

COMMISSIONERS

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STAFF REPORT
HARBOR DISTRICT MEETING
June 22, 2023

TO: Honorable Board President and Harbor District Board Members

FROM: Larry Oetker, Executive Director

DATE: June 20, 2023

TITLE: Preliminary Budget Adoption for Fiscal Year 2023-2024

STAFF RECOMMENDATION: It is recommended that the Board: Adopt the Preliminary Budget for FY 2023-2024.

SUMMARY: The Budget is prepared annually under direction of the Executive Director. In accordance with CA Harbors and Navigation Code Section 6093, on or before June 15, the District Board shall estimate and determine the amount of money required by the Harbor District and shall adopt a preliminary budget. Per Section 6093.3, the final budget shall be reported to the Board of Supervisors not later than August 1st.

DISCUSSION: The Preliminary budget is comprehensive and provides an excellent estimate of what will be included in the final budget. If the Board adopts the final budget, Staff will work with the District Accountant to develop a monthly Cash Flow Analysis of the income and expenditures as well as an update of the District Reserve Balance and contractual fund balances. If there are specific changes to the Budget that the Board would like to consider, Staff would recommend the Board adopt the preliminary budget. It is important to note that District Staff continues to have a very large workload and have limited capacity to take on additional projects over what is already budgeted.

The following are some highlights and assumptions:

1. Expenditures in FY 2022-23 were within amounts budgeted.
2. The preliminary budget is balanced.
3. The District's cash flow is manageable, and we have sufficient reserves to meet our reserve policies.
4. The Nordic Aquafarms rental income has been budgeted from July through November.
5. The Crowley rental income has been budgeted as per the agreement.

6. The New Market Tax Credit debt asset has transferred to the Harbor District. Over the next several months the Ground Lease Agreement, Loan Agreement, and Administrative Agreement will need to be amended.
7. With the exception of the Nordic and Crowley rental income, rental income on the District's Samoa Peninsula is down over the last few years. This is likely due to the decline in the regional economy and uncertainties associated with leasing the Shops and Stores and Machine Building which is resolved with the Nordic Lease Amendment. The District will need to continue to prioritize the generation of rental income from the Samoa Properties over the next year. The District will also need to consider making significant capital investments into the Machine Building which are currently not budgeted.
8. Legal expenses are projected to continue to increase and an additional \$60,000 is budgeted for New Terminal Lease, Project Labor Agreement, and HBDA ground lease termination.
9. The Budget includes \$43,000 for RMT II Property Taxes in FY 2023-24. This should be the last year after termination of HBDA Ground Lease.
10. In FY 2022-23 the District borrowed approximately \$5.5 million with \$3 million budgeted in FY 23-24 for dredging and approximately \$2.3 million expended in FY 22-23 on the acquisition of property for the new terminal project. The loan payments are split approximately 44% to the General Fund and 56% from Woodley Island with repayment from the dredge surcharge income.
11. Dredging is budgeted at \$3 million with bids due on June 30th and work being completed between July 15 and October 15, 2023. When the Board approves the contract for dredging, the dredge fund balance will be negative.
12. \$125,000 is budgeted for Woodley Island suction dredge permit amendments and Bay Street mitigation designs. Once these permits are received funding will be needed to construct the mitigation. It is anticipated that the District will partner with Nordic Aquafarms on these costs.
13. Approximately \$6 million contract was executed with Caltrans for the Spartina Eradication Project underway. These funds are budgeted and will be expended over the next seven years. The contract includes funds for contract administration.
14. Approximately \$11 million in grant funds have been awarded for the new Heavy Lift Marine Terminal to Support the Offshore Wind Industry; these funds will be budgeted and expended over the next three years. The Moffat Nicol Engineering Contract is not included in the Budget. The Final Budget will reflect these grant funded expenses.
15. \$500,000 was awarded from the USEPA Brownfield Program for the new terminal environmental assessment work anticipated to commence in FY 2023.
16. Approximately \$900,000 in grant funds were awarded for the Samoa Peninsula Beautification Project. The project commenced in FY 2022-23 and will continue through FY 23-24.
17. The District has a significant amount of one-time contract funds budgeted. Efforts should be made to continue these and other one-time projects. However, these large contracts tend to skew the budget and give the false impression that these revenue streams will continue into the foreseeable future.
18. The Fields Landing Boat Yard industrial pretreatment is budgeted at \$250,000.
19. The Woodley Island Restaurant roof replacement is budgeted at \$50,000.

