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**Humboldt Bay**  
**Harbor, Recreation and Conservation District**  
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**STAFF REPORT**  
**HARBOR DISTRICT MEETING**  
**June 13, 2024**

**TO:** Honorable Board President and Harbor District Board Members

**FROM:** Chris Mikkelsen, Executive Director

**DATE:** June 7, 2024

**TITLE:** Preliminary Budget Adoption for Fiscal Year 2024-2025

**STAFF RECOMMENDATION:** It is recommended that the Board: Adopt the Preliminary Budget for FY 2024-2025.

**SUMMARY:** The Budget is prepared annually under the direction of the Executive Director. In accordance with CA Harbors and Navigation Code Section 6093, on or before June 15, the District Board shall estimate and determine the amount of money required by the Harbor District and shall adopt a preliminary budget. Per Section 6093.3, the final budget shall be reported to the Board of Supervisors not later than August 1<sup>st</sup>.

**DISCUSSION:** The Preliminary budget is comprehensive and provides an estimate of what will be included in the final budget. If the Board adopts the final budget, Staff will work with the District Accountant to develop a monthly Cash Flow Analysis of the income and expenditures as well as an update of the District Reserve Balance and contractual fund balances. If there are specific changes to the Budget that the Board would like to consider, Staff would recommend the Board adopt the preliminary budget. It is important to note that District Staff continues to have a very large workload and have limited capacity to take on additional projects over what is already budgeted.

The following are some highlights and assumptions:

1. Expenditures in FY 2023-2024 were within amounts budgeted, although some projects had to be deferred.
2. The preliminary budget is balanced.
3. The District’s cash flow is manageable, and we have sufficient reserves to meet our reserve policies.
4. Rental income on the District’s Samoa Peninsula is up from the last two years, but still being prioritized in the interim before Nordic begins construction.

5. Legal expenses are projected to continue to increase and an additional \$66,000 is budgeted for New Terminal Lease.
6. The Budget includes \$22,000 for RMT II Property Taxes in FY 2024-25. This payment may be reimbursed once the occupancy tax has migrated to tenants and is half of what was paid in FY 2023-2024.
7. In 2023 the District borrowed approximately \$5.5 million with \$3 million budgeted in FY 23-24 for dredging and approximately \$2.3 million expended in FY 22-23 on the acquisition of property for the new terminal project. The loan payments are split approximately 44% to the General Fund and 56% from Woodley Island with repayment from the dredge surcharge income.
8. Dredging was budgeted at \$3 million and awarded to The Dutra Group. Half of the funds were expended in FY 2023-2024 before the dredge window closed. The Dutra Group has agreed to return this summer and finish the project. When dredging has been completed, the dredge fund balance will be negative.
9. An approximately \$6 million contract was executed with Caltrans for the Spartina Eradication Project underway. These funds are budgeted and will be expended over seven years. The contract includes funds for contract administration and the project began in June 2023.
10. Effective in May 2024, a Humboldt Bay Eelgrass Mitigation Project Agreement was signed with Caltrans for Phase 1 of the project not to exceed \$590,000 over the next five years. Contract administration funds have been included in the project agreement.
11. Approximately \$11 million in grant funds have been awarded for the new Heavy Lift Marine Terminal to Support the Offshore Wind Industry; these funds will be budgeted and expended over the next three years.
12. \$8.6M in funds from PIDP, with the match from the California Energy Commission grant with fund the remainder of phase 1 and the beginning of phase 2 of the Humboldt Bay Multipurpose Wind Terminal Project. Once the contract has been awarded, it will be added to the final budget.
13. Approximately \$900,000 in grant funds were awarded for the Samoa Peninsula Beautification Project. The project commenced in FY 2022-23 and just over half of the funds have been expended so far; the project is scheduled for completion this FY.
14. The District has a significant amount of one-time contract funds budgeted. Efforts should be made to continue these and other one-time projects. However, these large contracts tend to skew the budget and give the false impression that these revenue streams will continue into the foreseeable future.
15. The Fields Landing Boat Yard industrial pretreatment is budgeted at \$150,000.
16. The Woodley Island Restaurant roof repairs are budgeted at \$20,000.
17. The Employee Bargaining Agreement was renewed as of July 1, 2023. The budget reflects payroll adjustments approved in this agreement.
18. The District should continue to evaluate the staffing needs of the District as we continue to transition our port to meet the needs of the offshore wind industry.
19. Preliminary Reserve Account Balances have been maintained and accounted for in segregated fund.

