

COMMISSIONERS

1st Division

Larry Doss

2nd Division

Greg Dale

3rd Division

Stephen Kullmann

4th Division

Richard Marks

5th Division

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Harbor, Recreation and Conservation District
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STAFF REPORT
HARBOR DISTRICT MEETING
June 9, 2022

TO: Honorable Board President and Harbor District Board Members

FROM: Larry Oetker, Executive Director

DATE: June 3, 2022

TITLE: Preliminary Budget Adoption for Fiscal Year 2022-2023

STAFF RECOMMENDATION: It is recommended that the Board: Adopt the Preliminary Budget for FY 2022-2023 and Review the Budget Process and Policies.

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 following are some highlights from last year's budget:

1. Expenditures in FY 2021-22 were within amounts budgeted.
2. The preliminary budget is balanced.
3. The Coast Seafood Loan has been paid in full.
4. The RTI Cable Landing lease income for two cables has been received.
5. Because of the delays in receiving the permits for the Nordic Aquafarms project, the budget does not include revenues from that lease.
6. The New Market Tax Credit debt asset is projected to be transferred to the Harbor District in March 2023. Due to quarterly payments no savings are included in the FY 2022-23 preliminary budget.
7. 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.
8. Approximately \$6 million contract was executed with Caltrans for the Spartina Eradication Program. These funds will be budgeted and expended over the next seven years.
9. Approximately \$900,000 in grant funds were awarded for the Samoa Peninsula Beautification Project.

10. Hazardous material was removed from RMT II and the Fields Landing Boat Yard.
11. Two large commercial abandoned vessels were recycled.
12. Preliminary Reserve Account Balances have been maintained which includes approximately \$1 million (dredge fund); \$550,000 (Float Replacement); and \$400,000 (General Reserve) are in segregated account.
13. The District's cash flow is manageable.
14. It is very likely that the District will need to borrow funds to complete dredging in 2023 and for the new terminal project.

The Budget Policies and Procedures which the Board adopted last year are included as (Attachment B). The final budget will return on the July 14, 2022 agenda for final review and adoption.

ATTACHMENTS:

- A. Preliminary Budget
- B. Budget Process and Policies

[illegible]