20. The employee Bargaining Agreement expires on June 30, 2023. The budget does not reflect any adjustments to the payroll or other direct expenses associated with the ongoing employee bargaining agreement negotiations. It is anticipated that some adjustments will need to be made in the final budget or after the agreement is approved.
21. The District should continue to evaluate the Staffing needs of the District as we continue to transition our Port to meet the needs of the offshore wind industry.
22. Preliminary Reserve Account Balances have been maintained and accounted for in segregated fund.

The Budget Process and Policy included as Exhibit C includes the following policy: “The Board will maintain a fund balances or working capital balances of at least twenty percent (20%) of operating expenditures in the General Fund and all Enterprise Funds and Internal Service Funds.” Based on a \$2 million base operating budget, the District should retain a minimum of \$400,000 in reserve accounts. Because of the large contracts and size of construction draws, Staff recommends that we maintain at least \$650,000 in the Reserve.

In addition to the Reserve Policy, the District also has loan covenants that require the District to maintain Fund that is sufficient for debt service ratio of 1.25. This amount is not in addition to the District’s Reserve Fund. To ensure that we have sufficient cash during this critical transition period, maintaining sufficient cash reserves will be critical.

Due to Staffing constraints, it is recommended that the Board schedule a special meeting on July 27, 2023 for review and adoption of the final budget prior to the transmittal to the County b August 1st.

ATTACHMENTS:

- A. Preliminary Budget (Income, Expense, Debt Service, and Reserve Deposits)
- B. Maintenance, Services, and Supplies Budget breakout list by Property
- C. Budget Process and Policies

[illegible]

Preliminary Budget FY 2023/2024	General Fund	Woodley Island	FLBY	Shelter Cove	RMT2	RWD	New Terminal	Tidelands	Grants	TOTAL
45909 · Other Revenue - NT	411,000	-	-	-	1,000	-	-	7,500		419,500
Total Other Revenue	431,000	-	-	-	1,000	-	-	7,500	-	439,500
Rent Income										
40218 · Slip Rents - T	-	620,000	-	-	-	-	-	-		620,000
40318.1 · Transient Rentals - T	-	32,000	-	-	-	-	-	-		32,000
40518 · Equipment Rent - T	-		-	-	-	-	-	6,500		6,500
40519 · Equipment Rent - NT	-	5,000	-	-	200	-	-	-		5,200
40809 · Yard Rent - NT	-	2,000	-	-	-	13,000	-	-		15,000
41108 · Rents, Tidelands Leases - T	-		-	-	-	-	540,000	375,000		915,000
41309 · Storage - NT	-	45,000	-	-	-	3,000	-	-		48,000
41409 · Upland Rent - NT	-	150,000	50,400	-	-	22,000	-	-		222,400
41409.2 · Redwood Terminal 2 - NMTC	-		-	-	-	-	-	-		-
41409 · Upland Rent - NT - Other	-		-	-	600,000	-	-	-		600,000
Total 41409 · Upland Rent - NT	-	-	-	-	-	-	-	-		-
Total Rent Income	-	854,000	50,400	-	600,200	38,000	540,000	381,500	-	2,464,100
Sales										
40109 · Sales, Retail - NT	-	-	-	-	-	-	-	-		-
40119 · Concession Sales - NT	-	6,800	-	-	-	-	-	-		6,800
Total Sales	-	6,800	-	-	-	-	-	-	-	6,800
Tax Revenue										
43509 · Property Tax Revenues	1,320,000	-	-	-	-	-	-	-		1,320,000
45009 · Other Federal Tax Revenue	-	-	-	-	-	-	-	-		-
Total Tax Revenue	1,320,000	-	-	-	-	-	-	-	-	1,320,000
Utility Surcharge										
40409 · Utility Surcharge - NT	-	5,900		-	30,000	12,600	-	1,200		49,700
40418 · Utility Surcharge, Marina Dock	-	75,000	-	-	-	-	-	-		75,000
Total Utility Surcharge	-	80,900	-	-	30,000	12,600	-	1,200	-	124,700
47019 · Returned Check Charges	-	-	-	-	-	-	-	-		-
52708.1 · Discount	-	-	-	-	-	-	-	-		-
Total Income	1,760,000	4,272,820	65,900	-	792,525	57,600	1,040,000	610,950	2,471,969	11,071,764
Gross Profit	1,760,000	4,272,820	65,900	-	792,525	57,600	1,040,000	610,950	2,471,969	11,071,764
Expense										
Accounting/Auditing Services										
52500 · Accounting Fees - T	40,000	-	-	-	-	-	-	-		40,000
52508 · Accounting Fees - NT	15,000	-	-	-	-	-	-	-		15,000
Total Accounting/Auditing Services	55,000	-	-	-	-	-	-	-	-	55,000
Advertising & Promotion										
51000 · Advertising & Promotion - NT	700	700	-	-	-	-	-	-		1,400
51008 · Advertising & Promotion - T	800		-	-	-	-	-	-		800
Total Advertising & Promotion	1,500	700	-	-	-	-	-	-	-	2,200
Bad Debts										
51308 · Bad Debts - T	-		-	-	-	-	-	-		-
51309 · Bad Debts - NT	-	1,500	-	-	-	-	-	-		1,500
Total Bad Debts	-	1,500	-	-	-	-	-	-	-	1,500
Capital Outlay										

