

# BUDGET HIGHLIGHTS

## FY 13/14 BUDGET

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# Treasurer's Message

## Celebrating 50 Years of Success and Planning for the Future

This year, the Port celebrates 50 years of contributions to the region with a vibrant waterfront along San Diego Bay that balances maritime, commercial, industrial, recreational, fisheries and military interests while addressing environmental issues. We appreciate all who have worked to protect, develop and sustain our precious tidelands, and I especially want to acknowledge and thank Jeff McEntee, the Port's retiring CFO/Treasurer, who wrote the last 11 Treasurer's messages and served the agency well for 25 years. Jeff exemplifies the Port's core values, including integrity, transparency and accountability.

The Port's budget is shaped by the programs, projects and services that we provide for the betterment of the region in accordance with our state mandate as a steward of the tidelands of San Diego Bay for the people of California. We faced some significant challenges as we formulated a budget for Fiscal Year 2013/2014. Before addressing those issues, I would like to review some of our Fiscal Year 2012/2013 accomplishments, particularly those that tangibly impact quality of life for San Diego residents and visitors.

Substantial progress was made on construction of Phase 1 of the North Embarcadero Visionary Plan (NEVP), and this important project will be completed in 2014. This joint project with the City of San Diego and Civic San Diego will beautify the San Diego bayfront from Navy Pier to B Street Pier and update supporting infrastructure. Residents and visitors, especially those arriving on cruise ships, will enjoy walking along a wide, welcoming promenade suitable for downtown San Diego's world-class waterfront.

The Port of San Diego opened its 18th public park, Ruocco Park, in 2012. This interactive space, integrating hardscape, ornamental horticulture and public art, allows residents and visitors to gather and enjoy the waterfront and skyline of San Diego. The park was funded through a unique public-private partnership, with funds provided by the Port Capital Improvement Program and the Lloyd and Ilse Ruocco Trust Fund administered by the San Diego Foundation. Nearby, San Diego's Old Police Headquarters (OPH), a designated historic building which was built in the 1930s, is being redeveloped. The project provides for the restoration and adaptive reuse of the building, courtyard, and surrounding areas for restaurant, entertainment, specialty retail, and public market uses while rehabilitating its historic features. The project adds approximately one acre of public park-plaza area adjacent to OPH along Harbor Drive.

One of the most spectacular accomplishments this year was the implosion of the half-century-old South Bay Power Plant, which clears that site for the Chula Vista Bayfront redevelopment project. In the early morning of February 2, 2013, strategically placed charges brought the mammoth structure down before a crowd of thousands of residents, elected officials and the media. For the first time since the late 1950s, Chula Vista has an open view to South San Diego Bay. The plant's demolition is an essential step toward redeveloping formerly industrial bayfront land and securing the Port's economic future in South Bay.

Not quite as dramatic, but equally significant, was the California Coastal Commission's approval of the Chula Vista Bayfront Master Plan, which was achieved with a unanimous vote in August 2012. The plan envisions a master-planned destination on 500-plus acres of prime waterfront property with hotels and convention facilities, homes, shops, restaurants and more than 240 acres of parks and nature preserve.

Other key business accomplishments in Fiscal Year 2012/2013 included:

- Cargo: Dole Fresh Fruit Co., an anchor tenant, signed a long-term lease with the Port, ensuring a consistent revenue stream. Meanwhile, throughput of automobiles grew beyond expectations, reflecting an improved dealer market.

- Tourism: Progress was made on a number of Port developments and tenant redevelopments including the San Diego Convention Center Phase III Expansion and Hilton San Diego Bayfront Expansion, and the San Diego Marriott Marquis & Marina Facilities Improvement Project; along with OPH and the Chula Vista Bayfront. Hundreds of public events were held on Port tidelands, drawing visitors to each member city.
- Cruise: The Port's cruise business has stabilized after several tough years and we look forward to its projected recovery. Among the year's accomplishments was a visit from the Disney Ship Wonder, the first Disney Cruise Line vessel to call on San Diego.

The good news is that real estate and cargo revenues have returned to pre-recession levels. However, in preparing our 13/14 Budget we were faced with the reality that these revenues were being outpaced by expenses related to the ever-increasing cost of doing business. As a result of this reality, we needed to make some short-term, temporary reductions along with structural changes to continue our progress toward financial sustainability. We had to use our limited resources to focus on a few key projects and initiatives including Integrated Planning, which will allow us to strategically update our Port Master Plan. These include the ongoing work on business development for the Chula Vista Bayfront, the completion of the NEVP project and the continuation of the OPH project described above. Another key initiative is to plan for sea level rise and climate change. We will continue to pursue grants, government funding, and partnering with tenants and businesses to implement and maintain sustainable, green practices. In addition, we will continue aggressively developing our cruise and cargo business lines.

Along with these business plans, this Budget continues an ongoing initiative to address cost control and revenue generation. In 2009, the Port had 649 full time employees, a number that the Port has sought to reduce over the past several years through consolidation, management reductions and right-sizing the organization. Continuing this trend, the 13/14 budget further trims headcount from 558 to 531. This reduction was through attrition, in partnership with our represented employee groups, and the positions have been eliminated, resulting in a permanent structural cost change. In conjunction with these full time equivalent positions, our intern program was reduced by 75%.

The Port provides various services ranging from permit issuance to oversight of complex projects, such as the preparation of Environmental Impact Reports. A cost-of-services study was commissioned to allow the Port to recover the associated costs, bringing the organization in line with best practices used by other jurisdictions including all of its five member cities. Based on this study and in partnership with tenants, the Port has adopted a cost recovery ordinance that will include a user fee schedule to reimburse the Port for service-related costs. User fees generally apply to activities that provide special benefits to members of the public, and the amount of the fee is related to the cost of the service provided.

This Budget includes another significant cost-cutting measure, the consolidation of the Art Department with the Environmental & Land Use Management Department, which will reduce associated expenses by approximately 50% over prior year levels.

The Port continues to monitor long-term financial sustainability. This year's budget was balanced through a combination of one-time items and, more importantly, structural changes that will benefit the organization for the next 50 years. The Port continues to plan for its economic future by moving forward on the Chula Vista Bayfront project, aided by experts in finance, marketing and development. The Port also continues its cruise and cargo marketing and business development to solicit new business and potential partners. We are always looking for the most optimal ways to grow and operate our business.

  
Robert DeAngelis, Treasurer

**THE BUDGET IN BRIEF**  
**FY 13/14 BUDGET**  
**OVERVIEW OF REVENUES, EXPENSES, CAPITAL REQUIREMENTS & FUND ACTIVITIES**

	ACTUAL RESULTS FY 11/12	ADJUSTED BUDGET FY 12/13	BUDGET FY 13/14	INC/(DEC) FY 13/14-12/13 BUDGET	% CHANGE
<b><u>Operating Revenue</u></b>					
Maritime	\$ 33,089,666	\$ 33,105,000	\$ 35,508,900	\$ 2,403,900	7.3%
Real Estate	79,782,142	81,903,500	86,352,100	4,448,600	5.4%
Harbor Police	15,638,610	15,670,900	14,619,900	(1,051,000)	-6.7%
Miscellaneous	2,222,130	4,185,300	4,827,200	641,900	15.3%
<b>Total Operating Revenue</b>	<b>\$ 130,732,548</b>	<b>\$ 134,864,700</b>	<b>\$ 141,308,100</b>	<b>\$ 6,443,400</b>	<b>4.8%</b>
<b><u>Non-Operating Revenue</u></b>					
Grants - Capital Project Reimbursement	\$ 5,153,007	\$ 5,240,300	\$ 1,337,400	\$ (3,902,900)	-74.5%
NEVP Capital Project Contribution	1,764,239	7,200,000	6,800,000	(400,000)	-5.6%
Investment Revenue	783,424	624,000	380,000	(244,000)	-39.1%
Other	5,431,021	2,665,000	590,000	(2,075,000)	-77.9%
<b>Total Non-Operating Revenue</b>	<b>\$ 13,131,691</b>	<b>\$ 15,729,300</b>	<b>\$ 9,107,400</b>	<b>\$ (6,621,900)</b>	<b>-42.1%</b>
<b>Total Revenue</b>	<b>\$ 143,864,239</b>	<b>\$ 150,594,000</b>	<b>\$ 150,415,500</b>	<b>\$ (178,500)</b>	<b>-0.1%</b>
<b><u>Operating Expense</u></b>					
Salaries & Wages	\$ 44,165,537	\$ 45,821,100	\$ 46,441,500	\$ 620,400	1.4%
Burden	26,843,732	28,235,000	30,197,400	1,962,400	7.0%
OPEB Annual Expense	5,371,485	5,219,600	5,219,600	-	0.0%
Non-Personnel Expense	45,572,126	45,179,300	46,766,200	1,586,900	3.5%
Major Maintenance - Expense	3,106,852	2,440,800	2,317,500	(123,300)	-5.1%
Technology Strategic Plan - Projects	-	-	372,000	372,000	-
Less: Capitalized Expense	(3,666,048)	-	-	-	-
<b>Total Operating Expense</b>	<b>\$ 121,393,684</b>	<b>\$ 126,895,800</b>	<b>\$ 131,314,200</b>	<b>\$ 4,418,400</b>	<b>3.5%</b>
<b><u>Non-Operating Expense</u></b>					
Financial Assistance	\$ 7,836,779	\$ 4,500,000	\$ 4,500,000	\$ -	0.0%
Miscellaneous Interest Expense	4,395,594	4,206,600	4,029,500	(177,100)	-4.2%
Other Miscellaneous Expense	80,175	63,100	60,000	(3,100)	-4.9%
<b>Total Non-Operating Expense</b>	<b>\$ 12,312,548</b>	<b>\$ 8,769,700</b>	<b>\$ 8,589,500</b>	<b>\$ (180,200)</b>	<b>-2.1%</b>
<b>Total Expense</b>	<b>\$ 133,706,232</b>	<b>\$ 135,665,500</b>	<b>\$ 139,903,700</b>	<b>\$ 4,238,200</b>	<b>3.1%</b>
<b>Earnings Before Depreciation</b>	<b>\$ 10,158,007</b>	<b>\$ 14,928,500</b>	<b>\$ 10,511,800</b>	<b>\$ (4,416,700)</b>	<b>-29.6%</b>
<b><u>Non Cash Adjustments</u></b>					
OPEB Expenditure Accrual (GASB 45)	\$ 7,098,135	\$ 5,219,600	\$ 5,219,600	\$ -	0.0%
Unrealized Gain/(Loss) on Investments (GASB 31)	349,218	-	-	-	-
Air Pollution Control District Truck Retrofit (prepaid)	-	387,200	-	(387,200)	-100.0%
Capital Projects - Capitalized Labor	(3,666,048)	-	-	-	-
<b>Total Non Cash Adjustments</b>	<b>\$ 3,781,305</b>	<b>\$ 5,606,800</b>	<b>\$ 5,219,600</b>	<b>\$ (387,200)</b>	<b>-6.9%</b>
<b>Cash Provided from Operations</b>	<b>\$ 13,939,312</b>	<b>\$ 20,535,300</b>	<b>\$ 15,731,400</b>	<b>\$ (4,803,900)</b>	<b>-23.4%</b>

**Notes:**

See Section 1 Page 16 and 17 for Revenue Highlights explanations and Section 1 Page 23 for Expense Highlights explanations.

**THE BUDGET IN BRIEF**  
**FY 13/14 BUDGET**  
**OVERVIEW OF REVENUES, EXPENSES, CAPITAL REQUIREMENTS & FUND ACTIVITIES**

	ACTUAL RESULTS FY 11/12	ADJUSTED BUDGET FY 12/13	BUDGET FY 13/14	INC/(DEC) FY 13/14-12/13 BUDGET	% CHANGE
<b>Cash Provided from Operations</b>	<b>\$ 13,939,312</b>	<b>\$ 20,535,300</b>	<b>\$ 15,731,400</b>	<b>\$ (4,803,900)</b>	<b>-23.4%</b>
<b>Uses of Cash</b>					
<b>Capital and Debt Requirements</b>					
Capital Improvement Program	\$ (20,967,213)	\$ (33,816,000)	\$ (31,044,700)	\$ 2,771,300	-8.2%
TMP Capital Projects	-	(1,091,500)	(95,000)	996,500	-91.3%
TSP Capital Projects	-	-	(1,409,800)	(1,409,800)	-
Capital Major Maintenance Projects	(12,027,526)	(7,336,400)	(2,445,300)	4,891,100	-66.7%
Equipment Outlay	(1,018,020)	(1,693,100)	(1,378,800)	314,300	-18.6%
Debt Service (Principal Only)	(3,773,473)	(3,698,300)	(4,526,100)	(827,800)	22.4%
<b>Total Capital and Debt Requirements</b>	<b>\$ (37,786,232)</b>	<b>\$ (47,635,300)</b>	<b>\$ (40,899,700)</b>	<b>\$ 6,735,600</b>	<b>-14.1%</b>
<b>Increase/(Decrease) Cash</b>	<b>\$ (23,846,920)</b>	<b>\$ (27,100,000)</b>	<b>\$ (25,168,300)</b>	<b>\$ 1,931,700</b>	<b>-7.1%</b>
<b>Non Cash Funds and Reserves (Increases)/Decreases</b>					
<b>Additions to Funds</b>					
Public Art Fund	\$ (500,000)	\$ (200,000)	\$ (600,000)	\$ (400,000)	200.0%
Environmental Fund	(186,200)	(592,100)	(621,100)	(29,000)	4.9%
Marine Terminal Impact Fund (TAMT & NCMT)	(100,000)	(100,000)	(100,000)	-	0.0%
<b>Total Additions to Funds</b>	<b>\$ (786,200)</b>	<b>\$ (892,100)</b>	<b>\$ (1,321,100)</b>	<b>\$ (429,000)</b>	<b>48.1%</b>
<b>Uses of Restricted Reserves</b>					
Major Maintenance Capital Project - TDY	\$ 6,073,901	\$ 550,000	\$ -	\$ (550,000)	-100.0%
Equipment Outlay - Asset Forfeiture	70,835	-	-	-	-
Equipment Outlay & TMP Grant Funded	-	-	378,800	378,800	-
<b>Total Use of Restricted Reserves</b>	<b>\$ 6,144,736</b>	<b>\$ 550,000</b>	<b>\$ 378,800</b>	<b>\$ (171,200)</b>	<b>-31.1%</b>
<b>Uses of Funds</b>					
Public Art, Environmental, and Marine Terminal Impact Fund	\$ 1,022,843	\$ 3,613,900	\$ 1,324,300	\$ (2,289,600)	-63.4%
Major Maintenance Expense Projects - Environmental Fund & Others	447,725	626,300	30,000	(596,300)	-95.2%
Major Maintenance Capital Project - Environmental Fund & Others	299,251	110,000	40,000	(70,000)	-63.6%
<b>Total Use of Funds</b>	<b>\$ 1,769,819</b>	<b>\$ 4,350,200</b>	<b>\$ 1,394,300</b>	<b>\$ (2,955,900)</b>	<b>-67.9%</b>
<b>Uses of or (Additions) to Capital Reserves</b>					
Capital Improvement Program Projects	\$ 20,967,213	\$ 33,816,000	\$ 31,044,700	\$ (2,771,300)	-8.2%
Capital Grants	(5,153,007)	(5,240,300)	(1,337,400)	3,902,900	-74.5%
Coronado Boat House, NC Aquatic Center, IB Sand & Parking	3,566,969	-	-	-	-
NEVP Phase I Construction Loan (Civic San Diego) & Ruocco Park	(3,185,951)	(7,200,000)	(6,800,000)	400,000	-5.6%
ACH Parking Facility Revenue	(215,002)	(215,000)	(215,000)	-	-
Municipal Services Agreements (Traylor Brother settlement)	-	1,200,000	-	(1,200,000)	-100.0%
<b>Total Use of or (Addition) to Capital Reserves</b>	<b>\$ 15,980,222</b>	<b>\$ 22,360,700</b>	<b>\$ 22,692,300</b>	<b>\$ 331,600</b>	<b>1.5%</b>
<b>Cash from Surplus, Public Art, and Environmental Fund</b>					
Cash From Prior Year Surplus	\$ 1,853,526	\$ 731,200	\$ -	\$ (731,200)	-100.0%
Public Art Fund	-	-	1,500,000	1,500,000	-
Environmental Fund	-	-	524,000	524,000	-
<b>Total Cash from Surplus, Public Art, and Environmental Fund</b>	<b>\$ 1,853,526</b>	<b>\$ 731,200</b>	<b>\$ 2,024,000</b>	<b>\$ 1,292,800</b>	<b>176.8%</b>
<b>Addition To or (Draw On)</b>					
<b>Undesignated/Unrestricted Funds</b>	<b>\$ 1,115,183</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

# STRATEGIC PLAN & PROJECTS FOR FY13/14

## Overview

The budget reflects many projects, challenges, and opportunities that face the Port over the next several years. As outlined in our new Strategic Plan for FY 2012 – 2017 each one of the eight strategic goals has a set of strategies to be pursued at some point over the next five years. Below are some of the key projects and strategies by goal that are included in the FY 13/14 budget.