Preliminary Budget FY 2022/2023	General Fund	Woodley Island	FLBY	Shelter Cove	RMT2	RWD	New Terminal	Tidelands	Grants	TOTAL
45909 · Other Revenue - NT	1,100	-	-	-	1,000	-	-	7,500		9,600
Total Other Revenue	1,100	-	-	-	1,000	-	-	7,500	-	9,600
Rent Income										
40218 · Slip Rents - T	-	510,000	-	-	-	-	-	-		510,000
40318.1 · Transient Rentals - T	-	35,000	-	-	-	-	-	-		35,000
40518 · Equipment Rent - T	-		-	-	-	-	-	-		-
40519 · Equipment Rent - NT	-	6,700	-	-	200	-	-	-		6,900
40809 · Yard Rent - NT	-		-	-	-	11,200	-	-		11,200
41108 · Rents, Tidelands Leases - T	-		-	-	-	-	-	410,000		410,000
41309 · Storage - NT	-	36,000	-	-	-	19,500	-	-		55,500
41409 · Upland Rent - NT	-	174,000	34,000	-	-		-	-		208,000
41409.2 · Redwood Terminal 2 - NMTC	-	-	-	-	60,000	-	-	-		60,000
41409 · Upland Rent - NT - Other	-		-	-	620,000	-	-	-		620,000
Total 41409 · Upland Rent - NT	-	-	-	-	-	-	-	-		-
Total Rent Income	-	761,700	34,000	-	680,200	30,700	-	410,000	-	1,916,600
Sales										
40109 · Sales, Retail - NT	-	-	-	-	-	-	-	-		-
40119 · Concession Sales - NT	-	5,800	-	-	-	-	-	-		5,800
Total Sales	-	5,800	-	-	-	-	-	-	-	5,800
Tax Revenue										
43509 · Property Tax Revenues	1,200,000	-	-	-	-	-	-	-		1,200,000
45009 · Other Federal Tax Revenue	-	-	-	-	-	-	-	-		-
Total Tax Revenue	1,200,000	-	-	-	-	-	-	-	-	1,200,000
Utility Surcharge										
40409 · Utility Surcharge - NT	-	5,700	18,500	-	33,000	7,100	-	2,000		66,300
40418 · Utility Surcharge, Marina Dock	-	46,000	-	-	-	-	-	-		46,000
Total Utility Surcharge	-	51,700	18,500	-	33,000	7,100	-	2,000	-	112,300
47019 · Returned Check Charges	-	-	-	-	-	-	-	-		-
52708.1 · Discount	-	-	-	-	-	-	-	-		-
Total Income	1,209,600	1,096,220	68,020	198,160	875,525	42,600	-	657,650	2,706,637	6,854,412
Gross Profit	1,209,600	1,096,220	68,020	198,160	875,525	42,600	-	657,650	2,706,637	6,854,412
Expense										
Accounting/Auditing Services										
52500 · Accounting Fees - T	28,000	-	-	-	-	-	-	-		28,000
52508 · Accounting Fees - NT	12,000	-	-	-	-	-	-	-		12,000
Total Accounting/Auditing Services	40,000	-	-	-	-	-	-	-	-	40,000
Advertising & Promotion										
51000 · Advertising & Promotion - NT	1,900	500	-	-	-	-	-	-		2,400
51008 · Advertising & Promotion - T	250	500	-	-	-	-	-	-		750
Total Advertising & Promotion	2,150	1,000	-	-	-	-	-	-	-	3,150
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 2022/2023		General Fund	Woodley Island	FLBY	Shelter Cove	RMT2	RWD	New Terminal	Tidelands	Grants	TOTAL
53609 · Expenses Pending Transfer-Bldg		-	85,000	45,000	-	-	-	-	-		130,000
53618 · Expenses Pending Transfer-Auto		-	-	-	-	-	-	-	-		-
53619 · Expenses Pending Transfer - Eq		-	-	-	70,000	-	-	-	-		70,000
Total Capital Outlay		-	85,000	45,000	70,000	-	-	-	-	-	200,000
Communications											
51400 · Communications - NT		15,000	1,330	-	-	10,600	-	-	-		26,930
51408 · Communications - T		6,000	1,330	-	-	-	-	-	-		7,330
Total Communications		21,000	2,660	-	-	10,600	-	-	-	-	34,260
Conference & Meetings											
51500 · Conferences & Meetings - NT		6,700	2,500	2,500	-	5,000	-	-	-		16,700
51508 · Conferences & Meetings - T		3,000	5,000	-	-	-	-	-	150		8,150
Conference & Meetings - Other		-	-	-	-	-	-	-	-		-
Total Conference & Meetings		9,700	7,500	2,500	-	5,000	-	-	150	-	24,850
Depreciation											
53509 · Depreciation - NT		-	-	-	-	-	-	-	-		-
Total Depreciation		-	-	-	-	-	-	-	-	-	-
Dredging Expense											
55608 · Dredging Expense - T		-	-	-	-	-	-	-	-		-
56708 · Dredging - GT		-	-	-	-	-	-	-	-		-
56718 · Dredging - MT		-	-	-	-	-	-	-	-		-
Dredging Expense - Other		-	-	-	-	-	-	-	-		-
Total Dredging Expense		-	-	-	-	-	-	-	-	-	-
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		12,000	-	-	-	43,000	-	-	-		55,000
51708 · Elections & Prop Tax Assess - T		4,000	-	-	-	-	-	-	-		4,000
Total Elections & Government Fees		16,000	-	-	-	43,000	-	-	-	-	59,000
Engineering Services											
52400 · Engineering Fees - NT		-	-	38,400	-	15,000	-	-	-		53,400
52408 · Engineering Fees - T		-	-	-	-	-	-	-	-		-
Total Engineering Services		-	-	38,400	-	15,000	-	-	-	-	53,400
Fuel											
50400 · IMPUTED AUTO VALUE G/A		500	600	100	-	200	135	-	-		1,535
51200 · Automotive, Fuel- NT		6,000	500	-	100	-	-	-	-		6,600
51208 · Vessel Fuel		-	-	-	-	-	-	-	6,000		6,000
51218 · Automotive, Fuel - T		6,000	-	-	-	-	-	-	-		6,000
Total Fuel		12,500	1,100	100	100	200	135	-	6,000	-	20,135
Grant Expenses											
Conservation Grant Expenses		-	-	-	-	-	-	-	-	1,682,740	1,682,740
54408.3 · Conservation Grant Exp		-	-	-	198,160	-	-	-	-	867,995	1,066,155
Total Conservation Grant Expenses		-	-	-	198,160	-	-	-	-	2,550,735	2,748,895
Harbor Grant Expenses											