Preliminary Budget FY 2023/2024		General Fund	Woodley Island	FLBY	Shelter Cove	RMT2	RWD	New Terminal	Tidelands	Grants	TOTAL
53609 · Expenses Pending Transfer-Bldg		-	110,750	251,500			-	-	-		362,250
53618 · Expenses Pending Transfer-Auto		-	-	-	-	-	-	-	-		-
53619 · Expenses Pending Transfer - Eq		-	-	-		-	-	-	-		-
Total Capital Outlay		-	110,750	251,500	-	-	-	-	-	-	362,250
Communications											
51400 · Communications - NT		11,400		-	-	10,600	-	-	-		22,000
51408 · Communications - T		6,000		-	-	-	-	-	-		6,000
Total Communications		17,400	-	-	-	10,600	-	-	-	-	28,000
Conference & Meetings											
51500 · Conferences & Meetings - NT		15,000	2,000		-		-	-		12,000	29,000
51508 · Conferences & Meetings - T		4,000	2,000	-	-	-	-	-	1,500		7,500
Conference & Meetings - Other		-		-	-	-	-	-	-		-
Total Conference & Meetings		19,000	4,000	-	-	-	-	-	1,500	12,000	36,500
Depreciation											
53509 · Depreciation - NT		-	-	-	-	-	-	-	-		-
Total Depreciation		-	-	-	-	-	-	-	-	-	-
Dredging Expense											
55608 · Dredging Expense - T		-	3,000,000	-	-	-	-	-	-		3,000,000
56708 · Dredging - GT		-	-	-	-	-	-	-	-		-
56718 · Dredging - MT		-		-	-	-	-	-	-		-
Dredging Expense - Other		-	125,000	-	-	-	-	-	-		125,000
Total Dredging Expense		-	3,125,000	-	-	-	-	-	-	-	3,125,000
Dues, Subscriptions & Licences											
51600 · Dues & Subscriptions - NT		50,000	-	-	-	-	-	-	-		50,000
51608 · Dues & Subscriptions - T		700	-	-	-	-	-	-	-		700
Total Dues, Subscriptions & Licences		50,700	-	-	-	-	-	-	-	-	50,700
Elections & Government Fees											
51700 · Elections & Prop Tax Assess-NT		19,000	-	-	-	43,000	-	-	-		62,000
51708 · Elections & Prop Tax Assess - T		4,000	-	-	-	-	-	-	-		4,000
Total Elections & Government Fees		23,000	-	-	-	43,000	-	-	-	-	66,000
Engineering Services											
52400 · Engineering Fees - NT		20,000	-	18,400	-	15,000	-	-	-		53,400
52408 · Engineering Fees - T		-	-	-	-	-	-	-	-		-
Total Engineering Services		20,000		18,400	-	15,000	-	-	-	-	53,400
Fuel											
50400 · IMPUTED AUTO VALUE G/A								-	-		-
51200 · Automotive, Fuel- NT		10,000				-	-	-	-		10,000
51208 · Vessel Fuel		-	-	-	-	-	-	-	5,000		5,000
51218 · Automotive, Fuel - T		10,000	-	-	-	-	-	-	-		10,000
Total Fuel		20,000	-	-	-	-	-	-	5,000	-	25,000
Grant Expenses											
Conservation Grant Expenses		-	-	-	-	-	-	-	-		-
54408.3 · Conservation Grant Exp		-	-	-	-	-		500,000	-	1,582,704	2,082,704
Total Conservation Grant Expenses		-	-	-	-	-		500,000	-	1,582,704	2,082,704
Harbor Grant Expenses											

