



Special Public Budget Session of February 11, 2020

**Santa Cruz Port Commission
MINUTES**

Commissioners Present:

Stephen Reed	Chairman
Toby Goddard	Vice-Chairman
Dennis Reed	Commissioner
Darren Gertler	Commissioner
Reed Geisreiter	Commissioner

SPECIAL PUBLIC BUDGET SESSION – 7:00 PM

Chairman Reed 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 (*There was no discussion on this item*)
3. Review of Draft FY21 Budget and 5-Year Capital Improvement Plan

Discussion: Port Director Olin presented the FY21 Draft Budget and highlighted the following:

- FY20 operating revenues are projected to exceed budget by approximately \$440,000, due to notable increases in the following categories:
 - Fuel sales
 - Launch revenue
 - Boatyard revenue
 - Concession rent
 - Visitor berthing
- Projected FY20 income is approximately \$1.8 million (net of depreciation / capitalization expenses and prior to FY20 adjustments)
- Projected operating revenue exceeds prior year (FY19) audited operating revenues by approximately \$470,000
- Unanticipated revenue includes an additional \$25,000 contribution from the County of Santa Cruz in support of marine search and rescue
- Interest income exceeds budget due in part to the timing of progress payments made on large construction projects
- Operating expenses projected to be less than budget by approximately \$215,000, due to the following:

- Labor allocations to Capital Improvement projects which reduced labor costs and program expenses.

Port Director Olin stated that the budget approach for FY21 focuses on the following:

- Meet budget policy statements and Reserve Policy goals and objectives
- Conservative revenue and expense projections
- Develop spending and operating plan for FY21 to maintain services and fund approved labor contracts
- Fund priority Capital Improvement Projects in FY21 to address deferred maintenance, meet needs of the operation, fund inspections, investigations, and planning studies
- Fund Capital Outlay in FY21 (clamshell attachment for backhoe; *Odd Job* hull; acquisition of used vehicle to replace vintage vehicle)
- Present balanced budget and meet debt service requirements

Port Director Olin reviewed the FY21 Salary and Benefit Costs and highlighted the following:

- Salary and Benefit increases are primarily due to negotiated labor contract salary increases, increases in unrepresented employee costs (which include minimum wage and salary adjustments), increased budgeting for call back, call ready, overtime, comp and vacation payouts, and increased CalPERS' pension costs.
- Employer pension expense is approximately \$559,569, which is \$80,000 higher than FY20 rates and represents approximately 42% of total anticipated Salaries and Benefits increases.

Port Director Olin reviewed the FY21 Dredge Operations budget. She stated that a \$406,091 contribution will increase available funding in the Dredge Intermediate Fund to \$466,000. She stated that this funding will be utilized for the following expenditures:

- Acquisition of a barge and associated equipment to deploy the Toyo submersible pump (\$200,000)
- Pipeline
- Pipe Welder
- Other dredge systems and equipment repair and maintenance

Port Director Olin added that to accommodate the acquisition of a barge to deploy the Toyo pump, some Dredge Intermediate Fund items will remain unfunded, most notably delaying replacement of the deck on the workboat *Dauntless* and acquisition of a truck.

Port Director Olin stated that the cost estimates for the Toyo barge may be as high as \$250,000, but that the actual cost has yet to be determined.

Port Director Olin reviewed projected FY20 revenues and expenses for the boatyard, which is in its sixth full year of operation. She stated that the boatyard was projected to require \$35,414 in proceeds to support the operation, but is currently projected to be marginally profitable, although some expenditures are captured in other programs. Additionally, she highlighted that revenues do not account for interdepartmental services, which totaled \$39,163 in FY20.

Port Director Olin reviewed projected FY20 revenues and expenses for the fuel service operation. She stated that the fuel service operation is on track for a modest profit in FY20.

Port Director Olin reviewed the Port District's fund balances and current financial position, noting that the amount of unrestricted cash on hand available for operations, emergencies, and improvements is approximately \$5,765,940.

