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Title: ORDINANCE AMENDING THE FISCAL YEAR 2019 FINAL BUDGET TO ADD TEN REGULAR POSITIONS WITH AN INCREASE IN THE PERSONNEL BUDGET FOR REGULAR POSITIONS OF \$624,700, AN INCREASE IN THE VARIABLE STAFFING BUDGET OF \$1,125,300 AND AN INCREASE IN OVERTIME OF \$650,000 FOR THE HARBOR POLICE, RESULTING IN AN INCREASE IN THE PERSONNEL BUDGET BY \$2,400,000 FOR FISCAL YEAR 2019

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Attachments: 1. 14. 2018-0332 Attachment A, 2. 14. 2018 0332 Draft Ordinance

Date	Ver.	Action By	Action	Result
8/14/2018	1	Board of Port Commissioners	adopted	Pass

DATE: August 14, 2018

SUBJECT:

ORDINANCE AMENDING THE FISCAL YEAR 2019 FINAL BUDGET TO ADD TEN REGULAR POSITIONS WITH AN INCREASE IN THE PERSONNEL BUDGET FOR REGULAR POSITIONS OF \$624,700, AN INCREASE IN THE VARIABLE STAFFING BUDGET OF \$1,125,300 AND AN INCREASE IN OVERTIME OF \$650,000 FOR THE HARBOR POLICE, RESULTING IN AN INCREASE IN THE PERSONNEL BUDGET BY \$2,400,000 FOR FISCAL YEAR 2019

EXECUTIVE SUMMARY:

To ensure that the San Diego Unified Port District (District) is best positioned to deliver on its projects, services, and commitments, staff is recommending several changes to the Personnel Expenses of the recently-adopted budget for Fiscal Year (FY) 2019. In accordance with the San Diego Unified Port District Act (Port Act) Sections 46 and 47, the District adopted and published the FY 2019 Final Budget on June 12, 2018.

Adoption of the FY 2019 Final Budget was based on a culmination of input received during the April Workshop and May Board Meeting. During the preparation of the budget for FY 2019, staff elected to postpone any discussion of additional personnel appropriations due to externalities occurring parallel to the annual budgeting process. Nonetheless, during the budget process for FY 2019, staff clearly expressed that the District had a need for additional personnel appropriations, but expressed to the Board there would not be a staff proposal to increase personnel expenses until there was more clarity surrounding need and availability of staffing resources. By the time the budget was adopted by the Board, it became clear a future reassessment of staffing needs for FY 2019 would be needed and staff is now requesting additional appropriations to the personnel budget for FY 2019.

District staff identified several areas which require additional staffing resources in FY 2019 to best deliver the projects and services anticipated by the District. As a result, staff is requesting an increase of \$624,700 in the budgeted Personnel Expenses for FY 2019 to fund additional regular staff, and an increase of \$1,125,300 to fund additional variable staff. Regular staffing requested consists of ten positions committed to ongoing, longer-term projects and services covering maintenance, environmental compliance, retiree support, Harbor Police operating systems, and legal counsel. Additionally, staff has identified variable staffing needs funding shorter-term efforts including revenue generation and asset management activities associated with Seaport Village; expediting the planning, permitting, and project review for potential development projects; short-term data management and improvements to foundational technology services such as GIS; and short-term organizational support necessary for purchasing goods and services and recruiting new talent to the District.

In addition, the Harbor Police Department has experienced retirements and other employee attrition, resulting in a loss of experienced, tenured employees. While the Department anticipated many of these vacancies arising and has increased its recruitment and hiring efforts, the experienced employees lost have been replaced by trainees who require six months to one year to achieve the solo officer standard. The Department is approximately 19% below its budgeted sworn staff level due to vacancies and to newly hired trainees not yet available for assignment. This has resulted in assigning experienced officers to fill vacancies in operationally necessary assignments on an overtime basis. Staff requests \$650,000 in additional overtime expenses to provide a minimum safe staffing level and to fulfill contractual obligations related to law enforcement operations at the Airport.

