



BOARD OF PORT COMMISSIONERS MEETING JUNE 1, 2022

Ventura Harbor
HOME OF THE CHANNEL ISLANDS NATIONAL PARK

- Call to Order
- Pledge of Allegiance
- Roll Call

ADMIN AGENDA

ADMIN AGENDA

**Adoption of the
June 1, 2022 Agenda**

**Approval of the Minutes of
the May 4, 2022
Regular Meeting**

**PUBLIC COMMUNICATION
ADMIN AGENDA
ITEMS NOT ON TODAY'S AGENDA**

00 : 03 : 00

- Closed Session Report
- Board Communications
- Staff and General Manager Reports

ADMIN AGENDA

CONSENT AGENDA

- A) Award of Contract and Change Order Request for 1591 Spinnaker Elevator Project
- B) Approval of a New Retail Lease Agreement with Buenaventura Art Association DBA Harbor Gallery & Gifts
- C) Approval of Amendment No. 1 to Retail Lease Agreement with Mahesh and Heeru Gehani DBA Casa de Regalos
- D) Approval of New Office Lease Agreement with Andres S. Fernandez, LLC. DBA The 805 Bar & Grilled Cheese / The Copa Cubana
- E) Authorize the General Manager to Execute a Funding Agreement with the State of California, acting through the State Lands Commission to receive \$122,979 allocated from the Coronavirus State Fiscal Recovery Fund Second Disbursement
- F) Approval of Subleases for 1404 Anchors Way Drive (Parcel 14)

PUBLIC COMMUNICATION CONSENT AGENDA

00 : 03 : 00

**Adoption of Resolution No. 3451 Approving
the SEIU-Local 721 MOU Representing Full-
time and Part-time Harbor Patrol Officers**

RECOMMENDATION

That the Board of Port Commissioners adopt Resolution No. 3451, approving the Memorandum of Understanding Collective Bargaining Agreement between the Ventura Port District and the Service Employees International Union, SEIU-Local 721, representing all regular full-time and part-time employees classified as the Harbor Patrol.

STANDARD AGENDA ITEM 1

Report by:

**Brian D. Pendleton, General Manager
Oliver Yee, Liebert Cassidy Whitmore**

PUBLIC COMMUNICATION STANDARD AGENDA ITEM 1

00 : 03 : 00

**Adoption of Resolution No. 3452 Approving
the Financial Statements and Checks for
January through March 2022**

RECOMMENDATION

That the Board of Port Commissioners adopts Resolution No. 3452 to:

- a) Accept the financial statements for the Quarter ending March 31, 2022; and,
- b) Review the payroll and regular checks for January through March 2022.

**STANDARD
AGENDA
ITEM
2**

**Report by:
Gloria Adkins, Accounting Manager**

PUBLIC COMMUNICATION STANDARD AGENDA ITEM 2

00 : 03 : 00

Fiscal Year 2022-2023 Budget Study Session

RECOMMENDATION

That the Board of Port Commissioners conduct a Fiscal Year 2022–2023 Budget Study Session and provide direction to the General Manager in preparation of the preliminary budget and five-year capital improvement plan.

STANDARD AGENDA ITEM 3

Report by:

Brian D. Pendleton, General Manager
Gloria Adkins, Accounting Manager
Todd Mitchell,
Sr. Business Operations Manager

OVERVIEW

- FY22-23 Budget process
 - Study Session 6/1
 - Preliminary Budget 6/15
 - Final Budget 6/29
- Study Session
 - Board and Stakeholder Engagement
 - As Preliminary Budget is Prepared
 - Discussion of funding priorities
 - Guiding Principles (new)
 - 5-Year Objectives (revised)
 - Study Session Speakers
 - Brian Pendleton, Mary Beth Redding, Gloria Adkins, Todd Mitchell

OVERVIEW

- Budget Process began in April 2022
- Anticipated Operating Expense Increases
 - MOU Labor Contracts with SEIU and Teamsters
 - Wage Increases (e.g. Cost of Living Adjustments)
 - Workers Compensation Premiums
 - Implementation of planned (FY21-22) and proposed (FY22-23) staffing changes
- Realized Revenue Increases
 - Increase change in net position of \$2.8M over prior fiscal year (Q3 FY21-22)
 - Successful Grant Awards
 - Tenant Sales
 - Prudent Spending
- Preliminary Budget Projections:
 - Meet Operational Reserve Requirements
 - Meet Bond Covenants for Net Income Debt Coverage