### ***Strategic Goals, Strategies, & Projects***

#### **1. Goal: A Port that the public understands, trusts, and values**

##### **Strategies:**

- 1.1 Solicit feedback from stakeholders and respond to input
- 1.2 Increase understanding of the Port's mission, identity, and social and economic impact
- 1.3 Provide the public with easy access to information
- 1.4 Foster an environment of employee charitable giving and volunteerism
- 1.5 Develop a legislative agenda and leverage partnerships that furthers the Port's policies and initiatives
- 1.6 Demonstrate fair and consistent decision-making processes

##### **Key Projects:**

- Port's 50th Anniversary celebration
- Administration Building Board Room Information Systems Improvements
- Implement Enterprise Content Management (System for organizing, storing, and sharing documents)
- Redesign and technical upgrade to Port websites for interface into document systems
- Online public records application

#### **2. Goal: A thriving and modern maritime seaport**

##### **Strategies:**

- 2.1 Advocate for a national system of ports
- 2.2 Upgrade infrastructure, equipment and facilities for a modernized, efficient, and safe working port
- 2.3 Practice environmentally smart and efficient goods movement
- 2.4 Increase export and import potential through the identification of key target markets to maintain, grow, and capture new business

- 2.5 Become an integral link in the maritime supply chain
- 2.6 Foster the economic growth and retention of shipbuilding and repair
- 2.7 Develop maritime-related industry niche businesses and services

##### **Key Projects:**

- Cargo & Cruise operations analysis and RFQ
- Crosby Street Pier Modernization and National Oceanic Atmospheric Administration (NOAA) vessel home-porting
- Tenth Avenue Marine Terminal – Transit Shed #1, Bay 'D' and Head House 1 & 2 Demolition
- Tenth Avenue Marine Terminal Shore Power Project
- Tenth Avenue Marine Terminal water line valves replacement
- Tenth Avenue Marine Terminal structural & mooring repairs
- B Street Pier Mooring Dolphin
- Broadway Pier utility relocation
- B Street Cruise Terminal flooring/interior improvements
- B Street Cruise wall demolition
- National City Marine Terminal Berths structural & mooring repair
- Pasha Automotive Services and NCMT Operations
- Update maritime business plan
- Brookings Institute Metropolitan Export Strategy
- Maritime Operations Information System (MOIS) replacement
- Inventory and needs analysis for deep-water uses

#### **3. Goal: A vibrant waterfront destination where residents and visitors converge**

##### **Strategies:**

- 3.1 Market and improve the Port's cruise industry offerings
- 3.2 Market Port Tideland as a tourism destination
- 3.3 Promote tourism and business offerings for residents, visitors, and the local community with measurable initiatives
- 3.4 Activate the waterfront with development of new and dynamic attractions, events, and public access
- 3.5 Increase and promote events and venues for safe waterside activities and recreational boating

# STRATEGIC PLAN & PROJECTS FOR FY13/14

- 3.6 Integrate tourist development and programming with travel and tourism organizations and destinations
- 3.7 Analyze and implement best business practices to manage special event venues and parks
- 3.8 Use Port public art to enhance the waterfront experience
- 3.9 Embrace and market the Bay's natural ecotourism offering
- 3.10 Increase awareness of public access opportunities around the Port

## **Key Projects:**

- North Embarcadero Visionary Plan Phase One construction
- Cruise development marketing program
- Shelter Island Boat Launch Ramp Design
- Old Police Headquarters Redevelopment
- Sunroad Harbor Island Hotel and Restaurant Redevelopment
- Seaport Village Redevelopment Planning and Lease Negotiations
- Lane Field Hotel and Park Development

## **4. Goal: A Port with a healthy and sustainable bay and its environment**

### **Strategies:**

- 4.1 Continue and promote Green Port programs, including water and energy conservation, recycling programs and clean air projects
- 4.2 Pursue grants, government funding, and partnering with tenants and businesses to implement and maintain sustainable, green practices
- 4.3 Ensure compliance with environmental regulations for Port tenants and Port-sponsored activities
- 4.4 Plan and adapt for sea level rise and climate change
- 4.5 Preserve and promote habitat restoration, indigenous wildlife, and prevention of invasive species
- 4.6 Create public programs that educate and enlighten on the Port environment, including environmental education for students and stakeholders
- 4.7 Collaborate with tenants, partners, and adjacent communities to foster a healthy environment

### **Key Projects:**

- Clean Air Projects (Voluntary Air Emission Reductions from Port and Terminal Operations)
- Green Business Network

- Port Wide Facility Energy Efficiency Plan and Improvement
- LED street lighting retrofits
- Energy efficiency retrofits throughout Tidelands
- Grant Management 319 h
- Chula Vista Bayfront Master Plan - Wildlife Advisory Group/Natural Resource Management Plan
- State Legislation – Department of Pesticide Regulation and Anti-fouling Paint (AB 425)
- Investigation and Remediation of Acquired Property - Goodrich MOU
- Tidelands, Various Locations Energy Retrofits
- Update Regional Harbor Monitoring Plan

## **5. Goal: A Port with a comprehensive vision for Port land and water uses integrated to regional plans**

### **Strategies:**

- 5.1 Define the planning vision to create consistent planning goals and strategies for all Port communities
- 5.2 Update the Port Master Plan including reviewing and integrating adjacent uses and regional land use transportation, and infrastructure plans
- 5.3 Incorporate sea level rise, climate change, and other environmental concerns into long-term planning
- 5.4 Advocate for regional transportation policy and, infrastructure for effective goods and passenger movement
- 5.5 Improve affordable public access through Port master planning

### **Key Projects:**

- Integrated planning (Port master planning vision)
- National City Joint Planning Off Terminal Projects
- North Embarcadero Port Master Plan Amendment
- Implementation of the Bayfront Circulator Shuttle
- Climate Mitigation and Adaptation Plan
- Imperial Beach Palm Avenue storm water pump system improvements
- Integrated parking analysis for convention center area to Harbor Island

## **6. Goal: A Port that is a safe place to visit, work, and play**

### **Strategies:**

- 6.1 Maximize regional resources through public safety agency(ies) partnerships

# STRATEGIC PLAN & PROJECTS FOR FY13/14

- 6.2 Leverage technical interoperability, knowledge, and grant funding
- 6.3 Dedicate resources to prevent, detect, prepare, respond, and recover from natural or man-made disasters
- 6.4 Execute on a well-coordinated infrastructure maintenance program
- 6.5 Establish and maintain a culture of safety for employees and visitors
- 6.6 Enhance visible police presence on land and water to provide a safe and secure environment
- 6.7 Utilize technologies to improve Port safety and security operations

## **Key Projects:**

- Shelter Island Harbor Control Building generator/electrical replacement
- Playground equipment replacements (Spanish Landing, Chula Vista Marina Park, Coronado Tideland Park)
- Security Grant Projects
- National City Marine Terminal fire system upgrade

## **7. Goal: A Port with an innovative and motivated workforce**

### **Strategies:**

- 7.1 Invest in professional development and training
- 7.2 Implement innovative and cost-effective practices and technology for effective delivery services
- 7.3 Foster a workforce culture of wellness, safety, and innovation
- 7.4 Improve internal communications through systematic processes and teamwork
- 7.5 Build a competitive compensation and benefit structure for retention and recruitment
- 7.6 Enhance knowledge management practices to support long-term sustainability of the Port

### **Key Projects:**

- Automated Board Agenda Application
- Electronic Forms
- Events Scheduling Application

## **8. Goal: A financially sustainable Port that drives regional job creation and regional economic vitality**

### **Strategies:**

- 8.1 Generate and diversify revenue sources

- 8.2 Facilitate the strategic and innovative development and redevelopment of Port properties
- 8.3 Pursue new investment capital for project funding
- 8.4 Develop and maintain infrastructure for expansion of Port and business activities
- 8.5 Develop the Port into an attractive place for business and the community
- 8.6 Maximize external funding for Port projects and programs
- 8.7 Ensure cost containment
- 8.8 Partner with outside governmental agencies and the private sector
- 8.9 Implement decision-making that anticipates long-term global opportunities and threats
- 8.10 Identify practices that create regional jobs

### **Key Projects:**

- Chula Vista Infrastructure Planning Pre Design
- Chula Vista Bay Front Master Plan Implementation
- H Street Extension (I-5 to Marina Park Way)
- Marriott Marquis & Marina Redevelopment
- Hilton Hotel Expansion
- Convention Center Expansion
- Data Center Hosting Study
- Cost Recovery Implementation
- Analysis of new revenue sources and public/private partnerships
- State/grant programs for environmental initiatives
- Federal legislation and funding opportunities for maritime infrastructure
- Consideration of debt refinancing



## U.S. ECONOMIC FORECAST

According to Bloomberg and various economic reports, the national economy, as measured by GDP, grew at an annual average rate of 2.2% in calendar year 2012. Moderate U.S. economic expansion is expected for calendar year 2013 with an outlook for an annual average growth rate of 2.0% for calendar year 2013 and 2.7% for calendar year 2014. Improvement in the labor market continues with the unemployment rate declining from 8.1% in 2012 to a forecast rate of 7.6% for calendar year 2013 and 7.2% for 2014. The housing sector continues to advance with sustained low mortgage rates. Inflation remained low at 2.0% for calendar year 2012 and economists expect the consumer price index to be at around 1.7% for calendar year 2013 and 2.0% for 2014.

Short-term interest rates, which are controlled by the Federal Open Market Committee and are measured by the Federal Funds target rate, remained unchanged. The Committee expects to maintain a highly accommodative stance for monetary policy and has indicated that a low rate for the “federal funds rate will be appropriate at least as long as the unemployment rate remains above 6.5%.”

California’s economic performance firmed up in calendar year 2012 and the State’s overall economy is poised to outpace the National economy over the next two years.

The Construction sector continues to reflect gains driven by sharp improvement in homebuilding. The State forecasted slight budget deficits for fiscal years 2013 and 2014. In view of a stronger-than-expected growth in the State’s economy and additional revenues expected from the passage of Proposition 30, the forecast has now been changed to balanced budgets. Economists are forecasting an average annual growth rate of 2.5% for calendar year 2013 and 3.3% for calendar year 2014. The State’s unemployment rate is expected to be at approximately 9.8% for 2013 and 8.9% for 2014.

The economic outlook for San Diego County continues to be positive for 2013 with residential real estate on the mend and the construction industry improving the job market. The County’s unemployment rate is expected to average 8.3% in 2013 and 8.1% in 2014. The tourism industry is expecting continued growth for 2013 but demand for cruise ship business will likely remain flat for the next couple of years. Trade flows are expected to increase moderately for cargo operations in calendar year 2013. San Diego’s index of leading economic indicators has been on a modest, yet consistent, upward trend in recent months.

### U.S. Economic Forecasts - 12 Months Ahead

Economic Indicator	1Q.2013	2Q.2013	3Q.2013	4Q.2013	Avg.2013	Avg.2014	Avg.2015
Gross Domestic Product (GDP)	2.50%	1.60%	2.20%	2.60%	2.00%	2.70%	3.00%
Consumer Spending	2.20%	1.80%	2.10%	2.50%	2.20%	2.50%	2.70%
Unemployment Rate	7.70%	7.60%	7.50%	7.40%	7.60%	7.20%	6.60%
Consumer Price Index (YOY %)	1.70%	1.70%	1.70%	1.80%	1.70%	2.00%	2.20%

Benchmark Interest Rates	1Q.2013	2Q.2013	3Q.2013	4Q.2013	1Q.2014	2Q.2014	3Q.2014
Federal Funds Rate – Target	.25%	.25%	.25%	.25%	.25%	.25%	.25%
Ten-year Treasury Note	1.85%	1.84%	2.00%	2.20%	2.51%	2.70%	2.83%

*Source: Bloomberg; Median economists’ forecasts for U.S. economic indicators (81 economists surveyed May 3, 2013 to May 8, 2013)*

# POLICIES

## *Financial and Long-Range Policies*

The annual operating budget is intended to establish efficient and effective methods for managing the Port's financial resources. Accordingly, this section outlines the long-range and financial policies that guide the preparation of the budget:

- The projected income stream will allow the Port to continue to operate without the use of taxes or direct assessments.
- Revenues exceed expenses before depreciation and amortization and before capital expenditures.
- The Port activities authorized in the budget will help stimulate the economy in the San Diego region.
- Capital investment in the Tidelands will provide significant, long-term economic benefits to the region and will provide public improvements and infrastructure that will stimulate private investment in the Tidelands bringing new revenues to the Port and creating new jobs and opportunities for the region. Financial policies will enable the Port to maintain its sound financial condition, so that capital investment in the Tidelands may continue.
- Cash investments made by the Port will conform to its Guidelines for Prudent Investments. It is the policy of the Port to invest public funds in a manner that will provide the highest rate of return with the maximum security while meeting the daily cash flow demands of the Port. The investment policies and practices of the Port are based upon prudent money management and conform to all state and local statutes governing the investment of public funds. In order of priority, investment objectives are:
  - Safety of principal
  - Liquidity
  - Return on investment
- The budget will be prepared in a manner that facilitates its understanding by citizens as well as Port officials. Presenting a clear, readable budget will effectively communicate overall Port goals and plans, and contribute to the

public's knowledge and appreciation of the Port's positive impact on the region.

## *Appropriation of Funds*

The Port has only one operating fund. The San Diego Unified Port District Act directs the creation of only one fund. Accordingly, unless specifically stated, all income and expenses flow through one fund.

Transfers between budget items are governed by BPC Policy No. 090.

# ORGANIZATION

The Port receives policy direction from the Board of Port Commissioners. The Executive Director/President/Chief Executive Officer (CEO), Personnel Advisory Board, Port Attorney, and Port Auditor report directly to the Board.

The Port implemented a significant reorganization in January 2011. The new structure was implemented to ensure operations and administration functions work effectively. At the same time, the structure allows the Port to position itself to seize new revenue, cost sharing, and waterfront activation opportunities by focusing resources on strategic initiatives and external relationships.

Following are the divisions and departments in the Port that report to the Executive Director:

**ENVIRONMENTAL & DEVELOPMENT SERVICES:** The Division is responsible for implementation of the Port's capital improvement and major maintenance program, the operations of planning, real estate asset management and development, and environmental and land use management. In FY 13/14 Public Art personnel and related support costs were combined with the Environmental & Land Use Management department.

**Departments:**

- **Engineering - Construction**
- **Environmental & Land Use Management**
- **Real Estate**

**STRATEGY & BUSINESS DEVELOPMENT:** The Division is responsible for building and maintaining partnership with external stakeholders and other government agencies, the operations of maritime, coordinating and facilitating development implementation of the Port's strategic plan and evaluation framework, marketing, and corporate communication.

**Departments:**

- **Government & Civic Relations**
- **Maritime**
- **Marketing & Communications**

**BUSINESS INFORMATION & TECHNOLOGY AND FINANCIAL SERVICES:** The Division is responsible for information technology, accounting, finance, treasury, and risk management and safety services. In FY 13/14 Risk Management & Safety personnel and related support costs were transferred to the Financial Services department from the Human Resources department.

