Allison DeBusk, Assistant City Attorney Scott Vincent.
- Single Family Design Board: Chair Fred Sweeney.
- Planning Commission: Vice Chair Addison Thompson.
- Appellants: Kitch Wilson, Michael Moore, Hilary Santee, Ron Green.
- Applicant: Paul Zink, Charles Rudd.
- Members of the Public: Lisa Moore, Lori Rafferty, Patricia Foley, Tom Monroe, Andrew Gottlieb, Ralph Edebo, Nancy Edebo, Jon Kechejian, Sandy Schoolfield, John Bedford, Morgan Reis, Von Jansma, Cindy Gulbranson, Susan Case, Arthur Schwartz, Susan Green.

Public Comment Closed:

5:49 p.m.

(Cont'd)

15. (Cont'd)

Motion:

Councilmembers Francisco/Hart to deny the appeal of Kitch Wilson, Ron Green, Mike Moore, and Don Santee, and uphold the decision and conditions of the Planning Commission, with a revision to the conditions as follows:

Insert a new Section II.B.3.:

“To protect public and oblique views on the Cliff Drive side of the house: (a) Owner shall not install any structures or grow any vegetation more than five (5) feet above existing grade (as shown in the site plan) seaward of the patio area. The only exceptions to this condition will be one (1) single trunk Phoenix Palm and one (1) triple trunk Phoenix Palm to be sited as shown on the site plan; and (b) Owner will plant vegetation to soften and screen the back and the front of the block wall along Cliff Drive.”

Vote:

Unanimous voice vote.

COUNCILMEMBER COMMITTEE ASSIGNMENT REPORTS

Information:

- Councilmember Hotchkiss spoke regarding a recent Milpas Action Task Force meeting that he attended.
- Councilmember White reported on his attendance at 1) a Neighborhood Advisory Council meeting where the group reviewed the Community Development Block Grant capital projects and made recommendations; 2) the Central Coast Sustainability Summit; and 3) Infrastructure information meetings.
- Councilmember Murillo commented on her attendance at 1) the Central Coast Sustainability Summit; 2) a Milpas Action Task Force meeting; and 3) a Coalition for Sustainable Transportation (COAST) meeting.
- Councilmember Hart reported on his attendance at a recent COAST meeting and at the “Eastside Walks” event where the new street lighting was highlighted.
- Mayor Schneider congratulated Councilmember Murillo on receiving the Roses Award from the Santa Barbara Women's Political Committee. She also commented on her attendance at the Start-Up Santa Barbara Awards and a recent Habitat for Humanity ribbon-cutting ceremony.

Councilmember Hotchkiss left the meeting at 6:21 p.m.

RECESS

The Mayor recessed the meeting at 6:23 p.m. in order for the Council to reconvene in closed session for Agenda Item No. 16, and she stated that no reportable action is anticipated.

CLOSED SESSIONS

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

Recommendation: That Council hold a closed session to consider significant exposure to litigation (one potential case) pursuant to Government Code Sections 54956.9(d)(2) & (e)(1) and take appropriate action as needed.

Scheduling: Duration, 15 minutes; anytime

Report: None anticipated

Documents:

November 18, 2014, report from the City Attorney.

Time:

6:25 p.m. – 6:46 p.m. Councilmember Hotchkiss was absent.

No report made.

ADJOURNMENT

Mayor Schneider adjourned the meeting at 6:45 p.m. to Monday, November 24, 2014, at 1:30 p.m. at 3626 San Remo Drive.

SANTA BARBARA CITY COUNCIL

SANTA BARBARA
CITY CLERK'S OFFICE

HELENE SCHNEIDER
MAYOR

ATTEST: _____

GWEN PEIRCE, CMC
CITY CLERK SERVICES MANAGER



**CITY OF SANTA BARBARA
CITY COUNCIL MINUTES**

**REGULAR MEETING
December 2, 2014
COUNCIL CHAMBER, 735 ANACAPA STREET**

The regular meeting of the City Council, scheduled for 2:00 p.m. on December 2, 2014, was cancelled by the Council on November 12, 2013.

The next regular meeting of the City Council is scheduled for December 9, 2014, at 2:00 p.m. in the Council Chamber.

SANTA BARBARA CITY COUNCIL

SANTA BARBARA
CITY CLERK'S OFFICE

HELENE SCHNEIDER
MAYOR

ATTEST: _____
GWEN PEIRCE, CMC
CITY CLERK SERVICES MANAGER



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: December 9, 2014

TO: Mayor and Councilmembers

FROM: Administrative Division, Finance Department

SUBJECT: Business Tax Exemption For Artists Earning Less Than \$5,000 In Annual Gross Receipts

RECOMMENDATION:

That Council introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Adding Section 5.04.735 of the Santa Barbara Municipal Code to Create a Business Tax Exemption For Artists Earning Less Than \$5,000 In Annual Gross Receipts.

EXECUTIVE SUMMARY:

The proposed ordinance implements Council's direction of October 7, 2014, to create a business tax exemption for artists with less than \$5,000 in annual gross receipts.

DISCUSSION:

The Business License Tax Ordinance (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. Per the Ordinance, the tax rate is applied based on business category or business type as defined in the code. The Ordinance 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.

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 concerns and questions with City Council and staff over the applicability of the Ordinance to artists given that many of the artists do not generate a significant amount of money from the sale of their art work.

For artists preferring to be categorized as a "professional artist," the amount of tax is \$100 per year, pursuant to the Ordinance, Section 5.04.420. However, if any taxpayer has annual gross receipts of \$1,200 or less then the tax rate is \$5 (Section 5.04.730).

Staff presented this item to the Finance Committee on September 23, 2014 and the Committee unanimously voted to recommend a change for Artists which would exempt them from the business license tax for gross receipts of less than \$5,000.

On October 7, 2014, Council considered and approved in concept a proposed municipal code amendment to eliminate business taxes on artists earning less than \$5,000 in annual gross receipts. Unlike a measure to raise taxes, a vote of the electorate is not required to reduce taxes.

Under this proposal, both professional and home-based artists will be exempt from business taxes if they earn less than \$5,000 in annual gross receipts. Professional artists earning \$5,000 or more would be subject to the \$100 tax established by Santa Barbara Municipal Code section 5.04.020. Home-based artists earning \$5,000 or more would be subject to the business tax established in SBMC section 5.04.390 which prescribes a minimum tax of \$25 for businesses earning \$20,000 or less, and a maximum tax of \$400 for businesses earning up to \$1,000,000.

BUDGET/FINANCIAL INFORMATION:

The proposed amendment will result in a loss of revenue in the General Fund of approximately \$3,000 to \$5,000 per year.

PREPARED BY: Genie Wilson, Treasury Manager

SUBMITTED BY: Robert Samario, Acting Assistant City Administrator

APPROVED BY: City Administrator's Office

ORDINANCE NO. _____

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SANTA BARBARA ADDING SECTION 5.04.735 OF THE SANTA BARBARA MUNICIPAL CODE TO CREATE A BUSINESS TAX EXEMPTION FOR ARTISTS EARNING LESS THAN \$5,000 IN ANNUAL GROSS RECEIPTS

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

SECTION 1. Section 5.04.735 of Chapter 4 of Title 5 of the Santa Barbara Municipal Code is added to read as follows:

5.04.735 Artists Tax Exemption.

Notwithstanding any other provision of this chapter, Artists, as the term is used in section 5.04.420, shall not be taxed if their annual gross receipts are less than five thousand dollars (\$5,000.00). Artists with gross annual receipts of five thousand dollars (\$5,000.00) or more shall be taxed in accordance with section 5.04.390 or 5.04.420, as applicable.

SECTION 2. CEQA. This ordinance is not subject to the California Environmental Quality Act ("CEQA") pursuant to Section 15060(c)(2) of the CEQA Guidelines (Title 14, Chapter 3 of the California Code of Regulations) because the activity will not result in a direct or reasonable foreseeable indirect physical change in the environment, and Section 15060(c)(3) because the activity is not a project as defined in Section 15378 of the CEQA Guidelines because it has no potential for resulting in physical change to the environment, directly or indirectly.



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: December 9, 2014

TO: Mayor and Councilmembers

FROM: Administration Division, Airport Department

SUBJECT: Records Destruction For Airport Department

RECOMMENDATION:

That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Relating to the Destruction of Records Held in the Administration Division of the Airport Department.

DISCUSSION:

The City Council adopted Resolution No. 14-006 on February 11, 2014, approving the City of Santa Barbara Records Management Policies and Procedures Manual. The Manual contains the records retention and disposition schedules for all City departments. The schedules are a comprehensive listing of records created or maintained by the City, the length of time each record should be retained, and the legal retention authority. If no legal retention authority is cited, the retention period is based on standard records management practice.

Pursuant to the Manual, the Airport Director submitted a request for records destruction to the City Clerk Services Manager to obtain written consent from the City Attorney. The City Clerk Services Manager agreed that the list of records proposed for destruction conformed to the retention and disposition schedules. The City Attorney has consented in writing to the destruction of the proposed records.

The Airport Director requests the City Council to approve the destruction of the Airport Department records in the Administration Office listed on Exhibit A of the proposed Resolution, without retaining a copy.

SUSTAINABILITY IMPACT:

Under the City's sustainability program, one of the City's goals is to increase recycling efforts and divert waste from landfills. The Citywide Records Management Program outlines that records approved for destruction be recycled, reducing paper waste.

Council Agenda Report
Records Destruction For Airport Department
December 9, 2014
Page 2

SUBMITTED BY: Hazel Johns, Airport Director

APPROVED BY: City Administrator's Office

RESOLUTION NO.

A RESOLUTION OF THE COUNCIL OF THE CITY OF SANTA BARBARA RELATING TO THE DESTRUCTION OF RECORDS HELD IN THE ADMINISTRATION DIVISION OF THE AIRPORT DEPARTMENT

WHEREAS, the City Council adopted Resolution No. 14-006 on February 11, 2014, approving the City of Santa Barbara Records Management Policies and Procedures Manual;

WHEREAS, the City of Santa Barbara Records Management Policies and Procedures Manual contains the records retention and disposition schedules for all City departments. The records retention and disposition schedules are a comprehensive listing of records created or maintained by the City, the length of time each record should be retained, and the legal retention authority. If no legal retention authority is cited, the retention period is based on standard records management practice;

WHEREAS, Government Code section 34090 provides that, with the approval of the City Council and the written consent of the City Attorney, the head of a City department may destroy certain city records, documents, instruments, books or papers under the Department Head's charge, without making a copy, if the records are no longer needed;

WHEREAS, the Airport Director submitted a request for the destruction of records held by the Airport Department to the City Clerk Services Manager to obtain written consent from the City Attorney. A list of the records, documents, instruments, books or papers proposed for destruction is attached hereto as Exhibit A and shall hereafter be referred to collectively as the "Records";

WHEREAS, the Records do not include any records affecting title to real property or liens upon real property, court records, records required to be kept by statute, records less than two years old, video or audio recordings that are evidence in any claim or pending litigation, or the minutes, ordinances or resolutions of the City Council or any City board or commission;

WHEREAS, the City Clerk Services Manager agrees that the proposed destruction conforms to the City's retention and disposition schedules;

WHEREAS, the City Attorney consents to the destruction of the Records; and

WHEREAS, the City Council of the City of Santa Barbara finds and determines that the Records are no longer required and may be destroyed.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SANTA BARBARA that the Airport Director, or her designated representative, is authorized and directed to destroy the Records without retaining a copy.

Airport Administration

<u>Records Series</u>	<u>Date(s)</u>
Aircraft Incident Reports	2009
Citizen Injury Reports	2009
General Incident Reports	2011
Identification Badge Files	June 2009 – October 2013
Runway Inspection Sheets	2005 - 2008
Security Office Subject Files	2012
Towed Vehicle Files	2012



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: December 9, 2014

TO: Mayor and Councilmembers

FROM: Chief's Staff, Police Department

SUBJECT: Appropriation Of Funds From The Canine Unit Trust Fund

RECOMMENDATION:

That Council appropriate \$10,000 from the Police Canine Unit Trust Fund reserves for Fiscal Year 2015 to cover expenses related to the annual care, unexpected emergency care, maintenance, and training for the canine program.

DISCUSSION:

The City maintains a trust fund for donations received for the benefit of the Santa Barbara Police Department Canine Program. These funds are used to help offset the costs of training, maintaining and procuring police dogs, as well as the day to day equipment necessary in maintaining a healthy working environment. In addition, these funds allow for unexpected emergency treatment on canines by City contracted, La Cumbre Animal Hospital.

BUDGET/FINANCIAL INFORMATION:

There are sufficient reserve funds available in the Trust Fund to cover the annual expenses.

PREPARED BY: Brent Mandrell, Lieutenant/lsp

SUBMITTED BY: Camerino Sanchez, Chief of Police

APPROVED BY: City Administrator's Office



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: December 9, 2014

TO: Mayor and Councilmembers

FROM: Water Resources Division, Public Works Department

SUBJECT: Contract For Asset Management Program Development Services For The Water Distribution System

RECOMMENDATION:

That Council authorize the Public Works Director to execute a contract with Brown and Caldwell in the amount of \$244,694 to provide Asset Management Program development services for the Water Distribution System, and authorize the Public Works Director to approve expenditures of up to \$24,469 for extra services of Brown and Caldwell that may result from necessary changes in the scope of work, for a total amount not to exceed \$269,163.

DISCUSSION:

Background

The City's water distribution system is comprised of 11 pump stations, 13 reservoirs, 18 pressure reducing stations, 304 miles of water mains, and thousands of valves, fire hydrants and related appurtenances necessary to provide the City's water customers with the delivery of safe drinking water. The replacement cost for the City's water distribution system assets is estimated at greater than \$400,000,000, which underscores the importance of maintaining the system by maximizing the life span of many individual assets.

The Water Resources Division's Capital Improvement Program regularly constructs capital projects to improve the water distribution system, such as the Water Main Improvement Program, which replaces on average one percent of the City's water mains each fiscal year. In addition to water mains, the water distribution system has many mechanical processes, facilities, appurtenances and sophisticated computer programs that need continual maintenance, upgrades and refurbishment. This all comes at a significant cost to the City's water rate-payers. Staff recognizes that the best approach to managing the water distribution system's assets, to ensure reliable system operations and maximize equipment lifecycles, is through a well planned organized Asset Management Program (AMP).

Brown and Caldwell (B&C) was chosen to develop an AMP for the City's water distribution system assets through a competitive Request For Proposal process. B&C has successfully completed the first phase of the work, assessing the condition and maintenance needs of the water distribution reservoirs, pump stations, and pressure control facilities, as well as the workflow for the Pump crew staff who operate and maintain these facilities.

B&C performed their analysis and used the City's existing computer maintenance management system (CMMS) to input data for the prioritization of work tasks and to generate work orders for scheduled equipment maintenance associated with these water distribution structures and facilities. This workflow is now being managed through a CMMS, which provides greater planning of scheduled work, less down time of equipment, and overall improved facility management.

Proposed Work

The proposed second phase of the AMP development will focus on the City's water main system. B&C will develop a detailed system-wide asset inventory and will create a computerized work order system for prioritizing tasks and scheduling maintenance to maximize equipment and water main lifecycles. The proposed work for the second phase of the AMP development includes:

- Expand the CMMS for work management optimization, to ensure that assets are being properly maintained on a set schedule for the benefit of extending asset life cycles. A workforce review analysis will be included in this task;
- Creation of a water main replacement program that ranks the City's water mains based on the risk, consequence, and cost of failure; fire protection needs; and water age. A prioritized water main replacement tool will be created under this task; and
- Creation of a replacement and rehabilitation model for water distribution assets for long-term planning purposes, including a Distribution System Risk and Cost of Failure Analysis. This model will provide estimates of annual funding levels required to support the long-term capital improvement needs of the water distribution system.

Staff recommends that Council authorize the Public Works Director to execute a contract with B&C in the amount of \$244,694 for the work as described above; and that Council authorize the Public Works Director to approve expenditures of up to \$24,469 for extra services of B&C that may result from necessary changes in the scope of work, for a total amount of \$269,163.

BUDGET/FINANCIAL INFORMATION:

This project was anticipated, and there are adequate appropriated funds in the Water Capital Fund for this work.

PREPARED BY: Catherine Taylor, PE, Water System Manager/mh

SUBMITTED BY: Rebecca J. Bjork, Public Works Director

APPROVED BY: City Administrator's Office



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: December 9, 2014

TO: Mayor and Councilmembers

FROM: Water Resources Division, Public Works Department

SUBJECT: Authorization To Apply For A State Revolving Fund Loan To Finance Needed Improvements At The El Estero Wastewater Treatment Plant And To Authorize Reimbursement Of Certain Expenses With Project Fund Proceeds

RECOMMENDATION: That Council:

- A. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Authorizing the Acting City Administrator to Execute and Deliver an Application to the State Water Resources Control Board for a Clean Water State Revolving Fund Financing Agreement; and
- B. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Stating the City's Intent to Reimburse Expenditures Paid Prior to the Issuance of Obligations or the Approval by the State Water Resources Control Board of the Project Funds for the Biosolids Processes Improvements Project at the El Estero Wastewater Treatment Plant.

DISCUSSION:

The El Estero Wastewater Treatment Plant (El Estero) has been in service for over 33 years. Recent consultant engineering assessment work has demonstrated that significant improvements must be made to upgrade the solids treatment processes provided at El Estero in order to produce treated biosolids that can be efficiently transported from the facility for final end uses.

Staff has contracted with CDM Smith to provide a comprehensive assessment of the El Estero solids processing structures and equipment to identify those processes in need of rehabilitation or replacement. The assessment work has identified several projects to be designed and constructed over a multi-year time frame. These projects' scope of work involves the sludge thickening, digestion, dewatering, and solids cake handling unit processes.

Final planning phase work is anticipated to be completed by January 2015. Engineering design work will be undertaken in the Fiscal Year 2015-2016 time periods, with

construction work beginning in 2016. Construction work is estimated to be completed by 2020. The preliminary cost estimate for these solids handling improvement projects is \$22 million.

The State Revolving Fund (SRF) loan program provides 20-year loans at an interest rate lower than the State General Obligation Bond rate. This low interest rate offers significant savings for wastewater rate payers. Staff at the State Water Resources Control Board who administers SRF loans has advised City staff that there may be an opportunity to qualify for SRF funding for these biosolids improvement projects at El Estero.

If SRF funding is not able to be secured in 2015, staff will need to pursue issuance of bonded indebtedness, such as Certificates of Participation.

In order to initiate the application process, and to allow for reimbursement of project expenses incurred prior to loan approval, Council is being asked to approve the following two resolutions:

- Designation of the authorized representative and authorization of that individual to apply for a financial assistance application for a financing agreement; and
- Authorization to reimburse the City from SRF project funds for expenditures made for the projects prior to receiving SRF loan funds.

The SRF resolutions designate the Acting City Administrator, or his designee, as the authorized individual to apply for the loan. It also contains required language regarding reimbursement to City accounts from SRF monies and other language required by the SWRCB, certifying that the City will use the monies for the purposes stated.

At its meeting of December 8, 2014, the Board of Water Commissioners was presented with staff's recommendations as stated above.

PREPARED BY: Chris Toth, Wastewater System Manager/CJT/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 AUTHORIZING THE ACTING CITY ADMINISTRATOR TO EXECUTE AND DELIVER AN APPLICATION TO THE STATE WATER RESOURCES CONTROL BOARD FOR A CLEAN WATER STATE REVOLVING FUND FINANCING AGREEMENT

WHEREAS, the City of Santa Barbara (the "City") desires to finance the planning, design, and construction costs of the biosolids process related projects at the El Estero Wastewater Treatment Plant ("Project");

WHEREAS, the City intends to finance the Project with monies (Project Funds) provided to the City through a Clean Water State Revolving Fund financing agreement from the State of California, acting by and through the State Water Resources Control Board ("Clean Water Financing Agreement"); and

WHEREAS, In order to submit the application to the State for processing, the City Council authorizes the Acting City Administrator to sign and file the application and to take any and all actions necessary to obtain said Clean Water financing agreement.

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

SECTION 1. The Acting City Administrator, or his designee, is hereby authorized and directed to sign and file, for and on behalf of the City of Santa Barbara, a Financial Assistance Application for a State Revolving Fund Clean Water financing agreement from the State Water Resources Control Board for the planning, design, and construction of the biosolids process-related Project.

SECTION 2. The City of Santa Barbara hereby agrees and further does authorize the Acting City Administrator, or his designee, to certify that the City has and will comply with all applicable state and federal statutory and regulatory requirements related to any financing or financial assistance received from the State Water Resources Control Board.

SECTION 3. The Acting City Administrator, or his designee, is hereby authorized to negotiate a financing agreement from the State Water Resources Control Board.

SECTION 4. All the recitals in this Resolution are true and correct and the City so finds, determines and represents.

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SANTA BARBARA STATING THE CITY'S INTENT TO REIMBURSE EXPENDITURES PAID PRIOR TO THE ISSUANCE OF OBLIGATIONS OR THE APPROVAL BY THE STATE WATER RESOURCES CONTROL BOARD OF THE PROJECT FUNDS FOR THE BIOSOLIDS PROCESSES IMPROVEMENTS PROJECT AT THE EL ESTERO WASTEWATER TREATMENT PLANT

WHEREAS, the City of Santa Barbara ("City") desires to finance the cost of planning, designing, and constructing certain public facilities and improvements relating to the Biosolids Processes Improvements Project at the El Estero Wastewater Treatment Plant ("Project");

WHEREAS, the City intends to finance the Project with monies (Project Funds) provided to the City through a Clean Water State Revolving Fund financing agreement from the State of California, acting by and through the State Water Resources Control Board ("State Water Board");

WHEREAS, the State Water Board may fund the Project Funds with proceeds from the sale of obligations, the interest upon which is excluded from gross income for federal income tax purposes ("Obligations");

WHEREAS, prior to either the issuance of the Obligations or the approval by the State Water Board of the Project Funds, the City desires to incur certain capital expenditures (the "Expenditures") with respect to the Project from available monies of the City; and

WHEREAS, the City has determined that those monies to be advanced on and after the date hereof to pay the Expenditures are available only for a temporary period, and it is necessary to reimburse the City for the Expenditures from the proceeds of the Obligations.

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

SECTION 1. The City hereby states its intention and reasonably expects to reimburse Expenditures paid prior to the issuance of the Obligations or the approval by the State Water Board of the Project Funds.

SECTION 2. The reasonably expected maximum principal amount of the Project Funds is \$22,000,000.

SECTION 3. This Resolution is being adopted no later than 60 days after the date on which the City will expend monies for the portion of the Project costs to be reimbursed with Project Funds.

SECTION 4. Each City expenditure will be of a type properly chargeable to a capital account under general federal income tax principles.

SECTION 5. To the best of the City's knowledge, the City is not aware of the previous adoption of official intents by the City that have been made as a matter of course for the purpose of reimbursing expenditures and for which tax-exempt obligations have not been issued.

SECTION 6. This Resolution is adopted as official intent of the City in order to comply with Treasury Regulation §1 .150-2 and any other regulations of the Internal Revenue Service relating to the qualification for reimbursement of Project costs.

SECTION 7. All the recitals in this Resolution are true and correct and the City so finds, determines and represents.



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: December 9, 2014

TO: Mayor and Councilmembers

FROM: Transportation Division, Public Works Department

SUBJECT: 2015 Bicycle Master Plan Award Of Contract

RECOMMENDATION: That Council:

- A. Authorize the Public Works Director to execute a City Professional Services contract with Melendrez, a California corporation, in the amount of \$218,961 for professional services to update the Bicycle Master Plan; and approve up to \$24,039 for contract contingencies that may result from necessary changes in the scope of work; and
- B. Approve a transfer of \$43,000 from Transportation Development Act Fund reserves to the Streets Grants Fund to fund a portion of the contract with Melendrez, and increase appropriations and estimated revenues in the Streets Grants Fund by \$43,000.

DISCUSSION:

On July 15, 2014, Council approved a community engagement process to update the 2015 Bicycle Master Plan (BMP), which will rely heavily upon gathering input from a diverse cross-section of Santa Barbara residents and business owners. Following this Council action, staff released a request for proposals that was finalized in October 2014. After reviewing all of the proposals submitted, four firms were selected to be interviewed by a panel of Public Works staff made up of managers, planners, and an engineer. The panelists received presentations from the four firms comprised of public engagement specialists, urban designers, transportation planners, and traffic engineers. Panelists were asked to independently score the proposals and presentations based upon a professional understanding of the BMP, qualifications, objectiveness and creativity of the public outreach strategy, and ability to represent the City in developing a community-based BMP.

Melendrez scored the highest among the four firms during the interview process and was asked to translate their proposal into a Scope of Work, which included detailed budget information, deliverables, tasks, personnel responsibilities, and a public engagement process to ensure that any final plan will contain the input and consensus of Santa Barbara residents. Specific attention will be placed on outreach to all residents

of the City, encompassing a broad spectrum of interests. While staff anticipates thorough participation from the biking community, Melendrez's public engagement strategy will reach businesses and residents who are not currently bicycling, such as those who primarily drive or walk for a majority of their trips.

Upon completion of the BMP in early 2016, staff will return to Council to approve the BMP and may request funding to implement any near-term, low-cost community proposed projects that emerge from the community process.

BUDGET/FINANCIAL INFORMATION:

The City was awarded a Measure A Grant from the Santa Barbara County Association of Governments (SBCAG) for \$130,000, and will be using \$70,000 from the Streets Capital Fund and \$43,000 from the Transportation Development Act (TDA) Fund reserves to match the grant. Both the SBCAG grant and the funding from the Streets Capital Fund are already appropriated in the Streets Grants Fund. Staff is recommending the transfer of \$43,000 from the TDA Fund to the Streets Grants Fund to cover the balance of the costs.

SUSTAINABILITY IMPACT:

The 2015 BMP will provide an opportunity for residents to discuss the multi-modal transportation in Santa Barbara. Outcomes of the BMP have the potential to reduce congestion and increase sustainable transportation by providing options for residents looking to conserve energy, reduce costs, improve personal health, and convert some of their driving trips to walking, biking, or transit trips.

PREPARED BY: Browning Allen, Transportation Manager/PB/kts

SUBMITTED BY: Rebecca J. Bjork, Public Works Director

APPROVED BY: City Administrator's Office



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: December 9, 2014

TO: Mayor and Councilmembers

FROM: Water Resources Division, Public Works Department

SUBJECT: State Grant Funding For Cachuma Emergency Pump Project

RECOMMENDATION: That Council:

- A. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Approving and Authorizing Execution of an Agreement with the California Department of Water Resources to Receive Drought Emergency Response Program Grant Funding for the Cachuma Emergency Pumping Facility Project; and
- B. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Approving and Authorizing Execution of an Agreement with the California State Water Resources Control Board to Receive Public Water System Drought Emergency Response Program Grant Funding.

DISCUSSION:

On March 1, 2014, Governor Brown approved a \$687.4 million emergency drought relief package to take effect immediately. As a result of the Governor's action, the California Department of Public Health (CDPH) released approved guidelines to administer \$15 million in funding from the Public Water System Drought Emergency Response (PWSDER) Program to provide funding for interim and/or permanent solutions for community water systems and public water systems suffering drought related water outages or threatened emergencies.

In addition, on April 25, 2014, Governor Brown issued an executive order to strengthen the state's ability to manage water effectively in drought conditions. This includes assistance from the Department of Water Resources to public agencies in establishing temporary water supply connections to mitigate the effects of the drought.

In response, City Water Resources Division staff, in cooperation with the Cachuma Operations and Maintenance Board (COMB), generated a funding request for \$500,000 to partially fund the City's share of the Cachuma Emergency Pump Project (Project). The Project, which is led by COMB, will ensure delivery of water to the South Coast

Cachuma Member Units, including the City of Santa Barbara, the Montecito Water District, the Goleta Water District, and the Carpinteria Water District.

Due to the severe drought conditions, the gravity-fed conveyance system that receives water from Lake Cachuma is projected to become inoperable when the lake level falls below the intake portal that is located at the system's intake tower. The Project is necessary to allow for continued use of the reservoir water. It consists of a pumping system to convey water from low lake levels to the COMB conveyance system, including the installation of 3,600 feet of pipeline and the placement of seven pumps on a floating barge. Additionally, sediment that had been blocking the lowest intake portal was dredged to allow for the intake of water at the lower elevations.

The Project has been selected for funding, and two funding agreements have been issued – one by the State Water Resources Control Board (SWRCB) for \$350,000, to offset the capital costs of the Project, and one by the Department of Water Resources (DWR) for \$150,000 to offset the operating costs of the Project.

BUDGET/FINANCIAL INFORMATION:

On May 20, 2014, Council adopted Resolution No. 14-026, ratifying the COMB approval of the Project and specifying its portion of the cost. The total Project capital cost is estimated to be \$6,022,603. The City of Santa Barbara's share of that total cost is \$2,160,910, of which \$350,000 is to be funded from the SWRCB through the PWSDER Program, and \$1,810,910 is to be funded by the City of Santa Barbara's Water Fund.

Each of the participating COMB member units must enter into a separate grant agreement with the SWRCB in order to be eligible for the grant funding. Under each separate agreement, each member unit is defined as the "Supplier" responsible for the whole of the project costs (\$6,022,603). Under the terms of the agreement, the "Supplier" agrees to fund all project costs in excess of the grant funding (\$350,000) and, further, the Supplier covenants that it has access to the funds covering the total project costs. The City Attorney's Office requested that the language be modified to reflect that the City total share of project costs is \$2,160,910 (per Resolution No. 14-026) and that the other COMB member agencies will be contributing to the total project costs. The SWRCB rejected the City's request stating that each funding agreement must reference only two funding sources (SWRCB and City, in this case) and must demonstrate full project funding.

Given that the COMB member agencies are obligated through the Joint Powers Agreement to share in the Cachuma Emergency Pump Project costs according to the terms of that agreement, and because if the total project costs are not otherwise met, the grant funding simply will not be provided to the City or the other Member units, the legal risks associated with the grant agreement language are expected to be low. With

this understanding, the South Coast Cachuma Member Units are moving forward with the agreement as drafted in order to secure the grant funding.

Operational costs of the Project are estimated to be \$1,656,000. The City of Santa Barbara's share of that total cost is \$594,173, of which \$150,000 is to be funded from DWR through the PWSDER Program, and \$444,173 is to be funded by the City of Santa Barbara.

Also, this Project has also been preliminarily selected for Bureau of Reclamation Emergency Drought Funding in the amount of \$300,000, as well as State DWR Integrated Regional Water Management 2014 Drought Funding in the amount of approximately \$1,000,000. The City's share of these grant awards is currently in negotiation, and funding contracts for these grant awards are in development.

The City's funding share for the Project is available in the current Water Fund Budget. State assistance with drought related grant funding will offset the need for the use of Water Funds for this Project.

PREPARED BY: Joshua Haggmark, Acting Water Resources Manager/KD/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 AND AUTHORIZING EXECUTION OF AN AGREEMENT WITH THE CALIFORNIA STATE WATER RESOURCES CONTROL BOARD TO RECEIVE PUBLIC WATER SYSTEM DROUGHT EMERGENCY RESPONSE PROGRAM GRANT FUNDING

WHEREAS on or about June 19, 2014, the City of Santa Barbara was identified by the California Department of Public Health, Division of Drinking Water and Environmental Management, now under the State Water Resources Control Board and herein referred to as the "State" as experiencing a threatened emergency; and

WHEREAS the City of Santa Barbara requested funding from the State for a grant in the amount of \$500,000 under the Public Water System Drought Emergency Response Funding Program (hereinafter referred to as the "Drought Emergency Program"); and

WHEREAS, on October 9, 2014, a funding agreement was issued by the State to the City of Santa Barbara for funding through the Drought Emergency Program for project number PDE-4210010-001, (hereinafter referred to as the "Project") in the amount of \$350,000, (herein referred to as "Grant Funding"); and

WHEREAS, the City of Santa Barbara acknowledges and confirms that the total Project capital cost is estimated to be \$6,022,603 and the City of Santa Barbara's share of that total cost is \$2,160,910; of which \$350,000 is to be funded with Grant Funding through the Drought Emergency Program and \$1,810,910 ("Supplier's Cost") is to be funded by the City of Santa Barbara; and

WHEREAS, prior to the State executing said Funding Agreement, the City Council of the City of Santa Barbara, is required to adopt a resolution authorizing the Project and designating a person or persons to sign the funding agreement and any amendments, designating a person or persons to approve claims for reimbursement, designating a person or persons to sign the Budget and Expenditure Summary, designating a person or persons to certify to State that the Project is complete, and designating a person to sign the Final Release form.

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

SECTION 1. The City of Santa Barbara is hereby authorized to carry out the Project, enter into a Funding Agreement with the State, accept and expend Drought Emergency Program funds for the Project.

SECTION 2. Due to the current extraordinary water shortage, the City of Santa Barbara plans to expend approximately \$8 million dollars in Fiscal Year 2015 for drought related projects including its share of the Project costs, which has required the City's use of reserves balances below policy levels.

SECTION 3. Grant Funding in excess of Supplier's Cost will provide funding to partly restore reserve balances to required policy levels.

SECTION 4. The Public Works Director, or designee, is hereby authorized and designated to sign the Drought Emergency Program funding agreement for the Project and any amendments thereto.

SECTION 5. The Public Works Director, or designee, is hereby authorized and designated to sign the claims for reimbursement requests under the Drought Emergency Program.

SECTION 6. The Public Works Director, or designee, is hereby authorized and designated to certify that the Project is complete and ready for an inspection by the State of any Project construction.

SECTION 7. The Public Works Director, or designee, is hereby authorized and designated to sign the Budget and Expenditure Summary for the Project.

SECTION 8. The Public Works Director, or designee, is hereby authorized and designated to sign a final release form for the Project.

SECTION 9. The authority granted hereunder shall be deemed retroactive. All acts authorized hereunder and performed prior to the date of this Resolution are hereby ratified and affirmed. State is authorized to rely upon this Resolution until written notice to the contrary, executed by each of the undersigned, is received by State. State shall be entitled to act in reliance upon the matters contained herein, notwithstanding anything to the contrary contained in the formation or governance documents of the City of Santa Barbara or in any other document.

SECTION 10. Any and all actions, whether previously or subsequently taken by the City of Santa Barbara, which are consistent with the intent and purposes of the foregoing resolutions, shall be, and hereby are, in all respects, ratified, approved and confirmed.

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SANTA BARBARA APPROVING AND AUTHORIZING EXECUTION OF AN AGREEMENT WITH THE CALIFORNIA DEPARTMENT OF WATER RESOURCES TO RECEIVE DROUGHT EMERGENCY RESPONSE PROGRAM GRANT FUNDING FOR THE CACHUMA EMERGENCY PUMPING FACILITY PROJECT

WHEREAS, the Governor of California, Edmund G. Brown, proclaimed a Drought State of Emergency on January 17, 2014, and, on April 25, 2014 issued an executive order to strengthen the State's ability to manage water and habitat effectively in drought conditions, including assistance from the Department of Water Resources (DWR) to public agencies in establishing temporary water supply connections to mitigate effects of the drought; and

WHEREAS, Senate Bill 852 provides appropriations for the support of the government of the State of California and for several public purposes in accordance with the provisions of Section 12 of Article IV of the Constitution of the State of California, relating to the State budget; and

WHEREAS, the City of Santa Barbara (the "City"), in the fourth year of a critical drought period with record with low rainfall and state-wide water shortages, declared a Stage One Drought on February 11, 2014 and, in anticipation of a water supply shortage in a fourth dry year, a Stage Two Drought on May 20, 2014; and

WHEREAS, the City is a Member Unit of the Cachuma Operation and Maintenance Board California Joint Powers Authority and is participating in and fully supports the Cachuma Operations and Maintenance Board (COMB) Emergency Pumping Facility Project (EPP); and

WHEREAS, on May 20, 2014, the Council of the City of Santa Barbara adopted Resolution No. 14-026 ratifying the COMB approval of the EFP and specifying the City's portion of the project cost; and

WHEREAS, the City of Santa Barbara has been preliminarily selected for DWR Drought Emergency Response Program Grant Funding (DERP); and

WHEREAS, the City of Santa Barbara acknowledges and confirms that the total eligible project costs for DERP are estimated to be \$1,656,000, and the City of Santa Barbara's share of those total costs is \$594,173; of which \$150,000 is to be funded with DERP Funding and \$444,173 ("Supplier's Cost") is to be funded by the City of Santa Barbara.

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

SECTION 1. That a funding request be made to the California Department of Water Resources to obtain Drought Emergency Response Program funding pursuant to Senate Bill 852 (Chapter 25, Statutes of 2014) and to enter into an agreement to receive a grant for the Cachuma Operation and Maintenance Board (COMB) Emergency Pumping Facility project.

SECTION 2. The Public Works Director of the City of Santa Barbara is hereby authorized and directed to prepare the necessary data, conduct investigations, request such funding, and execute a grant agreement with California Department of Water Resources.



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: December 9, 2014

TO: Mayor and Councilmembers

FROM: Engineering Division, Public Works Department

SUBJECT: Acceptance Of A Public Street Easement At 614 Chapala Street

RECOMMENDATION:

That Council adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Accepting a New Public Street Easement Adjacent to the Public Right-of-Way Known as 614 Chapala Street, for All Street Purposes.

DISCUSSION:

The project, located at 608 and 614 Chapala Street (Attachment 1), was approved by Planning Commission Resolution Number 012-14 on May 22, 2014. It consists of a proposal to infill 5,402 square feet under an existing roof area that is attached to a 20,859 square-foot commercial building, and the addition of a 187-square foot restroom to an existing 179 square-foot detached office building. Total development on this 42,972 square-foot parcel will be 26,440 square feet of commercial and office space and 33 parking spaces. The existing building is on the City's List of Potential Historic Resources and is included in the State Historic Resources Inventory as the "Former C & H Chevrolet constructed in 1946."

A 2.66 feet wide easement across a small private property street frontage is required to complete the public right of way improvements in accordance with the Planning Commission Conditions of Approval, and in accordance with the City's Pedestrian Master Plan. The existing sidewalk is 9.84 feet wide, and the new sidewalk will be 12.5 feet in width and comply with the adopted Chapala Street Guidelines. The concrete color will be Sombrero Buff, with two feet of square scoring and tree wells lined with red brick.

In order to accept this offered easement, Council must approve the offer and accept it by resolution. The Public Works Director will be authorized to record the Resolution of Acceptance and Easement Deed in the Santa Barbara County Office of the Recorder.

ATTACHMENT: Vicinity Map

PREPARED BY: John Ewasiuk, Principal Civil Engineer/DAS/kts

SUBMITTED BY: Rebecca J. Bjork, Public Works Director

APPROVED BY: City Administrator's Office



SCALE 1 inch = 80 ft

BLOCK 211

17 W. ORTEGAST.
APN 037-131-022

25 W. ORTEGAST.
APN 037-131-020

607 STATE ST.
APN 037-131-021

630 CHAPALA ST.
APN 037-131-001

EASEMENT
PARCEL ONE
INSTR. NO. 97-05305
OFFICIAL RECORDS

614 CHAPALA ST.
APN 037-131-020

600 CHAPALA ST.
APN 037-131-009

COTA STREET

CHAPALA STREET

80'

2.66'

P.O.B.

60'

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SANTA BARBARA ACCEPTING A NEW PUBLIC STREET EASEMENT ADJACENT TO THE PUBLIC RIGHT OF WAY KNOWN AS 614 CHAPALA STREET, FOR ALL STREET PURPOSES.

WHEREAS, The Owner of the real property located at 614 Chapala Street (the "Real Property") has offered to the City of Santa Barbara, a portion of the land to be accepted as public right of way;

WHEREAS, The Council of the City of Santa Barbara, by this Resolution, hereby declares its intention to accept the offer of an easement on the property known as 614 Chapala Street; and

WHEREAS, the City claims no interest in the underlying fee ownership of the subject property.

