



## Legislation Text

File #: 2021-0321, Version: 1

**DATE:** September 14, 2021

**SUBJECT: BUDGET AMENDMENT AND BUDGET TRANSFER**

**A. ADOPT ORDINANCE AMENDING THE FY 2022 BUDGET INCREASING:**

1. NON-PERSONNEL APPROPRIATION BY \$2,568,800
2. EQUIPMENT OUTLAY AND OTHER CAPITAL PROJECTS APPROPRIATION BY \$547,000, AND
3. TECHNOLOGY CAPITAL PROJECTS APPROPRIATION BY \$52,000

**THE ABOVE INCREASES WILL BE FUNDED FROM THE FOLLOWING RESULTING IN NO IMPACT TO THE DEFICIT:**

1. \$2,052,000 UNBUDGETED REVENUE RECEIVED AS A PARTICIPATION FEE FOR A TENANT ASSET SALE
2. \$730,000 FROM PARKING REVENUE, LOW CARBON FUEL STANDARD (LCFS) CREDITS, NEVP MAINTENANCE FUND, AND AN INSURANCE RECOVERY
3. \$385,800 IN SAVINGS FROM VACANCIES IN THE PERSONNEL APPROPRIATION

**B. ADOPT RESOLUTION APPROVING A FY 2022 BUDGET TRANSFER OF \$385,800 FROM PERSONNEL EXPENSE APPROPRIATION TO THE NON-PERSONNEL EXPENSE APPROPRIATION TO FUND THE BALANCE OF THE BUDGET AMENDMENTS TO MAINTAIN THE CURRENT BUDGETED DEFICIT PURSUANT TO BPC POLICY NO. 90**

### **EXECUTIVE SUMMARY:**

The Fiscal Year (FY) 2022 budget was prepared as an austere expenditure budget to reduce the use of reserves by minimizing the deficit. Expenditures were budgeted with the approach of minimally maintaining our services until revenue conditions improved or there was funding through government stimulus. At the budget adoption Board of Port Commissioners (Board) meeting, staff stated that budget amendments would be recommended as conditions changed or as expected stimulus was received. The various expenditures recommended in this agenda, are the result of Board approved expenditures after the budget was approved, changed conditions, new information, and the austere expenditure budget adopted, which had no contingency for additional items or needs.

This recommended budget amendment is neutral to the deficit as the expenditures are funded by other sources of funds as detailed in the Discussion below.

The below recommendation is followed by a summary table and detailed discussion.

**RECOMMENDATION:**

- A. Adopt ordinance amending the FY 2022 budget increasing:
1. Non-personnel appropriation by \$2,568,800
  2. Equipment outlay and other capital project appropriation by \$547,000, and
  3. Technology capital projects appropriation by \$52,000

The above increases will be funded from the following resulting in no impact to the deficit:

1. \$2,052,000 unbudgeted revenue received as a participation fee for a tenant asset sale
2. \$730,000 from parking revenue, low carbon fuel standards (LCFS) credits, NEVP maintenance fund, and an insurance recovery
3. \$385,800 in savings from vacancies in the personnel appropriation

- B. Adopt resolution approving a FY 2022 budget transfer of \$385,800 from personnel expense appropriation to the non-personnel expense appropriation to fund the balance of the budget amendments to maintain the current budgeted deficit Pursuant to BPC Policy No. 90

**FISCAL IMPACT:**

This budget amendment will increase the appropriations listed below and will be funded by other revenue sources resulting in no impact to the deficit.

	Final Budget FY 2022	Budget Amendment	Amended Budget FY 2022
<b>Direct Expense</b>			
Ordinary Annual Expense (Direct Expense)	\$ 160,625,700	\$ 2,568,800	\$ 163,194,500
<b>Total Direct Expense</b>	<b>\$ 160,625,700</b>	<b>\$ 2,568,800</b>	<b>\$ 163,194,500</b>
<b>Capital and Debt Requirements</b>			
Capital Improvement Program (CIP)	\$ 15,817,000	\$ -	\$ 15,817,000
Technology Capital Projects	1,750,900	52,000	1,802,900
Capital Major Maintenance	3,325,000	-	3,325,000
Equipment Outlay and Other Capital Projects	8,847,600	547,000	9,394,600
Debt Service - Principal	4,338,600	-	4,338,600
<b>Total Capital and Debt Requirements</b>	<b>\$ 34,079,100</b>	<b>\$ 599,000</b>	<b>\$ 34,678,100</b>
<b>Total Requirements</b>	<b>\$ 194,704,800</b>	<b>\$ 3,167,800</b>	<b>\$ 197,872,600</b>

