



Legislation Text

File #: 2020-0194, **Version:** 1

DATE: June 23, 2020

SUBJECT:

- A) CONDUCT PUBLIC HEARING AND ADOPT AN ORDINANCE ADOPTING THE FISCAL YEAR 2021 FINAL BUDGET INCLUDING CHANGES FROM THE APPROVED PRELIMINARY BUDGET TO (1) ADD \$575,000 TO NON-PERSONNEL APPROPRIATED ITEM FOR STRATEGIC ACTIVATIONS AND ENHANCEMENTS FOR SEAPORT VILLAGE TO BE FUNDED FROM RESERVES, AND (2) TRANSFER \$150,000 FROM ORDINARY ANNUAL EXPENSE BUDGET TO THE EQUIPMENT OUTLAY AND OTHER CAPITAL PROJECTS BUDGET FOR CAPITAL LABOR RELATED TO THE COAST GUARD BUILD OUT LEASEHOLD IMPROVEMENT PROJECT AND SECURITY IMPROVEMENTS AT HARBOR POLICE DEPARTMENT (HPD) PROJECT**
- B) RESOLUTION WAIVING BPC POLICY NO. 730 - PORT ENVIRONMENTAL ADVISORY COMMITTEE POLICY AND NOT DEPOSIT THE FY 2021 ANNUAL SET ASIDE OF \$637,900 TO THE ENVIRONMENTAL FUND**
- C) RESOLUTION WAIVING BPC POLICY NO. 773 - MARITIME INDUSTRIAL IMPACT FUND AND NOT DEPOSIT THE FY 2021 ANNUAL SET ASIDE OF \$134,600 TO THE MARITIME INDUSTRIAL IMPACT FUND (MIIF)**
- D) RESOLUTION WAIVING BPC POLICY NO. 117 - OPERATING RESERVE POLICY, TO ALLOW THE USE OF OPERATING RESERVE TO PARTIALLY FUND THE FY 2021 BUDGET ONCE THE CUMULATIVE UNRESTRICTED RESOURCES ARE EXHAUSTED, HOWEVER THE OPERATING RESERVE BALANCE SHALL IN NO EVENT GO BELOW THE MINIMUM REQUIRED \$20M.**

EXECUTIVE SUMMARY:

In accordance with the San Diego Unified Port District Act (Port Act) Sections 46 and 47, by June 15, 2020, the District must adopt and publish the Fiscal Year (FY) 2021 Preliminary Budget and set a date for the Board's adoption of the final budget not less than one month from publication. Staff will present the final budget to the Board for adoption on June 23, 2020.

On May 19, 2020, the Board adopted the FY 2021 Preliminary Budget. For discussion on how the preliminary budget was developed and for more details on this budget, please refer to Attachment B - Preliminary Budget Adoption - May 19th Agenda Sheet with Attachments. The proposed FY 2021 Final Budget is also provided as Attachment A.

As reflected in the approved FY 2021 Preliminary budget, staff is asking the Board to adopt resolution waiving the annual set-aside deposit requirement of \$637,900 for BPC Policy No. 730 - Port Environmental Advisory Committee Policy which is one-half of one percent (1/2 of 1%) of the District's projected gross revenues for FY 2021.

Staff is also asking the Board to waive the annual set-aside deposit requirement of \$134,600 for BPC No. 773 - Maritime Industrial Impact Fund (MIIF), which is one half of one percent (1/2 of 1%) of the gross revenues earned from Tenth Avenue Marine Terminal and National City Marine Terminal as well as revenues from maritime industrial tenant located between the two terminals for FY 2021.

The FY 2021 Final Budget includes the following changes from the approved Preliminary Budget:

1. Strategic Activations and Enhancements for Seaport Village - After the approval of the preliminary budget, staff has received feedback from its partners, Seaport Village tenants and members of the public requesting that the Board consider allocating funds in FY 2021 towards continued implementation of the strategic activations and enhancement program. Based on this, staff is recommending that a total of \$575,000 be included in the FY 2021 Budget, Non-Personnel appropriated item for continued implementation of the seaport activation and site enhancements program. (see discussion below for more details and breakdown of expenses). Staff recommends funding to come from reserves.
2. Transfer of \$150,000 from the Ordinary Annual Operating Expense Budget to the Equipment and Other Capital Projects Budget for capital labor related to two projects: 1) Coast Guard Build Out Leasehold Improvement project, and 2) Security Improvements at Harbor Police Department (HPD) project. This transfer will not have any funding impact as this pertains to internal staff costs that need to be capitalized per generally accepted accounting principles.