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

Section 1: The Council of the City of Santa Barbara accepts the offer of a public street easement on the Real Property described in the Street Easement Deed, dated November 6, 2014, from *Figueroa Investors, Ltd., a California limited partnership*, to the City of Santa Barbara.

Section 2: The Council of the City of Santa Barbara authorizes the Public Works Director to execute and record the offered Street Easement Deed.



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: December 9, 2014

TO: Mayor and Councilmembers

FROM: Engineering Division, Public Works Department

SUBJECT: Contract For Construction Of The Alameda Park Well Relocation Project – Well Drilling And Construction

RECOMMENDATION: That Council:

- A. Reject the apparent low bid for construction from Yellow Jacket Drilling Services as non-responsive for the Alameda Park Well Relocation Project – Well Drilling and Construction, Bid No. 3756; and
- B. Award a contract with Zim Industries, Inc., waiving a minor irregularity, in their lowest responsive bid amount of \$1,094,725 for construction of the Alameda Park Well Relocation Project – Well Drilling and Construction, Bid No. 3756; and authorize the Public Works Director to execute the contract and approve expenditures up to \$110,000 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.

DISCUSSION:

BACKGROUND

The Alameda Park Well (Well) was constructed in 1990 and draws water from Storage Unit 1 in the Downtown area. The City relies on the Well as one of the many potable water sources meeting the needs of its customers. In the last months of 2013, corrosion of the Well's components led to excessive production of sand during pumping so that it is no longer viable for water production.

PROJECT DESCRIPTION

The Alameda Park Well Relocation Project – Well Drilling and Construction (Project) consists of the drilling and construction of a fully functional municipal water production well. The Project which will replace the existing Well, includes demolition of the existing Well, construction of a temporary sound wall, staging, mobilization, and drilling of the new Well.

Council Agenda Report

Contract For Construction Of The Alameda Park Well Relocation Project – Well Drilling And Construction

December 9, 2014

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On November 25, 2014, Council approved the City Charter Findings for the Alameda Park Groundwater Well Site, which required that an agreement between Parks and Recreation and Public Works Departments for the use of Parks land be in place prior to the beginning of construction.

CONTRACT BIDS

A total of 3 bids were received for the subject work, ranging as follows:

	BIDDER	BID AMOUNT
1.	Yellow Jacket Drilling Services Gilbert, AZ	\$973,750.00*
2.	Zim Industries, Inc. Fresno, CA	\$1,094,725.00
3.	Layne Christensen, Co. Redlands, CA	\$1,318,250.00

*Bid rejected as non-responsive

The change order funding recommendation of \$110,000, or 10 percent, is typical for this type of work and size of project.

BID REJECTION

City contract specifications for this bid required submission of a proposed construction schedule. The apparent low bid, submitted by Yellow Jacket Drilling Services, has been determined to be non-responsive because they failed to provide the required proposed construction schedule.

The apparent second low bid of \$1,094,725, submitted by Zim Industries, Inc., is an acceptable bid that is responsive to and meets the requirements of the bid specifications.

COMMUNITY OUTREACH

There are multiple methods of community outreach being performed during the construction phase of this Project. Staff sent out mailers to all residents on adjacent blocks to the construction site on November 6, 2014. Closure signs will be posted two to three weeks ahead of construction to alert residents, homeowners, and patrons of the park of the pending work. During construction, a large informational construction sign will be placed at the site.

FUNDING

This Project is funded by the Water Drought Fund, and there are sufficient appropriated funds in this Fund 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
Zim Industries, Inc.	\$1,094,725	\$110,000	\$1,204,725
TOTAL RECOMMENDED AUTHORIZATION			\$1,204,725

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)*	\$89,836
City Staff Costs*	\$143,404
Subtotal	\$233,240
Construction Contract	\$1,094,725
Construction Change Order Allowance	\$110,000
Subtotal	\$1,204,725
Other Construction Costs (testing, etc.)	\$25,000
Construction Management/Inspection (by Contract)	\$104,664
Construction Management/Inspection (by City Staff)	\$53,934
Subtotal	\$183,598
TOTAL PROJECT COST	\$1,621,563

* Design costs include infrastructure and site restoration to be performed under a separate contract.

SUSTAINABILITY IMPACT:

The City relies on groundwater as one the many potable water sources meeting the needs of its customers. The Alameda Park Well provides one of the more substantial production capacities compared to the other wells within the City.

PREPARED BY: Linda Sumansky, Principal Civil Engineer/AF/PM/mj

SUBMITTED BY: Rebecca J. Bjork, Public Works Director

APPROVED BY: City Administrator's Office



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: December 9, 2014

TO: Mayor and Councilmembers

FROM: Facilities Division, Public Works Department

SUBJECT: Contract For Construction Of Children's Library Renovation At The Central Library Building

RECOMMENDATION: That Council:

- A. Award a contract with Viola, Inc. (Viola), in their low bid amount of \$1,497,296, for construction of the Children's Library Renovation at the Central Library Building, Bid No. 3754, and authorize the Public Works Director to execute the contract and approve expenditures up to \$225,000 to cover any cost increases that may result from contract change orders or for extra work and differences between estimated bid quantities and actual quantities measured for payment; and
- B. Increase appropriations and estimated revenues in the Capital Outlay Fund by \$1,222,296 funded from a transfer from the Library Gift Fund in the amount of \$450,000 and donations collected by the Santa Barbara Public Library Foundation on behalf of the Library in the amount of \$772,296 which will be transferred to the City.

DISCUSSION:

PROJECT DESCRIPTION

The City's Main Library Building (Main Library) was last renovated in 1980. Since that time, there have been changes in demographics, services, and technology that have made the current space arrangement obsolete. The Library Department is interested in completing the needed building renovations, including the relocation of the existing children's section from the main level to the lower level, and the development of a new, state-of-the-art Children's Library for the community.

On March 11, 2014, Council authorized the Public Works Director to execute a Professional Services Agreement with LPA, Inc., in the amount of \$293,274 for the final design of the Children's Library renovation at the Main Library. This design has since been completed.

The project at the Main Library will include, but is not limited to:

- Renovation of the lower level into a state-of-the-art Children's Library, as per design plans
- Minor renovations on the Main Floor including, but not limited to, additional electrical outlets, as well as some architectural features
- Construction of new restrooms in the Children's Library area
- Renovation and reconfiguration of existing restrooms on the lower and main floors
- Reconfiguration of the mechanical duct work, as per design plans
- Construction of a fire suppression system, as per design plans; and
- Construction pertaining to ADA concerns identified in the design

City staff has undergone a thorough process of selecting a contractor to complete the construction for this project. The project was advertised and competitively bid. Twenty-one construction contractors attended the bid walk, and there were three official bid submittals. Additionally, the low bid from Viola, Inc. was below the independent cost estimate supplied by the City's designer. Viola's detailed cost breakdown is considered fair and reasonable and reflects the cost breakdown for similar projects.

CONTRACT BIDS

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

	BIDDER	BID AMOUNT
1.	Viola Construction	\$1,497,296
2.	EJS Construction	\$1,515,997
3.	AMG & Associates	Bid Withdrawn

The low bid of \$1,497,296, submitted by Viola, is an acceptable bid that is responsive to and meets the requirements of the bid specifications.

FUNDING

This project is funded primarily through community gifts totaling \$772,296 received by the Santa Barbara Public Library Foundation for the Children's Library Campaign: Building a Love of Reading. An additional \$450,000 has been received from an anonymous donor in the Library Gifts Fund. The balance of \$500,000 is already appropriated in the Capital Outlay Fund from General Fund revenues.

The following summarizes the expenditures recommended in this report:

CONSTRUCTION CONTRACT FUNDING SUMMARY

	Basic Contract	Change Funds	Total
Construction Contract	\$1,497,296	\$225,000	\$1,722,296
TOTAL RECOMMENDED AUTHORIZATION			\$1,722,296

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

ESTIMATED TOTAL PROJECT COST

<u>Preliminary Design Costs-to-Date</u>	
Preliminary Design (by Contract) - <i>completed</i>	\$91,749
Other Design Costs – City Staff - <i>completed</i>	\$25,000
Subtotal	\$116,749
<u>Final Design – Phase 1</u>	
Final Design (by Contract) – <i>completed</i>	\$293,274
Extra Design Services – <i>completed</i>	\$29,327
Other Design Costs – City Staff – <i>completed</i>	\$35,000
Subtotal	\$357,601
<u>Construction – Phase 1</u>	
Renovation Phase Construction	\$1,497,296
Extra Services – Construction	\$225,000
Furniture/Equipment – to be funded under a future C.A.R.	\$120,000
Subtotal	\$1,842,296
TOTAL PROJECT COST	\$2,316,646

SUSTAINABILITY IMPACT:

Facility improvements will be in alignment with the City’s environmental impact goals by utilizing durable carpeting with minimal off-gassing, stain and abrasion-resistant odor-free paints, energy efficient lighting, and lowemitting, recycled content ceiling tiles.

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

SUBMITTED BY: Rebecca J. Bjork, Public Works Director

APPROVED BY: City Administrator's Office



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: December 9, 2014

TO: Mayor and Councilmembers

FROM: Parks Division, Parks and Recreation Department

SUBJECT: Agreements For Franceschi Park And Skofield Park Resident Caretakers

RECOMMENDATION: That Council:

- A. Authorize the Parks and Recreation Director to execute a Caretaker Rental Agreement for Franceschi Park with Charles Christman, commencing January 1, 2015, through December 31, 2015; and
- B. Authorize the Parks and Recreation Director to execute a Caretaker Rental Agreement for Skofield Park with James Rumbley, commencing January 1, 2015, through December 31, 2015.

DISCUSSION:

The Parks and Recreation Department (Department) administers two resident caretaker agreements in Franceschi and Skofield Parks. Caretakers enter into a one-year lease agreement subject to City Council approval. Lease agreements are renewable annually for up to a total of three years. Historically, caretakers have been permanent City employees working for the Parks and Recreation Department. Caretaker duties may be required as part of normal work hours or as structured overtime. These normal work duties consist of:

1. Opening and closing the park parking lot entrance gates, Monday - Friday.
2. Conducting a daily site walk prior to park closure.
3. Maintaining a log of all time spent on caretaker services.
4. Submitting a monthly log to the Parks Manager for review and approval.

All other park maintenance and management duties are the responsibility of assigned Parks Division and/or Recreation Division employees.

In October 2014, the Department conducted a recruitment to fill the vacant caretaker residences in Franceschi and Skofield Parks. The recruitment was open to Parks and Recreation permanent employees. The Department recommends approval of rental agreements with Charles Christman and James Rumbley effective January 1, 2015,

through December 31, 2015, for caretaker services at Franceschi Park and Skofield Park, respectively.

Copies of the lease agreements are available for public review in the City Clerk's Office.

BUDGET/FINANCIAL INFORMATION:

No rent will be received as revenue, as caretaker services are performed in lieu of rent.

PREPARED BY: Santos Escobar, Parks Manager

SUBMITTED BY: Nancy L. Rapp, Parks and Recreation Department

APPROVED BY: City Administrator's Office



CITY OF SANTA BARBARA
COUNCIL AGENDA REPORT

AGENDA DATE: December 9, 2014

TO: Mayor and Councilmembers

FROM: Administration Division, Parks and Recreation Department

SUBJECT: Pearl Chase Society Donation For The Purchase Of Irricades For The Historic Stone Pines On East Anapamu Street

RECOMMENDATION:

That Council increase appropriations and estimated revenues by \$14,560 in the Parks and Recreation Department Fiscal Year 2015 Miscellaneous Grants Fund for the purchase of irricades for the Historic Stone Pines on East Anapamu Street funded from a donation from the Pearl Chase Society.

DISCUSSION:

In response to the Stage Two drought declaration, the Parks and Recreation Department (Department) prepared a Strategic Drought Response Plan (Plan). The Plan, presented to Council on July 15, 2014, outlined the Department's approach to protecting park resources and meeting recreation needs while achieving a 20 percent reduction in water use. The Plan also described the Department's approach to supporting City trees most sensitive to drought conditions, including young trees and City designated Historic and Specimen trees. In August 2014, the Department completed its Historic and Specimen Tree Drought Action Plan (Action Plan). The Action Plan documented the condition of the trees and outlined recommended maintenance action steps. The Action Plan was presented to the Parks and Recreation Commission on August 27, 2014. On September 4, 2014, the Pearl Chase Society received a presentation on the Action Plan as well as the Department's efforts to maintain Italian Stone Pines on East Anapamu Street.

On October 29, 2014, the Pearl Chase Society donated \$14,560 to the Department for the purchase of 56 irricades to help sustain the Italian Stone Pines. Similar in design to plastic road barriers, the 125-gallon devices release water slowly through attached soaker hoses. This method of watering is more effective and efficient than hand watering and will further support survival of the trees during the drought. The irricades will be maintained by Department Forestry staff and will remain in place until the drought declaration is lifted.

BUDGET/FINANCIAL INFORMATION:

The Pearl Chase Society donation will be appropriated to the Parks and Recreation Department Fiscal Year 2015 Miscellaneous Grants Fund. All other costs for maintaining the Italian Stone Pines, including staff resources, equipment and water, are included in the Department's Fiscal Year 2015 General Fund Operating Budget.

SUSTAINABILITY IMPACT:

The Parks and Recreation 2014 Strategic Drought Response Plan is intended to achieve a minimum reduction of 20 percent water use over the previous year, and will be modified if conditions change. This water conservation target will help extend the City's limited water resources through the drought. While water conservation is the key objective, the Plan also works to protect the City's parks, trees, natural resources, and recreational spaces from resource loss and long-term drought impacts.

PREPARED BY: Jill E. Zachary, Assistant Parks and Recreation Director

SUBMITTED BY: Nancy L. Rapp, Parks and Recreation Director

APPROVED BY: City Administrator's Office

ORDINANCE NO. _____

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SANTA BARBARA TO AMEND MUNICIPAL CODE SECTION 4.52.160 TO REQUIRE THE PAYMENT OF PREVAILING WAGES ON PUBLIC WORKS PROJECTS AS DEFINED AND REQUIRED BY CALIFORNIA SENATE BILL 7

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

SECTION 1. Section 4.52.160 of Chapter 52 of Title 4 of the Santa Barbara Municipal Code is amended to read as follows:

4.52.160 Public Works Contracts.

A. **COMPLIANCE WITH THE CHARTER.** Bidding and advertising and award of contracts for public works, excluding maintenance and repair, shall be as required by Section 519 of the City Charter.

B. **PREVAILING WAGES REQUIRED IN COMPLIANCE WITH SB 7.** The state prevailing wage law requires contractors on public works projects to be paid the general prevailing rate of per diem wages for work of a similar character in the locality in which the work is performed. Under California Constitution, Article XI, Section 5, the laws of chartered cities supersede state law with respect to municipal affairs of the city. The City of Santa Barbara is a chartered city duly organized and validly existing under the laws of the State of California, and thus the city may exempt itself from prevailing wage requirements. California Senate Bill No. 7 ("SB 7"), approved October 13, 2013, provides that the state has limited financial resources and resolves only to extend financial assistance to construction projects of those chartered cities that require compliance with the prevailing wage law on all their municipal construction projects. Effective January 1, 2015, unless the contract was advertised for bid prior to that date, chartered cities are additionally disqualified from receiving financial assistance under SB 7 if the city has awarded, within the prior two (2) years, a public works contract without requiring the contractor to comply with prevailing wage requirements. Chartered cities that have charter provisions exempting city projects from prevailing wage requirements may adopt a local prevailing wage ordinance with requirements equal to or greater than state prevailing wage law in order to avoid disqualification.

For at least the last 25 years, the City has generally required prevailing wages to be paid on capital improvement projects. Compliance with SB 7, however, requires the adoption of an ordinance and the payment of prevailing wages beyond capital improvement projects to include maintenance and repair work, as described in the Labor

Code. Notwithstanding the City's constitutional right to exempt locally funded projects from prevailing wage, the City Council finds that the City's financial interests are best served by complying with California's prevailing wage law as delineated in SB 7.

C. Prevailing wages shall be paid on all public works contracts in accordance with Labor Code section 1782 (SB 7).

E. The provisions of this ordinance do not restrict the city from receiving or using state funding or financial assistance awarded prior to January 1, 2015, or from receiving or using state funding or financial assistance to complete a contract awarded prior to January 1, 2015. Further, this ordinance does not disqualify or amend any contracts awarded prior to January 1, 2015.

F. If SB 7 is, for any reason, held to be invalid or inapplicable to charter cities by any court of competent jurisdiction or is otherwise repealed, this ordinance shall automatically sunset and be of no further effect immediately thereafter.

SECTION 2. CEQA. This ordinance is not subject to the California Environmental Quality Act ("CEQA") pursuant to Section 15060(c)(2) of the CEQA Guidelines (Title 14, Chapter 3 of the California Code of Regulations) because the activity will not result in a direct or reasonable foreseeable indirect physical change in the environment, and Section 15060(c)(3) because the activity is not a project as defined in Section 15378 of the CEQA Guidelines because it has no potential for resulting in physical change to the environment, directly or indirectly.



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: December 9, 2014

TO: Mayor and Councilmembers

FROM: Planning Division, Community Development Department

SUBJECT: Hotel And Related Commerce Zone Amendment (Clean-Up Amendment) For Area A Of The Cabrillo Plaza Specific Plan

RECOMMENDATION:

That Council introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Amending Section 28.22.030 of Chapter 28.22 of Title 28 of the Santa Barbara Municipal Code.

DISCUSSION:

In 2005, the Ocean-Oriented Commercial (OC) Zone was adopted for a portion of the City's interior waterfront area. As part of that Municipal Code and Local Coastal Program amendment, the Hotel and Related Commerce (HRC) Zone was also amended. In amending the HRC Zone, the allowance for residential use on the properties identified as Area A of the Cabrillo Plaza Specific Plan (refer to Attachment 1 - Map of Affected Area) was inadvertently eliminated.

This created an inconsistency between the zoning (HRC-2) and coastal land use designation (hotel and related commerce/residential) for the affected parcels, as well as an inconsistency between the uses allowed in the Cabrillo Plaza Specific Plan and the HRC-2 Zone for the affected parcels. Staff has done extensive research on how this inconsistency came to be and concluded that it was an inadvertent mistake made within Chapter 28.22 as part of the OC Zone-related amendments. In fact, the affected parcels were specifically noted in several staff reports as not being part of the OC Zone amendments. The currently proposed ordinance amendment would simply reinstate residential as an allowed use on those affected parcels.

A more complete history and discussion of the issue is provided in the November 6, 2014 Planning Commission staff report (Attachment 2). On November 6, 2014 the Planning Commission considered the proposed amendment and recommended approval (on a 6-0 vote) of the Ordinance amendment.

LOCAL COASTAL PLAN CONSISTENCY

The LCP land use designation underlying Area A of the Cabrillo Plaza Specific Plan is Hotel and Related Commerce and Residential, so maintaining an allowance for residential use on the affected parcels is appropriate. Staff has discussed this issue with Coastal Commission staff, who agreed that the Coastal Commission does not consider the land within the Cabrillo Plaza Specific Plan to be part of the HRC-2/OC rezone that occurred in 2005. From their perspective, the revised text of the HRC-2 Zone (which removed the allowance for residential use in the Helena Residential Allowance Area, and is in effect today) does not apply to the Cabrillo Plaza Specific Plan parcels. Therefore, staff has concluded that a Local Coastal Plan Amendment is not necessary to correct this error.

ENVIRONMENTAL REVIEW

The Environmental Analyst has determined that the project is exempt from further environmental review pursuant to the California Environmental Quality Act Guidelines Section 15305. The City's adopted list of projects that are consistent with this exemption class include:

- Creation of minor new, and minor amendments to existing land use plans, ordinances, guidelines, regulations and/or development standards which do not result in any changes in land use density and which have no potential for significant environmental effects.
- Minor Zoning Ordinance amendments that do not significantly change plan uses in an area.

The Ordinance Amendment is limited to re-instituting residential use as an allowed use on property located within Area A of the Cabrillo Plaza Specific Plan. The Ordinance Amendment would not affect or change adopted land use designations or densities identified in the General Plan or Local Coastal Plan, or the Cabrillo Plaza Specific Plan. Therefore, it would not result in significant environmental effects because these potential effects have already been considered as part of prior land use decisions.

ATTACHMENT(S):

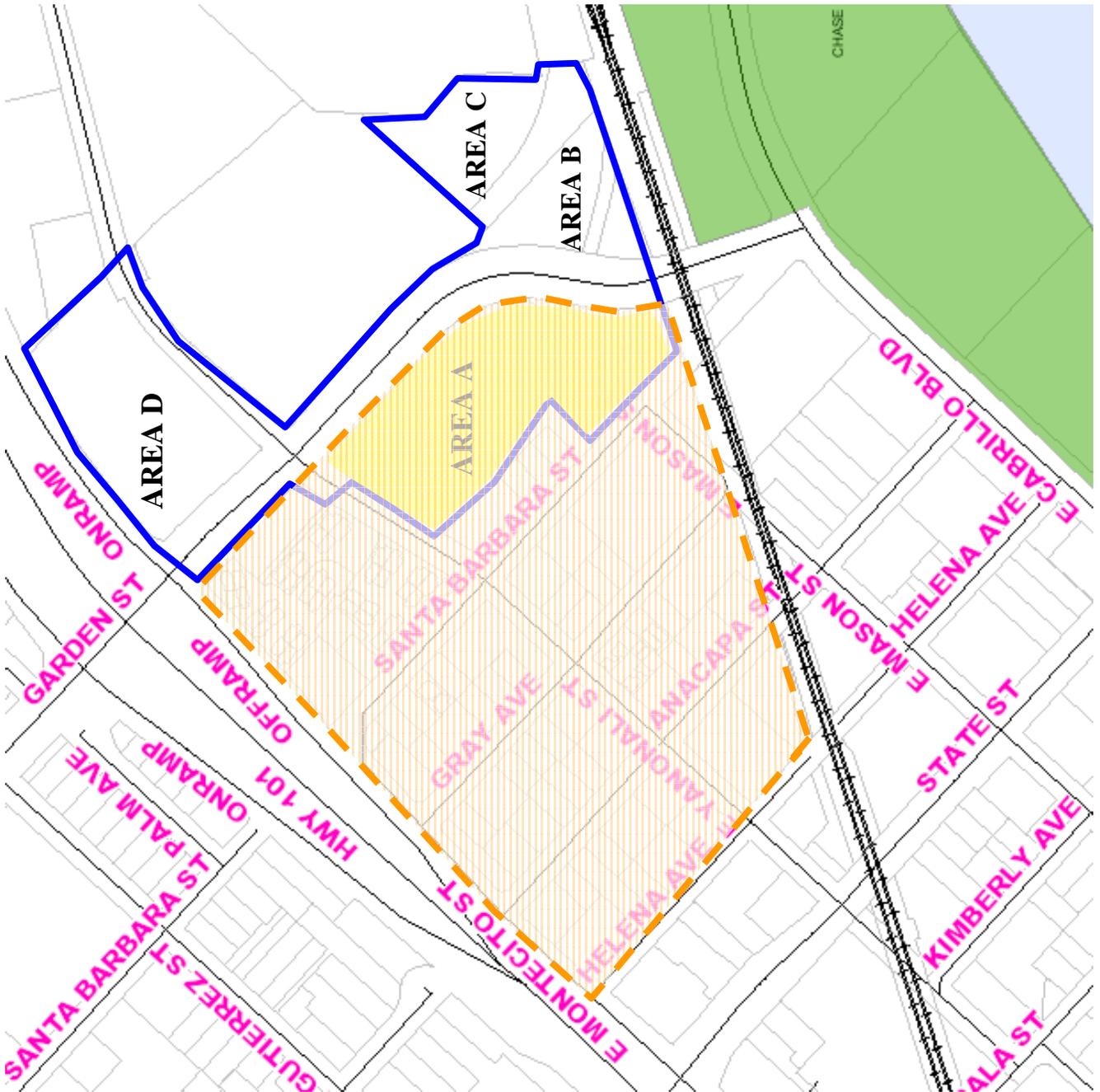
1. Map of Affected Area
2. Planning Commission Staff Report for November 6, 2014
3. Planning Commission Resolution No. 028-14

PREPARED BY: Allison De Busk, Project Planner

SUBMITTED BY: George Buell, Community Development Director

APPROVED BY: City Administrator's Office

Map of Affected Area



Legend

- SP-2 (Cabrillo Plaza Specific Plan) [Blue outline]
- Area A of SP-2 (zoned HRC-2/SP-2) [Yellow fill]
- Helena Residential Allowance Area (currently zoned OC or OC/HRC-2, except for Area A of SP-2) [Orange dashed outline]



City of Santa Barbara California

PLANNING COMMISSION STAFF REPORT

REPORT DATE: October 30, 2014
AGENDA DATE: November 6, 2014
SUBJECT: HRC-2 Zone Ordinance Amendment
TO: Planning Commission
FROM: Planning Division, (805) 564-5470, extension 4552
 Renee Brooke, AICP, Senior Planner *RB*
 Allison De Busk, Project Planner *AD*

I. RECOMMENDATION

That the Planning Commission review the proposed amendment to Section 28.22.030 of the Municipal Code (Exhibit A) to correct the inadvertent deletion of residential as an allowed use in the HRC-2 Zone within Area A of the Cabrillo Plaza Specific Plan, and make a recommendation to City Council for adoption of the amendment.

II. DISCUSSION

The majority of the area bounded by Santa Barbara Street, E. Yanonali Street, Garden Street and the railroad tracks has dual zoning of HRC-2 (Hotel and Related Commerce) and SP-2 (Cabrillo Plaza Specific Plan). Currently, there is a discrepancy between the uses allowed in the HRC-2 Zone and SP-2 related to residential uses. The Cabrillo Plaza Specific Plan allows multi-family residential uses in Area A (the area generally described above, as depicted in Exhibit B) of SP-2; however, the HRC-2 Zone no longer allows residential uses in that area.

This discrepancy is the result of changes to the HRC-2 Zone that were made as part of the adoption of the OC (Ocean-Oriented Commercial) Zone in 2005. Prior to 2005, the HRC-2 Zone allowed residential uses in the area bounded by Helena Avenue on the west, the existing railroad right-of-way to the south, Garden Street extension on the east and Highway 101 to the north ("Helena Residential Allowance Area"); refer to Exhibit B for a depiction of this area.

In 2005, the HRC-2 Zone was amended as part of the OC Rezone, and the allowance for residential use in the Helena Residential Allowance Area was eliminated. The majority of the parcels within the Helena Residential Allowance Area were rezoned to OC or OC/HRC-2. However, for those parcels that were not rezoned (specifically, Area A of SP-2, as shown on Exhibit B), the deletion of the Helena Residential Allowance Area from the HRC-2 zone created an inconsistency between the HRC-2 Zone and SP-2 over the treatment of residential uses in Area A of SP-2.

Based on staff's research, it appears as though, in rezoning the majority of the parcels located within the Helena Residential Allowance Area from HRC-2 to OC, it was assumed that the allowance for residential uses in the Helena Residential Allowance Area of the HRC-2 Zone

could be eliminated, as the OC Zone would now apply to that area. However, as noted above, for those parcels within the Helena Residential Allowance Area that were not rezoned to OC, this created a zoning inconsistency related to residential use. The City and Coastal Commission staff reports identifying the proposed OC rezone area specifically state that the Cabrillo Plaza Specific Plan is not included in the rezone. Additionally, the ordinance adopting the rezone specifically identifies the APNs of the lots that were to be rezoned from HRC-2 to OC and has an exhibit to the ordinance that excludes the Cabrillo Plaza Specific Plan area from the graphic depiction of the OC Zone.

Therefore, staff has concluded, and the owners of the Cabrillo Plaza Specific Plan parcels agree, that the allowance for residential uses in Area A of SP-2 was inadvertently eliminated from the HRC-2 Zone as part of the adoption of the OC Zone in 2005. Staff is proposing to amend the HRC-2 Zone to reinstate residential as an allowed use for those parcels within the affected area (Area A of SP-2).

Refer to Exhibit C for a more detailed history of the applicable Ordinances, staff reports, etc. referenced above.

III. CONCLUSION / REMEDY

Before the OC rezone in 2005, the HRC-2 Zone and SP-2 allowed residential uses in Area A of SP-2. The OC rezone did not apply to Area A of SP-2. This is borne out by exhibits to the ordinance that list the lots that are to be rezoned, the description of the rezone area in the City and Coastal Commission staff reports, and it is noted in the Local Coastal Plan Text Amendments for Component 4.

Therefore, the elimination of the Helena Residential Allowance Area as a whole was an error. The proposed amendment would reverse that error, would bring the HRC-2 and SP-2 Area A land uses back into conformance related to residential uses, and would not change policy (as acknowledged by Coastal Commission staff, see below). Refer to Exhibit A for the proposed text of the Ordinance Amendment.

IV. LOCAL COASTAL PLAN CONSISTENCY

The LCP land use designation underlying Area A of the Cabrillo Plaza Specific Plan is Hotel and Related Commerce and Residential, so maintaining an allowance for residential use on the affected parcels is appropriate.

Staff has discussed this issue with Coastal Commission staff, who agreed that the Coastal Commission does not consider the land within the Cabrillo Plaza Specific Plan to be part of the HRC-2/OC rezone that occurred in 2005. From their perspective, the revised text of the HRC-2 Zone (which removed the allowance for residential use in the Helena Residential Allowance Area, and is in effect today) does not apply to the Cabrillo Plaza Specific Plan parcels. Therefore, staff has concluded that a Local Coastal Plan Amendment is not necessary to correct this error.

V. ENVIRONMENTAL REVIEW

The Environmental Analyst has determined that the project is exempt from further environmental review pursuant to the California Environmental Quality Act Guidelines Section 15305. The City's adopted list of projects that are consistent with this exemption class include:

- Creation of minor new, and minor amendments to existing land use plans, ordinances, guidelines, regulations and/or development standards which do not result in any changes in land use density and which have no potential for significant environmental effects.
- Minor Zoning Ordinance amendments that do not significantly change plan uses in an area.

The Ordinance Amendment is limited to re-instituting residential use as an allowed use on property located within Area A of the Cabrillo Plaza Specific Plan. The Ordinance Amendment would not affect or change adopted land use designations or densities identified in the General Plan or Local Coastal Plan, or the Cabrillo Plaza Specific Plan. Therefore, it would not result in significant environmental effects because these potential effects have already been considered as part of prior land use decisions.

VI. NEXT STEPS

After receiving the Commission's recommendation, the ordinance amendment will be forwarded to the City Council, and staff anticipates the Introduction hearing will be scheduled in December 2014.

Exhibits:

- A. Proposed HRC-2 Zone Ordinance Amendment
- B. Map of Affected Area
- C. Background Information

PLANNING COMMISSION DISCUSSION DRAFT 11/06/2014
SHOWING CHANGES FROM EXISTING CODE

ORDINANCE NO. _____

AN ORDINANCE OF THE COUNCIL OF THE
CITY OF SANTA BARBARA AMENDING
SECTION 28.22.030 OF CHAPTER 28.22 OF
TITLE 28 OF THE SANTA BARBARA
MUNICIPAL CODE.

WHEREAS, the HRC-2 (Hotel and Related Commerce - 2) Zone was adopted by the City Council in 1983 allowing residential uses within the area bounded by Helena Avenue on the west, the existing railroad right-of-way on the south, the Garden Street extension on the east and Highway 101 on the north.

WHEREAS, in 2005 the City Council adopted Ordinance No. 5343 rezoning a portion of the HRC-2 Zone to the OC (Ocean Commercial) Zone.

WHEREAS, Ordinance No. 5343 was not intended to affect the real property within the Cabrillo Plaza Specific Plan (SP-2).

WHEREAS, Ordinance No. 5343 unintentionally deleted a provision from Section 28.22.030 of the Municipal Code which allowed residential uses within a portion of the HRC-2 Zone that is located within Area A of the Cabrillo Plaza Specific Plan.

WHEREAS, the City Council wishes to correct the unintended deletion of the residential use allowance within Area A of the Cabrillo Plaza Specific Plan.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SANTA BARBARA DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1. Section 28.22.030 of Chapter 28.22 of Title 28 of the Santa Barbara Municipal Code is hereby amended to read as follows:

28.22.030 Land Uses Permitted.

The following land uses are allowed in the HRC zones indicated:

A. HRC-1 ZONE:

Hotels, motels and tourist courts, including related recreational, conference center and other auxiliary uses primarily for use by hotel guests and as permitted in

Section 28.21.030.B.2 of this code. In addition, restaurants, including those with entertainment facilities used in conjunction with the restaurant, are allowed.

B. HRC-2 ZONE:

1. General. Any use permitted in the HRC-1 Zone and subject to the restrictions and limitations contained therein.

2. Specific. Any of the following uses which are primarily visitor-serving or of a commercial recreational nature specific to the Coastal Zone are allowed:

a. Bicycle, roller skating, moped, dive gear and other recreational equipment rental stores.

b. Stores which sell liquor, groceries and food, which do not exceed 2,500 sq. ft. in gross floor area.

c. Specialty and gift shops.

d. Art galleries.

e. Bait and tackle shops, sales of boats, marine supplies and related equipment.

f. Other visitor-serving or commercial recreational uses deemed appropriate by the Planning Commission.

3. General Office Use. The second and third floors of commercial buildings are allowed to be used for general office uses upon issuance of a Conditional Use Permit. A Conditional Use Permit may be granted by the Planning Commission or City Council on appeal for such uses in accordance with the provisions of Chapter 28.94 of this Code, subject to the following additional findings:

a. The use is compatible with visitor-serving uses;

- b. Visitor-serving uses remain the primary use of the building; and
- c. Non-visitor-serving uses shall not exceed fifty (50) percent of the total

square footage of the building.

4. Restriction on Residential Use. Residential use is prohibited in the HRC-2

Zone except in the following areas:

a. The area bounded by Cabrillo Boulevard on the southeast, Los Patos Way on the southwest and the existing railroad right-of-way on the north.

b. The area identified as Area A of the Cabrillo Plaza Specific Plan as specified in Resolution No. 83-155.

Any use permitted in the R-3 Zone is allowed in these areas subject to the restrictions and limitations contained in this Chapter.

5. Special Treatment Area. The following additional restrictions shall apply in the area bounded by Cabrillo Boulevard on the southeast, Los Patos Way on the southwest and the existing railroad right-of-way on the north, due to concerns about protection of the sensitive habitat character and aesthetics of the Andree Clark Bird Refuge:

a. High Intensity Uses. The following high-intensity uses shall be prohibited:

- i. fast food restaurants
- ii. stores which sell liquor, groceries and food, except that off-site sale

of beer and wine and picnic items may be allowed only when incidental to and related to the primary use of the establishment.

- iii. automobile service station.

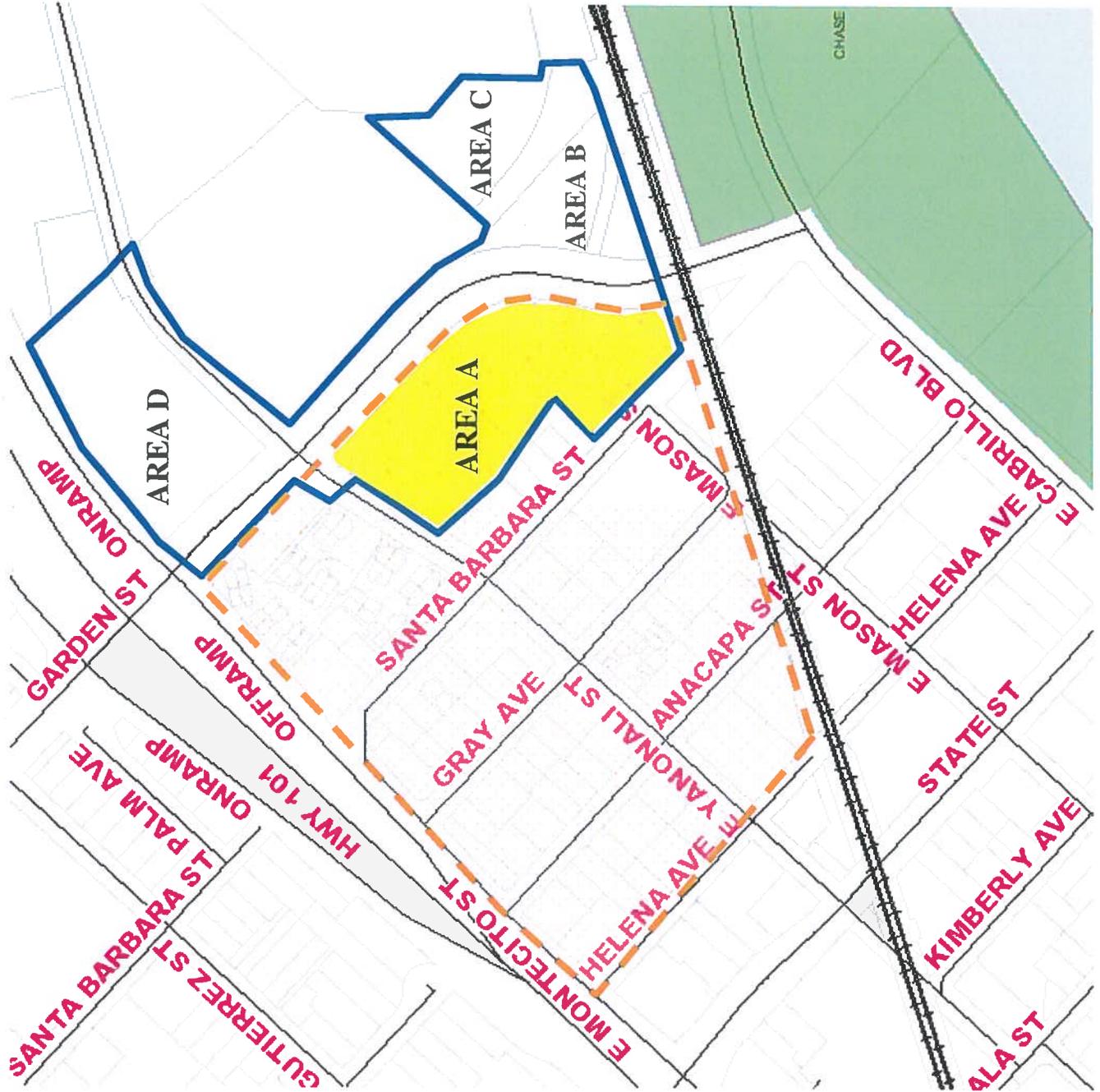
b. Front Setback. There shall be a front setback of not less than:

i. Ten (10) feet for one-story buildings that do not exceed fifteen (15) feet in height; and

ii. one hundred (100) feet for the second-story portion of any building that exceeds fifteen (15) feet in height.

c. Building Height. Three-story buildings and buildings in excess of thirty (30) feet in height shall be prohibited.

Map of Affected Area



Legend

-  SP-2
-  Area A of SP-2 (zoned HRC-2/SP-2)
-  Helena Residential Allowance Area (currently zoned OC or OC/HRC-2, except for Area A of SP-2)

BACKGROUND INFORMATION

Cabrillo Plaza Specific Plan

In September of 1983, the City Council adopted Resolution No. 83-155 approving the Cabrillo Plaza Specific Plan (SP-2).

The Cabrillo Plaza Specific Plan allows multi-family residential uses in Area A, subject to the restrictions of the R-3 (Limited Multiple-Family Residence) Zone. Area A of the Specific Plan fell within the Helena Residential Allowance Area of the HRC-2 Zone, maintaining consistency between the HRC-2 Zone and SP-2 in terms of allowing residential uses.

HRC-2 Zone (1986 – 2005)

In October of 1982, the City Council adopted Ordinance No. 4172 establishing the HRC-1 and HRC-2 Zones.