For these reasons and as more fully discussed below, staff recommends the Board increase the Personnel Expenses budget for FY 2019 by \$2,400,000.

RECOMMENDATION:

Adopt an Ordinance amending the Fiscal Year 2019 Final Budget to increase Regular Staffing by ten positions and \$624,700, Variable Staffing by \$1,125,300, and Overtime for the Harbor Police by \$650,000 resulting in an increase to the Personnel budget by \$2,400,000.

FISCAL IMPACT:

The allowance for this expense of \$2,400,000 was delayed during the development of the FY 2019 budget due to externalities occurring parallel to the annual budgeting process. The requested budget amendment increase of \$2.4M may be funded from either (a) reducing the FY 2019 Budgeted Unrestricted Resources currently budgeted at \$6.0M, or (b) using \$2.4M of Prior Year Cumulative Unrestricted Resources.

	Final Budget FY 2019	Budget Amendment July 17, 2018	Budget Amendment August 14, 2018	Adjusted Budget FY 2019
Direct Expense				
Ordinary Annual Expenses (Direct Expense)	\$ 172,223,100	\$ -	\$ 2,400,000	\$ 174,623,100
Total Direct Expense	\$ 172,223,100	\$ -	\$ 2,400,000	\$ 174,623,100
Capital and Debt Requirements				
Capital Improvement Program (CIP)	\$ 33,321,000	\$ 1,653,750	\$ -	\$ 34,974,750
Technology Capital Projects	4,270,000	-	-	4,270,000
Capital Major Maintenance	9,850,000	-	-	9,850,000
Equipment Outlay	4,938,500	-	-	4,938,500
Debt Service - Principal	4,698,000	-	-	4,698,000
Total Capital and Debt Requirements	\$ 57,077,500	\$ 1,653,750	\$ -	\$ 58,731,250
Total Requirements	\$ 229,300,600	\$ 1,653,750	\$ 2,400,000	\$ 233,354,350

COMPASS STRATEGIC GOALS:

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

- A Port that the public understands and trusts.
- A Port that is a safe place to visit, work and play.
- 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 with an innovative and motivated workforce.
- A financially sustainable Port that drives job creation and regional economic vitality.

DISCUSSION:

Background

In accordance with the Port Act Sections 46 and 47, the District adopted and published the FY 2019 Final Budget on June 12, 2018. Adoption of the FY 2019 Final Budget was based on a culmination of input received during the April Workshop and May Board meeting of 2018.

As a recap, there were several notable discussions leading up to and throughout the annual budget process including steps the District has taken to:

- 1) More prudently manage expenses;
- 2) Develop a more robust strategic planning process; and
- 3) Begin to align services to keep pace with future growth on District tidelands.

The District is responsible for a wide variety of assets that range from cruise ship terminals, fleet vehicles, docks, piers, to public art displays, stormwater treatment systems, beachfronts, and the safety of the people in the tidelands. In addition, the District is obligated to comply with a myriad of regulations which require an increasing amount of resources. Over time, the number of assets has grown and so has the number of visitors to tidelands. With the growth in assets and regulatory compliance comes a greater need for increased services.

Request for Additional Personnel Appropriations for FY 2019

The topic of additional personnel appropriations is a critical part of any annual budgeting process; however, staff elected to postpone any recommendations of additional personnel appropriations due to externalities during the annual budgeting process for FY 2019. During the budget process for FY 2019, staff clearly expressed that the District had a need for additional personnel appropriations, but expressed to the Board there would not be a staff proposal to increase personnel expenses until there was more clarity surrounding need and availability of staffing resources. Now, there is more clarity and therefore, staff is requesting additional appropriations to the personnel budget for FY 2019.

