Legislation Text

File #: 2021-0126, **Version:** 1

DATE: June 15, 2021

SUBJECT:

A. CONDUCT PUBLIC HEARING AND ADOPT AN ORDINANCE ADOPTING THE FISCAL YEAR 2022 FINAL BUDGET

B. RESOLUTION WAIVING BPC POLICY NO. 730 - PORT ENVIRONMENTAL ADVISORY COMMITTEE POLICY AND NOT DEPOSIT THE FY 2022 ANNUAL SET ASIDE OF APPROXIMATELY $662K TO THE ENVIRONMENTAL FUND AS REFLECTED IN THE FY 2022 BUDGET

C. RESOLUTION WAIVING BPC POLICY NO. 773 - MARITIME INDUSTRIAL IMPACT FUND AND NOT DEPOSIT THE FY 2022 ANNUAL SET ASIDE OF APPROXIMATELY $159K TO THE MARITIME INDUSTRIAL IMPACT FUND (MIIF) AS REFLECTED IN THE FY 2022 BUDGET

D. RESOLUTION WAIVING BPC POLICY NO. 117 - OPERATING RESERVE POLICY, TO ALLOW THE USE OF OPERATING RESERVE TO PARTIALLY FUND THE FY 2022 BUDGET, 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, 2021, the District must adopt and publish the Fiscal Year (FY) 2022 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 15, 2021.

On May 11, 2021, the Board adopted the FY 2022 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 11th Agenda Sheet with Attachments. The proposed FY 2022 Final Budget is also provided as Attachment A.

As reflected in the approved FY 2022 Preliminary Budget, staff is asking the Board to adopt resolution waiving the annual set-aside deposit requirement of approximately $662k 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 2022.

Staff is also asking the Board to adopt resolution waiving the annual set-aside deposit requirement of approximately $159K for BPC No. 773 - Maritime Industrial Impact Fund (MIIF), which is one half of

one percent (1/2 of 1%) of the projected gross revenues from Tenth Avenue Marine Terminal and National City Marine Terminal as well as revenues from maritime industrial tenants located between the two terminals for FY 2022. The FY 2022 Preliminary Budget approved in May reflected not depositing this annual set-aside.

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 2022 Budget, however the Operating Reserve Balance shall in no event go below the minimum required $20M. At the May 11, 2021 Board meeting, the Board authorized the use of operating reserve of approximately $12.6M which includes funding for the previously approved $2.8M Seaport Village Tenant Improvement project.

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 2022 Final Budget fulfills the requirements of the Port Act budget provisions.

It is important to note that the FY 2022 budget is a plan that the Board can amend at any time during the year.

RECOMMENDATION:

A. Conduct Public Hearing and adopt an ordinance adopting the FY 2022 Final Budget

B. Resolution waiving BPC Policy No. 730 - Port Environmental Advisory Committee Policy to not deposit the FY 2022 annual set aside of approximately $662K to the Environmental Fund as reflected in the FY 2022 Final Budget

C. Resolution waiving PBC Policy No. 773 - Maritime Industrial Impact Fund to not deposit the FY 2022 annual set aside of approximately $159K to the Maritime Industrial Impact Fund (MIIF) as reflected in the FY 2022 Final Budget

D. Resolution waiving BPC Policy No. 117 - Operating Reserve Policy, to allow the use of Operating Reserve to partially fund the FY 2022 Budget, 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 2022 expenditures as follows:

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	FY 2022 Preliminary Budget May 11, 2021	Changes From Preliminary	FY 2022 Final Budget June 15, 2021
Direct Expense			
Ordinary Annual Expense (Direct Expense)	$ 160,356,200	$ 269,500	$ 160,625,700
Total Direct Expense	**$ 160,356,200**	**$ 269,500**	**$ 160,625,700**
Capital and Debt Requirements			
Capital Improvement Program (CIP)	$ 15,817,000	$ -	$ 15,817,000
Technology Capital Projects	1,750,900	-	1,750,900
Capital Major Maintenance	3,325,000	-	3,325,000
Equipment Outlay and Other Capital Projects	8,808,900	38,700	8,847,600
Debt Service - Principal	4,338,600	-	4,338,600
Total Capital and Debt Requirements	**$ 34,040,400**	**$ 38,700**	**$ 34,079,100**
Total Requirements	**$ 194,396,600**	**$ 308,200**	**$ 194,704,800**

