



Special Public Budget Session of February 12, 2019

**Santa Cruz Port Commission
MINUTES**

Commissioners Present:

Dennis Smith	Chairman
Stephen Reed	Vice-Chairman
Toby Goddard	Commissioner
Darren Gertler	Commissioner
Neli Cardoso	Commissioner

SPECIAL PUBLIC BUDGET SESSION – 7:00 PM

Chairman Smith brought the special public budget session to order at 7:00 PM at the Santa Cruz Harbor Public Meeting Room, 365 A Lake Avenue, Santa Cruz, CA 95062.

1. Pledge of Allegiance
2. Oral Communication

Slip renter Thomas Whieldon expressed his appreciation for the efforts the District has put forth to explore funding options for a replacement patrol vessel.

3. Review of Draft FY20 Budget and 5-Year Capital Improvement Plan (FY20 – FY24)

Discussion: Port Director Olin presented the FY20 Draft Budget and highlighted the following:

- FY19 revenues are projected to exceed budget by approximately \$299,000 due to increased revenue in the following categories:
 - Fuel revenue
 - Parking-related revenue
 - Tenant utilities and concession rents
 - Visitor berthing
- Unanticipated revenue exceeds \$225,000 (USACE, PG&E, CalOES/FEMA)
- Expenses are projected to be approximately \$270,000 below budget due to the following:
 - Overall expense savings in Dredge Services and Supplies (lower maintenance costs for *Twin Lakes*)
 - Savings in Administrative programs' labor costs
 - Savings in Environmental Permitting due to modified permit, which requires two dredge monitors instead of three.

Port Director Olin stated that the budget approach for FY20 focuses on the following:

- Meet Reserve Policy goals and objectives
- Fund priority Capital Improvement Projects (concession lot parking equipment, dredge yard hazmat shed, lift station control panels, etc.)
- Fund priority capital outlay (water taxi, patrol vehicle, maintenance vehicles, boatyard filtration system media tank, *Odd Job* hull)
- Develop spending and operating plan for FY20 to maintain services
- Conservative revenue projections and ensure cost recovery where practicable
- Maintain flexibility to allow response to changing and competing priorities

Port Director Olin reviewed the FY20 Salary and Benefit Costs and highlighted the following:

- Salary and Benefit increases are primarily due to labor contract salary increases, merit and minimum wage increases, increases to part-time/temporary staffing, and CalPERS' pension costs.
- Employer pension expense is approximately \$479,000, representing approximately 13% of Salaries and Budgets.
- Customer Service Representative is budgeted in the Administration Department, but labor has been allocated to Operations Department (Marina Management);

Port Director Olin reviewed the FY20 Dredge Operations budget. She stated that a \$145,956 contribution will increase available funding in the Dredge Intermediate Fund to \$259,000. She stated that this funding will be utilized for the following expenditures:

- Spare jet pump, generator replacement and check valve for *Twin Lakes*.
- Complete deck and A-Frame replacement on *Dauntless*
- Cutter head and trunnion rebuild on *Squirt*.
- \$81,000 in ancillary equipment (anchors, pipe and valves)

Port Director Olin reviewed projected FY19 revenues and expenses for the boatyard. She stated that though the boatyard is projected to be marginally profitable in FY19, some boatyard expenditures are captured in other programs. Additionally, she highlighted that interdepartmental services provided by the boatyard totaled approximately \$105,000.

Port Director Olin reviewed projected FY19 revenues and expenses for the fuel service operation. She stated that the fuel service operation is on track for a modest profit in FY19.

Port Director Olin reviewed the Port District's fund balances and current financial position, noting that the amount of cash on hand, available for operations, emergencies, and improvements is approximately \$4,644,704.

Port Director Olin reviewed recommended FY20 Capital Improvement Projects (CIP) funding:

- Dock Upgrades Project - \$65,000
- Boatyard Marine Ways Inspection - \$40,000
- X/J Kayak Storage - \$20,000
- Minor Building Restoration Projects - \$100,000
- Restroom Building Rehabilitation - \$15,000
- Harbor Roads and Parking Lots Pavement Management - \$50,000
- Concession Lot Automation Project - \$65,000
- Dredge Yard Hazmat Shed - \$15,538
- Sanitary Sewer Lift Station Upgrades - \$100,000
- South Harbor Seawall and Revetment Project - \$75,000
- Harbor Wide Sign Study - \$5,000
- Harbor Wide Refuse and Recycling Study - \$10,000
- Harbor Security Infrastructure Upgrades - \$30,000

Port Director Olin stated that in addition to a reallocation of prior year CIP funding in the amount of \$100,538, a proposed contribution of \$500,000 is anticipated for FY20. She stated that the CIP list is extensive and staff does not anticipate completing every project within this budget year.

