



Special Public Budget Session of February 9, 2021

**Santa Cruz Port Commission
MINUTES**

Commission Members Present (via teleconference):

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

SPECIAL PUBLIC BUDGET SESSION – 7:00 PM

Chairman Goddard brought the special public budget session to order at 7:00 PM via teleconference.

1. Pledge of Allegiance
2. Oral Communication

Chairman Goddard welcomed the new Facilities Maintenance Engineering Manager, Carl Wulf, to the Port District.

Port Director Olin provided an update on the current status of Aldo's Restaurant, noting that a construction cost quote is being developed by Bogard Construction.

Commissioner Smith expressed his appreciation for the dredge crew's efforts in significantly deepening the entrance channel over the last several days.

3. Review of Draft FY22 Budget and 5-Year Capital Improvement Plan (FY22 – FY26)

Discussion: Port Director Olin stated that the FY22 budget was prepared against the backdrop of the Coronavirus pandemic (COVID-19), which has had negative impacts on some FY21 revenue categories. She presented the FY22 Draft Budget and highlighted the following:

- FY21 operating revenue is projected to be underbudget by approximately \$360,000 primarily due to impacts from COVID-19 on:
 - Concession rents
 - Parking
 - RV
- Revenue impacts are partially offset by stronger than expected performance in:
 - Slip rent
 - Launch / Visitor berthing

- Expenditure savings are estimated at \$900,000. As a result, projected Operating Profit (Operating Revenues less Operating Expenses) is expected to exceed the FY21 budget by approximately \$540,000
- Net income loss in FY21 is projected at -\$374,469; however, net of depreciation / capitalized expenses, net income is projected to be positive overall

Port Director Olin stated that the budget approach for FY22 focuses on the following:

- Present a balanced budget that meets debt service requirements while accounting for anticipated decreases in concession revenue due to COVID-19, and eliminating the US Army Corps of Engineers' (USACE) dredging reimbursement from the FY22 budget
- Push budgeted revenues in some categories to expected levels based on current projections and prior years' audit results
- Reduce line item expenditures across budget programs
- Develop spending and operating plan for FY22 that continues a reduced staffing level while restoring some Operations' support services by part-time staff, and fund approved labor contracts
- Fund reserves and Capital Improvement Program at a level less than stated reserve policy goals and objectives to achieve a budgetary surplus, while funding priority Capital Improvement Projects and Capital Outlay

Port Director Olin reviewed the FY22 Salary and Benefit Costs and highlighted the following:

- Salary and Benefit projected increases are primarily due to an adjustment in budgeting for medical expense, increased CalPERS' pension costs, and workers' compensation premium costs. Increased costs are largely offset by staffing reductions due to COVID-19.
- Employer pension expense is approximately \$605,500, which is approximately \$46,000 higher than FY21 rates and represents approximately 15% of anticipated Personnel Services' expenditures.

Port Director Olin reviewed the FY22 Dredge Operations budget. She stated that a \$172,762 contribution will increase available funding in the Dredge Intermediate Fund to \$208,000. She stated that this funding will be utilized for the following expenditures:

- *Twin Lakes*: Replacement of the Lincoln welder/generator; replacement of the standby marine generator and spare parts
- *Dauntless*: A-frame repair
- Other dredge systems equipment

Port Director Olin added that the draft FY22 budget initially included a partial set-aside for future haul of *Twin Lakes* (\$75,000) and a trailer for the tracked pipe fusion machine (\$8,200). These items were eliminated from the draft budget due to loss of US Army Corps of Engineers' (USACE) work plan funding to create a budget surplus. She stated that staff remains committed to hauling *Twin Lakes*, though the timeline may be pushed out 1-2 years depending on haul options.

Port Director Olin reviewed projected FY21 revenues and expenses for the boatyard, which is in its seventh full year of operation. She stated that the boatyard is 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 approximately \$35,500 in FY21.

Port Director Olin reviewed projected FY21 revenues and expenses for the fuel service operation. She stated that the fuel sales and fuel expense were lower than anticipated in FY21, though overall the program is projected to be more profitable in FY21 than FY20 due to improved program oversight and management.

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 \$6,637,578.

Port Director Olin reviewed recommended FY22 Capital Improvement Projects (CIP) funding:

- Dock Upgrades Project - \$35,000
- Pier Rehabilitation Project - \$20,000
- Minor Building Restoration Projects - \$80,000
- Restroom Building Rehabilitation - \$108,600
- Harbor Roads and Parking Lots Pavement Management - \$62,000
- Parking Upgrades - \$20,000
- East Access Road Embankment Erosion Assessment - \$15,000

Port Director Olin stated that the draft FY22 budget proposes new funding in the amount of \$340,600 for the CIP, which is less than the typical \$500,000 funding goal. In addition, the draft budget proposes to reallocate existing CIP project funding as follows:

- Pavement Repairs (F006) – Increase funding by \$65,000 from the following sources:
 - Pappy Park (F032) – Close out project and allocate remaining funding of \$88
 - Boatyard Marine Ways Inspection / Upgrades (F035) – Close out project and allocate remaining funding of approximately \$721

- Dredge Yard Hazmat Shed (F037) – Close out project and allocate remaining funding of \$4,735
- Harborwide Sign Study (F038) – Close out project and allocate remaining funding of \$4,283
- Unallocated CIP (F099) – Allocate \$55,173 in funding

A discussion ensued regarding appropriate funding levels for the CIP and DIF.

Vice-chairman Geisreiter expressed support for allocating additional funds to both the CIP and DIF and suggested the following:

- Increase CIP funding by \$160,000 from \$340,600 to \$500,000
- Increase DIF funding by \$100,000 from \$172,762 to \$272,762 (allowance for unforeseen equipment repair/maintenance)

Vice-chairman Geisreiter stated that net income proceeds, which are projected to be \$291,316 can be utilized as the funding source. Chairman Goddard agreed with the suggestion and stated that as discussed in prior years, CIP funding should be increased beyond \$500,000 each year to address ongoing infrastructure needs. Commissioner Reed expressed support for the proposed funding increases.

Commissioner Smith stated that he is not supportive of increasing the CIP and DIF contributions. He stated that in the event additional funds are needed to address priority projects, the Commission can consider a mid-year budget adjustment. Commissioner Gertler agreed.

Port Director Olin confirmed that CIP and DIF funding can be increased without negatively impacting the Port District's debt service ratio.

There was consensus among the Commission to increase CIP funding by \$160,000 and DIF funding by \$100,000 (unallocated). No changes were proposed to the Election Fund or Reserve Fund.

A discussion ensued regarding the proposed FY22 CIP projects.

Commissioner Geisreiter stated that it may be beneficial to allocate a portion of the \$160,000 in increased funding to paving repair. Commissioner Reed agreed and also stated that it is his opinion that the Harborwide Refuse/Recycling Study should remain on the calendar as a future project.

A discussion ensued about the implementation of a slip fee increase. There was consensus among a majority of the Commission not to include a slip rent increase in the FY22 budget at this time and continue to monitor quarterly budget reports to determine if a mid-year increase may be warranted to meet required debt service ratios.

Chairman Goddard expressed his opinion that a fee increase inline with inflation was justified to keep up with rising expenses. Commissioner Reed agreed.

Chairman Goddard expressed support for renewing the Port District's annual membership with the California Special Districts' Association in 2022.

There was consensus the Commission to direct staff to incorporate the following items into the draft FY22 budget for review and action at the regular public session on February 23, 2021:

- No marina fee increase.
- 2% CPI increase for landside leases in accordance with existing lease agreements.
- Increase capital improvement program contribution from \$340,600 to \$500,000, funding priority projects including paving repairs and building / restroom rehabilitation.
- Increase the Dredge Intermediate Fund contribution from \$172,762 to \$272,762, to fund an allowance to facilitate unanticipated critical dredge system equipment repair and replacement.

Chairman Goddard adjourned the special public budget session at approximately 8:30 pm.



Thomas Goddard, Chairman