**Departments:**

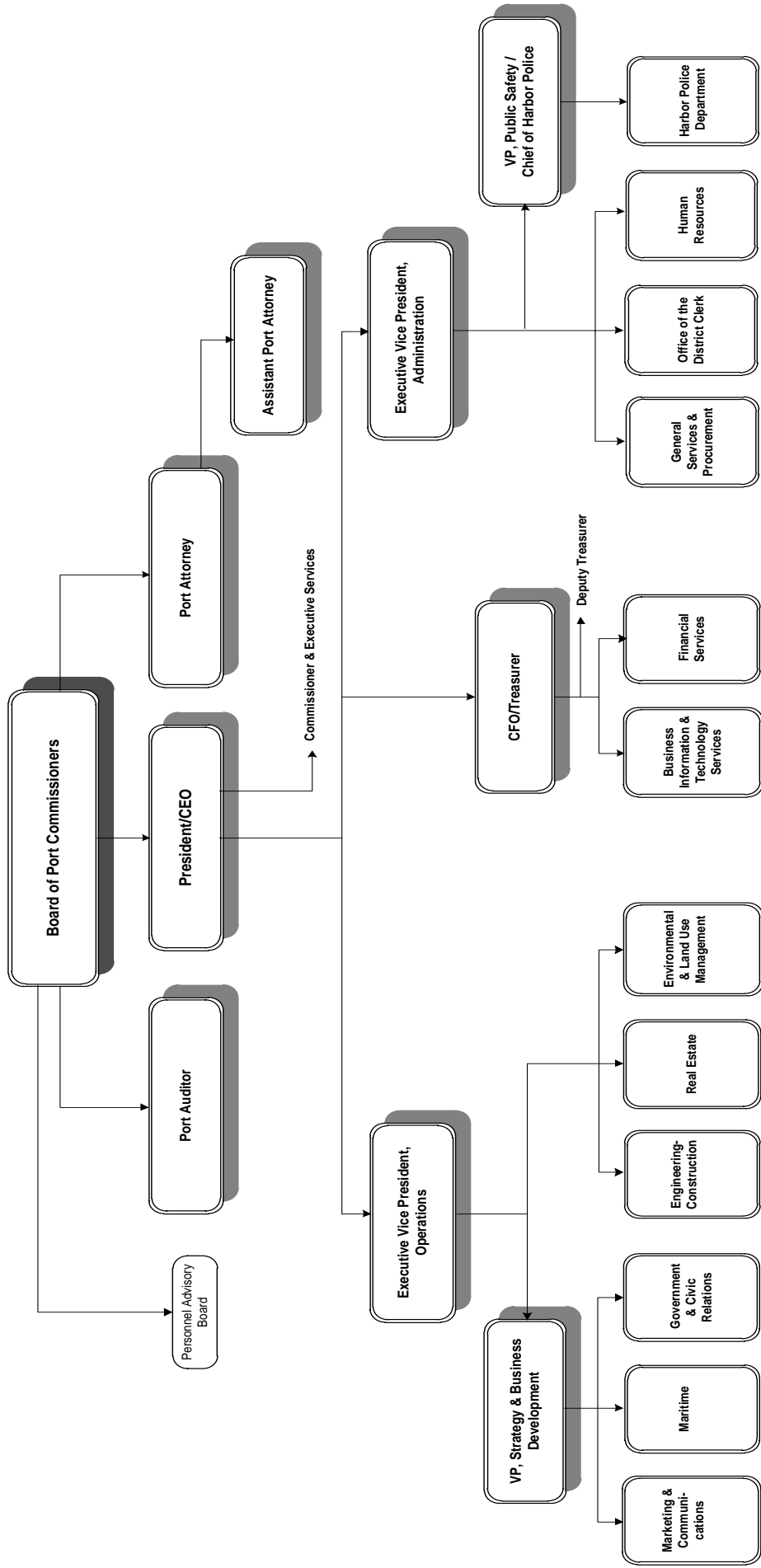
- **Business Information & Technology Services**
- **Financial Services**

**ADMINISTRATION:** The Division is responsible for support services provided to business lines, Port staff, customers, and for public safety. In FY 13/14 Community Service Officers and related support costs were transferred to the Harbor Police Department from the Maritime department.

**Departments:**

- **General Services & Procurement**
- **Human Resources**
- **Office of the District Clerk**
- **Harbor Police Department**

# FY13/14 DISTRICT ORGANIZATION CHART



**STAFFING NEEDS  
PERMANENT POSITIONS  
BUDGET**

	<b>ADJUSTED BUDGET FY 12/13</b>	<b>TRANSFER IN</b>	<b>TRANS OUT/ ELIMINATE</b>	<b>BUDGET FY 13/14</b>	<b>CHANGE FY 13/14-12/13 BUDGET</b>
Engineering - Construction	41	1	1	40	-1
Environmental & Land Use Management	23	5	1	27	4
Real Estate	34	1	1	34	0
Public Art	4	0	4	0	-4
<b>ENVIRONMENTAL &amp; DEVELOPMENT SERVICES DIVISION</b>	<b>102</b>	<b>7</b>	<b>7</b>	<b>101</b>	<b>-1</b>
Government & Civic Relations	11	0	5	6	-5
Maritime	37	2	7	32	-5
Marketing & Communications	26	0	10	17	-9
<b>STRATEGY &amp; BUSINESS DEVELOPMENT DIVISION</b>	<b>74</b>	<b>2</b>	<b>22</b>	<b>55</b>	<b>-19</b>
Harbor Police Department	157	6	9	154	-3
<b>PUBLIC SAFETY DIVISION</b>	<b>157</b>	<b>6</b>	<b>9</b>	<b>154</b>	<b>-3</b>
General Services & Procurement	116	0	5	111	-5
Human Resources	20	3	6	17	-3
Office of the District Clerk	21	3	0	24	3
<b>ADMINISTRATION DIVISION</b>	<b>157</b>	<b>6</b>	<b>11</b>	<b>152</b>	<b>-5</b>
Business Information & Technology Services	30	2	3	29	-1
Financial Services	22	4	3	23	1
<b>BITS &amp; FINANCIAL SERVICES DIVISION</b>	<b>52</b>	<b>6</b>	<b>6</b>	<b>52</b>	<b>0</b>
Port Attorney	12	0	0	12	0
Port Auditor*	4	1	0	5	1
<b>OTHER</b>	<b>16</b>	<b>1</b>	<b>0</b>	<b>17</b>	<b>1</b>
<b>TOTAL STAFFING</b>	<b>558</b>	<b>28</b>	<b>55</b>	<b>531</b>	<b>-27</b>

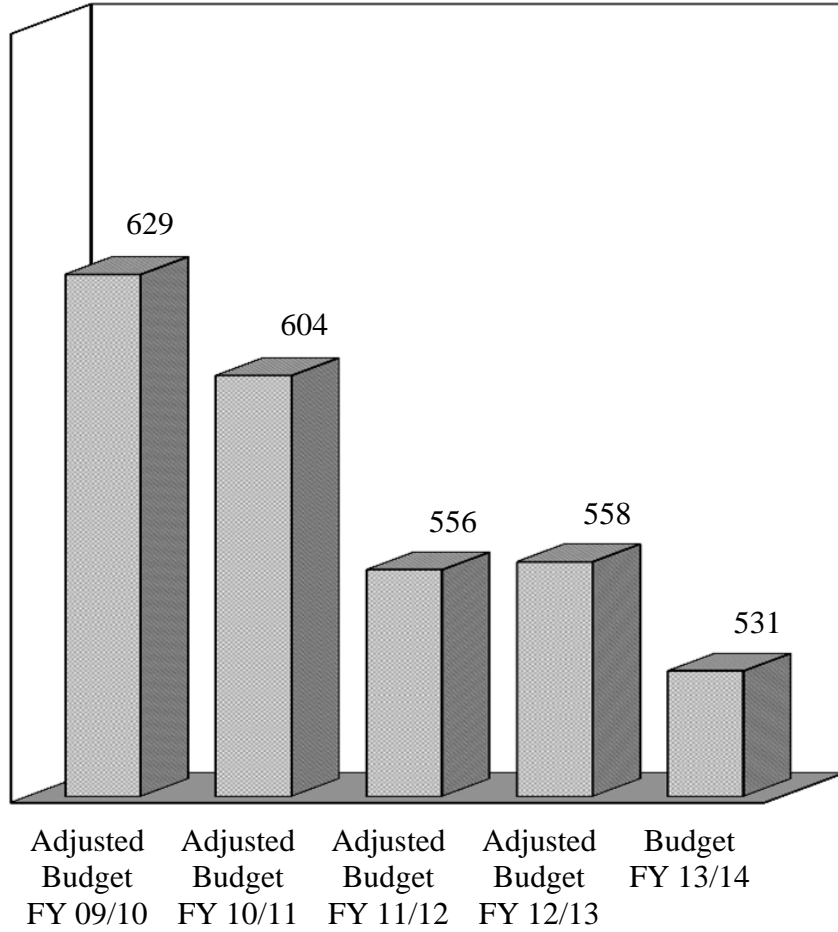
**Notes:**

In FY 12/13, the Board approved the addition of 2 new positions in the Port Attorney's department. These changes are reflected in the Adjusted Budget FY 12/13 column above.

In FY 13/14 all vacant positions were removed.

\* The Board approved the addition of 1 Assistant to Port Auditor position in FY 13/14.

# CHANGE IN STAFFING



**NON-PERMANENT STAFF POSITIONS  
STUDENT POSITIONS**

<b>DEPARTMENT</b>	<b>JOB TITLE</b>	<b>ADJUSTED</b>	
		<b>BUDGET FY 12/13</b>	<b>BUDGET FY 13/14</b>
Marketing & Communications	Intern	4	1
Business Information & Technology Services	Intern	6	5
Engineering - Construction	Intern	7	1
Environmental & Land Use Management	Intern	5	2
Financial Services	Intern	0	1
General Services & Procurement	Intern	4	0
Government & Civic Relations	Intern	6	0
Harbor Police Department	Intern	2	0
Human Resources	Intern	3	1
Maritime	Intern	1	0
Office of the District Clerk	Intern	2	0
Port Attorney	Intern	1	0
Real Estate	Intern	2	0
<b>TOTALS</b>		<b>43</b>	<b>11</b>

# REVENUE HIGHLIGHTS

## *Trends in Revenue*

Revenue for the Port is budgeted at \$150.4 million, a decrease of \$0.2 million, or 0.1%, from the FY 12/13 budget.

Trends affecting revenue are described below by operating center.

## *Revenue by Operating Center*

Revenues were projected by benchmarking major tenants and using industry analysis to predict trends in revenue. Optimistic assumptions concerning prospective revenue from new and renegotiated leases were included. For the FY 13/14 revenue budget, a detailed, tenant-specific analysis was performed. However, for budget purposes, full revenue in FY 13/14 is not included for leases scheduled to terminate until the new lease is in place; nor is any revenue included for any lease with an option until the option is exercised and there is realistic certainty of the revenue stream.

Since concession revenues vary with economic conditions, the revenue team performed a detailed trend analysis using the most recent data available. Actual year-to-date revenue, published hotel industry forecasts, cruise ship activity projections, and convention bookings were all reviewed and considered in developing the FY 13/14 forecast. Key tenants were interviewed regarding their own forecasts.

### *Maritime*

Maritime projects an increase of approximately \$2.4 million, or 7.3%, from FY 12/13 budgeted revenue.

Increases in revenue will occur primarily in the following areas:

- **Wharfage** is budgeted at \$13.7 million, an increase of \$1.2 million, or 9.8%, compared to last year's budget due to higher throughput and new container business anticipated from Pasha's automobile and general cargo operations at the National City Marine terminal (NCMT). Minimum Annual Guarantee (MAG) has increased by \$0.6 million but is offset by a decrease in spot cargos by \$0.2 million.
- **Fixed Rent** is budgeted at \$14.4 million, an increase of \$0.4 million, or 2.9% from the prior fiscal year. This increase is primarily from a new lease agreement and rent increases from various miscellaneous agreements.

- **Storage Space Rental** is budgeted at \$1.1 million, an increase of \$0.3 million or 42.7% from last year's budget. This is primarily due to an increase in automobile storage at NCMT. Pasha anticipates a 5% to 6% growth in overall automobile throughput next fiscal year.
- **Dockage** is budgeted at \$1.8 million, an increase of \$0.2 million or 15.1% from last year's budget. The increase is primarily associated with higher number of vessel calls from windmill, automobiles, solar energy storage materials, and steel cargos.
- **Other Rental Revenue** is budgeted at \$0.5 million, an increase of \$0.2 million or 63.7% from last year's budget. This revenue includes rental of the Port Pavilion facility as well as the Tenth Avenue Marine Terminal (TAMT) mobile crane. Maritime projected that cargo activities such as project cargos, windmill components, steel, and yachts will recover in FY 13/14. The increase is associated with mobile crane rental.
- **Concession Revenue** is budgeted at \$1.7 million, an increase of \$0.1 million or 7.4% from last year's budget. Revenues from bay tour operations are estimated to be \$0.2 million higher than last year's budget. The adjustment reflects current revenue trend plus a projected 5% growth. The increase is offset by the elimination of \$0.1 million in minimum crane fees from Dole Fresh Fruit Company.

### *Real Estate*

Real Estate projects an increase of approximately \$4.4 million, or 5.4%, compared with the FY 12/13 budget.

Increases in revenue will occur primarily in the following areas:

- **Concession Revenue** is budgeted at \$54.5 million, an increase of \$3.2 million, or 6.3%. This is primarily due to higher revenue projections for existing hotels, restaurants, and other concession tenants. \$1.0 million of the budgeted increase is attributable to the expiration of the San Diego Marriott arbitration award in November 2013.
- **Parking** is budgeted at \$7.7 million, an increase of \$1.3 million or 20.5 % from the prior year. This increase is attributable to proposed parking rate increases for the Convention Center, Hilton garage, and Navy Pier. Some of the expected increase will be offset by a reduction in revenue from the Lane Field parking lot due to the possible option exercise and construction of a hotel.



- **Miscellaneous Other Operating Revenue** is budgeted at \$0.4 million. This is due to the reimbursable portion of the professional services.

Increases are partially offset by a decrease in the following area:

- **Grant Revenue** is decreasing by \$0.3 million due to the expiration of the grant from California State Coastal Conservancy Agency for the Commercial Fisheries Revitalization Plan Implementation. There is no new grant awarded in FY 13/14.
- **Fixed Rent** is budgeted at \$22.6 million, a decrease of \$0.1 million, or 0.4%. This decrease is primarily due to the expiration of Airport leases on Harbor Island and the uncertainty of receiving the same level of rent from a future tenant.

### ***Harbor Police***

The Harbor Police Department, in addition to serving the District, is the primary law enforcement agency at the San Diego County Regional Airport Authority (SDCRAA). The cost reimbursement for the direct police costs provided to the SDCRAA is approximately \$13.4 million for the FY 13/14 revenue budget, a decrease of \$0.9 million, or 6.1% from the FY 12/13 budget while the General and Administrative cost (G & A) reimbursement reported under the Miscellaneous Center below is approximately \$2.1 million, bringing the total reimbursement to \$15.5 million. The total level of service will remain the same as last year however, the anticipated revenues were budgeted based on the current billing methodology that allocates the G & A based on a fixed 15 % instead of the new cost allocation plan.

Additionally, the Harbor Police will generate approximately \$0.4 million from traffic citations and permitting of piers and floats. Also, federal, state, and local grant reimbursements will be approximately \$0.7 million, primarily due to Homeland Security and Operation Stonegarden funding.

### ***Miscellaneous***

NEVP capital project contribution, which represents Civic San Diego's (formerly Centre City Development Corporation) share of construction cost for the NEVP Phase-I project, is budgeted at \$6.8 million.

Grants – Capital Projects Reimbursement is decreasing by \$3.9 million due to less federal grants awarded in FY 13/14.

Miscellaneous Other Non-Operating Revenue is decreasing by \$2.2 million primarily due to legal insurance settlements which are not budgeted for next year and the future.

Public services provided, which represent reimbursements for General and Administrative costs associated with the SDCRAA agreement for Harbor Police services, is budgeted at \$2.1 million, a decrease of \$0.7 million, or 25.8% from the FY 12/13 budget. This decrease is a result of revenues budgeted based on the current billing methodology that allocates the G & A based on a fixed 15 % instead of the new cost allocation plan as previously explained above under the Harbor Police operating center.

Miscellaneous Grant Revenues is decreasing by \$0.4 million due to the expiration of grant awarded to General Services in the prior year for the purchase of radios.

The Port is a Fiduciary Agent for the Department of Homeland Security, FEMA - Port Security Grant Program (PSGP). The Port typically oversees PSGP sub-grantees in the San Diego area. In FY 13/14, there are no Sub-Grantees resulting in Grant Revenue – Sub-Grantee decreasing by \$0.7 million.

The Partnership/Cost Sharing Reimbursement is a new account budgeted for \$1.0 million and consists of reimbursement from Regional Harbor Monitoring Program for \$0.5 million, SDG&E Energy Efficiency Partnership for \$0.3 million, and \$0.2 million from Water Quality Implementation Plan.

In FY 12/13 a Cost Recovery Plan/User Fee Study was conducted with the intent that those who use a proprietary service, pay for the service in proportion to the benefit received. The recommended user fee will include recovery of direct and indirect costs using a clear, equitable, and legally-defensible method. Port staff presented the results of the study at the May 7, 2013 Board meeting and Reimbursed Cost/Cost Recovery of \$1.5 million was included in the FY 13/14 budget.

