

**MINUTES
BOARD OF PORT COMMISSIONERS
SAN DIEGO UNIFIED PORT DISTRICT**

As previously posted, a special meeting of the Board of Port Commissioners of the San Diego Unified Port District was called to order by Chairman Cushman at 9:01 a.m., Tuesday, April 28, 2009, in the Board Room at 3165 Pacific Highway, San Diego, California.

ROLL CALL

Agenda Item 1.

Present: COMMISSIONERS Bixler, Cushman, Najera, Peters, and Spane,
OFFICERS Wurster, Bennett, Kirkpatrick, Liner, and McEntee.

Absent: None.

Excused: Valderrama.

PUBLIC COMMUNICATIONS

Agenda Item 2. None.

WORKSHOP

Agenda Item 3. Chairman Cushman requested and received confirmation from Mr. McEntee that, prior to the workshop, all of the Commissioners participated in briefings regarding the preliminary budget.

Jeff McEntee, CFO/Treasurer, addressed the Board and presented the District's Draft 2009-10 Preliminary Budget. (Copies of the staff report and presentation are on file in the Office of the District Clerk.)

Commissioner discussion ensued. Commissioner Peters requested clarification regarding the status of the required matching funds for the Prop 1B Goods Movement grants. Irene McCormack, Assistant Vice President, Communications and Inter-Governmental Relations, stated that there were no allocations made in the 2009-10 budget and the obligation would run over a five year period.

Commissioner Peters expressed his concern regarding the impact of the economy to the District's operations and projected revenues. Regarding the staff recommendation of an October implementation schedule for a reduction in authorized staff, Commissioner Peters suggested that staff accelerate the evaluation process and subsequent elimination of 10 of the 31 vacant staff positions. Mr. McEntee stated that no hiring had occurred since the hiring freeze was implemented in March. Mr. McEntee explained that staff consistently updates cash flows to proactively anticipate any long term effects from major changes in development projects or in revenue streams.

In light of Commissioner Peters' remarks regarding District staffing levels, Commissioner Spane stated that the Board implemented a maximum percentage ratio of revenue to salary, and the Compensation Committee monitors that ratio. Commissioner Spane requested clarification regarding any changes that the District has experienced regarding aged accounts receivables and/or an increase in the average days-to-pay outstanding invoices. Mr. McEntee stated that while the amount of receivables is small, staff monitors the Days Sales Outstanding (DSO) trends and meets with the real estate and maritime staff on a monthly basis to review any account with receivables over 90 days old. Mr. McEntee stated that staff has noticed a small increase in outstanding receivables that exceed 90 days. Commissioner Spane expressed concern that in the months to come the world-wide downturn in container cargo shipping may adversely impact the District. Commissioner Spane suggested taking a conservative approach regarding budget considerations.

Commissioner Cushman requested and received confirmation from Mr. McEntee that the proposed budget for personnel expenses is in alignment with the Board's direction regarding the percentage ratio of personnel expenses to revenues. In light of the previous Commissioner comments, Commissioner Cushman concurred that the October evaluation time frame and the number of vacant positions under consideration for elimination may need further review.

Commissioner Najera stated that in consideration of the recommendation to utilize reserve funds during the upcoming fiscal year he favored a conservative approach when making budget considerations. He advised staff to carefully review payroll, operations, and capital development projects (CDP) to uncover opportunities for cost savings. Commissioner Najera requested and received clarification from Mr. McEntee that the increase in workers compensation insurance was 7.5%. Commissioner Najera also requested and received clarification from Mr. McEntee regarding the revenue trend indicated in the preliminary budget. Mr. McEntee reviewed the source of revenues that were projected from the real estate and maritime

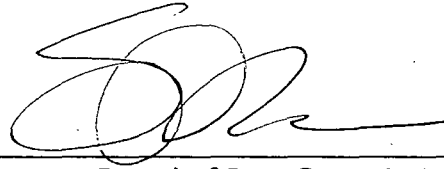
departments. Commissioner Najera concluded his remarks by encouraging staff to increase revenues while carefully managing expenses.

Commissioner Peters left the dais at 9:53 am and returned at 9:56 am

Commissioner Bixler stated that he expected that staff would make a case for retaining a percentage of the open positions; he concurred with Commissioner Peters' comments that during economic downturns, it is easier to evaluate eliminating unfilled positions. Commissioner Bixler advocated for making the necessary efforts to market the District's mega-yacht services and repair facilities. Commissioner Bixler requested that staff provide a memo outlining the marketing program and facilities as needed to support the mega-yachts. Commissioner Bixler requested and received confirmation from Mr. McEntee that the projected rents and the cash flow for FY 09/10 Preliminary Budget did not reflect the rent deferral program recently approved by the Board. In support of developing a healthy workforce, Commissioner Bixler suggested that staff investigate installing a Parcourse type fitness system at the administration building and at the general services facility in National City. Commissioner Bixler requested and received confirmation from Mr. McEntee that the increase in the burden expense was derived from several areas including health insurance and retirement. While in support of the Environmental Services program, Commissioner Bixler stated that philosophically he advocated determining programmatic budget needs on a retroactive basis, that is to say making programmatic determinations based upon the results posted from the prior fiscal year's net revenue, and he did not support determining a department's programmatic needs on a forward projection of gross revenues.

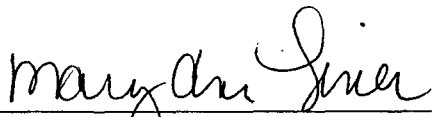
Chairman Cushman stated that the Board preferred to have staff expedite the evaluation and the elimination of more than 10 of the currently vacant staff positions. Chairman Cushman suggested, for the sake of discussion, that staff consider eliminating 20 of the vacant positions and return to the Board with a report regarding their findings. Chairman Cushman stated that the Executive Committee has requested that staff prepare a report detailing the CDP projects that the District has a legal obligation to complete and, in light of the current economy, the other CDP projects that may be delayed, thus not requiring resources in the upcoming fiscal year. Based on the uncertain economic times, Chairman Cushman stated that he advocated erring on the side of conservatism and he encouraged staff to evaluate the District's operations to make prudent business decisions.

Chairman Cushman adjourned the workshop at 10:07 a.m.



Secretary, Board of Port Commissioners
San Diego Unified Port District

ATTEST:



Clerk of the San Diego Unified Port District