Residential uses were prohibited in the HRC-1 Zone and generally prohibited within the HRC-2 Zone, but Municipal Code Section 28.22.030.2.d identified two areas within the HRC-2 Zone where residential use was allowed:

- (1) The area bounded by Helena Avenue on the west, the existing railroad right-of-way on the south, the Garden Street extension on the east and Highway 101 on the north.
- (2) The area bounded by Cabrillo Boulevard on the south, Garden Street on the west, the existing railroad right-of-way on the north and Salsipuedes Street on the east.

The area identified in (1) above will be referred to herein as the "Helena Residential Allowance Area".

In 1985, the City Council adopted Ordinance No. 4320, which repealed Ordinance No. 4172 (establishing the HRC-1 and HRC-2 Zones) and readopted Municipal Code Chapter 28.22 for the HRC-1 and HRC-2 Zones. In 1986, the Coastal Commission approved the City's Local Coastal Program Implementation Plan, thereby making the HRC-1 and HRC-2 Zones effective.

With Ordinance No. 4320, the general prohibition against residential uses in the HRC-2 Zone remained, but Municipal Code Section 28.22.030.2.d was amended to add a third area (Los Patos Way) where residential use was allowed.

The treatment of residential uses between the HRC-2 Zone and the Cabrillo Plaza Specific Plan was consistent with the adoption of this Ordinance.

OC Rezone (1995 – 2005)

In 1995, the City initiated the HRC Zone Study, which began a process to address land use in the interior of the HRC Zone and culminated in the creation of the Ocean-Oriented Commercial (OC) Zone in 2004. Only the history most relevant to the current issue (residential use in the Helena Residential Allowance Area) is summarized below.

In September 2002, the City submitted an application to the California Coastal Commission for certification of an amendment to the City's Local Coast Program (LCP) to rezone a portion of the HRC-2 Zone to the Ocean-Oriented Commerce (OC) Zone. The Coastal Commission considered this application at meetings in April and August of 2003.

The Coastal Commission staff reports and agendas included descriptions of the areas subject to the proposed rezone, which specifically excluded lots fronting Cabrillo Boulevard and lots within the Cabrillo Plaza Specific Plan.

On August 8, 2003, the Coastal Commission approved the City's application with modifications. The Coastal Commission staff report included a discussion of residential uses in the HRC-2 Zone and states that the Helena Residential Allowance Area is going to be rezoned to OC. Presumably, that is why the Helena Residential Allowance Area was deleted from the HRC-2 Zone as an area where residential is an allowed use. However, some of the parcels covered by that residential allowance (the parcels within Area A of the Cabrillo Plaza Specific Plan) were not, in fact, proposed to be rezoned from HRC-2 to OC. When the LCP certification approval returned to the City Council for acceptance, a majority of the City Council objected to the Coastal Commission's modifications. In particular, the City Council objected to a Coastal Commission dictate regarding a proposed cap on the proportionate amount of residential square footage (70%) that could be proposed in a mixed use project within the OC Zone. On November 11, 2003, a 4-3 majority of the City Council voted to table the rezone rather than accept the Coastal Commission's modifications.

On March 6, 2004, the issue returned to the City Council for reconsideration. At this time, a majority of Council voted to continue the rezone process, including the Coastal Commission modifications. On April 22, 2004, the Planning Commission reviewed the proposed OC Zone Ordinance Amendment. Significant to this discussion is the inclusion of a draft amendment to the City's LCP that included language noting the intended exclusion of the area within the Cabrillo Plaza Specific Plan from the area of the rezone. On June 22, 2004, the City Council adopted Ordinance No. 5322 to establish the OC Zone and amend the HRC Zone. This ordinance was resubmitted to the California Coastal Commission for certification.

On November 19, 2004, the Coastal Commission certified the LCP amendment with a suggested modification. As outlined in the Coastal Commission staff report, the description of the LCP Amendment includes the following:

- Rezoning an area that encompasses the Helena Residential Allowance Area to OC or HRC/OC *except* for the parcels within the Cabrillo Plaza Specific Plan.
- Removing the HRC-2 allowance for residential use in the Chase Palm Park Expansion area (one of the three areas where residential uses were allowed) because that area was rezoned to PR (Park and Recreation) in 1997. Interestingly, the staff report does not specifically mention removing the allowance for residential use in the Helena Residential Allowance Area, although that was accomplished with this LCP Amendment.
- Amending the Zoning Ordinance to specifically address that variable density in applies the HRC-2 and OC Zones.

As part of the discussion of variable density, the staff report discussed the two areas in the HRC-2 Zone where residential uses would be allowed:

- 1) The Helena Residential Allowance Area (referred to as Area #1 in the staff report) – The staff report states that this area would be rezoned to OC. However, we know that not all of this area was proposed to be rezoned to OC, based on the explicit exclusion of the Cabrillo Plaza Specific Plan Area from the description of the rezone area.
- 2) The Los Patos Way Area (referred to as Area #2 in the staff report).

It is this oversight/inconsistency (concluding that all of the Helena Residential Allowance Area would be rezoned to OC, and therefore deleting the allowance for residential uses in this area from the HRC-2 Zone) that apparently resulted in the discrepancy that we are now hoping to remedy.

On February 8, 2005, the City Council accepted the Coastal Commission's suggested modification and adopted Ordinance 5343 to establish the OC Zone and amend the HRC-1 and HRC-2 Zones. This Ordinance became effective on March 2, 2005 when it was certified by the Coastal Commission. This is the Ordinance currently in effect.

With adoption of Ordinance 5343, the treatment of residential uses became inconsistent between the HRC-2 Zone and the Cabrillo Plaza Specific Plan.

Proposed Development of 101 Garden Street

There have been several proposals for development of the Cabrillo Plaza Specific Plan area. However, most recently and most relevant to the current discussion, is the residential development that was proposed on Area A. On September 14, 2004, the City Council and Planning Commission held a joint concept review hearing to discuss appropriate development of three sites in the Waterfront Area, including 101 Garden Street, which is Area A of the Cabrillo Plaza Specific Plan. The other two sites were located in the area proposed to be rezoned to OC (222 Santa Barbara Street and 236 E. Yanonali Street).

Focusing on Area A of the Cabrillo Plaza Specific Plan, staff asked the Council and Commission for feedback as to whether or not a 100% residential project was appropriate for the site. The staff report references the site's underlying land use designation (Hotel and Related Commerce II / Residential 12 units per acre) and the allowance for residential uses as identified in the SP-2 Zone, but does not discuss the site's HRC-2 zoning.

At this time, although approved by the City Council, the OC Rezone (Ordinance No. 5322) was still pending with the Coastal Commission, so it was not yet in effect. The proposed Ordinance included an exemption for pending residential development applications, which would have applied to the portions of the proposed development located at 222 Santa Barbara Street and 236 E. Yanonali Street. The Coastal Commission did not support this exemption, which was the only change between the version of the Ordinance submitted to them (Ordinance 5322) and the Ordinance that was ultimately certified (Ordinance 5343).

Summary

From the certification of Ordinance No. 4320 (1986) until the certification of Ordinance No. 5343 (2005) by the Coastal Commission, the HRC-2 Zone identified three areas where residential uses were allowed, including the Helena Residential Allowance Area, which included Area A of the Cabrillo Plaza Specific Plan. Therefore, the treatment of residential uses under the HRC-2 Zone and the Cabrillo Plaza Specific Plan was consistent from 1986-2005.

Following the certification of Ordinance No. 5343 (OC Rezone), the only area within the HRC-2 Zone that allowed residential use was the Los Patos Way area. The majority of the parcels within the original Helena Residential Allowance Area were rezoned to OC or OC/HRC-2. However, for those parcels that were not rezoned (Area A of the Cabrillo Plaza Specific Plan), the deletion of the Helena Residential Allowance Area from the HRC-2 zone eliminated those parcels' ability to develop with residential uses. Additionally, by removing the Helena Residential Allowance Area from the HRC-2 Zone, it created an inconsistency between the HRC-2 Zone and the Cabrillo Plaza Specific Plan over the treatment of residential uses in Area A of the Cabrillo Plaza Specific Plan.

References (Available Upon Request)

1. Ordinance No. 4172 establishing the HRC-1 and HRC-2 Zones
2. Resolution No. 83-155 - Cabrillo Plaza Specific Plan (SP-2)
3. Ordinance No. 4320 amending the HRC-1 and HRC-2 Zones (repealed Ordinance No. 4172)
4. Coastal Commission staff report dated March 26, 2003 (for April 2003 Hearing)
5. Coastal Commission staff report dated July 22, 2003 (for August 2003 Hearing)
6. Planning Commission Staff Report dated April 15, 2004
7. Council Agenda Report dated June 15, 2004 and proposed Ordinance Amendment
8. Ordinance No. 5322 establishing the OC Zone and Amending the HRC-1 and HRC-2 Zones
9. Coastal Commission staff report dated October 28, 2004 (for the November 2004 Hearing)
10. Ordinance No. 5343 establishing the OC Zone and Amending the HRC-1 and HRC-2 Zones



City of Santa Barbara California

ATTACHMENT 3

CITY OF SANTA BARBARA PLANNING COMMISSION

RESOLUTION NO. 028-14

RECOMMENDATION TO CITY COUNCIL ON A PROPOSED AMENDMENT TO THE HRC ZONE RELATED TO RESIDENTIAL USE IN THE HRC-2 ZONE NOVEMBER 6, 2014

PROPOSED AMENDMENT TO THE SANTA BARBARA MUNICIPAL CODE RELATED TO RESIDENTIAL USES IN THE HRC-2 (HOTEL AND RELATED COMMERCIAL – 2) ZONE

Santa Barbara Municipal Code (SBMC) §28.22.030.B regulates the land uses permitted in the HRC-2 (Hotel and Related Commerce - 2) Zone. Specifically, it limits residential use to one specific area of the HRC-2 Zone, near Los Patos Way.

In September of 1983, the City Council adopted Resolution No. 83-155 approving the Cabrillo Plaza Specific Plan (SP-2). SP-2 allows multi-family residential uses in Area A of SP-2; Area A of SP-2 is also zoned HRC-2.

Therefore, as currently written, there is a discrepancy between the uses allowed in the HRC-2 Zone and SP-2 related to residential uses. Prior to 2004, the treatment of residential uses was consistent between the HRC-2 Zone and SP-2. This current discrepancy is the result of changes to the HRC-2 Zone that were made as part of the adoption of the OC (Ocean-Oriented Commercial) Zone in 2004. This discrepancy only affects those parcels in Area A of SP-2; specifically APNs 017-630-008; -009; -018; -021; -024; and -027.

Staff believes that the allowance for residential uses in Area A of SP-2 was inadvertently eliminated as part of the adoption of the OC Zone. Therefore, staff is proposing to amend the HRC-2 Zone to reinstate residential as an allowed use in the HRC-2 Zone for those parcels within Area A of SP-2.

The purpose of this meeting was to present the proposed Municipal Code amendment, hold a public hearing, and request that the Planning Commission make a recommendation to City Council for its adoption.

The Environmental Analyst has determined that the project is exempt from further environmental review pursuant to the California Environmental Quality Act Guidelines Section 15305.

WHEREAS, the Planning Commission has held the required public hearing on the above application, and the Applicant was present.

WHEREAS, no one appeared to speak in favor of the recommendation, and no one appeared to speak in opposition thereto, and the following exhibits were presented for the record:

1. Staff Report with Attachments, October 30, 2014.
2. Updated text of proposed Ordinance Amendment, dated November 6, 2014
3. Correspondence received in support of the recommendation:

NOW, THEREFORE BE IT RESOLVED that the City Planning Commission recommend to City Council the adoption of the proposed amendment to Section 28.22.030 of the Municipal Code to correct the inadvertent deletion of residential as an allowed use in the HRC-2 Zone within Area A of the Cabrillo Plaza Specific Plan.

PLANNING COMMISSION RESOLUTION NO. 028-14

RECOMMENDATION TO CITY COUNCIL ON PROPOSED AMENDMENTS TO THE HRC ZONE RELATED TO RESIDENTIAL USE IN THE HRC-2 ZONE

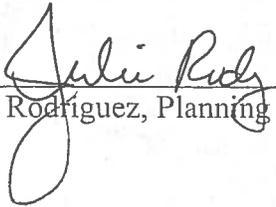
NOVEMBER 6, 2014

PAGE 2

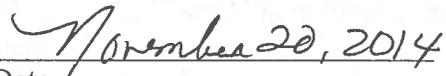
This motion was passed and adopted on the 6th day of November, 2014 by the Planning Commission of the City of Santa Barbara, by the following vote:

AYES: 6 NOES: 0 ABSTAIN: 0 ABSENT: 1 (Bartlett)

I hereby certify that this Resolution correctly reflects the action taken by the city of Santa Barbara Planning Commission at its meeting of the above date.



Julie Rodriguez, Planning Commission Secretary



Date

**Ordinance for Introduction
DRAFT
12/9/14
Showing Changes from Current Code**

ORDINANCE NO. _____

AN ORDINANCE OF THE COUNCIL OF THE CITY
OF SANTA BARBARA AMENDING SECTION
28.22.030 OF CHAPTER 28.22 OF TITLE 28 OF THE
SANTA BARBARA MUNICIPAL CODE.

WHEREAS, the HRC-2 (Hotel and Related Commerce - 2) Zone was adopted by the City Council in 1983 allowing residential uses within the area bounded by Helena Avenue on the west, the existing railroad right-of-way on the south, the Garden Street extension on the east and Highway 101 on the north.

WHEREAS, in 2005 the City Council adopted Ordinance No. 5343 rezoning a portion of the HRC-2 Zone to the OC (Ocean Commercial) Zone.

WHEREAS, Ordinance No. 5343 was not intended to affect the real property within the Cabrillo Plaza Specific Plan (SP-2).

WHEREAS, Ordinance No. 5343 unintentionally deleted a provision from Section 28.22.030 of the Municipal Code which allowed residential uses within a portion of the HRC-2 Zone that is located within Area A of the Cabrillo Plaza Specific Plan.

WHEREAS, the City Council wishes to correct the unintended deletion of the residential use allowance within Area A of the Cabrillo Plaza Specific Plan.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SANTA BARBARA DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1. The Environmental Analyst has determined that the project is exempt from further environmental review pursuant to the California Environmental Quality Act Guidelines Section 15305. The City's adopted list of projects that are consistent with this exemption class include:

- Creation of minor new, and minor amendments to existing land use plans, ordinances, guidelines, regulations and/or development standards which do not result in any changes in land use density and which have no potential for significant environmental effects.
- Minor Zoning Ordinance amendments that do not significantly change plan uses in an area.

The Ordinance Amendment is limited to re-instituting residential use as an allowed use on property located within Area A of the Cabrillo Plaza Specific Plan. The Ordinance Amendment would not affect or change adopted land use designations or densities identified in the General Plan or Local Coastal Plan, or the Cabrillo Plaza Specific Plan. Therefore, it would not result in significant environmental effects because these potential effects have already been considered as part of prior land use decisions.

SECTION 2. Section 28.22.030 of Chapter 28.22 of Title 28 of the Santa Barbara Municipal Code is hereby amended to read as follows:

28.22.030 Land Uses Permitted.

The following land uses are allowed in the HRC zones indicated:

A. HRC-1 ZONE:

Hotels, motels and tourist courts, including related recreational, conference center and other auxiliary uses primarily for use by hotel guests and as permitted in Section 28.21.030.B.2 of this code. In addition, restaurants, including those with entertainment facilities used in conjunction with the restaurant, are allowed.

B. HRC-2 ZONE:

1. General. Any use permitted in the HRC-1 Zone and subject to the restrictions and limitations contained therein.

2. Specific. Any of the following uses which are primarily visitor-serving or of a commercial recreational nature specific to the Coastal Zone are allowed:

a. Bicycle, roller skating, moped, dive gear and other recreational equipment rental stores.

b. Stores which sell liquor, groceries and food, which do not exceed 2,500 sq. ft. in gross floor area.

c. Specialty and gift shops.

d. Art galleries.

e. Bait and tackle shops, sales of boats, marine supplies and related equipment.

f. Other visitor-serving or commercial recreational uses deemed appropriate by the Planning Commission.

3. General Office Use. The second and third floors of commercial buildings are allowed to be used for general office uses upon issuance of a Conditional Use Permit. A Conditional Use Permit may be granted by the Planning Commission or City Council on appeal for such uses in accordance with the provisions of Chapter 28.94 of this Code, subject to the following additional findings:

- a. The use is compatible with visitor-serving uses;
- b. Visitor-serving uses remain the primary use of the building; and
- c. Non-visitor-serving uses shall not exceed fifty (50) percent of the total square footage of the building.

4. Restriction on Residential Use. Residential use is prohibited in the HRC-2

Zone except in the [following areas](#):

[a. The](#) area bounded by Cabrillo Boulevard on the southeast, Los Patos Way on the southwest and the existing railroad right-of-way on the north.

[b. The area identified as Area A of the Cabrillo Plaza Specific Plan as specified in Resolution No. 83-155.](#)

Any use permitted in the R-3 Zone is allowed in these areas subject to the restrictions and limitations contained ~~in this Chapter~~ [therein](#).

5. Special Treatment Area. The following additional restrictions shall apply in the area bounded by Cabrillo Boulevard on the southeast, Los Patos Way on the

southwest and the existing railroad right-of-way on the north, due to concerns about protection of the sensitive habitat character and aesthetics of the Andree Clark Bird

Refuge:

- a. High Intensity Uses. The following high-intensity uses shall be prohibited:
 - i. fast food restaurants
 - ii. stores which sell liquor, groceries and food, except that off-site sale of beer and wine and picnic items may be allowed only when incidental to and related to the primary use of the establishment.
 - iii. automobile service station.

- b. Front Setback. There shall be a front setback of not less than:
 - i. Ten (10) feet for one-story buildings that do not exceed fifteen (15) feet in height; and
 - ii. one hundred (100) feet for the second-story portion of any building that exceeds fifteen (15) feet in height.

- c. Building Height. Three-story buildings and buildings in excess of thirty (30) feet in height shall be prohibited.



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: December 9, 2014

TO: Mayor and Councilmembers

FROM: City Administrator's Office

SUBJECT: Downtown Organization Annual Assessment Report For 2015 And Intention To Levy

RECOMMENDATION: That Council:

- A. Approve the Downtown Organization and Old Town Business Improvement District Annual Assessment Report for 2015;
- B. Appoint an advisory board to oversee the Downtown Organization and Old Town Business Improvement District; and
- C. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Declaring Council's Intention to Levy Downtown Business Improvement District and Old Town Business Improvement District Assessment Rates for 2015, at a Public Hearing to be Held on January 13, 2015, at 2:00 p.m.

DISCUSSION:

The Downtown and Old Town Business Improvement Districts have provided marketing and promotional services for Downtown businesses for over forty years. The merchants in both business improvement districts pay for these services through an assessment based on their business license fee, location, and type of business. The assessment revenue is collected each year by the City and then remitted to the Santa Barbara Downtown Organization. The Downtown Organization is a 501 (c) 3 organization that operates both improvement districts after merging with the Old Town Merchants Association in 2005.

The Downtown Business Improvement District serves businesses between Chapala and Anacapa Streets, from Ortega Street north to Micheltorena Street, as authorized under Municipal Code Section 4.39. The Old Town Improvement District serves businesses between Chapala and Anacapa Streets, from Montecito Street north to Ortega Street, as authorized under Municipal Code Section 4.43 (Map provided in Attachment 1).

The City Council, as the governing body of both improvement districts, requires the preparation and adoption of an annual assessment report pursuant to the California Streets and Highways Code, Parking and Business Improvement Area Law of 1989. In accordance with state law, the City Council must approve the assessment report and adopt a resolution of intention to levy an annual assessment for the fiscal year. The report outlines the assessment to be levied and collected from January 1, 2015 to December 31, 2015 to pay for activities planned for the upcoming year with the estimated cost. The report also provides the method and basis of the assessment in sufficient detail for business owners to estimate the assessment amount for their business.

For the calendar year of 2015, there are no proposed changes to the boundaries or assessment rates in the Downtown and Old Town Improvement Districts. On November 25, 2014, the Downtown Organization Executive Committee recommended approval of the 2015 Annual Report, attached as an Exhibit to the Resolution. The Downtown and Old Town Business Improvement District revenues are projected to be approximately \$261,500 to fund marketing and promotional activities for downtown businesses.

Generally, the Parking and Business Improvement Area Law of 1989 allows the Downtown Organization to provide the following activities through the Business Improvement Districts:

- Promotion of public events which benefit businesses in the area,
- Furnishing of music in any public place in the area,
- Promotion of tourism within the area, and
- Activities which benefit businesses located and operating in the area.

Marketing and promotional activities of the Downtown and Old Town Improvement Districts include the Downtown Host program, First Thursday monthly event, Holiday Parade, State Street holiday décor, Musical Wine Tour, and promotion of the Downtown area by website and social media. This longstanding partnership between the City and downtown business community has helped promote the downtown area as a vital retail corridor and cultural arts destination for residents and visitors.

With Council approval of the annual report, notices to levy and collect the assessment will be mailed to all affected businesses in the districts. The notices will inform businesses of a public hearing on January 13, 2015 where written or oral protests may be made. At the public hearing, the City Council would consider all protests, confirm whether there is a lack of majority protest (protests received from business owners who pay 50% or more of the total assessments to be levied), and adopt a resolution to assess the rates in accordance with the annual report.

Under state law, the City Council governs the activities of the business improvement district and oversees the decisions made by an advisory board.

Streets and Highways Code Section 36530: The city council shall appoint an advisory board which shall make a recommendation to the city council on the expenditure of revenues derived from the levy of assessments pursuant to this part, on the classification of businesses, as applicable, and on the method and basis of levying the assessments. The city council may designate existing advisory boards or commissions to serve as the advisory board for the area or may create a new advisory board for that purpose. The city council may limit membership of the advisory board to persons paying the assessments under this part. The city council may appoint the advisory board prior to adoption of the resolution of intention to create the area, so that the advisory board may recommend the provisions of the resolution of intention.

At this time, Council needs to take formal action to appoint an advisory board for the Downtown and Old Town Business Improvement Districts. The Downtown Organization has recommended that its Executive Committee members serve as the advisory board, in lieu of Council recruiting members for a new advisory board. The members of the current Executive Committee are listed in Attachment 2.

NOTE: Audited financial statements for the Downtown Organization for the years ended on December 31, 2012 and December 31, 2013 are on file in the City Clerk's Office at City Hall, 735 Anacapa Street.

ATTACHMENT: 1. Map of Downtown and Old Town Business Improvement District Boundaries
2. Proposed Downtown Business Improvement District Advisory Board

PREPARED BY: Nina Johnson, Assistant to the City Administrator

SUBMITTED BY: Paul Casey, Acting City Administrator

APPROVED BY: City Administrator's Office



D O W N T O W N
SANTA BARBARA

DOWNTOWN BID
 Business Improvement District

OLDTOWN BID
 Business Improvement District

- Public Restrooms
- Public Parking
- Downtown-Waterfront Electric Shuttle Bus Route
- Freeway On/Off Ramps

**Proposed Advisory Board
For Downtown and Old Town
Business Improvement Districts**

2015 Downtown Organization Executive Committee Members

Name	Organization	Participation in Business Improvement District Assessment
Ginny Brush	County Arts Commission	
Roger Durling	SBIFF	Pays dues in lieu of assessment
Michael Jordan	Hub International	Pays dues in lieu of assessment
Matt LaBrie	Lynx Property Management	Pays dues in lieu of assessment
Dave Lombardi	Distinctive Framing	Pays assessment
Gene McKnight	Commercial Real Estate	Pays dues in lieu of assessment
Tammy Steuart	Metropolitan Theatres	Pays assessment
Bob Stout	Wildcat Lounge	Pays assessment
Traci Taitt	Towbes Group	Pays assessment
Mark Whitehurst	Casa Magazine	Pays assessment

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SANTA BARBARA DECLARING COUNCIL'S INTENTION TO LEVY DOWNTOWN BUSINESS IMPROVEMENT DISTRICT AND OLD TOWN BUSINESS IMPROVEMENT DISTRICT ASSESSMENT RATES FOR 2015, AT A PUBLIC HEARING TO BE HELD ON JANUARY 13, 2015, AT 2:00 P.M.

WHEREAS, pursuant to Section 36534 of the California Streets and Highways Code, it is the intention of the Council of the City of Santa Barbara, to conduct a public hearing to determine whether to fix and assess a 2015 Downtown Business Improvement District assessment (hereinafter referred to as Downtown BID), as established by Chapter 4.39 of the Santa Barbara Municipal Code, adopted on May 7, 1985;

WHEREAS, pursuant to Section 36534 of the California Streets and Highways Code, it is the intention of the Council of the City of Santa Barbara, to conduct a public hearing to determine whether to fix and assess a 2015 Old Town Business Improvement District assessment (hereinafter referred to as Old Town BID), as established by Chapter 4.43 of the Santa Barbara Municipal Code, adopted on June 3, 1986;

WHEREAS, upon the completion of a public hearing, it shall be the intention of the City Council to levy and collect a benefit assessment within Downtown BID and Old Town BID as described in the Fiscal Year 2015 Annual Report, Exhibit A;

WHEREAS, for Fiscal Year 2015, the improvements and activities to be provided shall consist of marketing and promotional activities for the businesses in the Downtown area.

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

SECTION 1. It is the intention of the City Council to levy and collect assessments within the Downtown Business Improvement District for the Fiscal Year of 2015 from January 1 to December 31, 2015, within boundaries established upon the enactment of Chapter 4.39 of the Santa Barbara Municipal Code on May 7, 1985. It is also the City Council's intention to confirm the method and basis of assessment as established by the City Council upon the enactment of Santa Barbara Municipal Code Chapter 4.39, and as described in the Report.

SECTION 2. It is the intention of the City Council to levy and collect assessments within the Old Town Business Improvement District for the Fiscal Year of 2015 from January 1 to December 31, 2015, within boundaries established upon the enactment of Chapter 4.43 of the Santa Barbara Municipal Code on June 3, 1986. It is also the City Council's intention to confirm the method and basis of assessment as established by the City Council upon the enactment of Santa Barbara Municipal Code Chapter 4.43, and as

described in the Report.

SECTION 3. The time and place for the public hearing to consider the intention of the City Council shall be during the 2:00 p.m. session of the Council's regularly scheduled meeting of January 13, 2015, in the City Council Chambers, located at the Santa Barbara City Hall, or as soon after that time as it may be held.

SECTION 4. Written and oral protests to the proposed 2015 Downtown BID and Old Town BID Assessments, as described in the Report, may be mailed to the City Clerk or made at the above-described public hearing provided that such protests are in the form and manner required by Sections 36524 and 36525 of the California Streets and Highways Code.

SECTION 5. The City Clerk shall give notice of the above-described public hearing by causing a copy of this resolution of intention to be published in a newspaper or general circulation in the City no less than seven (7) days prior to January 13, 2015 and mailing a copy of this resolution of intention to affected business owners within seven (7) days of the City Council's adoption of the resolution of intention to levy businesses in the area.

Downtown Organization of Santa Barbara, Inc.

Fiscal Year 2015 Annual Report for the Downtown Business Improvement District and the Old Towne Business Improvement District.

This Annual Report from the Downtown Organization of Santa Barbara, Inc. was prepared for City Council to review for the annual reauthorization of both the Downtown Santa Barbara Business Improvement District (Downtown BID) and the Old Town Business Improvement District (OTBID). This is the forty-seventh year of operations for the two BIDs, managed under contract by the Downtown Organization of Santa Barbara, a private, non-profit membership organization incorporated in 1966 whose purpose is to promote and protect the vitality of Downtown Santa Barbara. This report is required by Section 36533 of the California Streets and Highways Code. This report is for the proposed calendar year for both BIDs, commencing January 1, 2015 and ending December 31, 2015.

BACKGROUND: These two Downtown BIDs were established separately by ordinance, at different times and for different purposes, and therefore have slightly different formulas for their respective assessments.

MANAGEMENT SERVICES: Once the BIDs were established, the City of Santa Barbara contracted for their management and the provision of services with the Downtown Organization of Santa Barbara, Inc. The Downtown Organization then merged with the Old Town Business Association in 1995. The two BIDs have continued to operate separately in compliance with their respective ordinances. Their combined revenues support the operations and programs managed by the Downtown Santa Barbara organization, under the contract for BID services with the City of Santa Barbara.

DOWNTOWN BID BOUNDARIES: The Improvement Area is defined as follows in the original ordinance establishing the district: *The business improvement area is the area within the areas bounded by Anacapa, Chapala, Micheltorena, and Cota Streets.* (See attached map).

OLD TOWN BID BOUNDARIES: The Improvement Area is defined as follows in the original ordinance establishing the district: *The Business Improvement Area is the area within the area bounded by Anacapa, Chapala, Gutierrez and Ortega streets and businesses fronting on the area bounded by said streets and businesses fronting the intersections of said streets, except that the area north of the centerline of Ortega Street is not included.* (See attached map.)

As required by California law, this combined Annual BID Report for the Downtown BID and the Old Town BID contains the following information:

1. Proposed Changes to the District Boundary:

There are no changes proposed to either the Downtown BID or the Old Town BID boundaries.

2. Planned Improvements and Activities for the 2015 Fiscal Year:

The following are Downtown Santa Barbara projects and programs that are planned for 2015. These activities are consistent with both BIDs' enabling legislation and the Board-approved 2015 Budget.

MARKETING, COMMUNICATIONS, AND ADVERTISING

2.1 Website and Communications – redesign and new content, adding blogging and more membership engagement and involvement

2.2 Marketing/Media Campaigns – quarterly ad buys in support of community marketing, attracting local residents back downtown. Strong social media campaign planned to compliment newly launched website.

2.3 BID Map – expanded visibility for more than 200,000 full color brochures.

2.4 District Promotion - Year-round flag display program with 36 different non-profit community partners.

2.5 Host and Cruise Volunteer Program – continued staffing/training for community based volunteer program providing hospitality services for all cruise ship visits, summer weekend visitors in Downtown Santa Barbara

2.6 1st Thursdays, Musical Wine Tour events – year round monthly program showcasing culture, vitality of State Street, reassessment of May event to align with live music theme and to showcase more venues

2.7 Marketing/Advertising for Major Festivals/Events – more meaningful partnerships/support for other signature events, ie. Solstice, Fiesta. Staging and production services on State Street in support of parade operations.

2.8 Retail Promotions – Adding and expanding Small Business Saturday, strategic retail oriented events to drive sales and attendance at key times

2.9 Safety Committee Initiatives – plans to work with C3H, on State Street initiative for chronically homeless. Continued collaboration with businesses/police/support from new CSO program, including education/awareness efforts.

2.10 Holiday Parade, Community Holiday Tree and Seasonal Programming – secure funding/support to retain Holiday Tree tradition, expanded retail programming on Thursday evenings throughout December, continued improvements to Parade operations.

2.11 Business District Holiday Décor Program – décor program to include lighting on all palm and street trees, seasonal décor, window display contests.

OUTREACH AND INVOLVEMENT

2.12 Annual Meeting – meeting for all members, associate members, partners, community recognition for volunteers, Citizen of the Year.

2.13 Outreach Materials and Mailings – monthly e-newsletter to all downtown ratepayers, annual mailing to all members for nominations/elections/awareness.

2.14 Community Involvement and Engagement – active participation in community, civic boards, City Parking Committee, partnerships with other community and civic groups year-round.

ADMINISTRATION

2.14 Administrative Services – continuing to provide administrative services for all programs, services, events, rentals, and marketing services provided to members.

2.15 Accounting Services – continuing to staff and administer all accounting, finance responsibilities for accounts payable, receivable, reports, etc. Plan to make major accounting services changes in 2015 including converting from cash to accrual basis or accounting, and aligning the DO FY (currently on calendar) with the City's FY calendar and Plaza contract.

3. Estimated Costs of BID-Related Improvements and Activities Proposed for FY 2015:

Expenses	Downtown and Old Town BID	Other	Total
Program Expenses	\$195,540		\$195,540
Personnel and Benefits		\$392,000	\$392,000
General and Admin	\$65,960	\$18,200	\$84,160
Professional Services		\$36,220	\$36,220
<u>Total Expenses</u>	<u>\$261,500</u>	<u>446,420</u>	<u>707,920</u>

PROJECTED DOWNTOWN ORGANIZATION EARNED NON-ASSESSMENT REVENUES DERIVED:

Revenues:	Management Fee for Plaza	\$73,588
	Admin support from contract services	\$20,000
	Associate Membership Dues	\$33,275
	Advertising revenues	\$4,320
	Annual Lunch Ticket Sales	\$4,800
	Director Breakfast Reimbursements.....	\$7,190
	Flag Admin fees	\$27,200
	Promotions Income (events, sponsorships, activities).....	\$176,000
	1 st Thursday Income.....	\$43,000
	Interest Income	\$1,200
	Subtotal.....	\$390,573

***Downtown Combined BIDs ASSESSMENT (Anticipated 2014-2015 collections)..... \$ 261,500**

Total Revenues..... \$ 652,073.00

4. **NOTE:** These financial summaries are limited to the operations and overhead of the Downtown Organization. In addition to these sources of revenues and their related expenses, the Downtown Organization also has a Contract for Services with the City of Santa Barbara Department of Parks and Recreation to provide certain maintenance, landscaping and operational services related to State Street. Payment for these services, and all related expenses, are approved and paid annually by the City of Santa Barbara, separate from the BIDs administration. In addition to being directly reimbursed for all direct and indirect costs associated with the annual Contract for Services, the Downtown Organization earns an annual fee which is represented in the above table as an additional source of earned revenue which is used by the organization to help balance its annual operating budget.

All other income generated by the Plaza Contract is offset by the expenses associated with performing the services. The annual budget for the Plaza contract in FY 2014-2015 is \$618,250; as of October 31, 2014, a total of \$202,264 has been spent fulfilling this contract. A total of \$607,234 was spent in FY 2013-2014 on fulfilling the Plaza contract services, against an approved budget of \$606,870.

5. **Method and Basis of Levying the Assessment Shall Continue as Follows:**

The benefit assessments will be collected by the City in one installment. There are no proposed changes to the formulas or rates for the two Downtown BIDs as outlined in the original establishment of the BIDs.

Old Town BID assessment formula:

Category	Charge
Businesses located on State Street	Equal to 100% of business license. Minimum of \$100.00
Businesses not located on State Street	Equal to 75% of business license. Minimum of \$100.00
Automobile Sales and Service Businesses	Businesses in Classification "B" of Section 5.04.390 shall pay a maximum charge of \$600.00 per year
Other Businesses: Wholesale, Professional, and Real Estate business as shown in Category 5.04.400	\$100.00

Downtown BID assessment formula:

Category	Charge
Professionals	Equal to 15% of business tax paid. Minimum of \$50.00
All Others	Equal to 100% of business license.

6. Surplus Carryover from FY 2014:

There is not a surplus of assessment dollar funds being carried over from the 2014 budget; assessment dollars are spent first on services and program before non-assessment dollars are spent, to benefit the ratepayers for the BIDs.

7. Sources of Contributions From Other than Levied Assessments:

Downtown Santa Barbara generates other sources of funds and earned revenues through a variety of programs and third-party contracts for services. These include earned revenues from maintenance contract services, ticket sales for events, sponsorships, admin fees, associate membership dues, advertising sales, host and cruise ship volunteer contracts, and donations.

8. Prior Year Expenditures 2014:

The total assessed for the Old Town BID was \$52,180, and the total assessed for the Downtown BID was \$212, 172, for a total billing in 2014 of \$264,352. A total of \$247,164 had been collected and remitted to the Downtown Organization as of October 31, 2014. Historically, the organization budgets flat, based on the most prior year billings, less 9% for uncollected billings.

2014 was an important and transitional year for the Downtown Organization, as the organization went through a leadership change and conducted a search for a new Executive Director. Additional board engagement, new advertising initiatives, and transitional costs were part of the program of work.

Prior Year Expenditures 2014 (cont.)

The following programs, services and events were also provided, or are scheduled to be provided, as benefits to the ratepayers from January 2014 – December 2014.

MARKETING & OUTREACH:

- Social media: Facebook followers went up 20%
- Newsletter to members – from every other month to monthly
- Press releases – at least 3 per month
- E-blasts to members, as needed, regarding: traffic closures, marketing opportunities, promotions and events, etc.
- KSBY “We Are Downtown Santa Barbara” ad opportunity
- Epicure.sb co-op Independent ad for participating members
- Co-op Ad opportunity for members in April USAirways magazine
- Co-op Ad opportunity for members in 2015 Visitors Magazine
- State Street Flag Program

EVENTS:

- Annual Retreat
- Annual Luncheon
- Film Feast
- Spring and Fall Members Mixers
- Art & Wine Tour
- Epicure.sb
- Downtown Holiday Parade
- Hometown Holiday NITES
- Small Business Saturday

COMMUNITY:

- Convener for: Monthly Board and Committee meetings, Marketing “Brainstorming” meetings, Events and Festivals Committee, Volunteer Program for Hosts and Cruise Ship Hospitality
- Board and Staff are Active Participants: Partner with VSB – I AM Santa Barbara program, Downtown Parking Committee, Santa Barbara Chamber of Commerce, Government Relations Committee, Solstice Board, Performing Arts League Board, Santa Barbara Trust for Historic Preservation, Restoration Committee

DOWNTOWN SANTA BARBARA

W. ARRELLAGA ST.

W. MICHELTORENA ST.

W. SOLA ST.

W. VICTORIA ST.

W. ANAPAMU ST.

W. FIGUEROA ST.

W. CARRILLO ST.

W. CANON PERDIDO ST.

W. DE LA GUERRA ST.

W. ORTEGA ST.

Hotel Santa Barbara

Holiday Inn Express

Brisas Del Mar Inn at the Beach

Santa Barbara City College

SEA Landing

NATOMA AVE.

MASON ST.

Ambassador Park

CABRILLO BLVD.

Santa Barbara Public Market

Victoria Court

Canary Hotel

Paseo Nuevo

Old Town District

Greyhound Bus Station

Amtrak Station

STATE STREET

STATE STREET

MASON ST.

ARLINGTON AVE.

DOWNTOWN BID
Business Improvement District

Jardín de las Granadas

S.B. Courthouse

E. CARRILLO ST.

ANACAPA ST.

El Paseo

De la Guerra Plaza

E. COSTA ST.

E. HALBY ST.

E. GUTIERREZ ST.

E. MONTECITO ST.

YANONALI ST.

Hot Spots (Visitor Services)

Inn at East Beach
Hyatt Santa Barbara
1/2 Mile

Chase Palm Park

Alice Keck Park

Alameda Park

Old Mission 1 mile >

Spanish Garden Inn

El Presidio State Park

SANTA BARBARA ST.

GARDEN ST.

GARDEN ST.

0 Miles .25



To San Francisco >

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To Los Angeles >

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< To Harbor

- Public Restrooms
- Public Parking
- Downtown-Waterfront Electric Shuttle Bus Route
- Freeway On/Off Ramps

Stearns Wharf

Visitors Information Center

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Public Restrooms



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: December 9, 2014

TO: Mayor and Councilmembers

FROM: Creeks Division, Parks and Recreation Department

SUBJECT: Potential Acquisition Of Real Property At 810 Castillo Street (APN 037-032-020) For Creek Restoration And Water Quality Improvement

RECOMMENDATION:

That Council receive a report on the potential acquisition of real property at 810 Castillo Street for a future creek restoration and water quality improvement project.

DISCUSSION:

The City's Creek Restoration and Water Quality Improvement Division (Creeks Division) was established in 2001 to improve creek and ocean water quality and restore natural creek systems.

Several General Plan policies call for the protection and enhancement of water quality and riparian habitat. Specifically, the General Plan identifies implementation measures that include restoration of creeks and their riparian corridors to improve biological values and water quality. Mission Creek is identified as a priority area for restoration. The purpose of this acquisition would be to allow for the implementation of a creek restoration project on Mission Creek in downtown Santa Barbara that will improve creek habitat and water quality.

