

**PORT OF REDWOOD CITY
BOARD OF PORT COMMISSIONERS REGULAR MEETING
WEDNESDAY – JUNE 8, 2011**

MINUTES

I. CALL TO ORDER

8:00 A.M.: Chairman Garcia, presiding

Commissioners Present: Commissioner Tom Cronin; Commissioner Richard A. Dodge; Secretary Lorianna Kastrop; Vice Chairman Richard S. Claire; and, Chairman, Ralph A. Garcia, Jr.

Commissioners Absent: None

Staff Present: Executive Director, Michael J. Giari; Special Counsel to Port, Francois X. Sorba; Director of Finance & Administration, Cynthia D. Hampton; Manager of Operations, Donald K. Snaman; Manager of Development & Compliance, Eric Napralla; Accounting Clerk, Linda Hawkins; Administrative Assistant, Margaret Astesano; and, Executive Assistant, Rita F. Artist

Commissioner Claire led the Pledge of Allegiance.

II. APPROVAL OF MINUTES

A Motion to Approve Minutes of Regular Meeting of May 25, 2011 was made by Commissioner Dodge and Seconded by Commissioner Kastrop. Commissioners Claire and Cronin abstained. The motion passed by a unanimous voice vote of all Commissioners present at the May 25th meeting.

III. CLAIMS

A Motion to Approve Claims was made by Commissioner Dodge and it was seconded by Commissioner Cronin. The motion passed by a unanimous voice vote of all Commissioners.

IV. ORDINANCE

A. ORDINANCE APPROPRIATING ANTICIPATED REVENUES AND OTHER GENERAL FUNDS OF THE PORT OF REDWOOD CITY FOR THE FISCAL YEAR JULY 1, 2011-JUNE 30, 2012 – (INTRODUCTION)

Cynthia Hampton presented the draft FY12 Budget. She reported that tonnage is expected to be essentially flat, but maritime revenues are budgeted to increase 5% overall due to an increase in maritime rents primarily from a reclassification of Ferma/SRDC rent from commercial temporary rent to maritime rent. Marina revenues are expected to decline as a result of a higher vacancy factor (25%). Overall, FY12 budgeted operating revenue is \$395k (7%) higher than FY11 Budget and \$265k (5%) higher than FY11 Forecast.

Hampton reported that operating expense is increasing disproportionately to revenue. One of the largest increases is depreciation and amortization resulting from the latest round of berth dredging (\$1.25m) and several large capital projects that have been/are expected to be completed. Depreciation and amortization expense is budgeted to increase almost \$340k in comparison to the FY11 Forecast. The Budget also includes an

additional estimated \$91k for electrical usage as a result of new security lighting, and \$97k in employment cost for an Assistant Manager of Operations (the position is currently vacant). The FY12 Budget for the operations segment of operating expense is \$580k (27%) more than the FY11 Forecast.

Hampton reported that the administration segment of operating expense is \$153k (13%) higher than the FY11 Forecast. Budgeted professional fees include \$75k for a Port Area Master Plan, which accounts for half of the overall increase. Under employment expenses, the FY12 Budget includes a 2% salary increase assumption, offset by a 2% reduction in the employer paid portion of the employee contribution to CalPERS.

Hampton pointed out that FY12 budgeted total operating expense is \$733k (22%) higher than the FY11 Forecast and, since the FY12 budget for total operating revenue is only \$265k higher than the FY11 Forecast, FY12 operating income is expected to decline \$468k (21%).

Moving on to non-operating income/(expense), Hampton explained that the Series 1999 bonds were used for FY12 Budget purposes even though it is likely that new bonds will be issued in FY12. At this point in time it isn't possible to quantify the financial impact of any new financing plan that may be developed and implemented. Hampton explained that the \$1.4m decrease in FY12 budgeted other non-operating income is due to a lower level of grant income (\$1.05m) as compared to the FY11 Forecast (\$2.4m). In FY11 there have been multiple large grant-eligible projects undertaken.

Hampton commented that budgeted FY12 subvention is \$16k (5%) higher than FY11 Forecast as a result of the 5% increase in operating revenue. She concluded the FY12 Budget presentation with a recap – essentially flat operating revenue coupled with a substantial increase in operating expense equates to a significant decrease in operating income.

Commissioner Dodge inquired if the marina management contract with Spinnaker Sailing is a fixed fee or variable fee agreement. Hampton replied that it is a fixed fee contract which expires June 30, 2011. Dodge commented that the increase in the vacancy rate should result in some reduction of workload, and suggested a variable fee contract be considered when the existing contract expires.

