

Teri's budget work session talking points:

Today you have the complete **staff budget proposal before you; including additions and revisions** requested at your 1st budget work session on April 9.

The **desired outcome today** is for staff to come away with a **clear understanding of the Commission's budget priorities and direction on rates.**

Resources:

The Port is expected to start fiscal year 19/20 with a **beginning fund balance of \$2,250,000** (top of page 3);

Projected **operating revenues**, incorporating the recommended rates in the attached proposal, are **\$4,387,000** (middle of page 4);

We have budgeted **Grant revenue at \$1,200,000 for PD 5 in the capital fund** and **\$456,300 in the general operating fund** for a \$250,000 state grant for PD 5, a \$3,500 security grant from SDAO, a State Marine Board grant for \$1,800 our pump out station, and a security grant from Homeland Security \$200,000;

Increased interest revenues resulting from the negotiations with our banks shows up in all funds **totaling \$167,000** overall.

Those **total revenues excluding the beginning fund balance** total **\$5,018,300** (page 4 bottom);

The total including beginning fund balance is \$7,268,300.

Requirements:

On the expense side, **Personnel Services** (on page 5) is **estimated at \$1,674,529, without any provision for increases** as a result of the market study underway currently. The Commission may want to consider allocating a lump sum toward future wage increases that could be implemented over the course of three years.

On page 6/735/36,, **Materials & Services** is projected at **\$2,398,710**, a **43% increase** over the current fiscal year. The budget includes **\$450,000 in grant expenses** which will only be spent if grants are received, in addition there are new contracting dollars associated with communications, grant writing, project management and scoping an enterprise resource program included which amount to **\$95,000. Utility increases amount to \$50,000 in increases.**

To provide some context, by removing the grants and new consultant costs, the M & S budget would be **\$1,853,710**, a little more than a 10% increase over current year.

There are still some budget lines within M & S being reviewed to ensure the figures are as accurate as possible.

If the Commission is interested in pursuing options for reducing M & S, those might include the Commission setting a cap on the amount of increase potentially 5%, 7% or 10%. This would not include utilities or grant expenses, but is a method of managing other expenses.

The capital projects list on page 35/36, is an area that requires Commission attention and direction. The total including what we hear on 4/9, is **\$2,700,300**. Assuming the PD 5 project moves forward, Aaron's time is somewhat limited for a large part of the year due to his attention to that work. The project list from the SBP includes priorities consistent with the staff recommended list. Both lists are based on a combination of staff and consulting engineer's recommendations due to infrastructure condition.

The top project priority from the SBP, a plan for the NIT, is work the staff will be undertaking this fiscal year when Paula arrives.

The total proposed **expenditure amount including transfers out of the operating fund to balance is \$7,268,300**, which leaves the Port **with a negative ending fund balance of \$504,399** (page 8).

Staff recommends to the Commission that a reasonable ending fund balance target of \$1.2 - \$1.5 million.