

**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 Bixler at 9:00 a.m., Tuesday, February 12, 2008, in the Board Room at 3165 Pacific Highway, San Diego, California.

ROLL CALL

Agenda Item 1.

Present: COMMISSIONERS Bixler, Black, Cushman, Najera, Rios, Spane, and Valderrama;
OFFICERS Bennett, Liner and McEntee.

Absent: None.

Excused: None.

PUBLIC COMMENTS

Agenda Item 2. None.

WORKSHOP

CAPITAL DEVELOPMENT PROGRAM PRESENTATION AND DIRECTION TO STAFF

Agenda Item 3. Dan Wilkens, Executive Vice President; Rinus Baak, Project Consultant; and Jeff McEntee, CFO/Treasurer addressed the Board and presented staff recommendations for the FY 2009-2013 Capital Development Program (CDP). Mr. Baak summarized the current CDP and discussed the prioritization of potential new CDP projects. Mr. Baak presented staff's suggested action plan and assisted the Board of Port Commissioners to utilize the Option Finder system to prioritize the 24 proposed CDP projects based on four criteria: stakeholder/public benefit, probability of success, financial benefit, and resource requirements. Jeff McEntee, CFO/Treasurer, discussed financial assumptions with regard to accounting for the CDP projects. (A copy of the presentation is on file in the Office of the District Clerk.)

Commissioner discussion ensued. Chairman Bixler requested and received confirmation from Mr. McEntee that staff will include the date that the restricted funds dedicated to the Convention Center rate stabilization will no longer be reserved.

Commissioner Valderrama requested and received clarification from Mr. McEntee that the Board could vote to eliminate funding for un-contracted CDP projects, which had been previously approved. Commissioner Valderrama requested that Mr. McEntee compare the six-month operating reserve fund, which is directed by Board policy, to that of other like agencies, including the airport. Mr. McEntee stated that the levels vary widely from agency to agency. Commissioner Black explained regarding operating reserves, in a recent conversation with Alan Bersin, Chairman of the San Diego County Regional Airport Authority Board of Directors, she learned that the San Diego County Regional Airport holds a 4 to 6 month operating reserve, for use in the case of a catastrophic emergency.

Commissioner Rios suggested that in light of the funding reserves designated for environmental projects and that the no tenants have utilized the Tenant Environmental Loan program, the Board may consider moving the \$1,000,000 set aside from the Tenant Environmental Loan Program to the CDP.

Commissioner Black requested and received confirmation from Mr. McEntee that some of the CDP projects that are ongoing receive designated funds from the CDP as well as some operating funds.

Chairman Bixler requested clarification as to whether there were projects that were funded in the past and have not yet started. Mr. Baak explained that projects that were not yet started, and had no tentative plans to start, were eliminated by staff from the ongoing program and added to the list of projects the Board reprioritized. Mr. Baak continued by explaining there are still a minor number of projects that are in the \$58,000,000 that have not been started but there are plans to start them in the ongoing program and they total approximately \$5,950,000. Mr. Baak explained that the projects include: the Central Park in the Old Police Headquarters/Seaport Village (\$3 million); a promenade in association with the new Hilton Hotel project that has not been contracted (\$350,000); contingency/reserves that had not been allocated (\$2.6 million).

Commissioner Spane agreed that since the Tenant Environmental Loan Program funds had not been drawn on, the program could be folded into the Environmental Committee. Commissioner Spane also supported the Board consider allocating the budgeted \$20.5 million when considering projects.

Commissioner Valderrama requested and received clarification from Mr. Wilkens that the Goods Movement projects that may receive Proposition 1B funds do not have matching funds allocated from the CDP funds.

On a motion by Commissioner Rios, seconded by Commissioner Spane, the Board voted to move \$1,000,000 previously allocated to the Tenant Environmental Loan Program into the CDP funding allocation, and that the Tenant Environmental Loan Program would be administered by the Environmental Committee and funding would be allocated with resources from the Environmental Fund, by the following vote: Yeas-Bixler, Black, Cushman, Najera, Rios, Spane, Valderrama; Nays-None; Excused-None; Absent-None.

Commissioner Spane led the discussion regarding the need for six (6) months reserve and requested that staff return with an analysis regarding the decision making process used to keep the current level of funding in reserve. Mr. Wilkens explained further that the level of reserves contribute to Bond ratings.

Commissioner Najera requested and received clarification from Randa Coniglio, Area Real Estate Manager, Real Estate, regarding recent developments in a current CDP project labeled the Marina Parkway realignment project. Ms. Coniglio explained that the District is under a contractual obligation with BF Goodrich for that project; however, the project may not be completed if BF Goodrich and Gaylord come to an agreement regarding the ownership of the parcel in question and the District may be released from their contractual obligation, and in that case, the funding would not be required. The Board might consider adding those funds back into the CDP allocations.

Mr. Baak explained that staff would present the preliminary prioritization results determined during the Option Finder ranking. Chairman Bixler announced the Board would take a ten (10) minute break.