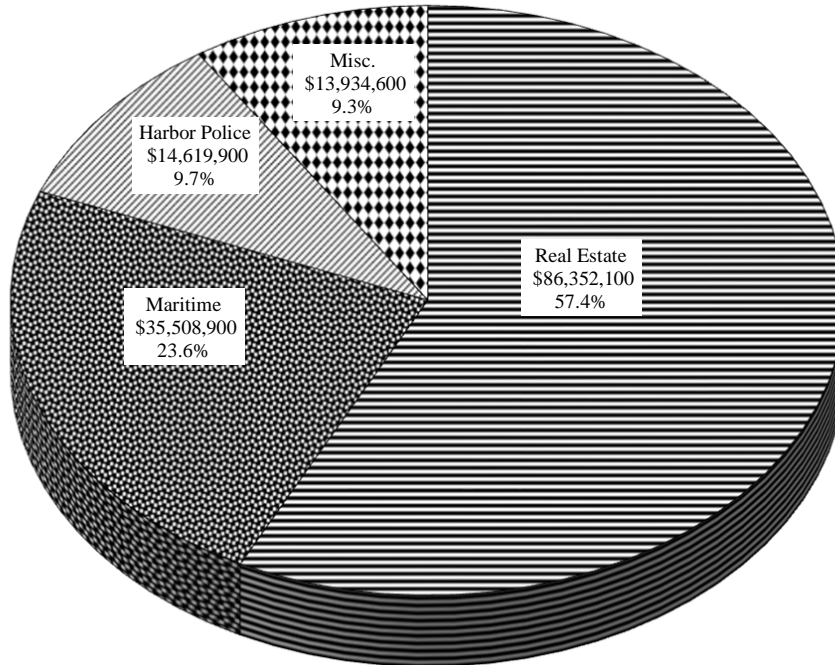
**REVENUE BY OPERATING CENTER AND ACCOUNT  
FY 13/14 BUDGET**

	ACTUAL FY 11/12	ADJUSTED BUDGET FY 12/13	BUDGET FY 13/14	INC/(DEC) FY 13/14-12/13 BUDGET	% CHANGE
<b><u>MARITIME</u></b>					
Fixed Rent	\$ 14,365,014	\$ 13,969,500	\$ 14,379,000	\$ 409,500	2.9%
Concession Revenue	1,706,723	1,591,800	1,709,000	117,200	7.4%
Storage Space Rental	799,223	795,400	1,135,000	339,600	42.7%
Other Rental Revenue	320,867	330,700	541,300	210,600	63.7%
RE Revenue from Rent Reduction	(46,021)	-	-	-	-
Rents	\$ 17,145,806	\$ 16,687,400	\$ 17,764,300	\$ 1,076,900	6.5%
Bunkering	\$ 50,030	\$ 44,700	\$ 45,800	\$ 1,100	2.5%
Cruise Ship Passenger Fees	1,554,482	1,172,200	1,163,800	(8,400)	-0.7%
Cruise Ship Passenger Security Charges	1,173,957	1,018,100	933,800	(84,300)	-8.3%
Dockage	1,966,661	1,547,200	1,781,300	234,100	15.1%
Environmental Surcharge	9,598	7,500	7,700	200	2.7%
Parking	30,783	20,000	24,000	4,000	20.0%
Parking Meters	12,975	-	-	-	-
Wharfage	10,866,540	12,457,600	13,683,900	1,226,300	9.8%
Miscellaneous Other Operating Revenue	8,354	-	3,600	3,600	-
Fees & Service Charges	\$ 15,673,380	\$ 16,267,300	\$ 17,643,900	\$ 1,376,600	8.5%
Utilities Furnished	\$ 126,148	\$ 124,300	\$ 74,700	\$ (49,600)	-39.9%
Services	\$ 126,148	\$ 124,300	\$ 74,700	\$ (49,600)	-39.9%
Grant Revenue	\$ 144,330	\$ 26,000	\$ 26,000	\$ -	0.0%
Grants	\$ 144,330	\$ 26,000	\$ 26,000	\$ -	0.0%
Damages Recovered	\$ 1,200	\$ -	\$ -	\$ -	-
Service Charges	6,327	-	-	-	-
Interest - Miscellaneous	3,157	-	-	-	-
Non-Operating Revenue	\$ 10,684	\$ -	\$ -	\$ -	-
<b>TOTAL MARITIME</b>	<b>\$ 33,100,348</b>	<b>\$ 33,105,000</b>	<b>\$ 35,508,900</b>	<b>\$ 2,403,900</b>	<b>7.3%</b>
<b><u>REAL ESTATE</u></b>					
Fixed Rent	\$ 22,705,551	\$ 22,712,200	\$ 22,619,100	\$ (93,100)	-0.4%
Concession Revenue	49,227,283	51,340,300	54,549,400	3,209,100	6.3%
ACH Parking Facility Funding	215,002	215,000	215,000	-	0.0%
Other Rental Revenue	251,726	20,000	-	(20,000)	-100.0%
RE Revenue from Rent Reduction	(6,000)	-	-	-	-
Rents	\$ 72,393,562	\$ 74,287,500	\$ 77,383,500	\$ 3,096,000	4.2%
Parking	\$ 6,340,182	\$ 6,353,100	\$ 7,656,200	\$ 1,303,100	20.5%
Parking Meters	907,568	867,600	826,600	(41,000)	-4.7%
Park Usage Fees	132,159	93,600	95,500	1,900	2.0%
Miscellaneous Other Operating Revenue	8,671	6,200	390,300	384,100	6195.2%
Fees & Service Charges	\$ 7,388,580	\$ 7,320,500	\$ 8,968,600	\$ 1,648,100	22.5%
Grant Revenue	\$ -	\$ 295,500	\$ -	\$ (295,500)	-100.0%
Grants	\$ -	\$ 295,500	\$ -	\$ (295,500)	-100.0%
Damages Recovered	\$ 3,000	\$ -	\$ -	\$ -	-
Misc Other Non-Operating Revenue	980	-	-	-	-
Interest - Miscellaneous	42	-	-	-	-
Non-Operating Revenue	\$ 4,022	\$ -	\$ -	\$ -	-
<b>TOTAL REAL ESTATE</b>	<b>\$ 79,786,164</b>	<b>\$ 81,903,500</b>	<b>\$ 86,352,100</b>	<b>\$ 4,448,600</b>	<b>5.4%</b>

**REVENUE BY OPERATING CENTER AND ACCOUNT  
FY 13/14 BUDGET**

	ACTUAL FY 11/12	ADJUSTED BUDGET FY 12/13	BUDGET FY 13/14	INC/(DEC) FY 13/14-12/13 BUDGET	% CHANGE
<b><u>HARBOR POLICE</u></b>					
Fixed Rent	\$ 14,040	\$ 13,300	\$ 14,000	\$ 700	5.3%
Rents	\$ 14,040	\$ 13,300	\$ 14,000	\$ 700	5.3%
Citations	\$ 373,205	\$ 270,000	\$ 270,000	\$ -	0.0%
Piers & Floats	128,292	150,000	100,000	(50,000)	-33.3%
Miscellaneous Other Operating Revenue	51,018	20,000	50,000	30,000	150.0%
Fees & Service Charges	\$ 552,515	\$ 440,000	\$ 420,000	\$ (20,000)	-4.5%
Public Services Provided	\$ 14,198,634	\$ 14,321,500	\$ 13,449,400	\$ (872,100)	-6.1%
Services	\$ 14,198,634	\$ 14,321,500	\$ 13,449,400	\$ (872,100)	-6.1%
Grant Revenue	\$ 873,421	\$ 896,100	\$ 736,500	\$ (159,600)	-17.8%
Grants	\$ 873,421	\$ 896,100	\$ 736,500	\$ (159,600)	-17.8%
Damages Recovered	\$ 3,420	\$ -	\$ -	\$ -	-
Misc Other Non-Operating Revenue	994	-	-	-	-
Gain/Loss from Disposal of Fixed Assets	(7,499)	-	-	-	-
Asset Forfeiture Proceeds-Harbor Police	81,181	-	-	-	-
Non-Operating Revenue	\$ 78,096	\$ -	\$ -	\$ -	-
<b>TOTAL HARBOR POLICE</b>	<b>\$ 15,716,706</b>	<b>\$ 15,670,900</b>	<b>\$ 14,619,900</b>	<b>\$ (1,051,000)</b>	<b>-6.7%</b>
<b><u>MISCELLANEOUS</u></b>					
Permit & License Fees	\$ 13,750	\$ -	\$ -	\$ -	-
Miscellaneous Other Operating Revenue	25,362	-	-	-	-
Miscellaneous Other Operating Revenue	\$ 39,112	\$ -	\$ -	\$ -	-
Public Services Provided	\$ 1,917,779	\$ 2,769,000	\$ 2,054,900	\$ (714,100)	-25.8%
Reimbursed Cost/Cost Recovery	-	-	1,481,400	1,481,400	-
Services	\$ 1,917,779	\$ 2,769,000	\$ 3,536,300	\$ 767,300	27.7%
Grant Revenue	\$ 153,915	\$ 717,600	\$ 319,000	\$ (398,600)	-55.5%
Grants Revenue -Sub-Grantee	111,325	698,700	-	(698,700)	-100.0%
Partnership/Cost Sharing Reimbursement	-	-	971,900	971,900	-
Grants	\$ 265,240	\$ 1,416,300	\$ 1,290,900	\$ (125,400)	-8.9%
Damages Recovered	\$ 48,675	\$ -	\$ -	\$ -	-
Grants - Capital Project Reimbursement	5,153,007	5,240,300	1,337,400	(3,902,900)	-74.5%
Donated Revenue	1,421,710	-	65,000	65,000	-
Insurance Proceeds	846	365,000	-	(365,000)	-100.0%
Reimbursed Legal Fees	510,390	-	365,000	365,000	-
Legal Settlements	5,000	-	-	-	-
Misc Other Non-Operating Revenue	3,294,168	2,300,000	100,000	(2,200,000)	-95.7%
Restitution	350	-	-	-	-
Sale of Surplus Items - Proceeds	57,211	-	60,000	60,000	-
NEVP Capital Project Contribution	1,764,239	7,200,000	6,800,000	(400,000)	-5.6%
Non-Operating Revenue	\$ 12,255,596	\$ 15,105,300	\$ 8,727,400	\$ (6,377,900)	-42.2%
Gain/Loss On Sale of Investments	\$ 5,850	\$ -	\$ -	\$ -	-
Interest - Investments	1,254,349	624,000	380,000	(244,000)	-39.1%
Interest - Unamortized Bond Premium	(141,086)	-	-	-	-
Unrealized Gain/Loss On Inv. (GASB 31)	(349,218)	-	-	-	-
Interest - Miscellaneous	10,329	-	-	-	-
Investment Revenue	\$ 780,224	\$ 624,000	\$ 380,000	\$ (244,000)	-39.1%
Discounts Earned	\$ 3,068	\$ -	\$ -	\$ -	-
Other Revenue	\$ 3,068	\$ -	\$ -	\$ -	-
<b>TOTAL MISCELLANEOUS</b>	<b>\$ 15,261,019</b>	<b>\$ 19,914,600</b>	<b>\$ 13,934,600</b>	<b>\$ (5,980,000)</b>	<b>-30.0%</b>
<b>TOTAL REVENUE</b>	<b>\$ 143,864,237</b>	<b>\$ 150,594,000</b>	<b>\$ 150,415,500</b>	<b>\$ (178,500)</b>	<b>-0.1%</b>

