



**MEMORANDUM**

**TO:** Board of Commissioners

**FROM:** Andrea K. Lueker, Harbor Manager  
Kristen Stout, Business Manager

**DATE:** June 26, 2018

**SUBJECT:** **Public Hearing - Fiscal Year 2018/19 Final Budget: Approve Final Budget; Adopt Resolution 18-11**

**Recommendation / Proposed Motion**

- Recommendation: Approve Final Budget Fiscal Year 2018/19.
- Motion: Adopt Resolution 18-11 approving the final budget for Fiscal Year 2018/19.

**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 in the main fiscal planning tool used throughout the year. The proposed consolidated 2018/19 Final Budget includes the use of \$303,600 in specified reserves to fund major maintenance, and capital asset purchases and improvements. It places \$93,900 in operating reserves, with a total net decrease in reserves of \$209,700.

**Alternatives Considered**

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

- None at this time.

**Discussion**

The proposed 2018/19 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 24, 2018 Commission Meeting. Since the adoption of the Preliminary Budget, Staff has made the following changes to the 2018/19 Budget.

1. Added \$35,000 to the Avila Pier Rehabilitation Project, for a budgeted total of \$50,000.
2. Added in Coastal Conservancy payment for Harbor Terrace Project. (\$25,000 increase in General & Administrative costs.)
3. Removed Lifeguard Towers from budget. (\$15,000 decrease in capital projects cost.)
4. Removed Underground Storage Tank Replacement. (\$45,000 decrease in capital projects cost.)
5. Other miscellaneous updates including:
  - a. Updates to the 2017/18 projections in accordance with 2017/18 Budget Transfers staff report (See Discussion Item A).
  - b. Updates to Major Maintenance and Capital Projects descriptions.

Staff provided additional information to the Finance Committee on June 13, 2018 regarding the Harbor Patrol Landing, Harbor Patrol Vessels and the Crane-Pile Driver. These items were discussed and remain in the Proposed Final Budget.

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

The draft Final Budget expenditures exceed revenues by \$209,700. As presented, the Final Budget includes the use of \$303,600 in specified reserves to fund major maintenance and capital asset purchases and improvements. It places \$93,900 into 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 the operating expenses by 2018/2019 fiscal year end. The goal based on the draft Final Budget is \$2,268,200. The District's projected ending balance on June 30, 2019 is \$1,223,160.

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, 2017 depreciation expense was \$443,039. The 2018/19 Draft Final Budget includes funding for \$2,384,000 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 2018/19.

Attachment(s): 1. Resolution 18-11  
2. Reconciliation of Preliminary Budget to (Proposed) Final Budget  
3. Notice of Public Hearing to Adopt Final Budget  
4. Final Budget (Proposed)