Below is a summary of the updated FY 2021 Budget:

	Preliminary Budget May 19, 2020	Changes From Preliminary	Final Budget June 23, 2020
Revenue			
Operating	\$ 152,903,500	\$ -	\$ 152,903,500
Non-Operating	12,760,500	-	12,760,500
Total Revenue	\$ 165,664,000	\$ -	\$ 165,664,000
Expenses			
Personnel*	\$ 101,681,100	\$ -	\$ 101,681,100
Non-Personnel	56,722,800	575,000	57,297,800
Major Maintenance Expense	510,000	-	510,000
Capitalized Labor	(2,200,000)	(150,000)	(2,350,000)
Total Expenses	\$ 156,713,900	\$ 425,000	\$ 157,138,900
Other Sources & Uses and Reserves**	\$ (8,950,100)	\$ 425,000	\$ (8,525,100)
Unrestricted Sources Over Uses of Funds	\$ -	\$ -	\$ -

Notes:

* The District is in discussions with our labor unions for concessions to defer certain contractually required personnel expenses. This may result in additional savings of approximately \$600k in FY 2021 personnel expense. This could be presented as an amendment to this budget if and when agreements are final. Additionally, unrepresented staff earning greater than \$75k annually, will receive a 2% annual pay reduction providing \$600k of savings along with receiving no annual salary increases for additional budgeted savings of approximately \$1.1M, already reflected in this FY2021 budget.

** Please see Section 1 page 14 of the Budget Book for details of Other Sources & Uses and Reserves

In accordance to Section 47 of the Port Act, staff published a notice of adoption of the Preliminary Budget and hearing date on Final Budget adoption.

The proposed Board action to adopt an ordinance adopting the FY 2021 Final Budget fulfills the requirements of the Port Act budget provisions.

Staff also recommends the Board to waive BPC Policy No.117, Operating Reserve Policy, to allow the use of operating reserve to partially fund the FY 2021 Budget once the Cumulative Unrestricted Resources are exhausted, however the Operating Reserve Balance shall in no event go below the minimum required \$20M.

RECOMMENDATION:

- A. Conduct Public Hearing and adopt an ordinance adopting the FY 2021 Final Budget including changes from the approved Preliminary Budget to (1) Add \$575,000 to the non-personnel appropriated item for Strategic Activations and Enhancements for Seaport Village to be funded from the Cumulative Unrestricted Resources, and (2) Transfer \$150,000 from Ordinary Annual Expense Budget to the Equipment Outlay and Other Capital Projects Budget for capital labor related to the Coast Guard Build Out Leasehold Improvement project, and the Security Improvements at HPD project
- B. Resolution waiving BPC Policy No. 730 - Port Environmental Advisory Committee Policy to not deposit the FY 2021 annual set aside to the Environmental Fund

- C. Resolution waiving PBC Policy No. 773 - Maritime Industrial Impact Fund to not deposit the FY 2021 annual set aside to the Maritime Industrial Impact Fund (MIIF)
- D. Resolution waiving BPC Policy no. 117 - Operating Reserve Policy, to allow the use of Operating Reserve to partially fund the FY 2021 Budget once the Cumulative Unrestricted Resources are exhausted, however the Operating Reserve balance shall in no event go below the minimum required \$20M.

FISCAL IMPACT:

This proposed Board action will appropriate funds for FY 2021 expenditures as follows:

	Preliminary Budget May 19, 2020	Changes From Preliminary	Final Budget June 23, 2020
Direct Expense			
Ordinary Annual Expense (Direct Expense)	\$ 156,713,900	\$ 425,000	\$ 157,138,900
Total Direct Expense	\$ 156,713,900	\$ 425,000	\$ 157,138,900
Capital and Debt Requirements			
Capital Improvement Program (CIP)	\$ 9,042,000	\$ 5,699,500	\$ 14,741,500
Technology Capital Projects	2,369,000	-	2,369,000
Capital Major Maintenance	3,970,000	-	3,970,000
Equipment Outlay and Other Capital Projects	6,261,300	150,000	6,411,300
Debt Service - Principal	4,784,500	-	4,784,500
Total Capital and Debt Requirements	\$ 26,426,800	\$ 5,849,500	\$ 32,276,300
Total Requirements	\$ 183,140,700	\$ 6,274,500	\$ 189,415,200

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.

DISCUSSION:

On April 08, 2020, the District held a workshop to review the FY 2021 Preliminary Budget. During the workshop, the Board directed staff to prepare the FY 2021 Preliminary Budget using the Base Case

Scenario.

On May 19, 2020, the Board adopted the FY 2021 Preliminary Budget and approved the following:

- Authorized the use of Cumulative Unrestricted Resources of approximately \$15.7M for the following: Operating Budget Deficit \$9.9M, Coast Guard Build-Out \$2.2M, Seaport Village Pre-Approved Funding \$2.8M, and Major Maintenance Multi-Year Program Carryover Funding of \$0.8M.
- Adopt a resolution adopting the FY 2021 Preliminary Budget and setting the date for public hearing on the adoption of the Final Budget as June 23, 2020.

