STAFF REPORT

Meeting Date: 03/14/08

Agenda Item: 7
To: BEACON Board of Directors
From: Program Manager, Gerald Comati
Date 03/06/08

Subject: BEACON Funding Strategies.

REQUIRED ACTION:

a. Receive report and recommendations on funding options for BEACON projects.

DISCUSSION:

Over the course of BEACON's life the agency has always been challenged by its ability to raise sufficient revenue to support BEACON's basic overhead and provide funding to leverage a variety of State and Federal Grants. This challenge has become more urgent in recent years as BEACON's scope of influence and project sponsorship has grown. BEACON is fast becoming the agency it was designed to be and is currently involved in twelve active projects or programs involving beaches within its jurisdiction. These twelve projects for the most part represent all beach related projects within BEACON's jurisdiction. BEACON's level of involvement in each of these projects does vary greatly and includes:

- Lead project sponsor
- Regional project sponsor
- Technical oversight
- Project advocate
- Funding partner

With this expanded role BEACON has earned an enhanced reputation with State and Federal agencies as an important regional coastal agency that has the ability to deliver projects. At the same time, competition for grants has increased and the expectation that regional and local agencies should contribute more matching funds has grown. In this environment, it is important that BEACON consider options to increase its current revenue stream. At the January 18, 2008 BEACON Meeting, the board directed staff to:

A. Develop a project priority list.
B. Develop an expenditure model over a five year period based on the prioritized projects.
C. Identify and evaluate various revenue options.
D. Develop revenue/cost projection scenarios
E. Provide revenue recommendations.

B.E.A.C.O.N.
Beach Erosion Authority for Clean Oceans and Nourishment

A California Joint Powers Agency

Member Agencies

City of Carpinteria
City of Oxnard
City of Port Hueneme
City of San Buenaventura
City of Santa Barbara
County of Santa Barbara
County of Ventura

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PROJECT PRIORITIZATION

As referenced above, BEACON is currently involved in twelve active beach projects. Of these, there are eight priority projects that warrant focused attention by BEACON staff. These projects have been prioritized numerically as follows:

1. **South Central Coast Beach Enhancement Program (SCCBEP) Phase II.**
BEACON has been the lead agency during the environmental, engineering and permitting phase of this project (Phase I). Phase I of the SCCBEP concluded with permits allowing the deposition of suitable upland or offshore materials onto six pre-selected and approved beaches within BEACON's jurisdiction. Phase II of the SCCBEP funds the oversight, final permitting and construction of opportunistic material on the permitted beaches.

- BEACON's role during the next five years will be to fund final permitting and seek capital funding for the construction efforts. It is likely that BEACON will partner with local agencies as specific beach nourishment opportunities arise.
- Staff estimates costs of $45,000 for this project over the next five years with costs of $5,000 anticipated for FY 08/09. (See Exhibit A).

2. **Coast of California Storm and Tidal Wave Study (CCSTWS).**
The lead agency for this study is the US Corps of Engineers. BEACON is the local sponsor and through in-kind services funded through the California Department of Boating and Waterways is funding 50% of the study costs. The study will provide an accurate picture of what is occurring from a coastal processes standpoint from Point Conception to Point Mugu. This information is critical to the formulation and assessment of beach improvement projects and BEACON policy. The Study will be complete by 2009.

- BEACON's role over the next year will be limited to contracts management and technical review. This effort will be reimbursed through ongoing DBAW grants.
- Staff estimates costs of $5,000 for this project over the next five years with costs of $5,000 anticipated for FY 08/09. This $5,000 is fully reimbursed through the study grant. (See Exhibit A).

3. **Coastal Regional sediment Management Plan (CRSMP).**
BEACON is the lead agency on this project. The project is funded through the California Department of Boating and Waterways. This plan will define a blue print for BEACON in terms of implementing specific coastal projects and long term policy. Once the plan is complete, the identified projects will be implemented.

