



MEMORANDUM

TO: Board of Commissioners

FROM: Andrea Lueker, Harbor Manager
Heather Zacker, Accountant

DATE: June 28, 2016

SUBJECT: **Public Hearing - Fiscal Year 2016/17 Final Budget: Approve Final Budget; Adopt Resolution 16-07**

Recommendation / Proposed Motion

- Recommendation: Open Public Hearing; Receive Public Comment; Approve Final Budget Fiscal Year 2016/17.
- Motion: Adopt Resolution 16-07 approving the final budget for Fiscal Year 2016/17.

Policy Implications

District Policy 3020 and 3022 provide guidance for development of the annual budget. District policy 3022 establishes Fiscal Goals for the District.

Fiscal Implications / Budget Status

The District's annual budget is the main fiscal planning tool used throughout the year. The consolidated 2016/17 Final Budget includes an increase of \$40,700 in operating reserves and the use of \$345,800 in specified reserves to fund major maintenance, and capital asset purchases and improvements.

Alternatives Considered

The following actions were considered but are not recommended at this time:

- None at this time.

Discussion

The proposed 2016/17 Final Budget for Port San Luis Harbor District is presented for your consideration. This budget is a result of detailed analysis and forecasting techniques which involved active participation of the Harbor Manager, Facilities

Department, Harbor Patrol Department, Business Department, interested members of the community, and the Harbor Commissioners.

The Harbor Commission adopted the Preliminary Budget April 26, 2016 meeting and reviewed the draft Final Budget at the May 24, 2016 meeting. Staff has not made any changes to the 2016/17 Final Budget since the May 24, 2016 meeting but has updated the 2015/16 projections as mentioned in Discussion Item A. These updates to the 2015/16 projections have been incorporated into the budget document.

The Final Budget expenditures exceed revenues by \$305,100. As presented, the District would use \$345,800 in specified reserves and place \$40,700 in operating reserves.

For budget purposes the District differentiates Specified Reserves from Operating Reserves (Unspecified Reserves). Specified Reserves are designated for a particular purpose per board action or by District Ordinance (LCM reserve). The designation of reserves generally occurs in August of each year and is equal to the actual available unused fund balance from the previous fiscal year. The Operating Reserve is not designated for a particular purpose. Per District policy, \$1.3 million of the \$2.1 million available in Operating Reserves should not be appropriated due to District cash flow needs. The other \$.7 million acts as the District's emergency reserve and may be used for such items as stabilization of District staffing during economic downturns and/or revenue stream losses, and one-time unanticipated expenses. Per Budget Preparation Policy 3020, the District has a goal of obtaining an Operating Reserve equal to 50% of operating expenses by 2018/19 fiscal year end. The goal based on the draft final budget is \$2,455,750. The District's projected ending balance on June 30, 2017 is \$1,527,300.

The Fiscal Goals Policy 3022 states "Generate sufficient cash flow from operations and grants to fund capital improvements and infrastructure maintenance." As a basic guideline, the amount should be approximately equal to the capital asset depreciation expense. For Fiscal Year ended June 30, 2015 depreciation expense was \$716,358. The 2016/17 Draft Final Budget includes funding for \$961,000 in Major Maintenance and Capital Projects. If the District is successful in meeting budgeted projections, this goal will be met.

Staff recommends that the Harbor Commission review and adopt the Final Budget for fiscal year 2016/17.

Attachment(s):

1. 2016/17 Final Budget (Proposed)
2. Resolution 16-07
3. Notice of Public Hearing to Adopt Final Budget