[illegible]

Preliminary Budget FY 2023/2024	General Fund	Woodley Island	FLBY	Shelter Cove	RMT2	RWD	New Terminal	Tidelands	Grants	TOTAL
55418 · Other Expenses - T	-	-	-	-	-	-	-	-	-	-
55419 · Other Expenses - NT	12,300	-	-	-	-	-	-	-	-	12,300
Total Other Expenses	12,300	-	-	-	-	-	-	-	-	12,300
Other Professional/Outside Serv										
52109 · Outside Services, Other - NT	-	-	-	9,000	-	-	-	-	-	9,000
52110 · OUTSIDE SERVICES M/A	-	-	-	23,300	-	-	-	-	-	23,300
52118 · Outside Services, Other - T	-	-	2,750	-	-	-	-	4,000	-	6,750
Total Other Professional/Outside Serv	-	-	2,750	32,300	-	-	-	4,000	-	39,050
Permits										
51610 · Permits - NT	3,200	-	-	-	-	-	-	-	-	3,200
51618 · Permits - T	-	-	-	-	-	-	-	-	-	-
Total Permits	3,200	-	-	-	-	-	-	-	-	3,200
Personnel Expenses										
Commissioners Fees										
50200 · Commissioner's Salaries - NT	20,000	-	-	-	-	-	-	-	-	20,000
50208 · Commissioner's Salaries - T	16,000	-	-	-	-	-	-	-	-	16,000
Total Commissioners Fees	36,000	-	-	-	-	-	-	-	-	36,000
Payroll Burden										
50500 · Payroll Benefits, Other - NT	303,761	178,893	9,656	-	156,044	38,370	-	-	-	686,725
50508 · Payroll Benefits, Other - T	-	-	-	-	-	-	-	-	-	-
6560 · Workers' Comp	-	-	-	-	-	-	-	-	-	-
Total Payroll Burden	303,761	178,893	9,656	-	156,044	38,370	-	-	-	686,725
Salaries/Wages										
50100 · Salaries & Wages - NT	496,123	330,024	20,002	-	224,718	81,062	-	-	-	1,151,929
50108 · Salaries & Wages - T	-	-	-	-	-	-	-	-	-	-
50119 · Sal. & Wages, Part-time - NT	4,431	-	-	-	-	-	-	-	-	4,431
Salaries/Wages - Other	-	-	-	-	-	-	-	-	-	-
Total Salaries/Wages	500,554	330,024	20,002	-	224,718	81,062	-	-	-	1,156,360
Total Personnel Expenses	840,315	508,917	29,658	-	380,763	119,432	-	-	-	1,879,085
Planning Services										
52200 · Planning Fees - NT	8,000	-	2,800	-	17,500	700	-	-	-	29,000
52208 · Planning Fees - T	-	-	-	-	-	-	-	-	-	-
Total Planning Services	8,000	-	2,800	-	17,500	700	-	-	-	29,000
Rent Expense										
52600 · Rent Expense - NT	-	-	3,500	800	-	-	-	-	-	4,300
54308 · Redwood Terminal 2 Lease Expens	-	-	-	-	-	-	-	-	-	-
54409 · Lease Expense - RT2	-	-	-	-	-	-	-	-	-	-
Total Rent Expense	-	-	3,500	800	-	-	-	-	-	4,300
Small Tools										
52800 · Small Tools - NT	-	1,750	1,750	-	2,500	-	-	-	-	6,000
52808 · Small Tools - T	-	250	250	-	1,000	-	-	-	-	1,500
Small Tools - Other	-	-	-	-	-	-	-	-	-	-
Total Small Tools	-	2,000	2,000	-	3,500	-	-	-	-	7,500
Utilities										
52909 · Utilities - NT	25,000	-	-	-	160,000	2,000	-	-	-	187,000

