

FILE NUMBER: 2025-100

DATE: Friday, June 6, 2025

SUBJECT: Fiscal Year 2026 Final Budget

DESCRIPTION: Conduct a Public Hearing and Adopt an Ordinance Adopting the Fiscal Year 2026 Final Budget including a reduction in Personnel appropriation, an increase in Non-Personnel Expenses appropriation, and an increase in Equipment Outlay and Other Capital Projects appropriation from the Preliminary Budget, as recommended by staff.

EXECUTIVE SUMMARY:

In accordance with the San Diego Unified Port District Act (Port Act) Sections 46 and 47, on or before the 15th day of June of each year, the District must publish the Fiscal Year (FY) Preliminary Budget and set a date for the Board's adoption of the final budget not less than one month from publication. Staff will present the final budget to the Board for adoption on June 06, 2025 (Attachment A).

At the April 24, 2025, Budget Workshop, staff presented a draft FY 2026 Preliminary Budget and received direction from the Board; and on May 06, 2025, staff presented an updated Preliminary Budget to the Board with a \$647,600 budget surplus.

On May 06, 2025, the Board voted to accept staff's recommendation to adopt the FY 2026 Preliminary Budget with a surplus of \$647,600. On May 13, 2025, a new organizational structure was rolled out to streamline processes and improve efficiency. This involves reclassifying and eliminating certain positions, merging departments, and updating reporting lines within the branches, formerly referred to as divisions. In addition, Non-Personnel Expenses increased by \$414,600 due to a rise in the Chula Vista Bayfront Real Estate Revenue payment which will be funded by the Safe Harbor Sale, and the budget for the Shore Power at Fish Harbor and Chesapeake Wharf project was increased by \$260,000, rising from \$670,000 to \$930,000, to be funded by the Low Carbon Fuel Standard (LCFS) fund. These adjustments will result in an increased surplus of \$1,623,500.

After the Board adoption, staff published the FY 2026 Approved Preliminary Budget to complete the 30-day required public review period. On June 06, 2025, staff will present the FY 2026 Final Budget with a surplus of \$1,623,500 for board approval.

It is important to note that the FY 2026 budget is a plan that the Board can amend at any time during the year.

RECOMMENDATION:

Conduct a Public Hearing and Adopt an Ordinance Adopting the Fiscal Year 2026 Final Budget Including a Reduction in Personnel Appropriation, an Increase in Non-Personnel

Expenses Appropriation, and an Increase in Equipment Outlay and Other Capital Projects Appropriation from the Preliminary Budget.

FISCAL IMPACT:

This proposed Board action will appropriate funds for FY 2026 expenditures as follows:

Ordinary Annual Expense	Amount
Personnel Expense (Net of Capitalized Labor)	\$ 130,161,500
Non-Personnel Expenses	114,921,700
Economic Recovery Program (ERP) Expense	1,509,300
Expense Major Maintenance	880,000
Total Ordinary Annual Expense	\$ 247,472,500
Capital and Debt Requirements	
Balanced Capital Program (BCP)	\$ 6,397,200
Technology Capital Projects	15,647,300
Capital Major Maintenance	19,649,000
Equipment Outlay and Other Capital Projects	102,461,900
Economic Recovery Program (ERP) Capital	20,690,400
Debt Service (Principal)	5,392,600
Total Capital and Debt Requirements	\$ 170,238,400
Total Requirements	\$ 417,710,900

COMPASS STRATEGIC GOALS:

This agenda item supports the following Strategic Goal(s).

- A Port that the public understands and trusts.
- A thriving and modern maritime seaport.
- A vibrant waterfront destination where residents and visitors converge.
- A Port with a healthy and sustainable bay and its environment.
- A Port with a comprehensive vision for Port land and water uses integrated to regional plans.
- A Port that is a safe place to visit, work and play.
- A Port with an innovative and motivated workforce.
- A financially sustainable Port that drives job creation and regional economic vitality.

DISCUSSION:

Below is a summary of the updated Proposed FY 2026 Final Budget:

<u>APPROPRIATION TABLE</u>	Preliminary Budget May 6, 2025	Changes	Proposed Final Budget June 6, 2025
Ordinary Annual Expense			
Personnel Expense (Net of Capitalized Labor)	\$ 131,137,400	\$ (975,900)	\$ 130,161,500
Non-Personnel Expenses (includes NPE, MSA, and Non-Operating NPE)	114,507,100	414,600	114,921,700
Economic Recovery Program (ERP) Expense	1,509,300	-	1,509,300
Expense Major Maintenance	880,000	-	880,000
Total Ordinary Annual Expense	\$ 248,033,800	\$ (561,300)	\$ 247,472,500
Capital and Debt Requirements			
Balanced Capital Program (BCP)	\$ 6,397,200	\$ -	\$ 6,397,200
Technology Capital Projects	15,647,300	-	15,647,300
Capital Major Maintenance	19,649,000	-	19,649,000
Equipment Outlay and Other Capital Projects	102,201,900	260,000	102,461,900
Economic Recovery Program (ERP) Capital	20,690,400	-	20,690,400
Debt Service (Principal)	5,392,600	-	5,392,600
Total Capital and Debt Requirements	\$ 169,978,400	\$ 260,000	\$ 170,238,400
Total Requirements	\$ 418,012,200	\$ (301,300)	\$ 417,710,900

