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VISION

To Foster a World-Class Port through Excellence in Public Service.

MISSION

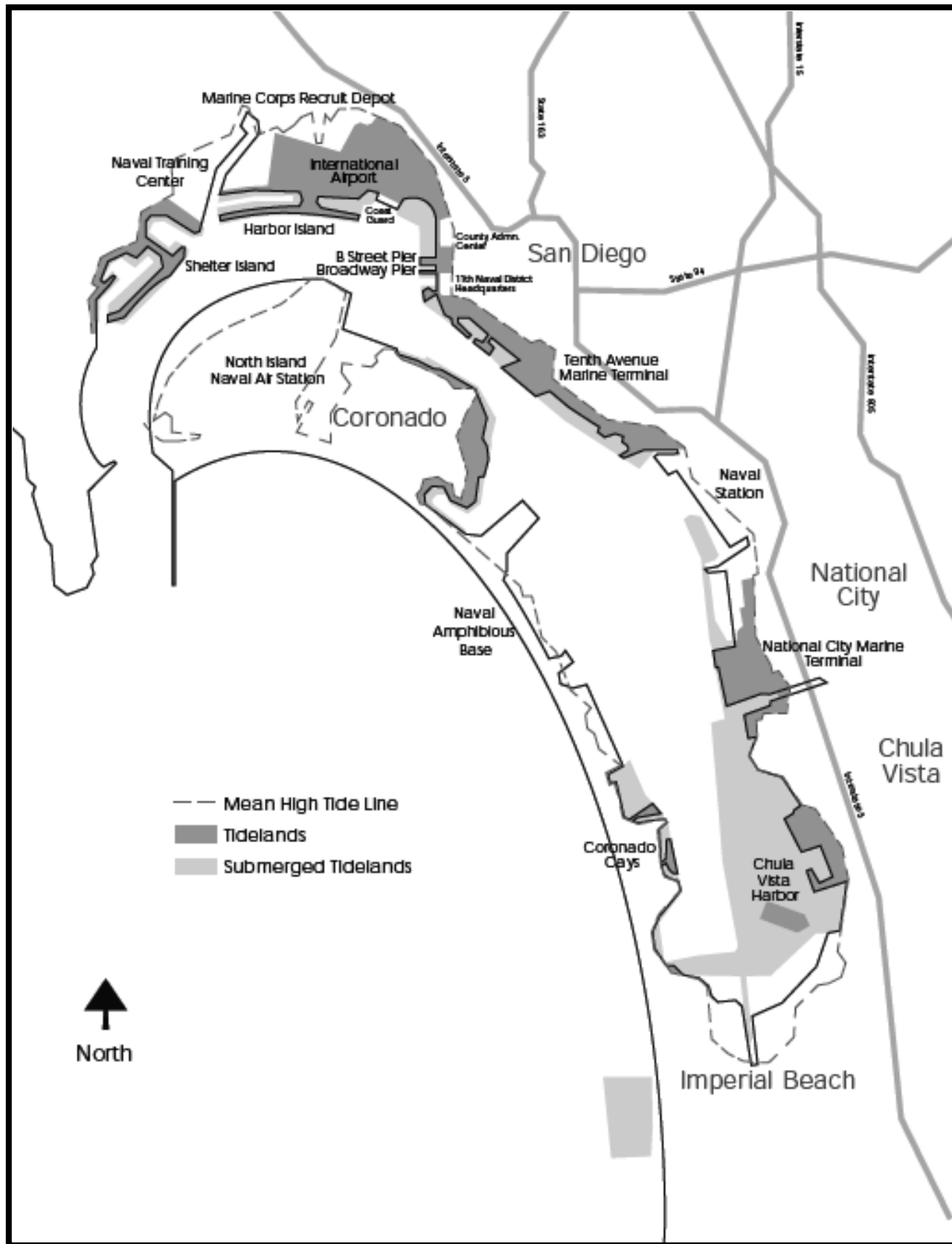
The San Diego Unified Port District will protect the Tidelands Trust resources by providing economic vitality and community benefit through a balanced approach to maritime industry, tourism, water and land recreation, environmental stewardship, and public safety.

CORE VALUES

*Accountability
Courage
Inclusiveness
Fairness
Fun*

*Innovation
Integrity
Teamwork
Transparency*





THE SAN DIEGO UNIFIED PORT DISTRICT

The San Diego Unified Port District (District) is a regional public agency established in 1962 by an act of the California State Legislature to consolidate management responsibilities for San Diego Bay. This consolidation provides ongoing efficiencies and centralized planning for the tidelands along San Diego Bay.

