



STAFF REPORT

TO: Board of Commissioners
FROM: Suzy Watkins, Harbor Director
DATE: February 28, 2023
SUBJECT: **Fiscal Year 2023-24 Budget: Review Policies and Calendar**

Recommendation / Proposed Motion

- **Recommendation #1:** Review and approve updates to Budget Policies and Procedures as shown on Attachments 1 & 2.
- **Recommendation 2:** Review and approve Budget Calendar for Fiscal Year 2023-24 as shown on Attachment 3.
- **Motion:** Move to approve District Staff's recommendations.

Policy Implications

Policies 3020 and 3022 provide guidance for development of the annual budget. Section 6093 of the California Harbors & Navigation Code provides legal deadlines for public hearings and submissions.

District Major Objective/Goal

None

Fiscal Implications / Budget Status

None at this time.

Alternatives Considered

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

- None at this time.

Discussion

The District's budget is the key financial planning tool for the Harbor District. The purpose of this discussion is to seek the Harbor Commission's input at this initial stage of the 2023-24 budget development.

The policies guiding budget development have been updated to reflect the current budget process as well as the current District format. Those revisions are presented in redline and clean versions for reference.

Staff has developed a Fiscal Year 2023-24 Budget Calendar shown in Attachment 3, which is in conformance with Section 6093 of the California Harbors & Navigation Code.

The FY23-24 Budget Calendar schedule of dates is as follows:

- 4/13/23: Major Maintenance & Capital Projects Workshop
- 5/11/23: Preliminary Budget Workshop
- 5/23/23: Budget Presentation & Adoption of Preliminary Budget
- 6/27/23: Final Budget Review & Adoption of FY23-24 Budget

Staff recommends the approval of the Fiscal Year 2023-24 Budget Calendar.

Attachment(s): 1. Policy 3020 Budget Preparation (Redline and Clean)
2. Policy 3022 Fiscal Goals (Redline and Clean)
3. Fiscal Year 2023-24 Budget Calendar

PORT SAN LUIS HARBOR DISTRICT POLICY HANDBOOK

POLICY TITLE: Budget Preparation
POLICY NUMBER: 3020
Originally Adopted: ~~February 24, 2009~~ October 2001
Reconfirmed: ~~March 29, 2011, February 25, 2014~~ Revised: March 2011,
February 2014, _____ February 28, 2023
Reviewed: February 28, 2023

3020.10 The Harbor ~~Manager~~ Director shall prepare an annual budget proposal with assistance by the Department Heads.

3020.20 The 1st draft of the proposed budget shall be reviewed by the Board at ~~its workshops regular meeting~~ beginning in ~~March~~ April of each year.

3020.30 The Preliminary Budget shall be adopted by the Board of Commissioners prior to June 15th of each year in accordance with Harbors and Navigation Code paragraph 6093.

3020.40 The proposed draft annual budget as amended by the Board during its review shall be adopted at its regular meeting before June 30th of each year.

3020.50 The Harbor District is encouraged to follow the procedures and guidelines as shown on Exhibit A on the following page, which may be amended during the budget review cycle.

PORT SAN LUIS HARBOR DISTRICT
BUDGET PROCEDURES AND GUIDELINES

Exhibit A

PROCEDURES

1. In February, the Board of Commissioners reaffirms these procedures and policies by adoption for next fiscal year's budget (beginning on July 1st of each year). Overall review and presentation of the current year's budget performance shall take place at this time. Commission will set overall goals and priorities for the Harbor District with emphasis on the capital and special project budgets.
2. In ~~March~~ April, the Board of Commissioners begins reviews of the first draft of next year's budget.
3. In ~~April~~ May, the Board of Commissioners adopts the **Preliminary** Budget for the next Fiscal Year. After adoption of the Preliminary Budget, a public notice shall be published pursuant to Section 6061 of the Government Code stating the adoption of the Preliminary Budget (Harbor and Navigation Code 6093 et seq.).
4. In ~~May~~ June, the Board of Commissioners will hear staff and public input on the adopted Preliminary Budget.
5. In June, the Board of Commissioners adopts the **Final** Budget for next Fiscal Year. Members of the public will be heard regarding their input into the setting of the final Budget.
6. The Final Budget shall be reported to the San Luis Obispo County Board of Supervisors, County ~~Auditor~~ Auditor-Controller, Secretary to the Board of Supervisors and the Chief Administrative Officer of the County before July 31st of each year (Harbor and Navigation Code 6093).