- BEACON's role in the next five years will include management, technical oversight, preliminary engineering, design and permitting of specific plan projects. Continued grants from the Department of Boating and Waterways are envisioned.
- Staff estimates costs of $75,000 for this project over the next five years with costs of $15,000 anticipated for FY 08/09. (See Exhibit A).

4. **Section 227 Oil Piers Artificial Reef Project.**
The US Corps of Engineers is the lead agency for this project with BEACON serving as the local sponsor and ultimate owner/maintainer of the project. The environmental and design

phases are complete. Permitting, fabrication and installation phases remain pending the appropriation of Federal funds. It is hoped that installation of the reef will occur in the summer of 2009. Following installation, BEACON will initiate some beach access amenity improvements using mitigation funds from ExxonMobil.

- BEACON's role over the next year will include lobbying for federal funding, permitting activities, and general coordination with the USCOE. Following reef installation, for the next four years BEACON will be involved in beach access and beach amenity improvements activities funded through mitigation funds from ExxonMobil.
- Staff estimates costs of $107,000 for this project over the next five years with costs of $7,000 anticipated for FY 08/09. $100,000 of these funds will be reimbursed through ExxonMobil mitigation fees. (See Exhibit A).

5. Santa Clause Lane Beach Project.

The Santa Barbara County Park Department is the lead agency on this project. The project involves improved beach access, beach parking and restrooms, beach nourishment and removal of steel girders at the back of the beach. The project is in the preliminary engineering and environmental stage.

- BEACON's involvement over the next five years will be to participate in the environmental, design, permitting, management and funding raising efforts for the project. BEACON's role may evolve into co-project sponsor along with the Santa Barbara Parks Department.
- Staff estimates costs of $115,000 for this project over the next five years with costs of $15,000 anticipated for FY 08/09. (See Exhibit A).

6. Goleta Beach Permeable Pier Beach Stabilization Project.

The Santa Barbara County Park Department is the lead agency on this project. The preferred project is a permeable pier beach stabilization project. The project is in the environmental stage.

- BEACON's involvement over the next five years during the completion of the environmental and design phases and potentially into construction, is assumed to be limited to political and technical support and assistance in fund raising.
- Staff estimates costs of $20,000 for this project over the next five years with costs of $4,000 anticipated for FY 08/09. (See Exhibit A).

7. Surfers Point Managed Shoreline Retreat Project.

The City of Ventura is the lead on this project. The project involves the stabilization and restoration of approximately eighteen hundred feet of beach adjacent to the Ventura Fairgrounds. Preliminary engineering and environmental phases are complete. The design phase is ongoing and is hoped to be completed in 2008. The construction phase will depend on securing additional funding.

- BEACON's role over the next five years is envisioned to be limited to assisting the City of Ventura in fund raising.
- Staff estimates costs of $6,000 for this project over the next five years with costs of $3,000 anticipated for FY 08/09. (See Exhibit A).

8. Carpinteria Shoreline Project.

The US Corps of Engineers (USCOE) is the lead agency on this project with the City of Carpinteria as the local sponsor. The coastal processes portion of the project has been completed by the US Geologic Survey (USGS). The USCOE will next determine the benefit/cost ratio of project options. Following findings of a favorable benefit/cost ratio, the USCOE will begin the preliminary engineering and environmental phases followed by design/permitting and construction phases.

- BEACON's role over the next five years is envisioned to be limited to assisting the City of Carpinteria in fund raising.
- Staff estimates costs of $10,000 for this project over the next five years with costs of $2,000 anticipated for FY 08/09. (See Exhibit A).

