



MEMORANDUM

TO: Board of Commissioners

FROM: Steve McGrath, Harbor Manager
Julie van Hoff, Business Manager

DATE: June 28, 2011

SUBJECT: Fiscal Year 2011/12 Final Budget- Adopt Final Budget

Recommendation / Proposed Motion

- Recommendation: Approve the Final Operating & Capital Projects Budget for Fiscal Year 2011-12 provided as Attachment A and Staffing Authorization as Attachment B.
- Recommendation: Direct staff and Finance Committee to continue efforts to balance on-going revenue sources with expenditures.
- Motion: Adopt Resolution 11-18 approving the Final Budget for Fiscal Year 2011-12.

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 / Budget Status

The District's annual budget is the main fiscal planning tool used throughout the year. The proposed Final Budget for Fiscal Year 2011/12 uses \$147,400 in prior year specified reserves, and \$103,500 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 May 24, 2011 the Board was presented with a Preliminary Budget that used \$107,600 of operating reserves to balance the budget. The Board adopted the Preliminary Budget and directed staff to continue efforts to enhance revenue and reduce expenditures. Since March all District staff, including Commissioners, have been instrumental in providing input that has resulted in reducing the budget gap of the 1st

draft of \$628,700 to the proposed final budget of \$102,000. Most recently and over the past month the following items have been addressed:

- At the direction of the Commission, a meeting of the Public Safety Committee was held on June 15, 2011. The primary purpose of the discussion was to review the potential cost savings inherent in a switch to complete coverage by the Harbor Patrol of all duty hours, and cancelling the security contract. The Committee reviewed the analysis of security costs prepared by staff (see Exhibit C). The Committee recognized that if such a change were warranted, it cannot happen immediately. Staff was directed to continue to review operating hours of the security contract and to adjust Harbor Patrol hours as possible to shorten the hours of the security contract. Staff has begun this process, with an increase in Harbor Patrol hours scheduled for the coming holiday weekend, and with a decrease in contract security hours. The Committee is not at this time recommending cancelling the security contract and changing to 24/7 Harbor Patrol schedule.
- Posted a notice that washer and dryer fees will increase to \$1.75 on July 1st. This is a 40% increase or a \$1,300 increase in expected revenues.
- A memo was created, by our Administrative Secretary, and sent to District employees itemizing ideas to cut costs including turning off lights and computers, minimizing use of disposable paper products, encouraging e-mail for out-of-town calls.
- Requested a PG&E rate analysis which will result in approximately \$1,500 in cost savings.
- Provided data for raising RV rates above \$35 for self-contained areas and \$50 for hook-up areas. If further increases in RV rates are approved by the Board, the final budget should be amended accordingly.
- Reviewed insurance policies and received quotes that are estimated to save the District \$36,000. This savings is realizable even with the addition of marine services coverage.

Further analysis is being developed on the following items:

- CalEMA/FEMA has preliminarily approved \$107,000 in disaster funds to cover costs associated with the winter storm damage. A portion of this money will go towards: 1) reimbursement of District costs already incurred, 2) costs for the haul out of Mello Boy, and 3) projects yet to be completed.
- Further analysis of PG&E electricity rates and usage.
- All utilities are being analyzed to determine areas for cost savings and/or additional utility reimbursement revenue.
- Analysis to determine costs associated with all District activities including repair and maintenance of the Avila Beach area and the District diesel services.
- Charge for launching or driving on Olde Port Beach - reviewing requirement for coastal development permit and CEQA determination.
- Temporary parking for boats on a trailer without a vehicle (added to fee schedule).
- Potential increase in diesel mark-ups (after fishing season closes) and discussion concerning diesel purchases.
- Selling merchandise with District logo.
- Increase in special event permits

There are a number of items that may require future Board authorized budget amendments including:

- Cost for removal of a large sunken boat- grant funding was requested
- Removal or repair of the Canopy
- Emergency spending for deferred capital and maintenance costs