OVERVIEW

- Harbor Resiliency
 - Approximately 95% of tenants have repaid COVID-19 deferred rent
 - High Business Retention Rate (Covid-19 RADP)
 - Private Investments - Master & Village Tenants
 - Low Vacancy Rates, New Businesses Coming On-Line
- District Investments
 - Staff – Organization, Compensation, Training, Facilities & Equipment
 - 5-Year Capital Improvement Plan (CIP)
 - Village, Beaches, Harbor-Wide
 - Stable Capital Reserves, Increasing Grant Funds
- Domestic Economy
 - Covid, Inflationary Pressures, Negative GDP (Q1), Rising Interest Rates, Geopolitical Events

ACTUARIAL REVIEW – CALPERS

MARY BETH REDDING, VICE PRESIDENT – BARTEL ASSOCIATES, LLC

- Mary Beth Redding is an actuary with Bartel Associates, a CA actuarial consulting firm
- works entirely with public agencies' pension and retiree benefits
- analyzes issues relating to CalPERS pensions and projecting future CalPERS rates
- Providing Board updates on our CalPERS obligations since 2017

Presentation Includes:

- Background on CalPERS pension plans unfunded liabilities
- Current status of the District's Miscellaneous and Safety plans
- Where CalPERS rates are expected to go
- Options to address – or not – the District's UAL



BARTEL
ASSOCIATES, LLC

VENTURA PORT DISTRICT MISCELLANEOUS AND SAFETY PLANS

CalPERS Actuarial Issues – 6/30/20 Valuation

Mary Elizabeth Redding, Vice President

Bianca Lin, Assistant Vice President

Tina Liu, Associate Actuary

Bartel Associates, LLC

June 1, 2022

Agenda

How We Got Here

Miscellaneous Plan

Safety Plan

Combined Miscellaneous and Safety

Paying Down the Unfunded Liability

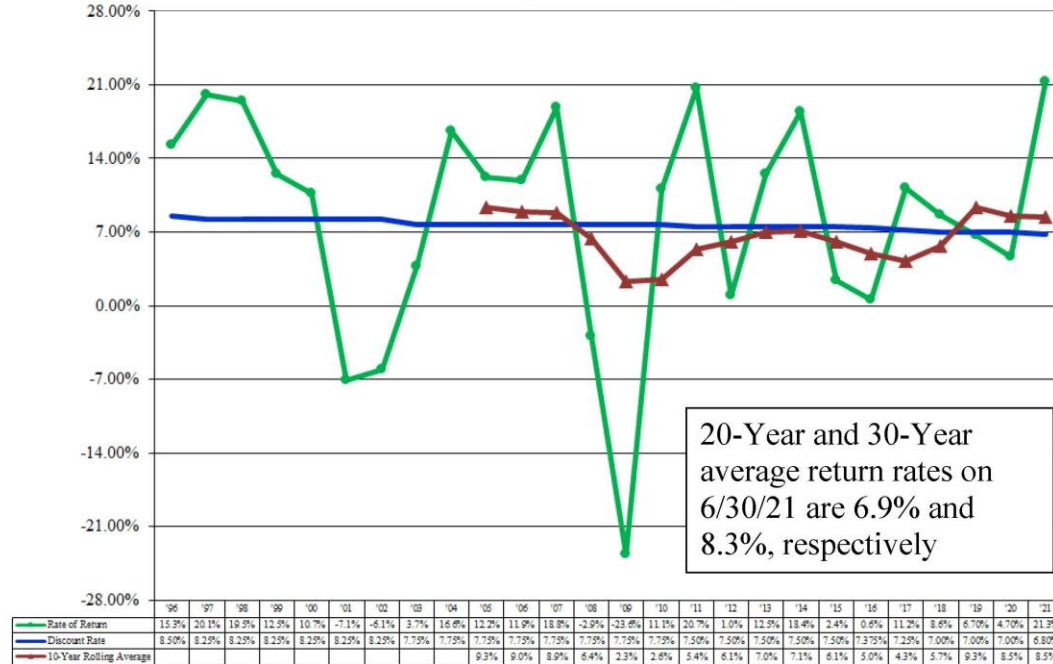


HOW WE GOT HERE

- Investment Losses
- CalPERS Contribution Policy
- Enhanced Benefits
- Demographics

HOW WE GOT HERE – INVESTMENT RETURN

Annual Return on Market Value of Assets



Returns (after 2001) shown are gross returns, unreduced for administrative expenses, from CalPERS valuation reports, when available. The discount rate is based on expected returns net of administrative expenses.