# REVENUE BY OPERATING CENTER

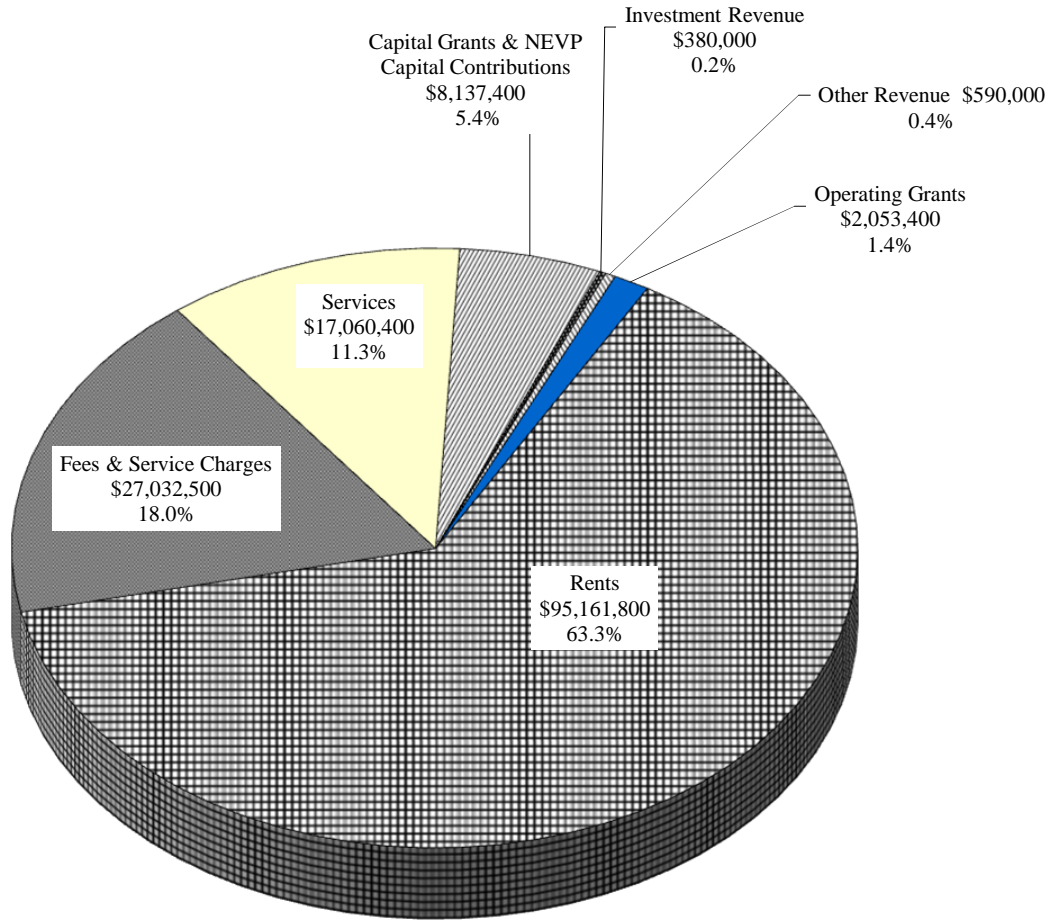


TOTAL REVENUE \$150,415,500

**REVENUE BY ACCOUNT  
FY 13/14 BUDGET**

	ACTUAL FY 11/12	ADJUSTED BUDGET FY 12/13	BUDGET FY 13/14	INC/(DEC) FY 13/14-12/13 BUDGET	% CHANGE
Fixed Rent	\$ 37,084,605	\$ 36,695,000	\$ 37,012,100	\$ 317,100	0.9%
Concession Revenue	50,934,006	52,932,100	56,258,400	3,326,300	6.3%
Storage Space Rental	799,223	795,400	1,135,000	339,600	42.7%
ACH Parking Facility Funding	215,002	215,000	215,000	-	0.0%
Other Rental Revenue	572,593	350,700	541,300	190,600	54.3%
RE Revenue from Rent Reduction	(52,021)	-	-	-	-
<b>Rents</b>	<b>\$ 89,553,408</b>	<b>\$ 90,988,200</b>	<b>\$ 95,161,800</b>	<b>\$ 4,173,600</b>	<b>4.6%</b>
Bunkering	\$ 50,030	\$ 44,700	\$ 45,800	\$ 1,100	2.5%
Citations	373,205	270,000	270,000	-	0.0%
Cruise Ship Passenger Fees	1,554,482	1,172,200	1,163,800	(8,400)	-0.7%
Cruise Ship Passenger Security Charges	1,173,957	1,018,100	933,800	(84,300)	-8.3%
Dockage	1,966,661	1,547,200	1,781,300	234,100	15.1%
Environmental Surcharge	9,598	7,500	7,700	200	2.7%
Permit & License Fees	13,750	-	-	-	-
Parking	6,370,965	6,373,100	7,680,200	1,307,100	20.5%
Parking Meters	920,543	867,600	826,600	(41,000)	-4.7%
Park Usage Fees	132,159	93,600	95,500	1,900	2.0%
Piers & Floats	128,292	150,000	100,000	(50,000)	-33.3%
Wharfage	10,866,540	12,457,600	13,683,900	1,226,300	9.8%
Miscellaneous Other Operating Revenue	93,405	26,200	443,900	417,700	1594.3%
<b>Fees &amp; Service Charges</b>	<b>\$ 23,653,587</b>	<b>\$ 24,027,800</b>	<b>\$ 27,032,500</b>	<b>\$ 3,004,700</b>	<b>12.5%</b>
Public Services Provided	\$ 16,116,413	\$ 17,090,500	\$ 15,504,300	\$ (1,586,200)	-9.3%
Utilities Furnished	126,148	124,300	74,700	(49,600)	-39.9%
Reimbursed Cost/Cost Recovery	-	-	1,481,400	1,481,400	-
<b>Services</b>	<b>\$ 16,242,561</b>	<b>\$ 17,214,800</b>	<b>\$ 17,060,400</b>	<b>\$ (154,400)</b>	<b>-0.9%</b>
Grant Revenue	\$ 1,171,666	\$ 1,935,200	\$ 1,081,500	\$ (853,700)	-44.1%
Grants Revenue -Sub-Grantee	111,325	698,700	-	(698,700)	-100.0%
Partnership/Cost Sharing Reimbursement	-	-	971,900	971,900	-
<b>Grants</b>	<b>\$ 1,282,991</b>	<b>\$ 2,633,900</b>	<b>\$ 2,053,400</b>	<b>\$ (580,500)</b>	<b>-22.0%</b>
Damages Recovered	\$ 56,295	\$ -	\$ -	\$ -	-
Grants - Capital Project Reimbursement	5,153,007	5,240,300	1,337,400	(3,902,900)	-74.5%
Donated Revenue	1,421,710	-	65,000	65,000	-
Insurance Proceeds	846	365,000	-	(365,000)	-100.0%
Reimbursed Legal Fees	510,390	-	365,000	365,000	-
Legal Settlements	5,000	-	-	-	-
Misc Other Non-Operating Revenue	3,296,142	2,300,000	100,000	(2,200,000)	-95.7%
Service Charges	6,327	-	-	-	-
Restitution	350	-	-	-	-
Sale of Surplus Items - Proceeds	57,211	-	60,000	60,000	-
Gain/Loss from Disposal of Fixed Assets	(7,499)	-	-	-	-
Asset Forfeiture Proceeds-Harbor Police	81,181	-	-	-	-
NEVP Capital Project Contribution	1,764,239	7,200,000	6,800,000	(400,000)	-5.6%
Gain/Loss On Sale of Investments	5,850	-	-	-	-
Interest - Investments	1,254,349	624,000	380,000	(244,000)	-39.1%
Interest - Unamortized Bond Premium	(141,086)	-	-	-	-
Unrealized Gain/Loss On Inv. (GASB 31)	(349,218)	-	-	-	-
Interest - Miscellaneous	13,528	-	-	-	-
Discounts Earned	3,068	-	-	-	-
<b>Non-Operating Revenue</b>	<b>\$ 13,131,690</b>	<b>\$ 15,729,300</b>	<b>\$ 9,107,400</b>	<b>\$ (6,621,900)</b>	<b>-42.1%</b>
<b>TOTAL REVENUE</b>	<b>\$ 143,864,237</b>	<b>\$ 150,594,000</b>	<b>\$ 150,415,500</b>	<b>\$ (178,500)</b>	<b>-0.1%</b>

# REVENUE BY ACCOUNT



TOTAL REVENUE \$150,415,500

# EXPENSE HIGHLIGHTS

## *Trends in Expense*

Direct Expense is budgeted at \$139.9 million and is approximately \$4.2 million, or 3.1%, higher than the FY 12/13 adjusted budget.

## *Personnel Expense*

Overall, Personnel Expense will increase by \$2.6 million, or 3.3%, from the previous year's adjusted budget, primarily due to an increase in retirement, addition of three Board approved positions, step increases for represented employees, workers' compensation, and healthcare costs. Partially offsetting these increases are decreases in overtime and temporary personnel. Total staff for FY 13/14 is projected to be 531 permanent positions. Budgeted expenses consist of Salaries & Wages, Overtime, and Burden.

- **Salaries & Wages** (not including Overtime or Temporary Personnel) will increase by \$1.1 million, or 2.6%, primarily due to the addition of three Board approved positions and step salary increases for represented employees.
- **Overtime** will decrease by \$0.4 million, or 23.9%, primarily due to a reduction in Harbor Police overtime for training and operations.
- **Temporary Personnel** will decrease by \$0.1 million, or 100.0%.
- **Burden** will increase by \$2.0 million, or 7.0%, mainly due to an increase in retirement, workers' compensation, and healthcare costs.
- **Student Intern Program** will decrease by 32 for a total of 11 positions for FY 13/14.

## *Non-Personnel Expense*

Overall, Non-Personnel Expense (NPE) will increase by \$1.8 million, or 3.9%. Large budget-to-budget variances are projected in the following Non-Personnel accounts:

**Professional Services** will increase by \$2.2 million, or 26.7%. Environmental & Land Use Management will increase by \$2.7 million primarily due to the Regional Harbor Monitoring Program (RHMP) and numerous environmental related projects and activities that were funded and accounted for in eligible environmental fund expenditures in the prior fiscal year. Real Estate will increase by \$0.3 million primarily due to site development consultants and bench marking studies. Maritime will increase by \$0.2 million mainly due to maritime studies, maritime business plan updates, facility assessments, and export initiative services. Port Attorney will increase \$0.2 million due to anticipated litigation. The increase was partially offset by decreases in the following departments:

Marketing & Communications decreased by \$0.5 million due to a reduction in public relation consulting services and waterfront activation expenditures. Government & Civic Relations decreased by \$0.3 million due to a reduction in legislative services, grant writing services, and San Diego World Trade Center expenditures.

**Services – Legal** will increase by \$1.9 million, primarily due to an increase in legal services for business related projects.

**Joint Programs/Studies Assistance** will increase by \$0.8 million due to a reclassification of environmental related projects, which were budgeted in eligible environmental fund expenditures in the prior fiscal year.

**Services – Operator Retention** will increase by \$0.4 million, or 18.3%, due to tariff revenue sharing with Pasha Services for forecasted increased vehicle throughput and new container business at National City Marine Terminal (NCMT).

**Technology Strategic Plan - Projects** will increase by \$0.4 million, primarily due technology projects being budgeted in equipment & systems in the prior fiscal year.

**Public Art Program** will decrease by \$0.5 million, or 100.0%, due to the deferral of public art projects.

**Equipment & Systems** will decrease by \$0.5 million, or 45.5%, primarily due to the reclassification of technology related projects to the Technology Strategic Plan-Projects expense category.

**Advertising** will decrease by \$0.5 million, or 46.1%, due to a decrease in television, radio, and special event advertisements.

**Eligible Environmental Fund Expenditures** will decrease by \$1.7 million, or 75.6%, primarily due to less environmental related activities identified to be funded from the Environmental fund.

**EXPENSE BY DIVISION/COST CENTER  
FY 13/14 BUDGET**

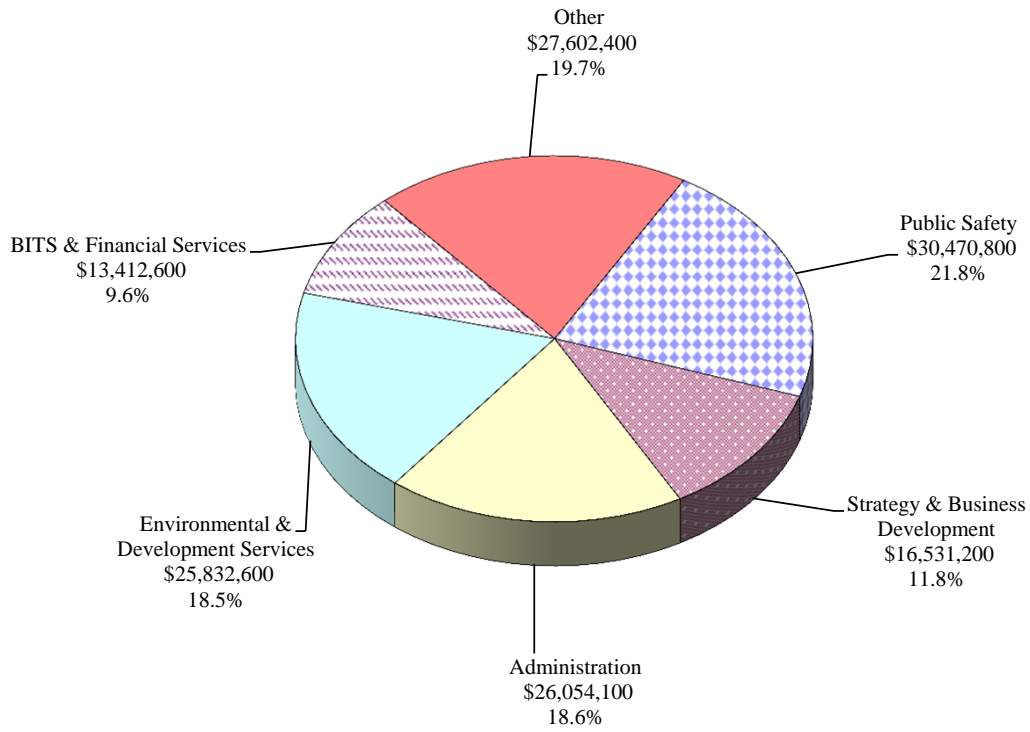
DEPARTMENT	ACTUAL RESULTS FY 11/12	ADJUSTED BUDGET FY 12/13	BUDGET FY 13/14	INC/(DEC) FY 13/14-12/13 BUDGET	% CHANGE
Engineering - Construction	\$ 6,067,564	\$ 5,892,100	\$ 6,143,900	\$ 251,800	4.3%
Major Maintenance	3,106,852	2,440,800	2,317,500	(123,300)	-5.1%
Environmental & Land Use Management <sup>(1)</sup>	7,436,038	6,019,700	9,047,600	3,027,900	50.3%
Real Estate <sup>(2)</sup>	7,525,360	7,225,200	8,323,600	1,098,400	15.2%
Public Art <sup>(1)</sup>	530,431	1,169,300	-	(1,169,300)	-100.0%
<b>Environmental &amp; Development Services</b>	<b>\$ 24,666,246</b>	<b>\$ 22,747,100</b>	<b>\$ 25,832,600</b>	<b>\$ 3,085,500</b>	<b>13.6%</b>
Government & Civic Relations <sup>(3)</sup>	\$ 1,941,579	\$ 2,645,500	\$ 1,249,200	\$ (1,396,300)	-52.8%
Maritime	12,484,688	10,784,600	11,220,300	435,700	4.0%
Marketing & Communications <sup>(4)</sup>	5,367,208	6,333,400	4,061,700	(2,271,700)	-35.9%
Corporate Communications	2,297,905	-	-	-	-
<b>Strategy &amp; Business Development</b>	<b>\$ 22,091,381</b>	<b>\$ 19,763,500</b>	<b>\$ 16,531,200</b>	<b>\$ (3,232,300)</b>	<b>-16.4%</b>
Harbor Police Department	\$ 28,736,682	\$ 29,803,200	\$ 30,470,800	\$ 667,600	2.2%
<b>Public Safety</b>	<b>\$ 28,736,682</b>	<b>\$ 29,803,200</b>	<b>\$ 30,470,800</b>	<b>\$ 667,600</b>	<b>2.2%</b>
General Services & Procurement	\$ 16,431,729	\$ 17,116,500	\$ 17,173,700	\$ 57,200	0.3%
Human Resources <sup>(5)</sup>	8,215,610	7,593,400	5,745,200	(1,848,200)	-24.3%
Office of the District Clerk	2,677,710	2,941,900	3,135,200	193,300	6.6%
<b>Administration</b>	<b>\$ 27,325,049</b>	<b>\$ 27,651,800</b>	<b>\$ 26,054,100</b>	<b>\$ (1,597,700)</b>	<b>-5.8%</b>
Business Information & Technology Services	\$ 5,418,272	\$ 4,137,700	\$ 4,597,100	\$ 459,400	11.1%
Technology Management Program	-	3,579,900	3,347,000	(232,900)	-6.5%
Technology Strategic Plan - Projects	-	-	372,000	372,000	-
Financial Services <sup>(5)</sup>	2,934,505	3,173,800	5,096,500	1,922,700	60.6%
<b>BITS &amp; Financial Services</b>	<b>\$ 8,352,777</b>	<b>\$ 10,891,400</b>	<b>\$ 13,412,600</b>	<b>\$ 2,521,200</b>	<b>23.1%</b>
Board of Port Commissioners	\$ 212,840	\$ 164,700	\$ 195,700	\$ 31,000	18.8%
Financial Assistance	7,836,779	4,500,000	4,500,000	-	0.0%
Miscellaneous Administration Building	165,624	166,400	173,300	6,900	4.1%
MSA, Interest & Other	11,526,869	13,047,200	12,271,700	(775,500)	-5.9%
Port Attorney <sup>(6)</sup>	3,930,185	3,685,200	6,552,400	2,867,200	77.8%
Port Auditor	82,236	739,800	1,059,300	319,500	43.2%
Utilities	2,445,611	2,505,200	2,850,000	344,800	13.8%
<b>Other</b>	<b>\$ 26,200,144</b>	<b>\$ 24,808,500</b>	<b>\$ 27,602,400</b>	<b>\$ 2,793,900</b>	<b>11.3%</b>
<b>Subtotal Direct Expense</b>	<b>\$ 137,372,281</b>	<b>\$ 135,665,500</b>	<b>\$ 139,903,700</b>	<b>\$ 4,238,200</b>	<b>3.1%</b>
Capitalized Expense	(3,666,048)	-	-	-	-
<b>Total Direct Expense</b>	<b>\$ 133,706,233</b>	<b>\$ 135,665,500</b>	<b>\$ 139,903,700</b>	<b>\$ 4,238,200</b>	<b>3.1%</b>

**Notes:**

- (1) Environmental & Land Use Management will increase by \$3.0 million due to the Regional Harbor Monitoring Program (RHMP), integrated planning activities, new environmental projects, and merger of Public Art into the Department.
- (2) Real Estate will increase by \$1.1 million primarily due to an increase in development consultants and bench marking studies.
- (3) Government & Civic Relations will decrease by \$1.4 million due to a reduction in department staffing and a decrease in legislative services, grant writing services, and San Diego World Trade Center expenditures.
- (4) Marketing & Communications will decrease \$2.3 million due to a reduction in public relation consulting services, waterfront activation expenditures, advertising, and reduction in department staffing.
- (5) Human Resources will decrease \$1.8 million primarily due to the transfer of the Risk and Safety section to Financial Services.
- (6) Port Attorney will increase by \$2.9 million due to the consolidation of all legal expenditures, which were budgeted in all other departments in the prior fiscal year, into the Department and increases in legal services for business related projects.