This request represents a consolidated effort to fund several key services provided by District personnel at levels needed to meet our fiduciary obligations, as well as address significant service needs that have been identified by District staff and stakeholders. This request includes the addition of ten regular positions, an increase in variable staffing costs, and an increase in overtime for the Harbor Police. If this request is approved by the Board, it is estimated that only seven months of additional costs would be required of the annual salaries and benefits due to the time to fill the positions. The personnel related requests are summarized in the table and further described in sections below:

SUMMARY TABLE OF PERSONNEL REQUEST					
REGULAR POSITIONS					
Requesting Department	Position Type	No.	Position Title	Annual Salary and Benefits	7 Months of Annual Amount
Environmental Protection	Regular	1	Environmental Compliance Inspector	78,000	45,500
Environmental Protection	Regular	1	Senior Environmental Specialist	124,900	72,900
General Services	Regular	1	Electrician	86,800	50,600
General Services	Regular	1	Gardener	57,100	33,300
General Services	Regular	1	Maintenance Worker II	62,600	36,500
General Services	Regular	1	Maintenance Worker II	62,600	36,500
General Services	Regular	1	Plumber	86,800	50,600
Harbor Police	Regular	1	Systems Administrator	124,900	72,900
Human Resources	Regular	1	Retirement Plan Administrator	124,900	72,900
Office of the General Counsel	Regular	1	Deputy General Counsel V	262,200	153,000
Total for Regular Positions		10		1,070,800	624,700
HARBOR POLICE OVERTIME INCREASE				650,000	650,000
VARIABLE STAFFING				1,879,200	1,125,300
TOTAL PERSONNEL REQUEST				3,600,000	2,400,000

Regular Position Highlights

This request includes \$624,700 in additional appropriations for ten new, regular positions in support of the following key services:

Environmental Compliance (Environmental Protection)

Proper stormwater management at the District's maritime facilities is critical to effectively execute operations in compliance with environmental regulations. To date, the amount of work that is needed for inspections and field-related work exceeds the in-house resources from a single environmental compliance inspector. Due to the workload that is occurring in the department, the majority of the inspection work is being outsourced.

Environmental Protection is requesting one additional environmental compliance inspector and one senior environmental specialist to (1) assist with inspections of Port and tenant facilities and special events, and (2) provide additional environmental oversight at the marine terminals and other District facilities. Benefits to bringing this work in-house include improved response time for corrective actions, improved tenant relations and the ability to initiate enforcement on-site. Also, the new positions will contribute to improved daily management of stormwater operations and Best Management Practices (BMPs). The work under these positions fulfills a regulatory obligation within the stormwater and site assessment/hazardous waste programs.

Operation and Maintenance - facilities, amenities, and infrastructure (General Services)

Staffing levels in General Services has remained steady for the last five years. Despite General Services team efforts to manage activities with current staffing, key factors including deferred maintenance, safety, and appearance are adversely impacting the District. The General Services Maintenance Staffing Analysis was prepared in 2017 by Black and Veatch (Attachment B) to evaluate the tasks performed by the General Services Department and compared them to staffing levels and the expected level of service. The analysis looked at existing and anticipated future workloads. The key findings in the analysis indicated that seven of the 17 trade categories had staffing levels below target levels and that no trade categories were found to be overstaffed. The overall staffing analysis resulted in a recommendation of 122 staff, compared to a current budgeted position count of 94.

A phased process to bring staff counts up to recommended levels is the preferred approach. Staffing needs have been prioritized based on a multi-year phased process which can commence this fiscal year with the addition of an electrician, plumber, gardener, and two Maintenance Worker II positions. A phased approach allows General Services time to assess effectiveness and prioritize needs annually as conditions change.

Systems Administrator (Harbor Police)

The Systems Administrator for the Harbor Police Department (HPD) will be responsible for keeping the HPD systems (computer-aided design or CAD, NetRMS, CommandBridge, and geographic information systems or GIS) maintained and updated. The current workload will increase as the new CAD is deployed next year and also the more GIS is rolled out in support of CAD and CommandBridge.

