



Budget Summary FY 2014-15 and 2015-16

Port of San Francisco

Budget & Finance Committee

May 14, 2014

Budgets' Bottom Line

- ❑ FYs 2014-15 & 2015-16 proposed budgets reflect efforts to
 1. address high priorities & strategies
 2. contain Operating Expense growth
 3. Maximize Operating Revenue to support minimal Capital Goals
 4. shortfall: Designation to Capital Policy Requirement, FY 2014-15
- ❑ Budget Analyst Recommendations
 - ✓ Concur with recommended reductions: \$736k & \$649k
 - ✓ Reallocation of Budget reduction Capital investment



Strategic Planning: Key Priorities

- ▶ Maintain stable financial future
- ▶ Preserve industrial/commercial maritime uses
- ▶ Preserve space for Production, Distribution & Repair
- ▶ Preserve space for Non-Profits
- ▶ Redevelop/Rehabilitate/Reuse



- ▶ Rebuild the Seawall; adapt to Rising Sea Level

Strategic Planning: Challenging Future

- Long-term forecasting: more Capital Funding needed
- Revised 10 Yr Capital Plan:
 - Need: \$1.6 billion
 - Sources: (\$0.6 billion)
 - Shortfall: \$1.0 billion
 - 57% externally sourced
- Precarious trade-off: operating vs capital need
 - Growing operating expenses prioritized against capital investments



FY 2014-15 Budget Overview

FY 2014-15 Budget increase: \$12.2M (11.6%) = \$117.6M

- \$7.6M (9.8%) increased Operating Revenues address:
 - \$5.6M (7.6%) Operating Expense growth
 - \$2.3M Designation to Future Capital
- \$4.2M (new) Development Project budget » fully offset



FY 2015-16 Budget Overview

FY 2015-16 Budget increase: \$5.1M (4.4%) = \$122.7M



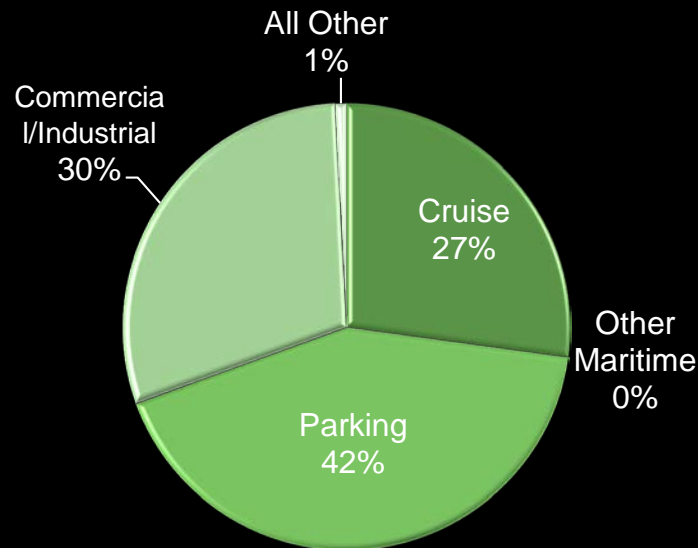
- \$4.9 M (5.8%) increased Operating Revenues address:
 - \$1.3 M (1.7%) Operating growth
 - \$3.5 M Future Capital Designation – Prioritizes Capital Investment
- \$0.2 M: other revenue adjustment