June 1, 2022



HOW WE GOT HERE – OLD CONTRIBUTION POLICY

- Effective with 2003 valuations:
 - Slow (15 year) recognition of investment losses into funded status
 - Rolling 30 year amortization of all (primarily investment) losses

- Designed to:
 - First smooth rates and
 - Second pay off UAL

- Mitigated contribution volatility

HOW WE GOT HERE – ENHANCED BENEFITS

- At CalPERS, Enhanced Benefits implemented using all (future & prior) service
- Typically not negotiated with cost sharing
- **For Ventura Port District, formulas are not Enhanced**
 - Agencies without enhanced formulas generally have better funded ratios and lower contribution rates

| | Tier 1 | PEPRA |
|-----------------|---------------|--------------|
| ● Miscellaneous | 2%@55 FAE1 | 2%@62 FAE3 |
| ● Safety | 2%@55 FAE1 | 2%@57 FAE3 |

- ☐ FAE1 is highest one year (typically final) average earnings
- ☐ FAE3 is highest three years (typically final three) average earnings
- PEPRA tier implemented for new employees hired after 1/1/13
 - Employee pays half of total normal cost
 - 2022 Compensation limit
 - ☐ Social Security participants: \$134,974
 - ☐ Non-Social Security participants: \$161,969

HOW WE GOT HERE – DEMOGRAPHIC

- Around the State
 - Large retiree liability compared to actives
 - State average: 56% for Miscellaneous, 65% for Safety
 - 6/30/20: 60% average for CalPERS PERF
 - Declining active population and increasing number of retirees
 - Higher percentage of retiree liability increases contribution volatility

- Ventura Port District percentage of liability belonging to retirees 6/30/20:
 - Miscellaneous 55%
 - Safety 39%

CALPERS CHANGES

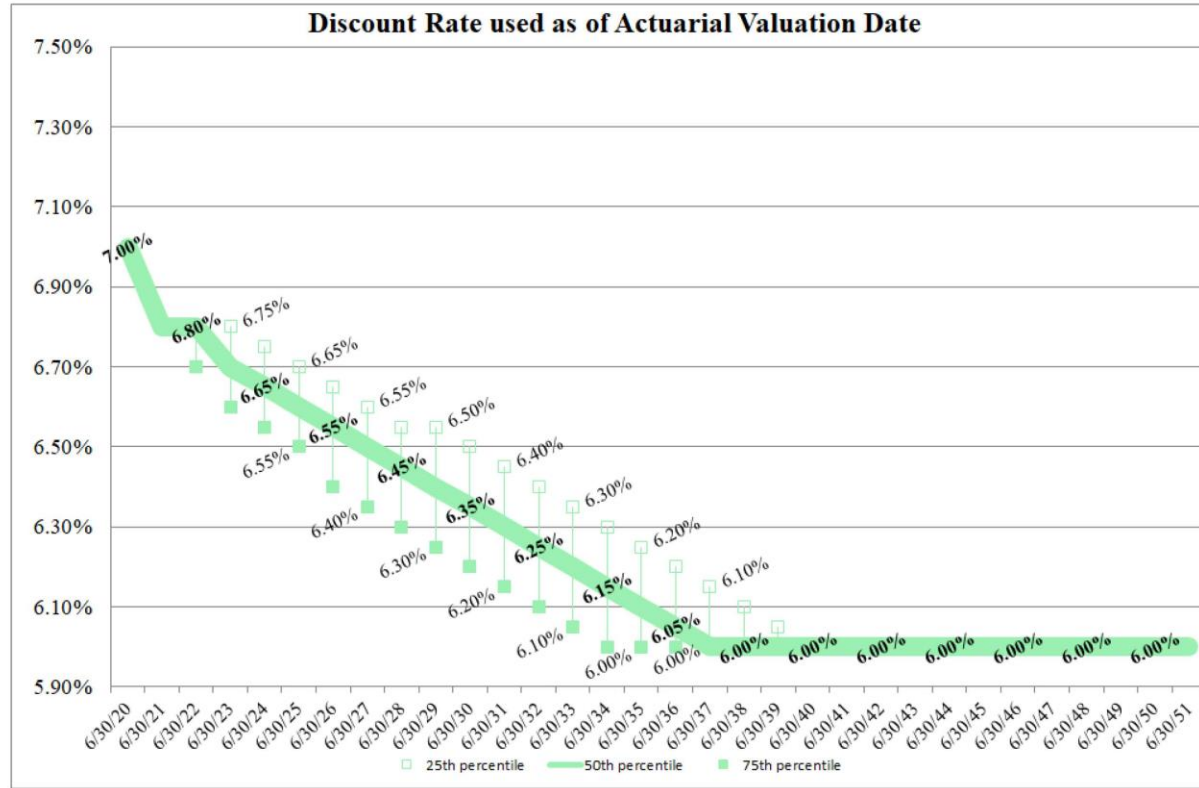
- April 2013: CalPERS adopted new contribution policy
 - No asset smoothing or rolling amortization
- February 2018: New amortization policy
 - For future changes only
 - Fixed dollar (level) 20-year amortization rather than % pay (escalating)
 - 5-year ramp up (not down) for investment gains and losses
- CalPERS Board changed the discount rate to 7%; still phasing in to rates:

