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**File #:**2018-0175

**DATE:** May 8, 2018

**SUBJECT:**

**RESOLUTION ADOPTING THE FISCAL YEAR 2019 PRELIMINARY BUDGET AND SETTING THE DATE FOR PUBLIC HEARING ON THE BUDGET AS JUNE 12, 2018**

**EXECUTIVE SUMMARY:**

In accordance with the San Diego Unified Port District Act (Port Act) Sections 46 and 47, by June 15, the District must adopt and publish the Fiscal Year (FY) 2019 Preliminary Budget and set a date for the Board's adoption of the final budget not less than one month from publication. Staff intends to present the FY 2019 Preliminary Budget to the Board for adoption on May 8, 2018, and present the final budget to the Board for adoption on June 12, 2018.

On April 17, 2018, the District held a workshop to present and review the FY 2019 Preliminary Budget. Some of the highlights in developing the FY 2019 Preliminary Budget were presented and are reflected in the attached April 17, 2018 Budget Workshop Agenda Sheet (Attachment A).

At the April workshop, the Board accepted the FY 2019 Preliminary Budget, which includes staff recommendation to use \$5.6M of cumulative unrestricted resources as TIGER matching funds for the Demolition and Site Improvements of Transit Sheds 1 and 2 for the TAMT project, and to apply \$3.3M of Capital Improvement Project (CIP) funds from the Navy Pier Head House Demolition project to the Capital Major Maintenance (MM) Structural Repairs, as well as maintain the current CIP program and budget, and not solicit project application forms or hold a CIP workshop in FY 2019.

Additionally, the Board approved the use of \$500k of cumulative unrestricted resources to fund the \$450k Baywide Informational and Wayfinding Signage project, and a \$50k increase in the FY 2019 Tidelands Activation Program (TAP) sponsorship.

The budget is shaped by significant cost drivers in carrying out principles in the Public Trust doctrine. These drivers include championing environmental protection and complying with increasing regulations, such as increased stormwater and water quality related projects, and despite rising costs from requirements and regulations, maintaining the Port's infrastructure through ongoing major maintenance, promoting the public's enjoyment of tidelands, public safety, and enhancing economic development.

At the May 8, 2018 Board meeting, staff is presenting for adoption the FY 2019 Preliminary Budget that includes Unrestricted Resources of \$6.0M, which includes the incremental net proceeds from the operation of Seaport Village. The budget also includes a total cost of \$8.5M for Stormwater and

Water Quality projects, which are budgeted in various cost centers and expense appropriations, and a total MM cost of \$10.0M.

Forecasting revenues, managing costs, and extensive deliberations by the Executive Leadership Group (ELG) on strategies, initiatives, and prior directions from the Board are part of the budget process.

**RECOMMENDATION:**

Approve and adopt a resolution adopting the FY 2019 Preliminary Budget and setting the date for public hearing on the Budget as June 12, 2018.

**FISCAL IMPACT:**

This proposed Board action has no fiscal impact. This item approves publication of the preliminary budget document and signals the start of the public comment period.

**COMPASS STRATEGIC GOALS:**

This agenda item will help shape the FY 2019 Final Budget which, when adopted, will support the Compass Strategic Goals by allocating funds for Board priority projects and regulatory compliance.

This agenda item supports the following Strategic Goal(s).

- A Port that the public understands and trusts.
- A thriving and modern maritime seaport.
- A vibrant waterfront destination where residents and visitors converge.
- A Port with a healthy and sustainable bay and its environment.
- A Port with a comprehensive vision for Port land and water uses integrated to regional plans.
- A Port that is a safe place to visit, work, and play.
- A Port with an innovative and motivated workforce.
- A financially sustainable Port that drives job creation and regional economic vitality.

**DISCUSSION:**

On April 17, 2018, the District held a workshop to present and review the FY 2019 Preliminary Budget. During the workshop, staff presented a draft preliminary budget that included Unrestricted Resources of \$6.0M, which includes the incremental net proceeds from the operation of Seaport Village. The budget also includes a total cost of \$8.5M for Stormwater and Water Quality projects, which are budgeted in various cost centers and expense appropriations, and a total MM cost of \$10.0M.

At the workshop, the Board approved the following staff recommendations:

- (1) Use \$5.6M of cumulative unrestricted resources as TIGER matching funds for the Demolition and Site Improvements of Transit Sheds 1 and 2 for the TAMT project, and to apply \$3.3M of

CIP funds from the Navy Pier Head House Demolition project to Capital MM Structural Repairs;

- (2) Use \$450k of the cumulative unrestricted resources to fund the Baywide Informational and Wayfinding Signage project;
- (3) Use \$50k of the cumulative unrestricted resources to increase the FY 2019 Tidelands Activation Program (TAP) sponsorship funding from \$727k to \$777k. At the April 10, 2018 Board meeting, the Board approved the TAP Program in totality not to exceed \$777k in sponsorship funding and waived district services not to exceed \$1.1M to support 66 events, which is \$50k more than what was budgeted in the preliminary budget presented at the April 17<sup>th</sup> workshop.