The Budget Process and Policy previously approved by the Board states, “The Board will maintain a fund balances or working capital balances of at least twenty percent (20%) of operating expenditures in the General Fund and all Enterprise Funds and Internal Service Funds.” Staff will continue to review the preliminary budget to identify areas to which cuts can be made to 1) reduce the shortfall and 2) to fund the recommended reserve balance.

In addition to the Reserve Policy, the District also has loan covenants that require the District to maintain Fund that is sufficient for debt service ratio of 1.25. This amount is not in addition to the District’s Reserve Fund. To ensure that we have sufficient cash during this critical transition period, maintaining sufficient cash reserves will be critical.

**ATTACHMENTS:**

- A. Preliminary Budget (Income, Expense, Debt Service, and Reserve Deposits)

Preliminary Budget FY 2024/25	General Fund	Woodley Island	Fields Landing	Shelter Cove	RMT2	Redwood Dock	New Terminal	Tidelands	Grants	TOTAL
<b>Ordinary Income/Expense</b>										
<b>Income</b>										
<b>Donations</b>										
45709 · Donations - Sea Scouts										-
46519 · Donations - Lighthouse		10								10
Donations - Other										
<b>Total Donations</b>	-	<b>10</b>	-	-	-	-	-	-	-	<b>10</b>
<b>Dredging Revenue</b>										
41308.4 · Dredging Revenue - Other										-
41308.5 · Dredging Set-Aside										-
41318 · Dredging Surcharge - T		238,075	15,000							253,075
Dredging Revenue - Other										
<b>Total Dredging Revenue</b>	-	<b>238,075</b>	<b>15,000</b>	-	-	-	-	-	-	<b>253,075</b>
<b>Fees</b>										
40108 · PERMITS-T	2,000	5,520								7,520
40509 · Travel Lift Fees - T										-
40609 · Haul Out Fees - T										-
40618 · Boat Launch Fees - T										-
40808 · Pilotage Services - T								2,341		2,341
41308 · Moorage - T										-
41308.1 · Poundage - T		2,000				3,299				5,299
41818 · Late Charges/Interest - T		60,000						900		60,900
41819 · Late Charges/Interest - NT		600			600					1,200
45608 · Chevron - Ports O&M - T								32,350		32,350
Fees - Other										
<b>Total Fees</b>	<b>2,000</b>	<b>68,120</b>	-	-	<b>600</b>	<b>3,299</b>	-	<b>35,591</b>		<b>109,610</b>
<b>Float Replacement Account</b>										
41418 · Float Replacement		80,133								80,133
Float Replacement Account - Other										
<b>Total Float Replacement Account</b>	-	<b>80,133</b>	-	-	-	-	-	-	-	<b>80,133</b>
<b>Grant Revenue</b>										
<b>Conservation Grants</b>										
45208.3 · Conservation Grants, Gov't - T										
Conservation Grants - Other										
<b>Total Conservation Grants</b>										
<b>Facilities Grants</b>										
45300 · Facilities Grants, Other - NT										
Facilities Grants - Other										
<b>Total Facilities Grants</b>										
<b>Harbor Grants</b>										
45208 · Harbor Grants, Other - T										
45208.1 · Harbor Grants, Gov't - T					2,352,000					
Harbor Grants - Other										
<b>Total Harbor Grants</b>					<b>2,352,000</b>					

Recreation Grants  
 45208.2 · Recreation Grants, Gov't - T  
 Recreation Grants - Other  
 Total Recreation Grants  
 Grant Revenue - Other

Total Grant Revenue **2,352,000** 2,352,000

**Harbor Surcharge**

40908 · Harbor Improvement Surcharge-T 117,230 117,230  
 Harbor Surcharge - Other -

Total Harbor Surcharge - - - - - - - **117,230** **117,230**

**Interest Revenue**

43108 · Interest Income - T 97,532 97,532  
 43109 · Interest Income - NT 6,417 6,417  
 43309 · Interest On Del Accts - NT 54 54  
 43318 · Interest On Del Accts - T -  
 47008 · Gain (Loss) on Investements - T -  
 47009 · Gain (Loss) on Investements - N -  
 Interest Revenue - Other -

