



STAFF REPORT

TO: Board of Commissioners

FROM: Andrea K. Lueker, Harbor Manager
Kristen Stout, Business Manager
Linda Hendy, Accountant

DATE: June 25, 2019

SUBJECT: **Public Hearing – Fiscal Year 2019/20 Final Budget; Approve Final Budget; Adopt Resolution 19-09**

Recommendation / Proposed Motion

- Recommendation: Approve Final Budget Fiscal Year 2019/20.
- Motion: Adopt Resolution 19-09 approving the final budget for Fiscal Year 2019/20.

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 2019/20 Final Budget includes the use of \$736,500 in specified reserves to fund major maintenance and capital asset purchases and improvements. It places \$150,000 in specified reserves and \$300 in operating reserves, with a total net decrease in reserves of \$586,200.

Alternatives Considered

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

- None at this time.

Discussion

The proposed 2019/20 Final Budget for Port San Luis Harbor District is presented for Board 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 May 28, 2019, Harbor Commission meeting. Since the adoption of the Preliminary Budget, staff has made the following changes to the 2019/20 Budget.

1. Decreased \$274,700 in operating reserves to fund Major Maintenance and Capital Asset Purchases and Improvements and increased spending of reserves by \$232,500, for a total of \$736,500 in specified reserves for funding of the approved projects.
2. Other miscellaneous updates include:
 - a. Updates to Major Maintenance and Capital Projects descriptions.
 - b. The addition of the Pension Liability Specified Reserve and abolishing the TRAN Specified Reserve (as approved at the June 3, 2019, Special Harbor Commission Meeting).
 - c. Updates to the 2018/19 projections in accordance with 2018/19 Budget Transfers staff report (see Discussion Item A).

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

As presented, the Final Budget includes the use of \$736,500 in specified reserves to fund major maintenance and capital asset purchases and improvements. It places \$300 in operating reserves and \$150,000 in unspecified 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 year. The Operating Reserve is not designated for a particular purpose. Per District policy, \$1.3 million of the \$2.6 million available in Operating Reserves should not be appropriated due to District cash flow needs. The other \$1.3 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 2018/19 fiscal year. The goal based on the draft Final Budget is \$2,836,200. The District's projected ending balance on June 30, 2020, is \$3,383,913.

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, 2018, depreciation expense was \$622,105. The 2019/20 draft Final Budget includes funding for \$3,128,300 in Major Maintenance and Capital Projects. If the District is successful in meeting budgeted projections, this goal will be met.

Staff recommends the Harbor Commission review and adopt the Final Budget for fiscal year 2019/20.

Attachment(s): 1. Resolution 19-09
2. Reconciliation of Preliminary Budget to (Proposed) Final Budget
3. Notice of Public Hearing to Adopt Final Budget
4. Final Budget (Proposed)