Preliminary Budget FY 2022/2023	General Fund	Woodley Island	FLBY	Shelter Cove	RMT2	RWD	New Terminal	Tidelands	Grants	TOTAL
54408.1 · Harbor Grant Exp	-	-	-	-	-	-	-	-	6,087	6,087
Total Harbor Grant Expenses	-	-	-	-	-	-	-	-	6,087	6,087
Recreation Grant Expenses										
54408.2 · Recreation Grant Exp	-	-	-	-	-	-	-	-	-	-
Total Recreation Grant Expenses	-	-	-	-	-	-	-	-	-	-
Total Grant Expenses	-	-	-	198,160	-	-	-	-	2,556,822	2,754,982
Insurance										
51800 · Insurance - NT	9,500	40,400	11,000	6,700	18,500	-	-	-	-	86,100
51808 · Insurance - T	15	-	-	-	-	-	-	14,500	-	14,515
Total Insurance	9,515	40,400	11,000	6,700	18,500	-	-	14,500	-	100,615
Interest Expense										
55108 · Interest Expense - T	-	-	-	-	-	-	-	52,000	-	52,000
55109 · Interest Expense - NT	2,400	31,000	-	-	59,000	-	-	-	-	92,400
Total Interest Expense	2,400	31,000	-	-	59,000	-	-	52,000	-	144,400
Legal Services										
52300 · Legal Fees - NT	17,000	-	-	-	1,500	-	-	-	-	18,500
52308 · Legal Fees - T	7,500	-	-	-	-	-	20,000	-	-	27,500
Total Legal Services	24,500	-	-	-	1,500	-	20,000	-	-	46,000
Maintenance - Equipment										
51209 · Automotive, Repairs - NT	215	200	-	-	7,500	-	-	-	-	7,915
52710 · Repairs & Maint, Equip - NT	100	3,700	-	-	-	-	-	-	-	3,800
52718 · Repairs & Maint, Equip - T	-	4,200	5,000	-	-	-	-	30,000	-	39,200
Total Maintenance - Equipment	315	8,100	5,000	-	7,500	-	-	30,000	-	50,915
Maintenance - Facilities										
52708 · Repairs & Maint, Facilities - T	-	40,000	11,000	-	80,000	10,000	-	30,000	-	171,000
52709 · REPAIRS & MAINTENANCE G/NT	-	-	-	-	10,000	-	-	-	-	10,000
52719 · Repairs & Maint, Facilities - N	100	-	5,000	5,000	60,000	10,000	-	-	-	80,100
Total Maintenance - Facilities	100	40,000	16,000	5,000	150,000	20,000	-	30,000	-	261,100
Maintenance - IT										
57008 · Maintenance, IT Equip - T	100	600	-	-	-	-	-	-	-	700
57009 · Maintenance, IT Equip - NT	2,900	6,400	-	-	1,500	-	-	-	-	10,800
Maintenance - IT - Other	-	-	-	-	-	-	-	-	-	-
Total Maintenance - IT	3,000	7,000	-	-	1,500	-	-	-	-	11,500
Maintenance Supplies										
52008 · Maintenance Supplies - T	-	350	-	-	-	-	-	-	-	350
52010 · Maintenance Supplies - NT	500	17,500	700	-	5,500	-	-	-	-	24,200
Total Maintenance Supplies	500	17,850	700	-	5,500	-	-	-	-	24,550
Office Supplies										
51900 · Office Supplies - NT	17,500	200	-	-	-	-	-	-	-	17,700
51908 · Office Supplies - T	7,750	650	-	-	-	-	-	-	-	8,400
51918 · OFFICE EXPENSE M/T	-	-	-	-	-	-	-	265	-	265
52100 · Outside Services - NT	-	-	-	-	-	-	-	-	-	-
Office Supplies - Other	150	-	-	-	-	-	-	-	-	150
Total Office Supplies	25,400	850	-	-	-	-	-	265	-	26,515