- The District is an economic engine, creating jobs and dollars for the regional economy through the promotion of maritime trade, tourism, and other commercial activities.
- The District is an environmental steward, preserving and enhancing the natural resources of the San Diego Bay and surrounding tidelands.
- The District is a provider of community services, providing public access, public safety, recreation, and community activities along the waterfront for visitors and residents of the region.

A seven-member Board of Port Commissioners governs the District. Board members are appointed to four-year terms by the city councils of Chula Vista, Coronado, Imperial Beach, National City, and San Diego. The San Diego City Council appoints three commissioners and each of the other member city councils appoints one commissioner. Port Commissioners establish policies that the District staff, under the direction of the Executive Director, uses to conduct daily operations.

The District's maritime and real estate operations generate billions of dollars for the region's economy and allows the District to operate without the benefit of tax dollars. The District does have the authority to levy a tax, but has not done so since 1969.

PUBLIC TRUST DOCTRINE

The San Diego Unified Port District Act is based on the Public Trust Doctrine, which mandates how California's sovereign lands should be managed. Also known as public trust lands, they include areas that used to be or are still under the bay and other waters. These lands cannot be bought and sold because they are held in the public trust and belong to the people of the State of California. As the trustee of these lands, the District is responsible for carrying out the principles of the Public Trust Doctrine. This includes protecting the environment, promoting the public's enjoyment of these lands, and enhancing economic development for the public's benefit.

MESSAGE FROM THE CFO/TREASURER

The Bridge Year to Long-Term Financial Sustainability

It is my pleasure to present a balanced budget for the Port of San Diego for Fiscal Year 2014/2015 (FY 14/15). The coming year is shaping up to be a significant transition period for the District's budget, a *Bridge Year*, to Long-Term Financial Sustainability. In the aftermath of the Great Recession, this transition year was anticipated by the Executive Leadership Group as we began executing the Strategic Vision set by the Board of Port Commissioners (Board) for the long-term financial sustainability of the District.

Recent financial performance is encouraging and management can reasonably forecast that the District will end the current fiscal year with positive results. These forecasted results, along with economic forecasting and market analyses, are indicators that support management's progress in its concerted efforts to control discretionary costs, right-size the organization with input from labor, and allocate resources to the highest priorities of the Board. I am proud to report that the District is continuing to provide quality services in the context of fiscal discipline, while growing our various business lines.

Although we are not completely out of the woods, we see promising signs that the organization is turning the corner to greater success, replenishment of reserves, and generation of future surpluses that can be used to drive regional job creation and economic vitality, while meeting other strategic and regulatory priorities of the Board. All of this was achieved with the full support of the Board and within the context of a modestly recovering regional, national, and global economy. As partners in the District's future, our tenants' operational success, expansion, and investment are an important contributor to this positive outlook.

According to a recent Bloomberg survey of economists, the national economy, as measured by Gross Domestic Product, is expected to grow 2.7% and 3% for calendar years 2014 and 2015. The Consumer Price Index is forecasted to be right around 1.7% and 2% for calendar years 2014 and 2015, respectively. Overall, San Diego's index of economic indicators has been trending modestly upward for most of calendar year 2013. The economic outlook for San Diego County is expected to be moderate for 2014 with continued growth in the construction, leisure, and hospitality sectors; all of which are relevant to our business. The San Diego Regional Economic Development Corporation forecasts that 2014 will be a year of continued economic growth and recovery. The District will need to reaffirm its commitment to fiscal discipline, while recognizing the shared sacrifices made by our workforce, and continuing to seize investment and revenue generation opportunities.

As a reminder, during the near financial collapse of the global economy in 2009, businesses and other agencies – public, private and not-for-profit – experienced major challenges to their budgetary bottom lines. The District's annual budget process faced such challenges over the last two years, as the Board and management grappled with resetting the agency for long-term financial sustainability and future success. For the FY 13/14 Budget, the Board had directed staff to present a balanced budget without incurring layoffs. In order to accomplish the Board's direction, staff recommended and the Board approved the utilization of the District's Public Art and Environmental Funds. The District's Vacancy Management Team, established under the authority and oversight of President/CEO Wayne Darbeau, strategically managed and re-deployed employee vacancies to match the needs of the organization without increasing headcount. The President/CEO also established the District's Revenue Generation Team to harness the entrepreneurial spirit that has been a defining characteristic of the District since its inception in 1962. The team's efforts led to the District's securing approximately \$1 million in new revenues. Some of the significant increases in revenue are associated with utilizing the B Street Cruise Terminal parking lot for public parking on non-cruise days, along with a Board-adopted pilot program adjusting parking meter

rates and schedules to increase parking turnover. In addition, the District is negotiating leases for previously vacant District space that can be converted to revenue generating uses.