Commissioner Cronin asked what the historical vacancy factor has been. Hampton replied that six or seven years ago it was likely in the 10% range; when the economic downturn occurred the vacancy factor started to rise and has continued to grow.

Chairman Garcia inquired how the 25% vacancy factor compares with other marinas.

Executive Director Giari responded that the Port's Marina is about in the middle range of vacancy rates for marinas on the Peninsula. In addition to the slow economy contributing to vacancies, the opening of the new marina at Westpoint has resulted in several of the larger boats leaving the Marina.

Commissioner Kastrop commented that she thinks the marina occupancy will increase as the time approaches for the America's Cup preliminary trials and race scheduled for

2013. People will bring in their boats to view the races and are likely to occupy the larger slips.

Chairman Garcia stated that in these economic times, as commissioners we need to take a very careful and close look at conference registration fees and related travel expenses to ensure that the educational and/or lobbying benefits derived outweigh the cost.

Commissioner Kastrop suggested that as contracts come up for renewal the Port take the opportunity, while the economy is down, to renegotiate to get the best possible terms. Kastrop specifically looked at the cell phone budget and it seemed high for the number of cell phones at the Port.

Commissioner Dodge commented that the inclusion of hyperlinks in the FY12 Budget Excel spreadsheets made it very easy to drill down through each layer to get down to the initial source data; it saved a great deal of time in the review process and provided answers to many questions. He suggested that each of the Commissioners, in addition to the Finance Committee members, receive the Excel spreadsheets electronically as well as a hard copy of the budget next year in order to get a much better feel for where all of these expenses and revenues are coming from.

Hampton thanked Commissioner Dodge for bringing the hyperlink feature to her attention and commented that it's a great tool for her use as well.

A Motion to Open the Public Hearing was made by Commissioner Cronin and it was seconded by Commissioner Kastrop. The motion passed by a unanimous voice vote of all Commissioners. No comments were made and a Motion to Close the Public Hearing was made by Commissioner Dodge. The Motion was seconded by Commissioner Kastrop and the motion passed by a unanimous voice vote of all Commissioners.

A Motion to Introduce the Ordinance and Waive the Reading Thereof was made by Commissioner Kastrop. The motion was seconded by Commissioner Dodge. The motion passed by a unanimous voice vote of all Commissioners.

Executive Director Giari added that due to the change in the employee contribution to PERS, the Salary Ordinance should be amended. Usually the Salary Ordinance is acted on prior to the Port budget. However, we did not realize that the change in the PERS contribution had to be made through the Salary Ordinance when the budget was being prepared. The necessary changes to the Salary Ordinance will be drafted and it will be on the agenda for the next Port Commission meeting.

V. RESOLUTION

A. RESOLUTION APPROVING SUBMISSION OF AGREEMENT AND ELECTION TO PREFUND OTHER POST EMPLOYMENT BENEFITS THROUGH CalPERS CALIFORNIA EMPLOYER'S RETIREE BENEFIT TRUST PROGRAM ("CERBT")

Executive Director Giari explained that this item is about the OPEB account for postemployment benefits other than pension. At its April 13th meeting, the Port Commission approved setting up a special account. The account will be set up with

CalPERS in a California Employers' Retiree Benefit Trust (CERBT) Fund. An agreement between the Port and CalPERS defines the parties' responsibilities, administrative processes, and rules. The Port's participation in the CERBT Prefunding Plan is dependent upon approval of the Port's application package by the CalPERS Board.

The distributions of the funds after deposit are for postemployment retirement benefits. The Port would submit paperwork to CalPERS to release funds to pay for those expenses. The Port may terminate its agreement with CalPERS for this account but any money deposited in the account must remain in that account except for funds withdrawn to pay for postemployment retirement benefits.

Cynthia Hampton, Director of Finance & Administration, commented that applicants to the CERBT fund are required to submit a valuation using certain criteria that CalPERS has established so that all members are using the same basic assumptions with regard to rates of return, mortality, etc. While it isn't possible to know what amounts the new cost study will produce, it is reasonable to assume that the FY11 Annual Required Contribution (ARC) will be less than the FY10 ARC of \$58,000. Therefore, the initial contribution to the CERBT Fund is expected to be less than \$116,000 for FY2010 and FY2011.

Commissioner Claire clarified a comment he made at a prior meeting. The City funds 100% of the ARC, not 100% of the Accrued Actuarial Liability as previously stated. The Port is in sync with the City of Redwood City as pertains to funding of OPEB.

Commissioner Dodge suggested that the Chair of the Commission be one of the two individuals authorized to request and certify disbursements because the plan goes on in perpetuity and it is unknown who will fill the positions of Executive Director and Director of Finance in the future and he wants the Commission to exercise active oversight.