## EXPENSE BY DIVISION/COST CENTER



**TOTAL EXPENSE \$139,903,700**

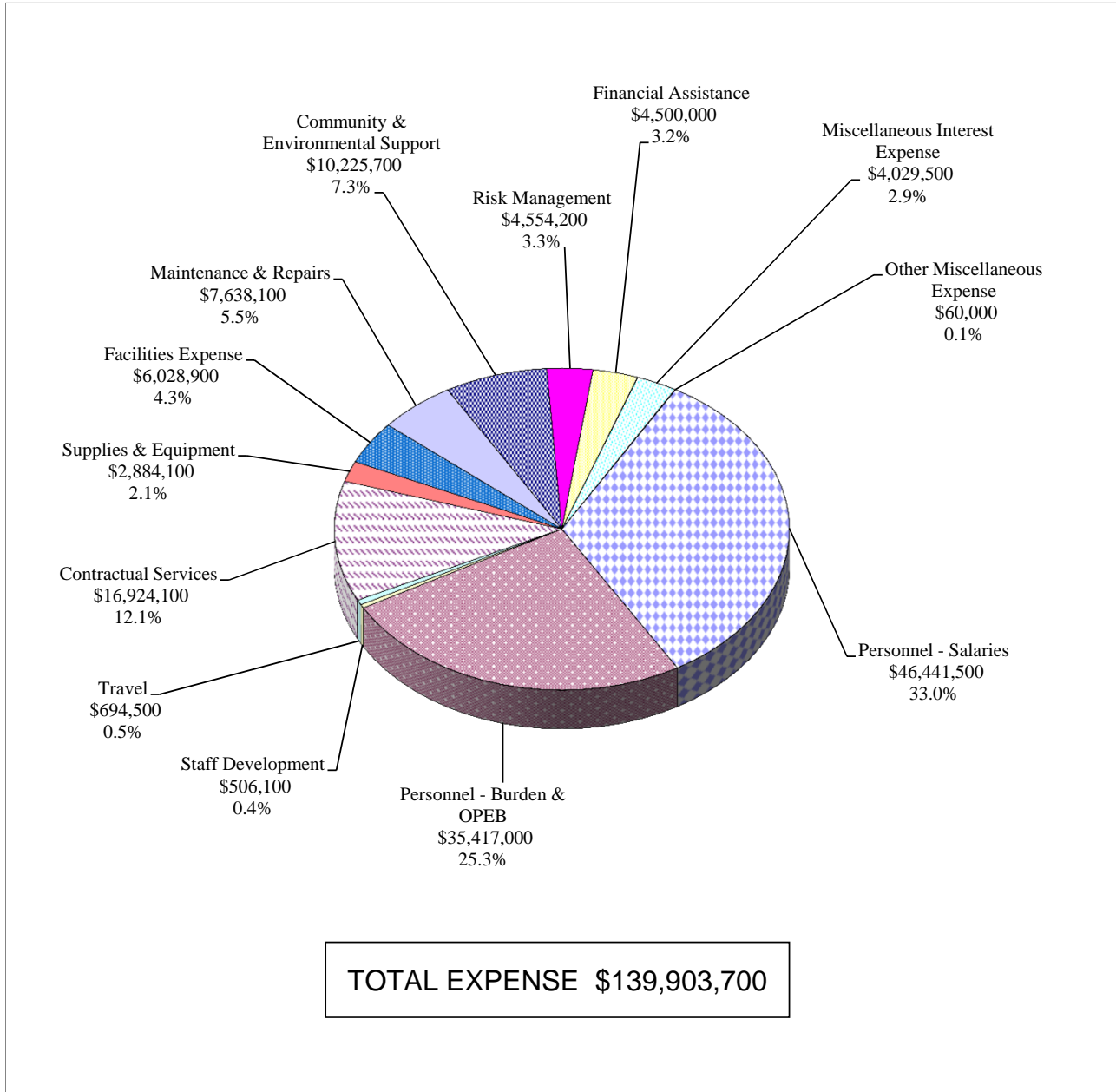
**EXPENSE BY ACCOUNT  
FY 13/14 BUDGET**

LINE ITEM	ACTUAL RESULTS FY 11/12	ADJUSTED BUDGET FY 12/13	BUDGET FY 13/14	INC/(DEC) FY 13/14-12/13 BUDGET	%
					CHANGE
Salaries & Wages	\$ 41,768,132	\$ 43,939,100	\$ 45,082,700	\$ 1,143,600	2.6%
Overtime	1,828,561	1,785,000	1,358,800	(426,200)	-23.9%
Temporary Personnel	568,844	97,000	-	(97,000)	-100.0%
<b>Salaries &amp; Wages Expense</b>	<b>\$ 44,165,537</b>	<b>\$ 45,821,100</b>	<b>\$ 46,441,500</b>	<b>\$ 620,400</b>	<b>1.4%</b>
Burden Expense	\$ 26,843,732	\$ 28,235,000	\$ 30,197,400	\$ 1,962,400	7.0%
OPEB Annual Required Contribution (GASB)	5,371,485	5,219,600	5,219,600	-	0.0%
<b>Subtotal Personnel Expense</b>	<b>\$ 76,380,754</b>	<b>\$ 79,275,700</b>	<b>\$ 81,858,500</b>	<b>\$ 2,582,800</b>	<b>3.3%</b>
Awards - Service	\$ 34,808	\$ 38,700	\$ -	\$ (38,700)	-100.0%
Books & Periodicals	63,447	55,200	34,000	(21,200)	-38.4%
Employee Recognition	26,825	33,500	27,800	(5,700)	-17.0%
Memberships & Dues	287,901	266,500	172,800	(93,700)	-35.2%
Health and Wellness	5,515	11,400	-	(11,400)	-100.0%
Recruiting	71,455	-	-	-	-
Seminars & Training	328,011	476,200	211,900	(264,300)	-55.5%
Tuition Reimbursement Program	47,011	71,000	59,600	(11,400)	-16.1%
<b>Staff Development</b>	<b>\$ 864,973</b>	<b>\$ 952,500</b>	<b>\$ 506,100</b>	<b>\$ (446,400)</b>	<b>-46.9%</b>
Mileage Reimbursement	\$ 267,446	\$ 283,500	\$ 196,400	\$ (87,100)	-30.7%
Travel	397,049	678,300	498,100	(180,200)	-26.6%
<b>Travel</b>	<b>\$ 664,495</b>	<b>\$ 961,800</b>	<b>\$ 694,500</b>	<b>\$ (267,300)</b>	<b>-27.8%</b>
Services - Professional & Other	\$ 12,183,320	\$ 8,316,300	\$ 10,532,900	\$ 2,216,600	26.7%
Services - Legal - Port Attorney	2,539,928	1,617,700	1,746,000	128,300	7.9%
Services - Legal - Business Division	-	-	1,785,000	1,785,000	-
Services - Construction	7,884	-	-	-	-
Services - Operator Retention	2,276,715	2,417,300	2,860,200	442,900	18.3%
<b>Contractual Services</b>	<b>\$ 17,007,846</b>	<b>\$ 12,351,300</b>	<b>\$ 16,924,100</b>	<b>\$ 4,572,800</b>	<b>37.0%</b>
Breakage & Obsolescence	\$ 5,934	\$ -	\$ -	\$ -	-
Equipment & Systems	673,453	1,015,300	553,400	(461,900)	-45.5%
Technology Strategic Plan - Projects	-	-	372,000	372,000	-
Equipment Rental/Leasing	342,752	308,000	431,700	123,700	40.2%
Office & Operating Supplies	335,275	362,500	267,600	(94,900)	-26.2%
Postage & Shipping	31,286	63,700	47,100	(16,600)	-26.1%
Safety Equipment & Supplies	191,825	226,400	200,900	(25,500)	-11.3%
Small Tools	46,824	40,300	37,200	(3,100)	-7.7%
Fuel & Lubricants	761,441	669,600	740,500	70,900	10.6%
Parking Meter Supplies	25,424	14,100	13,000	(1,100)	-7.8%
Blueprints	969	2,000	2,000	-	0.0%
Uniforms	247,522	267,900	218,700	(49,200)	-18.4%
<b>Supplies &amp; Equipment</b>	<b>\$ 2,662,704</b>	<b>\$ 2,969,800</b>	<b>\$ 2,884,100</b>	<b>\$ (85,700)</b>	<b>-2.9%</b>
Space Rental	\$ 290,209	\$ 452,100	\$ 345,000	\$ (107,100)	-23.7%
Telephone & Communications	840,104	807,900	800,900	(7,000)	-0.9%
Utilities-Gas & Electric	1,548,995	1,482,800	1,681,500	198,700	13.4%
Utilities-Water	897,423	1,024,500	1,170,600	146,100	14.3%
Facility Management Services	1,872,219	1,926,800	2,030,900	104,100	5.4%
<b>Facilities Expense</b>	<b>\$ 5,448,950</b>	<b>\$ 5,694,100</b>	<b>\$ 6,028,900</b>	<b>\$ 334,800</b>	<b>5.9%</b>
Facilities Maintenance-Supplies	\$ 582,112	\$ 455,000	\$ 492,800	\$ 37,800	8.3%
Facilities Maintenance-Outside Services	2,408,975	2,731,500	2,450,400	(281,100)	-10.3%
Major Maintenance	3,106,852	2,440,800	2,317,500	(123,300)	-5.1%
Equipment Maintenance-Supplies	264,556	246,900	198,300	(48,600)	-19.7%
Equipment Maintenance-Outside Services	605,568	931,700	799,400	(132,300)	-14.2%
As - Needed Maintenance	-	476,400	394,400	(82,000)	-17.2%
Software Maintenance	610,341	690,100	985,300	295,200	42.8%
<b>Maintenance &amp; Repairs</b>	<b>\$ 7,578,403</b>	<b>\$ 7,972,400</b>	<b>\$ 7,638,100</b>	<b>\$ (334,300)</b>	<b>-4.2%</b>

**EXPENSE BY ACCOUNT  
FY 13/14 BUDGET**

LINE ITEM	ACTUAL RESULTS FY 11/12	ADJUSTED BUDGET FY 12/13	BUDGET FY 13/14	INC/(DEC) FY 13/14-12/13 BUDGET	% CHANGE
Advertising	\$ 945,165	\$ 1,094,100	\$ 590,000	\$ (504,100)	-46.1%
Promotional Services	376,052	315,800	191,000	(124,800)	-39.5%
Promotional Materials	101,009	201,300	21,000	(180,300)	-89.6%
Svcs - Fire, Police, Rescue, Emergency	6,075,640	7,148,100	7,341,500	193,400	2.7%
Eligible Environmental Fund Expenditures	492,412	2,277,500	556,000	(1,721,500)	-75.6%
Grant Funded Expenditures	-	-	589,600	589,600	-
Remediation	238,638	-	75,000	75,000	-
Refuse & Hazardous Waste Disposal	219,238	70,000	103,000	33,000	47.1%
Joint Programs/Studies Assistance	437,465	-	758,600	758,600	-
Public Art Program	15,871	450,000	-	(450,000)	-100.0%
<b>Community &amp; Environmental Support</b>	<b>\$ 8,901,489</b>	<b>\$ 11,556,800</b>	<b>\$ 10,225,700</b>	<b>\$ (1,331,100)</b>	<b>-11.5%</b>
Bad Debt Expense	\$ 1,086,308	\$ -	\$ -	-	-
Insurance	1,213,005	1,279,300	1,345,600	66,300	5.2%
Insurance Claims	-	10,000	10,000	-	0.0%
Permits/Certificates/License	63,484	14,500	46,000	31,500	217.2%
Legal Settlements	328,100	-	-	-	-
Retiree Health Benefits (Paid)	2,522,231	2,667,000	2,667,400	400	0.0%
Preservation of Benefits Plan (POB)	276,742	330,000	330,000	-	0.0%
Other Miscellaneous Operating Expenses	(51,078)	161,900	155,200	(6,700)	-4.1%
Other Miscellaneous -Sub-Grantee's Expen	111,325	698,700	-	(698,700)	-100.0%
<b>Risk Management</b>	<b>\$ 5,550,117</b>	<b>\$ 5,161,400</b>	<b>\$ 4,554,200</b>	<b>\$ (607,200)</b>	<b>-11.8%</b>
<b>Subtotal Non-Personnel Expense</b>	<b>\$ 48,678,978</b>	<b>\$ 47,620,100</b>	<b>\$ 49,455,700</b>	<b>\$ 1,835,600</b>	<b>3.9%</b>
Capitalized Expense	\$ (3,666,048)	\$ -	\$ -	-	-
<b>Subtotal Operating Expense</b>	<b>\$ 121,393,685</b>	<b>\$ 126,895,800</b>	<b>\$ 131,314,200</b>	<b>\$ 4,418,400</b>	<b>3.5%</b>
Financial Assistance/Grants/Contribution	\$ 3,330,000	\$ -	\$ -	-	-
Convention Center Financial Assistance	4,500,000	4,500,000	4,500,000	-	0.0%
<b>Financial Assistance</b>	<b>\$ 7,830,000</b>	<b>\$ 4,500,000</b>	<b>\$ 4,500,000</b>	<b>\$ -</b>	<b>0.0%</b>
Interest-SDCRAA, Carnival, Key Gov't & O	\$ 2,512,104	\$ 2,383,200	\$ 2,270,900	\$ (112,300)	-4.7%
Interest Expense - Series A 2004 Bonds	612,588	555,000	492,700	(62,300)	-11.2%
Interest Expense - Series B 2004 Bonds	1,270,902	1,268,400	1,265,900	(2,500)	-0.2%
<b>Miscellaneous Interest Expense</b>	<b>\$ 4,395,595</b>	<b>\$ 4,206,600</b>	<b>\$ 4,029,500</b>	<b>\$ (177,100)</b>	<b>-4.2%</b>
Seized Asset/Forfeitures-Harbor Police	\$ 80,175	\$ -	\$ -	-	-
Financial Assistance - Statistical	6,779	-	-	-	-
Contingency (Plan/Budget only)	-	63,100	60,000	(3,100)	-4.9%
<b>Other Miscellaneous Expense</b>	<b>\$ 86,954</b>	<b>\$ 63,100</b>	<b>\$ 60,000</b>	<b>\$ (3,100)</b>	<b>-4.9%</b>
<b>Subtotal Non-Operating Expense</b>	<b>\$ 12,312,549</b>	<b>\$ 8,769,700</b>	<b>\$ 8,589,500</b>	<b>\$ (180,200)</b>	<b>-2.1%</b>
<b>Total Direct Expense</b>	<b>\$ 133,706,233</b>	<b>\$ 135,665,500</b>	<b>\$ 139,903,700</b>	<b>\$ 4,238,200</b>	<b>3.1%</b>

## EXPENSE BY ACCOUNT



# MARKETING SPONSORSHIPS & GRANTS

## *Marketing Sponsorships*

The Port of San Diego Marketing Sponsorships program is comprised of two parts: Revenue and Promotion-Generating Sponsorships (RPGS) and Community Sponsorships (CS).

The RPGS program supports activities that generate promotional and economic benefit to the Port, its tenants, and the region. The CS program supports activities that generate community involvement by activating the San Diego Bay (Chula Vista, Coronado, National City, and San Diego) and Imperial Beach oceanfront with events that attract visitors or educate the community about the Port’s Mission. As such, all proposals for funding from these programs must demonstrate impacts in the form of economic benefit and/or community involvement. The Marketing & Communications department has budgeted \$500,000 for the Marketing Sponsorships program in the FY 13/14 budget.

## *Grants from Other Agencies to the Port*

Grant Revenue is included in the revenue budget. The Port may pursue grants from other agencies where the Port may be qualified and the grant would provide for a strategic service. Some grants are omitted from the budget because the grant application is pending and receipt of the grant is uncertain. Grants that are expected to be received in FY 13/14 include the following:

**Grants for Maritime Capital Projects.** The Port will receive grant funds from the Department of Homeland Security for security enhancements at the Marine terminals and Broadway pier.

**Grants for Information Technology Capital Projects.** The Port will receive grant funds from the Department of Homeland Security for Access Control Enhancement project and Uninterrupted Power equipment.

**Grants for Harbor Police Operations.** The Port will receive grants from the following sources: 1) High Intensity Drug Trafficking reimbursement for overtime, 2) Transportation Safety Administration K-9 grant, 3) Marine Task Force Officer reimbursement, 4) Joint Terrorism Task Force grant, 5) San Diego County Operation Stonegarden program, and 6) Department of Homeland Security for enhanced radar and thermal images for Vessels.

**Miscellaneous Grants.** The Port will receive grant funds from National Oceanic and Atmospheric Administration and San Diego Regional Water Quality Control Board for San Diego A-Anchorage and surrounds debris cleanup and the Regional

Water Quality Control Board for removal of copper-based hull paint.

## *Anticipated Grants FY 13/14*

Grant	Amount
Capital Grants – Maritime	\$846,500
Capital Grants – Information Technology	265,900
Capital Grants – Harbor Police	225,000
Operating Grants – Environmental	319,000
Operating Grants – Harbor Police	736,500
Operating Grants – Maritime	26,000
<b>Total</b>	<b><u>\$2,418,900</u></b>

## **Partnership/Cost Sharing Reimbursement for Environmental Projects.**

The Port will receive reimbursements from: Regional Harbor Monitoring Program, for a coordinated monitoring program among San Diego Region; SDG&E, for Efficiency Partnership program to enhance the Port’s capacity to incorporate energy efficiency throughout the Port District; San Diego Bay Watershed program, for studying bacteria and Chollas Total Maximum Daily Load; and Water Quality Implementation Plan (WQIP), for developing and providing coordination for the WQIP for the new municipal separate storm sewer system permit.

Partnership/Cost Sharing Reimbursement – Environmental	971,900
<b>Total</b>	<b><u>\$971,900</u></b>

# EQUIPMENT OUTLAY HIGHLIGHTS

## *Overview of Equipment Outlay*

Equipment outlay is budgeted at \$1.4 million for FY 13/14.

Equipment outlay includes items costing over \$5,000, which are expected to have a useful life of more than one year.

## *Equipment by Category*

Motive equipment makes up \$0.4 million of the total equipment outlay budget. Harbor Police will require \$0.3 million of which Imperial Beach Lifeguard is allocated \$0.2 million as part of the Municipal Services Agreement (MSA). This includes \$0.1 million carry over from FY 12/13. General Services & Procurement will require \$0.1 million.

Computer equipment and software makes up \$0.5 million of the total equipment outlay budget. This includes \$0.3 million for programmable logic control systems for General Services & Procurement and \$0.1 million for enhanced digital radar systems and mobile data computers for Harbor Police.

Other equipment makes up approximately \$0.5 million of the total equipment outlay budget. This includes thermal imagers for Harbor Police for \$0.2 million, a container spreader for harbor crane for General Services & Procurement for \$0.2 million, and an archer rapid bean gate for Maritime for \$0.1 million.

