

## CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

### MEMORANDUM

**Date:** June 18, 2015  
**To:** Harbor Commission  
**From:** Scott Riedman, Waterfront Director  
**Subject:** **Director's Report**

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### COUNCIL ACTIONS

On Monday June 1, 2015, the City Council held a special meeting to:

- A. Hear and consider the recommendations of the City Council Finance Committee based on the Committee's review of certain aspects of the Fiscal Year 2016 Recommended Budget;
- B. Approve certain adjustments to the Fiscal Year 2016 Recommended Budget identified by staff as detailed in the Schedule of Staff Recommended Adjustments; and
- C. Provide final direction to staff regarding external funding requests as shown in the Schedule of Funding Requests from Outside Organizations.

The Council did not propose any changes to the Waterfront Department proposed budget. The City Council is scheduled to adopt the Waterfront Department budget along with all City Departments on June 23, 2015. The Citywide operating budget for 2016 is \$292.3 million plus an additional \$106.3 million for capital projects.

### SANTA BARBARA SAILING CLUB

The Santa Barbara Sailing Club leased 8,677 square feet of boat storage space on Harbor Way for \$1,852.30 per month (\$0.19 per square foot). The fenced, paved yard has water and electrical service. The lease expired on May 30, 2015. As discussed at the May 21, 2015 Harbor Commission meeting, the business terms of a prospective new lease (rent, term, etc.) have been agreed upon except for the City's standard insurance requirement.

In 2010, the City's Finance Department / Risk Management Division increased the minimum Commercial General Liability coverage requirement from \$1 million per occurrence to \$2 million per occurrence. After consulting with its insurance provider, the Sailing Club determined that the increase in the annual premium from approximately \$650 to \$1,300 annually is unacceptable and applied for a waiver from Risk Management. The waiver was declined by the Risk Manager on May 27 (letter attached) and the Sailing Club lease cannot be submitted to Council until the required insurance is obtained.

**TENTATIVE AGENDA ITEMS FOR THE JULY MEETING**

- Election of Chairperson and Vice Chairperson
- Commission Committee Assignments

Attachment: May 27, 2015 Risk Manager response to SB Sailing Club



# City of Santa Barbara

Finance Department  
Risk Management

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PO Box 1990  
Santa Barbara, CA  
93102-1990

May 27, 2015

Santa Barbara Sailing Club  
Attn.: Mr. Steve Hendricks, Commodore  
PO Box 1542  
Santa Barbara, CA 93102

RE: Request to Alter the Insurance Requirements

Dear Mr. Hendricks,

The Santa Barbara Sailing Club seeks to renew its lease with the City of Santa Barbara. The City submitted its proposed lease terms to the Santa Barbara Sailing Club. The Santa Barbara Sailing Club sent a letter dated May 14, 2015 to the City requesting that the City alter or change various parts of the lease relating to "Insurance".

After careful review, the City declines the request from the Santa Barbara Sailing Club to change the insurance requirements as described in the proposed lease agreement. The City does offer a compromise. The City will agree to accept the current General Liability insurance policy coverage of \$1 million per occurrence for the duration of the current policy period. The City will postpone the implementation of the \$2 million per occurrence coverage limit for the General Liability policy until the date of the policy renewal for the Santa Barbara Sailing Club.

My research into your request identified several key facts. The current General Liability policy for the Club does cover the use of the dolly to move a boat and trailer from the leased space to the water and back again. The current General Liability policy for the Club does provide coverage for hired and non-owned autos. This means that the current General Liability policy does comply with the lease agreement in the area of Auto Liability coverage.

The standard terms used when the City leases its property to another entity includes a requirement for property insurance and workers' compensation insurance. These sections within the insurance requirements are mandatory in any lease of property from the City. The City is reluctant to remove these items from any lease agreement, especially a lease that covers multiple years. I understand that proposed lease allows the Santa Barbara Sailing Club to use the City's premises for multiple years. Utilizing the entire insurance section in a long term lease provides assurances and protections to both parties over the entire term of the lease.

**Attachment**

The property insurance requirement encompasses coverage for loss or damage to any “tenant improvement” and coverage for “business interruption”. A tenant improvement includes any permanent or temporary improvement placed on the site by the Club. Typical items under this category include a shed, storage container, other temporary or permanent structures erected on site, barbeque or other cooking facilities, etc. The improvements may be small or minor today, but the number or size may change in the coming years. Business interruption ensures that the Club’s monthly rent payment to the City is paid in the event of a loss or damage to the site that renders the site unusable.

The requirement for workers' compensation coverage complies with California law. The Club can satisfy the workers' compensation requirement by submitting the attached form with the insurance certificate each year.

The City looks at several items when evaluating a request to lower or waive the insurance coverage requirement. These items include exposure to loss, claim history, loss control measures implemented, etc. A request based solely on the cost to purchase a specific type or amount of insurance coverage is not a valid reason for the City to approve a request to lower or waive the insurance requirements.

My review of the insurance requirements in the proposed lease renewal for the Santa Barbara Sailing Club indicates that the insurance terms remain unchanged. The exposure to loss at the harbor for this lease operation supports the need for General Liability coverage limits of \$2 million per occurrence.

I encourage you to contact Brian Bosse to complete the lease renewal process.

Please contact me with any questions about the insurance requirements. You can reach me by telephone during business hours at (805) 897-2654.

Respectfully,



Mark W. Howard  
Risk Manager

/s

Attachment Work Comp Certificate of Compliance

c: Brian Bosse, Waterfront Business Manager

**Attachment**