Operating Revenue: Steady Growth Since FY 2011

Operating Revenues, FY 2010-2016



Areas of Growth, FY 2014-16

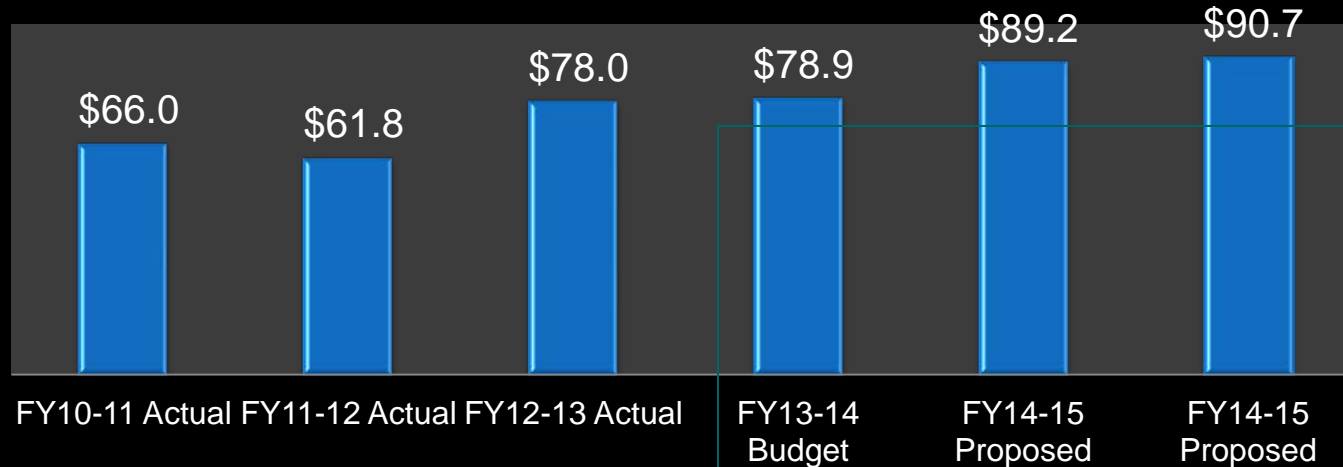


2-YR Revenue Growth: \$11.4 M (15%)

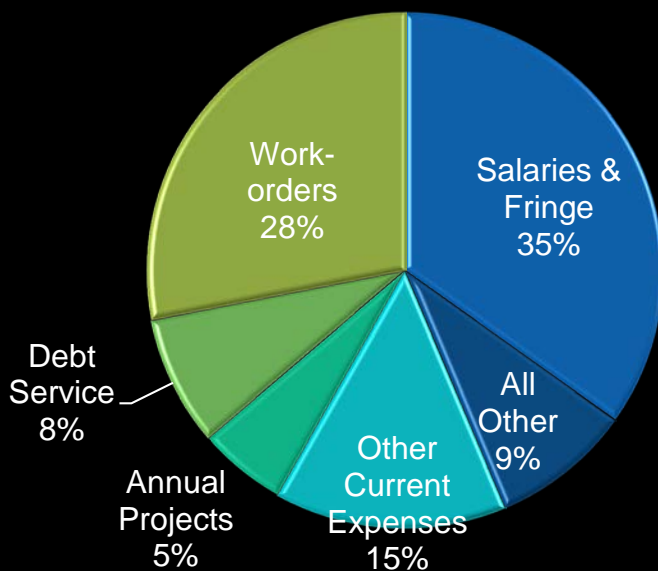
- ❑ \$4.8M Parking
- ❑ \$3.4M Commercial/Industrial Rents
- ❑ \$4.1M Cruise: increased cruise call/passenger volume plus Sept '14 opening of James R. Herman Cruise Terminal

Operating Expenditures: Steady Growth Since FY 2011

Operating Expenditures, FY 2010-2016



Areas of Growth, FY 2014-2016



2-YR Expense Growth: \$7.0 M (9%)

- \$2.5M Salary & Fringe Benefits
 - \$0.8M proposed staffing changes
- \$2.0M Workorders
 - PUC Workorder
 - Risk Management Services
- \$1.0M other current Expenses

Operating Budget Proposals

□ Key Staffing Changes:

- ✓ *Improve efficiency and effectiveness of operations*
 - Laborer Supervisor (7215 new) to enable clearing of Port property in two shifts with a new night crew
- ✓ *Address a changing and complex environment*
 - Finance Manager (1824/0923 substitution)
- ✓ *Improve and protect revenues*
 - Property Manager (9395 new) and Asset Manager (0922 reassignment)
- ✓ *Meet strategic goals*
 - Temporary Salaries for Executive, Planning and Maritime (\$175k new)

□ Information Systems Strategic Plan

- ✓ *Transition to City's new financial system and make value-added IT investments*



Capital Budget & Challenges

- ❑ \$12.8 million funding each fiscal year
 - Prioritized highest scoring projects & maintenance dredging requirements
 - Strong funding but does not keep up with estimated repair and replacement need

Port Capital	FY 2014-15	FY 2015-16
Northern Waterfront Projects	\$350,000	\$900,000
Southern Waterfront	700,000	1,994,200
Portwide	8,069,000	4,941,800
<u>Maintenance Dredging</u>	<u>3,681,000</u>	<u>4,964,000</u>
Total Capital Budget	\$12,800,000	\$12,800,000

Reallocation of Approved Capital Funding

- ❑ \$5.2 million funding reallocated from approved projects
 - ❑ Funds are available due to project savings and delays in procurement
 - ❑ Allows the Port to address high priority needs

Port Capital	Current	Proposed
Port Waterfront Support Assets	\$1,845,078	\$-
<u>Additional Funding for Pier Structures Repairs</u>	<u>-</u>	<u>1,845,078</u>
Port Capital Totals	\$1,845,078	\$1,845,078
City Certificates of Participation	Current	Proposed
AC34 Improvements (project savings)	\$3,389,497	\$-
Public Restroom Improvements	-	1,157,500
Amador St. Sewer Main/Roadway Improvement	-	464,000
<u>Pier Structures Repairs</u>	<u>-</u>	<u>1,767,997</u>
City Certificates of Participation Totals	\$3,389,497	\$3,389,497
TOTAL	\$5,234,575	\$5,234,575