Port Director Olin stated that there are three new projects funded in FY20:

- Boatyard Marine Ways Inspection
- Dredge Yard Hazmat Shed
- X/J Kayak Storage

The Commission reviewed and discussed the proposed FY20 CIP budget.

Vice-chairman Reed expressed support for allocating future funds to the Arana Gulch Grade Control Structure Feasibility Study. Port Director Olin stated that this project can be assigned funding in a future budget year.

Port Director Olin stated that in July 2018, the Policy & Operations Committee reviewed the District's current partnership fee structure and made a recommendation to consider any proposed changes during the FY20 budget process.

Port Director Olin reviewed the option for a sliding scale for partnership fees. She stated that an approximate \$11,000 revenue loss will result, if the proposed sliding scale is adopted. Vice-chairman Reed expressed his

support for revising the partnership fee structure. There was consensus among the Commission to revise the partnership fee structure for a three year term, to be reviewed with the FY23 budget.

The Commission discussed the proposed contribution to the Reserve Fund, Capital Improvement Fund, Election Fund, PEMHCA Fund and Dredge Intermediate Fund.

In response to a concern expressed by Chairman Smith, Port Director Olin stated that approximately \$876,000 in unallocated funding is available in the CIP to cover shortfalls that may arise for larger-scale projects, like the Aldo's Seawall Replacement Project.

Port Director Olin stated that the draft FY20 budget does not include a proposed slip rent increase. Port Director Olin stated that a 1% increase to slip fees equates to approximately \$43,000 in additional revenue. She noted that this figure does not include dry storage slip rent in the calculation, or other impacted fees, which increases the calculation to approximately \$48,000. A discussion ensued about the implementation of a slip fee increase.

Commissioner Goddard stated that the Port District's strong financial position is due to diligent planning and oversight through the years. He stated that imposing a slip rent increase will ensure that the District continues to keep pace with rising expenses. He expressed support for a gradual increase over time and proposed a 2.25% slip rent increase be applied in FY20.

Chairman Smith agreed, but noted that a higher increase of 3% may be warranted to account for uncertainties that may arise with future capital improvement projects.

Commissioner Gertler expressed support for increasing slip rent by 2.5% to 3%. He asked for additional information on the reasons why a rate differential between the north and south harbor existed in prior years. Port Director Olin stated that the rate differential was due primarily to the vacancy factor that existed in the north harbor. Commissioner Gertler suggested that if a slip rent increase of more than 3% is proposed, that the Commission consider imposing a rate differential for north and south harbor slips.

Vice-chairman Reed expressed his belief that a rate increase of 2.5% is adequate, given the current condition and financial position of the District.

There was consensus among the Commission to direct staff to include a 2.5% slip rent increase in the FY20 draft budget and perform outreach to slip renters regarding future projects and improvements that will be funded by the increase.

Port Director Olin stated that the final budget will be presented for approval at the Commission's February 26, 2019, meeting.

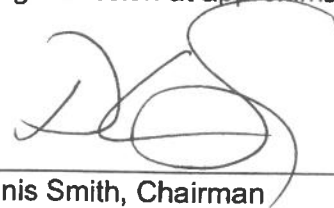
MOTION: Motion made by Commissioner Goddard, seconded by Vice-chairman Reed to direct staff to incorporate the following items in the draft FY20 budget for review and action at the regular public session on February 26, 2019:

- a 2.5% slip rent increase
- a sliding scale for partnership fees (three year term, to be reviewed with the FY23 budget)
- Add the following projects to the CIP for future funding:
 - o West Side Master Plan Project
 - o Arana Gulch Grade Control Structure;

Staff was directed to perform public outreach to slip renters regarding the 2.5% slip rent increase and change to the partnership fee structure.

- *Motion carried unanimously*

Chairman Smith adjourned the special public budget session at approximately 8:54 pm.



Dennis Smith, Chairman