The Creeks Division's six-year Capital Improvement Program (CIP) for Fiscal Years 2014 through 2019 includes funding for the "Lower Mission Creek Restoration" project. The purpose of this project is to restore the riparian corridor in lower Mission Creek. As indicated in the CIP, restoration could include property acquisition, non-native weed removal and re-vegetation with native plants, biotechnical stabilization of eroding banks, removal of hard structures from the creek area, and improvement of trails and interpretive information. If the property is acquired, the Creeks Division would implement a restoration project consistent with the goals stated in the CIP, water quality improvement, and sound flood control practices.

810 Castillo Street is an approximately .25 acre vacant property just upstream of De La Guerra Street. The property is zoned R-4. It is an environmentally sensitive but degraded site that includes portions of the bed and banks of Mission Creek. The adjacent upstream parcel is undeveloped land owned by the Santa Barbara County Flood Control District. Future development of the subject property is significantly constrained by a Flood Control District easement that covers nearly half of the site. Other notable constraints on development of the property include slope (average 24%), setbacks (front, side, creek), and other site design requirements (parking, height, outdoor living space). The property is currently listed for sale.

BUDGET/FINANCIAL INFORMATION:

As a Creeks Division restoration and water quality improvement project, Measure B funds would be used for this potential real property acquisition. There should be sufficient funds available in the Creeks Capital Fund and/or reserves to cover the City's acquisition costs. Sufficient funds have been identified in the Creeks Division six-year Capital Improvement Program to pay for planning, design, permitting, and construction of the proposed project. Staff will also work to secure grant funds for project design and implementation.

SUSTAINABILITY IMPACT:

Urban land uses have degraded riparian habitat and surface water quality in many creek areas. Habitat restoration and water quality improvement in this reach of Mission Creek will benefit endangered species, migratory birds, native plants and animals, and the natural environment in downtown Santa Barbara.

ATTACHMENT: 810 Castillo Street Aerial Photo

PREPARED BY: Cameron Benson, Creeks Restoration/Clean Water Manager

SUBMITTED BY: Nancy Rapp, Parks and Recreation Director

APPROVED BY: City Administrator's Office



City of Santa Barbara - MAPS

ATTACHMENT



Legend

- City Limits
- Parks
- Creeks
- Pacific Ocean
- Street Centerlines
- 2012 Aerial Imagery
- Red: Band_1
- Green: Band_2
- Blue: Band_3

1: 436



0.014 0 0.007 0.014 Miles

MAP DISCLAIMER

NAD_1983_StatePlane_California_V_FIPS_0405_Feet
© City of Santa Barbara

Reported on 12/02/2014 08:13 AM

This service has been provided to allow a visual display of City information. Every effort has been made to ensure the accuracy of the map and data. The City of Santa Barbara assumes no responsibility arising from the use of this information. THE MAPS AND ASSOCIATED DATA ARE PROVIDED WITHOUT A WARRANTY OF ANY KIND. This map was created using the City of Santa Barbara Mapping Analysis and Printing System application.

Notes

810 Castillo



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: December 9, 2014

TO: Mayor and Councilmembers

FROM: Water Resources Division, Public Works Department

SUBJECT: Rate Structure Policy Direction For The Drought Related Water Rate Study

RECOMMENDATION:

That Council receive a presentation and provide direction on assumptions for the Drought Related Water Rate Study, specifically for the level of desalination debt service to recover in fixed revenues, and the size of the Tier 2 allotment for Single Family Residential customers.

DISCUSSION:

On July 29, 2014, Council authorized the Public Works Director to execute a City Professional Services contract with Raftelis Financial Consultants, Inc. (Raftelis), for the development of the Drought Related Water Rate Study (Study). The Study is being developed in preparation for continued drought conditions that necessitate the possible 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 percent reduction in demand continues to be achieved.

In compliance with Proposition 218, the City must notice the maximum rates that could be adopted, but the actual rates adopted shall reflect the actual costs to be incurred. The water rates to support the cost of the Desalination Plant reactivation will be based on the final costs negotiated with the successful contractor. Additionally, the way the Design, Build, Operate contract is structured, the three qualified firms pursuing this project are incentivized to identify the optimum cost effective ways to reactivate and operate the facility.

The estimate for reactivation of the desalination plant is approximately \$32 million, however there are significant unknown potential costs. Final project reactivation cost will not be known until a few weeks prior to award in April 2015. Staff recommends that rate noticing allow the flexibility to generate sufficient revenues to cover the debt service costs associated with financing a \$40 million facility, should proposals come in at that range. Because revenues from water rates are proposed to fund the debt service requirements, the rates can be set to reflect the actual costs as long as they are noticed at that level or higher. Raftelis' work assumes the \$40 million cost in the rate model; however, the actual rates that would be implemented would reflect the final costs.

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. 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, Council direction is needed regarding 1) the level of desalination debt service to be recovered in fixed revenues, and 2) the allotments for Single Family Residential Tier 2 for volumetric rates.

Desalination Capital Financing

On September 23, 2014, Council provided policy direction to assume a 10-year repayment period for the capital financing of design and construction of the Plant. With a capital cost of \$40 million, the estimated annual repayment over a ten-year period for Bonds is approximately \$5.3 million. Staff is also working on another form of funding through the Safe Drinking Water State Revolving Fund that could prove to be less but that funding is still uncertain at this time. Therefore, the higher financing option utilizing Bonds will be used during rate noticing.

Two scenarios were considered regarding the portion of desalination debt service to be recovered with the fixed meter charge: one with 100 percent being funded through the fixed meter charge, the other with 50 percent funding through the fixed meter charge and the balance funded through variable charges.

One of the key considerations is that revenues from volumetric charges can be volatile and, thus, less reliable in funding costs. In particular, since the annual debt service costs

tied to the financing of the Plant will be fixed over the ten-year repayment period, having a reliable funding source (i.e., rate structure) is important.

According to California Urban Water Conservation Council (CUWCC) Best Management Practices (BMPs), the City's fixed revenues must be less than 30 percent of the total revenue. This is a conservation incentive to allow for volumetric charges based on the amount of water used. Compliance with the CUWCC BMP's affects the City's eligibility for certain State grant funding. Both of the proposed scenarios meet the requirements of the CUWCC for fixed revenues.

Preliminary results of the Study show that, for a Single Family Residential 5/8" meter, the increase in monthly fixed meter charges would be \$9.18, if 100 percent of the desalination debt service is recovered through fixed revenue. The monthly increase would be \$4.59, if 50 percent of the desalination debt service is recovered through fixed revenue.

Staff recommends that 100 percent of the desalination debt service be recovered through fixed revenue because 1) fixed revenues are a more reliable source of income for meeting debt service payments, and 2) the City will still meet compliance with CUWCC BMPs.

In addition to desalination debt service costs, the City will incur operating costs once the plant is online. Staff recommends that 100 percent of operational costs be recovered through volumetric charges, with the majority of desalination operational costs recovered through higher tiers of water use.

Single Family Residential Tier 2 Allotment^[x1]

The current Single Family Residential (SFR) allotment for Tier 1 and Tier 2 is 16 hundred cubic feet (HCF) per month (based on an allotment of 4 HCF in Tier 1 plus 12 HCF in Tier 2, for a total allotment of 16 HCF). A scenario was evaluated in which the total monthly allotment for Tier 1 and 2 was reduced to 12 units, with 4 HCF in Tier 1 and 8 HCF in Tier 2. With a reduced Tier 2 allotment, more customers would be pushed into Tier 3 usage.

Tables 1 and 2 below show a comparison of the preliminary SFR volumetric rates under both tier allotment scenarios.

Table 1. SFR Volumetric Rates with Existing Tier Allotments (Tier 3 > 16 HCF)

	Current, \$/HCF	Proposed, \$/HCF	Difference, \$/HCF
Tier 1	\$3.28	\$3.38	\$0.10
Tier 2	\$6.39	\$7.38	\$0.99
Tier 3	\$13.44	\$16.53	\$3.09

Table 2. SFR Volumetric Rates with Reduced Tier Allotments (Tier 3 > 12 HCF)

	Current, \$/HCF	Proposed, \$/HCF	Difference, \$/HCF
Tier 1	\$3.28	\$3.38	\$0.10
Tier 2	\$6.39	\$7.31	\$0.92
Tier 3*	\$13.44	\$14.33	\$0.89

*For current rates, Tier 3 applies for usage over 16 HCF. In this scenario proposed Tier 3 rates apply to usage over 12 HCF.

With desalination and other drought expenses, preliminary results show an estimated price for Tier 3 to be \$16.53/HCF, which is a \$3.09/HCF increase compared with the current price of \$13.44/HCF. If the SFR Tier 2 allotment is reduced by 4 HCF (to a total of 12 HCF for Tier 1 and 2), the estimated price for Tier 3 water is estimated to be \$14.33/HCF, which is an \$0.89/HCF increase.

The estimated price for Tier 2 is \$7.38/HCF and \$7.31/HCF for the existing reduced Tier 2 allotment scenarios, respectively. Therefore, the projected increase for Tier 2 is roughly \$1/HCF under both scenarios, compared with the current \$6.39/HCF.

If the Tier 2 allotment is reduced, more customers will be subject to the Tier 3 water rate. Additionally, the increase in unit price would be about the same for Tier 2 and Tier 3 (an increase of approximately \$1/HCF for both Tier 2 and Tier 3). Given that SFR customers have met the required demand reduction under the existing tier allotments, staff recommends keeping the existing tier allotments (a total of 16 HCF for Tier 1 and Tier 2) which will result in a rate structure that has higher relative increases for Tier 3 rates compared with Tier 2 rates (an increase of approximately \$3/HCF compared with \$1/HCF, respectively).

Legal Considerations

Council should be aware that the proposed rate model is justified by the costs of service, as required by Proposition 218. While costs are allocated and recovered by customer class, there remains some legal uncertainty as to whether costs should be recovered at the finer-grained, tier level within each class. The proposed rate structure takes the more conservative approach and checks that the unit water rates for each tier are comparable to the the unit cost of water sources. This approach limits the Council's ability to set rates based on policy objectives such as conservation. However staff believes the proposed rates strike a balance of complying with Proposition 218 and while still providing adequate incentives for conservation.

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: December 9, 2014

TO: Mayor and Councilmembers

FROM: City Clerk's Office, Administrative Services Department

SUBJECT: Appointments To City Advisory Groups

RECOMMENDATION: That Council make appointments to the City's advisory groups.

DISCUSSION:

Currently, there are 63 positions available for appointment to various City advisory groups. On October 21, October 28 and November 11, 2014, the Council interviewed applicants for these positions.

The Guidelines for the City of Santa Barbara Advisory Groups, Resolution No. 13-006, states that applicants are required to appear for an interview before the City Council. The names of applicants failing to appear for an interview are removed from the list of persons eligible for appointment. The attachment is a list of applicants eligible for appointment. With the exception of the position on the Mosquito and Vector Management District Board (MVMD), appointments to the advisory groups will be effective January 1, 2015. The appointment to the MVMD will be effective January 5, 2015.

ATTACHMENTS: List of Eligible Applicants

PREPARED BY: Deborah L. Applegate, Deputy City Clerk

SUBMITTED BY: Kristy Schmidt, Assistant City Administrator

APPROVED BY: City Administrator's Office

Eligible for Appointment – December 2014

ACCESS ADVISORY COMMITTEE

- Three vacancies.
- Term Expirations:
 - Three terms: December 31, 2017
- Qualifications/Category: Resident of the City or a full-time employee of an entity doing business within the City who demonstrates an interest, experience, and commitment to issues pertaining to disability and access.
 - One representative from the Architectural/Engineering/Building Community.
 - Two representatives from the Disability Community.
- Appointees may not hold any full-time paid office or employment in City government.

CATEGORY (Number of Vacancies)	APPLICANT	Incumbent Appt. Dates (Years Served)	Applicant's Preference (1st, 2nd, 3rd)	Notes
<i>Architectural/ Engineering/Building Community (1)</i>	Martha Degasis	Appointed 12/11/2012 (2 years)		
<i>Disability Community (2)</i>	Ken McLellan	Appointed 12/15/2009, 12/13/2011 (5 years)		

AIRPORT COMMISSION

- Three vacancies.
- Term Expirations:
 - Three terms: December 31, 2018
- Qualifications/Category:
 - Two members must be qualified electors of the City.
 - One member may be from the City or County of Santa Barbara.
- Appointees may not hold any full-time paid office or employment in City government.

CATEGORY (Number of Vacancies)	APPLICANT	Incumbent Appt. Dates (Years Served)	Applicant's Preference (1 st , 2 nd , 3 rd)	Notes
<i>Qualified Elector of the City (2 or 3)</i>	Dolores Johnson			
	Kirk Martin	Appointed 7/11/2006 (8 years, 6 months)		
	Jason Middleton			
	Bruce Miller	Appointed 7/11/2006 (8 years, 6 months)		
<i>Resident of the County of SB (0 or 1)</i>	Paul Bowen			

ARCHITECTURAL BOARD OF REVIEW

- One vacancy.
- Term Expiration:
 - December 31, 2018
- Qualifications/Category:
 - Qualified elector of the City.

(At this time ABR has met the minimum licensing requirements and may appoint non-licensed architects.)
- Appointees may not hold any full-time paid office or employment in City government.

CATEGORY (Number of Vacancies)	APPLICANT	Incumbent Appt. Dates (Years Served)	Applicant's Preference (1 st , 2 nd , 3 rd)	Notes
<i>Qualified Elector of the City (1)</i>	Joseph Alcasar Terrell		1) Arts Advisory Committee 2) Historic Landmarks Committee 3) Architectural Board of Review	
	Amy Fitzgerald Tripp			

ARTS ADVISORY COMMITTEE

- One vacancy.
- Term Expiration:
 - December 31, 2015
- Qualifications/Category:
 - Member should be a qualified elector with the City with acknowledged accomplishments in the arts and demonstrates an interest in and commitment to cultural and arts activities.
- Appointees may not hold any full-time paid office or employment in City government.

CATEGORY (Number of Vacancies)	APPLICANT	Incumbent Appt. Dates (Years Served)	Applicant's Preference (1 st , 2 nd , 3 rd)	Notes
<i>Qualified Elector of the City (1)</i>	Joseph Alcasar Terrell		1) Arts Advisory Committee 2) Historic Landmark's Committee 3) Architectural Board of Review	
	Margie Yahyavi			

CIVIL SERVICE COMMISSION

- One vacancy.
- Term Expirations:
 - December 31, 2018
- Qualifications/Categories:
 - Must be a qualified elector of the City.
- Appointees may not hold any full-time paid office or employment in City government, and for one year after ceasing to be a member, shall not be eligible for any salaried office or employment with the City.

CATEGORY (Number of Vacancies)	APPLICANT	Incumbent Appt. Dates (Years Served)	Applicant's Preference (1 st , 2 nd , 3 rd)	Notes
<i>Qualified Elector of the City (1)</i>	Gabe Dominocielo	Appointed 12/07/2010 (4 years)	1) Civil Service Commission 2) Fire & Police Pension Commission	

COMMUNITY DEVELOPMENT AND HUMAN SERVICES COMMITTEE

- Five vacancies.
- Term Expirations:
 - One term expires December 31, 2016 (Downtown Neighborhood)
 - One term expires December 31, 2017 (African American Community)
 - Three terms expire December 31, 2018 (Latino Community, Human Services Agencies, and Westside Neighborhood)
- Must be residents or employees of the designated organizations, but need not be qualified electors of the City, and must represent one of the specified categories or organizations. One representative from each:
 - Downtown Neighborhood
 - Westside Neighborhood
 - African American Community
 - Latino Community
 - Human Services Agencies
- Appointees may not hold any full-time paid office or employment in City government.

CATEGORY (Number of Vacancies)	APPLICANT	Incumbent Appt. Dates (Years Served)	Applicant's Preference (1st, 2nd, 3rd)	Notes
<i>Downtown Neighborhood (1)</i>	Cruzito Herrera Cruz*			
<i>Westside Neighborhood (1)</i>	None			
<i>African American Community (1)</i>	None			
<i>Human Services Agencies (1)</i>	Patricia "Max" Rorty	Appointed 12/11/2012 (2 years)		
<i>Latino Community (1)</i>	Yesenia Curiel	Appointed 6/30/2009 (4 years, 6 months)		
	Cruzito Herrera Cruz*			

*Eligible for more than one category.

COMMUNITY EVENTS & FESTIVALS COMMITTEE

- Four vacancies.
- Term Expirations:
 - One term expires December 31, 2015 (Business/Lodging/Retail Industry)
 - One term expires December 31, 2018 (Cultural Arts)
 - Two terms expire December 31, 2018 (Public at Large)
- Qualifications/Category:
 - Two representatives from the Public at Large.
 - One representative of the Business/Lodging/Retail Industry.
 - One representative of Cultural Arts.
- Appointees may not hold any full-time paid office or employment in City government.

CATEGORY (Number of Vacancies)	APPLICANT	Incumbent Appt. Dates (Years Served)	Applicant's Preference (1 st , 2 nd , 3 rd)	Notes
Public at Large (2)	Dacia Harwood*			
	Roger Perry*	Appointed 7/11/2006 (8 years)		
	Kate Schwab	Appointed 12/13/2011 (3 years)		
Business/Lodging/ Retail Industry (1)	None			
Cultural Arts (1)	Dacia Harwood*			
	Roger Perry*	Appointed 7/11/2006 (8 years)		

*Eligible for more than one category.

CREEKS ADVISORY COMMITTEE

- Three vacancies.
- Term Expirations:
 - December 31, 2018
- Qualifications/Category:
 - Member must be a resident of the City or County of Santa Barbara and shall have some experience in ocean use, business, environmental issues and provide community-at-large representation.
 - One member must have experience in Environmental/Land Use Issues.
 - Total of three (3) positions open
- Appointees may not hold any full-time paid office or employment in City government.

CATEGORY (Number of Vacancies)	APPLICANT	Incumbent Appt. Dates (Years Served)	Applicant's Preference (1 st , 2 nd , 3 rd)	Notes
<i>Resident of the City or County of Santa Barbara (0-3)</i>	Danielle DeSmeth*	Appointed 12/07/2010 (4 years)		
	LeeAnne French*	Appointed 12/07/2010 (4 years)	1) Creeks Advisory Committee 2) Parks & Recreation Commission	
	Natasha Lohmus*	Appointed 6/30/2009, 6/28/2011 (5 years, 6 months)		
	Penny Owens			
<i>Resident of City or County of Santa Barbara with experience in Environmental/Land Use Issues. (1-3)</i>	Danielle DeSmeth*	Appointed 12/07/2010 (4 years)		
	LeeAnne French*	Appointed 12/07/2010 (4 years)	1) Creeks Advisory Committee 2) Parks & Recreation Commission	
	Natasha Lohmus*	Appointed 6/30/2009, 6/28/2011 (5 years, 6 months)		

*Eligible for more than one category.

DOWNTOWN PARKING COMMITTEE

- One vacancy.
- Term Expiration:
 - December 31, 2015
- Qualifications/Category:
 - Appointee shall demonstrate an interest and knowledge of downtown parking issues and must be a resident of the City.
- Appointees may not hold any full-time paid office or employment in City government.

CATEGORY (Number of Vacancies)	APPLICANT	Incumbent Appt. Dates (Years Served)	Applicant's Preference (1 st , 2 nd , 3 rd)	Notes
<i>Resident of the City (1)</i>	Ethan Shenkman		1) Planning Commission 2) Downtown Parking	

FIRE AND POLICE COMMISSION

- One vacancy.
- Term Expiration:
 - December 31, 2018
- Qualifications/Category:
 - Qualified elector of the City.
- Appointees may not hold any full-time paid office or employment in City government.

CATEGORY (Number of Vacancies)	APPLICANT	Incumbent Appt. Dates (Years Served)	Applicant's Preference (1 st , 2 nd , 3 rd)	Notes
<i>Qualified Electors of the City (1)</i>	None			

FIRE AND POLICE PENSION COMMISSION

- Four vacancies.
- Term Expirations:
 - One term expires December 31, 2016 (Qualified Elector)
 - One term expires December 31, 2017 (Active/Retired Police Officer)
 - Two terms expire December 31, 2018 (Qualified Electors)
- Qualifications/Categories:
 - Three qualified electors of the City who are not an active fire fighters or police officers.
 - One active or retired police officer who is a member of the Fire and Police Pension System who need not be a resident or elector of the City.
- Appointees may not hold any full-time paid office or employment in City government.

CATEGORY (Number of Vacancies)	APPLICANT	Incumbent Appt. Dates (Years Served)	Applicant's Preference (1 st , 2 nd , 3 rd)	Notes
<i>Qualified Electors (3)</i>	Gabe Dominocielo		1) Civil Service Commission 2) Fire & Police Pension Commission	
<i>Active or Retired Police Officer Who is a Member of the Fire and Police Pension System (1)</i>	None			

HARBOR COMMISSION

- One vacancy.
- Term Expiration:
 - December 31, 2018
- Qualifications/Categories:
 - One qualified elector of the City.
- Appointees may not hold any full-time paid office or employment in City government.

CATEGORY (Number of Vacancies)	APPLICANT	Incumbent Appt. Dates (Years Served)	Applicant's Preference (1 st , 2 nd , 3 rd)	Notes
<i>Qualified Elector of the City (1)</i>	Betsy R. Cramer	Appointed 12/07/2010 3/06/2007, (7 years, 9 months)		
	Mark Rincon-Ibarra		1) Harbor Commission 2) Parks & Recreation Commission	

HISTORIC LANDMARKS COMMISSION

- Three vacancies.
- Term Expiration:
 - Three terms: December 31, 2018
- Qualifications/Categories: One member shall be a qualified elector of the City and two members may be non-residents who are licensed architects.
 - Three members may be a qualified electors of the City and two members may be non-residents (Public at Large)
 - (At this time HLC has met the minimum architect licensing requirements and may appoint non-licensed architects.)
- Appointees may not hold any full-time paid office or employment in City government.

CATEGORY (Number of Vacancies)	APPLICANT	Incumbent Appt. Dates (Years Served)	Applicant's Preference (1 st , 2 nd , 3 rd)	Notes
Public at Large (1-3)	Anthony Grumbine			(Non-resident)
	William "Bill" La Voie*	Appointed 12/07/2010 (4 years -prior service)		(Non-resident)
	Judith Orias	Appointed 12/07/2010 (4 years)		(City)
	James Edward Sved*			(City)
	Joseph Alcasar Terrell		1) Arts Advisory Committee 2) Historic Landmarks Commission 3) Architectural Board of Review	(City)
	Julio Juan Veyna*			(Licensed Landscape Architect, City)
Licensed Architect (0-2)	William "Bill" La Voie*	Appointed 12/07/2010 (4 years -prior service)		(Non-resident)
	James Edward Sved*			(City)
	Julio Juan Veyna*			(Licensed Landscape Architect, City)

*Eligible for more than one category.

LIBRARY BOARD

- One vacancy.
- Term Expiration:
 - December 31, 2018
- Qualifications/Categories:
 - Qualified elector of the City.
- Appointees may not hold any full-time paid office or employment in City government.

CATEGORY (Number of Vacancies)	APPLICANT	Incumbent Appt. Dates (Years Served)	Applicant's Preference (1 st , 2 nd , 3 rd)	Notes
<i>Qualified Elector (1)</i>	None			

LIVING WAGE ADVISORY COMMITTEE

- Three vacancies.
- Term Expirations:
 - June 30, 2018 (Qualified Elector)
 - June 30, 2016 (Employee of Local Santa Barbara Area Non-Profit Entity)
 - June 30, 2015 (Owner/Manager of a Service Contractor Subject to the City's Living Wage Ordinance)
- Qualifications/Categories:
 - One member from the public at large who shall be a qualified elector of the City.
 - One member of the Committee shall be employed by a local Santa Barbara area non-profit entity.
 - One member shall be a owner/manager of a service contractor subject to the City's Living Wage Ordinance.
- Appointees may not hold any full-time paid office or employment in City government.

CATEGORY (Number of Vacancies)	APPLICANT	Incumbent Appt. Dates (Years Served)	Applicant's Preference (1 st , 2 nd , 3 rd)	Notes
<i>Member of the Public at Large – Qualified Elector of the City (1)</i>	None			
<i>Employed by a Local Santa Barbara Area Non-Profit Entity (1)</i>	None			
<i>Owner/Manager of a Service Contractor Subject to the City's Living Wage Ordinance (1)</i>	None			

MEASURE P COMMITTEE

- Four vacancies.
- Term Expirations:
 - One term expires December 31, 2016 (Criminal Defense Attorney)
 - One term expires December 31, 2017 (Medical Professional)
 - One term expires December 31, 2018 (Resident of the City)
 - One term expires December 31, 2018 (Drug Abuse, Treatment & Prevention Counselor)
- Qualifications/Categories:
 - Criminal Defense Attorney
 - Resident of the City
 - Medical Professional
 - Drug Abuse, Treatment & Prevention Counselor
- Appointees may not hold any full-time paid office or employment in City government.

CATEGORY (Number of Vacancies)	APPLICANT	Incumbent Appt. Dates (Years Served)	Applicant's Preference (1 st , 2 nd , 3 rd)	Notes
<i>Criminal Defense Attorney (1)</i>	None			
<i>Medical Professional (1)</i>	None			
<i>Resident of the City (1)</i>	None			
<i>Drug Abuse, Treatment & Prevention Counselor (1)</i>	None			

MOSQUITO AND VECTOR MANAGEMENT DISTRICT BOARD

- One vacancy.
- Term Expirations:
 - January 7, 2019
- Qualifications/Categories:
 - Registered voter of the City of Santa Barbara or a member of the City Council.
- Appointees may not hold any full-time paid office or employment in City government.

CATEGORY (Number of Vacancies)	APPLICANT	Incumbent Appt. Dates (Years Served)	Applicant's Preference (1 st , 2 nd , 3 rd)	Notes
<i>Registered Voter of the City of Santa Barbara (1)</i>	Larry L. Fausett	Appointed 6/24/2014 (6 months)		

NEIGHBORHOOD ADVISORY COUNCIL

- Four vacancies.
- Term Expirations:
 - Four terms expire December 31, 2018
- Qualifications/Categories: Resident of the City and three must be from the following six neighborhoods:
 - West Downtown (up to 1)
 - Eastside (up to 1)
 - Lower Eastside (up to 2)
 - Laguna (up to 3)
 - Westside (up to 3)
 - Lower Westside (up to 2)
- Appointees may not hold any full-time paid office or employment in City government.

NOTE: Applicants under the Neighborhood Representative category are also eligible for appointment to the Public at Large category.

CATEGORY (Number of Vacancies)	APPLICANT	Incumbent Appt. Dates (Years Served)	Applicant's Preference (1 st , 2 nd , 3 rd)	Notes
<i>Neighborhood Representatives</i> (3 or 4)	Chelsea Lancaster			(West Downtown)
	Javier Limon	Appointed 3/02/2011 (3 years, 9 months)		(Lower Westside)
	Beebe Longstreet		1) Neighborhood Advisory Council 2) Parks & Recreation Commission	(Lower Westside)
<i>Public at Large (0 or 1)</i>	None			

PARKS AND RECREATION COMMISSION

- Three vacancies.
- Term Expirations:
 - One term expires December 31, 2015
 - One term expires December 31, 2017
 - One term expires December 31, 2018
- Qualifications/Categories:
 - Qualified electors of the City.
- Appointees may not hold any full-time paid office or employment in City government.

CATEGORY (Number of Vacancies)	APPLICANT	Incumbent Appt. Dates (Years Served)	Applicant's Preference (1 st , 2 nd , 3 rd)	Notes
Qualified Electors of the City (3)	LeeAnne French		1) Creeks Advisory Committee 2) Parks & Recreation Commission	
	Mark Rincon-Ibarra		1) Harbor Commission 2) Parks & Recreation Commission	
	Beebe Longstreet	Appointed 2/14/1995 (8 years, 10 months)	1) Neighborhood Advisory Council 2) Parks & Recreation Commission	

PLANNING COMMISSION

- One vacancy.
- Term Expiration:
 - December 31, 2018.
- Qualifications/Categories:
 - Qualified elector of the City
- Appointees may not hold any full-time paid office or employment in City government.

CATEGORY (Number of Vacancies)	APPLICANT	Incumbent Appt. Dates (Years Served)	Applicant's Preference (1 st , 2 nd , 3 rd)	Notes
<i>Qualified Elector of the City (1)</i>	Robert D. Hart			
	Jay Higgins			
	Ethan Shenkman		1) Planning Commission 2) Downtown Parking Committee	

RENTAL HOUSING MEDIATION TASK FORCE

- Six vacancies.
- Term Expirations:
 - One term: December 16, 2016 (Tenant)
 - Two terms: December 31, 2018 (Landlord)
 - One term: December 31, 2018 (Homeowner)
 - Two terms: December 31, 2018 (Tenant)
- Qualifications/Categories: Non-City members must be affiliated with a landlord tenant organization within City limits.
 - Three Tenants (City or County)
 - Two Landlords (City or County)
 - One Homeowner (City or County)
- Appointees may not hold any full-time paid office or employment in City government.

CATEGORY (Number of Vacancies)	APPLICANT	Incumbent Appt. Dates (Years Served)	Applicant's Preference (1 st , 2 nd , 3 rd)	Notes
<i>Tenants - City or County (3)</i>	Robert Burke	Appointed 12/07/2010 (4 years)		(City)
	Rene Gomez			(City)
<i>Landlords – City or County (2)</i>	Chris Casebeer	Appointed 6/28/2011 (2 years, 6 months)		(City)
	Scott Wexler	Appointed 7/01/2008 (5 years, 6 months)		(City)
<i>Homeowner – City or County (1)</i>	Bruce Wollenberg	Appointed 12/19/2006 12/07/2010 (8 years)		(City)

SANTA BARBARA YOUTH COUNCIL

- Three vacancies.
- Term Expirations:
 - Two terms expire June 30, 2016 (Local Alternative, Community, or Continuation HS)
 - One term expires June 30, 2015 (Santa Barbara High School)
- Qualifications/Categories: Members must be between the ages of 13-19 years.
 - Two members from local alternative, community, or continuation high school (City or County).
 - One member from Santa Barbara High School (City or County).

*Applicants must appear for an interview before the Santa Barbara Youth Council and City Council.

CATEGORY (Number of Vacancies)	APPLICANT	Incumbent Appt. Dates (Years Served)	Applicant's Preference (1 st , 2 nd , 3 rd)	Notes
<i>Members From Local Alternative, Community, or Continuation High School (2)</i>	None			
<i>Santa Barbara High School (1)</i>	None			

SIGN COMMITTEE

- Two vacancies.
- Term Expirations:
 - Two terms expire December 31, 2018.
- Qualifications/Categories:
 - Residents of the City who represent the Public at Large.
- Appointees may not hold any full-time paid office or employment in City government.

CATEGORY (Number of Vacancies)	APPLICANT	Incumbent Appt. Dates (Years Served)	Applicant's Preference (1 st , 2 nd , 3 rd)	Notes
<i>Public at Large (2)</i>	Natalie Cope	Appointed 12/07/2004 12/19/2006, 12/07/2010 (10 years)		
	Bob Cunningham	Appointed 12/19/2006, 12/07/2010 (8 years)		

SISTER CITIES BOARD

- Two vacancies.
- Term Expirations:
 - December 31, 2016 (City)
 - December 31, 2018 (Public at Large)
- Qualifications/Categories:
 - One representative must be a resident of the City.
 - One representative may be a resident of the City or the adjoining areas of Santa Barbara County.
- Appointees may not hold any full-time paid office or employment in City government.

CATEGORY (Number of Vacancies)	APPLICANT	Incumbent Appt. Dates (Years Served)	Applicant's Preference (1 st , 2 nd , 3 rd)	Notes
<i>Representative of the City (1 or 2)</i>	None			
<i>Public at Large -City or County (0 or 1)</i>	Takako Wakita	Appointed 2/14/1995 3/02/1999, 12/17/2002, 12/19/2006, 12/07/2010 (15 years)		

TRANSPORTATION AND CIRCULATION COMMITTEE

- Four vacancies.
- Term Expirations:
 - Four terms expire December 31, 2018
- Qualifications/Categories:
 - Three members must be qualified electors of the City.
 - One member may be a resident of the City or County of Santa Barbara.
- Appointees may not hold any full-time paid office or employment in City government.

CATEGORY (Number of Vacancies)	APPLICANT	Incumbent Appt. Dates (Years Served)	Applicant's Preference (1 st , 2 nd , 3 rd)	Notes
<i>Residents of the City or Qualified Elector (3 or 4)</i>	Hillary Blackerby	Appointed 6/30/2009, 12/07/2010 (4 years, 6 months)		
	Susan Horne	Appointed 12/07/2010 (4 years)		
	Kathleen Rodriguez	Appointed 6/26/2012 (1 year, 6 months)		
<i>Resident of the County of SB (0 or 1)</i>	None			

WATER COMMISSION

- One vacancy.
- Term Expiration:
 - December 31, 2018
- Qualifications/Categories:
 - Qualified elector of the City.
- Appointees may not hold any full-time paid office or employment in City government.

CATEGORY (Number of Vacancies)	APPLICANT	Incumbent Appt. Dates (Years Served)	Applicant's Preference (1 st , 2 nd , 3 rd)	Notes
<i>Qualified Elector (1)</i>	Jai Ranganathan			

Interviewed - Late Application

James Smith

3/02/1999 – 12/31/2014
(15 years, 9 months)

** Late Application



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: December 9, 2014

TO: Mayor and Councilmembers

FROM: Mayor and Council Ad Hoc Recruitment Committee

SUBJECT: Public Employment/Public Employee Appointment

RECOMMENDATION:

That Council hold a closed session pursuant to Section 54957 of the Government Code regarding the City Administrator selection process.

SCHEDULING: Duration, 60 minutes; anytime

REPORT: None anticipated

PREPARED BY: Kristine Schmidt, Administrative Services Director

SUBMITTED BY: Helene Schneider, Mayor

APPROVED BY: City Administrator's Office



Agenda Item No. 23

File Code No. 440.05

CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: December 9, 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 Fire Management Association.

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: December 9, 2014
TO: Mayor and Councilmembers
FROM: Parks and Recreation Department
City Attorney's Office
SUBJECT: Conference With Real Property Negotiators

RECOMMENDATION:

That Council hold a closed session pursuant to Government Code Section 54956.8 to consider the possible purchase of real property.

Real Property: 810 Castillo Street, Santa Barbara, California, APN 037-032-020.

City Negotiators: Cameron Benson, Creeks Restoration/Clean Water Manager;
Ariel Calonne, City Attorney; N. Scott Vincent, Assistant City Attorney

Negotiating Parties: Errol Jahnke, Berkshire Hathaway HomeServices, for property owner, RBH Family Living Trust and Heidi Knightstep

Under Negotiation: Price and terms of payment for real property.

Scheduling: 15 minutes; anytime

Report: None anticipated

SUBMITTED BY: Nancy Rapp, Parks and Recreation Director

APPROVED BY: City Administrator's Office



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: December 9, 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 *Lucio Delgadillo v. Taylor Electric, A Corp., Mark Taylor, The City Of Santa Barbara, Michael Ricotta, et al.*, [SBSC Case No. 1439502].

SCHEDULING: Duration, 15 minutes; anytime
REPORT: None anticipated
SUBMITTED BY: Ariel Calonne, City Attorney
APPROVED BY: City Administrator's Office



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: December 9, 2014

TO: Mayor and Councilmembers

FROM: Administration Division, Parks and Recreation Department

SUBJECT: Options For Municipal Golf Course

RECOMMENDATION: That Council:

- A. Receive a report on the status of the municipal golf course, including trends, financial projections, and options the City might consider to improve the financial outlook for the continued operation of the course; and
- B. Provide direction to staff on whether to pursue continuing to operate the golf course in a model which would include outsourcing maintenance, or whether the policy issue and consideration of General Fund support should be addressed through the budget process with a decision reached by June 2015.

EXECUTIVE SUMMARY:

The City's municipal golf course, Santa Barbara Golf Club (SBGC), is managed by the Parks and Recreation Department. Golf course maintenance is provided by City employees, while pro shop and restaurant services are provided by private concessionaires through agreements with the City. SBGC operates as a City Enterprise Fund, whereby revenue generated at the club is intended to be sufficient to cover maintenance and operations of the golf course; and the golf course receives no tax support.

The sport of golf has seen declines nationally due to fewer people playing golf or golfers playing less frequently, an overexpansion of the golf course inventory, and the national recession. With play declining since 1990 and changes to competitive pricing in the local golf market, SBGC has experienced increasing fiscal challenges. The Golf Fund has been below policy reserves since Fiscal Year 2008, and could deplete all of its reserves within the next 12 to 18 months.

There are a number of options the City might consider to address the structural deficit. However, the two primary options are whether to maintain the golf course as a self-sustaining operation, which would include outsourcing of golf course maintenance; or whether to provide a subsidy from the General Fund to offset projected Golf Fund deficits in coming years. With municipal golf courses across the country challenged with

declining play and operational deficits, trends include deferring capital improvements, reducing staffing, moving away from the higher cost City employee maintenance, changing to an operating model which involves a fee-for-service management agreement, and providing a general fund subsidy to offset operating deficits in the enterprise fund.

The two existing concessionaire agreements will expire in June 2016. If a change to the operating model is recommended, City Council direction is needed prior to June 2015 to ensure adequate time for new contractual relationships to be in place by June 2016. Staff initiated this discussion with the Finance Committee on October 7, 2014, and returned on November 18, 2014, with additional information, including the Pro Forma Advisors golf consultant report on the SBGC and alternate operating models the City might consider. Finance Committee members spoke to the importance of maintaining the municipal golf course which provides affordable golf for the Santa Barbara community and the need for broader public input on this discussion. The Finance Committee voted 2-1 to recommend to City Council that the golf course should continue to operate in a self-sustaining manner; and that the most likely place to look for savings is through contracting the maintenance operations.

The Golf Advisory Committee and Parks and Recreation Commission have been regularly informed on golf course fiscal matters. Staff provided a detailed status report, including the Pro Forma Advisors report, to both at their regularly scheduled November meetings. While not asked to take any official action at this time, there were mixed perspectives on outsourcing of maintenance, but consensus on the importance of maintaining a good quality, affordable municipal golf course, City control over fees, and the need to have broader public input to the discussion. A joint meeting with the Golf Advisory Committee and Parks and Recreation Committee was discussed should City Council determine the need.

DISCUSSION:

Background

The Santa Barbara Golf Club (known as SBGC or "Muni") has served as the City's municipal golf course since 1958. The course is operated as an enterprise fund, whereby revenue generated at the club sustains maintenance and operations of the golf course. The golf course receives no General Fund or tax support.

The sport of golf has seen declines nationally and regionally primarily due to fewer people playing golf or playing less frequently, an overexpansion of the golf course inventory, and the national recession. Santa Barbara's municipal golf course has experienced increasing fiscal challenges due to a continuing decline in the number of rounds played at the course. Play has generally declined 3-5% per year, down from over 100,000 rounds in 1990 to 62,500 in Fiscal Year 2014. Play has somewhat stabilized over the last four years.

Nearly 80% of golf course revenue is generated by user fees charged to the golfers (greens fees). Fewer rounds mean less revenue. A number of measures have been taken over recent years to reduce expenses, restructure debt, and increase play. The golf course has limited ability to further reduce expenses without negatively affecting course conditions, which would likely have a corresponding effect on rounds played. Similarly, fee increases intended to generate additional revenue will likely have the opposite effect, as the local golf market offers golfers many choices today with competitive pricing. Expenses to maintain and operate the course have been exceeding revenue, and as a result, the Golf Fund reserves have been below policy level since Fiscal Year 2008. As of June 30, 2014, total reserves were \$277,614, which were \$290,386 below amounts required per City reserve policies. In contrast, reserves ten years earlier (Fiscal Year 2004) totaled \$965,556 and were above policy requirements by \$348,476. If current trends continue, the Golf Fund could deplete all of its remaining reserves as early as Fiscal Year 2016.

The current operating model for SBGC with City employee maintenance is less common in today's municipal golf industry due to higher public employee salary and benefit costs. The Pro Forma Advisors report prepared for Santa Barbara indicates that labor costs for the City's golf course are \$400,000-500,000 higher than similar courses.