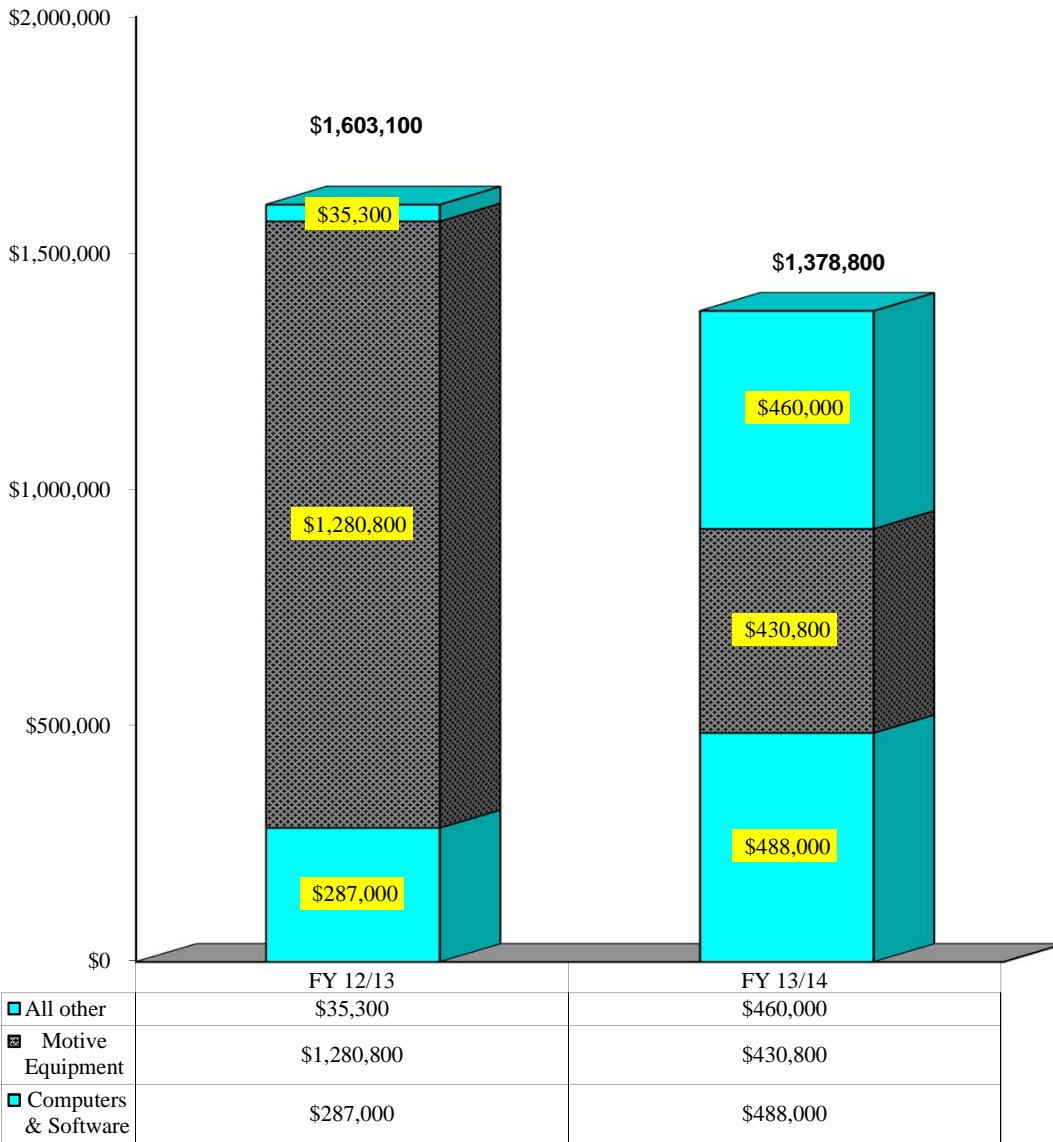
Of the total equipment outlay budget of \$1.4 million, \$0.4 million is grant funded.

Further details on the equipment items for specific departments may be found in the department's section of the budget.

**SUMMARY OF EQUIPMENT OUTLAY  
FY 13/14 BUDGET**

	ACTUAL FY 11/12	ADJUSTED BUDGET FY 12/13	BUDGET FY 13/14	INC/(DEC) FY 13/14-12/13 BUDGET	% CHANGE
Public Art	\$ 8,486	\$ -	\$ -	\$ -	-
Real Estate	28,544	-	-	-	-
<b>ENVIRONMENTAL &amp; DEVELOPMENT SERVICES DIVISION</b>	<b>\$ 37,030</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
Maritime	\$ 62,039	\$ 76,000	\$ 110,000	\$ 34,000	44.7%
Marketing & Communications	17,774	17,800	-	(17,800)	-100.0%
<b>STRATEGY &amp; BUSINESS DEVELOPMENT DIVISION</b>	<b>\$ 79,813</b>	<b>\$ 93,800</b>	<b>\$ 110,000</b>	<b>\$ 16,200</b>	<b>17.3%</b>
Harbor Police Department	\$ 235,810	\$ 563,000	\$ 698,600	\$ 135,600	24.1%
<b>PUBLIC SAFETY DIVISION</b>	<b>\$ 235,810</b>	<b>\$ 563,000</b>	<b>\$ 698,600</b>	<b>\$ 135,600</b>	<b>24.1%</b>
General Services & Procurement	\$ 294,956	\$ 746,800	\$ 522,200	\$ (224,600)	-30.1%
Human Resources	11,123	25,000	-	(25,000)	-100.0%
Office of the District Clerk	95,079	-	-	-	-
<b>ADMINISTRATION DIVISION</b>	<b>\$ 401,159</b>	<b>\$ 771,800</b>	<b>\$ 522,200</b>	<b>\$ (249,600)</b>	<b>-32.3%</b>
Business Information & Technology Services	\$ 264,208	\$ 7,500	\$ -	\$ (7,500)	-100.0%
Technology Management Program	-	257,000	48,000	(209,000)	-81.3%
<b>BITS &amp; FINANCIAL SERVICES DIVISION</b>	<b>\$ 264,208</b>	<b>\$ 264,500</b>	<b>\$ 48,000</b>	<b>\$ (216,500)</b>	<b>-81.9%</b>
<b>DISTRICT TOTALS</b>	<b>\$ 1,018,020</b>	<b>\$ 1,693,100</b>	<b>\$ 1,378,800</b>	<b>\$ (314,300)</b>	<b>-18.6%</b>

## COST OF EQUIPMENT OUTLAY FY 13/14 BUDGET





# CAPITAL IMPROVEMENT PROGRAM

## HIGHLIGHTS

Capital Improvement Projects By Operations	Budget FY 13/14
Maritime	\$ 5,971,300
Real Estate	24,278,700
Others	794,700
<b>Total Capital Improvement Program</b>	<b>\$ 31,044,700</b>

Capital Improvement Projects for FY 13/14 are shown below for only the largest projects. Refer to the Port’s Capital Improvement Program (CIP) book (available from the Clerk’s Office), for a complete list and description of each project. Amounts shown represent FY 13/14 estimates developed by the Engineering-Construction Department. Grant revenue will offset approximately \$1.3 million of the cost of certain projects. The Capital Improvement amount is the Board approved CIP Budget and includes all contract change order contingencies.

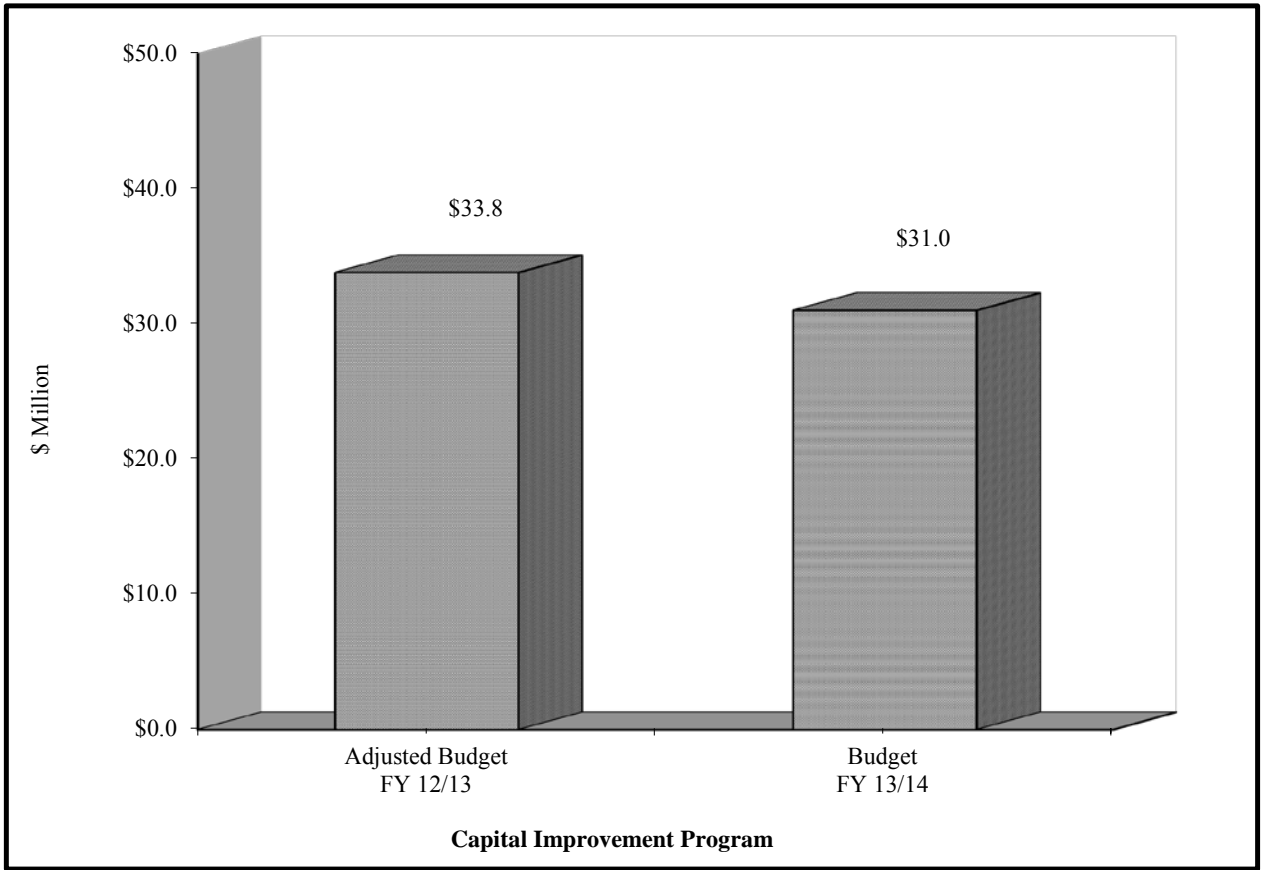
### PARTIAL LIST OF CAPITAL IMPROVEMENT PROJECTS (COSTS FOR FY 13/14 ONLY)

\$ 6,800,000	- NEVP Phase I - Construction (District Share)*
\$ 6,800,000	- NEVP Phase I - Construction (CCDC Contribution)*
\$ 4,350,000	- Chula Vista S. Campus Pavement & Foundation Demo, Phase 3D (MOU)
\$ 3,982,000	- TAMT Shore Power
\$ 3,480,000	- H Street Extension
\$ 1,170,000	- Chula Vista - Pre-Design CVBMP
\$ 807,700	- Broadway Pier Surface Enhancements
\$ 600,000	- DHS Round 11 - CCTV IR Camera Enhancement
\$ 438,000	- Chula Vista Filling "L" Ditch - Offsite Drainage
\$ 428,600	- TAMT - TS#1, Bay D & Head House 1 & 2 Demo
\$ 300,000	- Pond 20 Short Term Aesthetic Improvements
\$ 250,000	- Remediation of Newly Acquired Property - Goodrich (MOU)
\$ 250,000	- TAMT Phase II Demo - TS #1, Bay A,B&C Design
\$ 200,000	- TAMT Crosby St. Pier Modernization & Staff Relocation
\$ 175,000	- Tidelands Avenue & Civic Center Dr. Resurfacing
\$ 164,000	- DHS Grant Round 11 (Broadway Pier Security Fence)
\$ 150,000	- Date Street End Improvements
\$ 115,700	- ACH Improvements - Phase I, North Harbor Dr. Realignment

**Note:**

\*NEVP Phase I has been budgeted for both the District's 50% share & CCDC's 50% contribution.

# BUDGETED CAPITAL IMPROVEMENT PROGRAM FY 13/14 BUDGET



**FY 13/14 CAPITAL MAJOR MAINTENANCE**

<b>Project No.</b>	<b>Project Title</b>	<b>Project Phase</b>	<b>FY14 Budget</b>		
P0388-1	Broadway Pier Utility Relocation	Design	\$ 26,000		
		Construction	200,000		
		<b>FY Total</b>		<b>\$ 226,000</b>	
P0314-1	NCMT Fire Alarm System Replacement	Design	\$ -		
		Construction	450,000		
		<b>FY Total</b>		<b>\$ 450,000</b>	
P0410-1	Spanish Landing Playground Equipment Replacement	Design	\$ 5,000		
		Construction	45,000		
		<b>FY Total</b>		<b>\$ 50,000</b>	
P0409-1	Chula Vista Marina View Park Playground Equipment Replacement	Design	\$ 5,000		
		Construction	45,000		
		<b>FY Total</b>		<b>\$ 50,000</b>	
P0461-1	Coronado Tidelands Park Playground Equipment Replacement	Design	\$ 5,000		
		Construction	45,000		
		<b>FY Total</b>		<b>\$ 50,000</b>	
P0400-1	NCMT Berths Structural & Mooring Repair	Design	\$ 450,000		
		Construction	-		
		<b>FY Total</b>		<b>\$ 450,000</b>	
P0462-1	32nd Street & Water Street Pavement Repair	Design	\$ 20,000		
		Construction	-		
		<b>FY Total</b>		<b>\$ 20,000</b>	
P0435-1	Shelter Island Harbor Control Building Generator Replacement	Design	\$ -		
		Construction	357,300		
		<b>FY Total</b>		<b>\$ 357,300</b>	
P0442-1	Imperial Beach Palm Avenue Storm Water Pump System Improvements	Design	\$ -		
		Construction	41,000		
		<b>FY Total</b>		<b>\$ 41,000</b>	
P0463-1	B Street Pier South Side Mobile Gangway Improvements	Design	\$ 200,000		
		Construction	-		
		<b>FY Total</b>		<b>\$ 200,000</b>	
P0464-1	B Street Pier CST Floor Improvements	Design	\$ 5,000		
		Construction	95,000		
		<b>FY Total</b>		<b>\$ 100,000</b>	
P0465-1	B Street Pier CST Section A Interior Reconfiguration	Design	\$ 30,000		
		Construction	-		
		<b>FY Total</b>		<b>\$ 30,000</b>	
	Contingency			<b>FY Total</b>	<b>\$ 100,000</b>

<b>Capital Major Maintenance (Partial Other Funding)</b>				
P0457-1	Tidelands, Various Locations, Street LED Lighting  (Note: Estimated SDG&E Grant Reimbursement, PM/CM Costs \$40,000)	Design	\$ 20,000	
		Construction	301,000	
		<b>FY Total</b>		<b>\$ 321,000</b>

<b>Total Capital Major Maintenance Budget</b>	<b>\$ 2,445,300</b>
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**FY 13/14 EXPENSE MAJOR MAINTENANCE**

Project No.	Project Title	FY14 Budget	
P0359-1	TAMT Structural & Mooring Repairs/Replacements	Design	\$ -
		Construction	350,000
		<b>FY Total</b>	<b>\$ 350,000</b>
P0417-1	Tidelands, Various Locations, ADA Accessibility Improvements Phase III	Design	\$ 85,000
		Construction	-
		<b>FY Total</b>	<b>\$ 85,000</b>
P0366-1	Tideland, Various Locations, Maritime Structural Repair	Design	\$ 10,000
		Construction	540,000
		<b>FY Total</b>	<b>\$ 550,000</b>
P0443-1	Tuna Harbor Docks Repair	Design	\$ 2,500
		Construction	385,000
		<b>FY Total</b>	<b>\$ 387,500</b>
P0416-1	Point Loma Pavement Maintenance	Design	\$ -
		Construction	350,000
		<b>FY Total</b>	<b>\$ 350,000</b>
P0316-1	TAMT Water Line Valves Replacement	Design	\$ -
		Construction	120,000
		<b>FY Total</b>	<b>\$ 120,000</b>
	Contingency	<b>FY Total</b>	<b>\$ 200,000</b>

Expense Major Maintenance (Partial Other Funding)			
P0393-1	Tidelands, Various Locations, Energy Efficiency Retrofits  (Note: Estimated SDG&E Grant Reimbursement, PM/CM Costs \$30,000)	Design	\$ -
		Construction	275,000
		<b>FY Total</b>	<b>\$ 275,000</b>

<b>Total Expense Major Maintenance Budget</b>	<b>\$ 2,317,500</b>
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<b>Total FY 13/14 Major Maintenance Budget</b>	<b>\$ 4,762,800</b>
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# TECHNOLOGY STRATEGIC PLAN

FY 13/14 marks the second year of the five-year Technology Strategic Plan (TSP). In the first year of the TSP, the following items were completed:

- BITS Project Management Office
- Information Technology Governance
- GroupWise email replaced with Microsoft Exchange in the cloud
- Desktops upgraded to Windows 7
- Online Park Permitting System
- Online Travel and Expense Reimbursement

<b>Technology Strategic Plan for FY 13/14</b>	
<b>TSP Capital Projects</b>	
Automated Board Agenda Application	\$ 75,000
Board Room Equipment Replacement	235,000
E-Government Website/Portal	150,000
Enterprise Content Management System (ECMS)	799,800
- Public Records Request Application	
- Events/Scheduling Application	
- eSignatures	
MOIS Replacement	150,000
<b>Total TSP Capital Projects</b>	<b>\$ 1,409,800</b>
<b>TSP Non-Capital Projects</b>	
Project Implementation Resources	\$ 260,000
Desktop Refresh	112,000
<b>Total Non-Capital Projects</b>	<b>\$ 372,000</b>
<b>Total Technology Strategic Plan FY 13/14</b>	<b>\$ 1,781,800</b>

# TECHNOLOGY MANAGEMENT PROGRAM

The Technology Management Program (TMP) is a strategic, operationally responsive, and fiscally responsible approach to manage Port technologies. It allows the Port to standardize systems and leverage cost savings opportunities through economies of scale. Additionally, it facilitates coordinated implementation schedules of planned technology refresh strategies that will keep the Port up-to-date. It uses a cost-benefit analysis method and governance model to make technology investment decisions, ensuring the highest likelihood of a return on investment.