| | <u>Rate</u> | <u>Initial Impact</u> | <u>Full Impact</u> |
|---------------------|-------------|-----------------------|--------------------|
| ● 6/30/16 valuation | 7.375% | 18/19 | 22/23 |
| ● 6/30/17 valuation | 7.25% | 19/20 | 23/24 |
| ● 6/30/18 valuation | 7.00% | 20/21 | 24/25 |
- In the November 2021 meeting, CalPERS Board adopted new
 - Discount rate and investment allocation
 - ☐ Discount rate: 6.8% for 6/30/2021. UAL impact matches investment gain amortization (5-year ramp-up)
 - ☐ Asset allocation has higher investment risk than current portfolio
 - Experience study (Demographic assumptions)

CALPERS CHANGES

- Risk Mitigation Strategy
 - Move to more conservative investments over time to reduce volatility
 - ☐ Only when investment return is better than expected
 - ☐ Lower discount rate in concert
 - ☐ Essentially use $\approx 50\%$ of investment gains to pay for cost increases
 - Likely get to 6.0% discount rate over 20+ years
 - ☐ Risk mitigation suspended from 6/30/16 to 6/30/18 valuation
 - ☐ Did not trigger for 6/30/19 or 6/30/20 valuations
 - First trigger for 6/30/21 valuation – 6.8% discount rate

CALPERS CHANGES



CALPERS CHANGES

Capital Market Assumptions

| Asset Class | Asset Segment | Near-Term Return (5-year) | Long-Term Return (20-year) | Volatility (20-year) |
|-------------|----------------------------------|---------------------------------|----------------------------------|-------------------------|
| Growth | Global Equity – Cap Weighted | 6.8% | 6.8% | 17.0% |
| | Global Equity – Non-Cap Weighted | 5.1% | 6.1% | 13.5% |
| | Private Equity | 8.9% | 9.6% | 30.1% |
| Income | Long U.S. Treasuries | 0.1% | 2.6% | 12.4% |
| | Mortgage-Backed Securities | 1.2% | 2.8% | 3.1% |
| | Investment Grade Corporates | 0.1% | 3.9% | 8.5% |
| | Spread Product – High Yield | 2.2% | 4.7% | 9.2% |
| | Spread Product – Sovereigns | 3.2% | 4.5% | 10.4% |
| | High Yield Segment | 2.2% | 4.6% | 9.0% |
| Real Assets | Real Estate | 5.3% | 5.5% | 12.2% |
| Liquidity | Liquidity | 0.3% | 1.7% | 0.8% |
| Other | Private Debt | 6.8% | 5.9% | 9.9% |
| | Emerging Market Debt | 2.7% | 4.8% | 10.3% |