Total Interest Revenue **6,417** - - - **54** - - **97,532** **104,003**

**Other Revenue**

45808 · Gain (Loss) On Sale of Assets - -  
 45809 · Gain (Loss) Sale of Assets - NT -  
 45908 · Other Revenue - T 1,247,909 1,247,909  
 45909 · Other Revenue - NT 51,166 800 3,950 55,916  
 46008 · Recovery of Bad Debt - T -  
 46009 · Recovery of Bad Debt - NT -  
 Other Revenue - Other -

Total Other Revenue **51,166** **800** - - - - - **1,251,859** **1,303,825**

**Rent Income**

40218 · Slip Rents - T 618,691 618,691  
 40318.1 · Transient Rentals - T 32,873 32,873  
 40518 · Equipment Rent - T \$ 3,444.00 4,738 8,182  
 40519 · Equipment Rent - NT -  
 40809 · Yard Rent - NT - Other 12,255 12,255  
 41108 · Rents, Tidelands Leases - T 274,536 274,536  
 41309 · Storage - NT 57,938 57,938  
 41409 · Upland Rent - NT 155,960 61,179 779,960 26,588 1,023,687  
     41409.2 · Redwood Terminal 2 - NMTC -  
     41409 · Upland Rent - NT - Other -  
 Total 41409 · Upland Rent - NT -  
 Rent Income - Other -

Total Rent Income - **868,906** **61,179** - **779,960** **38,843** - **279,274** **2,028,161**

**Sales**

40109 · Sales, Retail - NT -  
 40119 · Concession Sales - NT - Other 6,200

Total Sales - **6,200** - - - - - - **6,200**





50110.1 · Salaries&Wages M/A Harbor Grant	-									-
50500.1 · Harbor Grant Expenses - Payroll	-									-
54408.1 · Harbor Grant Exp	-									-
Harbor Grant Expenses - Other	-									-
<b>Total Harbor Grant Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Recreation Grant Expenses</b>										
54408.2 · Recreation Grant Exp	-									-
Recreation Grant Expenses - Other	-									-
<b>Total Recreation Grant Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
55000 · Overhead - Grant	-									-
Grant Expenses - Other	-									-
<b>Total Grant Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Insurance</b>										
51800 · Insurance - NT	124,623									124,623
51808 · Insurance - T	31,075									31,075
Insurance - Other	-									-
<b>Total Insurance</b>	<b>155,697</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>155,697</b>
<b>Interest Expense</b>										
55108 · Interest Expense - T		126,425					49,872			176,297
55109 · Interest Expense - NT	100,143	21,834			49,566					171,543
Interest Expense - Other										-
<b>Total Interest Expense</b>	<b>100,143</b>	<b>148,259</b>	<b>-</b>	<b>-</b>	<b>49,566</b>	<b>-</b>	<b>-</b>	<b>49,872</b>	<b>-</b>	<b>347,840</b>
<b>Legal Services</b>										
52300 · Legal Fees - NT	29,239		36,715				49,928			115,882
52308 · Legal Fees - T	8,342						16,465			24,807
Legal Services - Other										-
<b>Total Legal Services</b>	<b>37,581</b>	<b>-</b>	<b>36,715</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66,394</b>	<b>-</b>	<b>-</b>	<b>140,689</b>
<b>Maintenance - Equipment</b>										
51209 · Automotive, Repairs - NT		89			12,016					12,105
52710 · Repairs & Maint, Equip - NT		3,084	5,000		315					8,400
52718 · Repairs & Maint, Equip - T		79	47,500				2,666			50,246
Maintenance - Equipment - Other										-
<b>Total Maintenance - Equipment</b>	<b>-</b>	<b>3,253</b>	<b>52,500</b>	<b>-</b>	<b>12,331</b>	<b>-</b>	<b>-</b>	<b>2,666</b>	<b>-</b>	<b>70,750</b>
<b>Maintenance - Facilities</b>										
52708 · Repairs & Maint, Facilities - T	3,506	31,556	150,000	1,815,500	304,000	5,373		22,341		2,332,276
52709 · Repairs & Maint, Facilities - G/NT	3,699	58,500	10,000	566,000	15,000	1,500				654,699
52719 · Repairs & Maint, Facilities - N		72,226	5,000	1,500	21,029	9,278				109,033
Maintenance - Facilities - Other		25,000								25,000
<b>Total Maintenance - Facilities</b>	<b>7,206</b>	<b>187,282</b>	<b>165,000</b>	<b>2,383,000</b>	<b>340,029</b>	<b>16,151</b>	<b>-</b>	<b>22,341</b>	<b>-</b>	<b>3,121,008</b>
<b>Maintenance - IT</b>										
57008 · Maintenance, IT Equip - T		4,738			817					5,555
57009 · Maintenance, IT Equip - NT		782								782
Maintenance - IT - Other										-
<b>Total Maintenance - IT</b>	<b>-</b>	<b>5,520</b>	<b>-</b>	<b>-</b>	<b>817</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,337</b>
<b>Maintenance Supplies</b>										
52008 · Maintenance Supplies - T		245	113							358