Santa Barbara is not alone in facing fiscal challenges with its municipal golf course. The National Golf Foundation conducted a survey of 260 municipal golf courses in 2013. A sample of key findings and trends includes:

- 53% are set up as Enterprise Fund; 30% General Fund
- 1/3 of Enterprise Funds have negative fund balances
- 70% have deferred capital improvements due to financial considerations
- 50% have reduced full-time staffing in recent years
- Increased outsourcing of golf operations and/or maintenance
- Forgiveness of debt and/or subsidy provided by the respective General Fund

The Pro Forma Advisors report also speaks to similar trends in California and Southern California.

Municipal Golf Course – An Important Community Asset

Since it was built, the Santa Barbara municipal golf course has been a popular and greatly valued recreational resource for the Santa Barbara community. It is known as a well-maintained and operated facility, and golfers regularly compliment staff on the course conditions. It is estimated that approximately 6,000 golfers play at SBGC, including those who play on a regular basis, occasional players, and visitors to the area. Roughly 1,000 golfers participate in 25 organized home clubs and golfing groups. The course offers extensive junior golf programs, and discount play for juniors and students, and seniors. Over 35% of all rounds played at SBGC are from seniors 65 years and older. Over the last four years, participation in junior programs has increased over 50%,

with over 700 youth involved per year. SBGC is also home to the Santa Barbara City College men's and women's golf teams, and other local high school teams.

Although there has been declining interest in the sport of golf, Santa Barbara's golf course remains busy providing affordable golf for many community residents and visitors. Staff is exploring alternative activities which could coexist with traditional golf and provide new revenue streams to offset course operational costs.

Options to Address Possible Structural Deficit

The City could shift the golf course over to the General Fund; provide some level of subsidy to the Golf Course from the General Fund while still maintaining it as a separate enterprise fund; or change the golf course operating model to one which includes outsourcing golf course maintenance (i.e., contract maintenance services, golf course management agreement, facility lease). The discussion can be initiated with the first of two questions:

1. Should an alternate golf course operating model be implemented which would include outsourcing maintenance, or
2. Should a portion of annual golf course operation be subsidized by the General Fund to solve the structural deficit?

Annual Cash Flow Projections

The following table shows the projected annual cash flow over the next ten years based on whether rounds decline, stay flat, or experience moderate growth.

Year	Projected Golf Fund Cash Flow Compared to FY 2014 Rounds Played				
	4% decline	2% decline	Flat	1% growth	2% growth
2016	(430,189)	(353,136)	(274,506)	(234,601)	(194,301)
2017	(446,281)	(330,343)	(209,599)	(147,394)	(83,952)
2018	(519,285)	(364,569)	(200,122)	(114,124)	(25,544)
2019	(579,076)	(385,782)	(176,096)	(64,789)	+51,003
2020	(644,822)	(413,231)	(156,823)	(18,666)	+126,486
2021	(701,222)	(431,692)	(127,129)	+39,440	+216,183
2022	(774,514)	(467,471)	(113,369)	+83,198	+293,847
2023	(682,501)	(338,436)	+66,543	+294,717	+541,671
2024	(759,040)	(378,497)	+78,649	+340,064	+625,811
2025	(858,455)	(442,032)	+68,527	+364,841	+691,959
2026	(960,730)	(509,070)	+56,103	+389,000	+760,159

Assumptions:

- Based on 59,197 paid rounds in Fiscal Year 2014
- Costs are the same for all round volumes due to fixed nature (includes projected salary and benefit costs)
- \$1 fee increase applied every year
- Capital fully funded
- No change to current operational structure or concession terms
- Golf course debt obligations conclude in Fiscal Year 2022

It is important to note that, in even the most favorable scenario (2% growth), the Golf Fund will fully exhaust its reserves balances and run out of cash. In addition, all scenarios assume annual increases to greens fees of \$1 per round. As discussed above, such increases to fees could adversely affect rounds depending what on other competing golf courses do with green fees.

General Fund Support of Parks and Recreation Programs and Services

The majority of programs and services provided by Parks and Recreation are funded through the General Fund. Exceptions are the golf course and the Measure B funded Creek Restoration/Water Quality Improvement Program. The cost to maintain and operate various parks, beaches, community buildings, and recreational facilities is included in associated program budgets, with the exception of capital expenses and department or City overhead costs. User fees and contractual agreements comprise Department revenues, which supplement the General Fund subsidy to fully cover program expenses. The Recreation Division has the lowest subsidy percentage (45%) due to fees charged for programs and facility use. The numbers and percentages below are based on Fiscal Year 2014 final revenue and expenses.

	Expense	Revenue	% GF Subsidy
Parks and Recreation Department General Fund Budget	\$14,168,362	\$ 5,217,263	63%
Administration Division	\$ 992,500	\$ 59,145	94%
Parks Division	\$ 6,867,738	\$ 1,716,734	75%
Recreation Division	\$ 6,308,125	\$ 3,441,384	45%

Philosophically, the Department provides higher subsidy levels for those programs and services which serve the general community (e.g., park visitors do not pay fees to visit a park unless they want exclusive use of a particular park area), and programs directed to the underserved/low income (i.e., free Summer Fun Drop-In Program or free afterschool sports program). Activities for youth are generally subsidized at a higher level than for adults. Fees are generally set to recover direct activity costs and contribute towards park/facility maintenance and operational costs.

In looking to make a comparison between the golf course and other recreation programs, the Department selected Los Baños Pool and the Tennis Program. All three

programs operate and maintain a facility, generate revenue from activities related to that facility, and provide similar activities. The following table overviews the three programs with facilities, programs, target audience, revenue/expense, and annual participation. The golf course is notably more expensive to operate compared to Los Baños Pool and the Tennis Program.

	Los Baños Pool	Tennis Program	Golf Course
Facility	Pool, shower/lockers, restrooms, weight room, offices	Municipal Tennis Facility (12 courts), offices, shower/lockers; Oak Park (2 courts), lights for Pershing Park tennis (8 courts)	18-hole golf course, driving range, lesson area, pro shop, cart barn, maintenance building, restaurant, restrooms
Programs	Lessons, camps, clinics, group swim, competitive swimming, casual/drop in swim, facility rentals, supervised facility	Lessons, camps, clinics, organized group play, tournaments, casual/drop in play, facility rentals, partially supervised facility	Lessons, camps, clinics, organized group play, tournaments, casual/drop in play, group golfing activities, supervised facility
Target Audience	Youth, Adults, Seniors	Youth, Adults, Seniors	Youth, Adults, Seniors
Operating Expense*	\$521,266	\$297,302	\$2,111,329
Program Revenue*	\$228,120	\$96,559	\$2,043,085
GF Subsidy*	56%	68%	N/A
Annual Participation (duplicative)*	105,000 (swim sessions)	37,500 (tennis sessions)	62,500 (rounds played)

*Fiscal Year 2014

Golf Course Staffing

The Golf Fund includes 12.75 FTE administrative and maintenance staffing. Of that, 12 FTE are maintenance staff, which include 11 permanent staff and 4 hourly staff. Should the City pursue an alternate operating model which includes outsourcing of maintenance, employees wishing to remain with the City will be absorbed to other City departments so that no one loses their job. Maintenance staff would also have the option to continue working at the golf course for the private operator.

Golf maintenance staff has been briefed on the discussions taking place. Also, staff has informed SEIU of the current Golf Fund discussion and possible outsourcing of maintenance to a private entity.

Alternate Operating Options for the Santa Barbara Golf Club

With the growing concerns for the fiscal sustainability of the golf course, staff contracted with Pro Forma Advisors LLC to provide information on golf industry trends, the comparative performance of Santa Barbara's municipal golf course to regional facilities, and alternative operating models, and the economics of how each might work if implemented for Santa Barbara. A copy of the ProForma report is included as an attachment to this staff report.

Five basic golf course operating options employed by municipalities are presented in depth. They include Golf Facility Lease, Management Agreement, Hybrid – current model in Santa Barbara, Modified Hybrid – alternate model with contract maintenance, and Full Self-Operation. Three models do not utilize a public employee workforce, including the Management Agreement, Hybrid with contract maintenance and Facility Lease.

Of those three, more municipalities are choosing the Management Agreement fee for service model which entails contracting with a professional golf management company to manage the golf course (maintenance, pro shop and restaurant); typical is a five-year agreement with compensation that includes a negotiated management fee with performance incentives. Once preferred but not in today's golf market is the Facility Lease, whereby a private entity would secure a long term lease to operate the golf course in exchange for a significant investment of capital; compensation is a fixed lease payment with performance incentives. The current Hybrid but with contract maintenance is less common and not preferred as the City would need to negotiate with three contractors on golf course operations, versus the current two.

Finance Committee Recommendation

Staff initiated this discussion on with the Finance Committee on October 7, 2014, and returned on November 18, 2014, with additional information, including the golf consultant report on the SBGC and alternate operating models the City might consider. Finance Committee members spoke to the importance of maintaining the municipal golf course which provides affordable golf for the Santa Barbara community and the need for more information and broad public input on this discussion. The Finance Committee voted 2-1 to recommend to City Council that the golf course should continue to operate in a self-sustaining manner, with the most likely means to achieve this was through contracting for the maintenance operations.

Golf Advisory Committee and Parks and Recreation Commission

The Golf Advisory Committee and Parks and Recreation Commission have been regularly informed on golf course fiscal matters. Staff provided a status report, including the Pro Forma Advisors report, to both at their regularly scheduled November meetings. While not asked to take any official action at this time, there were mixed perspectives on outsourcing of maintenance but consensus on the importance of maintaining a good quality, affordable municipal golf course, City control over fees, and the need to have broader public input to the discussion. A joint meeting with the Golf Advisory Committee and Parks and Recreation Committee was discussed should City Council determine the need.

Decision Timeline

Staff will soon be developing the two year fiscal plan for Fiscal Year 2016-2017 which will be presented to City Council in April 2015. If Golf Fund reserves are depleted as early as Fiscal Year 2016, this would mean the golf course would not have sufficient operating funds for Fiscal Year 2017. The existing golf course concession agreements will terminate in June 2016. The Request for Qualifications/Request for Proposals (RFQ/RFP) process combined with contract negotiation and transition between operators is estimated to take 12 months. Whether the City chooses to continue the current model or modify it in some way, a decision will need to be made no later than June 2015.

BUDGET/FINANCIAL INFORMATION:

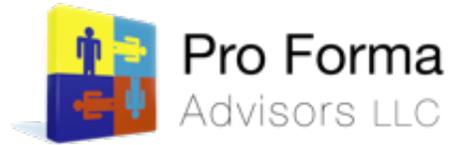
The Santa Barbara Golf Course is operated as an Enterprise Fund, with all operating and capital expenses covered by revenue generated by golf course operations. The Golf Fund has been below policy reserves since Fiscal Year 2008, and reserves may be depleted as early as Fiscal Year 2016.

ATTACHMENTS:

1. Evaluation of Operating Options Santa Barbara Golf Club, ProForma Advisors LLC, dated November 2014
2. SBGC Golf Trends Fiscal Year 1982-2014, Golf Revenue and Expense Fiscal Year 2013-2020, Golf Fund Reserves Fiscal Year 2012-2014, Golf Fund Reserve Balance Fiscal Year 2013-2020

SUBMITTED BY: Nancy L. Rapp, Parks and Recreation Director

APPROVED BY: City Administrator's Office



Evaluation of Operating Options Santa Barbara Golf Club Santa Barbara, California

Prepared for: **City of Santa Barbara**
Prepared by: **Pro Forma Advisors, LLC**

November 2014
PFAID: 10-644

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General Limiting Conditions

Certain information included in this report contains forward-looking estimates, projections and/or statements. Pro Forma Advisors LLC has based these projections, estimates and/or statements on expected future events. These forward-looking items include statements that reflect our existing beliefs and knowledge regarding the operating environment, existing trends, existing plans, objectives, goals, expectations, anticipations, results of operations, future performance and business plans.

Further, statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan," "project," or other words or expressions of similar meaning have been utilized. These statements reflect our judgment on the date they are made and we undertake no duty to update such statements in the future.

No warranty or representation is made by Pro Forma Advisors that any of the projected values or results contained in this study will actually be achieved.

Although we believe that the expectations in these reports are reasonable, any or all of the estimates or projections in this report may prove to be incorrect. To the extent possible, we have attempted to verify and confirm estimates and assumptions used in this analysis. However, some assumptions inevitably will not materialize as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties and unanticipated events and circumstances, which may occur. Consequently, actual results achieved during the period covered by our analysis will vary from our estimates and the variations may be material. As such, Pro Forma Advisors accepts no liability in relation to the estimates provided herein.

In the production of this report, Pro Forma Advisors has served solely in the capacity of consultant and Pro Forma Advisors has not rendered any "expert" opinions and does not hold itself out as an "expert" (as the term "expert" is defined in Section 11 of the Securities Act of 1933).

This report is not to be used in conjunction with any public or private offering of securities, and may not be relied upon without the express written consent of Pro Forma Advisors.

This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions, and considerations.

I. Introduction and Background

Background

The City of Santa Barbara municipal golf course, the Santa Barbara Golf Club (SBGC or “Muni”), has served the community of Santa Barbara since 1958 under the leadership of the Parks and Recreation Department. SBGC provides the Santa Barbara community, residents and visitors alike, with affordable golf in a well-designed and maintained golf course facility. The 108-acre, 18-hole regulation, par-70 golf course is located in the north side of town and features sweeping views of the Santa Ynez foothills and the Pacific Ocean.

SBGC is managed by the Parks and Recreation Department. The Department also provides the golf course maintenance operation, staffed with City employees. The Department manages two concession contracts associated with the operation of the course, the Director of Golf/Pro Shop concession and the Food and Beverage concession. Although concession rents provide revenue to the golf course, over 80% of City golf revenue derives from greens fees paid by golfers.

Operated as an enterprise fund within the City, SBGC receives no tax revenue support through the City’s General Fund and is funded solely by revenues generated at the course. Since 1987, the course has seen a gradual decline in the number of rounds being played, affecting revenue. Discussed in the report, the decline in play is largely attributed to a national decline in golf participation and an unprecedented increase in the number of golf courses serving golfers, including in the Santa Barbara area. This industry decline has been compounded in recent years as people changed their leisure and spending habits in response to the deep national recession. Concurrently, SBGC experienced a significant decline in play resulting from two major construction projects at the facility. Although the level of play has recovered and stabilized to some degree, it has not returned to pre-2009 levels and the outlook is that play will likely remain relatively flat in the near-term, with slow growth over the longer time frame.

With sluggish growth in play/revenues and increasing expenses, the longer term fiscal health of SBGC became a focus for the Parks and Recreation Department and the City. This study was undertaken to provide the City with information on trends within the golf industry, the comparative performance of SBGC to comparable regional facilities, various operating models used for municipal golf courses, strengths and weaknesses of the various models, and how the various models compare to the current operating model in place for the City of Santa Barbara.

Basic Assignment Objectives

Key objectives of the assignment included:

- ▶ Prepare a description of SBGC facilities and historical operating review.
- ▶ Provide an overview of the golf market, including national and regional demographics and trends.
- ▶ Complete a comparative performance review of regional golf courses, including rounds of play, average revenue per round, revenues, and operational costs including maintenance.



Introduction

- ▶ Describe and compare various operating models employed by municipal golf courses in California, including Santa Barbara.
- ▶ Review the economics of alternative operating models related to SBGC.

Overall Work Process

The overall work process for this assignment has occurred over about a two-year time frame. A significant portion of the analysis was conducted in 2013 and updated in mid-2014. The work tasks completed during this study process included the following:

- ▶ Discussions and interviews with selected stakeholders, including the concessionaires and Parks and Recreation staff, and industry representatives, including a series of private golf management companies.
- ▶ A review of historical operating and financial statements for SBGC.
- ▶ Inspection of the golf course and support facilities.
- ▶ Analysis of current and anticipated future golf course market conditions.
- ▶ A review of future capital improvement requirements at the golf facility.
- ▶ Identification and analysis of the various operating models employed by municipal golf courses.
- ▶ Projections of near- and mid-term operating performance of SBGC.
- ▶ Comparative evaluation of prospective operating models with the current SBGC operating structure.

The Parks and Recreation Department contracted with Gene Krekorian, a Principal with Pro Forma Advisors LLC, to provide the majority of the information provided in this report. Mr. Krekorian was well qualified for this effort having prepared various operational analysis reports on the City's golf course over the years. Additionally, Mr. Krekorian has undertaken similar studies for other golf courses in the Tri-County area so he is familiar with golf operations in the region. Staff worked with Mr. Krekorian to provide assistance and information to complete the report.

The final report, drafted by Pro Forma Advisors, is the product of a collaborative effort of Pro Forma Advisors and Parks and Recreation staff.

II. Summary

The following section presents a summary of principal findings related to future operations at Santa Barbara Golf Club (SBGC). Substantiation and documentation of these summary findings are contained in the subsequent sections of the report.

Background

The Santa Barbara Golf Club (known as SBGC or “Muni”) has served as the City’s municipal golf course since 1958. The course is operated as an enterprise fund, whereby revenue generated at the club sustains maintenance and operations of the golf course. The golf course receives no tax support.

Santa Barbara Golf Club is managed by the City Department of Parks and Recreation, which also maintains the golf course. Golf operations is the responsibility of a golf concessionaire who pays rent to the City based on a percentage of gross revenue. Similarly, the food and beverage operations at SBGC are provided under a concession agreement.

Santa Barbara’s municipal golf course has experienced increasing fiscal challenges due to a continuing decline in the number of rounds played at the course. The sport of golf has seen declines nationally and regionally primarily due to fewer people playing golf or playing less frequently, an over-expansion of the golf course inventory, and more recently the effects of a struggling economy. Additionally, SBGC has yet to see play fully rebound from 2010 losses due to the lingering effects from two major construction projects on the golf course and the national economic recession. The course has seen play decline an average of nearly 3% per year, down from over 100,000 rounds in 1990 to 62,500 in Fiscal Year (FY) 2014.

Presently, over 80 percent of golf course revenue is generated by user fees charged to the golfers (greens fees). Fewer rounds mean less revenue. A number of measures have been taken over recent years to decrease expenses, restructure debt, and increase play. The golf course has limited ability to further reduce expenses without negatively affecting course conditions, which would have a reciprocal effect on play. Similarly, extraordinary fee increases intended to generate additional revenue will have the opposite effect, as the local golf market offers golfers many choices today with competitive pricing.

Despite the actions which have been taken, and given some stability in the golf market, SBGC sustained negative cash flow in FY2014, and the outlook suggests financial performance may deteriorate further. Actual financial results for FY2014 are summarized as follows:

SBGC Net Cash Flow-2014 (\$000)	
City Revenue/Rent	
Greens Fees Revenue	\$1,664.7
Concession/Other Revenues	378.4
Total	\$2,043.1
Operating Expenses	
Course Maintenance	1,369.1
Other Operating Expenses	263.0
Total	\$1,632.1
Net Operating Income (EBITDA)^{1/}	\$411.0
Less: Debt Costs	264.8
Capital Improvement Allowance	<u>214.5</u>
Net Cash Flow	(68.2)
^{1/} Earnings before interest, taxes, debt and amortization, and capital improvements.	

Golf Market Overview

Nationwide, golf play increased steadily between the mid-1980s and 2000. Over the period 1990-2010, the national inventory of golf courses increased by 34% while golf demand only increased 12%. Since 2000, first signs of industry problems surfaced and have persisted for the last 10 years. Since 2007, the golf market has been further impacted by the national and regional recession. In response, promotions, discounts and special rate loyalty programs which offer reduced fees have become the norm and increased local competition.

Regionally, similar patterns were seen over the same period. The Tri-County region has 38 public access golf courses, expressed as 18-hole equivalent courses, of which 7.5 are located in Santa Barbara County. Inventory has increased 58 per cent since 1995. While only two new courses were added to the golf inventory in Santa Barbara County since 1995, and none since 1998, the significant expansion in Ventura County has provided many more options for residents of the region. The Tri-County public golf market is highly competitive. In addition to numerous municipal facilities, there are a number of higher quality public access courses available at relatively affordable greens fees.

Since 2011, the regional golf market has been generally flat, benefitting from favorable weather. Golf industry leaders project limited growth over the next 10- to 20-year term. Most of this growth will result from the aging

population trend (60 to 74 age cohort) where the propensity to, and frequency of, play increase compared to younger age cohorts. While the regional market appears to have stabilized, there are no indications that portend much, if any, growth in the near- to mid-term.

Regional Comparative Metrics

With the inventory of golf courses increasing by one, the aggregate annual play at 10 selected Ventura and Santa Barbara public courses declined by only 5.3 percent over the 2004-2013 period. However, the survey shows that the average play per course declined 15 per cent over the nine-year period. (By comparison, play at all regulation length public access courses in Los Angeles County declined 14 per cent.) Play at SBGC declined from 86,400 rounds in 2004 to 61,000 in 2013, or nearly 30 per cent. Factors contributing to decline in SBGC rounds included:

- Glen Annie Golf Club has repositioned toward the mid-market, thus becoming more competitive with SBGC.
- Higher end daily fee courses (i.e., Sandpiper Golf Club and Rancho San Marcos) have been targeting Tri-County residents with discounts.
- City of Ventura recently renovated both of their municipal courses (Buenaventura and Olivas Links) resulting in fewer Ventura area players traveling to Santa Barbara, and more Santa Barbara players traveling to the newly renovated courses.
- Promotional programs and greens fees discounting by competitive courses in the region has reduced their effective fee structures relative to SBGC.
- Lost play following 2010 SBGC construction.

When compared to the performance of seven municipal courses and three daily fee courses, revenue per round ranged from \$19 to \$35.30. SBGC FY 2014 performance was \$26.57 per round. For comparison, Buenaventura was \$24.80 and Olivas Links was \$28.89. SBGC merchandise revenue performs slightly superior to most other courses in the region. Average cart fee is consistent with similar courses in the region. Practice range revenue is relatively low at SBGC compared to others due to facility limitations. Food and beverage (Mulligans Bar & Cafe) performance is strong.

When compared to five municipal courses and four mid-market daily fee courses, the greatest expense variance was the cost of maintenance labor. With staffing levels ranging from 9 to 15 FTE at 18-hole golf courses in the region, the majority of payroll and benefit cost was in the range of \$311,000 to \$555,000 while SBGC direct labor cost was \$929,000 with 12 FTE. Santa Barbara operates SBGC with a City employee workforce which is the primary reason for the higher labor cost.

Golf Course Operating Options

Golf courses have four primary operational areas, including Administration/Management, Course Maintenance, Golf Operations (daily golfer services), and Food and Beverage service. Five basic golf course operating options employed by municipalities are presented, including the current model used by the City of Santa Barbara.

- ▶ Hybrid – current model in Santa Barbara (City maintenance)
- ▶ Modified Hybrid – alternate model with contract maintenance
- ▶ Management Agreement
- ▶ Golf Facility Lease
- ▶ Full Self-Operation

A brief description of each model is below. The following table provides an overview of the responsibilities for each function in the various models.

Responsibility for Function				
Model	Course Maintenance	Golf Operations	Food & Beverage	Administration/ Management
SBGC Hybrid*	City	Concession	Concession	City
Modified Hybrid**	City/Private	Private/ Concession	Concession	City/Private
Management Agreement	Private	Private	Private	Private
Golf Facility Lease	Private	Private	Private/ Concession	Private
Full Self-Operation	City	City	City/Concession	City
* Represents current SBGC Hybrid model. ** Hybrid model with City course maintenance and golf operations concession represents the current city model, with some modifications of terms/expenses.				

In addition to these basic options, there are numerous permutations which would create alternative hybrid models. These alternative hybrid models combine some form of self-operation, concession agreements, and/or management/contract agreement.

The **Hybrid** model consists of any combination of concession agreements and service contracts. The City of Santa Barbara currently employs a Hybrid model with City employees providing Administration/Management and golf course maintenance; golf operations and food and beverage services are provided by two concessionaires: Director of Golf - Chris Talerico/Channel Islands Golf Enterprises, Inc., and Mulligans Café LLP – Mario and Lani Medina. The “hybrid model” (golf operations concession, with City maintenance), currently accounts for 6 percent of the 83 municipal golf courses in Southern California.

A **Modified Hybrid** model respective to the City of Santa Barbara could entail the City retaining the current golf operations and food and beverage concessions, with golf course maintenance shifted to a private landscape maintenance entity on a contract basis. The City would still be responsible for overall golf course management, and overseeing the three contracts. The “modified hybrid model” (golf operations concession, with

contract/private maintenance), also currently accounts for 6 percent of the 83 municipal golf courses in Southern California.

The **Management Agreement** model, although observed at only about one-quarter of the Southern California municipal golf courses, is the most common model employed in the municipal golf market today. The City would enter into a fee-for-service agreement with a Director of Golf, General Manager, or an outside management company. Under a typical management agreement, the facility owner (City) receives all revenues and is responsible for funding all capital improvements, operating expenses and capital reserves. In addition, the City pays the operator a fee for management of the facility. In effect, the professional operator serves as the City's agent in managing, operating and maintaining the golf facility. Management compensation typically consists of a base fee, plus performance incentives. The "management agreement model" currently accounts for 23 percent of the 83 municipal golf courses in Southern California, although in recent years the model has been employed in the majority of the municipal transactions.

Under the **Golf Facility Lease** model, the City would enter into a long-term facility lease with a private golf course operator who provides course maintenance, golf operations, and overall facility management. The food and beverage operation may be included or provided through a separate lease. Typically, the lease model has been utilized when a private entity will be investing significant capital into the facility. The operator's lease payments typically are based on a minimum rental payment versus a percentage of gross revenues derived from golf, merchandise, food and beverage, etc. Under a typical facility lease, the lessee receives 100 percent of the revenue and is obligated to fund required front-end capital improvements, operating expenses, and a capital reserve fund. This model is not as common in today's municipal golf market, although it is the model employed in over one-half of the municipal golf courses in Southern California. The "golf facility lease model" currently accounts for 57 percent of the 83 municipal golf courses in Southern California, although in recent years the model has been employed in a much smaller percentage of the municipal transactions.

The **Full Self-Operation** model, whereby the facility is operated fully by the City with a City workforce, is very uncommon and movement away from this model continues given higher public employee compensation labor costs. This model is not seen as a viable option for Santa Barbara at this time. Currently, the "full self-operation model" accounts for 6 percent of the 83 municipal golf courses in Southern California. In addition, there are two recreation districts (two percent) in Southern California which operate municipal golf courses.

There are economic and non-economic advantages and disadvantages of the various types of operating structures, and the most appropriate structure generally is strongly influenced by the objectives of the owner (City). Most of the advantages and disadvantage of each approach are summarized in the following table.

Strengths and Weaknesses of Golf Course Operating Options			
Hybrid (Current Model)	Facility Lease	Management Agreement	Modified Hybrid
STRENGTHS			
<ul style="list-style-type: none"> • Provides high level of City control over rates, policies, practices, and overall golf experience • Availability of City overhead support functions • Strong participation in upside financial performance • Provides opportunity to retain specialists in golf operations and food and beverage • Preserves option to convert to alternative operating option 	<ul style="list-style-type: none"> • Provides reasonably strong financial return to City • Produces guarantee minimum rent payment to City • Minimizes financial risk • Minimizes political influence with less direct involvement of City with setting fees, policies, and practices • Offers potential benefits in golf management expertise and specialized maintenance support services • May provide private capital investment in facilities 	<ul style="list-style-type: none"> • Provides strong financial return to City. • Provides high level of City control • Greater potential quality assurance • Opportunity to provide shorter term contracts • Potentially more compatible with multiple operator options • Provides opportunity to retain specialists in professional golf management • Captures benefits of private sector wage and benefit structure 	<ul style="list-style-type: none"> • Provides high level of City control over rates, policies, practices, and overall golf experience • Availability of City overhead support functions • Strong participation in upside financial performance • Potential benefits from lower private sector maintenance payroll/benefits • Provides opportunity to retain specialists in golf operations and food and beverage • Preserves option to convert to alternative operating option
WEAKNESSES			
<ul style="list-style-type: none"> • Constrains ability of management to adapt and respond to dynamic market conditions • Entails high level of financial risk • Involves higher public sector wage and benefit structure for maintenance • Reduces opportunity to attract private capital due to reduced lessee control • Potential conflicts of multiple concessionaires • Relatively high City monitoring requirements 	<ul style="list-style-type: none"> • Minimum operational and quality control • May involve long-term contractual commitment • Minimizes financial upside, particular in current market • Current weak market for facility leases • Potential conflicts over capital reinvestment responsibilities of contracting parties 	<ul style="list-style-type: none"> • Requires more City involvement than facility lease option • Minimizes private capital investment in facilities. • Entails greatest level of City financial risk 	<ul style="list-style-type: none"> • May constrain ability of management to adapt and respond to dynamic market conditions • Entails high level of financial risk • May involve higher public sector wage and benefit structure • Reduces opportunity to attract private capital due to reduced lessee control • Potential conflicts of multiple concessionaires • Relatively high City monitoring requirements

In general, there are three factors which influence the preferred structure:

- ▶ Level of control desired by public entity in terms of fee structure, operating policies, and other procedures.
- ▶ Ability or willingness to fund significant capital improvements required.
- ▶ Degree of financial risk tolerance related to market and other events.

Options Economics

The report provides detailed economics of how each model might compare if implemented in Santa Barbara. In general, the primary difference in net operating income and cash flow derives from whether golf course maintenance is provided by a City employee workforce or a private entity.

A comparative summary of the economics associated with the various operating models is presented in the following table. The comparative analysis is predicated on the assumption that revenue is constant among the various models. General experience suggests that revenue (play levels) are likely to be greater under the management agreement model and the facility lease model. To the extent that revenues are higher, the differential between the management agreement (and facility lease) model and the hybrid model would likely be substantially greater.

Comparative Baseline Operating Options Economics (thousands of constant 2014 dollars)						
Department	City Hybrid Actual FY2014	Hybrid		Management Agreement		Facility Lease ^{1/}
		City Maint*	Contract Maint with Living Wage	No Living Wage	With Living Wage	
City Revenue/Rent						
Greens Fees Revenue	\$1,664.7	\$1664.7	\$1664.7	\$1,664.7	\$1,664.7	---
Golf Operations Revenue	---	---	---	793.4	793.4	---
Facility/Golf Ops Concession Rent	189.6	161.5	161.5	---	---	\$449.9
Food & Beverage Rent	139.1	137.8	137.8	206.7	206.7	137.8
Other Revenue	49.7	49.7	49.7	49.7	49.7	10.0
Total	\$2,043.1	\$2,013.7	\$2,013.7	\$2,714.5	\$2,714.5	\$597.7
Less: Cost of Sales	---	---	---	142.7	142.7	---
Gross Profit	\$2,043.1	\$2,013.7	\$2,013.7	\$2,571.8	\$2,571.8	\$597.7
Operating Expenses						
Course Maintenance	\$1,369.1	\$1,370.0	\$1,140.7 ^{2/}	\$880.0	\$1,037.0	---
Golf Operations	---	---	---	313.0	378.0	---
G & A/Clubhouse	71.4	71.4	71.4	420.0	420.0	---
City Contract Administration	118.1	118.1	150.0	80.0	80.0	80.0
Citywide Overhead Allocation	73.5	73.5	73.5	73.5	73.5	73.5
Total	\$1,632.1	\$1,633.0	\$1,435.6	\$1,766.5	\$1,988.5	\$153.5
Net Operating Income (EBITDA)^{3/}	\$411.0	\$380.7	\$578.1	\$805.3	\$583.3	\$445.2
Less: CIP Replacement Reserve	214.5	225.0	225.0	225.0	225.0	108.1
Debt Service	264.8	264.8	264.8	264.8	264.8	264.8
Net Cash Flow	(\$68.3)	(\$109.1)	\$88.3	\$315.5	\$93.5	\$71.3
Variance From Current Hybrid Model, With City Maintenance	\$40.8	---	\$197.4	\$424.6	\$202.6	\$180.4

* Represents current City Hybrid model with current terms. ^{1/} Assumes no Living Wage ordinance; ^{2/} Assumes Living Wage ordinance; ^{3/} Earnings before interest, taxes, depreciation, debt service and amortization.

III. Description of Facilities and Historical Operating Review

The following section contains a brief description of Santa Barbara Golf Course (SBGC) and a review of historical operating performance.

Facilities

The Golf Course was designed and built in 1957 by Lawrence Hughes, and opened for play on January 12, 1958. The 18-hole golf course envelope is approximately 108 acres, of which 85 acres is irrigated turf. The regulation, par-70 golf course features sweeping views of the Santa Ynez foothills and the Pacific Ocean. Located in the north side of town, the course is surrounded by homes, Earl Warren Showgrounds, Las Positas Road, McCaw Road, Club House parking lot, and Adams Elementary School.

The amenities of the course include a practice putting green, electric golf cart storage facility, pro shop/office, restrooms, an unlighted driving range with fence which has 12 stalls for irons and woods, 6 stalls for irons only, and for the exclusive use of providing lessons only, an 1,800 square foot teaching area with easy access for 4-5 simultaneous lessons, a putting/chipping green, and a small sand bunker. The Santa Barbara Golf Club has a 210-space paved parking area.

The clubhouse, originally built with the golf course as a small food and beverage operation, was significantly expanded and remodeled in 1989 into the current configuration. The clubhouse includes a full-service restaurant, bar and banquet room as well as exterior patio dining areas on two sides of the facility overlooking the golf course, and a takeout counter serving golfers.

Existing Concessionaire Agreements

The pro shop concession, which provides the daily operation of the course and golfer services, is with Chris Talerico, Channel Islands Golf Enterprises, Inc. Golfer services include the tee reservations and starter function, carts, driving range operation, retail sales of golf supplies and equipment, lessons, tournaments, leagues, and the marshaling operation which oversees the pace of play on the course. The three-year agreement term ends June 30, 2016. The current pro shop concession terms include a base rent minimum of \$125,000, plus percentage rents as follows: 30% on carts, 25% on the driving range, 4% on merchandise, and 4% on lessons and equipment rental sales. In FY 2014 annual income to the City from the pro shop concession was \$189,600.

The food and beverage concession is with Mario and Lani Medina, Mulligan's Café LLP. Mulligan's Café has served the SBGC since 1993. The restaurant serves breakfast, lunch and dinner seven days a week and draws a substantial business from the general community in addition to serving golfers. The current concession agreement term will conclude June 30, 2016. The Mulligan's food and beverage concession terms include a base rent minimum of \$116,774 plus 10% percentage rent on gross receipts above the base rent amount. In FY 2014 annual income to the City from the Food and Beverage concession was \$139,060.

Municipal Water Quality Elements

The Santa Barbara Golf Club, located at the top of the Las Positas Creek watershed, receives storm water and urban runoff from surrounding streets and properties. The Creek Restoration and Water Quality Program constructed the Upper Las Positas Creek Restoration and Storm Water Management Project on the course in 2010. The project was designed to detain and treat storm water and incidental runoff and improve water quality downstream in Las Positas Creek, the Arroyo Burro Estuary, and Arroyo Burro Beach. This project added several new aesthetic elements to the course, including several large retention basins, as well as natural area creek and native landscape elements.

Staffing Levels

SBGC is supported with City employee resources in management, marketing and maintenance. After many years of consistent staffing levels, reductions were made in 2010 (-.20 FTE) and again in 2012 (-2.50 FTE) to reduce expense in response to decreased revenues, both at a management level and golf maintenance staffing.

Current Golf Fund staffing totals 12.75 full time equivalent employees. Management and marketing total .75 FTE (.20 FTE Parks and Recreation Director, .5 Business Analyst, .05 FTE Marketing Coordinator). Golf Maintenance is 12.0 FTE, comprised of the following:

- 1.0 FTE – Golf Superintendent
- 1.0 FTE – Maintenance Coordinator
- 1.0 FTE – Irrigation Tech
- 1.0 FTE - Automotive/Equipment Tech
- 1.0 FTE – Sr. Grounds Maintenance Worker
- 4.0 FTE – Grounds Maintenance Worker II
- 1.3 FTE – Grounds Maintenance Worker I
- 1.7 FTE – Grounds Maintenance Worker I (hourly)

Golf Fund Revenues and Expenses

Greens fees are the largest component of Golf Fund revenue, comprising over 80% of annual revenue. Any change in the number of rounds played has a corresponding effect on Golf Fund revenue. Since 1987, the number of rounds at SBGC has continued on a gradual decline. A number of factors for this are related to national trends and regional golf operations and discussed in more detail in the Golf Market Overview. In 2010, SBGC rounds hit their lowest point of 59,091, reflecting the impacts of two major golf course construction projects compounded by changes golfers made in their leisure and spending habits in response to the national recession. Although the level of play has partially recovered and stabilized to some degree, it has not returned to pre-2009 levels (see Table III-1).

As shown, in FY2014 SBGC accommodated approximately 62,500 total rounds of play. The majority of these rounds were played by about 6,000 individual golfers.

The distribution of 2014 play, by type of round, is presented in Table III-2. The following observations are offered:

- ▶ Residents of Santa Barbara County account for 93 percent of total play, with non-residents about 7 percent. The percentage of resident play on weekdays is slightly lower at 92.5 percent of total play, and slightly higher at 93.4 percent on weekends.
- ▶ Weekday play represents approximately 65 percent of total play, and weekend play about 35 percent. This pattern of play, which is slightly disproportional on weekends, is consistent with most municipal golf courses in Southern California.
- ▶ Seniors account for approximately 60 percent of total weekday 18-hole play. Senior play at most Southern California municipal golf courses, where discount rates are offered, typically accounts for 50 to 60 percent of total 18-hole weekday play.
- ▶ Tournament play at SBGC represents 3.1 percent of total play, slightly below the percentage observed at most Southern California municipal golf courses. Generally, tournament play accounts for about 5 percent of total play.
- ▶ Complimentary play represented 4.0 percent of total play in FY2014, consistent with the percentage seen at comparable municipal golf courses.

Golf fees have increased by an average of \$1 per year, with occasionally larger increases (\$2-3), to keep up with increasing operational expenses and decreases in play. Greens fee increases can affect play since the municipal course attracts many low to average income players and seniors who live on fixed incomes. The current greens fees structure at SBGC is as follows (residents are defined as golfers residing in Santa Barbara County):

SBGC Greens Fees		
	Resident/Non-Resident	
	Weekday	Weekend
Regular	\$35/\$50	\$39/\$60
Senior	28/50	37/60
Twilight	25/37	27/40
Super-Twilight	17/17	17/17
Junior	13/13	13/13

The cart fee is \$15.00 per rider.

In response to the national recession, most golf operators, including SBGC, reduced rates and instituted discounts and special promotions to retain and attract golfers. As the economy has improved, SBGC has gradually and strategically been reducing the quantity and value of discounts put into place over the past several

years which will help to improve revenue. However, as the local golf market is particularly competitive, many golfers continue to be resistant to any increased fees or reduced discounts.

Gross revenue for 2014 at SBGC is presented in Table III-3. The City receives 100 percent of greens fees revenue and a share of the golf concession (carts, range, merchandise, and instruction) and food and beverage concession revenue.

Maintenance is the primary expense of the Golf Fund, and historically that budget has been relatively consistent from one year to the next except for the staffing changes discussed above, water costs based on varying weather patterns, and mandated increases to employee salary and benefits and costs allocated by the City for overhead, insurance, IS services, and other indirect support services.

Net operating income at SBGC for 2014, before capital expenditures, interest on debt, and other non-operating expenses, is shown in Table III-4. As indicated, net operating income totaled approximately \$400,000 in 2014. Most of this net income was used for debt service obligations and capital expenditures (see Capital Improvements Section).