Preliminary Budget FY 2022/2023	General Fund	Woodley Island	FLBY	Shelter Cove	RMT2	RWD	New Terminal	Tidelands	Grants	TOTAL
Other Expenses										
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	3,800	3,200	-	-	-	16,000
52110 · OUTSIDE SERVICES M/A	-	2,500	-	23,300	-	-	-	-	-	25,800
52118 · Outside Services, Other - T	-	-	-	-	31,600	-	14,600	25,000	-	71,200
Total Other Professional/Outside Serv	-	2,500	-	32,300	35,400	3,200	14,600	25,000	-	113,000
Permits										
51610 · Permits - NT	-	-	-	-	-	-	-	-	-	-
51618 · Permits - T	8,000	-	2,800	-	17,500	700	-	-	-	29,000
Total Permits	8,000	-	2,800	-	17,500	700	-	-	-	29,000
Personnel Expenses										
Commissioners Fees										
50200 · Commissioner's Salaries - NT	17,520	-	-	-	-	-	-	-	-	17,520
50208 · Commissioner's Salaries - T	7,680	-	-	-	-	-	-	-	-	7,680
Total Commissioners Fees	25,200	-	-	-	-	-	-	-	-	25,200
Payroll Burden										
50500 · Payroll Benefits, Other - NT	92,719	234,534	22,747	-	97,079	30,737	33,555	2,157	46,669	560,197
50508 · Payroll Benefits, Other - T	-	-	-	-	-	-	-	-	-	-
6560 · Workers' Comp	-	-	-	-	-	-	-	-	-	-
Total Payroll Burden	92,719	234,534	22,747	-	97,079	30,737	33,555	2,157	46,669	560,197
Salaries/Wages										
50100 · Salaries & Wages - NT	204,896	397,415	38,276	-	132,454	36,445	123,051	4,312	102,019	1,038,868
50108 · Salaries & Wages - T	-	-	-	-	-	-	-	-	-	-
50119 · Sal. & Wages, Part-time - NT	-	-	-	-	-	-	-	-	-	-
Salaries/Wages - Other	-	-	-	-	-	-	-	-	-	-
Total Salaries/Wages	204,896	397,415	38,276	-	132,454	36,445	123,051	4,312	102,019	1,038,868
Total Personnel Expenses	322,815	631,949	61,023	-	229,533	67,182	156,606	6,469	148,688	1,624,265
Planning Services										
52200 · Planning Fees - NT	3,200	-	1,200	800	-	3,000	-	-	-	8,200
52208 · Planning Fees - T	-	-	-	-	-	-	-	-	-	-
Total Planning Services	3,200	-	1,200	800	-	3,000	-	-	-	8,200
Rent Expense										
52600 · Rent Expense - NT	-	-	3,500	800	-	-	-	-	-	4,300
54308 · Redwood Terminal 2 Lease Expens	-	-	-	-	-	-	-	339,246	-	339,246
54409 · Lease Expense - RT2	-	-	-	-	-	-	-	-	-	-
Total Rent Expense	-	-	3,500	800	-	-	-	339,246	-	343,546
Small Tools										
52800 · Small Tools - NT	-	1,750	1,750	1,750	2,500	-	-	-	-	7,750
52808 · Small Tools - T	-	250	250	250	1,000	-	-	-	-	1,750
Small Tools - Other	-	-	-	-	-	-	-	-	-	-
Total Small Tools	-	2,000	2,000	2,000	3,500	-	-	-	-	9,500