Proposition J Contracts

- ❑ Security Contract ~ \$700,000 cost per year
 - ❑ Estimated City cost of \$1.2-\$1.6 million
 - ❑ Estimated \$500k-900k annual savings
 - ❑ 15 security positions foregone

- ❑ Janitorial Contract ~ \$300,000 per year
 - ❑ Estimated City cost of \$500,000 per year
 - ❑ Estimated \$200,000 annual savings
 - ❑ Six custodial positions foregone

FY 2014-15 Budget Overview

	Budget <u>2013-14</u>	Proposed <u>2014-15</u>	Change from Budget 2013-14	
			<u>Amount</u>	<u>%</u>
<u>Sources</u>				
Estimated Fund Balance	\$ 23.7	\$ 23.6	\$ (0.1)	-0.3%
Operating Revenue	76.8	84.4	7.6	9.8%
Development Recoveries (New)	-	4.2	4.2	0.0%
South Beach Harbor & Marina	4.3	4.8	0.5	11.0%
Transbay Enviro. Payment	0.6	0.6	-	0.0%
Other Project Revenue, Subtotal	4.9	9.6	4.7	96.0%
<u>Total Sources</u>	<u>\$ 105.4</u>	<u>\$ 117.6</u>	<u>\$ 12.2</u>	<u>11.6%</u>

- ❑ Overall increase of \$12.2 million (12%), for a total of \$117.6 million
 - ❑ \$7.6 million (9.6%) increase Operating Revenue
 - ❑ \$4.2 million (New) recoveries from developers

FY 2014-15 Budget Overview

Uses	<u>Budget</u> <u>2013-14</u>	<u>Proposed</u> <u>2014-15</u>	<u>Change from</u> <u>Budget 2013-14</u>	
			<u>Amount</u>	<u>%</u>
Operating Expenses	\$ 70.3	\$ 75.7	\$ 5.4	7.7%
Annual Projects	4.3	4.5	0.2	5.2%
<i>Operating Budget, Subtotal</i>	<i>74.5</i>	<i>80.2</i>	<i>5.6</i>	<i>7.6%</i>
Development Projects (New)	-	4.2	4.2	0.0%
South Beach Harbor & Marina	4.3	4.8	0.5	11.0%
<i>Other Projects, Subtotal</i>	<i>4.3</i>	<i>9.0</i>	<i>4.7</i>	<i>108.1%</i>
Capital Project Appropriations	14.0	12.8	(1.2)	-8.6%
Defunded Projects	-	(5.2)	(5.2)	0.0%
Reallocation to New Projects	-	5.2	5.2	0.0%
<i>Capital Budget, Subtotal</i>	<i>14.0</i>	<i>12.8</i>	<i>(1.2)</i>	<i>-8.6%</i>
<u>Total Expenses</u>	<u>92.9</u>	<u>102.0</u>	<u>9.1</u>	<u>9.8%</u>
Designation to Future Capital	2.0	4.2	2.3	116.1%
15% Operating Expense Reserve	10.6	11.4	0.8	7.6%
<i>Reserves, Subtotal</i>	<i>12.5</i>	<i>15.6</i>	<i>3.1</i>	<i>24.5%</i>
<u>Total Uses</u>	<u>\$ 105.4</u>	<u>\$ 117.6</u>	<u>\$ 12.2</u>	<u>11.6%</u>

- \$7.6 million Operating Revenues support:
 - \$5.6 million (7.6%) increase Operating Expenditures
 - \$2.3 million (116%) increase Designation to Future Capital
- \$4.2 million Developer Reimbursements
 - Completely offset by Expenditures – budget neutral

FY 2015-16 Budget Overview

	Proposed <u>2014-15</u>	Proposed <u>2015-16</u>	Change from Proposed 2014- <u>Amount</u> <u>%</u>	
<u>Sources</u>				
Estimated Fund Balance	\$ 23,600,000	\$ 23.8	\$ 0.2	0.8%
Operating Revenue	84,398,300	89.3	4.9	5.8%
Development Recoveries (New)	4,220,000	4.2	0.0	0.2%
South Beach Harbor & Marina	4,825,837	4.9	0.1	1.6%
Transbay Enviro. Payment	<u>550,000</u>	<u>0.6</u>	-	<u>0.0%</u>
Other Project Revenue, Subtotal	9,595,837	9.7	0.1	0.9%
<u>Total Sources</u>	<u>\$ 117,594,137</u>	<u>\$ 122.7</u>	<u>\$ 5.1</u>	<u>4.4%</u>

- ❑ Overall increase of \$5.1 million (4.4%), for a total of \$122.7 million
 - ❑ \$4.9 million (5.8%) increase Operating Revenue
 - ❑ Other minor adjustments

