



**MEMORANDUM**

**TO:** Board of Commissioners

**FROM:** Kristen Stout, Business Manager  
Heather Zacker, Accountant

**DATE:** June 27, 2017

**SUBJECT:** **Public Hearing - Fiscal Year 2017/18 Final Budget: Approve Final Budget; Adopt Resolution 17-08**

**Recommendation / Proposed Motion**

- Recommendation: Approve Final Budget Fiscal Year 2017/18.
- Motion: Adopt Resolution 17-08 approving the final budget for Fiscal Year 2017/18.

**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 proposed consolidated 2017/18 Final Budget includes the use of \$209,800 in specified reserves to fund major maintenance, and capital asset purchases and improvements. It places \$85,000 into specified reserves and \$83,400 into operating reserves for a total net decrease in reserves of \$41,400.

**Alternatives Considered**

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

- None at this time.

**Discussion**

The proposed 2017/18 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 at the April 25, 2017 Commission meeting. Since the adoption of the Preliminary Budget, Staff has made the following changes to the 2017/18 budget:

1. Removed message board project per Harbor Commission direction at the April 25, 2017 meeting. This resulted in a \$16,000 savings in capital projects. The project was moved to the Unfunded Major Maintenance and Capital Project list on page 58 of the budget document.
2. Added in Supervising Harbor Patrol Officer position as approved at the May 23, 2017 Harbor Commission meeting. This resulted in an \$8,100 increase in budgeted Salaries, Wages and Benefits.
3. Increased utility costs by \$22,500 based on Lopez water invoices received from the County of San Luis Obispo Department of Public Works. The increase in water rates is due to a true-up of prior year operating costs.
4. Increase Harbor Terrace costs and subsequent reserve funding by \$55,900 for management costs approved during the 2015/16 fiscal year. Calculation of this amount follows:

October 2015: Board approved increase in appropriations funded by specified reserves:	\$76,000
Less: 2015/16 expenditures:	(\$5,100)
Less: 2016/17 projected expenditures:	(\$15,000)
<b>Projected remaining balance:</b>	<b>\$55,900</b>

\*Note: the above costs are only in relation to the Management portion of the Harbor Terrace budget. The District had an additional \$30,000 budgeted for other costs related to the project in 2015/16 and 2016/17. The 2017/18 draft final budget includes an additional \$30,000 as well.

5. Other miscellaneous updates including:
  - a. Updates to the Priorities and Issues pursuant to Board discussion at the May 24, 2017 Harbor Commission meeting.
  - b. Updates to 2016/17 projections in accordance with 2016/17 Budget Transfers staff report (See Discussion Item A).
  - c. Updates to fund allocations.

A summary of the effect of the proposed changes can be found in Attachment 2.

The draft Final Budget expenditures exceed revenues by \$41,400. As presented, the Final Budget includes the use of \$209,800 in specified reserves to fund major maintenance, and capital asset purchases and improvements. It places \$85,000 into specified reserves and \$83,400 into operating reserves for a total net decrease in reserves of \$41,400.

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 \$2,342,100. The District's projected ending balance on June 30, 2018 is \$1,634,600.

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, 2016 depreciation expense was \$688,800. The 2017/18 Draft Final Budget includes funding for \$1,837,900 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 2017/18.

Attachment(s):

1. Resolution 17-08 2017/18
2. Reconciliation of Preliminary Budget to (Proposed) Final Budget
3. Notice of Public Hearing to Adopt Final Budget
4. Final Budget (Proposed)