



MEMORANDUM

TO: Board of Commissioners

FROM: Steve McGrath, Harbor Manager
Julie van Hoff, Business Manager
Heather Zacker, Accountant

DATE: June 26, 2012

SUBJECT: **Fiscal Year 2012/13 Final Budget – Adopt Final Budget**

Recommendation/Proposed Motion

- Recommendation: Approve the Final Operating & Capital Projects Budget for Fiscal Year 2012/13 provided as Exhibit 1 and Staffing Authorization as Exhibit 4.
- Recommendation: Direct staff and Finance Committee to continue efforts to balance on-going revenue sources with expenditures.
- Motion: Adopt Resolution 12-12 approving the Final Budget for Fiscal Year 2012/13.

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

The District's annual budget is the main fiscal planning tool used throughout the year. The proposed Final Budget for Fiscal Year 2012/13 uses \$185,000 in prior year specified reserves and \$21,000 in prior year operating reserves (unreserved-undesignated fund balance) to balance the budget.

Alternatives Considered

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

- None at this time.

Discussion

On April 24, 2012 the Board was presented with a Preliminary Budget. The adopted Preliminary Budget showed expenditures exceeding revenues by \$193,700. This shortfall was funded by \$185,000 in specified reserves and \$8,700 in operating reserves.

The following summarizes the changes between the proposed Final Budget and the 2012/13 Preliminary Budget.

1. Diesel revenue has been decreased by \$7,500 based on the discussion at the April Harbor Commission meeting. The final budget assumes that District patrons will receive a \$0.34 discount on the \$0.69 diesel mark-up. The Preliminary Budget assumed a \$0.10 discount for District patrons.
2. Salaries/Wages/Benefits have been increased due to the receipt of more accurate information such as retirements, rate increases, CPI rates and published 2013 health premium rates. The Preliminary Budget assumed an estimated 3% inflation on premiums; however rates published on June 13th revealed an increase of 9.6%. The combined net effect of this information is an increase of \$14,000 or 0.5% over the Preliminary Budget.
3. Utilities have been decreased. Staff received the confirmed cost of Lopez water for Fiscal Year 2012/13. This item will not incur the 3% increase that staff originally estimated and has resulted in a \$9,100 savings.
4. The Budget Contingency (budgeted with General & Administrative expenses) has been decreased \$100 due to the decreased diesel revenue.
5. Major Maintenance and Capital Project Outlay have been adjusted to reflect the grants received from the Joint Cable Fisheries and the Department of Boating and Waterway. The net effect to the budget is \$0 because the cost of these projects is 100% funded by the grants.

There are a number of items that remain unknown and may impact 2012/13 spending/savings.

1. Avila Beach Community Services District: Staff has not received the 2012/13 budget for the Sewer Treatment Plant capital projects. The budget includes a rough estimate based on prior year costs of \$50,000.
2. Redevelopment Fees: The dissolution of the Redevelopment Agencies is not expected to have a material impact on the 2012/13 budget. The budget currently includes \$54,000 in redevelopment fees.
3. San Luis Trailer Park: If the Harbor Commission approves the relocation of the trailer park tenants, additional spending of the District's operating reserve will be required. This is estimated at \$152,761.

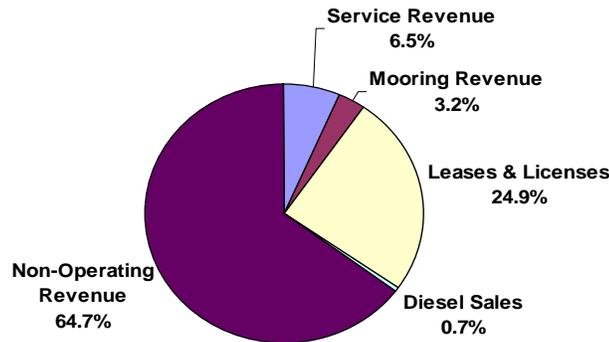
Following is a brief introduction to the final budget which is presented at the consolidated level, enterprise fund level (business-like activities) and general fund level.