Preliminary Budget FY 2023/2024		General Fund	Woodley Island	FLBY	Shelter Cove	RMT2	RWD	New Terminal	Tidelands	Grants	TOTAL
	52918 · Utilities - T	-	65,000	-	-	-	-	-	-	-	65,000
	53000 · Water, Sewer, & Refuse - NT	-	90,000	250	8,500	10,000	1,600	-	-	-	110,350
	53008 · Water, Sewer, & Refuse - T	-	60,000	-	-	-	-	-	-	-	60,000
	Total Utilities	25,000	215,000	250	8,500	170,000	3,600	-	-	-	422,350
	57018 · Bank Service Charges	1,200	-	-	-	-	-	-	-	-	1,200
	66900 · Reconciliation Discrepancies	-	-	-	-	-	-	-	-	-	-
	Total Expense	1,446,743	4,160,314	339,858	47,100	819,085	135,232	550,000	72,242	2,462,699	10,033,273
	Net Ordinary Income	313,257	112,506	(273,958)	(47,100)	(26,560)	(77,632)	490,000	538,708	9,270	1,038,491
	Net Income	313,257	112,506	(273,958)	(47,100)	(26,560)	(77,632)	490,000	538,708	9,270	1,038,491
Debt Service											
	Bond		83,500						141,000		224,500
	BVVA Loan					101,800					101,800
	CalPERS Unfunded Liability	102,839									102,839
	2023 Loan	108,226	137,174								245,400
	Total Debt Service	211,065	220,674	-	-	101,800	-	-	141,000	-	674,539
Reserve Deposit											
	Dredge Surcharge			15,000							15,000
	Float Replacement										-
	Ocean Outfall										-
	General Reserve	340,000									340,000
	Total Reserve	340,000	-	15,000	-	-	-	-	-	-	355,000
Net Income After Debt Service and Reserve Deposit		(237,808)	(108,168)	(288,958)	(47,100)	(128,360)	(77,632)	490,000	397,708	9,270	8,952