<u>FY 2026 BUDGET IN BRIEF</u>	Preliminary Budget May 6, 2025	Changes	Proposed Final Budget June 6, 2025
Revenue			
Operating	\$ 244,701,000	\$ -	\$ 244,701,000
Non-Operating	\$ 111,127,800	\$ -	\$ 111,127,800
Total Revenue	\$ 355,828,800	\$ -	\$ 355,828,800
Expenses			
Personnel	\$ 136,437,400	\$ (975,900)	\$ 135,461,500
Non-Personnel Expenses (includes NPE, MSA, and Non-Operating NPE)	80,158,500	414,600	80,573,100
LCFS and Grant Funded Expense	12,943,900	-	12,943,900
Economic Recovery Program (ERP) Expense	1,509,300	-	1,509,300
Municipal Service Agreements (MSA) with Member Cities	10,976,800	-	10,976,800
Major Maintenance Expense	880,000	-	880,000
Non-Operating NPE	10,427,900	-	10,427,900
Capitalized Labor	(5,300,000)	-	(5,300,000)
Total Expenses	\$ 248,033,800	\$ (561,300)	\$ 247,472,500
Sources & Uses of Funds and Reserves	\$ (107,147,400)	\$ 414,600	\$ (106,732,800)
Total Sources & Uses of Funds and Reserves	\$ (107,147,400)	\$ 414,600	\$ (106,732,800)
Unrestricted Sources over Uses of Funds	\$ 647,600	\$ 975,900	\$ 1,623,500

On May 06, 2025, staff presented an updated Preliminary Budget to the Board which resulted in a \$647,600 budget surplus. The Board voted to accept staff's recommendation to adopt the FY 2026 Preliminary Budget. On May 13, 2025, a new organizational structure was rolled out to streamline processes and improve efficiency. This involves reclassifying certain positions, merging departments, and updating reporting lines within the branches, formerly referred to as divisions, of the organization. In addition, Non-

Personnel Expenses increased by \$414,600 due to a rise in the Chula Vista Bayfront Real Estate Revenue payment which will be funded by the Safe Harbor Sale, and the budget for the Shore Power at Fish Harbor and Chesapeake Wharf project was increased by \$260,000, rising from \$670,000 to \$930,000, to be funded by the Low Carbon Fuel Standard (LCFS) fund.

The adjustments were as follows:

- a) A decrease of \$975,900 to the Personnel Expense budget for implementing a new organizational structure to streamline processes and improve efficiency; and
- b) Budget-neutral adjustment for an increase of \$414,000 to the Non-Personnel Expenses budget due to a rise in the Chula Vista Bayfront Real Estate Revenue payment which will be funded by the Safe Harbor Sale; and
- c) Budget-neutral adjustment for an increase of \$260,000 to the budget of the Shore Power at Fish Harbor and Chesapeake Wharf project to be funded by the LCFS fund.

The FY 2026 budget was developed supporting core operations, and resources needed to support projects that include environmental protection and complying with increasing regulations, maintaining the Port's infrastructure through ongoing major maintenance, providing a secure, stable, high performing technology environment, promoting the public's enjoyment of tidelands, public safety, and enhancing economic development.

It is important to note that the FY 2026 budget is a plan that the Board can amend at any time during the year.

General Counsel's Comments:

The Office of the General Counsel has reviewed and approved this agenda and proposed ordinance, as presented, as to form and legality.

Environmental Review:

The proposed Board action, including without limitation a public hearing and an ordinance adopting the Fiscal Year 2026 final budget, does not constitute a project under the definition set forth in California Environmental Quality Act (CEQA) Guidelines Section 15378 because there is not a potential to result in a direct or indirect physical change in the environment. Therefore, the proposed Board action is not subject to CEQA and no further action under CEQA is required.

The proposed Board action complies with Section 35 of the Port Act which allows the Board to do all acts necessary and convenient for the exercise of its powers. The Port Act was enacted by the California Legislature and is consistent with the Public Trust Doctrine. Consequently, the proposed Board action is consistent with the Public Trust Doctrine.

The proposed Board action does not allow for development, as defined in Section 30106 of the California Coastal Act, or new development, pursuant to Section 1.a. of the District's Coastal Development Permit Regulations. Therefore, issuance of a Coastal Development Permit or an exclusion finding is not required.

Diversity, Equity, and Inclusion Program:

Not applicable.

PREPARED BY:

Tracy Largent
Chief Financial Officer/Treasurer

Attachment(s):
Attachment A: FY 2026 Final Budget Book