Summary:

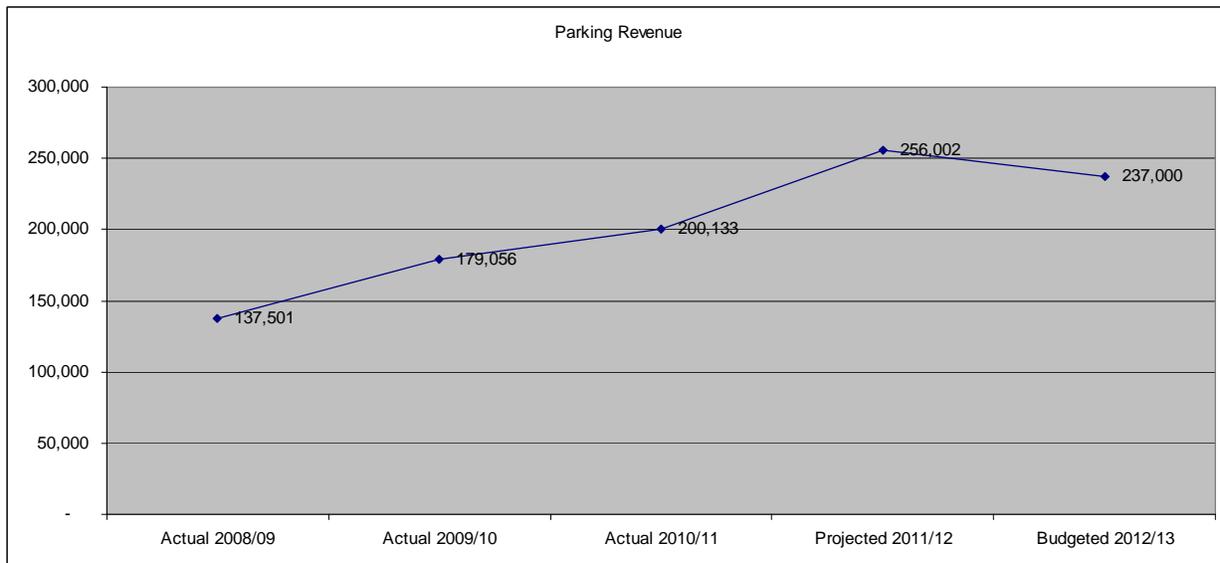
In summary, the final proposed 2012/13 budget has expenditures exceeding revenues by \$206,000. This is funded by \$185,000 in prior year specified reserves (lines 15, 20 and 23 on Exhibit 1) and \$21,000 in prior year operating reserves.

REVENUE ANALYSIS

The final 2012/13 budget presents revenues of \$4,203,200 which are \$17,600 below current year projections of \$4,220,800 or a 0.4% decrease. The following chart identifies the percentage of budgeted revenue for each major category of revenue.



Total Service Revenue, which primarily consists of Avila Parking revenue, is budgeted at \$274,400, a \$2,100 or 0.8% decrease from the current year projections. Budgeted parking revenue has been decreased from current year projections to account for the possibility of poor weather next fiscal year offset by a reduction in the parking discount after 4 pm from \$4 to \$2. The preliminary budget includes \$15,000 for Harford Pier parking revenue. The following chart shows the growth of Avila parking revenue since 2008/09.



Mooring revenue is budgeted to be on track with current year projections.

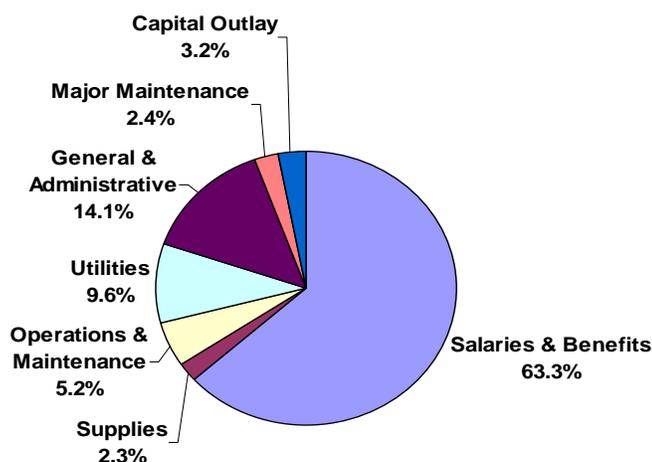
Lease & License revenue is budgeted at \$16,700 or 1.6% less than current year projections. RV revenue has been decreased from current year projections to account for the possibility of poor weather next fiscal year.