As a result of this hard work by our organization, I am proud to present a balanced budget for FY 14/15, with no layoffs recommended by staff. This budget was developed with due care for ensuring that discretionary costs are managed judiciously while, at the same time, identifying and implementing revenue generation opportunities. It reflects continued organizational discipline, the positive culture of respect for labor relations, and employee input in achieving prudent cost-control measures. These priorities are intended to ensure the health of the organization and a balance of work and life for all employees, by strategically allocating finite resources to meet the District's highest business and regulatory priorities.

The FY 14/15 Budget will support the District's eight Strategic Goals adopted by the Board of Port Commissioners, as outlined in Section 1. These goals are used to guide and shape allocation of finite financial, budgetary and organizational resources to drive the Board's projects, plans, and priorities. In FY 13/14, the District invested about \$25 million of capital projects in its surrounding Unified Port member regions. It is estimated that the District will invest another \$21 million of capital projects in its Unified Port communities in FY 14/15. The District's operating revenues, combined with the new identified revenue sources, have funded a number of high priority Board projects. These initiatives represent a significant investment of today's resources, which enables the District to advance tomorrow's strategic priorities including economic growth and environmental sustainability, along with statewide and community benefits.

The FY 14/15 budget funds high-priority District initiatives including:

- **Integrated Planning:** We have begun developing a new, long-term vision that will ensure a holistic, thoughtful, and balanced approach to the future land and water uses on San Diego Bay. Our Integrated Planning initiative officially began in October 2013, and we are currently advancing a 50-year Vision Plan. Future phases will guide development of a new Port Master Plan.
- **Chula Vista Bayfront:** The 535-acre Chula Vista Bayfront is the last large developable waterfront site in Southern California and a prime opportunity for uniquely branded resort, convention center and other commercial development, along with 240 acres of public realm space set aside as parks, open space and nature preserves. The District is continuing its multi-year efforts to demolish legacy industrial structures. An outreach effort has begun to secure a quality development team partner.
- **Maritime Tenth Avenue Marine Terminal Optimization Planning Study:** The District has embarked on a comprehensive refresh of our long-term facilities planning to optimize terminal throughput and meet evolving market demands. A programmatic Environmental Impact Report has been initiated to facilitate business development and accelerate partnerships in capital investments to maximize the terminal.
- **Green Port – Clean Air, Climate Action Plan and Sustainability:** The Board of Port Commissioners adopted the Climate Action Plan in December 2013, becoming one of the first ports in the nation to voluntarily do so. It provides an integrated and strategic vision that will ensure the Port's sustainability. The plan identified six Greenhouse Gas emission reduction categories including transportation and land use, energy conservation and efficiency, alternative energy generation, water conservation and recycling, and waste reduction and recycling.

The below accomplishments mark significant gains made in FY 13/14. These projects will continue to contribute to the present and future success of the District, well into 2015 and beyond, as follows:

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- The District secured entitlements for the long-awaited San Diego Convention Center Expansion and Hilton San Diego Bayfront Expansion, with a unanimous vote by the California Coastal Commission on October 10, 2013 to approve a Port Master Plan Amendment. The approval of the convention center project was the result of a five-year collaboration among the San Diego Convention Center Corporation, the City of San Diego, the Port of San Diego, hotel developers, business groups and the community.
 - The North Embarcadero Visionary Plan (NEVP) Phase I Project is nearly complete and on track to open to the public in FY 14/15. This important project reconfigures and beautifies the front porch of the City of San Diego, located at the foot of Broadway and North Harbor Drive. NEVP Phase 1 increases and enhances the public's access to San Diego Bay through a wide esplanade and waterfront promenade. With new groves of jacaranda trees and world-class public art, the area becomes more welcoming and attractive to the public.
 - The Chula Vista Bayfront Master Plan (CVBMP) recently achieved several key milestones. Construction is well underway on the Chula Vista H Street Extension. This project extends H Street from Interstate 5 to Marina Parkway with a modified four-lane street, sidewalks, and bikeways. This project will facilitate direct public access to the bayfront. The District and the City of Chula Vista are working jointly on implementation of the CVBMP. Infrastructure cost estimates and financing alternatives are in development, and a robust developer solicitation has been launched.
 - The Headquarters opened in November 2013. Originally the site of the City of San Diego's Police Department Headquarters, the facilities on this landmark property sat vacant and in disrepair for many years. The District's tenant restored and redeveloped the site, which is located between downtown San Diego and the waterfront. The property, listed on the National Register of Historic Places, has been transformed into an upscale open-air urban retail, dining, and entertainment venue designed as a destination for both locals and tourists.