Table III-1: SBGC Historical Annual Play			
Fiscal Year	Annual Rounds	Fiscal Year	Annual Rounds
1982	97,742	1999	95,359
1983	103,147	2000	93,612
1984	113,710	2001	85,275
1985	114,174	2002	90,435
1986	109,562	2003	86,892
1987	112,032	2004	86,404
1988	111,354	2005	78,191 ^{4/}
1989	105,170 ^{1/}	2006	76,600 ^{4/}
1990	108,216	2007	78,532 ^{4/}
1991	79,194 ^{2/}	2008	74,484
1992	99,145	2009	70,546
1993	96,634	2010	59,091 ^{5/}
1994	99,274	2011	62,800
1995	95,221	2012	63,620
1996	98,320	2013	61,030
1997	98,796	2014	62,512
1998	93,052 ^{3/}		
^{1/} Clubhouse remodeled. ^{2/} Drought conditions. ^{3/} Glen Annie and Rancho San Marcos opened. ^{4/} Construction. ^{5/} Major construction/national recession.			

Table III-2: SBGC Distribution of Rounds Played--2014			
	Resident	Non-Resident	Total
Weekday			
18-Hole Standard	7,537	1,786	9,323
18-Hole Senior	14,224	2	14,226
Twilight/9-Hole	11,818	989	12,807
Super-Twilight	770	---	770
Subtotal	34,349	2,777	37,126
Weekend			
18-Hole Standard	8,069	899	8,968
18-Hole Senior	2,737	---	2,737
Twilight/9-Hole	5,314	445	5,759
Super Twilight	2,879		2,879
Subtotal	18,999	1,344	20,343
Juniors	420	---	420
Tournament	1,853	---	1,853
Total Paid	55,621	4,121	59,742
Complimentary	---	---	2,489
Total	---	---	62,231

Table III-3: SBGC Gross Revenue--2014		
Department	Amount (\$000)	
	Total	City Share
Greens Fees	\$1,664.7	\$1,664.7
Cart Rental Fees	422.4	138.4
Range	95.5	28.7
Merchandise	190.3	9.2
Instruction/Other Pro Shop	85.2	13.3
Food & Beverage	1,377.9	139.1
Other Revenue	49.7	49.7
Total	\$3,882.2	\$2,043.1

Table III-4: SBGC Net Operating Income-2014	
Department	Amount (\$000)
City Revenue/Rent	
Greens Fees Revenue	\$1,664.7
Golf Operations Revenue	---
Facility/Golf Ops Concession Rent	189.6
Food & Beverage Rent	139.1
Other Revenue	<u>49.7</u>
Total	\$2,043.1
Less: Cost of Sales	---
Gross Profit	\$2,043.1
Operating Expenses	
Course Maintenance	1,369.1
Golf Operations	---
G & A/Clubhouse	118.1
City Admin/Overhead	<u>144.9^{2/}</u>
Total	\$1,632.1
Net Operating Income (EBITDA)^{1/}	\$411.0
Less: Debt Costs	264.8
CIP Allowance	<u>214.5</u>
Net Cash Flow	(68.2)
^{1/} Earnings before interest, taxes, debt and amortization, and capital improvements. ^{2/} Includes vehicle replacement and maintenance, insurance, Citywide overhead allocation (\$73,500) and other miscellaneous expenses.	

IV. Capital Improvements

The following section presents a summary of the capital improvements program for Santa Barbara Golf Club. Capital improvements are separated into golf course maintenance equipment and golf course/support facility improvements.

Completed Capital Improvements

The current condition of the SBGC facility is very good. The course itself is maintained well, and routinely receives frequent compliments from golfers on the above average condition of the greens and course, especially for a municipal course. A number of improvements to the course have been completed since 2004, including a continuous concrete cart path around the course, updated irrigation system, two new greens, and several modifications to hole designs to improve play and safety. Within the past year, the clubhouse roof has been replaced and the clubhouse has been repainted. There are several components to the complex--primarily support facilities--where there is some deferred maintenance.

The golf course completed an analysis and developed the Golf Course Safety Improvement Master Plan in 2004. This plan addressed safety concerns at the course due to its design, constraint limitations due to size and the fact that it is surrounded by immediately adjacent streets, residences, an elementary school and businesses. The number of errant golf balls leaving the course exposed the City to increased liabilities. The plan included a number of projects to relocate holes, tee boxes, bunker and greens in order to redirect balls into the course, away from golfers and improve play. Since 2004 the course has seen a substantial number of the recommended improvements constructed, and a decrease in incidents and claims related to errant golf balls. Several of the recommended improvements have yet to be completed.

Golf Fund Debt Service

The Golf Fund debt service includes repayment of three loans for the clubhouse renovation (2022), 2008 Golf Course Safety Improvement Project (2018), and turf equipment replacement (2018). To help ease Golf Fund fiscal challenges, the City Council approved debt restructures in FY 2012 and again in FY 2013, reducing the annual payments and increasing the repayment period.

Debt service payments scheduled over the remaining amortization period are projected as follows:

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Principal	\$213,052	\$213,201	\$233,399	\$158,826	\$165,182	\$171,790	\$174,732
Interest	49,070	40,689	31,838	26,821	20,469	13,861	10,919
Total	\$262,122	\$253,890	\$265,237	\$185,647	\$185,651	\$185,651	\$185,651

Maintenance Equipment

The golf course maintains a full complement of golf course maintenance equipment, most of which was acquired through a City of Santa Barbara fleet fund loan purchase in April 2013. The equipment is in good condition. Going forward, a maintenance equipment replacement schedule is in place which provides for routine replacement of equipment. Commencing in FY2019, maintenance equipment replacement expenditures averaging about \$80,000 annually are scheduled.

Golf Course/Support Facility Capital Improvements

SBGC has benefited from periodic improvements to the golf course infrastructure and support facilities such that most of the facilities generally are in relatively good condition. However, golf courses require continual capital reinvestment to maintain the quality of the golf experience and preserve asset value. In particular, there has been some recent deferred maintenance to support facilities, and some facilities such as golf course maintenance structures will have to be addressed at some point.

A 7-year capital improvement plan is presented in Table IV-1. Over the 2015-2021 period, capital improvement requirements at SBGC are projected at \$1,794,900, or just over \$250,000 per year. While there are no major capital needs required during this period, there are numerous capital items related to smaller projects which total nearly \$1.18 million over the 7-year term. To the extent that the Players' Improvement Fund (PIF) contributions are used for slated capital improvements, the total amount of capital expenditures would be reduced accordingly.

Table IV-1: SBGC Projected Capital Improvement Plan								
Component	2015	2016	2017	2018	2019	2020	2021	Total
Maintenance Shop Addition	\$5,000		\$65,000					\$70,000
Parking Lot & Other Asphalt	32,000	45,000						77,000
Club House Painting					\$30,000			30,000
Irrigation Controller Upgrades					100,000			100,000
Driving Range Improvements		45,000				100,000		145,000
Irrigation Mapping and Software			33,000					33,000
Club House Upgrades			15,000	30,000				45,000
Irrigation System Replacements	50,000	25,000					100,000	175,000
Rebuild Greens		75,000	75,000	150,000	30,000			330,000
Rebuild Tee Boxes		35,000				40,000		75,000
Other Course Improvements		32,000	7,500			3,000	14,500	57,000
Maintenance Equipment					80,000	80,000	80,000	240,000
Player Improvement Fund Imps	59,700	59,700	59,700	59,700	59,700	59,700	59,700	417,900
ANNUAL TOTAL	\$146,700	\$316,700	\$255,200	\$239,700	\$299,700	\$282,700	\$254,200	\$1,794,900

V: Golf Market Overview

The following section presents an overview of the demographic makeup of the Santa Barbara market area and an analysis of national, regional and local golf market conditions.

Market Area Demographics

The primary market area for a golf course is influenced by a number of factors including course quality, rate structure, transportation network and access, location and characteristics of competitive facilities, resident demographic attributes, and other such factors. The primary market area for SBGC, from which 80 to 90 percent of total play is expected to derive, is defined as the Tri-County region (Santa Barbara, San Luis Obispo and Ventura Counties), recognizing that the vast majority of support derives from Santa Barbara County. Most residents of Santa Barbara County are within about a 20- to 30- minute drive time (10-15 miles) of the golf complex, while residents of Ventura and San Luis Obispo Counties have a drive time of 30-60 minutes, or longer. Additional support derives primarily from overnight visitors to the area.

Comparative demographics of the Santa Barbara market area are presented in Table V-1. As noted, Santa Barbara County population has increased at a very modest rate over the past 20 years, and is projected to continue to increase marginally over the next 10 years, reaching just under 450,000 by 2020 (note that the projected population is based on applying projected California Department of Finance growth rates to actual 2010 population). The Tri-County area population has increased at a faster rate than Santa Barbara County, and is expected to continue to grow at a slightly faster rate, with the majority of the growth occurring in Ventura County. Residents of Santa Barbara County are somewhat older than the statewide benchmark, and of comparable overall affluence.

While Santa Barbara County population growth is projected to be very modest, the aging of the population will be a significant factor which is expected to positively impact golf demand as the propensity to play and frequency of play increase with age, particularly in the 60-74 age cohort.

Santa Barbara County Population Growth					
Year	Population			Average Annual Growth	
	60-74 Age Cohort	Total	Percent of Total	60-74 Age Cohort	Total Population
2000	39,500	399,300	9.9%	---	---
2010	48,900	423,900	11.5%	2.16%	0.60%
2020 (projected)	71,600	448,200	16.0%	3.88%	0.56%
2030 (projected)	82,300	472,700	17.4%	1.40%	0.53%

Note: Population projections are adjusted based on actual 2010 Census count.

Source: U.S. Department of Commerce, Bureau of the Census; State of California, Department of Finance, Demographic Unit;

As shown in Table V-2, Santa Barbara County's 60-74 age cohort, as a percentage of the total population, is slightly larger than the statewide average (11.5% versus 11.1%), but somewhat less than that of neighboring counties. Over the next 10 years, this age cohort in Santa Barbara County is forecast to increase at a significantly faster rate (3.88%) compared with the general County population (.56%). This rate of increase parallels that of the State as a whole and neighboring counties.

The south portion of Santa Barbara County, which accounts for approximately one-half of the total population, is demographically different from the north portion. In general, the South County population tends to be older and more affluent than North County, positive factors favoring golf demand in South County. However, North County population is expected to increase at a faster pace than South County over the next 10-20 years.

Santa Barbara (City) has extremely mild Mediterranean climate, as indicated in Table V-3, which compares favorably with many other areas of Southern California. Moderate year-round temperatures, and rainfall of about 16 inches annually, provide for year-round golf.

National Trends

Nationwide, golf play increased steadily between the mid-1980s and 2000. As shown in Table V-4, during this period, the total number of annual rounds played nationally increased at an average rate of 2.4 percent per year. Golf balls sold, perhaps the best indicator of play, increased at a similar rate (2.5 percent per year). This unprecedented growth in golf play was due to a number of factors including:

- ▶ An increase in the number of golfers,
- ▶ The increasing importance of golf-oriented real estate,

- ▶ Expansion of the golf tourism industry, and
- ▶ One of the longest economic expansions in the nation's history.

The increase in golf demand and the popularity of golf-related housing development during the 1990s stimulated extraordinary expansion of the national golf course inventory, primarily between 1995 and 2002, as summarized in Table V-5. Over the full 1990-2010 period, the inventory of golf courses in the United States increased by 34 percent, while the U.S. population registered only a 24 percent gain, and golf demand (play) increased only 12 percent over this same period.

Right after the new century started, the first signs of industry problems surfaced, and have persisted for the past 10 years. While total golfers and rounds played are down industrywide, individual golf courses have experienced steeper declines in utilization, along with revenue contraction and falling net operating income, as the market totals are spread over an increased supply of facilities. Further, golf course transaction prices have declined precipitously, bankruptcies and foreclosures have become routine, and new golf course construction has virtually ceased while the number of courses closing now well exceeds new openings. The impact of market softness has been widespread and affected all segments of the market and all geographic areas.

The National Golf Foundation (NGF) reports that over the 2001-2011 period, annual golf play in the United States declined from 518 million to 463 million rounds, or over 11 percent, rebounding somewhat in 2012 to 490 million rounds before declining again in 2013 to 465 million rounds. Golf ball sales, perhaps a better indicator of demand, declined by about 20-25 percent over this time period. The golf participation rate, after rising steadily through 2003, has fallen precipitously from 12.4 percent in 2004 to a current level estimated at just under 9.0 percent. (It should be noted that the golfer participation rate is based on the number of golfers relative to the population over the age of 6 years old). Since 2007, the golf market has been significantly impacted by the national economic recession. Annual rounds in the U.S., according to industry reports, have declined by nearly 5 percent since 2007. Other independent sources indicate a much more severe contraction, which is borne out by golf ball sales and other market indicators.

Since 2002, the construction of new courses has declined sharply, and the rate at which courses have closed has accelerated. Between 2006 and 2013, for example, the number of courses closed exceeded new course openings. New courses have been added to the inventory since 2006 at an annual rate of 50-60 courses per year, while course closings have averaged about 120 per year over this period. Despite the slowing expansion of new supply over the past eight years, golf market conditions in most markets continued to deteriorate, although most markets experienced some stability over the past three years.

Regional Market Trends

Golf demand in Southern California also increased steadily through the early-2000 period, with strong growth occurring since the mid- to late-1980s time period. Through the mid-1990s, there was relatively limited expansion of the inventory of public golf facilities. Note that the public golf course inventory is comprised of municipal golf courses and daily fee golf courses, defined as public access golf courses owned by a private sector entity. In the early 1990s, the municipal golf courses and limited number of daily fee golf courses in South-

ern California were performing exceptionally well, with municipal golf course play exceeding 100,000 rounds at many Southern California courses and play on daily fee courses in the range of 60,000-80,000 annual rounds.

In response to increasing demand and a static supply situation, a number of golf courses were developed. The total number of public regulation length golf courses that have opened in Southern California since 1995 is summarized in Table V-6. As shown, these 56 course additions represent a 33 percent increase in the Southern California public golf course inventory. At the same time, ten regulation length public golf courses have been closed in Southern California over the past 6-7 years, reducing the net increase to 46 courses (27%).

The Tri-County area, with a current inventory of 38 regulation length public courses, represents 18% of the total Southern California inventory, while the Tri-County area has accounted for 25% of the additions to the inventory since 1995. Although there have been only two new courses added to the golf course inventory in Santa Barbara County since 1995, and none since 1998, the significant expansion in Ventura County has provided many more options for residents of the region. No new golf courses have entered the Southern California golf market in the past five years, and none are expected to be added in the foreseeable term.

While the regional golf market largely mirrors the national golf market, there are year-to-year variations influenced by weather. The regional market, in terms of rounds played, improved somewhat in 2011, showing about a 3.0 percent increase over 2010. Much of this increase was related to favorable weather. Since 2011, regional golf market demand has been generally flat, benefitting from favorable weather. While the regional golf market appears to have stabilized over the 2011-2013 period, there are no indications that portend much, if any, growth in the near- to mid-term. Prospects for SBGC appear to be consistent with these expectations such that growth in play levels will likely be nominal over the foreseeable term.

Tri-County Golf Market

The Tri-County region (Ventura, Santa Barbara, San Luis Obispo) has a current inventory of 38 public access golf courses, expressed as 18-hole equivalent courses, of which 7.5 are located in Santa Barbara County. Table V-7 summarizes the number of new public golf courses that have opened in the Tri-County area since 1995, and Table V-8 presents a list of the new courses opened in the region.

As shown, these additions since 1995 represent a 58 percent increase in the Tri-County public regulation length golf course inventory, led by San Luis Obispo County with a near doubling of their golf course inventory. As noted above, since 1995, 14 regulation length daily fee golf courses have entered the market, with half of these opening in Ventura County.

Based on historical golf data for the Tri-County region, the following illustrates the approximate aggregate and average per golf course play levels for regulation length golf courses:

Year	Number of Golf Courses (18-Hole Equivalent)	Total Annual Play	Average Play Per Golf Course
1996	24.0	1,560,000	65,000
2004	36.0	1,950,000	54,200
2010	38.0	1,860,000	48,950
2013	38.0	1,840,000	48,420

The Santa Barbara County public regulation length golf course inventory consists of the following facilities:

- ▶ Santa Barbara Golf Club (Muni), Santa Barbara
- ▶ Glen Annie Golf Club, Goleta
- ▶ Rancho San Marcos, Lake Cachuma
- ▶ Sandpiper Golf Course, Goleta
- ▶ La Purisima, Lompoc
- ▶ River Course, Solvang
- ▶ Alisal, Solvang
- ▶ Twin Lakes (9 holes), Goleta

It also should be noted that the 9-hole regulation length (par-36) Ocean Meadows Golf Course in Goleta closed in March 2013 due in large part to poor operating performance. Reportedly, Ocean Meadows was generating approximately 30,000 rounds (starts) annually, although less than one-half of the rounds were paid. Most of the unpaid rounds were in exchange for goods/services provided by the golfers. The closure of Ocean Meadows has not significantly benefitted regional golf courses.

Golf Course Survey

A survey of selected public golf courses in the primary market area is presented in Table V-9. Play and greens fees at courses in the region for 2013 are summarized in Table V-10. Based on a review of area golf courses, the following observations regarding the overall local golf market are offered:

- ▶ The Tri-County public golf market is highly competitive. In addition to numerous municipal facilities, there are a number of higher quality public access golf courses available at relatively affordable greens fees.
- ▶ The Tri-County golf market, like virtually all other areas of Southern and Central California, has softened considerably over the past 5-10 years, and remains relatively soft at this time. Performance over the past three years, however, suggests that the golf market has stabilized. This recent improvement stems

from an improving economy, no expansion of the golf course inventory, and the aging population, where propensity to, and frequency of, play are positively correlated with age.

- ▶ The typical pattern of play at the higher quality public golf courses in Ventura and Santa Barbara Counties historically has been primarily local play on weekdays with more non-local play – primarily north Los Angeles County golfers – on weekends.
- ▶ Tri-County residents generally play at lower greens fees levels on municipal and daily fee golf courses while non-locals support higher fees. The greens fees discount offered Tri-County residents and loyalty club members varies widely from no discount to 45%, averaging approximately 20% on weekdays and slightly more on weekends.
- ▶ Over the past five years, posted greens fees have generally increased modestly, at or slightly below the Consumer Price Index (CPI) rate.
- ▶ Numerous specials and other discounts have increased in importance in recent years, primarily related to weekday play. Increasingly, player clubs and other loyalty programs have been offered which feature discounted greens fees.
- ▶ As a result, the average greens/cart fee has remained about the same, or declined slightly, at most courses between 2005 and 2013.
- ▶ There is strong competition for golf play during weekdays, while weekend play is slightly less competitive.
- ▶ Use of golf carts at most courses is optional, with utilization ranging from about 50% to 90% depending on the terrain, course distance, and profile of golfer. Cart fees per player for 18 holes generally are in the \$14-\$16 range.
- ▶ Senior rates are offered at many, but not all, courses. In particular, courses which offer loyalty programs or resident discounts often do not have senior rates.
- ▶ Annual play at courses in the Tri-County also ranges widely depending on the quality of the golf experience, rate structure, strength of market, and other such factors. Rounds at surveyed courses range from 30,000 to about 70,000 rounds per year, with most mid-market courses generating in the range of 60,000 rounds per year.

Table V-11 shows annual play at selected Ventura and Santa Barbara public golf courses over the 2004 through 2013 period. In 2004, the 9.0 golf courses (18-hole equivalents) open accommodated about 598,600 rounds, or an average of 66,500 rounds per course. In 2013, the 10 courses combined generated 566,900 rounds, or an average of 56,690 rounds per 18-hole course. Thus, the average play per course declined 15% over this 9-year period.

As noted, the total play at the selected market area courses declined from 598,600 in 2004 to 566,900 in 2013, or nearly 6%. By comparison, play at all of the regulation length public access courses in Los Angeles County declined from approximately 4.2 million to 3.6 million rounds, or about 14% over this same 9-year period. Play at SBGC declined from 86,400 rounds in 2004 to 61,000 in 2013, or nearly 30 percent. Over the more recent 2008-2013 period, play at SBGC has declined 18.1 percent.

Golf Market Outlook

The public golf market appears to have stabilized over the past three years, and some courses have experienced a slight improvement in rounds and revenues over this period, although part of this improvement is weather related. Nonetheless, the regional public golf market is likely to remain sluggish in the near-term as the market works to absorb the new supply. However, as development opportunities become limited due to lack of available land suitable for golf course development and as the population continues to grow and mature, it is anticipated that market area demand will eventually catch up with supply, such that the long-term outlook remains reasonably favorable. The consensus among recognized golf authorities is that golf demand, in real terms, will increase very modestly at about a 1.0 percent average annual growth rate over the next 10- to 20-year term. Most of this growth will result from the aging population trends shown above (60-74 age cohort), where the propensity to, and frequency of, play increase compared to younger age cohorts.

The same factors which influence future golf demand for the national and regional golf markets also apply to the local golf market and SBGC specifically. Very modest growth of perhaps 1.0 percent annually is expected, although virtually no growth may be realized over the near-term, and the long-term forecasts remain highly uncertain given the current state of the industry.

Table V-1: Regional Demographic Characteristics			
	Santa Barbara County	Tri-County Area	California
Population (000)			
1990	369.6	1,255.8	29,760.0
2000	399.3	1,399.2	33,871.7
2010	423.9	1,515.3	37,223.9
2020 (projected)	448.2	1,662.3	42,015.2
Average Annual Growth Rate			
1990-2000	0.78%	1.09%	1.30%
2000-2010	0.60%	0.81%	0.96%
2010-2020	0.56%	0.92%	1.21%
Median Age (2010)	33.8	36.0	34.9
Population 65+	12.8%	12.2%	11.4%
Median HH Income	\$59,350	\$67,100	\$60,390
<p>Note: Population projections are adjusted based on actual 2010 Census count.</p> <p>Source: U.S. Department of Commerce, Bureau of the Census; State of California, Department of Finance, Demographic Unit;</p>			

Table V-2: Santa Barbara County 60-74 Age Cohort			
	2010	2020	2030
Population (60-74)			
Santa Barbara	48,900	71,600	82,300
San Luis Obispo	39,100	52,600	56,700
Ventura	100,300	144,400	150,000
Tri-County	188,300	268,600	289,000
State of California	4,131,800	6,078,200	7,123,100
Percent of Total Population			
Santa Barbara	11.5%	16.0%	17.4%
San Luis Obispo	14.55%	18.3%	18.2%
Ventura	12.2%	15.7%	14.5%
Tri-County	12.4%	16.1%	16.0%
State of California	11.1%	14.5%	15.2%
Average Annual Increase			
Santa Barbara	2.16%	3.88%	1.40%
San Luis Obispo	3.36%	3.01%	0.75%
Ventura	4.13%	3.71%	0.38%
Tri-County	3.42%	3.62%	0.73%
State of California	3.06%	3.94%	1.60%
Source: U.S. Department of Commerce, Bureau of the Census; State of California, Department of Finance, Demographic Unit; and Pro Forma Advisors, LLC.			

Table V-3: Santa Barbara Historical Climate Summary			
Month	Average Historical Monthly		
	High Temperature	Low Temperature	Precipitation (inches)
January	63	40	3.5
February	65	43	3.4
March	65	45	2.8
April	68	47	1.2
May	69	50	0.2
June	71	53	--
July	74	57	--
August	75	58	0.1
September	75	56	0.3
October	73	51	0.4
November	69	44	1.8
December	65	40	2.4
Total	---	---	16.1

Source: Station #723925, KSBA, Santa Barbara, CA

Table V-4: Indicators of U.S. Golf Demand (1985-2013)

Year	Rounds (millions)	Number of Golfers ¹ (millions)	Participation Rate ²	Golf Ball Sales ³ (millions of dozens)
1985	365	17.5	10.2	36.0
1990	400	27.8	13.5	42.0
1995	420	25.0	11.6	46.0
2000	518	28.8	11.7	52.2
2001	518	29.5	11.9	50.0
2002	502	29.5	12.0	46.7
2003	495	30.4	12.4	43.4
2004	499	29.5	11.5	43.4
2005	489	29.3	11.2	43.6
2006	493	29.4	11.2	44.0
2007	490	29.5	11.1	43.5
2008	481	28.6	10.7	42.2
2009	477	27.1	10.0	40.1
2010	475	26.1	9.6	.. ^{5/}
2011	463	25.7	9.2	.. ^{5/}
2012	490	25.3	9.0	.. ^{5/}
2013	465	24.7	8.9	.. ^{5/}
Average Annual Growth				
1985-1990	1.8%	9.7%	---	3.1%
1990-1995	1.0%	(2.1)%	---	1.8%
1995-2000	4.3%	2.9%	---	2.6%
Subtotal	2.4%	3.4%	---	2.5%
2000-2005	(1.1)%	0.3%	---	(3.5)%
2005-2010	(1.0)%	(2.3)%	---	(2.1%) ^{4/}
2010-2013	(0.7)%	(1.8)%	---	.. ^{5/}

1/ Represents golfers over 12 years of age. 2/ Estimated by PFA. 3/ Estimated by PFA based on "soft goods" sales recorded by Data Tech and golf ball manufacture sales. 4/ For period 2005-2009. ^{5/} Data for 2010-2013 not available in comparable format.
Source: National Golf Foundation and Pro Forma Advisors LLC.

Table V-5: Number of Golf Courses ¹ - U.S.				
Year	Average Annual Courses Added	Average Annual Courses Closed	Total Golf Courses ²	Average Annual Percent Change
1990	---	---	11,105	---
2002	315	15	14,725	2.96%
2006	120	60	14,968	0.80%
2007	115	95	14,988	0.13%
2008	70	105	14,953	(0.23%)
2009	50	100	14,903	(0.33%)
2010	45	110	14,838	(0.44%)
2011	35	140	14,733	(0.71%)
2012	14	155	14,592	(0.96%)
2013	14	157	14,449	(0.98%)
^{1/} 18-hole equivalents. ^{2/} Includes courses added, less courses closed., 2006-2013 Source: National Golf Foundation; and Pro Forma Advisors.				

Table V-6: Number of Regulation Length Public Golf Courses Opened by Year									
Year	Santa Barbara	Ventura	San Luis Obispo	Los Angeles	Orange	Inland Empire ¹	Kern	San Diego	Total
Up to 1995	6.5	12.5	5.0	40.5	21.0	44.5	7.0	33.0	170.0
1996	0.0	0.0	1.5	0.0	2.0	1.0	0.0	0.0	4.5
1997	0.0	0.0	1.0	0.0	1.0	1.0	0.0	0.0	3.0
1998	2.0	0.0	0.0	0.0	0.0	1.0	0.0	1.0	4.0
1999	0.0	2.0	1.0	1.0	2.5	2.0	1.0	2.0	13.5
2000	0.0	1.0	0.0	4.0	0.0	5.0	0.0	1.0	12.0
2001	0.0	1.0	0.0	0.0	3.0	1.0	0.0	1.0	7.0
2002	0.0	2.0	0.0	0.0	0.0	1.0	0.0	0.0	5.0
2003	0.0	0.0	0.0	1.0	0.0	1.0	0.0	0.5	2.5
2004	0.0	0.5	0.0	1.0	1.0	0.0	0.0	0.0	3.0
2005	0.0	0.5	1.0	0.0	0.0	0.0	0.0	1.0	3.0
2006	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2007	0.0	0.0	0.0	0.0	0.0	1.0	0.0	1.0	2.0
2008	0.0	0.5	0.0	0.0	0.0	2.0	0.0	0.0	3.0
2009	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2011	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2012	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2013	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	8.5	20.0	9.5	47.5	30.5	60.5	8.0	40.5	225.0
Change (1996-2013)									
Number	2.0	7.5	4.5	7.0	9.5	16.0	1.0	7.5	56.0
Percent	31%	60%	90%	17%	45%	36%	14%	23%	33%

¹Excludes Coachella Valley.

Source: Pro Forma Advisors, LLC

Table V-7 Tri-County Public Access Golf Courses				
	Number of Public Access Golf Courses Opened by Year			
	Ventura	Santa Barbara	San Luis Obispo	Total Central
Up to 1995	12.5	6.5	5.0	24.0
1996	0.0	0.0	1.5	1.5
1997	0.0	0.0	1.0	1.0
1998	0.0	2.0	0.0	2.0
1999	2.0	0.0	1.0	3.0
2000	1.0	0.0	0.0	1.0
2001	1.0	0.0	0.0	1.0
2002	2.0	0.0	0.0	2.0
2003	0.0	0.0	0.0	0.0
2004	1.0	0.0	0.0	0.5
2005	0.0	0.0	1.0	1.0
2006	0.0	0.0	0.0	0.0
2007	0.0	0.0	0.0	0.0
2008	0.5	0.0	0.0	0.5
2009	0.0	0.0	0.0	0.0
2010	0.0	0.0	0.0	0.0
2011	0.0	0.0	0.0	0.0
2012	0.0	0.0	0.0	0.0
2013	0.0	0.0	0.0	0.0
Total	20.0	8.5	9.5	38.0
Change in Inventory (1995-2013)				
Number	7.5	2.0	4.5	14.0
Percent	60%	31%	90%	58%

Source: Pro Forma Advisors, LLC.

Table V-8: New Public Regulation Length Golf Courses Added to Tri-County Market--1996-2013

Course	Location/County	Year Opened	Course Designer
Vista del Ombre	Paso Robles/SLO	1996	Duran
Blacklake (9)	Nipomo/SLO	1996	Robinson
Dairy Creek	San Luis Obispo/SLO	1997	Harbottle
Glen Annie	Santa Barbara/SB	1998	Pascuzzo-Graves
Rancho San Marcos	Lake Cachuma/SB	1998	R.T. Jones, Jr.
Cypress Ridge	Arroyo Grande/SLO	1999	Jacobsen-Hardy
Sterling Hills	Camarillo/VTA	1999	Pascuzzo-Graves
Tierra Rejada	Moorpark/VTA	1999	Cupp
Lost Canyons-Sky	Simi Valley/VTA	2000	Pete Dye
Lost Canyons-Shadow	Simi Valley/VTA	2001	Pete Dye
Moorpark CC (18)	Moorpark/VTA	2002	Jacobsen/Hardy
Rustic Canyon	Moorpark/VTA	2002	Hanse
Moorpark (9)	Moorpark/VTA	2004	Jacobsen/Hardy
Victoria Lakes (9)	Oxnard/VTA	2004	Millhouse
Monarch Dunes	Nipomo/SLO	2005	Pascuzzo-Graves
Victoria Lakes (9)	Oxnard VTA	2008	Millhouse

Source: Pro Forma Advisors, LLC.

Table V-9: Selected Characteristics of Tri-County Public Golf Courses					
Course	SBGC	Glen Annie	Sandpiper	Rancho SM	La Purisima
Location	Santa Barbara	Goleta	Goleta	Lake Cachuma	Lompoc
Course Type	Municipal	Daily Fee	Resort/Daily Fee	Daily Fee	Daily Fee
Architect	L. Hughes	Graves/Pascuzzo	William Bell	R.T. Jones II	R. M. Graves
Owner	City	Capital Crossings	Ty Warner Prop	Ty Warner Prop	Pro Tec Investment
Operator	City	Touchstone Golf	Ty Warner Prop	Ty Warner Prop	In-House
Year Opened	1958	1997	1972	1998	1986
Number of Holes/Par	18/70	18/71	18/72	18/71	18/72
Course Length (back/middle)	6037/5785	6417/5945	7068/6597	6817/6243	7105/6670
Rating (back/middle)	69.3/68.1	71.3/68.9	74.5/72.2	72.9/70.8	75.6/73.1
Slope (back/middle)	126/123	130/125	134/131	137/131	143/136
Greens Fees					
Standard (18 holes)					
Weekday	\$30/35/50 ^{1/}	\$42/62 ^{2/}	\$70/140 ^{2/}	\$50/80 ^{2/}	\$29/55 ^{3/}
Weekend	34/39/60 ^{1/}	52/76 ^{2/}	90/160 ^{2/}	60/110 ^{2/}	42/69 ^{3/}
Twilight (9 holes)					
Weekday	\$22/25/37 ^{1/}	\$26/36 ^{2/}	75/75 ^{2/}	\$50/80 ^{2/}	\$24/30 ^{3/}
Weekend	\$24/27/40 ^{1/}	32/42 ^{2/}	90/90 ^{2/}	70	35/40 ^{3/}
Super Twilight					
Weekday	\$17	---	---	---	\$15/19 ^{3/}
Weekend	\$17	---	---	---	15/19 ^{3/}
Senior (18 holes)					
Weekday	\$23/28/50 ^{1/}	\$46	---	---	---/55 ^{3/}
Weekend	\$32/37/60 ^{1/}	---	---	---	---
Cart Fees (18/9 holes)	\$15/9	\$13/8	\$20/12	\$20/12	\$14/15 ^{3/}
Mandatory	No	no	no	no	no
Percent Using Carts	51%	85%	70%	70%	65%
Inventory	60	80	80	80	80
Facilities					
Clubhouse Size (sq.ft.)*	3,500	6,000	4,000	2,500	8,000
Banquet Seating Capacity	110	125	---	---	150
Snack Bar	Yes	yes	yes	yes	yes
Driving Range	Yes	yes	yes	yes	yes
Number of Tees	15	16	40	25	30
Annual Number of Rounds	62,500	50,000	38,000	32,000	30,000
Percent Twilight/9-Hole	35%	20%	15%	10%	10%

Table V-9 (continued): Selected Characteristics of Tri-County Public Golf Courses

Course	Buenaventura	Olivas Links	River Ridge	River Course	Rustic Canyon
Location	Ventura	Ventura	Oxnard	Solvang	Moorpark
Course Type	Municipal	Municipal	Municipal	Daily Fee	Daily Fee
Architect	Bill Bell, Jr.	Forrest-Richardson	Bill Bell, Jr.	Hallsey/Daray	Gil Hanse
Owner	Ventura	Ventura	Oxnard	Alisal Ranch	Ventura Co.
Operator	Kemper Golf	Kemper Golf	High Tide & GG	Alisal Ranch	Highlands Golf
Year Opened	1932	1960s/2007 ^{7/}	1986/2008 ^{5/}	1992	April 2002
Number of Holes/Par	18/70	18/72	36/72	18/72	18/72
Course Length (back/middle)	6054/5737	6818/6530	6543/6111	6830/6451	6906/6585
Rating (back/middle)	69.2/67.7	73.7/72.4	70.7/68.7	72.7/70.9	73.1/71.3
Slope (back/middle)	118/115	135/132	114/109	125/121	130/125
Greens Fees					
Standard (18 holes)					
Weekday	\$29/33/40 ^{4/}	\$33/41/50 ^{4/}	\$32/38 ^{3/}	\$60	\$43/46 ^{6/}
Weekend	\$37/43/50 ^{4/}	\$42/50/60 ^{4/}	45/50 ^{3/}	72	\$66
Twilight (9 holes)					
Weekday	\$25	\$29/33/40 ^{4/}	\$24/26 ^{3/}	\$45	\$28/30 ^{6/}
Weekend	28	34	26/31 ^{3/}	45	44
Super Twilight					
Weekday	\$17	\$21	\$16/18 ^{3/}	---	\$18/20 ^{6/}
Weekend	\$17	\$21	\$15/17 ^{3/}	---	25
Senior (18 holes)					
Weekday	\$26	\$29/33/40 ^{4/}	\$23/28 ^{3/}	\$45	\$28/30 ^{6/}
Weekend	---	No discount	No discount	No discount	No discount
Cart Fees (18/9 holes)	\$15/10	\$15/10	\$15	\$16/8	\$15/10
Mandatory	No	No	No	no	No
Percent Using Carts	50%	60%	55%	60%	55%
Inventory	75	80	80	80	80
Facilities					
Clubhouse Size (sq.ft.)*	2,000	2,000 (mod)	13,000	10,000	5,000
Banquet Seating Capacity	200	---	200	200	50
Snack Bar	Yes	Yes	Yes	yes	Yes
Driving Range	No	Yes	Yes	yes	Yes
Number of Tees	---	25	25	12	25
Annual Number of Rounds	65,900	59,800	82,000	35,000	55,000

Table V-9 (concluded): Selected Characteristics of Tri-County Public Golf Courses					
Course	Soule Park	Camarillo Sprgs	Los Robles	Simi Hills	Sterling Hills
Location	Ojai	Camarillo	Thousand Oaks	Simi Valley	Camarillo
Course Type	Municipal	Daily Fee	Municipal	Municipal	Daily Fee
Architect	Bill Bell, Jr.	Ted Robinson	Baldock	Ted Robinson	Graves, Pascuzzo
Owner	Ventura County	Oak Creek Ranch	Thousand Oaks	RSH Rec. District	Oak Creek Ranch
Operator	Highlands Golf	Oak Creek Ranch	Eagle Golf	American Golf	Oak Creek Ranch
Year Opened	1962	1971	1964	1981	1999
Number of Holes/Par	18/72	18/72	18/70	18/71	18/71
Course Length (back/middle)	6730/6465	6375/5931	6274/5693	6411/6062	6813/6395
Rating (back/middle)	72.3/71.1	70.8/68.9	70.1/68.7	70.6/69.1	72.7/71.1
Slope (back/middle)	126/124	128/121	125/119	125/121	131/125
Greens Fees					
Standard (18 holes)					
Weekday	\$28	\$30	\$32/41 ^{9/}	\$32	\$41
Weekend	40	\$55 ^{8/}	\$40/50 ^{9/}	\$42	\$59
Twilight (9 holes)					
Weekday	\$19	\$24	\$23/28 ^{9/}	\$23	\$27
Weekend	27	\$34	\$28/33 ^{9/}	\$28	\$39
Super Twilight					
Weekday	\$12	\$15	\$15/18 ^{9/}	\$17	\$17
Weekend	12	\$22	\$18/22 ^{9/}	20	\$24
Senior (18 holes)					
Weekday	\$25	\$20	\$22/28 ^{9/}	\$20	\$27
Weekend	45 ^{8/}	No discount	No discount	No discount	\$39
Cart Fees (18/9 holes)	\$15/10	\$13/10	\$15/11	\$13/10	\$15/10
Mandatory	No	Weekend mornings	No	No	Weekends
Percent Using Carts	75%	80%	65%	65%	70%
Inventory	75	80	84	80	85
Facilities					
Clubhouse Size (sq.ft.)*	10,000	7,000	22,000	2,000	---
Banquet Seating Capacity	250	150	250	40	---
Snack Bar	Yes	Yes	Yes	Yes	Yes
Driving Range	Yes	Yes	Yes	Yes	Yes
Number of Tees	12	26	20	20	20
Annual Number of Rounds	42,000	55,000	78,200	73,000	45,000
Percent Twilight/9-Hole	15%	25%	30%	30%	20%

^{1/} Resident loyalty program/standard resident/standard non-resident. ^{2/} Tri-County resident/non-resident. ^{3/} Loyalty club member/standard. ^{4/} City/county/non-resident. ^{5/} Vineyard Course/Victoria Lakes Course. ^{6/} Monday-Thursday/Friday. ^{7/} Originally opened/full redesign. ^{8/} Includes required cart. ^{9/} City resident/non-resident.

Table V-10 Summary of Rounds and Rates at Selected Tri-County Public Golf Courses						
	Annual	18-hole Greens Fees (excluding cart)				
	Rounds	Standard/Non-Resident		Resident/Player Club		
Golf Course	2013	Weekdays	Weekends		Weekdays	Weekends
SBGC	61,000 ^{2/}	\$50	\$60		\$35/30 ^{1/}	\$39/34 ^{1/}
Glen Annie	50,000	62	76		42	52
Sandpiper GC	37,000	140	160		70	90
Rancho San Marcos	30,000	80	110		50	60
Olivas Links	59,800	50	60		33/41 ^{2/}	42/50 ^{2/}
Buenaventura	65,900	40	50		29/33 ^{2/}	37/43 ^{2/}
River Ridge-Vineyard	37,000	38	50		32	45
River Ridge-Victoria Lakes	45,000	38	50		32	45
Rustic Canyon	55,000	43/46 ^{3/}	66		43/46 ^{3/}	66
Soule Park	42,000	28	40		28	40
Sterling Hills	45,000	41	59		41	59
Tierra Rejada	42,000	65 ^{4/}	95 ^{4/}		49 ^{4/}	85 ^{4/}
Alisal (River Course)	35,000	60	72		45	45
Camarillo Springs	55,000	30	55 ^{4/}		25	30
Los Robles	78,200	41	50		32	40
Simi Hills	73,000	32	42		32	42
La Purisima	30,000	55	69		29	42
Blacklake (27 holes)	70,000	42	52		42	52
Monarch Dunes	39,000	67	87		50	60
Cypress Ridge	35,000	65	100 ^{4/}		38	48

^{1/} Tri-County Residents/Loyalty Club Members. ^{2/} Represents play for FY2013. Note that FY2014 play totaled 62,500 rounds ³ Monday-Thursday/Friday. ^{4/} Includes Cart. ^{5/} City Residents/County Residents.