EXPENDITURES

Current BEACON Expenditures –

BEACON operating budget for FY 07/08 consists of the following expenses:

General Overhead (including all non-project specific services)			
	Budgeted	Anticipated	
Insurance premiums	$5,000	$5,000	
Membership dues (Cal Coast)	$2,000	$2,000	
Miscellaneous payments/public education + travel	$3,500	$0	
Miscellaneous office expenses/public relations	$1,000	$0	
Specific office expenses (website, telephone)	$5,000	$3,000	
Board member fees + expenses	$1,500	$0	
Administrative services	$5,000	$0	
Accounting services (Ventura County)	$26,000	$26,000	
Attorney Services (Kevin Ready - County of Santa Barbara)	$12,000	$12,000	
Annual audit services (Lutz & Associates)	$3,500	$3,500	
Lobbyist services (Marlowe & Company)	$10,000	$10,000	
Project Staff	$1,500	$0	
Non project specific Technical Advisor	$5,000	$5,000	
Non project specific Program Manager	$10,000	$10,000	
S/T General overhead			**$76,500**

Project Specific Technical Services

Technical Advisor (Jim Bailard - Sedcontech)	$5,000		
Program Manager (Gerald Comati - COM3 Consulting)	$15,000		
S/T Technical Services			$20,000

Total Current Expenses	**$96,500**

A portion of the Project Specific costs incurred by both the Program Manager and Technical Advisor are reimbursable through on-going project specific grants. The total anticipated budget for FY 0708 is $96,500 of which approximately $10,000 will be reimbursable through project specific grants, leaving approximately $86,500 to be funded through BEACON dues. Since current dues are only $72,000, the balance is funded through available carry-over budget from the previous fiscal year.

In addition, $76,500 of the total anticipated FY 07/08 budget of $96,500 represents BEACON Overhead, which are costs that can only be paid from the BEACON General Fund. For purposes of expenditure projections, the overhead costs are assumed to increase at a rate of 3.5 % each year.

Potential BEACON Expenditures -

There are other potential expenditures that BEACON can expect in the future. Most significant is compensation for an Executive Director. Currently, BEACON Board member Councilman Brian Brennan serves as a volunteer Executive Director. The Executive Director's time can also contribute to project specific functions. In addition, staff has recommended the services of a BEACON Grant Writer to assist the BEACON Team in securing State and Federal grants.

Five Year Projected Costs -

Exhibit A is a table that shows expenditure projections for BEACON over the next five years. Assuming BEACON's more active involvement in its Prioritized Projects, it can be seen from Exhibit A that compared to the current fiscal year anticipated budget (FY 07/08), there are two areas where we are projecting considerable increases in expenditures. These are:

- Project Specific Costs.
- Non-Project Specific Efforts of a Reimbursed Executive Director.

It should be noted that the projected increase in Project Specific Costs are relatively conservative in terms of level. The intent is not for BEACON to become the lead agency on every beach project, rather to assist and coordinate with the local agency sponsors and help them deliver the projects. Some projects, where BEACON is the lead, will of course require greater involvement by BEACON.

REVENUES

Current BEACON Dues –

The current BEACON dues are collected annually and have been at the $72,000 level since Fiscal Year 2001/2002. Prior to the FY 2001/2002 increase, the total dues were $52,000 (excluding City of Goleta which was not yet formed).

The make up of the current dues are as following:

Jurisdiction	Annual Dues
Santa Barbara County	$12,000
Ventura County	$12,000
City of Goleta	$6,000
City of Santa Barbara	$10,000
City of Carpinteria	$6,000
City of Ventura	$10,000
City of Oxnard	$10,000
City of Port Hueneme	$6,000
Total	**$72,000**

An increase in the BEACON Dues of 50% would look like:

Jurisdiction	Annual Dues
Santa Barbara County	$18,000
Ventura County	$18,000
City of Goleta	$9,000
City of Santa Barbara	$15,000
City of Carpinteria	$9,000
City of Ventura	$15,000
City of Oxnard	$15,000
City of Port Hueneme	$9,000
Total	**$108,000**

An increase in the BEACON Dues of 100% (doubling) would look like:

Jurisdiction	Annual Dues
Santa Barbara County	$24,000
Ventura County	$24,000
City of Goleta	$12,000
City of Santa Barbara	$20,000
City of Carpinteria	$12,000
City of Ventura	$20,000
City of Oxnard	$20,000
City of Port Hueneme	$12,000
Total	**$144,000**

Assessment Of Additional Revenue Options -

A number of additional revenue options have been suggested to supplement the BEACON dues. These options are evaluated below in a matrix.