Salaries/Wages										
50100 · Salaries & Wages - NT - Other	733,696									733,696
50108 · Salaries & Wages - T	299,679									299,679
50118 · Sal. & Wages, Part-time - T										-
50119 · Sal. & Wages, Part-time - NT										-
Salaries/Wages - Other										-
<b>Total Salaries/Wages</b>	<b>1,033,375</b>	-	-	-	-	-	-	-	-	<b>1,033,375</b>
Personnel Expenses - Other										
<b>Total Personnel Expenses</b>	<b>1,718,243</b>	-	-	-	-	-	-	-	-	<b>1,718,243</b>
Planning Services										
52200 · Planning Fees - NT	11,700					3,759	31,306			46,765
52208 · Planning Fees - T - Other	1,300							1,935		3,235
Planning Services - Other										-
<b>Total Planning Services</b>	<b>13,000</b>	-	-	-	-	<b>3,759</b>	<b>31,306</b>	<b>1,935</b>		<b>50,000</b>
Rent Expense										
52600 · Rent Expense - NT			1,000	500						1,500
54308 · Redwood Terminal 2 Lease Expens					13,125					13,125
54409 · Lease Expense - RT2										-
Rent Expense - Other										-
<b>Total Rent Expense</b>	<b>-</b>	<b>-</b>	<b>1,000</b>	<b>500</b>	<b>13,125</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,625</b>
Small Tools										
52800 · Small Tools - NT		1,500			280					1,780
52808 · Small Tools - T		200								200
Small Tools - Other										-
<b>Total Small Tools</b>	<b>-</b>	<b>1,700</b>	<b>-</b>	<b>-</b>	<b>280</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,980</b>
Utilities										
52909 · Utilities - NT	8,000	14,072			189,040	3,764				214,877
52918 · Utilities - T		65,883								65,883
53000 · Water, Sewer, & Refuse - NT	500	107,808	5,771	10,466	25,779					150,325
53008 · Water, Sewer, & Refuse - T		87,785	2,194	250		366		306		90,901
Utilities - Other										-
<b>Total Utilities</b>	<b>8,500</b>	<b>275,548</b>	<b>7,966</b>	<b>10,716</b>	<b>214,819</b>	<b>4,130</b>	<b>-</b>	<b>306</b>	<b>-</b>	<b>521,985</b>
55700 · Float Replacement Expense - MT										-
57018 · Bank Service Charges	4,000									4,000
66900 · Reconciliation Discrepancies										-
<b>Total Expense</b>	<b>2,243,683</b>	<b>2,644,513</b>	<b>289,061</b>	<b>2,451,011</b>	<b>700,400</b>	<b>25,695</b>	<b>98,899</b>	<b>82,419</b>	<b>-</b>	<b>8,535,681.96</b>
<b>Net Ordinary Income</b>	<b>(973,781)</b>	<b>(1,311,230)</b>	<b>(212,882)</b>	<b>(99,011)</b>	<b>103,374</b>	<b>23,396</b>	<b>(98,899)</b>	<b>448,288</b>	<b>1,251,859</b>	<b>(868,886)</b>
<b>Net Income</b>										<b>937,825</b>
										Loan Balance toward Dredging
Debt Service										
2014 Refunding Bond		91,967						156,593		248,560
2016 BBVA Loan					111,145					111,145
2023 Dredge Loan	108,732	137,268								246,000
CalPERS Unfunded Liability	116,680									116,680
<b>Total Debt Service</b>	<b>225,412</b>	<b>229,235</b>	<b>-</b>	<b>-</b>	<b>111,145</b>	<b>-</b>	<b>-</b>	<b>156,593</b>	<b>-</b>	<b>722,385</b>
<b>Net Income After Debt Service</b>	<b>(1,199,193)</b>	<b>(1,540,465)</b>	<b>(212,882)</b>	<b>(99,011)</b>	<b>(7,771)</b>	<b>23,396</b>	<b>(98,899)</b>	<b>291,695</b>	<b>1,251,859</b>	<b>(653,445.46)</b>