Table V-11: Annual Rounds By Course (000) ^{1/}											
Course	Fiscal Year										2008-2013 Growth
	04	05	06	07	08	09	10	11	12	13	
SBGC	86.4	78.2	76.6	78.5	74.5	70.5	59.1	62.8	63.6	61.0	(18.1%)
Glen Annie	49.2	41.9	43.8	46.4	46.1	43.1	48.3	51.5	52.0	50.0	8.5%
Olivas Links	88.9	57.7	---	11.7	54.1	61.4	65.4	60.7	59.1	59.8	10.5%
Buenaventura	23.1	65.9	77.7	77.5	67.9	65.3	68.5	66.6	64.7	65.9	(2.8%)
River Ridge-Vineyard	71.4	68.7	68.6	67.3	61.6	42.0	42.0	37.0	38.0	37.0	(6.6%)
River Ridge-Victoria Lakes	---	12.7	23.2	25.6	26.2	37.0	37.0	37.0	39.0	45.0	(6.6%)
Rustic Canyon	50.0	39.0	50.3	54.1	50.8	55.2	54.1	56.6	56.0	55.0	8.3%
Soule Park	61.7	45.1	31.2	44.7	42.2	38.0	35.0	43.2	43.0	42.0	(0.5%)
Simi Hills	84.8	74.8	74.9	76.9	78.7	79.4	75.1	74.1	75.0	73.0	(7.2%)
Los Robles	<u>83.1</u>	<u>80.1</u>	<u>79.8</u>	<u>79.0</u>	<u>85.4</u>	<u>83.0</u>	<u>82.5</u>	<u>78.9</u>	<u>77.8</u>	<u>78.2</u>	<u>(8.4%)</u>
Total	598.6	564.1	526.1	561.7	587.5	574.9	567.0	568.4	568.2	566.9	(3.5%)
^{1/} Includes complimentary rounds.											

VI: Comparative Operating Revenues and Expenses

Current operating revenues and expenses at Santa Barbara Golf Club (SBGC) are compared with the performance at other courses in the region. The performance at any course is influenced by a number of factors including golf course characteristics, market positioning, operating structure, management objectives, and the like.

Annual Play

Annual play at selected Tri-County regional regulation length public golf courses over the 2004-2013 period is presented in Table VI-1. Note that annual play for SBGC in Fiscal Year 2010 was affected by the extensive construction during the year.

Aggregate annual play at the 10 courses shown has declined from 598,600 rounds in 2004 to 566,900 rounds in 2013, or approximately 5.3 percent over the 9-year period. One golf course was added (Victoria Lakes at River Ridge) in 2005, and the play trend was affected by the major re-construction of Olivas Links in 2006/2007. By contrast, play at SBGC has declined from 86,400 rounds in 2004 to 61,000 in 2013, or nearly 30 percent over the period. Since 2008, play at SBGC has declined approximately 18.1 percent. Play in FY2014 rebounded somewhat to 62,500 rounds.

SBGC's market share relative to the courses shown has declined sharply over the 2004-2013 period. Between 2004 and 2008, the golf course consistently captured 13%-14% of the regional play, with this market share declining to 10%-11% over the 2010-2013 period, as shown in Table VI-2. There appear to be several reasons which have contributed to this decline:

- ▶ In recent years, Glen Annie Golf Club in Goleta has been repositioned more toward the mid-market, and has thus become more competitive with Santa Barbara in terms of price point.
- ▶ The other higher end daily fee courses in the market--Sandpiper Golf Club and Rancho San Marcos Golf Club--have targeted Tri-County residents through greens fees discount and loyalty club programs.
- ▶ The City of Ventura recently fully renovated both of their golf courses--Buenaventura and Olivas Links--resulting in less "leakage" of golf rounds generated in Ventura County captured by Santa Barbara County courses.
- ▶ Competitive courses in the region have intensified promotional programs and greens fees discounting which has reduced their effective fee structure relative to Santa Barbara Muni.
- ▶ Construction at SBGC in 2010 resulted in many golfers electing to play at competitive courses. Recapturing lost play generally requires substantial time.
- ▶ As a result of historically high play levels, there remain perceptions in the golfing community that tee times are difficult to secure at SBGC.

Operating Revenues

The average revenue per round by department for selected public golf courses in Ventura and Santa Barbara Counties is shown in Table VI-3. The municipal golf courses are identified by name, while a sample of daily fee

courses operating in the region are designated as “Daily Fee-A”, Daily Fee-B”, and “Daily Fee-C” so as not to disclose proprietary information.

In terms of play levels, SBGC is affected by the design and market positioning of the golf course. In particular, the design of SBGC offers a playable golf course which caters to a broad range of golfer abilities, and is attractive to senior golfers, a group which generates substantial levels of play on weekdays.

Given the moderate topography and level of senior play at SBGC, the average cart fee is consistent with similar courses in the region.

Practice range revenue is relatively low at SBGC as the range serves primarily same day golfers. There is limited commercial practice range revenue due to the location, design and condition of the range (limited range depth). As well, the range is not lighted for night use.

Merchandise revenues at Santa Barbara have declined by about 50% over the past 5-6 years, and are currently about \$3.04 per round. The decline in merchandise sales is consistent with all other courses where the competition from off-course discount golf merchandisers is intense. Even with the decline, SBGC’s current performance is slightly superior to most other courses in the region.

Food and beverage activities (Mulligan’s Cafe) at SBGC are very strong. The strong performance is due to the outstanding location and ambiance of the clubhouse site. Mulligan’s has successfully marketed the restaurant to non-golfers, and generated substantial special event business, despite having limited capacity for accommodating indoor non-golf special events/banquet business.

Operating Expenses

Annual operating expenses by department are shown in Table VI-4 for SBGC and a series of other mid-market oriented golf courses in the region. As noted, some of the courses are municipal, while four are upper-mid-market daily fee courses (designated as mid-market Daily Fee Courses “A”, “B”, “C” and “D”) which are considered reasonably comparable to SBGC. It should be noted that Santa Barbara Golf Club’s maintenance is provided by City Parks and Recreation employees, while maintenance at Olivas Links, Buenaventura, Los Robles, and all of the daily fee courses is provided by a private sector contractor. Thus, SBGC is the only golf course in the region where course maintenance is provided by City staff.

The table includes only “on-site” operating expenses. Contract administration and overhead support services provided off-site are not included. As well, for SBGC, since golf operations are provided by an independent concessionaire, there are no expenses shown in the table.

Comparative maintenance expenses, staffing and general golf course characteristics for SBGC and a series of other course is presented in Table VI-5.

Table VI-1: Annual Rounds By Course (000) ^{1/}										
Course	Fiscal Year									
	04	05	06	07	08	09	10	11	12	13
SBGC	86.4	78.2	76.6	78.5	74.5	70.5	59.1	62.8	63.6	61.0
Glen Annie	49.2	41.9	43.8	46.4	46.1	43.1	48.3	51.5	52.0	50.0
Olivas Links	88.9	57.7	---	11.7	54.1	61.4	65.4	60.7	59.1	59.8
Buenaventura	23.1	65.9	77.7	77.5	67.9	65.3	68.5	66.6	64.7	65.9
River Ridge-Vineyard	71.4	68.7	68.6	67.3	61.6	42.0	42.0	37.0	38.0	37.0
River Ridge-Victoria Lakes	---	12.7	23.2	25.6	26.2	37.0	37.0	37.0	39.0	45.0
Rustic Canyon	50.0	39.0	50.3	54.1	50.8	55.2	54.1	56.6	56.0	55.0
Soule Park	61.7	45.1	31.2	44.7	42.2	38.0	35.0	43.2	43.0	42.0
Simi Hills	84.8	74.8	74.9	76.9	78.7	79.4	75.1	74.1	75.0	73.0
Los Robles	<u>83.1</u>	<u>80.1</u>	<u>79.8</u>	<u>79.0</u>	<u>85.4</u>	<u>83.0</u>	<u>82.5</u>	<u>78.9</u>	<u>77.8</u>	<u>78.2</u>
Total	598.6	564.1	526.1	561.7	587.5	574.9	567.0	568.4	568.2	566.9
^{1/} Includes complimentary rounds.										

Table VI-2: Santa Barbara Golf Club Market Share				
Year	Number of Courses in Market	Annual Rounds		Market Share
		SBGC	Market	
2004	9.0	86,400	598,600	14.4%
2005	8.5 ^{1/}	78,200	564,100	13.9%
2006	8.5 ^{1/}	76,600	526,100	14.6%
2007	8.5 ^{1/}	78,500	561,700	14.0%
2008	9.5	74,500	587,500	12.7%
2009	10.0	70,500	574,900	12.3%
2010	10.0	59,100	567,000	10.4%
2011	10.0	62,800	568,400	11.0%
2012	10.0	63,600	568,200	11.2%
2013	10.0	61,000	566,900	10.8%

^{1/} Ventura courses (Olivas Links and Buenaventura) under construction.

Table VI-3: Average Revenue per Round at Selected Public Access Golf Courses (FY2013-14)							
Course	Annual Total Rounds	Average Revenue Per Round					Annual
		Greens Fees ^{1/}	Cart Fees	Range	Merch	F&B golfers	F& B Banquet
SBGC	62,500	\$26.57	\$6.76	\$1.53	\$3.04	\$5.00	\$1,065,000
Olivas Links	59,800	28.89	5.65	4.32	1.38	2.40	---
Buenaventura	65,900	24.80	5.29	---	1.13	4.00	---
River Ridge ^{2/}	82,000	26.85	10.01	2.21	2.81	5.16	235,000
Los Robles	78,200	24.44	8.47	2.60	1.75	3.75	1,200,000
Soule Park	42,000	21.55	7.15	2.20	2.90	5.60	250,000
Simi Valley	73,000	26.10	7.76	2.74	2.27	4.37	---
Daily Fee-A	---	19.00	7.10	2.20	1.45	5.20	300,000
Daily Fee-B	---	35.30	7.60	2.20	2.90	4.55	175,000
Daily Fee-C	---	33.30	3.00	1.40	2.25	5.00	850,000

^{1/} Includes passholders and/or annual membership play. ^{2/} 36 holes (revenues are expressed per paid round).

Table VI-4: Comparative On-Site Operating Expenses--FY 2013/FY2014 (\$000)								
	Municipal Golf Courses				Mid-Mkt Daily Fee			
	SBGC	Olivas Links	Buena	Los Robles	Simi Hills	A	C	D
Course Maintenance								
Payroll and Benefits	\$945	\$412	\$311	\$415	\$450	\$555	\$376	\$477
Services and Supplies	198	265	237	175	225	142	182	165
Utilities	226	106	93	60	490	392	341	354
Maintenance Equipment	---	---	---	---	---	---	---	---
Subtotal	\$1,369	\$783	\$641	\$650	\$1,165	1,089	\$899	\$996
Golf Operations								
Payroll and Benefits	---	\$206	\$196	\$300	\$175	183	\$130	\$105
Cart Leasing	---	---	---	70	70	21	74	79
Cart Operation	---	207	72	140	75	70	119	65
Range	---	19	---	25	---	---	10	6
Services and Supplies	---	14	10	100	15	39	5	13
Subtotal	---	\$446	\$277	\$635	\$335	\$312	\$338	\$268
Undistributed/Clubhouse	---	\$19	\$49	\$500	\$60	100	\$14	\$86
General and Admin								
Payroll and Benefits	---	\$64	\$141	\$150	\$120	\$209	\$48	\$167
Insurance	---	---	---	40	---	36	33	49
Property Taxes	---	---	---	5	---	4	93	106
Marketing/Promotion	---	90	12	60	5	9	5	72
Services and Supplies	---	174	115	145	145	130	183	60
Management Fee	---	109	64	200	---	115	120 ³	96
Subtotal	---	\$437	\$331	\$600	\$270	503	\$478	\$550
Total	\$1,369	\$1,742	\$1,298	\$2,385	\$1,830	\$2,004	\$1,733	\$1,900
<p>1 Excludes food and beverage. Source: PFA.</p>								

Table VI-5: Comparative Maintenance Expenses (\$000)										
	Municipal Golf Courses						Mid-Mkt Daily Fee			
	SBGC	Buena ventura	River Ridge	Los Ro- bles	Simi Hills	Olivas Links	A	B	C	D
Number of Holes	18	18	36	18	18	18	18	18	18	18
Characteristics										
Age (orig/rennov)	54	80 (6)	26/8	48	33	43 (5)	35	50 (5)	10	15
Turf Area (acres)	100	90	220	120	100	90	90	110	80	90
Turf Type										
Greens	bent/poa	bent/poa	bent/poa	bent/poa	bent/poa	bent/poa	bent/poa	bent/poa	bent/poa	bent/poa
Tees	berm hyb	rye/kiku	berm hyb	berm	berm	pas pal	berm hyb	berm hyb	berm hyb	berm
Fairways	berm hyb	rye/kiku	berm hyb	berm	berm	pas pal	berm hyb	berm hyb	berm hyb	berm
Over-seed	no	no	no	no	no	no	no	no	no	no
# Bunkers	30	35	100	32	53	40	30	50	50	55
Water Source	reclaim/ potable	reclaim	ground	potable	potable	reclaim	potable	ground	potable	reclaim
Annual Cost (\$000)										
Water	\$223	\$93	\$110	---	\$460	\$106	\$392	\$16	\$341	\$330
Power	3	---	105	60	30	---	---	58	---	25
Total	\$226	\$93	\$215	\$60	\$490	\$106	\$392	\$74	\$341	\$355
Staffing (FTE)										
Superintendent	1.0	1.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Mechanic	1.0	1.0	2.0	1.0	2.0	1.0	1.0	1.0	1.0	1.0
Irrigation Tech	1.0	0.0	1.0	0.0	1.0	0.0	1.0	1.0	1.0	1.0
Landscape	9.0	7.0	23.0	11.0	11.0	11.0	11.0	8.0	9.0	11.0
Total	12.0	9.0	28.0	13.0	15.0	13.0	14.0	11.0	12.0	14.0
Course Maint-000										
Payroll and Benefits	\$945	\$311	\$910	\$415	\$500	\$399	\$555	\$377	\$376	\$477
Services & Supplies	198	237	556	175	225	245	142	187	182	165
Utilities	226	93	215	60	510	73	392	74	341	354
Maintenance Equip	---	---	---	---	---	---	---	---	---	---
Total	\$1,369	\$641	\$1,681	\$650	\$1,235	\$716	\$1,089	\$638	\$899	\$996
Average Cost/Acre										
Payroll and Benefits	\$9,450	\$3,455	\$4,130	\$3,460	\$5,000	\$4,430	\$6,170	\$3,425	\$4,700	\$5,300
Services & Supplies	1,980	2,630	2,530	1,460	2,250	2,720	1,580	1,700	2,275	1,830

VII: Golf Course Operating Options

The following section presents a description and information regarding various forms of golf course operation and management available to the City of Santa Barbara. Presently, SBGC is operated under a hybrid structure whereby the City is responsible for golf course maintenance and overall management, with the golf course operations and the food and beverage functions provided under concessionaire agreements with two independent entities.

There are five basic golf course operating options that are available to the City of Santa Barbara:

- ▶ Full Self-Operation/Recreation District
- ▶ Current Hybrid Model (golf operations concession with City maintenance)
- ▶ Modified Hybrid Model (golf operations concession with contract/private maintenance)
- ▶ Management Agreement
- ▶ Golf Facility Lease

The distribution of the 83 municipal golf courses located in Southern California by type of operating model is indicated as follows (based on golf facilities, regardless of number of holes):

Region	Number of Southern California Municipal Facilities						Total
	Self-Operation	Recreation District	Concession w/City Maint	Concession w/Cont Maint	Management Agreement	Facility Lease	
San Diego County	---	---	3	---	3	5	11
Orange County	---	---	1	2	2	8	13
Ventura/Santa Barbara	---	1	1	---	4	3	9
Los Angeles County	5	---	---	3	3	25	36
Kern County	---	---	---	---	---	3	3
Western Inland Empire	---	1	---	---	2	3	6
Coachella Valley	---	---	---	---	5	---	5
Total	5	2	5	5	19	47	83
Percentage Distribution	6%	2%	6%	6%	23%	57%	100%

SBGC is shown under the model labeled “concession with City maintenance” which is the current hybrid model (golf operations concessionaire with City maintenance).

The above distribution presents a snap shot of the current situation. The “leased facility” numbers are skewed somewhat by Los Angeles County where 13 golf facilities are the County of Los Angeles’ municipal golf courses and four are the City of Long Beach golf courses, all of which are leased. In terms of City self-operation, all of the five facilities shown are Los Angeles City Department of Recreation and Parks properties.

There are two facilities--the Simi Hills Golf Course in Simi Valley and Hesperia Country Club in Hesperia--which are operated by public recreation districts.

In addition to the City of Los Angeles five golf facilities which are self-operated, there are five other facilities, including the City of Santa Barbara, which feature concessionaires for golf operations and City Parks and Recreation staff for golf course maintenance. In addition to Santa Barbara, these include two golf facilities owned by the City of San Diego (Torrey Pines and Balboa Park), Coronado Golf Course on Coronado Island, and the San Clemente municipal golf course in San Clemente.

The distribution does not present a clear picture of the trends established over the past 10-20 years. Nearly all of the management agreements at golf courses have been put in place within the past 20 years. Over this time span, there have been several golf courses which have converted from City maintenance to either facility leases or management agreements.

Responsibility for the basic maintenance, operation and management functions for each of these operating models is summarized as follows:

Responsibility for Function				
Model	Course Maintenance	Golf Operations	Food & Beverage	Administration/ Management
Full Self-Operation	City	City	City/Concession	City
Current Hybrid	City	Concession	Concession	City
Modified Hybrid	City/Private	Private/Concession	Concession	City/Private
Management Agreement	Private	Private	Private	Private
Golf Facility Lease	Private	Private	Private/Concession	Private

City determined that the full self-operation model is not a viable option at this time. There are very few municipal golf courses in California which are self-operated, and movement away from this form of operation continues. Sunnyvale Golf Course in Sunnyvale is one of the few remaining full self-operations in the State. In mid-2014, Pacific Grove Golf Links in Pacific Grove converted from full self-operation to a fully privatized form of maintenance and golf operation (golf facility lease).

In addition to the basic options outlined above, there are numerous other permutations which would create alternative hybrid models. These alternative hybrid models, discussed later in this section, combine some form of self-operation, concession agreements, and/or management/contract private party agreements. All of the operating options require City oversight responsibilities including contract monitoring, budget preparation and review, management oversight, and the like. The degree of City participation varies by operating model.

Current Hybrid Model

Presently, SBGC's operating structure is described as a hybrid between full self-operation and a facility lease, combining elements of self operation (course maintenance and overall facility management) with elements of a facility lease (golf operations and food and beverage concession agreements). Under the current model, the City is responsible for maintaining the course and overall golf facility management, relying on concessionaires for the golf operations and food and beverage functions. The City sets pricing and policies, and administers the overall program. Under the current model, the City receives 100 percent of the greens fees, and a percentage of the concession (golf carts, driving range, pro shop merchandise, lessons, and food and beverage) gross revenue.

The current SBGC hybrid model, where a golf operations concessionaire is retained and the City provides golf course maintenance, is the most common type of hybrid structure. Historically, there have been many public agencies which have elected to maintain the golf course through their parks and recreation department, while retaining concessionaires for golf and food and beverage operations. In most of these instances, the reservations, starting, marshaling, and greens fees collection function is the responsibility of the concessionaire, although in some instances (e.g. City of Los Angeles and City of San Diego) the municipality fills this role, creating some level of redundancy in staffing. In addition to Santa Barbara Golf Club, the other examples of this hybrid model in California include Torrey Pines and Balboa Park in San Diego, Manteca Park in Manteca, Harding Park and Lincoln Park in San Francisco, San Clemente Golf Course in San Clemente, Poplar Creek Golf Course in San Mateo, DeLaveaga in Santa Cruz, Sharp Park Golf Course in Pacifica, and a few other municipal operations. Under all of these agreements, all of the maintenance is provided by City Parks and Recreation staff, and golf operations – pro shop merchandise, cart rentals, driving range, instruction – are provided by a concessionaire. Food and beverage operations may be provided by the golf operations concessionaire, but more often are the responsibility of a separate concessionaire.

Concessionaires normally pay rent to the City based on a percentage of gross revenue (percentage varies by revenue category). Sometimes the percentage rental rates are adjusted downward to reflect the concessionaire responsibility for reservation, greens fees collections, and starting, but in other cases a separate fee is paid to the concessionaire by the City for these services. In these cases, the City receives rent from the concessionaire, and also pays the concessionaire a fee for services. A summary of representative golf operations concession agreements is provided in Table VII-1).

The primary advantage of the current model is the level of control retained by the City in terms of setting policies, prices and standards. A case can also be made that under the current structure, the City has substantial overhead support functions at its disposal from other City departments. It also is often argued that a portion of the entrepreneurial compensation (profit for services rendered) is retained by the public agency under this model, and most of the financial upside related to better than anticipated performance accrues to the City. The validity and value of these advantages is subjective.

The principal potential disadvantages of the current model include higher wage and benefit packages related to public sector employment for the golf course maintenance function, more restrictive labor policies, the potential absence of “best practices” in revenue generation, and bureaucratic constraints which inhibit management’s ability to adapt and respond quickly to changing market practices and conditions. In addition, the current model involves multiple providers of service other than the City which potentially may create conflicts and inconsistent service levels. Most golf analysts strongly believe that there are significant advantages to controlling the entire golfer experience through providing all of the functions at the golf course under one management entity. Under the current operation, most of the financial risk is borne by the City.

The number of California municipal golf courses where golf course maintenance is provided by municipal employees continues to dwindle, particularly during periods when Cities and Counties are fiscally challenged. Over recent years, the maintenance function has been privatized at Pacific Grove Golf Links in Pacific Grove, Palo Alto Muni in Palo Alto, Shoreline in Mountain View, Chuck Corica in Alameda, Indio municipal golf course in Indio, and Anaheim Hills and Dad Miller in Anaheim. Other than the larger Cities of San Diego, Los Angeles, and San Francisco, there are only a few municipalities which utilize municipal employees in maintaining their golf course.

Golf Facility Lease

Under this option, the golf course is leased to a private golf course operator who provides course maintenance, golf operations, and overall facility management services. The food and beverage operation may be included under the golf course facility lease or provided under a separate lease to a dedicated food and beverage operator. The operator’s lease payments typically are based on a minimum rental payment versus a percentage of golf, merchandise, lessons, and food and beverage departmental gross revenue. Under a typical facility lease, the lessee receives 100 percent of the revenue and is obligated to fund required front-end capital improvements (if any), operating expenses, and a reserve for ongoing capital improvements. As such, the financial risk is largely borne by the lessee. The term of the lease is negotiable, although the length generally is related to operator capital improvement levels and rental payment terms.

There are many examples of the facility lease model, although most of these leases were negotiated 15-30 years ago. All of the Los Angeles County courses, the City of Long Beach courses, and the City of Pasadena’s Brookside Golf Course are operated under a facility lease, as are numerous other courses in Southern California. The Simi Valley Recreation District, by contrast, recently elected to self-operate (through the District) the Simi Hills Golf Course after years of operation under a lease agreement with American Golf Corporation.

Tables VII-2 and VII-3 contain a summary of golf course “turnkey” lease terms — facilities where all operations are leased to a contract operator – for selected Southern and Northern California public properties, respectively. There has been limited activity in recent years, with Pacific Grove Golf Links in Pacific Grove, Oceanside Golf Course in Oceanside, Los Amigos Golf Course in Downey, the City of Pasadena Brookside Golf Course in Pasadena, and Chuck Corica Golf Course in Alameda among the few agreements negotiated since 2005. Soule Park in Ojai was leased in 2007 following significant improvements funded by Ventura County to repair flood damage. In general, the facilities are leased to a management company with a minimum lease payment versus percentage rents. The contract specifies performance standards, required capital improvements and a range of contractual terms. It is important to note the agreement date, as the improving economics of the golf market and competitiveness in the golf management industry during the 1990-2000 period are reflected in more favorable lease terms to the lessor, with the most recent agreements somewhat adversely influenced by soft golf market conditions since 2001.

The various terms of the leases are interrelated and the lease payments must be considered in the context of all the terms of the lease.

- ▶ Lease Term. The term of the facility leases shown generally ranges from 15-30 years. When front-end lessee capital improvements are required, which generally is the case, the term of the lease must be long enough to amortize these capital expenditures. The length of the term normally is a function of the level of capital improvements. Occasionally a short-term agreement (less than five years) is negotiated, but these are generally related to the continuation of an agreement with an operator where minimum capital improvements are required or where an option is exercised to extend the lease term.
- ▶ Minimum Rent. The minimum rent typically is established at about 75 to 80 percent of the expected “percentage rent” amount. The minimum often is adjusted annually to reflect about 80 percent of the average of percentage rents paid during the prior three to four years operation, but never less than the preceding minimum rent level.
- ▶ Percentage Rents. Percentage rents vary by golf department, although often a composite rate is applied to greens fees, cart revenue, and driving range revenue. Merchandise, food and beverage, and other minor departments generally have lower individual percentage rents primarily due to the relatively small operating profit margins on these goods and services. The percentage rents are a function of the length of term, required capital improvements, utility sharing agreements, and the replacement reserve requirements. The rent percentage may increase over the term of the lease. The higher the capital expenditure requirement, replacement reserve, and costs associated with utilities and other course operations, the lower the percentage rent structure. Also, the market strength and potential profitability of the course strongly influence percentage rents. For Los Angeles County, the rent payments shown include contributions from the golf course revenues to the capital improvements reserve fund, consisting of 10% of gross greens fees plus \$1.50 per 18-hole and \$.75 per 9-hole round of golf. These capital improvement contributions represent between 20 and 25 percent of the total gross rent paid. For El Dorado Park in Long Beach, the rent does not include food and beverage which is operated under a

separate concession agreement until AGC assumed responsibility for this function as well as golf operations.

- ▶ Fees and Operating Policies. Under most municipal facility leases, the lessor (City) retains substantial control over setting fees and establishing operating policies. As well, specific guidelines such as maintenance standards are in-place or negotiated as an integral part of the lease terms. While changes in fees and policies normally require City approval, in practice, the lessee has greater influence in modifying fees and terms which financially benefit the lessee. Moreover, regardless of the rigor of the lease agreement, a number of “gray” areas, such as level of course conditioning, generally remain which may be exploited by the lessee.
- ▶ Capital Improvements. Most facility leases call for capital improvements to be funded by the lessee. A list of improvements is specified and a time frame for their implementation is established. The capital improvements requirement varies widely for the facilities shown, from less than \$1 million to over \$8 million.
- ▶ Capital Improvement Replacement Reserve. Generally, some provision for establishing a reserve for ongoing future capital improvements is stipulated. The replacement reserve is normally a percentage of greens fee revenue, with the percentage depending on anticipated future capital requirements, the age of the course, and the front-end capital expenditure requirement. Usually, the replacement reserve is in addition to percentage rents, but sometimes the reserve funds are credited against rent payments.
- ▶ Utilities. Typically, the lessee is responsible for utility costs. However, due to the high cost of water in California, there may be some cost sharing of utilities, or some protection provided the lessee in terms of ceilings or caps on utility rate increases.

For facility lease agreements, the market potentials, specific course maintenance requirements, areas of lessor/lessee responsibility, and other contract terms must all be considered in establishing an equitable lease structure. Thus, while the experience of other courses can serve as a general guideline, specific consideration should be given to the unique characteristics of a city's golf course, such as the location and market strength. Further, the overall objectives of the City will influence the structure of contract terms.

The market for golf leases with municipalities has been substantially affected by the soft golf market conditions experienced over recent years. The number of qualified investor/operator groups which have an interest in such agreements has declined sharply, and the rent structure has generally been modified downward. In many instances, municipalities desiring leases are faced with the option of having to select groups with limited experience in exchange for the lessee's willingness to invest private capital and commit to reasonable rent payments.

It also should be noted that with the softening of golf markets in California, there have been a number of initiatives on the part of lessees to renegotiate lease terms, particularly relating to courses which negotiated new leases in the 1995-2000 period. Specifically, since 2001 a number of lessees have requested rent adjustments to compensate for declining golf play levels and associated revenues, and to assume continued lessee funding for capital improvement obligations. Eaton Canyon and Altadena Golf Course in Los Angeles County, Crystal Springs in Burlingame, Metropolitan Golf Links in Oakland, and Foxtail in Rohnert Park are examples

where leases have been renegotiated. In the cases where rent concessions have been granted by the lessor, rent terms have been modified by reducing base and percentage rent levels, often with significant increases in potential participation by the lessor in revenue above the current threshold.

The primary advantages of the facility lease option include a guaranteed minimum rent payment to the City, potential benefits of professional golf management, limited required participation by the lessor (City), minimum financial risk to the City, and private capital improvement funding availability. The primary disadvantages of the facility lease option include waiving some control over operating policies and procedures, commitment to longer term agreements, and limited participation in upside financial performance.

Management Agreement

This option relates to a fee-for-service agreement with a Director of Golf, General Manager or an outside management company. Golf and food and beverage functions may be combined or separated, but the structure is the same. All functions would be under the authority of the contract golf director, General Manager or management firm. Under a typical management agreement, the facility owner (City) receives all revenues and is responsible for funding all capital improvements, operating expenses, and reserves for ongoing capital reinvestment. In addition, the owner (City) pays the operator a fee for management of the facility. In effect, the professional operator serves as the City's agent in managing, operating, and maintaining the golf facility. Management compensation typically consists of a base fee, plus performance incentives.

Increasingly, public agencies are moving to a management contract approach to operations and maintenance. The City of Ventura retained Kemper Sports Management under a management agreement for operation of their two golf courses. Other examples of this structure include Los Robles in Thousand Oaks which is managed by EAGLE Golf Management, Green River Golf Club near Corona managed by CourseCo, Encinitas Ranch in Encinitas by JC Resorts, and Carlsbad Crossings in Carlsbad and Black Gold in Yorba Linda, both by Kemper Sports. In 2012, a municipal golf course management agreement was negotiated between the City of Mountain View and Touchstone Golf for the Shoreline Golf Course operation. A summary of selected management agreement terms and conditions relating to moderate and high quality municipal golf course operations in California is contained in Table VII-4.

As previously indicated, under this structure, the City receives all revenue and is obligated to fund all maintenance, operating and administrative expenses, including a management fee. The management fee is in addition to all on-site salaries and expenses. The basic terms and conditions of the agreements are discussed below.

Term

Generally, management terms are five years in length, long enough to allow a firm to amortize its initial efforts to establish policies, procedures, and systems, and to ensure sufficient job security for key employees. Longer terms offer little advantage to the owner. The renewal of an agreement typically is for a period of three to five years. The terms may be influenced by conditions dictated by the financing instrument used such as tax-exempt bond IRS regulations. For example, the IRS has a number of stipulations imposed to ensure a man-

agement contract does not result in private business use of a bond-financed facility. Among other things, the IRS restricts contracts which give the service provider an ownership or leasehold interest or provide compensation for services rendered based in whole, or in part, on a share of net profits from operations of the facility. Specifically, the IRS will allow agreement terms up to 15 years, but the structure of compensation is specific to the term. With 15-year agreements, at least 95 percent of the total compensation must be fixed/guaranteed. At 10 years, at least 80 percent; and at 5 years, at least 50 percent must be fixed/guaranteed. As well, in accordance with IRS regulations, incentive compensation cannot be based, in whole or in part, on a share of net profits, and thus must be based on gross revenue or expense thresholds.

The IRS also requires the management agreement to have an agreement cancellation option for the owner, typically at the end of three years. In cases where a cancellation provision is required by the financing authority, management companies have not objected.

Compensation Structure

For moderate volume courses (\$2.0-\$2.5 million in annual golf/greens, carts, range) revenue, the base fee generally ranges from \$100,000 to \$140,000 per year. Compensation typically consists of a base, or guaranteed fee, plus an incentive fee. Incentive fees are structured such that expected performance would result in additional compensation of \$20,000 to \$30,000. Total compensation, assuming budgets are met or slightly exceeded, for moderate volume 18-hole public courses, generally ranges from \$130,000 to \$160,000 per year.

For high volume courses (\$3+ million in golf revenue), the base fee generally ranges from \$150,000 to \$180,000 per year for 18-hole courses. Incentive fees are structured such that expected performance would result in additional compensation of \$30,000 to \$50,000. Total compensation, assuming budgets are met or slightly exceeded, for high volume 18-hole public courses, generally ranges from \$150,000 to \$200,000 per year.

While there are many ways of structuring incentive agreements, it is generally more effective to key them off of net operating income, or gross revenue above established threshold levels, with incentive payments equaling anywhere from 25 to 100 percent of the base fee.

The compensation noted above relates to agreements where all management staff, including day-to-day accounting, are onsite, and there are no reimbursements for corporate support functions, marketing, or other normal offsite management services, including routine travel. The cost of some extraordinary services (e.g., legal, specialty agronomical consulting, etc.) may be borne by the golf course owner.

Incentive compensation normally is triggered by performance which exceeds predetermined levels of net operating income (defined as "earnings before interest, taxes, depreciation, and amortization," or EBITDA) or gross revenue. Since expenses are reasonably predictable, incentive payments based on gross revenue exceeding specified threshold levels often are workable.

It should be noted that golf revenue (greens, carts, and range) has little associated variable cost, whereas merchandise and food and beverage have very high variable costs. Given this, each revenue category should be

treated independently, and incentive clauses should more greatly reward extraordinary golf revenue compared with merchandise, food and beverage, lessons, and other miscellaneous sources.

Overall, total compensation should represent about 4 percent of total gross revenue. The 4 percent allowance is an industry standard which most professional golf management firms utilize when allocating home office services for courses they own and operate.

It is generally desirable for at least one-quarter to one-third of total compensation to be incentive-based. Again, the type of financing may influence the structure of the compensation and limit the portion which is incentive-based.

Base Fee Adjustments

In many agreements, the base fee is inflation-adjusted. This is a negotiable point, and typically relates to the structure of incentive compensation, which often serves as an inflation hedge.

Management Services

Offsite management services covered under the management fee include, although are not necessarily limited to, the following functions:

- ▶ Personnel/Human Resources
- ▶ Training
- ▶ Payroll and Benefit Administration
- ▶ Management Reporting and Accounting Systems
- ▶ Internal Audits
- ▶ Budgeting Support
- ▶ Marketing Support
- ▶ Agronomical Support

Typically, all of these services are included under the management fee. If not, an accordingly lower management fee would be expected.

While the management company provides these services, they do so, in effect, as the agent for the City. The City determines the fee structure, establishes policies, and has the right to approve compensation, employment practices, and other similar items. Clearly, the management firms provide input and recommendations, but ultimately the City retains near-full control over all operating decisions.

Other Provisions

Daily accounting and management system reports are an integral part of the golf course operation. This daily function can be provided on-site by golf course administrative staff, or at the home office of the management company. When provided by on-site staff, the expense is borne by the course like any other operating expense. When provided off-site by the management company, there often is a separate charge to the City, in addition to the basic management fee.

There may be other services provided by the management company which are reimbursed by the City separately from the management fee. Examples include travel expenses by home-office management staff, outside agronomical evaluations, and the like. All of these elements of the management agreement are negotiable, and clearly, the overall compensation consists of the sum of the base fee, incentive fee, and reimbursements.

The primary advantages of the management agreement structure include the benefits related to professional golf course management, lower wage and benefit structure related to private sector employment, shorter term contractual commitments, full control over the overall golfer experience and operations, and full participation in upside financial performance. The major disadvantages of this form of operation include greater participation required on the part of the contractor (City), financial risk, and inability to attract private capital.

Modified Hybrid Model

There are numerous alternative hybrids which consist of some combination of concession agreements and service contracts, and often such hybrids involve City-provided golf course maintenance. A "Modified Hybrid Model" would involve one or more changes in the responsibilities for the various functions. One alternative hybrid would retain the current golf operations and food and beverage concessionaires, with golf course maintenance responsibility shifted to a private landscape maintenance entity on a contract basis. The City would still be responsible for overall golf course management.

An alternative model would involve retaining a golf operations professional (individual or firm) on a fee-for-service basis, who would also be responsible for overall golf facility management as well as the golf operations functions (reservations, starting, pro shop, range, carts). Under this alternative, golf course maintenance could continue to be provided by the City, or contracted to a private landscape maintenance provider. The City would receive all of the golf course revenues (greens, carts, range, merchandise) and bear most or all of the operating expenses, paying a fee to the contractor for their service. Examples of this form include Modesto's golf courses and the Anaheim courses. Generally, the agreement with the golf operations contractor has performance incentives structured in the compensation. Most of the benefits and constraints discussed under the full management agreement would transfer to this option, with a lower base fee.

There are several firms which provide contract golf course maintenance on a fee-for-service basis. The contractors employ private sector employees, paying private sector prevailing wages and benefits, which generally are well below the corresponding public sector wage/benefit scale. Maintenance is provided by a private landscape provider, such as Valley Crest or International Golf Management (IGM), on a fixed fee basis subject to standards and practices established by the public agency. Examples include DeBell in Burbank, Anaheim Hills and Dad Miller in Anaheim, and Alhambra Municipal in Alhambra. The responsibilities of the concessionaire and the structure of the golf operations concession agreement vary considerably. Under private contract maintenance, the annual cost of maintaining a mid-market 18-hole regulation length golf course is in the range of \$650,000 (\$35,000 per hole), including an allowance for maintenance equipment replacement/lease, but excluding utilities (water and power).

Concessionaires normally pay rent to the City based on a percentage of gross revenue (percentage varies by revenue category). Sometimes, the rent categories are adjusted downward to reflect the concessionaire responsibility for reservation, greens fees collections, and starting, but in other cases a separate fee is paid to the concessionaire by the City for these services. In these cases, the City receives rent from the concessionaire, and also pays the concessionaire a fee for services (refer to Table VII-1 for a summary of representative golf operations concession agreements).

Summary of Operating Options Strengths and Weaknesses

The strengths and weaknesses of the four basic options are outlined in Table VII-5. Each option offers advantages and disadvantages relative to economic performance, the cost of payroll and employee benefits, city control, maintenance, influence on policy-making, operator responsiveness, efficiencies relating to one operating entity, required city involvement, and other factors. As stated above the Modified Hybrid model would have the same strengths and weaknesses as the full management services.

The current hybrid model, while having some benefits in terms of quality control, support from other City departments, and upside financial participation, has many deficiencies. There are higher costs associated with public sector employment, financial risk, and absence of professional golf management “best practices.” The most significant disadvantage, at least in the current structure, is the City’s inability to operate in a business-oriented, entrepreneurial manner which allows management to adapt and respond to dynamic market conditions. As well, the absence of an on-site manager with the authority to manage and coordinate the various functions provided by multiple providers is problematic, potentially resulting in lower revenues, less efficient operations and a diminished golfer experience.

The strengths and weaknesses of a modified hybrid model would depend on the specific model. Contracting the maintenance function offers clear cost savings, but must be considered in the context of the City’s policies with respect to outsourcing jobs. Retaining a fee-for-service golf operations management entity/individual offers similar advantages and disadvantage associated with the “management model”--principally offering greater City control and participation in upside revenues, while increasing operating and financial risk to the City.