Attached for your review are the proposed Final 2011/12 Operating and Capital Projects Budgets (Attachment A). The Consolidated Operating Budget is broken down into a General Fund Budget and an Enterprise Fund Budget. The Final Operating and Capital Projects Budget include:

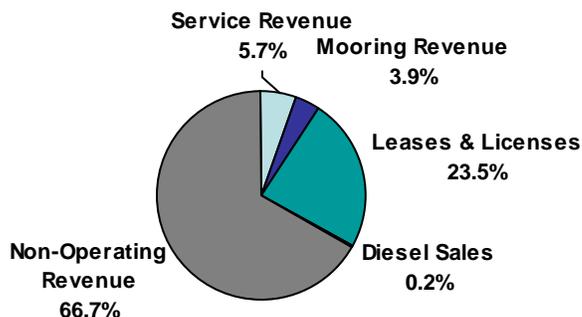
- Budgeted revenue and expenditures for fiscal year 2009/10;
- Actual revenue and expenditures for fiscal year 2009/10;
- Budgeted revenue and expenditures for fiscal year 2010/11;
- Projected revenue and expenditures for fiscal year 2010/11- based on third quarter actual results; and
- Change between May preliminary and June final proposed budgets.

Following is a brief introduction to the final budget and summarization of key variances between the 2011/12 final budget and the current year budget. The Final Budget is presented at the consolidated level, enterprise fund level (business-like activities) and general fund level.

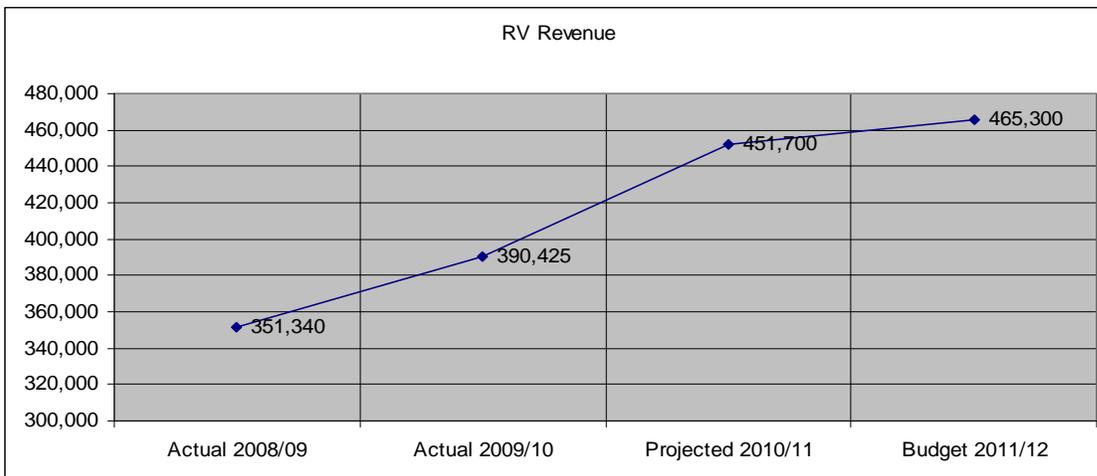
Consolidated Budget

In summary, the final proposed 2011/12 budget has deficit spending of \$72,000 and identified reserve funding needs of \$30,000 for a total budget gap of \$102,000. This gap will be funded from operating reserves.

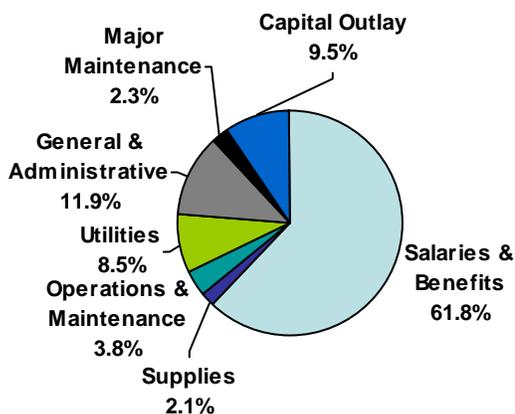
The final proposed 2011/12 budget presents revenues of \$4,085,400 which are above the current year's budget of \$3,990,300 or a 2.4% increase. The following chart identifies the percentage of budgeted revenue for each major category of revenue.



