



Administrative Report

L.2., File # HC21-2580

Meeting Date: 6/2/2021

TO: HARBOR COMMISSION

FROM: STEPHEN PROUD, WATERFRONT & ECONOMIC DEVELOPMENT
DIRECTOR

TITLE

DISCUSSION AND POSSIBLE ACTION REGARDING HARBOR COMMISSION INPUT RELATED TO THE CITY OF REDONDO BEACH PROPOSED FY 2021-2022 BUDGET AND FY 2021-2026 CAPITAL IMPROVEMENT PROGRAM

RECOMMENDATION

Receive and file staff presentation on Harbor Enterprise Budget and Five-Year Capital Improvement Plan and provide appropriate direction regarding input/comments to the Redondo Beach City Council.

BACKGROUND

On May 16, 2021, the City of Redondo Beach published the proposed Fiscal Year 2021-2022 Budget (the "Budget") and the proposed Fiscal Year 2021-2026 Five-Year Capital Improvement Plan (the "CIP"). The City Council has requested the Harbor Commission review the Budget and CIP for the Harbor Enterprise and provide input to the City Council.

As noted in the City Manager's message in the Budget, compared to last year our local economy is showing signs of recovery due to improving conditions related to COVID-19. During this past fiscal year (FY20-21), the City experienced significant revenue decline resulting in a General Fund budget shortfall of \$8.9 million. By contrast, the City is currently facing a projected FY21-22 budget shortfall of \$5.5 million - a result of relaxed Health Orders and projected increases in General Fund revenues. The proposed budget recommends addressing this shortfall using one-time COVID relief funds as well a planned pension debt refinancing reimbursement. For the Harbor Enterprise, the projected deficit is approximately \$2.67 million.

Attached as Exhibit A are the Financial Summaries for the Harbor Tidelands Fund and the Harbor Uplands Fund which collectively comprise the Harbor Enterprise. For the Tidelands Fund, the projected deficit is approximately \$1.58 million dollars and for the Uplands Fund the projected deficit is approximately \$1.09 million dollars. These deficits are largely due to the City still recovering from the COVID-19 crisis, though there is a year-over-year revenue increase anticipated. For the Tidelands Fund, the year-over-year projected increase in revenue is expected to be approximately \$205,000 and for the Uplands Fund the year-over-year revenue increase is projected to be approximately \$870,000. Although each of these funds currently face a structural deficit for FY 2021-

2022, the deficit has been significantly reduced from last year's projections.

To offset projected deficits, the City Manager has directed each department to identify expenditure reductions for the Harbor Enterprise. These expense reductions, as well as any new proposed expenses, are set forth in a series of Decision Packages within the proposed FY2021-2022 Budget. Attached as Exhibit B is a summary of the proposed Decision Packages. The Decision Packages that have a financial impact on the Harbor Enterprise are as follows:

- #21 - Police Dept Harbor Enterprise Budget Reduction
- #22 - Public Works Dept Harbor Enterprise Budget Reduction
- #23 - Reduction in Harbor Contracts
- #24 - DBAW Loan Elimination
- #32 - Fire Dept. Administrative Support Staff
- #53 - King Harbor Amenities Plan Preparation
- #54 - Concept Plan for Seaside Lagoon
- #56 - Use of COVID Recovery Funds

The City Council will review the Decision Packages and either approve or reject the recommendation for each. The Harbor Commission in its advisory role may make recommendations to the City Council regarding each Decision Package. It is important to note that if every Decision Package is approved by the City Council, there would still be a projected deficit in the Tidelands and Uplands Funds. These deficits are proposed to be covered by using COVID relief funds provided by the Federal Government and a planned pension debt refinancing reimbursement.

With regard to the Five-Year CIP, the proposed FY 2021-2026 CIP includes three new projects within the Harbor for the upcoming fiscal year: the replacement of the hand launch dock, the installation of parking lot pay stations at the Redondo Beach Marina, and the resurfacing of Turtle Park. The CIP for FY 2021-2022 also focuses on existing work efforts using carryover funding from previous allocations, including the replacement of the Harbor Patrol docks and harbor dredging. A summary of the CIP program (excerpted from the FY2021-2026 CIP) is attached as Exhibit C. The Harbor Commission should review the CIP program and provide recommendations/input to the City Council.

In closing, it is worth noting that the proposed Harbor Enterprise Budget is based on the continued re-opening of the local economy, and in particular the Pier and Waterfront areas. Also to consider is the rent repayment program the City has in place with its tenants; the City deferred rent for most of the tenants in the Harbor for several months in 2020, and this loss of revenue for FY 2020-2021 is expected to be recuperated throughout FY 2021-2022.

Finally, please find attached as Exhibit D a copy of the PowerPoint presentation that staff will discuss with you at the Harbor Commission meeting. It includes a high-level summary of the items discussed in this report. If you wish to review the budget in greater detail, you can access the full City budget, which includes the Harbor Enterprise, on the City's website using the following link:

https://www.redondo.org/services/city_docs/budget_and_capital_improvement_program.asp

The City Council will be discussing the Budget at each of its regularly scheduled meetings in June. If the Harbor Commission has recommendations/input that they would like to submit to the City Council, that can be done at the June 8 or the June 15, 2021 meeting. The City Council is scheduled to consider adoption of the Budget at their June 15, 2021 meeting.

ATTACHMENTS

Exhibit A - Financial Summaries for Harbor Uplands Fund and Harbor Tidelands Fund

Exhibit B - Proposed FY2021-2022 Decision Packages

Exhibit C - Summary of Five-Year CIP

Exhibit D - PowerPoint Presentation for Harbor Commission Meeting