Retiree Benefits Management and Support (Human Resources)

The District currently has nine different retirement plans and 1,199 employees and retirees eligible for some type of pension. To break these numbers down even further, plans may have up to five different types of participants including: active, retired, disabled, terminated-vested and beneficiaries. There are also 362 retirees who currently have health benefits through the District. By 2022, the number of retirees with benefits will exceed the number of active employees. While the District outsources the administration of its retirement plans, there still remains a significant amount of administration and customer service that goes along with these plans. Currently, we do not have anyone dedicated to the administration and customer service of these retirement plans. Instead, we have several individuals that complete various aspects of the needed services as they have capacity to do so. Some of these individuals will be eligible to retire in the next five years.

This position currently does not exist at the District. We expect this position will ensure the defined benefit plans and the 457/401(a) contribution plan documents are regularly reviewed and updated, as needed, thus ensuring the District is in compliance with current and future legislation. This position

will also plan and implement employee retirement planning education, oversee the 457/401(a) Investment Committee, research and prepare recommendations concerning retiree benefits through annual renewals, manage retiree benefits enrollment, and provide customer service. We also expect this position to be our subject matter expert to ensure we address succession concerns as employees currently managing these matters retire.

Office of the General Counsel

The Office of the General Counsel is requesting a new Deputy General Counsel V position to provide in-house legal assistance and expertise in real estate transactions, and land use and entitlement matters. The volume of legal work in these areas has steadily increased in the last few years and is anticipated to continue in an upward trajectory with major projects coming on-line such as Central Embarcadero, Chula Vista Bayfront build-out, National City Balanced Plan, East Harbor Island and the Port Master Plan Update. At the same time, the General Counsel's Office supports day-to-day tenant transactions and entitlements. Considering the current and anticipated increase in workload, the District's Real Estate, Development Services and Planning Departments support the request for additional in-house legal expertise to advise these departments.

In FY 2018, the General Counsel's Office assisted in negotiations and gave legal advice on several major transactions, including RIDA, City/FAL/District, Brigantine, Seaport Village Management and Kona Kai transactions. This legal advice was in addition to dozens of shorter-term real estate documents required to run the District. Such transactions have increased in number and complexity.

Additionally, in early 2016, the planning division of the District's Environmental Land Use and Management Department was split into two planning departments - Development Service (for the processing current planning and tenant projects) and Planning (for the processing of long-range planning projects). The number of planners, including Directors, has increased from 9 to 13 to facilitate and expedite current and long-range planning matters, resulting in a considerable increase in the need for entitlement and land use legal advice. Both planning Departments are also requesting additional variable planning staff for FY 2019 due to an increase in entitlement work.

Variable Staffing Expense Highlights

Staff has identified variable staffing needs to support shorter-term efforts, revenue generation, and asset management; expediting the planning, permitting, and project review for potential development projects; short-term data management and improvements to foundational technology services such as GIS; and short-term organizational support necessary for purchasing goods and services and recruiting new talent to the District. To fund these needs staff requests additional funding to variable staffing of \$1,125,300.

The purpose of Variable Staffing as stated in the Final Budget FY 2019 on page 227 is listed below,

"The District personnel expenses consist of limited, temporary, interns, and student workers, along with regular employees. The District continues to manage the increasing demands for resources along with executing the strategic goals presented herein by relying more on the flexibility of having variable staff. Services of limited, temporary, intern, and student workers may be reduced at any time as the nature of the services are limited in duration. For instance, by Board Policy, in the event of an economic downturn in finances, reductions would first occur in this variable subset of staffing. In this regard, a new cost center to capture the cost of the variable workforce was adopted for this budget."

Waterfront Development

To support key waterfront development initiatives, staff intends to recruit for limited positions in the Planning, Real Estate, and Development Services departments. These positions will allow continued long range planning support, as well as current planning and asset management activities associated with the transition to the management of Seaport Village and advancement of revenue-generating development opportunities.