**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:**

Below is a summary table listing the detail of this proposed budget amendment and corresponding expenses and funding sources followed by explanations:

Item	Budget Amendment	Funding Source
Municipal Service Agreements and Maintenance	789,800	
Chula Vista Bayfront	484,000	
Citation Processing	400,000	Parking Revenue Offset
Contracted Landscaping Services	260,000	
Urban Forestry Management	200,000	
B Street CST Pre-season Improvements	140,000	
Elasticity Study	125,000	
NEVP Security	110,000	NEVP Maintenance Fund
Procurement Study	60,000	
<b>Non-Personnel Expense Total</b>	<b>2,568,800</b>	
Two HPD Patrol Outfitted Vehicles	180,000	
Seaport Village Fire Damage	170,000	Partial Insurance
Electric trucks	150,000	LCFS
Vessel Pump-out Stations	47,000	
<b>Equipment Outlay and Other Capital Projects Total</b>	<b>547,000</b>	
Customs Border Protection	52,000	
<b>Technology Capital Projects Total</b>	<b>52,000</b>	
<b>Total Amendment</b>	<b>\$ 3,167,800</b>	
<b>Funding Sources</b>		
Unbudgeted Revenue	2,052,000	
Parking Revenue Offset	400,000	
NEVP Maintenance Fund	110,000	
Insurance	70,000	
LCFS	150,000	
Personnel Savings	385,800	
<b>Total Funding Sources</b>	<b>\$ 3,167,800</b>	

## **Non-Personnel Expense (NPE):**

- **Municipal Service Agreements (MSA) and Maintenance**

The adopted FY 2022 budget includes \$9,710,000 for MSA and Maintenance expenses, which was prepared when some of the member cities had not finalized the agreements. The additional \$789,800 listed above was subsequently approved by the Board, however, the budget had not been amended. The total MSA and Maintenance expenses for FY 2022 is \$10,499,800; therefore, staff recommends increasing the MSA budget for the difference of \$789,800.

- **Chula Vista Bayfront (CVB)**

There are five (5) major CVB external efforts that are currently funded through the Capital Improvement Program (CIP) via the Chula Vista Bayfront Site Preparation Project. The current funds for these efforts are projected to be expended by November 2021. Additional funds are required to provide oversight and coordination for the major CVB development on behalf of the District. This oversight and coordination will ensure proper coordination with existing District assets, tenant operators, ongoing public access to public spaces, compliance with CVB development policies, and alignment with the District's strategic goals. A determination was made at the submittal of the final FY 2022 budget, that these efforts fall outside of the CIP since these services do not result in assets that can be capitalized. Rather, these should be funded from Non-Personnel Expense. Due to the timing of the determination, inclusion of the \$484,000 to fund the remaining FY 2022 efforts could not be included in the final Budget submittal.

- **Citations Processing**

A service company processor was selected to increase efficiency at no added cost. Previously, the associated citation costs (third-party processing fees and county surcharges) were offset with incoming payments and recorded against the citation revenue account (net). With this change, the revenues will be recorded as revenue and expenses separately (gross) for greater transparency and operational efficiencies. Since there was no impact to the deficit, a future budget amendment was planned for this item.

- **Contracted Landscaping Services**

Due to the economic impact of Covid-19 to the Port's budget, the contracted services provided by AZTEC Landscaping have not been performed since June of 2020. The areas maintained by Aztec include medians and areas near North Harbor Drive beginning in Americas Cup Harbor and extending to the Harbor Drive Pedestrian bridge next to the Bayfront Parking garage facility. The result is overgrown weeds and plants creating unsafe driving sightlines, homeless encampment locations, and trash accumulation in a number of areas including the medians, ACH, Embarcadero, United States Coast Guard and across from the Convention Center. Budget is needed to reinstate these services.

- **Urban Forestry Management**

Due to the economic impact of Covid-19 to the Port's budget, contracted services for urban forestry management were reduced. Tree trimming and tree removal has historically run at approximately \$200k/year. The Port has spent ~\$10k since June of 2020. The result has been an increasing frequency of falling Coral tree branches and Palm Fronds creating unsafe conditions. Budget is needed to reinstate these services.

