



Staff Report

TO: Board of Harbor Commissioners

FROM: James Pruett, General Manager
Julie van Hoff, Director of Administrative Services

DATE: June 15, 2022

SUBJECT: Public Hearing for Final Operating Budget and Five-Year Capital Improvement Program; Adopt Resolution No. 22-15

Recommendation/Motion:

Motion: Adopt Resolution No. 22-15 approving the Final Budget- Fiscal Year 2022/23 Operating Budget and Five-Year Capital Improvement Program.

Policy Implications:

Harbors and Navigation Code 6093 (et. seq.) provides statutory requirements for budget development. Harbor District Policy 4.9.1 provides the process for preparing the Budget and Policy 4.9.2 establishes the level of appropriation,

Fiscal Implications:

The District's annual budget is the main fiscal planning tool used throughout the year. This is the Final Budget and includes an estimate of \$13.847 million in revenues, \$10.784 million in operating expenditures, and \$0.745 million in biennial election costs. Revenues, expenditures/costs, equals \$2.318 million, which represents the estimated amount to be added to the available working capital balance.

The Five-Year Capital Improvement Program (CIP) includes estimated Fiscal Year 2022/23 capital expenditures of \$8.133 million offset by \$1.310 million in grant revenue. There are sufficient cash balances to fund the 2022/23 fiscal year capital expenditures and required reserves of \$3.069 million. The estimated ending working capital balance on June 30, 2022 is \$15.949 million.

Alternatives Considered:

None

Background/Discussion:

The Harbor Commission adopted the Preliminary 2022/23 Operating Budget and Five-Year CIP on April 20, 2022. The attached budget document includes updates to include Final Budget information. The following changes were made (page 20 of the budget document):

- Operating Revenues have been reduced by .74% due to lower than expected launch fee collections; and rate and fee schedules for launch fees, events and miscellaneous revenues are not increased by 3.2% CPI as estimated in the Preliminary Budget.
- Non-Operating Revenues have been increased by 16.20%. The State Department of Finance released a proposed law to change the Vehicle Licensing Fee (VLF) Law which would allow the State to use the County’s Excess Educational Revenue Augmentation Fund (ERAF) to fund school district shortfalls. The Preliminary Budget assumed that the law would pass and the District would lose Property Tax Revenues of \$350,000 in Excess ERAF funds (see State & Federal Budget Actions on page 23-24 below for further description). The proposed law has been rescinded and the \$350,000 has been added to the Final Budget. In addition, the District is expected to receive \$937,000 more in Property Tax collections in FY 2021/22 than previously estimated. This higher amount is expected to be received in FY 2022/23 and grow by 1%.
- Salaries, Wage and Benefits Expenditures have been increased by .23%. This is due to an adjustment to benefit cost estimates which are tracking higher in FY 2021/22 and are expected to continue at the higher amounts in FY 2022/23.
- Non-Personnel Expenditures have been increased by 2.26% due to expected increases in Information Technology, Operating costs, Personnel Administration and Miscellaneous Expenditures.
- Working Capital has been increased by \$1,162,000 or 100.52% as a result of the above adjustments.

	2022/23 Final Budget		2022/23 Preliminary Budget		
Operating Revenues	\$	4,550,000	\$	4,584,000	-0.74%
Non-Operating Revenues		9,297,000		8,001,000	16.20%
Total Revenues		13,847,000		12,585,000	10.03%
Salaries/Wages/Benefits Expenditures		6,991,000		6,975,000	0.23%
Non-Personnel Expenditures		3,793,000		3,709,000	2.26%
Total Expenditures		10,784,000		10,684,000	0.94%
Total Revenues less Expenditures		3,063,000		1,901,000	61.13%
Election Costs		(745,000)		(745,000)	
Working Capital (Decrease) Increase	\$	2,318,000	\$	1,156,000	100.52%

Staff has prepared the Final 2022/23 Operating Budget and Five-Year CIP based on information that is readily available at this time. Below is a comparison of this Fiscal Year Projections versus the 2021/22 Final Budget Page (page 21 of the budget document).

	2022/23 Budget Summary		Comparison to 2021/22 Projection	
Operating Revenues	\$ 4,550,000	\$ 4,347,000		4.67%
Non-Operating Revenues	9,297,000	9,395,000		-1.04%
Total Revenues	13,847,000	13,742,000		0.76%
Salaries/Wages/Benefits Expenditures	6,991,000	6,288,000		11.18%
Non-Personnel Expenditures	3,793,000	3,251,000		16.67%
Total Expenditures	10,784,000	9,539,000		13.05%
Total Revenues less Expenditures	3,063,000	4,203,000		-27.12%
Election Costs	(745,000)	-		n.a.
Working Capital (Decrease) Increase	\$ 2,318,000	\$ 4,203,000		-44.85%

- Operating Revenues are budgeted to increase by 4.67% primarily due to 1) an anticipated inflationary increase (3.2%) in berth rates and monthly lease payments, 2) additional income from Commercial Activity Permits (\$8,000), and 3) rental income of the Administration Building (\$68,000).
- Non-Operating Revenues are budgeted to decrease by 1.04% due to a projected decrease in interest income. In addition, \$122,760 in COVID Relief Funds were received in FY 2021/22 and is not expected in FY 2022/23.
- Salaries/Wages and Benefit Expenditures are projected to increase by 11.18% due to an estimated 5% salary/wage and benefit cost increase, along with anticipation of being fully staffed for FY 2022/23. There are currently five vacancies that the District is in the process of filling.
- Non-Personnel Expenditures are budgeted to increase by 16.67%. For FY 2022/23 there is an anticipated increase in utilities, property insurance premiums, and repairs and maintenance due to the purchase of an Administration building which is partially offset by the elimination of rents paid for the building. In addition, costs are expected to increase by approximately 5% due to inflationary increases.
- The FY 2022/23 budget includes \$745,000 in biennial election costs. The FY 2021/22 projection does not anticipate any one-time or biennial expenditures.

