



STAFF REPORT

TO: Board of Commissioners

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

DATE: June 23, 2020

SUBJECT: **Public Hearing – Fiscal Year 2020/21 Final Budget; Approve Final Budget; Adopt Resolution 20-15**

Recommendation / Proposed Motion

- Recommendation: Approve Final Budget Fiscal Year 2020/21
- Motion: Adopt Resolution 20-15 approving the final budget for Fiscal Year 2020/21.

Policy Implications

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

District Major Objective/Goal

Objective #1 – Sustain and enhance Harbor's finances
Objective #2 – Maintain and enhance a boater-friendly atmosphere
Objective #3 – Keep Harford Pier open and optimize use

Fiscal Implications / Budget Status

The District's annual budget is the main fiscal planning tool used throughout the year. This is a draft of the 2020/21 budget which uses \$788,539 reserves to fund major maintenance, capital asset purchases and improvements. The \$788,539 is a combination of operating reserves (monies that are not specified for a particular project) of \$276,187 and \$512,352 specified reserves (monies that are reserved and can only be spent for a specific project or program).

Alternatives Considered

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

- None at this time.

Discussion

The proposed 2020/21 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.

On March 12, 2020 and May 14, 2020, the Harbor Commission participated in Workshops to review and discuss the proposed Major Maintenance and Capital Projects & Asset Replacement plan/projects. The Harbor Commission provided their input and feedback regarding the proposed projects. Based upon the direction given by the Board, staff were able to complete the Preliminary Budget.

The Harbor Commission adopted the Preliminary Budget at the May 26, 2020 Harbor Commission meeting. Since the adoption of the Preliminary Budget, staff has made the following changes to the 2020/21 Budget.

1. Addition of Harford Pier Site Plan
 - a. \$50,000 operating reserves
 - b. This project was approved in FY19/20; however, the issued Request for Proposals closes on June 29, 2020, which will require for funding for this project to continue in the 2020/21 Budget.
2. Other miscellaneous updates including:
 - a. Update on page 11 to include additional information in the Investment Resources, regarding the District's investments in LAIF (Local Agency Investment Fund).
 - b. Moved the Avila Pier Rehabilitation Project from the Major Maintenance category to Capital Projects. Increased budget to \$1,310,000 to reflect grant award of \$1,250,000.
 - c. Decreased Travel, Meals, and Lodging by \$10,000.
 - d. Increased Unemployment Self-Insurance by \$10,000 to reflect the increase in unemployment claims due to the COVID-19 pandemic. To date, the District has received three unemployment claims, related to the COVID-19 pandemic.
3. Updated Department Summary pages with wages, benefits & payroll taxes and contract labor 2018/19 thru 2020/21.

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

As presented, the Final Budget includes the use of \$512,352 in specified reserves to fund major maintenance and capital asset purchases and improvements.

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 estimated 2020/21 \$2,917,079 available in Operating Reserves should not be appropriated due to District cash flow needs. The remaining \$1.6 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 costs.

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, 2019 depreciation expense was \$533,700. The 2020/21 draft Final Budget includes funding for \$4,055,300 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 2020/21.

Attachment(s):

1. Resolution 20-15
2. Reconciliation of Preliminary Budget to (Proposed) Final Budget
3. Notice of Public Hearing to Adopt Final Budget
4. Final Budget (Proposed)