The turnkey facility lease often yields a reasonable financial return to the City and requires the least City involvement, but maintenance and golf operations service levels may be below those desired by the City. As well, the City typically relinquishes at least some control over golf practices and policies, much of which may be due to contract “gray” areas. A major advantage of the turnkey operation is that normally substantial capital funds can be attracted from the private sector for course improvements, with the amount directly related to the length of the lease term.

A fee-for-service management agreement offers many advantages such as maintaining greater authority managing the facility. Since the City would receive all revenues and expenses under this option, the financial return to the City may exceed that of a turnkey facility lease, but carries with it additional financial exposure. At present, service contracts are more prevalent in the private sector (management of daily fee golf courses). How-

ever, there is an emerging trend toward this option primarily as a result of cities seeking to maintain greater control without giving up the benefits of private sector management and operation.

A full self-operation model, which is an extension of the current City hybrid model to include additional golf operations functions (merchandise, carts, and driving range), offers some advantages over the current model. The principal advantage is the ability to coordinate the various functions to a greater degree and potentially to achieve some operating expense efficiencies in golf operations. There are potentially additional disadvantages of moving from the existing hybrid to a full self-contained model, primarily higher payroll and benefits related to public employees in the golf operations department. As stated earlier, cities who self-operate are beginning to make certain that they are staffed appropriately with experienced “golf operators” in order to react to changing market conditions, driving both rounds and revenue to the facilities while maintaining the required golfer experience.

Table VII-1: Golf Operations Concession Agreements, Selected California Courses			
Course	Santa Barbara GC	San Clemente	Alhambra
Location	Santa Barbara	San Clemente	Alhambra
Lessor	City of Santa Barbara	City of San Clemente	City of Alhambra
Lessee	Chris Talerico Golf	Dave Cook	Jerry Wisz
Agreement Date	2013	2005	1995
Lease Term (years)			
Initial	3	10	5
Options	None	None	3 / 5-year
Discretion	---	---	Lessee
Concession Services			
Reservation	X	X	X
Starter	X	X	X
Green Fee Collect	X	X	X
Marshals	X	X	X
Range	X	X	X
Carts	X	X	X
Pro Shop	X	X	X
Lessons	X	X	X
Food and Beverage	O	X	O
Minimum Rent	\$125,000	n.a.	n.a.
CPI Adjusted	Yes	---	---
Percentage Rent			
Carts	30%	20-30% ^{1/}	10/30/40% ^{2/}
Range	25%	25%	20/25/35/45% ^{3/}
Merchandise	4%	5%	4%
Lessons	4%	10%	---
Food and Beverage	---	13%	---
Liquor	---	13%	---
Other	4%	---	---
Investment Requirements	None	None	\$500,000
Utilities	Lessor	Lessee	City
Incentive / Lessor Pymts	---	None	\$50,000/yr. for marshal services
Reinvestment/Reserve	None	None	None

Table VII-1 (continued): Golf Operations Concession Agreements, Selected California Courses			
	Palo Alto Muni	Diablo Creek	Griffith Park (36 holes)
Location	Palo Alto	Concord	Los Feliz
Lessor	City of Palo Alto	City of Concord	City of L. A.
Lessee	Brad Lozares	J. Fernandez	Tom Barber
Agreement Date	2003	1998	5/1993
Lease Term (years)			
Initial	5	5	10
Options	1-year	2 / 5-year	None
Discretion	City	Lessee	Mo.-Mo.
Concession Services			
Reservation	X	X	O
Starter	X	X	O
Green Fee Collect	X	X	O
Marshals	X	X	O
Range	X	X	X
Carts	X	X	X
Pro Shop	X	X	X
Lessons	X	X	X
Food and Beverage	O	O	O
Minimum Rent	None	None	\$250,000
CPI Adjusted	---		No
Percentage Rent			
Carts	60%	35% (0-450K)	---
Range	60%	25% (450K+)	30%
Merchandise	4%	30% (0-400K)	5%
Lessons	0%	25% (6-500K)	10%
Food and Beverage	---	5% (0-500K)	---
Liquor	---	---	---
Other	---	---	---
Investment Requirements	\$100,000	None	---
Utilities	Lessor	Lessor	Lessee
Incentive / Lessor Pymts	\$322,000 Base Fee ⁴	Per Round ⁵	None
Reinvestment/Reserve	None	\$10,000/year	None

¹ Years 1-5 at 20%; increases 2% points annually beginning in year 6. ^{2/} 0-\$100K; \$100-200K; \$200K+; ^{3/} 0-\$100K; \$100-200K; \$200-300K; \$300K+ ⁴City pays operator base fee, CPI adjusted. Incentives include \$3/rounds above 87,000 rounds, 20% cart revenue above \$250,000, and range revenue above \$440,000. ⁵\$1/round 93,000-98,000; \$2/round 98,000-103,000; \$3/round 103,000-108,000; \$4/round (108,000+).

Source: Pro Forma Advisors

Table VII-2: Regulation Length Public Golf Course Facility Lease Terms--Southern California						
Course	Soule Park	Brookside	Oceanside	Los Lagos	Mountain Meadows	Mission Trails
Location	Ojai	Pasadena	Oceanside	Costa Mesa	Pomona	San Diego
Number of Holes	18	36	18	36	18	18
Lessor	Ventura County	Pasadena	Oceanside	Costa Mesa	L.A. County	San Diego
Lessee	Highlands Golf	American Golf	Jim Bellows/ Landscapes	Mesa Verde Partners	American Golf	American Golf
Agreement Date	2007	2011	2007	1992	1991	1986
Lease Term (years)						
Initial	10	5	30	18	10	35
Option Extension	1-5	---	10	2-5	---	---
Minimum Rent	\$180,000	\$1,825,000	None	\$630K/720K	\$890,000	\$125,000
CPI Adjusted	No	No	---	No	No	No
Percentage Rents						
Greens	11.5%/50% ^{1/}	28.5%	20%	30 / 35% ^{2/}	35%	11.5%
Carts	11.5%/50% ^{1/}	28.5%	20%	30 / 35%	35%	10.5%
Range	11.5%/50% ^{1/}	28.5%	20%	30 / 35%	33%	10.5%
Merchandise	5%	---	20%	6%	5%	6.0%
Lessons	---	---	---	5%	10%	10.0%
Food and Beverage	5%	13.0%	20%	11%	10%	10.5%
Liquor	5%	13.0%	20%	11%	12%	10.5%
Banquet Room Rental	5%	20.0%	20%	25%	25%	---
Required Capital Imps	None	\$100K/year	---	\$1.938M	\$500,000	\$104,000
Repl Reserve Require	\$1/round	9.5% of total gross	---	5% of greens	---	---
Cost of Water	Lessee	Lessee	Lessee	Lessee	County	Lessee

Table VII-2 (continued): Regulation Length Public Golf Course Facility Lease Terms--Southern California						
Course	La Mirada	DeBell	Los Verdes	Meadowlark	Los Amigos	Chula Vista
Location	La Mirada	Burbank	Palos Verdes	Huntington Beach	Downey	Chula Vista
Number of Holes	18	18	18	18	18	18
Lessor	L.A. County	City of Burbank	L.A. County	Huntington Bch	L.A. County	Chula Vista
Lessee	American Golf	S. Scozzola	American Golf	Fore Golf	Los Amigos GP	American Golf
Agreement Date	1995 ^{4/}	2014	1994 ⁴	1993	2012	1986
Lease Term (years)						
Initial	15	5.5	15	25	20	20
Option Extension	---	3 5-year	---	15 (city)	5 (county)	10
Minimum Rent	\$805,000	\$300,000	\$970,000	\$175K/300K/ 500K ^{6/}	--- ^{5/}	\$124,000
CPI Adjusted	No	No	No	No	No	No
Percentage Rents						
Greens	40%	5.0/7.5% ^{9/}	40%		5%-43% ^{8/}	15%
Carts	40%	---	40%	8/10/18/25% ^{7/}	5%-43% ^{8/}	15%
Range	30%	---	30%	-	5%-43% ¹⁸	15%
Merchandise	5%	---	5%	8%	6%	6%
Lessons	---	---	---	---	---	6%
Food and Beverage	10%	---	10%	10%	8%	6%
Liquor	12%	---	12%	10%	12%	6%
Banquet Room Rental	10%	---	10%	---	25%	6%
Required Capital Imps	\$700,000 ^{4/}	None	\$800,000 ^{4/}	\$3.5M	\$500,000	\$1.4M
Repl Reserve Require	--- ^{3/}	25% of NOI	--- ^{3/}	---	--- ^{3/}	---
Cost of Water	Lessee	Lessee	Lessee	Lessee	Lessee	Lessee

1/ Percentage rent increases to 50% for gross greens fees exceeding \$1,650,000, cart revenue of \$425,000 and range revenue of \$125,000.
 2/ Higher percentage applied to monthly gross revenue exceeding \$150,000 for greens fees, \$40,000 for carts, and \$20,000 for practice range.
 3/ 10% of greens fees, credited against lessee rental payments.
 4/ Term extended for an additional 15 years with commitment of additional capital improvements.
 5/ None in first 5 years; then 80% of year 5 percentage rent.
 6/ Rent percentages apply to the 5-year option period, exercised in 2005. Years 1-2/3-10/11+.
 7/ Percentages relate to years 1-2, 3-10, 11-18, and 19-25, respectively.
 8/ Year 1;5%; year 2-10%; year 3-15%; year 4-20%; year 5-27%; year 6-33%; year 7-36%; year 8-39%; year 9- 41%; years 10 through 20-43%.
 9/ In addition to minimum rent, 5.0% of total gross revenue between \$2.5-\$3.5 million; 7.5% of total gross revenue exceeding \$3.5 million.

Table VII-3: Regulation Length Public Golf Course Facility Lease Terms--Northern California

Course	Spring Valley	Chuck Corica	Crystal Springs	Monarch Bay	Metropolitan	Pacific Grove
Location	Milpitas	Alameda	Burlingame	San Leandro	Oakland	Pacific Grove
Number of Holes	18	45	18	27	18	18
Lessor	County of Santa Clara	City of Alameda	City/County of San Francisco	City of San Leandro	City of Oakland	City of Pacific Grove
Lessee	Jettters Golf	Greenway Golf	Crystal Springs Golf Partners	American Golf	Oakland Golf, LLC	CourseCo
Agreement Date	1993	2012	1997	1997	2001	2014
Lease Term (years)			(revised 2004)			
Initial	30	20	20	25	25	9.5
Option Extension	None	One 5-year	None	Two 5-year	Three 5-year	Two 5-year
Minimum Rent	\$250,000	\$300,000	\$1.25 million ^{11/}	\$750,000	\$400,000 ^{5/}	\$300,000
CPI Adjusted	No	No	Yes	No	Yes	No
Percentage Rents						
Greens	10.5% ^{2/}	8/10-8/12 ^{1/}	25/35/32% ^{12/}	25/27/28/30 ^{3/}	0/15/17.5/20/22.5/ ^{5/} 25/27.5 ^{7/}	
Carts	10.5%	8/10-8/12 ^{1/}	25/35/32%	25/27/28/30 ^{3/}		Min + 65% of total golf revenue exceeding \$2.35M
Range	10.5%	8/10-8/12 ^{1/}	25/35/32%	25/27/28/30 ^{3/}		
Merchandise	10.5%	8/10-8/12 ^{1/}	8%	5/6% ^{4/}	0/4% ^{8/}	
Lessons	10.5%	8/10-8/12 ^{1/}	25/35/32% ^{12/}	5/6% ^{4/}	0/4%	
Food and Beverage	10.5%	NA	8%	5/6% ^{4/}	0/4%	---
Liquor	10.5%	NA	8%	5/6% ^{4/}	0/4%	---
Banquet Room Rental	10.5%	NA	25/35/32% ^{12/}	5/6% ^{4/}	0/4%	---
Required Capital Imps	\$2.5 million	\$5.7 million	\$1.98 million	\$8.2 million	\$8.0 million	\$100,000
Repl Reserve Require	None	3.0% of total gross revenue	6% (yrs.1-5); 2%(yr.6+) of total gross revenue	2% of gross	0% (1-2), 2% (3-4); 4% (5+) of total gross	1.5% of total gross revenue
Cost of Water	Lessee	Lessee	Lessee	Lessee	Lessee	Lessee

1/ Rate applies to gross revenue from all sources.
 2/ Percentages apply to first 15 years of agreement term. Beginning in year 16, rent equal to 10.5% of total gross revenue up to \$3.0 million plus 15.0% of revenue between \$3.0 and \$4.0 million, plus 20.0% of gross revenue exceeding \$4.0 million.
 3/ Years 1-2 / 3-5 / 6-10 / 11+.
 4/ Years 1-2 / 3+.
 5/ Increases to \$500,000 by Year 4.
 6/ Escalates to \$200,000 by Year 16.
 7/ Years 1-2 / 3-5 / 6-10 / 11-15 / 16-20 / 21-25 / 26+.
 8/ Years 1-2 / 3+.
 9/ Years 1-5 / 6-10 / 11-15 / 16+.
 10/ In addition to percentages, a supplemental contribution equal to 7% of total gross revenue is applied effective 10/1/2004. Further, the percentage rents are increased by CPI beginning in 2010
 11/ Escalates steadily to \$1,600,000 by Year 16.
 12/ As revised – years 1-2 / 3-5 / 6-20.

Table VII-4: Management Agreement Terms at Selected California Public Golf Courses					
Golf Course	Buenaventura/ Olivas Links	Los Robles	Carlsbad Cross- ings	Green River	Black Gold
Location	Ventura	Thousand Oaks	Carlsbad	Corona	Yorba Linda
Course Type	Mid-market Muni	Municipal	Upscale Municipal	Mid-mkt Daily Fee	Upscale Municipal
Number of Holes	36	18	18	36	18
Owner	City of Ventura	City of Thousand Oaks	City of Carlsbad	County of Orange	City of Yorba Linda
Manager	Kemper Sports	EAGLE Golf	Kemper Sports	CourseCo	Kemper Sports Mgmt.
Agreement Date	2009	2006	2012	2014	2011
Term (years)	5	10	5	5	5
Options	One 5-year	Four 5-year	None	None	None
Options Holder	City	City	---	---	---
Annual Gross Revenue	\$4,500,000	\$5,000,000	\$4,000,000	\$2,500,000(18 hole)	\$5,600,000
Base Annual Fee	\$150,000	\$100,000	\$125,000	\$160,000	\$195,000
CPI Adjusted	Yes	2%/year	No	Yes	Yes
Incentive Structure	5% of gross "golf revenue exceeding \$4,800,000	12% of NOI: ex depreciation	5.0% of gross revenue in excess of budget	None	5.0% of gross revenue in excess of \$5,800,000, subject to maximum of 25% of fixed fee
Management Functions					
Course Maintenance	X	X	X	X	X
Golf Operation	X	X	X	X	X
Food and Beverage	X	X	X	X	X
Annual Compensation					
Base	\$150,000	\$100,000	\$125,000	\$160,000	\$250,000
Incentive	---	75,000	25,000	---	---
Total	\$150,000	\$175,000	\$150,000	\$160,000	\$250,000
% of Total Gross Rev	3.3%	3.5%	3.8%	6.4%	4.5%
Reimbursements	None	Accounting	None	None	None
Performance/Other Deposit	None	None	None	None	\$50,000
Non-Compete Restrictions	None	None	None	None	No

Table VII-4 (continued): Management Agreement Terms at Selected California Public Golf Courses					
Golf Course	Shoreline	SilverRock	Boundary Oak	Desert Willow	Encinitas Ranch
Location	Mountain View	La Quinta	Walnut Creek	Palm Desert	Encinitas
Course Type	Municipal	Upscale Municipal	Municipal	Upscale Municipal	Municipal
Number of Holes	18	18	18	36	18
Owner	City of Mountain View	City of La Quinta	City of Walnut Creek	City of Palm Desert	Encinitas Ranch Golf Auth.
Manager	Touchstone Golf	Landmark Golf Mgmt.	CourseCo Inc	Kemper Sports	J.C. Resorts
Agreement Date	2012	2013	2009	2006	2012
Term (years)	5	5	5	2	10
Options	One 5-year	None	None	Two 1-year	None
Options Holder	City	---	---	City	---
Annual Gross Revenue	\$3,000,000 ^{3/}	\$4,000,000	\$4,000,000	\$7,500,000	\$4,500,000
Base Annual Fee	\$102,000	\$96,000	\$156,000	\$300,000	\$180,000 ^{2/}
CPI Adjusted	No	No	Yes	No	Yes
Incentive Structure	10% of golf gross revenue in excess of \$2,500,000	None	10% of golf gross revenue exceeding budget; 7.5% of F & B gross exceeding budget	5% of gross revenue in excess of \$6,000,000	.75% of gross golf revenue Accounting reimbursement direct
Management Functions					
Course Maintenance	X	X	X	X	X
Golf Operation	X	X	X	X	X
Food and Beverage		X	X	X	X
Annual Compensation					
Base	\$108,000	\$96,000	\$156,000	\$300,000	\$180,000
Incentive	<u>25,000</u>	---	\$6,000	<u>75,000</u>	<u>35,000</u>
Total	\$133,000	\$96,000	\$162,000	\$375,000	\$215,000
% of Total Gross Rev	4.2%	2.4%	4.1%	5.0%	4.8%
Reimbursements	None	None	None	None	Accounting - \$24K/year
Performance/Other Deposit	None	\$25,000	None	None	None
Non-Compete Restrictions	None	None	None	2 years	None

Table VII-5: Strengths and Weaknesses of Golf Course Operating Options

Hybrid (Current Model)	Facility Lease	Management Agreement	Modified Hybrid
STRENGTHS			
<ul style="list-style-type: none"> • Provides high level of City control over rates, policies, practices, and overall golf experience • Availability of City overhead support functions • Strong participation in upside financial performance • Provides opportunity to retain specialists in golf operations and food and beverage • Preserves option to convert to alternative operating option 	<ul style="list-style-type: none"> • Provides reasonably strong financial return to City • Produces guarantee minimum rent payment to City • Minimizes financial risk • Minimizes political influence with less direct involvement of City with setting fees, policies, and practices • Offers potential benefits in golf management expertise and specialized maintenance support services • May provide private capital investment in facilities 	<ul style="list-style-type: none"> • Provides strong financial return to City. • Provides high level of City control • Greater potential quality assurance • Opportunity to provide shorter term contracts • Potentially more compatible with multiple operator options • Provides opportunity to retain specialists in professional golf management • Captures benefits of private sector wage and benefit structure 	<ul style="list-style-type: none"> • Provides high level of City control over rates, policies, practices, and overall golf experience • Availability of City overhead support functions • Strong participation in upside financial performance • Potential benefits from lower private sector maintenance payroll/benefits • Provides opportunity to retain specialists in golf operations and food and beverage • Preserves option to convert to alternative operating option
WEAKNESSES			
<ul style="list-style-type: none"> • Constrains ability of management to adapt and respond to dynamic market conditions • Entails high level of financial risk • Involves higher public sector wage and benefit structure for maintenance • Reduces opportunity to attract private capital due to reduced lessee control • Potential conflicts of multiple concessionaires • Relatively high City monitoring requirements 	<ul style="list-style-type: none"> • Minimum operational and quality control • May involve long-term contractual commitment • Minimizes financial upside, particular in current market • Current weak market for facility leases • Potential conflicts over capital reinvestment responsibilities of contracting parties 	<ul style="list-style-type: none"> • Requires more City involvement than facility lease option • Minimizes private capital investment in facilities. • Entails greatest level of City financial risk 	<ul style="list-style-type: none"> • May constrain ability of management to adapt and respond to dynamic market conditions • Entails high level of financial risk • May involve higher public sector wage and benefit structure • Reduces opportunity to attract private capital due to reduced lessee control • Potential conflicts of multiple concessionaires • Relatively high City monitoring requirements

VIII. Economics of Golf Course Operating Options

The following section illustrates the comparative economics of the various golf course operating options available to the City of Santa Barbara. The options evaluated include the following:

- ▶ Management Agreement, with and without application of the City’s Living Wage Ordinance
- ▶ Facility Lease
- ▶ Hybrid Model (current), assuming golf operations concessionaire, food and beverage concessionaire, and City maintenance
- ▶ Hybrid Model (modified), assuming golf operations concessionaire, food and beverage concessionaire, and contract maintenance

Summary Economics

A comparative summary of the economics related to each of the operating options outlined above is presented below. The economics illustrate the net cash flow accruing to the City under each option. An allowance for capital improvements/equipment costs and debt service (actual 2014 debt service) are deducted from net operating income, yielding net cash flow to the City for each option.

SBGC Comparative Baseline Operating Options Economics (thousands of constant 2014 dollars)						
	City Hybrid Actual FY2014	Hybrid		Management Agreement		Facility Lease
		City Maintenance*	Contract Maintenance	No Living Wage	With Living Wage	
Net Operating Income	\$411.0	\$380.7	\$578.1	\$805.3	\$583.3	\$445.2
Less: CIP Allowance	214.5	225.0	225.0	225.0	225.0	108.1
Less: Debt Service	264.8	264.8	264.8	264.8	264.8	264.8
Net Cash Flow	(\$68.3)	(\$109.1)	\$88.3	\$315.5	\$93.5	\$71.3
Variance From Hybrid Model w/ City Maint.	\$40.8	---	\$197.4	\$424.6	\$202.6	\$180.4
* Represents current City hybrid model.						

Baseline Revenues

A baseline revenue estimate is first established in evaluating each of the golf course operating options. The revenue estimate is employed uniformly for the various options. The baseline revenue employed in the analysis is effectively actual FY2014 revenues, excluding any one-time revenue components. As shown in Table VIII-1, annual baseline revenue is indicated at just under \$3.9 million, including nearly \$1.4 million in food and beverage gross revenue.

Living Wage Ordinance

The City of Santa Barbara has adopted a “living wage” ordinance which stipulates a minimum hourly wage for businesses which are supplying services to the City on a contract basis, with some exemptions provided depending on the type of business and service provided. The current “living wage” is \$16.70 per hour, with no additional benefits provided.

The living wage ordinance would apply to some of the operating options, while not affecting others. The following assumptions are employed in the analysis:

- ▶ The current hybrid model (golf operations concessionaire; food and beverage concessionaire; City course maintenance) is not subject to the Living Wage ordinance.
- ▶ A management agreement model may or may not be subject to the Living Wage ordinance, depending on the interpretation of the ordinance by City staff. This scenario is analyzed with and without the Living Wage.
- ▶ The Living Wage ordinance would not apply to the facility lease model.
- ▶ Contract golf course maintenance, in conjunction with any form of golf operations, would be subject to the Living Wage ordinance.
- ▶ The food and beverage operation would be structured such that it would be exempt from the Living Wage ordinance.

The effect of the Living Wage ordinance is reflected in higher operating expenses (payroll and benefits) for both golf course maintenance and golf operations relative to those operating options subject to the ordinance.

Operating Expenses

Annual operating expenses by major expense classification are shown in Table VIII-2. The expenses are shown both with and without application of the Living Wage ordinance, and are consistent with current staffing levels. The expenses relate to a single entity bearing responsibility for all of the golf course functions and departments. Note that food and beverage expenses are not included since the analysis is based on the premise that only the net contribution from food and beverage operations are included under revenue.

There is a \$225,000 annual allowance or reserve for capital improvements replacement, which consists of approximately \$150,000 for golf course and support facilities and \$75,000 for maintenance equipment.

The expenses, which total \$1.84 million per year assuming no Living Wage and \$2.06 million with the Living Wage, are used in analyzing several of the operating options, including the management agreement model. The impact of the Living Wage is reflected in the golf course maintenance payroll and benefits line, golf operations (pro shop) payroll and benefits, and cart operation/outside services. In total, the differential in payroll and benefits between the scenario with the Living Wage versus the one without the Living Wage is approximately \$220,000 per year, of which \$150,000 is attributed to golf course maintenance.

Management Agreement

The economics of the management agreement operating option, whereby the City retains an outside management company or director of golf to administer all golf course functions (including food and beverage), is presented in Table VIII-3. As noted above, the management agreement model may or may not be subject to the Living Wage ordinance, and thus this option is evaluated with and without application of the ordinance.

Annual gross revenue totals \$2,714,500, which includes the “net contribution” from the food and beverage operation, estimated at 15 percent of food and beverage gross revenue. That is, the net contribution of the food and beverage operation is included rather than total gross revenue, which reflects deductions for cost of sales and operating expenses. Cost of sales related to merchandise are deducted, resulting in gross profit of \$2,571,800.

Assuming no Living Wage, deducting operating expenses from gross profit yields annual net operating income of \$733,800. Allowances for City contract administration of \$80,000 and the Citywide Overhead allocation of \$73,500 are deducted, resulting in adjusted annual net operating income of \$580,300. The current annual debt service obligation (264,800) is not deducted.

With the Living Wage applied, net operating income is projected at \$511,800 after deducting cost of sales and operating expenses. Then, deducting an allowance for City contract administration and the Citywide Overhead allocation yields adjusted net operating income of \$269,300 under the management agreement model. The current annual debt service (\$264,800) is not deducted.

The management agreement model, assuming no Living Wage, produces the highest net operating income among the various models. The model also provides for a relatively high level of City control as the policies and fee structure is entirely set by the City, with input from the retained management individual/firm. The principal weakness of this model is that the City continues to bear most, if not all, of the financial risk.

Facility Lease

Based on the limited recent experience with municipal facility leases, the characteristics and performance of SBGC, and typical lessee operating economics, the economics related to a facility lease for all functions, excluding food and beverage operations, are based on the following representative lease terms. The terms are based on the assumption that the Living Wage ordinance does not apply. If the ordinance is applicable, the rental lease terms (minimum rent and percentage rental rates) would be adjusted downward to reflect the mandated higher wages.

Summary of Facility Lease Terms	
Term (years)	15
Renewal Options	none
Initial Lessee Capital Improvements	\$500,000
Annual Base Rent	\$300,000
Percentage Rent (% of departmental gross revenue)	
Greens, Carts and Range	15.0%
Merchandise	5.0%
Instruction	5.0%
Food & Beverage	10.0%
Capital Improvement Replacement Reserve	5.0% of golf revenues (greens, carts, range)

Note that, given the current conditions of the golf course, a moderate level of initial lessee-funded capital improvements are required. To the extent that such improvements are not required, the minimum and percentage rent would be accordingly adjusted upward.

The rent paid by the lessee is equal to the greater of the minimum rent (\$300,000 per year) or the percentage rents based on applying the rental rate factors to gross revenue. Typically, the minimum rent is set at about 75 percent of the expected percentage rent, and thus generally the minimum rent is exceeded by percentage rent.

Applying the percentage rent factors to the baseline annual gross revenue yields rent to the City, as shown in Table VIII-4 (note that rent due is the greater of “base rent” or “percentage rent” produced). Also included is the lessee’s required CIP replacement reserve contribution at 5.0% of “golf” gross revenue (greens fees, cart fees, and practice range revenue). A corresponding outflow for the City’s contribution to the capital improvement reserve fund and an allowance for City contract administration/overhead are deducted. Note that the capital improvement replacement reserve contribution is less than the scheduled allowance of \$225,000 per year. The lower amount is attributed to the lessee providing maintenance equipment at their cost, and the initial lessee-funded capital improvements, estimated at \$500,000, which reduces the ongoing capital needs.

As shown in the table, gross revenue (including the full food and beverage gross revenue) totals \$3.85 million. Applying the percentage rental factors produces \$597,700 to the City, including \$108,100 in the capital improvement replacement reserve contribution. Deducting the reserve for capital improvements (assumed to be

equal to the contribution), a \$80,000 allowance for City contract administration, and a \$73,500 allowance for the Citywide Overhead allocation results in net cash flow to the City of \$336,100. The current annual debt service (\$264,800) is not deducted.

The facility lease option produces somewhat less net cash flow to the City than under the management model, but is accompanied by less financial risk. The level of City control and influence on the golf course operations and maintenance is clearly less than under the management model, although the City still retains control of greens fees and can set standards for maintenance. It should be noted that over the past 10-15 years, many municipalities have moved away from facility leases and towards management agreements. At the same time, the weakness in the golf market has curbed interest from the private sector for lease agreements.

Hybrid Agreement

There are numerous forms of operating agreements which combine aspects of the management and facility lease options. The current operating structure at SBGC--a golf operations concessionaire with City maintenance and overall administration--represents one such hybrid. An alternative hybrid operating agreement would involve a golf operations concessionaire and contract golf course maintenance. There are a number of private contractors which provide golf course maintenance on a fee-for-service basis. The analysis of this hybrid is predicated on application of the Living Wage ordinance under contract golf course maintenance.

Table VIII-5 illustrates the economics of these hybrid options. The projected revenue accruing to the City is shown with both continued City maintenance and with private contract maintenance, and compared with the current (FY 2014) actual results.

As with the current situation at SBGC, City revenue consists of 100 percent of greens fees, plus concession revenues from the golf operations and food and beverage functions, along with some miscellaneous income. In total, based on the assumed golf operations and food and beverage concession terms, total City revenue under this hybrid operating model is shown at \$2,013,700. Note that the assumed concession terms are identical to the current terms recently negotiated between the City and the golf operations concessionaire. However, since the average percentage rent terms for FY2013 were slightly higher than the current term (the agreement was renegotiated during FY2014), the City revenue for the Hybrid model is slightly less than realized in FY2014.

Under the Hybrid model with City maintenance, golf course maintenance, clubhouse related expenses, general and administrative expenses, an allowance for capital improvements/equipment, and contract administration/ Citywide overhead are deducted, yielding \$155,700 per year in net operating income. The current debt service is not deducted.

Under the Hybrid model with contract maintenance, the golf course maintenance expenses relate to private contract maintenance, based on application of the Living Wage ordinance. In addition, a 10 percent contractor fee is added to the projected cost, yielding a total maintenance budget of \$1,140,700. The golf course maintenance expenses under contract maintenance are approximately \$230,000 per year below

current City maintenance expenses. Deducting operating expenses, CIP reserves, and an allowance for contract administration/Citywide overhead results in net income of \$353,100. Again, the current debt service is not deducted.

While there are some strengths of the hybrid model such as specialization in the various operating functions (maintenance, golf operations, food and beverage) and the City retains substantial control over operating policies, fees and maintenance quality, the hybrid model has a number of key weaknesses. Most notably is the absence of benefits related to a single coordinated operating entity where efficiencies of operation can be achieved and a more seamless and consistent product can be offered.

Summary of Options Economics

A comparative summary of the various operating models is presented in Table VIII-6. In comparing the economics of the various options, it is important to recognize that revenues are uniformly the same for each of the options--that is, all of the operating alternatives are assumed to be equally efficient, which may not be the case. Moreover, there clearly are varying degrees of risk, as well as upside participation, among the various alternatives.

Table VIII-1: SBGC Baseline Annual Gross Revenue (thousands of dollars)	
Department	Baseline Projection (2014 dollars)
Annual Total Rounds	62,500
Gross Revenue	
Greens Fees/Cards	\$1,664.7
Cart Rentals	422.4
Practice Range	95.5
Merchandise	190.3
Food & Beverage	1,377.9
Other Pro Shop ^{1/}	85.2
Other Revenue	<u>49.7</u>
Total	\$3,885.6
^{1/} Includes pro shop rentals, lessons income, and other miscellaneous sources.	

Table VIII-2: Santa Barbara Golf Club Projected Annual Operating Expenses Management Agreement Model* (thousands of constant 2014 dollars)		
	No Living Wage	With Living Wage
Course Maintenance		
Payroll and Benefits	\$480	\$637
Services and Supplies	175	175
Utilities	225	225
Maintenance Equipment	--- ^{1/}	--- ^{1/}
Subtotal	\$880	\$1,037
Golf Operations		
Payroll and Benefits	\$145	\$180
Cart Leasing	58	58
Cart Operation/Outside Services	65	95
Range	20	20
Services and Supplies	25	25
Subtotal	\$313	\$378
Food & Beverage	---	
Undistributed Clubhouse	\$30	\$30
General & Administrative		
Payroll and Benefits	\$120	\$120
Insurance	40	40
Property Taxes	---	---
Marketing/Promotion	25	25
Credit Card	30	30
Services and Supplies	50	50
Management Fee	125	125
Subtotal	\$390	\$390
Total	\$1,613	\$1,835
Capital Improvement Replacement Reserve	\$225	\$225
Total	\$1,838	\$2,060
* Operating expenses relate to "management agreement" model, and thus assume non-City employment costs. The maintenance expenses also are employed in "hybrid model with living wage."		
^{1/} An annual allowance of \$75,000 is included in CIP Reserve.		

Table VIII-3: SBGC Projected Annual Net Operating Income--Management Agreement (thousands of constant 2014 dollars)		
Department	No Living Wage	With Living Wage
Gross Revenue		
Greens Fees/Cards	\$1,664.7	\$1,664.7
Cart Rentals	422.4	422.4
Practice Range	95.5	95.5
Merchandise	190.3	190.3
Food & Beverage--Net Contribution (@15%)	206.7	206.7
Other Pro Shop	85.2	85.2
Other Revenue	<u>49.7</u>	<u>49.7</u>
Total Gross Revenue	\$2,714.5	\$2,714.5
Less: Cost of Sales (merchandise)	<u>142.7</u>	<u>142.7</u>
Gross Profit	\$2,571.8	\$2,571.8
Operating Expenses		
Course Maintenance	\$880.0	\$1,037.0
Golf Operations	313.0	378.0
Food & Beverage	---	---
Clubhouse Undistributed	30.0	30.0
General & Administrative	390.0	390.0
Capital Improvement Replacement Reserve	<u>225.0</u>	<u>225.0</u>
Total Expenses	\$1,838.0	\$2,060.0
Net Operating Income (EBITDA)^{1/}	\$733.8	\$511.8
Less: City Contract Administration	80.0	80.0
Citywide Overhead Allocation	<u>73.5</u>	<u>73.5</u>
Adjusted Net Operating Income (EBITDA)^{1/}	\$580.3	\$269.3

^{1/} Earnings before interest, taxes, debt and amortization, and before Citywide contract administration expenses.

Table VIII-4: SBGC Projected Annual Net Lease Income Facility Lease (thousands of constant 2014 dollars)	
Department	Annual Amount
Gross Revenue	
Greens Fees/Cards	\$1,664.7
Cart Rentals	422.4
Practice Range	95.5
Subtotal-Golf	\$2,182.6
Merchandise	190.3
Food & Beverage--Net Contribution	1,377.9
Instruction/Other	97.5
Total Gross Revenue	\$3,848.3
Percentage Rent to City	
Golf (greens fees, carts, range) @15%	\$327.4
Merchandise @5%	9.5
Food & Beverage Rent (@10%)	137.8
Instruction/Other Pro Shop(@5%)	4.9
Other Revenue	10.0
CIP Reserve @5% of golf	108.1
Total Rent/CIP Contribution	\$597.7
Less: CIP Expenditures/Reserve	108.1
City Contract Administration	80.0
Citywide Overhead Allocation	73.5
Net Income to City	\$336.1
^{1/} Earnings before interest, taxes, depreciation and amortization, and before Citywide contract administration expenses.	

Table VIII-5: SBGC Projected Annual Net Operating Income--Hybrid Agreement With Golf Concessionaire (thousands of constant 2014 dollars)			
Department	Current Hybrid Actual FY2014	City Maintenance*	Contract Maintenance ^{2/}
Gross Revenue			
Greens Fees/Cards	\$1,664.7	\$1,664.7	\$1,664.7
Cart Rentals	422.4	422.4	422.4
Practice Range	95.5	95.5	95.5
Merchandise	190.3	190.3	190.3
Food & Beverage	1,377.9	1,377.9	1,377.9
Other Pro Shop	85.2	85.2	85.2
Other Revenue	12.3	12.3	12.3
Interest/Creeks Income	37.4	37.4	37.4
Total Gross Revenue	\$3,885.6	\$3,885.6	\$3,885.6
City Revenue/Rent			
Greens Fees @100%	\$1,664.7	\$1,664.7	\$1,664.7
Cart Rentals @ 30%	138.4	126.7	126.7
Practice Range @25%	28.7	23.8	23.8
Merchandise @4%	9.2	7.6	7.6
Food & Beverage @10%	139.1	137.8	137.8
Lessons/Other Pro Shop (@4%)	13.3	3.4	3.4
Other Revenue/Interest/Creeks	49.7	49.7	49.7
Total Revenue/Rent	\$2,043.1	\$2,013.7	\$2,013.7
Less: Golf Course Maintenance	1,369.1	1,370.0	1,140.7 ^{3/}
General & Admin/Clubhouse Expenses	71.4	71.4	71.4
City Contract Administration	118.1	118.1	150.0
CIP Reserve	214.5	225.0	225.0
Citywide Overhead Allocation	73.5	73.5	73.5
Subtotal	\$1,846.6	\$1,858.0	\$1,660.6
Net Operating Income (EBITDA)^{1/}	\$196.5	\$155.7	\$353.1

* * Represents current City Hybrid model with current terms. ^{1/} Earnings before interest, taxes, debt and amortization; ^{2/} Assumes Living Wage ordinance; ^{3/} Represents maintenance expense with Living Wage, plus 10 percent contractor fee.

Table VIII-6: Comparative Baseline Operating Options Economics (thousands of constant 2014 dollars)						
Department	City Hybrid Actual FY2014	Hybrid		Management Agreement		Facility Lease ^{1/}
		City Maint*	Contract Maint with Living Wage	No Living Wage	With Living Wage	
City Revenue/Rent						
Greens Fees Revenue	\$1,664.7	\$1664.7	\$1664.7	\$1,664.7	\$1,664.7	---
Golf Operations Revenue	---	---	---	793.4	793.4	---
Facility/Golf Ops Concession Rent	189.6	161.5	161.5	---	---	\$449.9
Food & Beverage Rent	139.1	137.8	137.8	206.7	206.7	137.8
Other Revenue	<u>49.7</u>	<u>49.7</u>	<u>49.7</u>	<u>49.7</u>	<u>49.7</u>	10.0
Total	\$2,043.1	\$2,013.7	\$2,013.7	\$2,714.5	\$2,714.5	\$597.7
Less: Cost of Sales	---	---	---	<u>142.7</u>	<u>142.7</u>	---
Gross Profit	\$2,043.1	\$2,013.7	\$2,013.7	\$2,571.8	\$2,571.8	\$597.7
Operating Expenses						
Course Maintenance	\$1,369.1	\$1,370.0	\$1,140.7 ^{2/}	\$880.0	\$1,037.0	---
Golf Operations	---	---	---	313.0	378.0	---
G & A/Clubhouse	71.4	71.4	71.4	420.0	420.0	---
City Contract Administration	118.1	118.1	150.0	80.0	80.0	80.0
Citywide Overhead Allocation	<u>73.5</u>	<u>73.5</u>	<u>73.5</u>	<u>73.5</u>	<u>73.5</u>	<u>73.5</u>
Total	\$1,632.1	\$1,633.0	\$1,435.6	\$1,766.5	\$1,988.5	\$153.5
Net Operating Income (EBITDA)^{3/}	\$411.0	\$380.7	\$578.1	\$805.3	\$583.3	\$445.2
Less: CIP Replacement Reserve	214.5	225.0	225.0	225.0	225.0	108.1
Debt Service	<u>264.8</u>	<u>264.8</u>	<u>264.8</u>	<u>264.8</u>	<u>264.8</u>	<u>264.8</u>
Net Cash Flow	(\$68.3)	(\$109.1)	\$88.3	\$315.5	\$93.5	\$71.3
Variance From Current Hybrid Model, With City Maintenance	\$40.8	---	\$197.4	\$424.6	\$202.6	\$180.4

* Represents current City Hybrid model with current terms. ^{1/} Assumes no Living Wage ordinance; ^{2/} Assumes Living Wage ordinance; ^{3/} Earnings before interest, taxes, depreciation, debt service and amortization.