Attachment B Maintenance Services and Supplies BUDGETED LIST FY 2023-24

PROPERTY	ACCOUNT NUMBER	TOTAL	
General Fund	Equipment & Repairs	\$ 3,815	
General Fund	Grant Application Preparation	\$ 3,200	
General Fund	Permits	\$ 20,000	
General Fund	SHN	\$ -	
General Fund	Plan West	\$ 8,000	
General Fund	Small Tools	\$ 1,750	
		\$ -	\$ 36,765
		\$ -	
WIM	WIM Dredging	\$ 3,000,000	
WIM	Weldment and roller replacement	\$ 15,000	
WIM	Whalers / Rub Boards / Thru Bolts	\$ 12,500	
WIM	Embarcadero Repairs	\$ 5,000	
WIM	Parking lot Repair - H Lot	\$ 10,000	
WIM	Parking Lot Striping	\$ 13,500	
WIM	Speed Humps Traffic Control	\$ 6,000	
WIM	Repainting - Interior	\$ 7,500	
WIM	Roof Repair (Restaurant)	\$ 50,000	
WIM	Security Cameras	\$ 10,000	
WIM	Marina Lighting energy efficiency	\$ 20,000	
WIM	Restroom Refresh	\$ 12,000	
WIM	Entrance Deck & canopy	\$ 17,500	
WIM	Tree Planting	\$ 1,250	
WIM	Equipment Repairs	\$ 15,100	
WIM	Maintenance Supplies	\$ 17,850	
WIM	Small Tools	\$ 2,000	
WIM	Long fin Smelt / Bay Street Mitigation	\$ 125,000	
		\$ -	\$ 3,340,200

Attachment B Maintenance Services and Supplies BUDGETED LIST FY 2023-24

PROPERTY	ACCOUNT NUMBER	TOTAL	
FLBY	Wash Water Operations	\$ 2,500	
FLBY	Industrial / Stormwater Discharge pretreatment solution	\$ 250,000	
FLBY	Sweeping Equipment / Control Equipment	\$ 15,000	
FLBY	Abandoned vessels - Title / Pre-demo	\$ 2,750	
FLBY	Entry Door	\$ -	
FLBY	Overhead door repairs / Maintenance	\$ -	
FLBY	Siding / Roof / Gutter	\$ 1,500	
FLBY	Grub and maintain south acreage	\$ 800	
FLBY	Travel Lift Tires	\$ -	
FLBY	Equipment & Repairs	\$ 5,000	
FLBY	General Repairs & Maintenance	\$ 5,000	
FLBY	Maintenance Supplies	\$ 700	
FLBY	SHN Storm/Industrial Pretreatment	\$ -	
FLBY	SHN Pretreatment Engineering	\$ 18,400	
FLBY	Small Tools	\$ 2,000	
FLBY	Plan West	\$ 2,800	
		\$ -	\$ 306,450
Shelter Cove	Fish Cleaning Station/Grinder	\$ 2,500	
Shelter Cove	Beach & Boat Ramp Maintenance		
Shelter Cove	SCFPI Contract	\$ 23,300	
Shelter Cove	Master Plan / Appraisal	\$ 9,000	
		\$ -	\$ 34,800

Attachment B Maintenance Services and Supplies BUDGETED LIST FY 2023-24

PROPERTY	ACCOUNT NUMBER	TOTAL	
RMT II	Pier and Dock Improvements	\$ 12,500	
RMT II	Pier Gate & Fencing	\$ 1,500	
RMT II	Access road/ paving maintenance	\$ 7,500	
RMT II	Site clean-up and disposal costs for warehouse and e	\$ 5,000	
RMT II	Flush Ocean outfall 1/4ly	\$ 2,500	
RMT II	Ocean Outfall Inspection & anode replacement	\$ 65,000	
RMT II	Smoke Stack & Boiler Building Light	\$ -	
RMT II	Fence Repairs	\$ 7,500	
RMT II	Sub Meters	\$ 15,000	
RMT II	Storm Water - Annual BMP Materials	\$ 4,000	
RMT II	Maintain Dewatering Area	\$ 2,500	
RMT II	Auto / Trucks	\$ 1,000	
RMT II	Forklifts	\$ -	
RMT II	Backhoe	\$ 5,000	
RMT II	Boom Truck	\$ 1,500	
RMT II	Repairs and Maintenance	\$ 11,500	
RMT II	Small Tools	\$ 3,500	
RMT II	Grounds Keeping	\$ -	
RMT II	Maintenance Supplies	\$ 5,500	
RMT II	Landfill / sampling	\$ 15,000	
RMT II	Machine Building	\$ -	
RMT II	Plan West	\$ 17,500	
		\$ -	\$ 183,500
RDW	Access Road maintenance	\$ 2,500	
RDW	Grub and maintain acreage (includes lagoons)	\$ 5,000	
RDW	Power Switch Station (Birds)	\$ -	
RDW	Dock deck repairs (RMT I)	\$ 3,500	
RDW	Dock deck repairs (Red Tank)	\$ 500	
RDW	Plan West	\$ 700	
		\$ -	\$ 48,000
Tidelands	Vessel Maintenance	\$ 30,000	
Tidelands	Subtidal Permitting	\$ 4,000	
Tide King Salmon	General Maintenance	\$ 5,000	
Tide King Salmon	Signage	\$ 2,500	
Tide King Salmon	Bus Stop & Monument	\$ 3,750	
Tide Bay Street	Mowing	\$ 750	
Tide Bay Street	Monument Marker	\$ 1,750	
Tide Bay Street	Signage	\$ 250	
		\$ -	\$ 48,000
New Terminal	?	\$ -	
		\$ -	
		\$ -	\$ -
TOTAL		\$ 3,961,915	\$ 3,997,715