The increase in revenue is primarily due to higher estimated parking revenues of \$17,000 and higher estimated property tax revenues of \$19,000. Also, RV revenue is expected to increase by \$40,300 of which \$13,000 is due to a proposed rate increase. The following chart shows the growth in the RV revenues since 2008/09.



Expenditures (*net of grant revenues and use of prior year reserves*) for the 2011/12 budget are expected to be \$4,157,400 as compared to current year's budget of \$3,868,600 or a 7.5% increase. Following is a graph depicting the percentage of funds spent on each major category of expenditure.



Salary, wage and benefit costs are expected to increase by \$225,000 (assumes reduction of \$15,000 for union concessions) which accounts for 77.4% of the total increase of \$290,600. The salary increase includes \$67,000 for union and management negotiated agreements for cost of living adjustments and equity increases, and \$30,000 for the 5% union guaranteed step increases. Increases in salary result in an increase of the associated workers' compensation insurance, pension costs, and payroll tax costs. Health insurance costs are expected to increase by the Health CPI or 3%.

Major maintenance and capital expenditures (net of grants and prior year reserve funding) increased from \$52,500 to \$217,500 or by \$165,000. Maintenance costs are rising as capital assets age. Concurrently, capital projects and asset replacement are becoming crucial to the District's on-going operations.

The increase in expenditures noted above is partially offset by a decrease in General and Administrative expenditures of \$149,100. Next fiscal year is not an election year and will reduce next year's budget by \$65,000. Also, there is estimated savings of

\$17,500 for the decrease in legislative advocacy services, \$9,900 decrease in budget contingency, and a \$36,000 expected decrease in general liability and property insurance.

Additionally, the District's practice as supported by the budget policies sets aside certain funds (specified reserves) for future year spending. If revenues do not sufficiently exceed expenditures, these specified reserves are funded from operating reserves. The amount identified to set-aside in specified reserves is \$30,000 for the 2012/13 election. This is significantly below current year's budgeted reserve funding of \$174,200. During the fiscal year, other specified reserves may be set aside if actual results are better than budget.

Enterprise Fund Budget (Attachment A green paper)

The proposed Enterprise Fund Budget includes \$1,364,100 in revenues which is a 5.4% increase over current year's budget of \$1,289,700; and \$1,441,400 in expenditures (net of grants and prior year reserve spending) which is a 14.5% increase over current year's budget of \$1,258,700. Budgeted expenditures are \$77,300 over budgeted revenues and are funded by operating reserves.

General Fund Budget (Attachment A yellow paper)

The proposed General Fund Budget includes \$2,721,300 in revenues which is a 0.8% increase over current year's budget of \$2,700,600; and \$2,716,000 in expenditures (net of grants and prior year reserve spending) which is a 4.1% increase over current year's budget of \$2,609,900. Budgeted revenues exceed budgeted expenditures by \$5,300. The \$5,300 is expected to be set-aside for the funding of the election reserve and an additional \$24,700 moved from operating reserves for a total election reserve of \$30,000.

Staff Authorization (Attachment B)

The budget schedules include a staff authorization report as presented in Attachment B. The authorized staff is proposed to stay the same as current year budget or 25.6 regular employees and 16 temporary and seasonal workers.

Conclusion

Staff recommends the approval and adoption of the Final Operating & Capital Projects Budget for Fiscal Year 2011-12 provided as Attachment A and Staffing Authorization as provided as Attachment B.

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

Attachment(s): Attachment A- 2011/12 Final Consolidated Budget including exhibits 1A-3
2011/12 Final Enterprise Budget including exhibits 1A-3 (green paper)
2011/12 Final General Fund Budget including exhibits 1A-3 (yellow paper)
Attachment B- Staffing Authorization
Attachment C- Public Safety Committee staff report
Attachment D- 11-18 Resolution to Adopt Final Budget