The Board decided to move to a future date, staff's recommendation to adopt resolution to reduce the FY 2019-2023 Capital Improvement Program (CIP) by approximately \$5.7M and allocate the funds to the Cumulative Unrestricted Resources. Therefore, the FY 2021 Final Budget reflects a change of \$5,699,500 going back to the CIP.

For discussion on how the preliminary budget was developed and for more details on this budget, please refer to Attachment B - Preliminary Budget Adoption - May 19th Agenda Sheet with Attachments. The FY2021 Final Budget is also provided as Attachment A.

The FY 2021 Final Budget include the following changes from the approved Preliminary Budget:

1. Strategic Activations and Enhancements for Seaport Village:

In February 2019 the Board approved approximately \$2.2M in investment spending for FY 2021 to fund various repairs and maintenance projects; and implement the strategic activations and site enhancements program at Seaport Village with the goal of increasing visitors, reducing vacancy, and generating additional revenue to the District. The District's forward thinking and investment in the property has had a direct impact in improving operations, filling vacancies, and creating new momentum and interest in Seaport Village.

Staff has received feedback from its partners, Seaport Village tenants, and members of the public requesting that the Board consider allocating funds in FY 2021 towards continued implementation of the strategic activations and enhancement program. Based on this, staff is recommending that a total of \$575,000 be included in the FY 2021 budget non-personnel appropriated item for continued implementation of the Seaport activations and site enhancements program which is broken down as follows:

Activations	Budget
Activations, Experiential Installations, Events and Program Management	\$292,000
Strategic Partnership	\$40,000
Communications, Research and Analytics	<u>\$108,000</u>
Total Activations	<u>\$440,000</u>
Site Enhancements	
Completion of Replacement Monument Signage Package	\$60,000
Carousel District Entry Improvements	<u>\$75,000</u>
Total Site Enhancements	<u>\$135,000</u>
FY 2021 Total Activations and Site Enhancements	<u>\$575,000</u>

It is key that the District, as the owner and operator of the Seaport Village, take proactive steps to preserve the momentum gained in the last year in order to protect its initial investment and reduce the risk of increased vacancy. Doing so will keep Seaport Village top-of-mind, maintain continuity, support the existing tenants, and attract new tenants and visitors as well as generate additional revenue for the District. Staff recommends funding to come from the Cumulative Unrestricted Resources.

2. Transfer of approximately \$150,000 from the Ordinary Annual Operating Expense Budget to the Equipment and Other Capital Projects Budget for capital labor related to two projects: 1) Coast Guard Build Out Leasehold Improvement project, and 2) Security Improvements at Harbor Police Department (HPD) project. This transfer will not have any funding impact as this pertains to internal staff costs that need to be capitalized per generally accepted accounting principles.

Additionally, as reflected in the approved FY 2021 Preliminary budget, staff is asking the Board to adopt resolution waiving the annual set-aside deposit requirement of \$637,900 for BPC Policy No. 730 - Port Environmental Advisory Committee Policy which is one-half of one percent (1/2 of 1%) of the District's projected gross revenues for FY 2021.

Staff is also asking the Board to waive the annual set-aside deposit requirement of \$134,600 for BPC No. 773 - Maritime Industrial Impact Fund (MIIF), which is one half of one percent (1/2 of 1%) of the gross revenues earned from Tenth Avenue Marine Terminal and National City Marine Terminal as well as revenues from maritime industrial tenant located between the two terminals for FY 2021.

Staff also recommends the Board to waive BPC Policy No.117, Operating Reserve Policy, to allow the use of operating reserve to partially fund the FY 2021 Budget once the Cumulative Unrestricted Resources are exhausted, however the Operating Reserve Balance shall in no event go below the minimum required \$20M.

The proposed Board action to adopt an ordinance adopting the FY 2021 Final Budget fulfills the requirements of the Port Act budget provisions.

The FY2021 Final Budget can be found as Attachment A.

General Counsel's Comments:

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

Environmental Review:

The proposed Board action does not constitute an "approval" or 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 Board's action does not constitute a binding commitment to implement projects that may be contemplated as part of the fiscal year 2021 Final Budget. Additionally, 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 that 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, appropriate CEQA review will be conducted prior to approval of the same and the Board/District, in its sole and absolute discretion, 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, as well as approve or disapprove the project and any necessary permits or entitlements. No further action under CEQA is required at this time.

In addition, the proposed Board action complies with Sections 20 and 47 of the Port Act, which require the Board draw up a budget for each fiscal year and hold a public meeting for fixing and adoption of the final budget. 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 Regulations. Therefore, issuance of a Coastal Development Permit or exclusion is not required. However, the District's projects require processing under the District's CDP Regulations. If the Board considers approval of future development projects formulated as a result of the fiscal year 2021 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: FY 2021 Final Budget Book

Attachment B: Preliminary Budget Adoption - May 19th Agenda Sheet with Attachments