Exhibit C

BUDGET PROCESS AND POLICIES

With the adoption of the annual budget, the Board recognizes that the appropriations for the many operating activities and capital budgets are based upon estimates of the District's needs for the fiscal year. In order to establish reasonable flexibility in the administration of the budget, the following policies have been adopted. These policies are intended to provide the authority necessary for the Executive Director to administer the budget during the course of the fiscal year in light of varying conditions which may occur.

Budget Process

The budget process begins with meetings of key management Staff to informally discuss underlying fiscal policies, goals and objectives of the Board, Contracts and Sub-Contracts, and material changes in anticipated revenue/income and expenditures/expenses. The meetings include a brief message from the Executive Director along with general instructions for completing the budget template documents which, when completed, include proposed expenditures, capital outlay, departmental descriptions, activity accomplishments and future objectives, and other budget data.

Departmental requests are consolidated, and the Executive Director discusses or will discuss each departmental request with the applicable department head. Adjustments are made as appropriate and required to meet the Board's goals and objectives. The next step in the budget process involves preparation of a preliminary budget document and the scheduling of a series of Study Sessions with the Board which typically begin in late March/early April and conclude with the adoption of the preliminary budget and final budget. As required by the CA Harbors and Navigation Code Section 6093, the preliminary budget must be adopted on or before June 15, and per Section 6093.3, the final budget shall be adopted and reported to the Board of Supervisors no later than August 1st.

The District uses the modified accrual basis for budgeting in governmental funds. Proprietary funds are budgeted using accrual concepts. All operating and capital expenses and income are identified in the budgeting process because of the need for appropriation authority. All annual appropriations lapse at year-end.

Budget Policies

The Board recognizes a need to create budget and fiscal policies that assure delivery of products and services as efficiently and effectively as possible.

Operating Budget – General

The operating budget will be based on the principle that current operating expenditures shall be funded with current revenues. Unappropriated fund balances/working capital in enterprise and reserve funds may be used by the Board to meet one-time special project/program expenses. The operating expenses of the Board will be supported by recurring revenues and will not be funded through long-term debt. The enterprise expenses will be funded through current revenues excluding interest income. Expenditures shall include funding adequate maintenance and replacement of capital and operating assets.

Budgetary control is maintained through monthly reports of all revenue and expenditure accounts. The Executive Director, Director of Administrative Services, District Treasurer and each department head review the monthly reports. The reports are placed on a noticed Board agenda for public and Board review within 60 days.

General Revenue Management

The following summarizes the Board's general revenue management policies:

1. The Board will strive to maintain a diversified and stable revenue system to shelter the government from short-term fluctuations in any revenue source and to ensure its ability to provide ongoing services.
2. The Board will make all current expenditures with current revenues, avoiding procedures that balance current budgets by postponing needed expenditures, accruing future revenues, or rolling over short-term debt.
3. In order to achieve important public policy goals, the Board has established various special revenue, capital project, debt service and enterprise funds to account for revenues whose use should be restricted to certain activities. Accordingly, each fund exists as a separate financing entity from other funds, with its own revenue sources, expenditures and fund equity.
4. Any transfers between funds for operating purposes are clearly set forth in the Financial Plan and can only be made by the District Treasurer and the Director of Administrative Services in accordance with the adopted budget.
5. Fees will be reviewed and updated on an ongoing basis to ensure that they keep pace with the changes in the cost of living as well as changes in methods or level of service delivery.
6. User fees will be developed and annually reviewed to insure they adequately recover the cost of services. In Enterprise Funds, user fees will provide full coverage of direct and indirect costs including depreciation and interest expense; subject to the limits imposed by the State.