GUIDELINES

1. **Tax Revenues**: Account for all property tax revenue to support general fund activities. Continue with the District's accounting function of splitting the Port into two separate entities; one entity is enterprise, fee for service, operations and property (lease/license), and the other entity is general fund tax funded services. Commission approval is required to transfer (loan) tax revenues to the enterprise fund to balance the budget.
2. **Interest Income**: Interest income will be allocated to each fund based on the average investment balance in each fund.
3. **Augment Specified Reserves**: Annually budget funds to augment reserve levels for capital projects, capital equipment purchases, smoothing reserves (i.e. election cost funding), and other post employment benefits (OPEB).

4. **Operating Reserve Level:** Maintain an operating reserve level of at least \$1,300,000 to ensure sufficient cash flow needs are met. Annually augment operating reserve levels to reach a goal of 50% of expenditures (excluding capital outlay) by 2018/19 fiscal year end.
5. **Discretionary Services/Facilities:** No new services or facilities will be undertaken unless they are self-supporting, are funded outside of the budget, or the Board of Commissioners determines the new service or facility is a high priority with District wide benefits and identifies and eliminates a lower priority item.
6. **Fee Increases:** Increase fees to offset costs, where reasonable and where all cost savings options have been explored, before reducing service levels. All revenue producing facilities/functions at the District will strive to operate on a cost plus concept. District staff shall research fee increases with comparisons and recommendations to reduce expenses.
7. **Privatization:** Encourage and support the delivery of services throughout the Port by the private sector to reduce expense, increase net revenues and be more flexible to the public's needs.
8. **Position Allocation:** Consider new positions only if the cost of the new position is of a general fund function (offset by tax funding), generates sufficient revenue to cover its cost, or is necessary to carry out Board policy or new Board adopted programs.
9. **Contingency Funds:** Dedicate 1.75% of general and enterprise fund revenues into budget contingency accounts spread-out to all major expense categories. Additionally place 2% of revenues into an overall budget contingency line item used by the Harbor Commission for unusual budget circumstances or emergencies.
10. **Priority for Funding Projects:** Careful review and approval of special projects and capital projects based upon their cost and District wide significance. Projects shall meet a majority of these criteria to be considered in the budget process. The following criteria will be used when deciding upon capital and special projects:
 - The project's ability to increase District revenue.
 - The availability of total or partial grant funding for the proposed project.
 - The amount of required maintenance that will be necessary when the project is complete.
 - The availability of staff and funding to support project management and construction.
 - The inclusion of deadlines or mandates by other agencies concerning the project.
 - The coastal dependency of the project.
 - If the project has not been completed, the possibility of being completed during the next fiscal year.
 - The economic feasibility of the project.
 - The project is critical to address identified public safety issues.

- The project provides remediation of environmental impacts, hazards or degradation.

PORT SAN LUIS HARBOR DISTRICT POLICY HANDBOOK

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POLICY NUMBER: 3020
Originally Adopted: October 2001
Revised: March 2011, February 2014, February 2023
Reviewed: February 28, 2023

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POLICY TITLE: Fiscal Goals
POLICY NUMBER: 3022
Originally Adopted: October 2001
Revised: ~~March 29, 2011; February 25, 2014; March 2011, February 2014, February 28, 2023~~
Reviewed: February 28, 2023

3022.10 Generate cash from operations and property taxes equal to 100% of our combined (general/enterprise fund) operating costs and provide for capital projects (3022.50 and 3022.60 below).

3022.20 Maintain an operating reserve level of at least \$1,300,000 with a goal of 50% of actual fiscal year expenditures (not including capital outlay) ~~by 2018/19 fiscal year end~~. To the extent we are not generating revenues equal to 100% of operating costs, we need additional cash reserves to allow us the flexibility to fund projects that will generate revenues.