Port Director Olin reviewed recommended FY21 Capital Improvement Projects (CIP) funding:

- Dock Upgrades Project - \$30,000
- Pier Rehabilitation Project - \$27,000
- Minor Building Restoration Projects - \$50,000
- Restroom Building Rehabilitation - \$38,000
- Harbor Roads and Parking Lots Pavement Management - \$65,000
- Parking Pay System Equipment - \$35,000
- Parking Upgrades - \$45,000
- Sanitary Sewer Lift Station Upgrades - \$75,000
- Storm Drain System Repairs and Maintenance - \$20,000
- 7th and Brommer Property Site Assessment - \$60,000
- Harbor Wide Refuse and Recycling Study - \$50,000
- Harbor Security Infrastructure Upgrades - \$5,000

Port Director Olin stated that in addition to a reallocation of prior year CIP funding in the amount of \$96,183, a proposed contribution of \$500,000 is anticipated for FY21. She stated that though there are no new projects proposed for funding in F21, the FY21-25 CIP list is extensive and will likely require a contribution of more than \$500,000 in future years.

The Commission discussed the proposed contribution to the Capital Improvement Program (CIP), Reserve Fund, and Dredge Intermediate Fund (DIF).

Commission Geisreiter expressed support for increasing CIP funding for FY21. He stated that the CIP funding should gradually increase from \$500,000 to

\$750,000 over the next few years to meet funding requirements for the extensive list of future projects. Commissioner Smith agreed.

Port Director Olin stated that the draft FY21 budget does not include a proposed slip rent increase. Port Director Olin stated that a 1% increase to slip fees equates to approximately \$44,225 in additional revenue. She stated that the Consumer Price Index (San Francisco-Oakland-Hayward) increase (CPI) for 2019 is 3.3% (*Note: CPI was subsequently corrected to 2.5% for 2019*). A discussion ensued about the implementation of a slip fee increase.

Chairman Reed stated that he is supportive of a modest slip fee increase, but noted that increasing the rate by CPI (3.3%), may be too high.

Chairman Geisreiter stated that based on projections, a slip rent increase of 2.5% to 3% would provide the District with additional funding to allocate approximately \$100,000 to the CIP and \$10,000 to the Dredge Intermediate Fund (DIF) for the acquisition of necessary spare parts. Vice-chairman Goddard expressed support for a 2.5% increase. Commissioner Smith agreed.

Commissioner Gertler expressed support for increasing slip rent by 1% for the north harbor and 3% for recreational vessels in the south harbor. He proposed that business use of slip and commercial vessels be excluded from a rate increase in FY21. In response to Commissioner Gertler's proposal, Vice-chairman Goddard stated that he is not supportive of excluding categories of users from the rate increase (i.e. recreational vs. commercial).

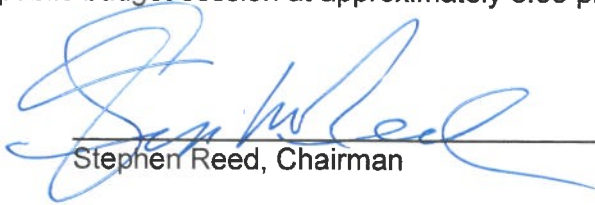
A discussion ensued regarding the Port District's sublease and partnership fees. There was consensus among the Commission to continue both the differential sublease fee (30% of slip rent for south harbor and 15% of slip rent for north harbor) and sliding scale partnership fee.

There was consensus among the Commission to direct staff to include a 2.5% slip rent increase in the FY21 draft budget and perform outreach to slip renters regarding future projects and improvements that will be funded by the increase.

There was consensus among the Commission to direct staff to incorporate the following items into the draft FY21 budget for review and action at the regular public session on February 25, 2020:

- 2.5% increase to marina fees;
- Increase Dredge Intermediate Fund contribution by \$10,000, to \$416,091, to include an allowance for spare parts replacement;
- Increase capital improvement program funding from \$500,000 to \$590,000, allocating the additional \$90,000 to the CIP reserve account;
- Include revenue category types on the budget worksheets;
- Include a graph summarizing personnel costs by type.

Chairman Reed adjourned the special public budget session at approximately 8:55 pm.



Stephen Reed, Chairman