Appropriations

The term "appropriations" means the amount approved for expenditure by the Board with the adoption of the annual budget, along with subsequent budget modifications and adjustments. Appropriations will be based on the best estimates of Department Heads and the Executive Director. Differing operating requirements, price changes, emergency situations and similar factors may require variation from the approved appropriations. Therefore, the Executive Director has authority to adjust the appropriations so long as the changes do not exceed the total approved appropriations of an activity, except in case of emergency. The Executive Director has the authority to meet emergency requirements and subsequently report to the Board and secure Board approval for an appropriate budget modification.

FISCAL POLICIES

Financial Reserve Policy

To maintain the fund balance and retained earnings of the various operating funds at levels sufficient to protect the District's creditworthiness as well as its financial positions from unforeseeable emergencies, the Board will strive to maintain the following minimum fund and working capital balances:

Minimum Fund and Working Capital Balances

1. The Board will maintain fund balances or working capital balances of at least twenty percent (20%) of operating expenditures in the General Fund and all Enterprise Funds and Internal Service Funds. This is considered the minimum level necessary to maintain the District's credit worthiness and to adequately provide for -
 - a. Economic uncertainties and other financial hardships or downturns in the local or national

- economy.
 - b. Local disasters or catastrophic events
 - c. Contingencies for unseen operating or capital needs.
 - d. Cash flow requirements.
2. In order to assure that the Board has some discretion in their financial decision making options, these reserve may be reduced with a majority Board vote in order to fund unforeseeable financial conditions such as one-time expenditures, or as transition funding in a recessionary economy, or other budget shortfall stop gap measure of a temporary nature.

Service Level Policy

Service levels will be provided with the constraints of available resources. Services will be provided only at the most efficient and effective level to meet the needs of our constituents, customers, and businesses as determined by the Board. Board financial planning will provide for adequate maintenance and replacement of capital items.

Investment Policy

The Board invests its temporary pooled idle cash in accordance with California Government Code Section 53601 and has an investment policy which is adopted annually. Investment and cash management will be the responsibility of the Executive Director in consultation with the District Treasurer and the Director of Administrative Services. The Board's primary investment objective is to achieve a reasonable rate of return while minimizing the potential for capital losses arising from market changes or issuer default. Accordingly, the following factors will be considered in priority order in determining individual investment placements:

1. *Safety* – The safety and risk associated with an investment refers to the potential loss of principal, interest, or a combination of these amounts. The Board only purchases investments that are considered safe.
2. *Liquidity* – This refers to the ability to “cash in” at any moment in time with a minimal chance of losing some portion of principal or interest. Liquidity is an important investment quality which ensures cash will be available when an unexpected need arises.
3. *Yield* – This refers to the potential dollar earnings an investment can provide and is described as the rate of return.

The Board will strive to keep all idle cash balances fully invested through daily projections of cashflow requirements. In order to maximize yields from its overall portfolio, the Board will consolidate cash balances from all funds for investment purposes and will allocate investment earnings to each fund in accordance with generally accepted accounting principles.

Debt Policy

The Board will consider the use of debt financing for one-time capital improvement projects only when the project's useful life will exceed the term of the financing and when project revenues or specific resources will be insufficient to service the debt. Debt financing will not be considered appropriate for any recurring purpose. An internal feasibility study will be prepared for each long-term financing which analyzes the impact on current and future budgets for debt service and operations. This analysis will also address the reliability of revenues to support debt service.