CALPERS CHANGES

Portfolio Target Allocations

| | Current Portfolio | New Portfolio |
|----------------------------|-------------------|---------------|
| Liquidity | 1% | - |
| Real Assets | 13% | 15% |
| Private Debt | - | 5% |
| EM Sovereign Bonds | 1% | 5% |
| High Yield | 4% | 5% |
| Investment Grade Corp. | 6% | 10% |
| Mtge-backed Securities | 7% | 5% |
| Treasuries | 10% | 5% |
| Private Equity | 8% | 13% |
| Global Equity ¹ | 50% | 42% |
| Leverage | - | (5)% |
| Total | 100% | 100% |

¹ Cap and non-cap weighted combined for this table; actual portfolios have specific allocations for each classification.

DEMOGRAPHIC INFORMATION - MISCELLANEOUS

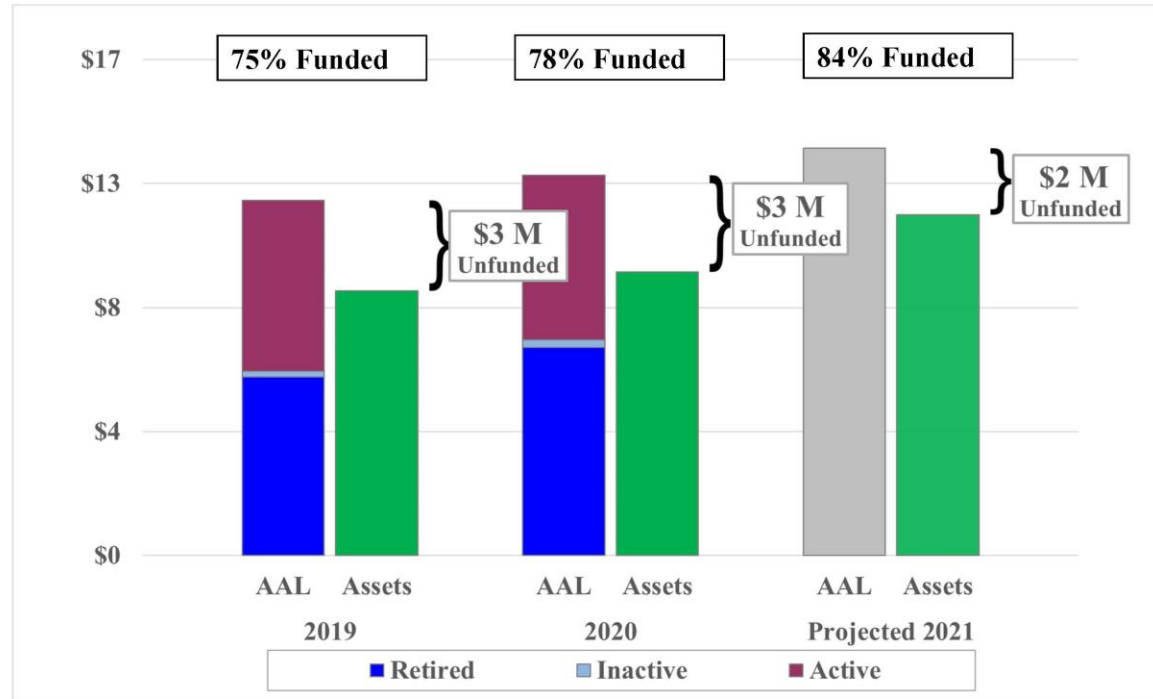
| | 2012 | 2016 | 2019 | 2020 |
|--------------------------|-----------|-----------|-----------|-----------|
| Actives | | | | |
| ■ Counts | 25 | 28 | 30 | 29 |
| ■ Average PERSable Wages | \$ 54,900 | \$ 52,700 | \$ 57,000 | \$ 63,300 |
| ■ Total PERSable Wages | 1,400,000 | 1,500,000 | 1,700,000 | 1,800,000 |
| Inactive Members | | | | |
| ■ Counts | | | | |
| • Transferred | 3 | 1 | 3 | 6 |
| • Separated | 12 | 12 | 13 | 14 |
| • Retired | 23 | 27 | 27 | 28 |