Revenue Options	Public Vote	Process	Provides sufficient revenue for leverage of capital funds	Ease of Use	Comments
Raises Annual Dues from local agencies	No.	Approval by BEACON Board of Directors. Each Director would have to secure the blessing of their respective Council or Board.	Probably not - this does depend on extent of additional dues. But assuming a doubling of the dues, it would not be sufficient to contribute to capital costs.	Additional dues would go directly into the BEACON General Fund for use on any project or for any overhead item.	Without question, some level of dues increase is required. However, this alone will not solve BEACON's revenue challenges if we want to pursue an enhanced level of involvement in coastal projects.
Increase Bed Tax for Local jurisdictions	Yes.	Each local agency would have to put a bed tax increase on the ballot for public vote.	Yes.	Use of Bed Tax funds may be complicated since there will be an expectation that tax revenue generated within a specific jurisdiction should be spent in that jurisdiction. In addition, some jurisdictions may be successful in approving the bed tax and others may not.	Politically, this option may receive considerable objections from the hospitality industry.
Bond Measure	Yes.	A bond measure could have many structures. The simplest would be a single bi-County Bond Measure. Other variations include two separate bond measures one for each county, City level bond measures or even project specific bonds are also a possibility. Whatever the structure, a private campaign(s) effort would have to be initiated to market the bond measure(s).	Yes.	Assuming that the bond measure(s) will be at a county level rather than a city level, it should be relatively easy to utilize the bond funds as required on specific projects and for BEACON Overhead.	The biggest drawback of bonds is debt services. This appears to be a fatal flaw unless the bonds are balanced with some tax increasing revenue.
Special Assessment on Properties within Coastal Zone.	Yes.	A coastal Assessment District would have to be formed and the tax level established. A sliding tax depending on distance from the coast would be appropriate.	Yes.	Assuming a single Assessment District for the whole of BEACON, utilization of the assessment funds could be applied to specific projects and BEACON overhead.	Development of a comprehensive coastal assessment district may be too much to bite off. It may be more prudent to try multiple smaller assessment districts.
Beach Parking Fees.	No.	The decision to apply beach parking fees or increase existing beach parking fees can me made at the City Council or Board of Supervisors level. Agreements between BEACON and each controlling jurisdiction would have to be approved establishing the percentage of fees that will go to BEACON. This percentage will vary by jurisdiction.	Yes.	Use of parking fees may have the same expectations challenges as with a bed tax. Local jurisdictions may have an expectation that the parking fees revenue generated within their jurisdiction should be spent in that jurisdiction. In addition, some jurisdictions may be implementing parking fees and some may not.	This option seems like a logical first step for BEACON to take. It is logical in that it is a user fee. The biggest challenge will be removing any constraints on the use of the parking fees that BEACON receives.
Special Sales Tax.	Yes.	A Sales Tax Measure would have to be placed on the ballot. A super majority approval is required. A single Measure covering both counties or separate Measures for each County could be done. A private campaign effort would have to be initiated to market the Sales Tax Measure.	Yes.	It would be relatively easy to utilize the sales tax revenues as required on specific projects and for BEACON Overhead.	The biggest challenge of a sales tax Measure is getting the super majority vote. Santa Barbara County has a transportation sales tax. Ventura County has failed a number of times to get a transportation sales tax. It will be tough to get approved.

Based on the summary evaluation of revenue options, serious consideration of any of the options apart from increasing the annual dues, would require a focused study by experts. It is however, the opinion of staff that at this time the Bond Measure and Special Sales Tax options are not viable and should be removed from the list of possibilities.

From a process standpoint, increasing the dues is clearly the easiest way to increase BEACON revenues. The question is how much does one increase?