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:

On May 11, 2021, the Board adopted the FY 2022 Preliminary Budget and approved the following:

- Authorized the use of operating reserve of approximately $12.6M which includes funding for the previously approved $2.8M Seaport Village Tenant Improvement project.
- Adopt a resolution adopting the FY 2022 Preliminary Budget and setting the date for public hearing on the adoption of the Final Budget as June 15, 2021.

Below is a summary of the updated FY 2022 Budget:

	FY 2022 Preliminary Budget May 11, 2021	Changes From Preliminary	FY 2022 Final Budget June 15, 2021
Revenue			
Operating	$ 155,268,800	$ 189,000	$ 155,457,800
Non-Operating	10,333,900	426,200	10,760,100
Total Revenue	**$ 165,602,700**	**$ 615,200**	**$ 166,217,900**
Expenses			
Personnel	$ 105,554,600	$ -	$ 105,554,600
Non-Personnel	56,401,600	269,500	56,671,100
Major Maintenance Expense	275,000	-	275,000
Capitalized Labor	(1,875,000)	-	(1,875,000)
Total Expenses	**$ 160,356,200**	**$ 269,500**	**$ 160,625,700**
Other Sources & Uses and Reserves*	**$ (17,800,200)**	**$ (38,700)**	**$ (17,838,900)**
Unrestricted Sources Over Uses of Funds	**$ (12,553,700)**	**$ 307,000**	**$ (12,246,700)**

Notes:
* Please see Section 1 page 20 of the Budget Book for details of Other Sources & Uses and Reserves

Changes from the approved FY 2022 Preliminary Budget to the FY 2022 Final Budget were necessitated due to the following:

1. At the May 11, 2021 Board meeting the Board approved a resolution accepting a grant agreement with The Builders Initiative in the amount of $700,000 to support the Native Oyster Living Shoreline project at the Chula Vista Wildlife Reserve, restorative aquaculture planning, and blue economy coordination. Of this total grant award, $426,200 will be executed in FY 2022 therefore a budget change had to be reflected increasing the non-operating grant revenue by $426,200, and the related expenditure line items such as Non Personnel Expense increase of $269,500, Equipment Outlay and Other Capital Expenditures of $38,700 which is reflected in Unrestricted Sources and Uses of Reserves, and Personnel Expense of $118k which was already in the preliminary budget therefore no increase was shown in the Personnel Expense line.

2. An increase in Operating revenue of $189,000 for Maritime Piers and Floats that was not reflected in the approved FY 2022 Preliminary Budget.

The proposed Board action to adopt an ordinance adopting the FY 2022 Final Budget fulfills the requirements of the Port Act budget provisions.

The FY 2022 Final Budget can be found as Attachment A.

General Counsel's Comments:

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

Environmental Review:

The proposed Board actions, including without limitation, conducting a public hearing, adopting an ordinance adopting the FY 2022 Final Budget, and adopting resolutions waiving BPC policies, do 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. 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 Board's actions 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 actions in no way limit the exercise of this discretion. Therefore, no further CEQA review is required.

The proposed Board actions comply with Sections 20, 21, 35, 47, and 86 of the Port Act, which require the Board to draw up a budget for each fiscal year, and to hold a public hearing prior to fixing the final budget, which allow the Board to transfer amounts from one appropriated item to another in the budget allowance, to pass resolutions, and 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 actions are consistent with the Public Trust Doctrine.

The proposed Board actions do 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 Board's actions in no way limit 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
Chief Financial Officer/Treasurer

Attachment(s):
Attachment A: FY 2022 Final Budget Book
Attachment B: Preliminary Budget Adoption - May 11th Agenda Sheet with Attachments