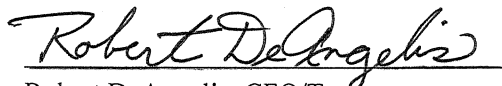
As the economy continues to recover and grow, we expect to consider more development project proposals, thereby increasing costs to the District associated with moving such projects forward. This past year, the District began fully implementing Cost Recovery, consistent with best management practices. As a steward of public resources, the District is ever mindful that recipients of special benefits must be held responsible for the cost of providing those services. The District is committed to continuing to refine the Cost Recovery framework to ensure that it is transparent, understandable and fair to all concerned.

Other significant accomplishments achieved in FY 13/14 include the following:

- Construction began on a new hotel and public park on the Lane Field site. The Lane Field North Hotel Project consists of a dual-branded hotel that will be developed on Lane Field, the former home of the Pacific Coast League Padres. The development incorporates about two acres of public space including a new waterfront park.
- A major capital project in Imperial Beach was completed. The Imperial Beach Pier, an iconic and popular fishing and viewing destination, was refurbished with new decking.
- Staff continued efforts to attract and retain cruise partners. After several years of a depressed cruise market in Southern California, capacity is now being redeployed to the West Coast in 2015. The District has secured new business partners such as Disney Cruise Line and Norwegian Cruise Line with new homeports. San Diego also retained valued long-term partners such as Holland America.

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- Long-term debt of \$26 million was refinanced, which will save interest expenses of approximately \$2.5 million over the life of the debt.
 - Automobile imports at National City Marine Terminal are up approximately 26% year-over-year, reinforcing the terminal's status as the most efficient auto processing terminal on the West Coast.

All of these significant projects were completed despite the modest economic growth results for both the national and regional economies. They represent the District's essential value, reflected in its civic and economic contributions to communities in the Unified Port region and statewide. As we commence this *Bridge Year* to a future of greater prosperity and success for the District, management and I are mindful of the many obstacles and challenges that we continue to face in this journey. We remain fully aware that economics is not a precise science, and that business cycles may rise and fall over time. We plan to remain just as vigilant in continuously addressing the bottom-line indicators of success for this essential public agency. Our staff will remain focused with the Board and our stakeholders on generating future growth, prosperity and environmental stewardship over the next 50 years, as we strive to fulfill State Senator Jim Mills' vision of a Unified Port in the Port Act of 1962.



Robert DeAngelis, CFO/Treasurer

BUDGET IN BRIEF
OVERVIEW OF REVENUES, EXPENSES, CAPITAL REQUIREMENTS & FUND ACTIVITIES

	ACTUAL RESULTS FY 12/13	ADJUSTED BUDGET FY 13/14	BUDGET FY 14/15	INC/(DEC) FY 14/15-13/14 BUDGET	% CHANGE
<u>Operating Revenue</u>					
Maritime	\$ 33,469,190	\$ 35,508,900	\$ 36,253,200	\$ 744,300	2.1%
Real Estate	82,604,486	86,352,100	87,249,900	897,800	1.0%
Harbor Police	15,312,590	14,619,900	14,565,800	(54,100)	-0.4%
Miscellaneous (G&A reimb for HPD Svcs to SDCRAA, Op Grants, etc.)	3,878,631	4,827,200	3,751,600	(1,075,600)	-22.3%
Total Operating Revenue	\$ 135,264,897	\$ 141,308,100	\$ 141,820,500	\$ 512,400	0.4%
<u>Non-Operating Revenue</u>					
Grants - Capital Project Reimbursement	\$ 4,996,663	\$ 1,337,400	\$ 461,300	\$ (876,100)	-65.5%
NEVP Capital Project Contribution	5,174,580	6,800,000	1,761,400	(5,038,600)	-74.1%
Investment Revenue	467,385	380,000	400,000	20,000	5.3%
Other (reimbursed legal fees, donated revenue, etc.)	2,222,849	590,000	110,000	(480,000)	-81.4%
Total Non-Operating Revenue	\$ 12,861,477	\$ 9,107,400	\$ 2,732,700	\$ (6,374,700)	-70.0%
Total Revenue	\$ 148,126,374	\$ 150,415,500	\$ 144,553,200	\$ (5,862,300)	-3.9%
<u>Operating Expense</u>					
Salaries & Wages	\$ 46,284,409	\$ 46,212,100	\$ 46,291,600	\$ 79,500	0.2%
Burden	28,786,357	30,197,400	30,119,900	(77,500)	-0.3%
OPEB Annual Expense	4,467,016	5,219,600	5,219,600	-	0.0%
Non-Personnel Expense (NPE)	46,748,902	46,744,950	51,350,700	4,605,750	9.9%
Major Maintenance - Expense	1,053,936	2,317,500	1,470,000	(847,500)	-36.6%
Technology Strategic Plan - Projects NPE	504,156	372,000	383,200	11,200	3.0%
Less: Capitalized Labor	(3,383,947)	-	(2,152,000)	(2,152,000)	-
Total Operating Expense	\$ 124,460,829	\$ 131,063,550	\$ 132,683,000	\$ 1,619,450	1.2%
<u>Non-Operating Expense</u>					
Financial Assistance (Convention Center)	\$ 4,500,000	\$ 4,500,000	\$ -	\$ (4,500,000)	-100.0%
Miscellaneous Interest Expense	4,206,449	4,029,500	4,044,900	15,400	0.4%
Other Miscellaneous Expense	81,499	60,000	60,000	-	0.0%
Total Non-Operating Expense	\$ 8,787,948	\$ 8,589,500	\$ 4,104,900	\$ (4,484,600)	-52.2%
Total Direct Expense	\$ 133,248,777	\$ 139,653,050	\$ 136,787,900	\$ (2,865,150)	-2.1%
Earnings Before Depreciation	\$ 14,877,597	\$ 10,762,450	\$ 7,765,300	\$ (2,997,150)	-27.8%
Percent to Total Revenue	10.0%	7.2%	5.4%		
<u>Non Cash Adjustments</u>					
OPEB Expenditure Accrual (GASB 45)	\$ 4,874,465	\$ 5,219,600	\$ 5,219,600	\$ -	0.0%
Unrealized Gain/(Loss) on Investments (GASB 31)	206,298	-	-	-	-
Capital Projects - Capitalized Labor	(3,383,947)	-	-	-	-
Total Non Cash Adjustments	\$ 1,696,816	\$ 5,219,600	\$ 5,219,600	\$ -	0.0%
Cash Provided from Operations	\$ 16,574,413	\$ 15,982,050	\$ 12,984,900	\$ (2,997,150)	-18.8%

Note:

See Section 3 Pages 5 and 6 for Revenue Highlights explanations and Section 3 Pages 12 and 13 for Expense Highlights explanations.

BUDGET IN BRIEF
OVERVIEW OF REVENUES, EXPENSES, CAPITAL REQUIREMENTS & FUND ACTIVITIES

	ACTUAL RESULTS FY 12/13	ADJUSTED BUDGET FY 13/14	BUDGET FY 14/15	INC/(DEC) FY 14/15-13/14 BUDGET	% CHANGE
Cash Provided from Operations	\$ 16,574,413	\$ 15,982,050	\$ 12,984,900	\$ (2,997,150)	-18.8%
Uses of Cash					
Capital and Debt Requirements					
Capital Improvement Program	\$ (19,606,936)	\$ (31,724,100)	\$ (20,775,100)	\$ 10,949,000	-34.5%
Technology Management Program (TMP) Capital Projects	-	(95,000)	(250,000)	(155,000)	163.2%
Technology Strategic Plan (TSP) Capital Projects	(1,010,562)	(1,409,800)	(1,409,800)	-	0.0%
Capital Major Maintenance Projects	(7,792,803)	(2,445,300)	(3,570,000)	(1,124,700)	46.0%
Equipment Outlay	(1,438,460)	(1,463,800)	(2,022,800)	(559,000)	38.2%
Debt Service (Principal Only)	(3,698,257)	(4,526,100)	(3,696,500)	829,600	-18.3%
Total Capital and Debt Requirements	\$ (33,547,018)	\$ (41,664,100)	\$ (31,724,200)	\$ 9,939,900	-23.9%
Non Cash Funds and Reserves (Increases)/Decreases					
Additions to Funds (Annual Set-Asides to Funds)					
Public Art Fund	\$ (200,000)	\$ (600,000)	\$ (350,000)	\$ 250,000	-41.7%
Environmental Fund	(592,100)	(621,100)	(623,400)	(2,300)	0.4%
Marine Terminal Impact Fund (TAMT & NCMT)	(100,000)	(100,000)	(90,000)	10,000	-10.0%
Total Additions to Funds	\$ (892,100)	\$ (1,321,100)	\$ (1,063,400)	\$ 257,700	-19.5%
Uses of Restricted Reserves (funding from restricted funds)					
Major Maintenance Capital Project	\$ 491,893	\$ -	\$ -	\$ -	-
Equipment Outlay, TMP Grant Funded, and Asset Forfeiture	85,690	378,800	405,300	26,500	7.0%
Total Use of Restricted Reserves	\$ 577,583	\$ 378,800	\$ 405,300	\$ 26,500	7.0%
Uses of Funds (funding from reserves)					
Public Art, Environmental, and Marine Terminal Impact Fund	\$ 2,865,841	\$ 1,324,300	\$ 1,060,000	\$ (264,300)	-20.0%
Major Maintenance Expense Projects - Environmental Fund & Others	367,242	30,000	-	(30,000)	-100.0%
Major Maintenance Capital Project - Environmental Fund & Others	-	40,000	-	(40,000)	-100.0%
Total Use of Funds	\$ 3,233,083	\$ 1,394,300	\$ 1,060,000	\$ (334,300)	-24.0%
Uses of or (Additions) to Capital Reserves					
Capital Improvement Program Projects	\$ 19,606,936	\$ 31,724,100	\$ 20,775,100	\$ (10,949,000)	-34.5%
Capital Grants	(4,996,663)	(1,337,400)	(461,300)	876,100	-65.5%
San Diego Fisheries Revitalization - Funded by CIP	182,000	-	-	-	-
NEVP Capital Project Contribution	(6,446,361)	(6,800,000)	(1,761,400)	5,038,600	-74.1%
ACH Parking Facility Revenue	(215,002)	(215,000)	(215,000)	-	-
Municipal Services Agreements	1,200,000	-	-	-	-
Total Use of or (Addition) to Capital Reserves	\$ 9,330,910	\$ 23,371,700	\$ 18,337,400	\$ (5,034,300)	-21.5%
Funds from Surplus, Public Art, and Environmental Fund					
Funds From Prior Year Surplus	\$ 731,200	\$ -	\$ -	\$ -	-
Public Art Fund	-	1,500,000	-	(1,500,000)	-100.0%
Environmental Fund	-	524,000	-	(524,000)	-100.0%
Total Funds from Surplus, Public Art, and Environmental Fund	\$ 731,200	\$ 2,024,000	\$ -	\$ (2,024,000)	-100.0%
Addition To or (Draw On)					
Undesignated/Unrestricted Funds	\$ (3,991,929)	\$ 165,650	\$ -	\$ (165,650)	-100.0%

BUDGET IN BRIEF
Sources and Uses of Funds Format

	ACTUAL RESULTS FY 12/13	ADJUSTED BUDGET FY 13/14	BUDGET FY 14/15	INC/(DEC) FY 14/15-13/14 BUDGET	% CHANGE
SOURCES OF FUNDS					
Operating Revenue:					
Maritime	\$ 33,469,190	\$ 35,508,900	\$ 36,253,200	\$ 744,300	2.1%
Real Estate	82,604,486	86,352,100	87,249,900	897,800	1.0%
Harbor Police	15,312,590	14,619,900	14,565,800	(54,100)	-0.4%
Miscellaneous (G&A reimb for HPD Svcs to SDCRAA, Op Grants, etc.)	3,878,631	4,827,200	3,751,600	(1,075,600)	-22.3%
Total Operating Revenue	\$ 135,264,897	\$ 141,308,100	\$ 141,820,500	\$ 512,400	0.4%
Non-Operating Revenue and Other Sources of Funds:					
Grants - Capital Project Reimbursement	\$ 4,996,663	\$ 1,337,400	\$ 461,300	\$ (876,100)	-65.5%
NEVP Capital Project Contribution	5,174,580	6,800,000	1,761,400	(5,038,600)	-74.1%
Investment Revenue	467,385	380,000	400,000	20,000	5.3%
Other (reimbursed legal fees, donated revenue, etc.)	2,222,849	590,000	110,000	(480,000)	-81.4%
Major Maintenance Capital Project - Funded by TYD reserve	491,893	-	-	-	0.0%
Equipment Outlay, TMP Grant Funded, and Asset Forfeiture	85,690	378,800	405,300	26,500	7.0%
Public Art, Environmental, and Marine Terminal Impact Fund	2,865,841	1,324,300	1,060,000	(264,300)	-20.0%
Major Maintenance Expense Projects - Env Fund & Others	367,242	30,000	-	(30,000)	-100.0%
Major Maintenance Capital Project - Env Fund & Others	-	40,000	-	(40,000)	-100.0%
Capital Improvement Program Projects	19,606,936	31,724,100	20,775,100	(10,949,000)	-34.5%
San Diego Fisheries Revitalization - Funded by CIP	182,000	-	-	-	0.0%
Municipal Services Agreements	1,200,000	-	-	-	0.0%
Funds From Prior Year Surplus	731,200	-	-	-	0.0%
Funds From Public Art Fund	-	1,500,000	-	(1,500,000)	-100.0%
Funds From Environmental Fund	-	524,000	-	(524,000)	-100.0%
Total Non-Operating Revenue and Other Sources of Funds	\$ 38,392,279	\$ 44,628,600	\$ 24,973,100	\$ (19,655,500)	-44.0%
Total Sources of Funds	\$ 173,657,176	\$ 185,936,700	\$ 166,793,600	\$ (19,143,100)	-10.3%
USES OF FUNDS					
Operating Expenses:					
Salaries & Wages	\$ 46,284,409	\$ 46,212,100	\$ 46,291,600	\$ 79,500	0.2%
Burden	28,786,357	30,197,400	30,119,900	(77,500)	-0.3%
OPEB	4,467,016	5,219,600	5,219,600	-	0.0%
Non-Personnel Expense (NPE)	46,748,902	46,744,950	51,350,700	4,605,750	9.9%
Major Maintenance - Expense	1,053,936	2,317,500	1,470,000	(847,500)	-36.6%
Technology Strategic Plan - Projects NPE	504,156	372,000	383,200	11,200	3.0%
Less: Capitalized Labor	(3,383,947)	-	(2,152,000)	(2,152,000)	0.0%
Total Operating Expenses	\$ 124,460,829	\$ 131,063,550	\$ 132,683,000	\$ 1,619,450	1.2%
Less: Non-Cash Adjustments	\$ (1,696,816)	\$ (5,219,600)	\$ (5,219,600)	\$ -	0.0%
Total Operating Expenses (net of non cash adjustments)	\$ 122,764,013	\$ 125,843,950	\$ 127,463,400	\$ -	0.0%
Non-Operating Expenses and Other Uses of Funds:					
Financial Assistance (Convention Center)	\$ 4,500,000	\$ 4,500,000	\$ -	\$ (4,500,000)	-100.0%
Miscellaneous Interest Expense	4,206,449	4,029,500	4,044,900	15,400	0.4%
Other Miscellaneous Expense	81,499	60,000	60,000	-	0.0%
Capital Improvement Program	19,606,936	31,724,100	20,775,100	(10,949,000)	-34.5%
Technology Management Program (TMP) Capital Projects	-	95,000	250,000	155,000	163.2%
Technology Strategic Plan (TSP) Capital Projects	1,010,562	1,409,800	1,409,800	-	0.0%
Capital Major Maintenance Projects	7,792,803	2,445,300	3,570,000	1,124,700	46.0%
Equipment Outlay	1,438,460	1,463,800	2,022,800	559,000	38.2%
Debt Service (Principal Only)	3,698,257	4,526,100	3,696,500	(829,600)	-18.3%
Public Art Fund Set Aside	200,000	600,000	350,000	(250,000)	-41.7%
Environmental Fund Set Aside	592,100	621,100	623,400	2,300	0.4%
Marine Terminal Impact Fund (TAMT & NCMT) Set Aside	100,000	100,000	90,000	(10,000)	-10.0%
Capital Grants	4,996,663	1,337,400	461,300	(876,100)	-65.5%
NEVP Capital Project Contribution	6,446,361	6,800,000	1,761,400	(5,038,600)	-74.1%
ACH Parking Facility Revenue	215,002	215,000	215,000	-	0.0%
Total Non-Operating Expenses and Other Uses of Funds	\$ 54,885,092	\$ 59,927,100	\$ 39,330,200	\$ (20,596,900)	-34.4%
Total Uses of Funds	\$ 177,649,105	\$ 185,771,050	\$ 166,793,600	\$ (20,596,900)	-11.1%
Excess (Deficit) of Sources over Uses of Funds	\$ (3,991,929)	\$ 165,650	\$ -	\$ 1,453,800	878%

Note:

Balanced Budget - Total Sources of Funds Equals or Exceeds Total Uses of Funds in a Fiscal Year.

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 1.9% in calendar year 2013. Solid but modest U.S. economic expansion is expected for calendar year 2014 with an outlook for an annual average growth rate of 2.7% for calendar year 2014 and 3.0% for calendar year 2015. Gradual improvement in the labor market continues with the unemployment rate declining from 7.4% in 2013 to a forecast rate of 6.4% for calendar year 2014 and 6.0% for 2015. The housing sector continues to improve with higher home values and low mortgage rates. Inflation remained low at 1.5% for calendar year 2013 and is expected to remain low over the foreseeable future with economists forecasting the consumer price index to be at around 1.7% for calendar year 2014 and 2.0% for 2015.

Short-term interest rates, which are controlled by the Federal Open Market Committee and are measured by the Federal Funds target rate, remained unchanged in 2013. Most recently, the Federal Reserve indicated that it expects to maintain a "highly accommodative stance" for monetary policy and is slowly scaling back its bond purchases through 2014, unless its outlook for the economy changes substantially. Also, the Federal Reserve modified its forward guidance regarding monetary policy to a more qualitative approach and will take into account a "wide range of information" in determining interest rate policy.

California's economic performance was on a more solid footing in 2013 than in past years. The unemployment rate is falling, the housing market is improving, and the principal economic indicators are rising.

The Construction sector continues to be a leading growth factor for the State with the recovery in new housing now underway and Healthcare and Tourism making notable contributions to the economic recovery. Also, a major element contributing to California's economic recovery is the improving fiscal outlook with budget surpluses now in sight, though they are dependent on continuing economic growth and restrained spending. Economists are forecasting an average annual growth rate of 2.8% for calendar year 2014 and 3.5% for calendar year 2015. The State's unemployment rate is forecasted to be at approximately 7.9% for 2014 and 7.1% for 2015.

San Diego's index of economic indicators have been modestly upward for most of calendar year 2013 with a recent couple of months of negative results. In spite of this, the economic outlook for San Diego is expected to be moderate for 2014 with continued growth in the construction, leisure and hospitality, and health care sectors. The local unemployment rate is forecasted to average 6.4% in 2014 and 5.6% in 2015.

U.S. Economic Forecast*

Economic Indicator	1Q.2014	2Q.2014	3Q.2014	4Q.2014	Avg.2014	Avg.2015	Avg.2016
Gross Domestic Product (GDP) - Annualized	1.90%	2.80%	3.00%	3.00%	2.70%	3.00%	3.00%
Consumer Spending	2.20%	2.70%	2.80%	2.80%	2.50%	2.80%	3.00%
Unemployment Rate	6.60%	6.50%	6.40%	6.20%	6.40%	6.00%	5.70%
Consumer Price Index (YOY %)	1.40%	1.70%	1.80%	1.90%	1.70%	2.00%	2.30%
Benchmark Interest Rates	1Q.2014	2Q.2014	3Q.2014	4Q.2014	1Q.2015	2Q.2015	3Q.2015
Federal Funds Rate – Target	.25%	.25%	.25%	.25%	.25%	.25%	.50%
Ten-year Treasury Note	2.80%	3.00%	3.20%	3.35%	3.50%	3.60%	3.75%

*Source: Bloomberg; Median economists' forecasts for U.S. economic indicators (82 economists surveyed March 7 to March 12, 2014).

STRATEGIC PLAN

Overview

The budget reflects many projects, challenges, and opportunities that face the District 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 the District's Strategic Goals and key strategies outlined in the District's Compass Strategic Plan.

District departments identify and budget resources for key initiatives and projects in support of these strategic goals and strategies. Projects are tracked and reported quarterly to the Board of Port Commissioners.

1	<i>A Port that the public understands, trusts, and values</i>
2	<i>A thriving and modern maritime seaport</i>
3	<i>A vibrant waterfront destination where residents and visitors converge</i>
4	<i>A Port with a healthy and sustainable bay and its environment</i>
5	<i>A Port with a comprehensive vision for Port land and water uses integrated to regional plans</i>
6	<i>A Port that is a safe place to visit, work, and play</i>
7	<i>A Port with an innovative and motivated workforce</i>
8	<i>A financially sustainable Port that drives regional job creation and regional economic vitality</i>

Strategic Goals and Strategies

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 District'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 District's policies and initiatives
- 1.6 Demonstrate fair and consistent decision-making processes

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

STRATEGIC PLAN

- 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

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

Strategies:

- 3.1 Market and improve the District's cruise industry offerings
- 3.2 Market District Tidelands 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
- 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 District 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 District

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 District tenants and District-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 District environment, including environmental education for students and stakeholders
- 4.7 Collaborate with tenants, partners, and adjacent communities to foster a healthy environment

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 District communities
- 5.2 Update the District Master Plan including reviewing and integrating adjacent uses and regional land use transportation, and infrastructure plans

STRATEGIC PLAN

- 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 District master planning

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
- 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 District safety and security operations

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

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