



STAFF REPORT

TO: Board of Commissioners

FROM: Suzy Watkins, Harbor Director
Linda Hendy, Accountant

DATE: June 28, 2022

SUBJECT: **Public Hearing – Fiscal Year 2022/23 Final Budget; Approve Final Budget; Adopt Resolution 22-12**

Recommendation / Proposed Motion

- Recommendation: Approve Final Budget Fiscal Year 2022/23
- Motion: Adopt Resolution 22-12 approving the final budget for Fiscal Year 2022/23

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 2022/23 budget, which uses \$976,937 of reserves to fund major maintenance, capital asset purchases, capital improvements, and 2023 election cost. The \$976,937 is a combination of operating reserves (monies that are not specified for a particular project) in the amount of \$295,537 and \$681,400 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 2022/23 Final Budget for Port San Luis Harbor District is presented for your consideration.

On April 14 and May 24, 2022, the Harbor Commission participated in a Workshop and the Harbor Commission Regular Board Meeting to review and discuss the proposed Major Maintenance and Capital Projects and Asset Replacement plan/projects. The Harbor Commission provided their input and feedback regarding the proposed projects. Based on the direction given by the Board, the staff was able to complete the Preliminary Budget.

The Harbor Commission adopted the Preliminary Budget on May 24, 2022. The Harbor Commission also approved the acceptance of a grant from the State Lands Commission for Covid-19 Mitigation Port Funding. Two Capital Projects identified in the approved Preliminary Budget were grant funded in the amount of \$353,639 and have been included in the proposed 2022/23 Final Budget. Following is an update to the Proposed Final Budget:

1. Underground Storage Tank Replacement
 - a. Reduce operating reserves use by \$338,639
 - b. Increase grant revenue by \$338,639

2. Vehicle Replacement Program – Harbor Patrol
 - a. Reduce operating reserve use by \$15,000
 - b. Increase grant revenue by \$15,000

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

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 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 2022/23 \$2,068,035 is available in Operating Reserves and should not be appropriated due to District cash flow needs. The remaining \$768,035 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, 2021, the depreciation expense was \$490,083. The 2021/22 draft Final Budget includes funding for \$4,155,100 in Major Maintenance, Capital Projects, and Capital Asset Purchases. 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 2022/23.

Attachment(s):

1. Resolution 22-12
2. Reconciliation of Preliminary Budget to (Proposed) Final Budget
3. Notice of Public Hearing to Adopt Final Budget
4. Final Budget (Proposed)