In addition, funding for the Oyster Point Marina 40,000 square foot building (\$3,300,000), East Outer Harbor Dredge Project- Surfers Beach Replenishment-Eel Grass Mitigation (\$1,200,000), and Oyster Point Marina Access Ramp Projects (\$1,200,000) have been added to the proposed Capital Improvement Program. This funding was not available in the Preliminary Budget due to the anticipated passing of legislation which would have reduced the District's Property Tax Revenues. The

Final Budget does not anticipate that the legislation will pass as presented in the Preliminary Budget.

The five-year summary long range projection shown on page 48 of the attached budget document provides an estimated outlook of the next five years. It is anticipated that the COVID-19 pandemic will lead to a five-year recession and Property Tax Revenues will start to decrease in FY 2023/24 by 1% per year.

CIP COST ESTIMATES	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Pillar Point Harbor	\$ 5,830,266	\$ 7,495,000	\$ 1,560,000	\$ 110,000	\$ 1,146,000	\$ 510,000
Oyster Point Marina	1,320,404	125,000	1,700,000	3,200,000	-	-
Administration	3,983,676	301,450	200,000	200,000	200,000	200,000
TOTAL	\$ 11,134,346	\$ 7,921,450	\$ 3,460,000	\$ 3,510,000	\$ 1,346,000	\$ 710,000
FUNDING SOURCES						
DBW Grant	\$ -	\$ 800,000	\$ -	\$ -	\$ -	\$ -
Coastal Conservancy	-	212,000	-	-	-	-
MTC Grant	-	298,000	-	-	-	-
Working Capital	11,134,346	6,611,450	3,460,000	3,510,000	1,346,000	710,000
TOTAL	\$ 11,134,346	\$ 7,921,450	\$ 3,460,000	\$ 3,510,000	\$ 1,346,000	\$ 710,000
SOURCES (USES)						
Working Capital - Beginning Balance	\$ 22,880,115	\$ 15,948,769	\$ 11,655,319	\$ 11,034,319	\$ 8,938,319	\$ 9,546,319
Operating Revenue	4,347,000	4,550,000	4,664,000	4,781,000	4,901,000	5,024,000
Non-Operating Revenue	9,395,000	9,297,000	9,204,000	9,112,000	9,021,000	8,930,661
Salaries/Wages & Benefits	(6,288,000)	(6,991,000)	(7,341,000)	(7,708,000)	(8,093,000)	(8,498,000)
Non-Personnel Expenditures	(3,251,000)	(3,793,000)	(3,688,000)	(3,780,000)	(3,875,000)	(3,972,000)
One-Time/Biennial	-	(745,000)	-	(991,000)	-	(745,000)
Annual Increase in Working Capital	4,203,000	2,318,000	2,839,000	1,414,000	1,954,000	739,661
Working Capital used for CIP	(11,134,346)	(6,611,450)	(3,460,000)	(3,510,000)	(1,346,000)	(710,000)
TOTAL ENDING WORKING CAPITAL	\$ 15,948,769	\$ 11,655,319	\$ 11,034,319	\$ 8,938,319	\$ 9,546,319	\$ 9,575,980
MINIMUM REQUIRED RESERVES	\$ 2,384,750	\$ 3,068,500	\$ 2,757,250	\$ 3,367,500	\$ 2,992,000	\$ 3,490,000

The five-year Working Capital projection assumes the following after Fiscal Year 2022/23: 1) Operating Revenues will increase by 2.5% for each of the next five years, 2) Non-Operating Revenues will decrease due to expected drop in interest income and decrease in Property Tax Revenue of 1% due to recessionary concerns 3) Salary/Wages and Benefits are expected to increase by 5% per year.; and 4) Non-Personnel Expenditures will increase 2.5% each year. In FY 2023/24, the District is expected to decrease certain budgetary line items by \$200,000 which will offset the 2.5% increase and provide an additional \$105,000 towards Working Capital.

The FY 2022/23, FY 2024/25, and FY 2026/27 include estimates of the biennial election costs. The cost in FY 2024/25 is expected to be more than the other two years due to the District holding elections for three districts instead of two districts shown in the other two years.

The Capital Improvement Projects Cost Estimates include \$200,000 in General Manager (GM) Projects that are within the GM's authority of below \$25,000 individually.

Public Process:

The adoption of the Preliminary Budget was noticed and available to the public for input. The public may offer input into the Final Budget at this June Regular Board meeting as outlined in the notice published in the Half Moon Bay Review and San Mateo Daily Journal.

Attachments:

- 1) [Final Fiscal Year 2022/23 Operating Budget and Five-Year Capital Improvement Program](#)
- 2) [Resolution No. 22-15](#)