REVENUE / COST PROJECJTIONS SCENARIOS

Exhibit B shows some cost/revenue evaluation **Scenarios**. Since we do not have revenue projection data for any of the other revenue options, the revenue/cost scenarios shown in Exhibit B only reflect variations in the annual dues. The cost side of the equation for all the scenarios reflects the projected expenditures of a more expansive BEACON.

In the Current Scenario, one can see that in FY 08/09, unless there is an increase in revenue stream, BEACON will have a $75,000 deficit. Even greater deficits are projected for future years. Clearly, under the current scenario, BEACON can not pursue its more expensive involvement in beach projects.

Scenario A, assumes a 50% increase in annual dues, which would bring the annual dues from $72,000 to $108,000. With this scenario a deficit of $39,500 remains for FY 08/09 and greater deficits for future years. The deficit for FY 08/09 could be covered by available budget carry-over from previous budget years. Deficits for FY 09/10 and beyond would have to be covered by other revenue options.

Scenario B, assumes a 100% increase in annual dues or a doubling of the annual dues, which would bring the annual dues from $72,000 to $144,000. With this scenario there is only a small deficit of $3,500 projected for FY 08/09. A $9,000 and a $1,000 deficit are projected respectively for FY 09/10 and FY 10/11. Larger deficits ranging from $20,000 to $30,000 can be expected for FY 011/12 and FY 12/13. It is likely that all the deficits for FY 08/09 through FY 12/13 could be covered by available budget carry-over from previous budget years. In summary, Scenario B comes close to satisfying the expenditure demands of BEACON, at least in the next five years.

Other variables in the revenue/cost scenarios include:

- Reductions in expenditures.
- Increase in extent of project specific grants that can contribute to BEACON management, technical oversight and overhead.

Given that the projected expenditures are conservative, any reductions in the expenditures would amount to the elimination of BEACON involvement in specific projects. Such an action would be counter productive to BEACON's objectives.

Increases in the extent that grant monies can fund BEACON management, technical oversight and overhead will continue to be pursued by staff at every opportunity.

CONCLUSIONS

BEACON was established to ensure the protection and nourishment of the Santa Barbara and Ventura coast line – a charge that is critical to the economic and environmental vitality of this region. BEACON is recognized state wide and nationally as an important player in regional coastal projects. To be most effective, BEACON should extend its sphere of influence to as many coastal projects as possible. To do this, BEACON must secure a larger revenue stream. Many revenue opportunities have been identified, some of which appear to be non-viable. Others require more detailed investigation. Some level of increase of annual member dues is an immediate solution that can be put in place while at the same time, time consuming analyses and implementation of other revenue streams can be developed. The size of the member dues needs to be determined. For perspective, while a 100% increase in dues is significant, the resulting annual dues would remain small in relation to the budgets of other capital programs within BEACON's member agencies. BEACON staff should pursue more grants to fund its projects. In addition, the need for BEACON General Fund revenue can be mitigated by project specific grants when appropriate.

RECOMMENDATIONS

1. Board to consider three scenarios regarding membership dues:

    a. Make no changes to current membership dues and evaluate other revenue options. BEACON would not be able to expand its level of local beach project involvement.
    b. Increase dues by 50% and cover FY 08/09 deficit through available carry-over budget and evaluate/implement other revenue options <u>by FY 09/10</u>. BEACON goes ahead and expands is involvement in local beach projects starting in FY 08/09.
    c. Increase dues by 100% and cover FY 08/09 through FY 12/13 deficits through available carry-over budget and evaluate/implement other revenue options <u>by FY 02/13</u>. BEACON goes ahead and expands is involvement in local beach projects starting in FY 08/09.

2. Secure services of specialized consultant to investigate the viability and process of implementing other revenue options.
3. Staff to secure the services of a grant-writer to assist in pursuing grants to fund specific BEACON beach projects.
4. Staff to continue to lobby for grants to cover BEACON management, technical oversight and overhead as appropriate.