Preliminary Budget FY 2022/2023	General Fund	Woodley Island	FLBY	Shelter Cove	RMT2	RWD	New Terminal	Tidelands	Grants	TOTAL
Utilities										
52909 · Utilities - NT	13,000	5,800	3,250	-	200,000	-	-	-	-	222,050
52918 · Utilities - T	-	60,000	-	-	-	-	-	-	-	60,000
53000 · Water, Sewer, & Refuse - NT	-	84,000	4,600	8,400	25,000	-	-	-	-	122,000
53008 · Water, Sewer, & Refuse - T	-	55,000	-	-	-	-	-	-	-	55,000
Total Utilities	13,000	204,800	7,850	8,400	225,000	-	-	-	-	459,050
57018 · Bank Service Charges	-	-	-	-	-	-	-	-	-	-
66900 · Reconciliation Discrepancies	-	-	-	-	-	-	-	-	-	-
Total Expense	564,095	880,409	189,223	315,860	603,233	94,217	191,206	503,630	2,705,510	6,047,383
Net Ordinary Income	645,505	215,811	(121,203)	(117,700)	272,292	(51,617)	(191,206)	154,020	1,127	807,029
Net Income	645,505	215,811	(121,203)	(117,700)	272,292	(51,617)	(191,206)	154,020	1,127	807,029
Debt Service										
Bond		83,500						141,000		224,500
BVVA Loan					101,800					101,800
CalPERS Unfunded Liability	102,839									102,839
										-
Total Debt Service	102,839	83,500	-	-	101,800	-	-	141,000	-	429,139
Reserve Deposit										
Dredge Surcharge		200,000	15,000							215,000
Float Replacement		35,000								35,000
Ocean Outfall										-
General Reserve										-
Total Reserve	-	235,000	15,000	-	-	-	-	-	-	250,000
Net Income After Debt Service and Reserve Deposit	542,666	(102,689)	(136,203)	(117,700)	170,492	(51,617)	(191,206)	13,020	1,127	127,890
Reserve Balance 6-30-21										
Dredge Surcharge from June 2021 Audit		880,339								880,339
Dredge Surcharge through April 30, 2022		163,470								163,470
Dredge Surcharge Projected through June 30, 2022		16,347								16,347
Dredge EXPENSE through April 30, 2022		(13,630)								(13,630)
Float Replacement from June 2021 Audit		485,057								485,057
Float Replacement through April 30, 2022		55,016								55,016
Float Replacement Projected through June 30, 2022		11,004								11,004
Float EXPENSE through April 30, 2022										-
Ocean Outfall										-
General Reserve Deposited in July 2021 with budget adoption		400,000								400,000
Total Reserve	-	1,997,603	-	-	-	-	-	-	-	1,997,603

HUMBOLDT BAY HARBOR,
RECREATION, AND CONSERVATION DISTRICT
Statement of Net Position
September 30, 2021

HUMBOLDT BAY HARBOR, RECREATION AND CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 - CASH AND CASH EQUIVALENTS - CONT'D

Restricted cash and cash equivalents activity for the year ended June 30, 2021 was as follows:

Preliminary Budget FY 2022/2023

ASSETS

Current Assets:

Cash
 Restricted cash - marina dredging and float replacement
 Accounts receivable (net of allowance for doubtful accounts)
 Taxes and interest receivable
 Prepaid expenses
 Total Current Assets

General Fund	Woodley Island	FLBY	Shelter Cove	RMT2	RWD	New Terminal	Tidelands	Grants	TOTAL
					Marina Dredging Surcharge	Float Replacement Surcharge	Total		
\$ 844,231	Unexpended cash from marina dredging and float replacement surcharges, June 30, 2020				\$ 727,074	\$ 422,140	\$ 1,149,214		
1,433,245	Additions, 2020/2021				153,325	62,917	216,242		
583,466	Unexpended cash from marina dredging and float replacement surcharges, June 30, 2021				\$ 880,399	\$ 485,057	1,365,456		
323,427	Less: Restricted cash in excess of available cash, June 30, 2021						(634,724)		
100,035	Restricted Cash, June 30, 2021						\$ 730,732		
3,284,404									

Total cash and cash equivalents at June 30, 2021, consisted of the following:

Cash on hand	\$ 1,280
Deposits held with financial institutions	492,384
Deposits held with the County Treasurer's Investment Pool	238,509
Undeposited fund	40
Total cash and cash equivalents	\$ 732,213

	Jul 21	Budget	\$ Over Budget	% of Budget	Aug 21
Dredging Revenue					
41308.4 · Dredging Revenue - Other	0.00	0.00	0.00	0.0%	0.00
41318 · Dredging Surcharge - T	15,708.15	14,167.00	1,541.15	110.88%	17,015.80
Total Dredging Revenue	15,708.15	14,167.00	1,541.15	110.88%	17,015.80
Float Replacement Account					
41418 · Float Replacement	5,288.56	5,833.34	-544.78	90.66%	5,726.91
Total Float Replacement Account	5,288.56	5,833.34	-544.78	90.66%	5,726.91
Dredging Expense					
55608 · Dredging Expense - T	1,020.00	50,000.00	-48,980.00	2.04%	2,415.00
56708 · Dredging - GT	0.00	8,333.33	-8,333.33	0.0%	2,248.00
56718 · Dredging - MT	0.00	0.00	0.00	0.0%	0.00
Dredging Expense - Other	0.00	0.00	0.00	0.0%	0.00
Total Dredging Expense	1,020.00	58,333.33	-57,313.33	1.75%	4,663.00

Attachment B

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.