

DRAFT**RESOLUTION 20xx-xxx****RESOLUTION TO WAIVE BOARD OF PORT COMMISSIONERS POLICY NO. 117 (BPC NO. 117) – OPERATING RESERVE POLICY TO BE BELOW THE REQUIRED FY 2021 BALANCE OF \$61.8M AND AUTHORIZE STAFF TO USE THE DIFFERENCE NOT TO EXCEED \$10.5M TO FUND THE FY 2021 PROJECTED DEFICIT**

WHEREAS, the San Diego Unified Port District (District) is a public corporation created by the Legislature in 1962 pursuant to Harbors and Navigation Code Appendix I (Port Act); and

WHEREAS, during the Fiscal Year (FY) 2021 budget development process that began in March 2020, staff prepared and presented to the Board of Port Commissioners (BPC) three detailed scenarios reflecting the financial impact of the COVID-19 pandemic, entitled Worse Case, Base Case, and Better Case based on information available at that time, and with a lot of uncertainties; and

WHEREAS, the BPC adopted the FY 2021 budget using the Base Case scenario; and

WHEREAS, since adoption of the budget, staff has been continuously monitoring the revenue forecast and has now revised the forecast using the reasonable best available information based on events that occurred such as cancellation of conventions, lack of business travel and group events, conversations with industry experts and economic and hospitality consultants, information gathered from numerous conversations with tenants representing each segment of the portfolio and partners such as the San Diego Tourism Authority, and data assembled from the portfolio's performance since the beginning of the Coronavirus (COVID-19) pandemic; and

WHEREAS, at the September 2020 BPC meeting, staff presented a revised revenue forecast based on this information; and

WHEREAS, based on staff's reforecast, FY 2021 total revenues will be lower than budget by approximately \$16 million; and

WHEREAS, staff immediately worked to identify further reductions in expenditures including Personnel, Non-Personnel expenses, Equipment and Other Capital Outlay, Technology Management Program, and Major Maintenance and with

the reductions in expenditures, the \$16 million deficit was mitigated down to approximately \$8.2 million; and

WHEREAS, the forecasted FY 2020 results of a deficit of \$9.9 million will have an additional \$1.34 million (rounded to \$1.5 million) deficit resulting from finalizing negotiations with Seaport Village tenants as directed by the BPC at its June 23, 2020 meeting to address the COVID-19 negative impact on the tenant's business; and

WHEREAS, the District's BPC Policy No. 117 - Operating Reserve Policy calls for a cash reserve of 50.0% of budgeted operating and maintenance expenses reduced by certain revenue sources and the balance is established annually upon the adoption of the FY budget; and

WHEREAS, the FY 2021 required operating reserve balance is \$61.8 million established upon adoption of the FY 2021 budget; and

WHEREAS, the operating reserve includes a \$20 million minimum required balance established for the purpose of self-insurance against possible losses that could occur as the result of a catastrophic event; and

WHEREAS, in response to BPC direction at the September 10, 2020 BPC meeting, staff recommends adopting a resolution at the October 6, 2020 BPC meeting to waive BPC No. 117 – Operating Reserve Policy to be below the required FY 2021 balance of \$61.8 million, and authorize staff to use the difference not to exceed \$10.5 million to fund the FY 2021 projected deficit.

NOW, THEREFORE, BE IT RESOLVED by the Board of Port Commissioners (BPC) of the San Diego Unified Port District that:

1. BPC Policy No. 117, Operating Reserve Policy, requiring a FY 2021 balance of \$61.8 million in Operating Reserves is hereby waived.
2. An amount not to exceed \$10.5 million from Operating Reserves is hereby authorized to fund the FY 2021 projected deficit.

APPROVED AS TO FORM AND LEGALITY:
GENERAL COUNSEL

By: Assistant/Deputy

PASSED AND ADOPTED by the Board of Port Commissioners of the San Diego Unified Port District, this 6th day of October, 2020, by the following vote: