

## **RESOLUTION 2020-053**

**RESOLUTION AUTHORIZING THE USE OF  
CUMULATIVE UNRESTRICTED RESOURCES OF  
APPROXIMATELY \$15.7M FOR THE FOLLOWING:  
OPERATING BUDGET DEFICIT \$9.9M, COAST  
GUARD BUILD-OUT \$2.2M, SEAPORT VILLAGE  
PRE-APPROVED FUNDING \$2.8M, AND MAJOR  
MAINTENANCE MULTI-YEAR PROGRAM  
CARRYOVER FUNDING OF \$0.8M**

**WHEREAS**, the San Diego Unified Port District (District) is a public corporation created by the Legislature in 1962 pursuant to Harbors and Navigation Code Appendix I (Port Act); and

**WHEREAS**, as a direct consequence of the unforeseen COVID-19 pandemic, the hospitality and tourism industries and maritime trade economic activity that generate the revenues necessary for the District's mission-critical work have been significantly and negatively impacted; and

**WHEREAS**, staff currently estimates potential lost revenue across almost every major revenue category for the District, as a result of the pandemic, through the remainder of Fiscal Year (FY) 2020 and expects revenue losses to continue through the rest of calendar year 2020; and

**WHEREAS**, total revenues for FY 2021 are projected to be \$49.3 million (M) lower than prior year's budget; and

**WHEREAS**, to balance District spending with various revenue reduction scenarios, staff identified significant expense reductions and prepared some across-the-board percentage cuts in non-personnel expenses, major maintenance, equipment and other capital projects, technology management, and a variety of other programs; and

**WHEREAS**, staff also re-prioritized some expenses in order to find funding for those programs that the Board of Port Commissioners (BPC) wanted to continue to pursue such as Clean Air program, the Port Master Plan Update (PMPU), homeless outreach, and some of the Blue Tech projects that could be a source of future revenue stream; and

**WHEREAS**, staff also developed a range of strategies and measures to reduce expenses in the District's personnel budget and implemented some cost-saving measures that can be implemented quickly and do not require a meet and confer process with our collective bargaining units, with the underlying objective of keeping as many of our regular full-time employees working as possible, for as long as possible; and

2020-053

**WHEREAS**, at the April 8, 2020 special BPC meeting, the BPC directed staff to use Cumulative Unrestricted Resources in the Preliminary FY 2021 Budget to fund the District's deficit, including the following:

- \$9.9M to fund the Operating Budget Deficit;
- \$2.2M to fund the Coast Guard Build-out for improvements to the National Distribution Center (NDC) which would result in a new 10-year lease, with one, three-year option with the Coast Guard for their Maritime Security Response Team West Operations;
- \$2.8M for Seaport Village pre-approved funding, which is a roll-over from prior year investment spending toward tenant improvements;
- \$0.8M for Major Maintenance Multi-year program carryover funding; and,

**WHEREAS**, the Coast Guard Build-Out \$2.2M is an investment for improvements to secure a long-term 10-year lease, with one, three-year option at the National Distribution Center (NDC) with the Coast Guard where the District will be reimbursed \$1.5M and the lease would generate more than \$615,000 of incremental new revenue to the District annually with an internal rate of return of approximately 38% over the initial ten years; and

**WHEREAS**, Seaport Village pre-approved funding \$2.8M is a roll-over from prior year for investment spending towards tenant improvements and approximately \$1.2M has already been committed to existing tenants; and

**WHEREAS**, the Seaport Village pre-approved funding is needed in order to be competitive in the specialty retail center market, to attract and secure leases with high caliber tenants and positive returns on its investment, is standard of retail landlords and without it the District would be unable to secure new market rate deals with prospective tenants; and

**WHEREAS**, the Major Maintenance Multi-year program carryover funding of \$0.8M is for projects already approved in the prior year for the multi-year MM program; and

**WHEREAS**, BPC Policy No. 117 provides the Operating Reserve Policy, which establishes the operating reserve balance and defines the calculation of the amount required and states that uses of the operating reserve balance can be authorized by the BPC temporarily as a result of unfavorable financial performance due to the impact of an unfavorable economic environment.

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Port Commissioners of the San Diego Unified Port District finds that its action is

2020-053

consistent with BPC Policy No. 117 due to the budget shortfalls as a result of the COVID-19 pandemic and hereby authorizes the use of Cumulative Unrestricted Resources of approximately \$15.7M for the following: Operating Budget Deficit of \$9.9M, Coast Guard Build-Out of \$2.2M, Seaport Village Pre-approved funding of \$2.8M, and Major Maintenance Multi-Year Program Carryover funding of \$0.8M.

APPROVED AS TO FORM AND LEGALITY:  
GENERAL COUNSEL

*Rebecca Harrington*

By: Assistant/Deputy

PASSED AND ADOPTED by the Board of Port Commissioners of the San Diego Unified Port District, this 19th day of May, 2020, by the following vote:

AYES: Bonelli, Castellanos, Malcolm, Merrifield, Valderrama, and Zucchet

NAYS: None.

EXCUSED: Moore

ABSENT: None.

ABSTAIN: None.

*Ann Moore*

Ann Y. Moore, Chair  
Board of Port Commissioners

ATTEST:

*Donna Morales*

Donna Morales  
District Clerk