As of June 30, 2020

| | Total | Classic | PEPRA |
|-----------------------------|--------------|--------------|------------|
| • Employee Counts | 29 | 20 | 9 |
| • Projected FY22/23 Payroll | \$ 1,991,000 | \$ 1,467,000 | \$ 524,000 |

PLAN FUNDED STATUS - MISCELLANEOUS

District CalPERS Assets and Actuarial Liability (\$Millions)



CONTRIBUTION PROJECTIONS

■ Market Value Investment Return:

- June 30, 2021 21.3%²
- June 30, 2022 -5%³
- Future returns based on stochastic analysis using 1,000 trials

| <u>Single Year Returns at⁴</u> | <u>25th Percentile</u> | <u>50th Percentile</u> | <u>75th Percentile</u> |
|---|-----------------------------------|-----------------------------------|-----------------------------------|
| Current investment mix – first 10 years, without risk mitigation | -2.1% | 5.9% | 14.6% |
| Current investment mix – after 10 years, without risk mitigation | -0.7% | 7.4% | 16.4% |

- Assumes investment returns will generally be lower over the next 10 years and higher beyond that.

■ Discount Rate decreases due to Risk Mitigation policy – ultimate rate 6.0%

■ No Other: gains/losses, method/assumption changes, benefit improvements

■ Different from CalPERS projection

■ New hire assumptions:

- 97.5% of 2021/22 new hires are PEPRAs members and 2.5% are Classic members
- 100% of future hires are PEPRAs

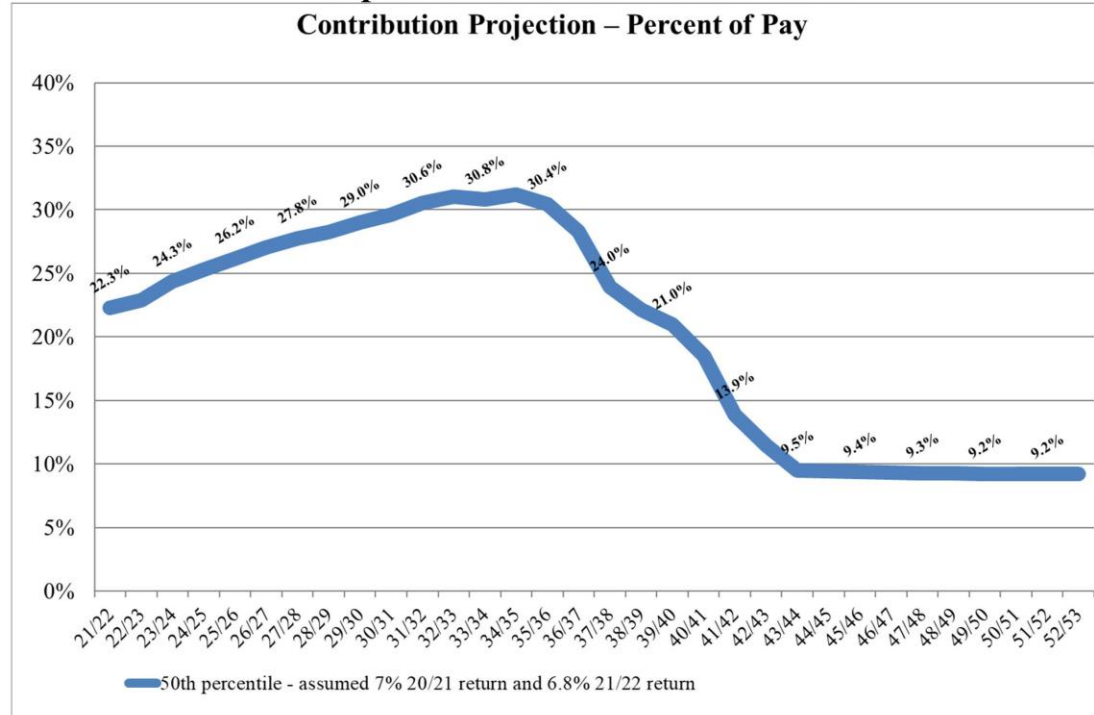
² Gross return based on July 2021 CalPERS press release.

³ Estimated based on approximate -5% PERF fund change from 6/30/21 through 5/11/22

⁴ Nth percentile means N percentage of our trials result in returns lower than the indicated rates.