<b>Technology Management Program for FY 13/14</b>	
<b>Non-Personnel Expense</b>	
Services - Professional & Other	\$ 1,331,900
Equipment & Systems	361,000
Telephone & Communications	508,600
Equipment Maintenance-Outside Services	241,200
Software Maintenance	904,300
<b>Total Non-Personnel Expense</b>	<b>\$ 3,347,000</b>
<b>Equipment Outlay</b>	
Enterprise SQL Server software	48,000
<b>Total Equipment Outlay</b>	<b>\$ 48,000</b>
<b>TMP Capital Projects</b>	
Port Security Grant Project (GS Access Control)	\$ 95,000
<b>Total TMP Capital Projects</b>	<b>\$ 95,000</b>
<b>Total Technology Management Program FY 13/14</b>	<b>\$ 3,490,000</b>

## **PUBLIC ART HIGHLIGHTS**

The Port's vision for public art is to build and maintain a critically acclaimed collection of public artworks that embodies the essence of the Port's maritime, environmental and civic character. To realize this vision, the Public Art Program provides leadership, advocacy and stewardship of the collection to enhance the visual excitement, aesthetic appeal, and cultural richness of the tidelands.

For FY 13/14, the Public Art Program will focus on stewardship of the Port-owned Tidelands Collection, which includes the on-going annual conservation and maintenance efforts and inventory and records. In addition, staff will

continue to professionally oversee and manage public art projects funded under the Port's two unique percent-for-art programs: CIP percent for art pursuant to BPC Policy No. 609 – Public Art; and Tenant percent for art, pursuant to BPC Policy No. 608 – Tenant Percent for Art.

A 13-member Public Art Committee serves in an advisory capacity, making recommendations to staff and the Board on matters relating to the development and stewardship of public art on Port tidelands.

## SUMMARY OF PUBLIC ART

	Actual FY 11/12	Adjusted Budget FY 12/13	Budget FY 13/14
<b>Beginning Balance</b>	<u>\$ 2,737,675</u>	<u>\$ 2,611,900</u>	<u>\$ 2,400,100</u>
<u>Income Sources</u>			
Public Art set-aside (1)	\$ 1,200,000	\$ 1,200,000	\$ 1,200,000
Public Art set-aside reduction (2)	-	(1,000,000)	(600,000)
Pre-funded set-aside	(700,000)	-	-
Interest Income (3)	25,661	14,500	3,700
<b>Total Income:</b>	<u>\$ 525,661</u>	<u>\$ 214,500</u>	<u>\$ 603,700</u>
<u>Expenditures</u>			
Public Art	\$ 534,002	\$ 375,000	\$ 599,100
Transfer Costs (4)	61,234	50,000	65,900
Non-Capital Project Costs	54,611	-	-
Transfer to Operating Budget (5)	-	-	1,500,000
Depreciation (6)	1,607	1,300	3,300
<b>Total Expenditures:</b>	<u>\$ 651,454</u>	<u>\$ 426,300</u>	<u>\$ 2,168,300</u>
<b>Ending Balance</b>	<u>\$ 2,611,883</u>	<u>\$ 2,400,100</u>	<u>\$ 835,500</u>

**Notes:**

- (1) In May 2008, BPC Policy No. 609 was amended to establish an annual appropriation of \$1.2 million for the Public Art Fund.
- (2) The BPC waived BPC 609 and authorized a reduction in the FY 13/14 annual deposit for the Public Art Fund from \$1.2M to \$0.6M.
- (3) Monies placed in the Fund shall be accounted for separately from other Port funds.
- (4) Primarily includes support services from General Services and Engineering, and space rental and insurance allocation.
- (5) In May 2013, the BPC authorized the transfer of \$1.5M from the Public Art Fund to fund the FY 13/14 budget.
- (6) Depreciation is for the renovation of the Public Art conference room and office equipment



# ENVIRONMENTAL FUND PROGRAM HIGHLIGHTS

The mission of the Port's Environmental Policy (BPC Policy No. 730) is to provide the funding and decision-making direction that is necessary to select and execute projects aimed at improving the condition of the Bay and surrounding Port Tidelands. In approving the policy, the Board of Port Commissioners created both the Environmental Advisory Committee and the Environmental Fund. A key component of the Committee and Fund is to support a variety of projects that are beneficial to the Bay and meet the Port's goal of being an environmental steward. Projects of the Environmental Fund specifically address habitat restoration, environmental education, research and monitoring, air quality and conservation, water and sediment quality, and endangered species.

The Environmental Fund is funded in accordance with BPC Policy No.730, which sets aside one-half of one percent (1/2 of 1%) of the Port's projected gross revenues for that year. The gross revenue shall not include anticipated grants from any source or any other restricted revenue source.

Since the inception of the Environmental Fund in June 2006, 64 projects have been funded of which 54 have been completed.

<b>Total Environmental Fund Program for FY 13/14</b>	<b>\$</b>	<b>556,000</b>
Chula Vista School District Education Program		1,000
Electric Vehicles		10,000
Emory Cove		5,000
New Environmental Projects		500,000
San Diego State University - San Diego Bay Terrain Model		5,000
Shoreline Erosion Study		25,000
Scripps Institute of Oceanography (SIO) Geotech & Fault Study		10,000

## SUMMARY OF ENVIRONMENTAL FUND PROGRAM

	Actual FY 11/12	Adjusted Budget FY 12/13	Budget FY 13/14
<b>Beginning Balance</b>	<b>\$ 5,131,965</b>	<b>\$ 4,442,300</b>	<b>\$ 2,322,000</b>
<u>Income Sources</u>			
Port Revenues for Environmental Fund (1)	\$ 117,235,700	\$ 118,429,300	\$ 124,210,900
Set-aside percentage	0.005	0.005	0.005
Total Set Aside	\$ 586,200	\$ 592,100	\$ 621,100
Prefunded set aside (2)	(400,000)	-	-
Environmental Fund set-aside	\$ 186,200	\$ 592,100	\$ 621,100
Interest Income (3)	39,027	21,400	6,400
<b>Total Income:</b>	<b>\$ 225,227</b>	<b>\$ 613,500</b>	<b>\$ 627,500</b>
<u>Expenditures</u>			
Non-Capital Project Costs	\$ 636,023	\$ 2,653,800	\$ 556,000
Deferred MM Projects (4)	-	-	524,000
Capital Project Costs (5)	278,901	80,000	-
<b>Total Expenditures:</b>	<b>\$ 914,924</b>	<b>\$ 2,733,800</b>	<b>\$ 1,080,000</b>
<b>Ending Balance</b>	<b>\$ 4,442,268</b>	<b>\$ 2,322,000</b>	<b>\$ 1,869,500</b>

**Notes:**

- (1) According to BPC Policy No. 730, for the purpose of the Environmental Program gross revenue calculation, gross revenue shall not include anticipated grants from any source, or any other restricted revenue source. Additionally, the program funding is to be based upon projected revenues.
- (2) In May 2011, the BPC approved to pre-fund \$0.4 million of the \$0.6 million FY 11/12 set-aside in FY 10/11.
- (3) Monies placed in the Program shall be accounted for separately from other Port funds and any earnings thereon shall accrue to the Program.
- (4) The BPC deferred \$2.8 million in Major Maintenance which included two projects totaling \$524,000 funded from the Environmental Fund.
- (5) Includes Capital Improvement Projects (CIP) and Capital Major Maintenance capital projects included in the CIP and MM budgets, respectively.

## MARINE TERMINAL IMPACT FUND HIGHLIGHTS

In July 2010, the Board established a Marine Terminal Impact Fund (MTIF). The purpose of the MTIF is to reinvest in projects that will help offset the negative impacts of the Port's marine terminals on neighboring communities. Examples of Marine Terminal Enhancement Projects in National City and San Diego include a study for a new parking structure near 28th Street and Harbor Drive, and the freeway access projects that will reduce truck traffic in the Barrio Logan community.

The Board established an initial set-aside of \$500,000 with additional funds to be set aside annually starting in FY 11/12. The annual set-aside is calculated at one-half of one percent (1/2 of 1%) of the actual gross revenues earned from the Tenth Avenue Marine Terminal and the National City Marine Terminal. The actual amount of the funding will be posted after the end of the each fiscal year when the gross revenues from each terminal are known.

	<b>Actual FY 11/12</b>	<b>Adjusted Budget FY 12/13</b>	<b>Budget FY 13/14</b>
Initial Set-Aside/Beginning Balance	\$ 599,975	\$ 699,975	\$ 699,975
<u>Income Sources</u>			
TAMT & NCMT Revenues	\$ -	\$ 20,000,000	\$ 20,000,000
Set-Aside Percentage	0.005	0.005	0.005
Total Set-Aside	\$ -	\$ 100,000	\$ 100,000
Expenditures	-	100,000	100,000
<b>Ending Balance - Marine Terminal Impact Fund</b>	<b>\$ 599,975</b>	<b>\$ 699,975</b>	<b>\$ 699,975</b>

# DEBT MANAGEMENT HIGHLIGHTS

## Highlights of Capital Borrowing Plans

**Long-Term Debt.** The Port issued revenue bonds on October 28, 2004. The debt issuance of \$49.5 million provided approximately \$47.0 million in net bond proceeds. The bonds were issued to reimburse the Port for previously incurred expenditures on Capital Improvement Program (CIP) projects. The CIP includes various development and improvement projects approved by the Board of Port Commissioners.

**Promissory Note to the SDCRAA.** As part of the January 2003 transfer of the airport, the Port issued a \$50.0 million promissory note to the San Diego County Regional Airport Authority (SDCRAA). In accordance with the May 20, 2004 settlement agreement, the note is being amortized over 25 years beginning in January 2006 at a fixed interest rate of 5.5% per annum.

**IT Network Infrastructure & Phone System.** In FY 08/09, the Port entered into the Master Tax-Exempt Lease/Purchase Agreement with Key Government Finance, Inc. to lease phone and network equipment, and integration services. The lease term is for five years with a payment of \$942,800 in the first year and then an annual payment of \$692,500 for the remaining four years for a total of \$3,712,800, including principal and interest.

**Civic San Diego (formerly, Center City Development Corporation).** In April 2007, the City of San Diego and the Redevelopment

Agency of the City of San Diego, acting through Civic San Diego, executed a Joint Exercise of Power Agreement (JPA) to design and implement the North Embarcadero Visionary Plan (NEVP) Phase 1 project. A First Amendment to the (JPA) was executed on February 28, 2011. Project costs for the first phase are shared equally between the District and Civic San Diego. A First Phase Advance Repayment Agreement, dated August 8, 2011 states that the District can request advances from Civic San Diego in an amount not to exceed \$12.9 million. This amount is gross of a \$4.4 million maintenance credit to the District in exchange for the assumption of all post-construction maintenance responsibilities. The resulting capital cost to the District is approximately \$8.5 million and is funded through advances from Civic San Diego. The District commences repaying Civic San Diego \$850,000 annually on July 1, 2013.

**Debt Service Payments FY 13/14.** Payments are estimated at \$8.6 million (see table below).

**Debt Limits.** According to the District Act, the Port may not incur general obligation bonded debt that exceeds 15.0% of the assessed value of its real and personal property. There are also statutory debt limits that further constrain Port borrowing. At this time, the Port does not have any general obligation bonds outstanding. The Port has never failed to pay its principal and interest payments when due.

## DEBT PAYMENT REQUIREMENTS

	Principal	Interest	Total
SDCRAA Promissory Note	\$ 1,446,900	\$ 2,237,600	\$ 3,684,500
2004 Revenue Bonds (Series A)	1,570,000	492,700	2,062,700
2004 Revenue Bonds (Series B)	-	1,265,900	1,265,900
IT Network Infrastructure & Phone System	659,200	33,300	692,500
Civic San Diego	850,000		850,000
<b>Total</b>	<b>\$ 4,526,100</b>	<b>\$ 4,029,500</b>	<b>\$ 8,555,600</b>

# BUDGET TIMETABLE

The budget development process is integrated closely with strategic and project planning, where the entire Management Team conducts the review but the individual departments are given the control and accountability.

The Financial Analyst Team works with Senior Management Team to ensure that budget proposals support the Port's Strategic Plan and that appropriate funding is available.

**Normally, Board workshops to discuss the preliminary budget are held in late April and early May.** The workshops are an opportunity for the Board and the public to ask questions and discuss alternatives to the proposed goals, objectives, programs, and activities included in the budget.

**Preliminary budget adoption starts the public comment period.** Adoption of the preliminary budget, which under the provisions of the District Act must occur by June 15 each year, starts the clock on the public comment period. Not less than 30 days later, the Board considers the final budget for adoption.

**Final budget adoption follows the public comment period.** At its first meeting following the comment period, but no later than August 1, the Board adopts the final budget, along with amendments to the Salary Ordinance for personnel changes included in the final budget. Ideally this happens in June, prior to the start of the new fiscal year.

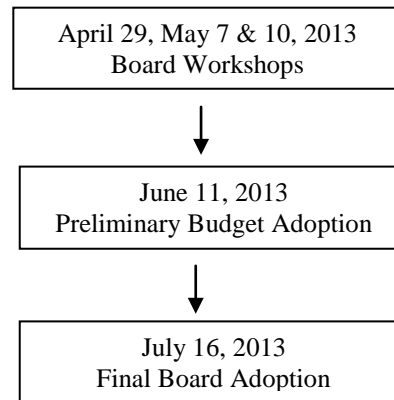
Once the budget is adopted, it is loaded into the *SAP Funds Management Accounting System (SAP-FM)* and the funds availability function, which tracks expenses against the budget, is activated.

**An appropriating ordinance may be required.** If no final budget is adopted by July 1, a special ordinance is required to appropriate funds for continuing operations.

The budget is based on estimates made by Departments four to five months before the end of the current fiscal year, and 16 to 17 months before the end of the budget year. Many events could occur after adoption that would make the actual results significantly different from the budget estimates.

Once adopted, the budget is not fixed. The budget can be amended at any time during the fiscal year by Board ordinance. Staff monitors budget results and programs throughout the fiscal year. Changes in plans, fluctuations in estimates, new programs for which no estimate was available, and other unexpected events may require a budget amendment.

**The Capital Improvement Program (CIP)** is a five-year plan and is submitted annually to the Board as a separate document. It is coordinated with the Port's Strategic Plan. The FY 13/14 annual budget component for the CIP is reviewed and approved by the Board and is coordinated with the preparation of the operating budget. The CIP is funded primarily by net cash gain from operations and other approved services, as summarized in the Budget Highlights "*Budget in Brief*" section. A new five-year CIP plan is being developed in conjunction with Board Policy No. 120.



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