Hampton commented that as an additional safeguard CERBT requires two signatures for distributions that are \$10,000 or more. She mentioned that it is the next of the two agenda items pertaining to CERBT that addresses the designation of those who are authorized to request and certify disbursements.

Giari noted that the CERBT fund balance will appear on the Quarterly Investment Report. Ms. Hampton added that it will also be subject to audit.

Commissioner Cronin asked if disbursements would appear on the claims reports. Hampton clarified that there are two different disbursements being discussed. One disbursement is the Port's payment to the retiree, which will continue to be processed and appear on the claims reports as it does now. The other disbursement is from the CERBT fund to the Port to reimburse the Port for the amount paid by the Port to the retiree. That disbursement will not appear on the claims reports.

Chairman Garcia requested the Finance Committee review and advise the Chair prior to signing and certifying a disbursement from the CERBT fund. Giari replied that process could be established.

A Motion to Adopt was made by Commissioner Kastrop. It was seconded by Commissioner Dodge. The motion passed by a unanimous roll call vote of all Commissioners.

B. RESOLUTION APPROVING SUBMISSION OF DELEGATION OF AUTHORITY TO REQUEST DISBURSEMENTS FORM TO CalPERS CALIFORNIA EMPLOYER'S RETIREE BENEFIT TRUST PROGRAM ("CERBT")

Executive Director Giari explained that this item is related to the previous resolution, which set up the CERBT Fund. This item specifies the positions authorized by the Port Commission to disburse the funds from the CERBT Fund. The resolution designates the positions of Executive Director and Director of Finance & Administration as authorized to request disbursement. Referring to the discussion for the previous agenda item, we will change this so that the Chairman of the Port Commission is also authorized to request disbursement of funds.

Commissioner Kastrop requested clarification on whether disbursement authorization requires either one of the two designees or both designees. Cynthia Hampton, Director of Finance & Administration replied that it's her understanding that disbursements of \$10,000 or greater require both, whereas disbursements under \$10,000 require either of the two.

Commissioner Kastrop requested that both persons sign and certify the disbursement authorization regardless of the amount requested. Hampton replied that could be incorporated into the Port's internal policy.

A Motion to Adopt with a change designating authorized signatories to be Chairman of the Port Commission and Executive Director was made by Commissioner Dodge. It was seconded by Commissioner Claire. The motion passed by a unanimous roll call vote of all Commissioners present.

VI. **PUBLIC COMMENT:** None

VII. **MATTERS OF BOARD INTEREST:** On behalf of the Redwood City Education Foundation, Commissioner Cronin presented a "Thank You" poster/card in appreciation for the Port's generous support of RCEF. The poster/card was hand made and signed by a number of Redwood City school students.

Commissioner Kastrop notified the Board that she would be absent from the June 22nd Port Commission meeting due to her scheduled attendance at the American Association of Port Authority's Public Relations Conference in Savannah, Georgia. Kastrop has been invited, along with Duane Sandul, the Port Public Relation's consultant, to be speakers on grass roots advocacy.

Chairman Garcia reminded everyone present that the Port sponsored "Music In The Park" Concert series at Stafford Park starts on Wednesday, June 22nd, and encouraged everyone to attend, listen to the music and support the Redwood City Optimist's Club by purchasing a hot dog or hamburger.

VIII. EXECUTIVE DIRECTOR'S REPORT: Executive Director Giari presented to the Port Commission a framed photo of a maritime scene, which was donated to the Port by former Port Commissioner & Chairman, Lewis Miller. The Port has sponsored a category at the Sequoia Art Group's annual art show for the best painting and/or photograph which depict a maritime or nautical theme. Commissioner Miller took third place with his photograph of the bow of a ship entering a port in Holland and has donated it to the Port.

Executive Director Giari also reported on the Port Poster Contest. This year's theme was "Boat Parade" because the Poster Contest was held at the same time as the South Bay Opening Day of Boating Season. The winner was a third grade student from Sandpiper School and therefore Sandpiper received the school participation award of \$500. The winning posters were displayed at the Sequoia Yacht Club during the Opening Day celebrations and then at the Redwood City Library. Giari thanked Margaret Astesano and Rita Artist for organizing the poster contest and thanked Chairman Garcia for making the award presentations to the winning students at the Awards Ceremony held at Redwood City Hall.

IX. ADJOURNMENT

At 8:50 a.m. Chairman Garcia requested that the Commission adjourn to its next regularly scheduled Meeting of June 22, 2010

A Motion to Adjourn was made by Commissioner Claire and was seconded by Commissioner Cronin. The motion passed by a unanimous voice vote of all Commissioners.