Per the discussion at the Harbor Commission meeting on April 24th, diesel revenue has been increased to cover the direct costs of providing the service. District patrons will receive a \$0.34 discount on the mark-up.

Non-Operating Revenue includes budgeted property tax revenue of \$2,700,000, interest income of \$18,000 and finance charge income of \$2,000. Total non-operating revenue is expected to be slightly below current year projections by \$4,800 or 0.2%.

OPERATING EXPENDITURE ANALYSIS

Expenditures (*net of grant revenues and use of prior year reserves*) for the 2012/13 final budget are expected to be \$4,224,200 (line 16 plus line 24 on Exhibit 1) as compared to current year projections of \$4,257,500 or a 0.8% decrease. The following is a graph depicting the percentage of funds spent on each major category of expenditure.



Salaries/Wages and Benefits are budgeted to decrease approximately \$54,200 or 2.0% from current year projections. The budget assumes that one vacant Harbor Patrol position and one soon to be vacant Maintenance position not be filled for budget year 2012/13 and includes annual cost of living and equity adjustments per the memoranda of understanding between the District and bargaining units, and managers' employment contracts.

Supplies are budgeted to increase by \$4,000 or 4.2%. This is largely due to the budgeted purchase of a dewatering pump.

Operations & Maintenance costs are expected to increase by \$19,000 or 9.6% over current year projections. Additional budgeted expenses include the purchase of a new webcam, EPIRB's (emergency position-indicating radio beacons) for Boats 1 & 2, backhoe maintenance, bathymetry and pier restriping.

Utilities are budgeted to be \$4,700 below current year projections primarily due to a reduction in Lopez water rates.

General and Administrative expenditures including the budget contingency are budgeted to exceed current year projections by \$68,000 or 12.9%. The increase is due to election expenditures offset by prior year reserve use of \$30,000 and a decrease in budgeted bad debt due to the current year write off of the diesel line grant receivable and an allowance for other uncollectible accounts.

Major maintenance and capital expenditures (net of grants and prior year reserve funding) are budgeted at \$234,600, 21.8% or \$65,400 below current year projections. Maintenance costs are rising as current assets age. Concurrently, capital projects and asset replacements are becoming crucial to mitigate the risks of future potential liabilities. “Today’s deferred maintenance is tomorrow’s capital expense.”

Enterprise Fund Budget (Exhibit 1 yellow paper)

The proposed Preliminary Enterprise Fund Budget includes \$1,491,500 in revenues which is a 0.8% decrease below current year projections of \$1,504,200; and \$1,439,500 (line 16 plus line 24) in expenditures (net of grants and prior year reserve spending) which is a 1.7% decrease from current year projections of \$1,463,100. Budgeted revenues are \$52,000 over budgeted expenses. Specified reserve usage is expected to be \$77,750 (lines 15, 20 and 23).

General Fund Budget (Exhibit 1 green paper)

The proposed Preliminary General Fund Budget includes \$2,711,700 in revenues which is a 0.2% decrease from current year projections of \$2,716,600; and \$2,784,700 (line 16 plus line 24) in expenditures (net of grants and prior year reserve spending) which is a 0.3% decrease from current year projections of \$2,794,500. Budgeted expenditures are \$73,000 over budgeted revenue. The Preliminary General Fund Budget is balanced using operating reserves of \$73,000 and specified reserves of \$107,250 (lines 15, 20 and 23).

Conclusion

This final budget adds nothing to District reserves, reduces specified reserves by \$185,000 or 35.3%, and reduces operating reserves by \$21,000 or 1.0%.

Staff recommends the approval and adoption of the Final Operating & Capital Projects Budget for Fiscal Year 2012/13 provided as Exhibit 1 and Staffing Authorization as provided as Exhibit 4.

Staff recommends that on-going efforts to identify expenditure reduction opportunities and revenue enhancements continue, with input from the Finance Committee and Harbor Commission.

- Attachment(s):
1. 2012/13 Final Consolidated Budget Exhibit 1
2012/13 Final Enterprise Fund Budget Exhibit 1 (yellow paper)
2012/13 Final General Fund Budget Exhibit 1 (green paper)
 2. Major Maintenance, Capital Projects and One-time Other than Annual Costs Exhibits 2A, 2B and 2C
 3. Specified Reserve Funding and Use Exhibit 3
 4. Staff Authorization Exhibit 4
 5. 12-12 Resolution to Adopt Final Budget