3022.30 Focus efforts on bringing a significant enterprise income source to Port San Luis via Harbor Terrace properties and all enterprise opportunities.

3022.40 Evaluate the level of service (costs) we are providing, in the general and enterprise funds and make reductions if appropriate, or lower services that exceed 100% of costs.

3022.50 Enterprise Fund. Generate sufficient cash flow from operations and grants to fund capital improvements and infrastructure maintenance annually. As a basic guideline, the amount should be approximately equal to the capital asset depreciation expense.

3022.60 General Fund. Generate sufficient cash flow to fund capital improvements and infrastructure maintenance. . As a basic guideline, the amount should be approximately equal to the capital asset depreciation expense

3022.70 Review expenses to determine if costs should be reallocated between enterprise/non-enterprise funds.

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Budget Calendar 2023-24



Participants	December	January	February	April	May	June
Board of Commissioners		Pension Update	Midyear Financials	Preliminary Budget/ Major Maintenance & Capital Project Workshop	Workshop 5/11/2023	Final Budget Review Budget Adoption
		BOC Meeting 1/24/2023	BOC Meeting 2/28/23 Approve Budget Calendar	BOC Spec Meeting 4/13/2023	Presentation and Adoption of Preliminary Budget BOC Meeting 5/23/2023	BOC Meeting 6/27/2023
Community		Audience Participation	Audience Participation	Audience Participation	Audience Participation	Audience Participation
Managers	Compare YTD projections with budget amounts	Prep Major Maintenance & Capital Project List	Prep Major Maintenance Capital Project List	Attend Workshop	Attend BOC meeting	Attend BOC meeting
Support Staff	Draft Department Budgets	Meet as a Group for MM- CP	Draft to present in April	MM-CP Backup	Budget Backup	Budget Backup
Accounting Department	Prepare YTD projections	Pension/Budget Workshop	Prepare MM-CP Reports/ Presentation to BOC	Budget Entries	Budget Updates from BOC	Complete final draft
	MM - CP Budget Templates	Draft Budgeting	Prepare Mid-Year Financials	Present to BOC	Prepare final draft for June	Present Final Budget Draft
	Meet with Departments to Review dept budget	Meet as a Group for MM- CP		MM-CP & Draft Budget	BOC Adoption of Preliminary Budget	GOAL - BOC Adoption of FINAL BUDGET

Budget Process

The District's budget process is governed by Policy 3020, Budget Preparation. The Budget is prepared annually by the Harbor Director with the assistance of the Department Heads. In February, the Board of Commissioners approves the budget calendar for the next fiscal year's budget at the regularly scheduled Harbor Commission meeting. The Commission sets overall goals and priorities for the Harbor District with emphasis on the Capital and Special Project budgets. The Commission also reviews the current year's budget and forecast at this time.

The first draft of the Major Maintenance and Capital Project Budget is presented at a workshop in April. District staff receives direction from the Commission and presents the Preliminary Budget at the May Harbor Commission meeting. The Preliminary Budget is adopted at the May meeting and a public notice is published pursuant to Section 6061 of Government Code stating the adoption of the Preliminary Budget.

The Final Budget is presented to the Harbor Commission at the June Board of Commissioners meeting. The Commissioners adopt the Final Budget for next Fiscal Year during a public hearing at this meeting. Members of the public are invited to comment during this meeting prior to the adoption of the Final Budget.

The Final Budget is reported to the San Luis Obispo County Board of Supervisors, County Auditor-Controller, Secretary to the Board of Supervisors, and the Chief Administrative Officer of the County before July 31st of each year.



- January 24, 2023, Pension update included with ACFR presentation
- February 28, 2023, Mid-Year Financials and Budget Process Review
- April 13, 2023, Major Maintenance & Capital Project Workshop
- May 11, 2023, Preliminary Budget Workshop
- May 23, 2023, Budget Presentation – Adoption of Preliminary Budget
- June 27, 2023, Final Budget Review and Adoption