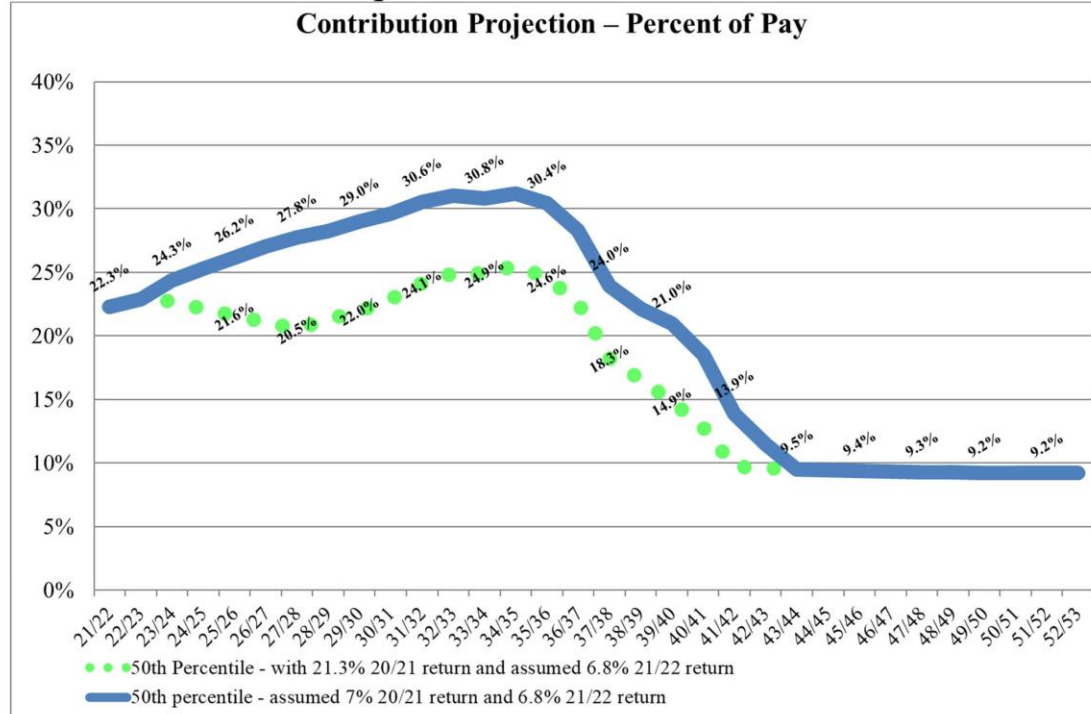
CONTRIBUTION PROJECTIONS - MISCELLANEOUS

Impact of 20/21 Investment Return Contribution Projection – Percent of Pay



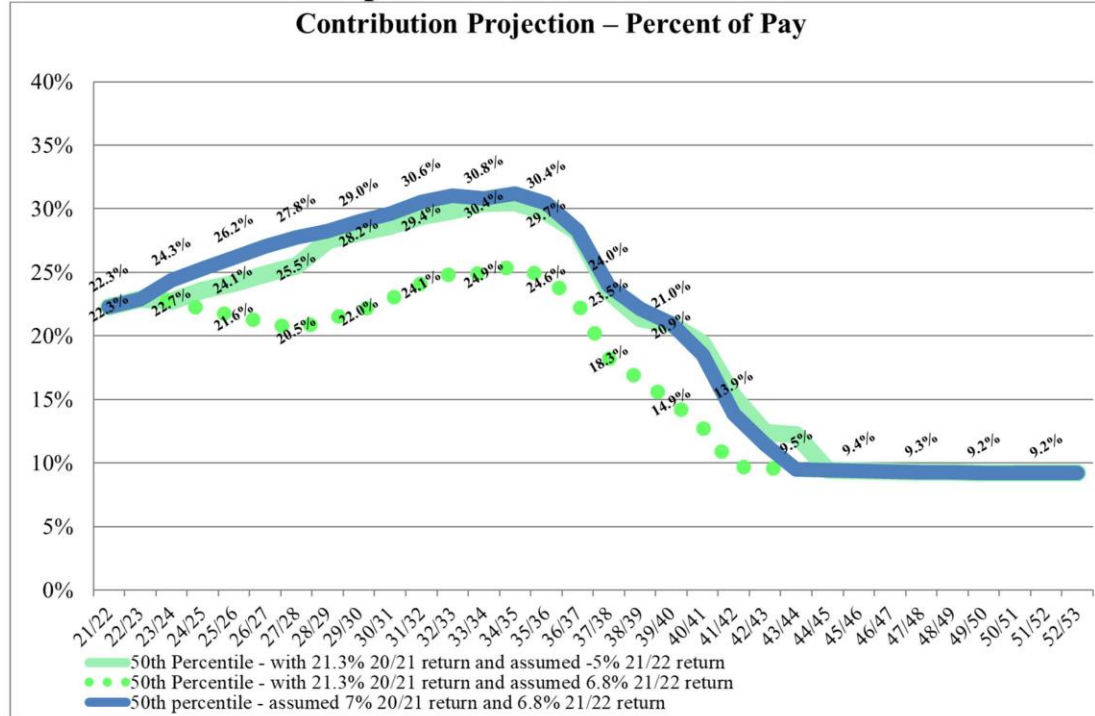
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Impact of 20/21 Investment Return Contribution Projection – Percent of Pay

