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Title: MONTHLY REPORTING OF FINANCIAL RESULTS AND DIRECTION TO STAFF

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Attachments: 1. 11. 2020-0274 Attachment A

Date	Ver.	Action By	Action	Result
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DATE: September 10, 2020

SUBJECT:

MONTHLY REPORTING OF FINANCIAL RESULTS AND DIRECTION TO STAFF

EXECUTIVE SUMMARY:

As a result of the COVID-19 pandemic, staff currently estimates a significant loss in revenue across almost every major revenue category for the District and expects revenue losses to continue through FY 2021. Unlike many public agencies, the District receives no tax funds to help stabilize revenues in the midst of this crisis. While staff continues to talk to the State of California and the federal government to seek economic relief, the District must take prudent steps to manage our budget in these uncertain economic times.

At the March Board meeting after a report out on the magnitude of the coming fiscal emergency due to the pandemic, Chair Moore created the 2020 Budget Impact Ad Hoc Committee (Ad Hoc) that was comprised of the Executive Committee of the Board to proactively address the financial impacts of the COVID-19 crisis. The Executive Committee includes Chair Ann Moore, Vice Chair Michael Zucchet, and Secretary Dan Malcolm.

Due to continued uncertainty with the local, regional, state, and federal economies, staff will continue to work with the Ad Hoc and the full Board and will provide monthly reporting to monitor the District's financial performance against the budget. This will enable us to respond to changing economic conditions in connection with the COVID-19 pandemic. The monthly reporting will be presented to the full Board at the September 2020 Board meeting.

At the September 2020 Board meeting, staff will present a revised revenue forecast based on events that have occurred in relation to Covid-19 pandemic such as cancellation of conventions. During the FY 2021 budget development process that began in March, staff prepared and presented in multiple

Board meetings, 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. The Board adopted the FY 2021 budget using the Base Case scenario. Since adoption of the budget, staff has been continuously monitoring the revenue forecast and has now revised the forecast using the best available information based on events that occurred such as cancellation of conventions, 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 COVID-19 pandemic.

Based on staff's reforecast, FY 2021 total revenues will be lower than budget by approximately \$16M. 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. These recommended reductions will be included in the presentation. Please see Attachment: FY 2021 Reforecast

RECOMMENDATION:

Accept staff's financial report update and direction to staff.

FISCAL IMPACT:

This proposed Board action has no fiscal impact.

COMPASS STRATEGIC GOALS:

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.
- Not applicable.

DISCUSSION:

This COVID-19 pandemic is a perfect storm that caused projected District revenues to fall in several areas.

The Board directed staff to work closely with the Ad Hoc and report monthly to the Board to monitor the District's financial performance against the budget to be able to respond to changing economic conditions in connection with the COVID-19 pandemic.

At the September 2020 Board meeting, staff will present a revised revenue forecast based on events that have occurred in relation to Covid-19 pandemic such as cancellation of conventions. During the FY 2021 budget development process that began in March, staff prepared and presented in multiple Board meetings, three detailed scenarios reflecting the financial impact of the Covid-19 pandemic, entitled Worse Case, Base Case, and Better Case. The Board adopted the FY 2021 budget using the Base Case scenario. Since adoption of the budget, staff has been continuously monitoring the revenue forecast and has now revised the forecast using the best available information based on events that occurred including cancellation of conventions. Staff did a reforecast of revenues from the ground up, tenant-by-tenant, and from the top down, using the best available information based on 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 COVID-19 pandemic.

Based on staff's reforecast, FY 2021 total revenues will be lower than budget by approximately \$16M. 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. These recommended expenditure reductions will be included in the presentation. Please see Attachment: FY 2021 Reforecast

General Counsel's Comments:

The Office of the General Counsel has reviewed this agenda sheet and attachments as presented to it and approve the same as to form and legality.

Environmental Review:

The proposed report of financial results does not constitute a "project" under the definition set forth in California Environmental Quality Act (CEQA) Guidelines Section 15378 because no direct or indirect changes to the physical environment would occur. CEQA requires that the District adequately assess the environmental impacts of projects and reasonably foreseeable activities that may result from projects prior to the approval of the same. Any project developed as a result of the report that requires the District or the Board's discretionary approval resulting in a physical change to the environment will be analyzed in accordance with CEQA prior to such approval. CEQA review may result in the District, in its sole and absolute discretion, requiring implementation of mitigation measures, adopting an alternative, including without limitation, a "no project alternative" or adopting a Statement of Overriding Consideration, if required. The proposed report in no way limits the exercise of this discretion. Therefore, no further CEQA review is required.

The proposed report complies with Section 35 of the Port Act, which allows the Board to do all acts necessary and convenient for the exercise of its powers. The Port Act was enacted by the California Legislature and is consistent with the Public Trust Doctrine. Consequently, the proposed report is consistent with the Public Trust Doctrine.

The proposed report 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 because they will not result in, without limitation, a physical change, change in use or increase the intensity of uses. Therefore, issuance of a Coastal Development Permit or exclusion is not required. However, development within the District requires processing

under the District's CDP Regulations. Future development, as defined in Section 30106 of the Coastal Act, will remain subject to its own independent review pursuant to the District's certified CDP Regulations, PMP, and Chapters 3 and 8 of the Coastal Act. The proposed report in no way limits the exercise of the District's discretion under the District's CDP Regulations. Therefore, issuance of a CDP or exclusion is not required at this time.

Equal Opportunity Program:

Not applicable.

PREPARED BY:

Robert DeAngelis
CFO, Treasurer

Attachment(s):

Attachment: FY 2021 Reforecast