



Special Public Budget Session of February 15, 2023

**Santa Cruz Port Commission
MINUTES**

Commission Members Present:

Darren Gertler	Chair
Stephen Reed	Vice-chair
Dennis Smith	Commissioner
Toby Goddard	Commissioner
Reed Geisreiter	Commissioner

SPECIAL PUBLIC BUDGET SESSION – 7:00 PM

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

1. Pledge of Allegiance
2. Oral Communication

Slip renter Robert Nichols expressed his appreciation to staff for the FY24 budget material and requested that if a marina fee increase is considered as part of tonight's meeting, that it be modest, to ensure the harbor remains affordable to all slip renters.

Commissioner Goddard reported that he recently attended a webinar regarding the California Marine Protected Area Management Program.

3. Approval of Contract Amendment – Central Electric Company Electrical Service Upgrade Project at 333 Lake Avenue)

Discussion: Port Director MacLaurie stated that in June 2022, the Port Commission approved a contract with Central Electric Company for electrical service upgrades to the property located at 333 Lake Avenue in an amount not to exceed \$58,300.

She stated that the project was anticipated to commence in Fall 2022, but due to supply chain issues and parts availability, progress stalled. She stated that the project is now anticipated to commence later this month, however, a new prevailing wage rate took effect on January 1, 2023, so a contract amendment is needed to account for the increased labor rates.

MOTION: Motion made by Commissioner Geisreiter seconded by Vice-chair Reed to authorize the Port Director to execute a contract change order with Central Electric Company in the amount of \$2,199, increasing the not to exceed contract amount from \$58,300 to \$60,499.
- *Motion carried unanimously.*

3. Review of Draft FY24 Budget and 5-Year Capital Improvement Plan

Discussion: Port Director MacLaurie presented the FY24 Draft Budget and stated that the budget approach for FY24 focuses on the following:

- Presenting a balanced budget that meets debt service requirements.
- Maintaining a conservative approach to budgeted revenues.
- Funding approved labor contracts and pension related costs.
- Funding the Capital Improvement Program (CIP) at a level satisfactory to achieve a balanced budget (current funding level is less than stated goal).

Port Director MacLaurie highlighted the following FY23 budget projections:

- FY23 operating revenues are projected to exceed budget by approximately \$1,710,175 (16%), due to increases in the following categories:
 - Receipt of US Army Corps of Engineers annual dredge reimbursement
 - Increased Interest Earnings (primarily from LAIF)
 - Fuel Sales
 - Boatyard Income
 - Concession Income
- FY23 operating expenses are projected to exceed budget by approximately \$375,342 (4%), due to increases in the following categories:
 - Fuel Expense (offset by additional fuel sales/revenue)
 - Insurance Premium Increases
- FY23 net income is projected at -\$2,724,790. Net of depreciation & capitalized expenses, net income is projected to be positive overall.

Port Director MacLaurie reviewed the FY24 Salary and Benefit Costs and highlighted the following:

- Salary and Benefits are projected to increase 6.5%, primarily due to increases in the following categories:
 - Labor Contracts
 - CalPERS' Pension Costs

Port Director MacLaurie reviewed the FY24 Dredge Operations budget. She stated that a \$143,000 contribution will increase available funding in the Dredge Intermediate Fund (DIF) to \$289,665. She stated that this funding will be utilized for the following expenditures:

- *Twin Lakes*: Replacement of the snorkel elbow; replacement of the muffler, extended warranties, and spare parts
- *Dauntless*: Replacement of the keel cooler and replacement of the suction hose
- Other miscellaneous dredge systems and equipment

Port Director MacLaurie 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 \$9,989,665.

Port Director MacLaurie stated that the draft FY24 budget proposes to allocate \$1,270,000 to the CIP (\$350,000 from operating budget + reallocation of \$920,000 from the Unallocated CIP). She reviewed the recommended FY24 Capital Improvement Program (CIP) funding:

- Harbor Security Upgrades - \$12,000
- Piling Replacement - \$500,000
- Pavement Repairs - \$100,000
- Minor Building Restoration Projects - \$20,000
- Restroom Building Rehabilitation - \$50,000
- 7th & Brommer - \$25,000
- Parking Upgrades - \$25,000
- Harborwide Refuse Study - \$3,000
- Embankment Assessment - \$70,000
- Fuel System Upgrades - \$55,000
- NH Transformer - \$225,000
- 2222 East Cliff Drive Deck Replacement - \$10,000
- Twin Lakes Haul - \$175,000

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

Commissioner Geisreiter expressed support for increasing funding to the CIP, noting that the CIP funding goal should be raised to at least \$1,000,000 annually to meet future funding needs.

Port Director MacLaurie stated that the draft FY24 budget does not include a proposed marina fee increase. She stated that the Consumer Price Index (San Francisco-Oakland-Hayward) increase (CPI) for 2022 is 4.9%. A discussion ensued about the implementation of a slip fee increase.

There was consensus among the Commission to direct staff to include a 5% slip rent increase in the final FY24 budget.

There was consensus among the Commission to direct staff to incorporate the following items into the FY24 budget for review and action at the upcoming special public session on February 23, 2023:

- 5% increase to marina fees
- Increase Capital Improvement Program funding from \$350,000 to \$500,000. In conjunction with assigning \$920,000 of funding from the Unallocated CIP, total allocated CIP funds for FY24 equal \$1,420,000
- Review non-operating interest income to ensure revenue projections align with current interest rate trends
- Institute an annual review of the CalPERS actuarial valuation reports, which are typically released in August
- Change name of “Dredge Intermediate Fund” to “Dredge Fund”

Chair Gertler adjourned the special public budget session at approximately 8:35 pm.

Darren Gertler, Chair

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A handwritten signature in black ink, appearing to read "Darren Gertler", is written over a horizontal line.

Darren Gertler, Chair