- **B Street CST Pre-season Improvements**

In preparation for the coming cruise season in FY 2022, staff has identified three areas for terminal aesthetic improvement. Staff proposes conducting the following work to improve the look and atmosphere for passengers traveling through the District's B Street Cruise Ship Terminal: Paint touch-up throughout the facility, design and install banners to mask unsightly

areas and liven the interior. Finally, install items such as plants, planters, and wood paneling to bring elements of green into the facility. These costs were not included in the budget due to spending constraints.

- **Elasticity Study**

This study is to conduct a Market Feasibility/Price Elasticity Study to determine impacts of potential rate increases to the Port's various cargo business segments. This is part of staff's due diligence in identifying funding sources for District electrification opportunities in support of the Maritime Clean Air Strategy (MCAS).

- **North Embarcadero Visionary Plan (NEVP) Security**

Due to budget constraints, NEVP security services were eliminated. In response to increased property damage, criminal activity and safety related incidents involving homeless in the area, staff recommends reinstating the service. Funding will be from the existing NEVP Maintenance and Security Fund.

- **Procurement Study**

This assessment by KPMG will evaluate the Port's procurement process and recommend best practices to increase efficiency and effectiveness of procuring goods and services. Additionally, the scope will include evaluating BPC 110, recommending diversity, equity, and inclusion procurement best practices, and establishing key performance indicators (KPIs) for evaluating performance of the procurement department.

#### **Equipment Outlay and Other Capital Projects:**

- **Two HPD Patrol Outfitted Vehicles**

The HPD vehicles are past service life in terms of mileage and time due to the last two years of limited equipment budget. Police vehicles are subject to long hours on engines, and the vehicles are heavier due to the additional equipment causing faster and greater wear. These funds would replace older vehicles in the fleet.

- **Seaport Village Fire Damage**

In October 2020, there was a fire at Seaport Village in the Lighthouse District located on the east side of the shopping center. Two buildings in the Lighthouse District sustained significant smoke and fire damage. It is planned to demolish one of the buildings and the other will be repaired. While the cost of the demolition is \$170k, \$70k will be reimbursed through insurance. Our deductible is \$100k. Staff continues to evaluate other strategic uses for the site.

- **Electric Trucks**

Through the SDG&E Power Your Drive Program, the purchase of two electric vehicle trucks for General Services (GS) will commit SDG&E to contribute up to \$500K for the charging infrastructure at the GS/Procurement facilities. We were not able to include this in the FY 2022 Budget for Equipment Outlay as staff minimized our budget needs. Due to the lengthy lead time required to purchase vehicles, starting the purchase order now allows SDG&E to start the design work. The vehicles will be funded from LCFS funds.

- **Vessel Pump-out Stations**

This item is included in the FY 2022 Equipment Outlay expenditure and is partially grant funded. The approved amount does not allow for unforeseen construction costs. The requested amount will provide the contingency needed to ensure the completion of the project.

#### **TMP Capital Project:**

- **Customs Border Protection**

The United States Customs and Border Protection (CBP) provides passenger clearance and inspection services for cruise operations at the District's B Street and Broadway Cruise Ship

Terminals. To facilitate this service, the District provides Federal Inspection Services space and equipment at no cost to the Federal Government, including Information Technology infrastructure and services. CBP recently requested necessary upgrades to the IT infrastructure outside of the District's budget cycle. The existing system is beyond its normal lifecycle and is presenting bandwidth and network limitations for CBP's operational needs. Facial recognition and expedited processing to facilitate reduced CBP boarding and subsequent cruise passenger interaction aboard cruise vessels, are primary new capability requirements of the system upgrades. The first phase of this upgrade needs to occur in the current FY, comprising of a circuit upgrade at B Street with a new router and an upgrade of switches.

Staff recommends the Board approve the above budget amendment.

### **General Counsel's Comments:**

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

### **Environmental Review:**

The proposed Board action, including without limitation, adopting an ordinance amending the fiscal year budget and a resolution approving a transfer of funds, does not constitute a "project" under the definition 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 proposed Board action 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 Board action in no way limits the exercise of this discretion. Therefore, no further CEQA review is required.

The proposed Board action allows for the District to implement its obligations under Sections 35 and 81 of the Port Act, which authorize the Board to do acts necessary and convenient for the exercise of its power; and the use funds for necessary expenses of conducting the District. 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.

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 (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 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 Board 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.

**Diversity, Equity, and Inclusion Program:**

This agenda item has no direct DEI impact.

**PREPARED BY:**

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CFO/Treasurer