Chairman Bixler called the meeting back to order at 10:34 a.m. Chairman Bixler acknowledged for the record that former state Senator Steve Peace was present.

Chairman Bixler requested that any Commissioners who would like to add a project to the display board that was not included in the original project list, do so first.

Commissioner Valderrama stated that consideration be given to add cold ironing services at the National City Marine Terminal. Chairman Bixler requested that the item of adding the study of cold ironing at four District piers be added to the prioritization list. David Merk, Director, Environmental Services, explained that requirements for cold

ironing at the cruise ship terminal and the 10th Avenue Marine Terminal will go into effect in 2014. Mr. Merk continued his statements that, at the present time, regulations are being considered that would impact the National City Marine terminal; however, those regulations are not currently in place. Mr. Merk stated that staff is pursuing Proposition 1B funding and the funds are being allocated in annual increments of \$250,000,000 for the next four years, and he stated that he believed that the first year of funding was primarily focused on trucks. Mr. Merk concluded stating that the CDP projects under consideration would provide the necessary information to better assist staff when applying for those funds.

On a motion by Commissioner Valderrama, seconded by Commissioner Cushman, the Board voted to allocate \$1.5 million to perform cold ironing feasibility studies for the 10th Avenue Marine Terminal, 24th Street Terminal, "B" Street Cruise Ship and the Broadway Cruise Ship Terminal; and add the study to the high priority projects, by the following vote: Yeas-Bixler, Black, Cushman, Najera, Rios, Spane, Valderrama; Nays-None; Excused-None; Absent-None.

Chairman Bixler requested that staff prioritize the piers when considering the feasibility studies.

Tony LoPresti, Environmental Health Coalition, addressed the Board regarding the bond funding and requested CDP consideration be given to allocate matching funds for the truck retrofit component of the District's proposed Clean Air Plan.

Chairman Bixler requested and received confirmation from Mr. McEntee that the District does have some reserves to pursue some state grants that require matching funds. Mr. Wilkens suggested that the Board did not have to allocate CDP funds for this purpose at this time, as staff would be presenting additional information regarding alternative funding, including the Proposition 1B funds and the Carl Moyer funds and other sources for various components of the proposed Clean Air Plan.

Chairman Bixler invited Mr. Peace to make a comment if he would like, and Mr. Peace declined the invitation.

Laura Benson, Environmental Health Coalition, expressed her concerns regarding item 7, the purchase of property to create an industrial buffer zone, and item 24, the potential maritime property acquisition.

Chairman Bixler addressed Ms. Benson's concerns and explained that the Board was considering the items to financially prepare the District if a parcel were to become available that would be contiguous to District property.

Commissioner Spane requested and received clarification from Duane Bennett, Port Attorney, regarding CDP Reference No. 24. Mr. Bennett explained the item under consideration is currently in real property negotiations and is a matter of closed session, and the reason staff did not identify the parcel is by doing so the Board would disclose a negotiation strategy and the value of the parcel or parcels in question.

Mr. Baak continued by briefly outlining the other high-ranking projects.

Commissioner Black expressed her concerns regarding the need to allocate adequate funding for the completion of the "B" Street Pier and also explained that she was not supportive of the Marine Terminal enhancements until more information was provided to fully understand the proposed enhancements.

Chairman Bixler stated that in regards to CDP Reference No. 3, funding to commence preliminary design for the new cruise ship terminal at the "B" Street Pier, he was more comfortable with funding at the \$3.5 million level.

Tony LoPresti, Environmental Health Coalition, addressed the Board regarding allocating CDP funds for building the cold ironing infrastructure. Chairman Bixler requested that staff bring information regarding the grant funding deadlines referenced by Mr. LoPresti to the March Board meeting.

Commissioner Najera requested that the Board consider moving CDP Reference No. 13, the Wetlands Mitigation for the filling for the "L" Ditch in the Chula Vista area, to the high priority project column. Commissioner Najera explained that as the Chula Vista Bayfront Master Plan approval process moves forward, the completion of the "L" Ditch becomes more urgent, and if not completed prior to Coastal Commission review, then the potential eight acres gained may not become available for a future use or land swap.

Chairman Bixler suggested that due to the property value differences between the "L" Ditch and the parcel under consideration in the land swap, the capital development expense required to complete filling of the "L" Ditch, may become a negotiating point with the developer.

Mr. Wilkens explained that staff supported the Board's direction regarding moving the item and concurred with Commissioner Najera that due to Coastal Commission regulations, the land swap and future uses for the property may be hindered if the ditch is not addressed prior to the developer's involvement.

Commissioner Spane requested and received clarification that the mitigation for the "L" ditch could be coupled with South Grand Caribe Island to make it a mitigation area. Eileen Maher, Assistant Director, Environmental Services explained that if the "L" ditch is removed at this time then a 4 to 1 mitigation would be required and in staff's best estimate the Grand Caribe Island may not be enough property to fulfill the mitigation in total. Mr. Wilkens requested staff be allowed to review the options and report back to the Board on the opportunities for mitigation.