GIS, Closed Circuit TV Maintenance, and Related Systems Support

One of the most fundamental activities conducted by the District is the leasing, administration, and maintenance of public trust lands. Critical to these activities is a good understanding of the limits of the District's property and tenant leaseholds, which the District's GIS system facilitates. Under this variable staffing request, short-term resources would be engaged to populate the District's GIS system with current information while engaging the District's departments in an ongoing program of system maintenance for long-term sustainment. In addition, the District is currently outsourcing the maintenance of its closed circuit TV monitoring system and plan to bring that function in-house on a trial basis expecting to save non-personnel costs of approximately \$200,000/yr.

Procurement

The demands on the procurement department in terms of agreements processed have risen approximately 15% year over year the last several years. In addition, there are two members of the Material Support Warehouse Staff set to retire sometime in FY 2020. Their departure will leave the Material Support Warehouse staff severely limited, if not properly planned for well in advance of their retirement. Additional temporary resources will assist in the transition of the retirement of two long-term employees in management and lead positions in the warehouse.

Human Resources

One of the greatest recruitment challenges the District faces, now and in the foreseeable future, is in HPD, as outlined above. Although recruitment happens in every department, the Harbor Police Department has unique challenges. Law enforcement across the United States is facing unprecedented challenges, the greatest of which may be in recruiting new officers. Given changes in the way law enforcement is viewed by the public, the desires of applicants for a work-life balance and a myriad of other issues, law enforcement agencies are having problems ensuring there is a sufficient applicant pool to maintain standards of professionalism. The District is also competing with other agencies to attract qualified applicants. In order to effectively meet future demands, Human Resources needs to increase its outreach to draw in more candidates. In FY 2018, for the first time in its history, Human Resources staff attended a recruiting event outside of California. As the competition builds for candidates, this will need to occur more frequently.

Harbor Police Overtime Pay

The Harbor Police Department has experienced retirements and other employee attrition, resulting in a loss of experienced, tenured employees. While the Department anticipated many of these vacancies arising and has increased its recruitment and hiring efforts, the experienced employees lost have been replaced by trainees who require six months to one year to achieve the solo officer standard. The Department is approximately 19% below its budgeted sworn staff level due to vacancies and to newly hired trainees not yet available for assignment. This has resulted in assigning experienced officers to fill vacancies in operationally necessary assignments on an overtime basis.

Concurrent with the changes in staffing, there has been an increase in calls for service related to crime incidents, responses to mental health concerns, homeless intervention and outreach, permitted

special events, protests and demonstrations, and Tidelands Activation Program activities. All of these have resulted in requests for Harbor Police assistance, either through agreements with organizers to provide services or through requests from the public to address crime, homeland security, or quality of life concerns. As a result of the foregoing, additional overtime funding of \$650,000 is requested. This overtime request reflects additional funding needed to effectively and safely address normal operations and increased demands for Harbor Police services. It is also based on a detailed internal analysis of information during the past three years related to attrition, new officer training, overtime and other personnel expenses.

The additional overtime requested will allow the Department to continue to provide minimum safe staffing levels for normal Department operations, to meet contractual law enforcement obligations at the Airport, to provide staffing for anticipated special events, and to respond to unanticipated mission critical events.

General Counsel's Comments:

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

Environmental Review:

The proposed Board direction or action, including without limitation, adopting an ordinance to amend the ordinance adopting the fiscal year 2019 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. 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 Board's action or direction 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 current Board direction in no way limits the exercise of this discretion. Therefore, no further CEQA review is required.

In addition, the proposed Board direction or action complies with Sections 20, 21, and 35 of the Port Act, which requires the Board to draw up a budget for each fiscal year, allows the Board to pass necessary ordinances for regulation of the District, and 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 Board direction or action is consistent with the Public Trust Doctrine.

Finally, the proposed Board direction or 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 because it will not result in, without limitation, a physical change, change in use or increase the intensity of uses. Therefore, issuance of a CDP 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 Board's action 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 A: General Services Management Staffing Analysis by Black and Veatch