



## **STAFF REPORT**

**TO:** Board of Commissioners

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

**DATE:** June 29, 2021

**SUBJECT:** **Public Hearing – Fiscal Year 2021/22 Final Budget; Approve Final Budget; Adopt Resolution 21-11**

### **Recommendation / Proposed Motion**

- **Recommendation:** Approve Final Budget Fiscal Year 2021/22.
- **Motion:** Adopt Resolution 21-11 approving the final budget for Fiscal Year 2021/22.

### **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 2021/22 budget which uses \$710,650 of reserves to fund major maintenance, capital asset purchases and improvements. The \$710,650 is a combination of operating reserves (monies that are not specified for a particular project) in the amount of \$50,650 and \$660,000 from 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 2021/22 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 18<sup>th</sup>, May 6<sup>th</sup>, and May 25, 2021, the Harbor Commission participated in Workshops, Special Meetings, and a Harbor Commission meeting 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 28, 2021, Harbor Commission Special Meeting. At the May 28, 2021, Harbor Commission Special Board Meeting, staff received direction from the Board of Commissioners and has made the following updates to the 2021/22 Proposed Final Budget.

### **1. Reduction to Sewer Treatment Plant Budget**

- a. Reduce operating reserves by \$75,000.
- b. The Avila Beach Community Service District has confirmed the capital improvement expenditures for the wastewater treatment plant upgrade will begin in fiscal year 2022/23, which reflects a reduction to the Preliminary Budget amount of \$150,000. The remaining project cost of \$75,000 will cover the District's 35% share of cost of routine maintenance for the wastewater treatment plant for fiscal year 2021/22.

### **2. Reduction to Harford Pier Survey Budget**

- a. Reduce operating reserve by \$30,000.
- b. Conduct above ground survey during fiscal year 2021/22 and defer continuation of survey of remaining piles to 2022/23.

### **3. Secure Grant for Security Camera**

- a. Keep original asset purchase cost of \$15,000.
- b. Reduce \$5,000 operating reserve, increase grant income \$5,000.
- c. Re-submit grant application to CCJCFCLC in March 2022.

### **4. Defer: Coastal Gateway HVAC**

- a. Reduce \$7,600 operating reserves and \$17,400 specified reserves.
- b. Defer asset purchase to 2022-23 fiscal year budget.

### **5. Reduction to Master Plan Request for Proposal Consultant Budget**

- a. Reduce operating reserves by \$30,000.
- b. Hiring of a consultant to aid in the development of a Request for Proposal to begin the process of a new District Master Plan with staff project assistance.

### **6. Defer: Vehicle Replacement**

- a. Reduce \$45,000 from operating reserves.
- b. Defer asset purchase to 2022-23 fiscal year budget.

### **7. Updated Department Summary pages with new GFOA requirements and wages, benefits & payroll taxes, and contract labor 2019/21 thru 2021/22.**

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

As presented, the Final Budget includes the use of \$660,000 in specified reserves and \$50,650 in operating 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 2021/22 \$2,590,593 is available in Operating Reserves and should not be appropriated due to District cash flow needs. The remaining \$1,290,593 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, 2020, the depreciation expense was \$490,083. The 2021/22 draft Final Budget includes funding for \$4,834,906 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 2021/22.

Attachment(s):

1. Resolution 21-11
2. Reconciliation of Preliminary Budget to (Proposed) Final Budget
3. Notice of Public Hearing to Adopt Final Budget
4. Final Budget (Proposed)