Commissioner Cushman confirmed with Mr. Wilkens that there was enough funding in items numbered 4 and 5 to accomplish the CEQA documentation for item 13.

On a motion by Commissioner Najera, Seconded by Commissioner Valderrama, the Board voted to move CDP Reference No. 13, the Wetlands Mitigation for the filling for the "L" Ditch in the Chula Vista area, to the high priority column, by the following vote: Yeas-Bixler, Black, Cushman, Najera, Rios, Spane, Valderrama; Nays-None; Excused-None; Absent-None.

Commissioner Black requested the Board support moving CDP Reference No. 6, \$750,000 for funding the study feasibility of a parking garage at Grape Street, to a high priority. Commissioner Black explained matching funds may be available from the San Diego Regional Airport.

Chairman Bixler requested that the Board consider moving CDP Reference No. 18, Imperial Beach Sand Replenishment from moderate to high priority. Chairman Bixler requested that the Commissioners consider allocating approximately \$1.75 million in CDP funding to the City of Imperial Beach. The District's funding would be added to the financial support received by the City of Imperial Beach from the State of California and the remaining 65% of the expenditure would be funded, over the life of the 50 year program, by the Federal government via the Army Corps of Engineers.

Commissioner Spane stated that as the Board had ranked the Grape Street Garage and the Imperial Beach Sand Replenishment program as moderate projects then the Board may also consider including the CDP Reference No. 7, to purchase property to create a (transition zone) industrial buffer purchase.

Commissioner Black suggested that the Board consider reprioritizing the Grape Street Garage and the Imperial Beach Sand Replenishment program.

Commissioner Cushman stated he supported moving the Grape Street Garage to a high priority status, and also recommended moving the sand replenishment to the high priority. Mr. Cushman stated that the industrial buffer zone item is in the development stages and suggested it be moved to the first item of the moderate priority items.

Commissioner Rios suggested creating an additional category that would be high/moderate priority for the projects under discussion by Chairman Bixler and Commissioner Black.

On a motion by Commissioner Black, seconded by Commissioner Cushman, the Board voted to move CDP Reference No. 18, Imperial Beach Sand Replenishment from moderate to high priority; CDP Reference No. 6, \$750,000 for funding the study feasibility of a parking garage at Grape Street, to a high priority and CDP Reference No. 7, to purchase property to create a transition zone, to high/moderate priority, by the following vote: Yeas-Bixler, Black, Cushman, Najera, Rios, Spane, Valderrama; Nays-None; Excused-None; Absent-None.

Commissioner Spane requested and received confirmation from Mr. Wilkens that the items that were designated as unfunded were not ranked and staff would maintain a list of those items; some of which may come back before the Board for consideration if future funding becomes available.

Chairman Bixler announced the Board would enter into closed session. Duane Bennett, Port Attorney, announced the closed session items:

CLOSED SESSION

Agenda Item 4.

CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION

Pursuant to Subdivision (a) of Government Code Section 54956.9:

SDUPD vs. Argonaut Insurance Company, et al.
San Diego Superior Court No. GIC 874394

Agenda Item 5.

CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION

Pursuant to Subdivision (a) of Government Code Section 54956.9:

Furgatch v. SDUPD, et al.

San Diego Superior Court No. GIC 775242 and GIC 784923

Agenda Item 6.

CONFERENCE WITH REAL PROPERTY NEGOTIATOR

Government Code Section 54956.8

Property: Approximately 30 Acres West of Marina Parkway
and South of G Street, Chula Vista

Negotiating Parties: Bennett Westbrook, Gaylord Entertainment
Randa Coniglio, SDUPD

Under Negotiation: Price and Terms

Agenda Item 7.

CONFERENCE WITH REAL PROPERTY NEGOTIATOR

Government Code Section 54956.8

Property: Old Police Headquarters located at the southeast corner of
Pacific Highway and Harbor Drive, and Seaport Village,
849 W. Harbor Drive, San Diego

Negotiating Parties: Bruce Walton, Seaport Village Operating Co., LLC, by its
Managing Member, Terramar Retail Centers, LLC
Karen Weymann, SDUPD

Under Negotiation: Price and Terms

Agenda Item 8.

CONFERENCE WITH REAL PROPERTY NEGOTIATOR
Government Code Section 54956.8

Property: Fifth Avenue Landing/Spinnaker Site, South side of
Convention Way and East of Marina Park Way, San Diego

Negotiating Parties: Raymond Carpenter and Arthur Engel,
Fifth Avenue Landing
Karen Weymann, SDUPD

Under Negotiation: Price and Terms

There were no formal or reportable actions, pursuant to Government Code Section 54950 et seq. to report from the Closed Session, whereupon Chairman Bixler adjourned the meeting.

DUKE VALDEERRAMA

Secretary, Board of Port Commissioners
San Diego Unified Port District

ATTEST:

Mary Ann Greer

Clerk of the San Diego Unified Port District