FY 2015-16 Budget Overview

<u>Uses</u>	<u>Proposed</u> <u>2014-15</u>	<u>Proposed</u> <u>2015-16</u>	<u>Change from</u> <u>Proposed 2014-15</u>	
			<u>Amount</u>	<u>%</u>
Operating Expenses	\$ 75,687,383	\$ 76.9	\$ 1.2	1.6%
Annual Projects	4,491,806	4.7	0.2	3.6%
<i>Operating Budget, Subtotal</i>	<i>80,179,189</i>	<i>81.5</i>	<i>1.3</i>	<i>1.7%</i>
Development Projects (New)	4,220,000	4.2	0.0	0.2%
South Beach Harbor & Marina	4,825,837	4.9	0.1	1.6%
<i>Other Projects, Subtotal</i>	<i>9,045,837</i>	<i>9.1</i>	<i>0.1</i>	<i>1.0%</i>
Capital Project Appropriations	12,800,000	12.8	-	0.0%
Defunded Projects	(5,234,575)	-	5.2	0.0%
Reallocation to New Projects	5,234,575	-	(5.2)	0.0%
<i>Capital Budget, Subtotal</i>	<i>12,800,000</i>	<i>12.8</i>	<i>-</i>	<i>0.0%</i>
<u>Total Expenses</u>	<u>102,025,026</u>	<u>103.5</u>	<u>1.4</u>	<u>1.4%</u>
Designation to Future Capital	4,219,111	7.7	3.5	83.7%
15% Operating Expense Reserve	11,350,000	11.5	0.2	1.6%
<i>Reserves, Subtotal</i>	<i>\$ 15,569,111</i>	<i>19.3</i>	<i>3.7</i>	<i>23.8%</i>
<u>Total Uses</u>	<u>\$ 117,594,137</u>	<u>\$ 122.7</u>	<u>\$ 5.1</u>	<u>4.4%</u>

- \$5.1 million Operating Revenues support:
 - \$1.3 million (1.7%) increase Operating Budget
 - \$3.7 million (23.8%) increase for fiscal policies
 - The Priority is Capital Investment

Workforce Development

- ❑ Program supports a variety of populations while meeting the Port's mission
 - *Local at-risk youth* – Help maintain network of parks and open spaces
 - *Intern and apprentice programs* – Provide program support to staff
 - *Training in the trades* – Ensures future workforce in unique Port fields

- ❑ FY 2014-15 & FY 2015-16 Annual Funding = \$900k
 - Youth Employment Programs ~ \$300k
 - Internship programs ~ \$300k
 - OEWD/City Build and JobsNOW ~ \$300k



Operating Budget: Positions

- ❑ \$2.2M increase over the two year period for Salary & Fringe
 - \$1.5M for Citywide adjustments & \$0.7M for new and substituted positions
- ❑ 9.91 Full Time Equivalent, from 260.18 FTE to 270.09 FTE
 - 1.16 annualized off-budget FTEs
 - 3.50 new project-funded FTE (1.5 FY14-15 and 2.0 FY15-16)
 - 5.80 new operating budget FTE (5.05 FY14-15 and 0.75 FY15-16)
- ❑ Key staffing changes include:
 - ❑ Improve efficiency and effectiveness of operations
 - Laborer Supervisor (7215 new)
 - ❑ Address a changing and complex environment
 - Finance Manager (1824/0923 substitution)
 - ❑ Improve and protect revenues
 - Property Manager (9395 new) and Asset Manager (0922 reassignment)
 - ❑ Meet strategic goals
 - Temporary Salaries for Executive, Planning and Maritime (\$175k new; 2.29 FTE)
 - ❑ Other position substitutions necessary to reflect actual job duties of positions

FTE & Personnel Cost Adjustments

	<u>FY14-15</u>		<u>FY15-16</u>		<u>Total</u>	
	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>
Change	\$ 1,876,446	7.16	\$ 612,132	2.75	\$ 2,488,578	9.91
Temporary Salaries	\$ 189,710	2.01	\$ 171	0.29	\$ 189,881	2.30
New Positions	252,138	2.04	60,379	0.46	312,517	2.50
<u>Substitutions</u>	<u>244,600</u>	1.00	<u>22,891</u>	-	<u>267,491</u>	1.00
Subtotal	\$ 686,448	5.05	\$ 83,441	0.75	\$ 769,889	5.80
New Project Funded	\$ -	0.50	\$ -	2.00	\$ -	2.50
<u>Annualization of Project</u>	<u>-</u>	<u>1.61</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.61</u>
Subtotal	\$ -	2.11	\$ -	2.00	\$ -	4.11
Cost of Living Increase	\$ 1,189,998	0.00	\$ 528,691	0.00	\$ 1,718,689	0.00



Thank You!

Port of San Francisco