The table below is a summary of the FY 2019 Preliminary Budget that reflects directions received from the Board:

### Preliminary Budget FY 2019 (millions)

|  | Adjusted<br>Budget<br>FY 2018 | Preliminary<br>Budget<br>FY 2019 | Change<br>FY 2019-2018<br>Budget | %<br>Change   |
|--|-------------------------------|----------------------------------|----------------------------------|---------------|
| <b>Revenue</b>                                     |                               |                                  |                                  |               |
| Operating  | \$ 175.0                      | \$ 185.1                         | \$ 10.1                          | 5.8%          |
| Non-Operating                                      | 13.9                          | 10.8                             | (3.1)                            | (22.3)%       |
| <b>Total Revenue</b>                               | <b>\$ 188.9</b>               | <b>\$ 195.9</b>                  | <b>\$ 7.0</b>                    | <b>3.7%</b>   |
| <b>Expenses</b>                                    |                               |                                  |                                  |               |
| Personnel  | \$ 97.8                       | \$ 102.5                         | \$ 4.7                           | 4.8%          |
| Non-Personnel                                      | 72.6                          | 73.5                             | 0.9                              | 1.2%          |
| Major Maintenance Expense                          | 1.0                           | 0.2                              | (0.8)                            | (80.0)%       |
| Capitalized Labor                                  | (3.3)                         | (3.6)                            | (0.3)                            | 9.1%          |
| <b>Total Expenses</b>                              | <b>\$ 168.1</b>               | <b>\$ 172.6</b>                  | <b>\$ 4.5</b>                    | <b>2.7%</b>   |
| <b>Other Sources and Uses</b>                      | <b>\$ (16.7)</b>              | <b>\$ (17.3)</b>                 | <b>\$ 1.4</b>                    | <b>(7.5)%</b> |
| <b>Unrestricted Sources Over<br/>Uses of Funds</b> | <b>\$ 2.1</b>                 | <b>\$ 6.0</b>                    | <b>\$ 3.9</b>                    | <b>185.7%</b> |

As directed by the Board at the workshop, the above preliminary budget reflects the following changes:

- Apply \$3.3M of CIP funds from the Navy Pier Head House Demolition project to the Capital MM Structural Repairs.
- Use \$450k of the cumulative unrestricted resources in FY 2019 to fund the Baywide Informational and Wayfinding Signage project.

- Use \$50k of the cumulative unrestricted resources in FY 2019 to increase funding for the Tideland Activations Program from \$727k to \$777k.

Additionally, the FY 2019 Preliminary Budget book was updated to reflect the increase to the FY 2019 -2023 CIP Program by \$4.8M for the Sweetwater Bicycle Path and Promenade Project funded by a grant from the State of California Natural Resources Agency. An estimated \$800k will be spent for design costs in FY2019; therefore, the capital grant revenue budget increased by \$800k.

The budget is prepared in a manner that facilitates its understanding by the public as well as District officials. Presenting a clear, readable budget will communicate effectively overall District goals and plans, and contribute to the public's knowledge and appreciation of the District's positive impact on the region.

### **General Counsel's Comments:**

The Office of the General Counsel has reviewed and approved this agenda as to form and legality.

### **Environmental Review:**

The proposed Board action to adopt the fiscal year 2019 preliminary budget and to set a date for a public hearing on the budget does not constitute a "project" or an "approval" of a "project" under the definitions set forth in California Environmental Quality Act (CEQA) Guidelines Sections 15352 and 15378 because no direct or indirect changes to the physical environment would occur, and the action does not constitute a binding commitment to implement or approve any of the projects submitted as a result of the budget information and direction to staff. Pursuant to Section 15378(b)(4) of the State CEQA Guidelines, a project does not include the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant impact on the environment. CEQA requires that the District adequately assess the environmental impacts of its projects. If a project is formulated and CEQA review is conducted, the Board reserves its discretion to adopt any and all feasible mitigation measures, alternatives to the project, including a no project alternative, a statement of overriding consideration, if applicable, and approve or disapprove the project and any permits or entitlements necessary for the same. Those decisions may be exercised in the sole and absolute discretion of the Board. Based on the totality of the circumstances and the entire record, the Board's direction does not commit the District to a definite course of action prior to CEQA review being conducted. No further action under CEQA is required at this time.

In addition, the proposed Board action complies with Section 20 of the Port Act, which requires the Board to draw up a budget for each fiscal year. The Port Act was enacted by the California Legislature and is consistent with the Public Trust Doctrine. Consequently, the proposed Board action is consistent with the Public Trust Doctrine.

Finally, the proposed Board action does not allow for "development," as defined in Section 30106 of the California Coastal Act, or "new development," pursuant to Section 1.a. of the District's Coastal Development Permit (CDP) Regulations. Therefore, issuance of a CDP or exclusion is not required. However, the District's projects require processing under the District's CDP Regulations. If the Board

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considers approval of future development projects formulated as a result of the fiscal year 2019 Final Budget, appropriate permitting under District's CDP Regulations will be completed and considered by the Board, if necessary. The Board's action in no way limits the exercise of the District's discretion under the District's CDP Regulations.

**Equal Opportunity Program:**

Not applicable.

**PREPARED BY:**

Robert DeAngelis  
CFO/Treasurer

Attachment(s):

Attachment A: April 17, 2018 Budget Workshop Agenda Sheet

Attachment B: FY 2019 Preliminary Budget