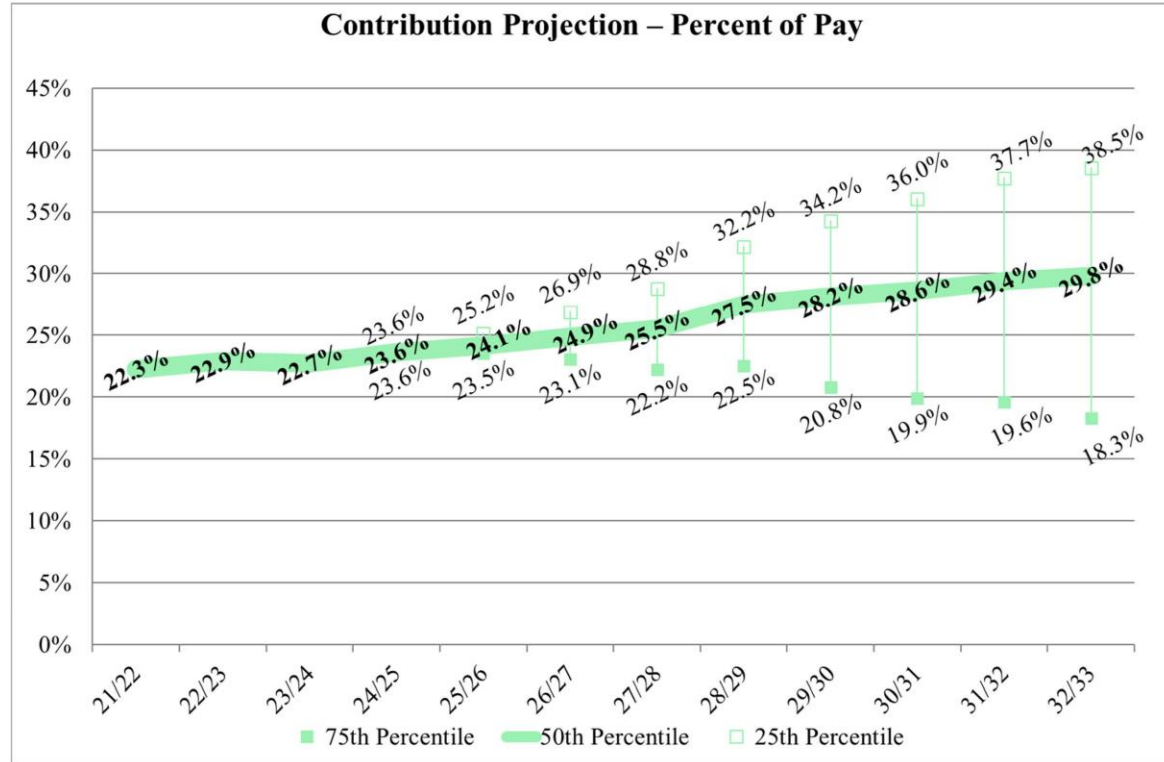


CONTRIBUTION PROJECTIONS - MISCELLANEOUS

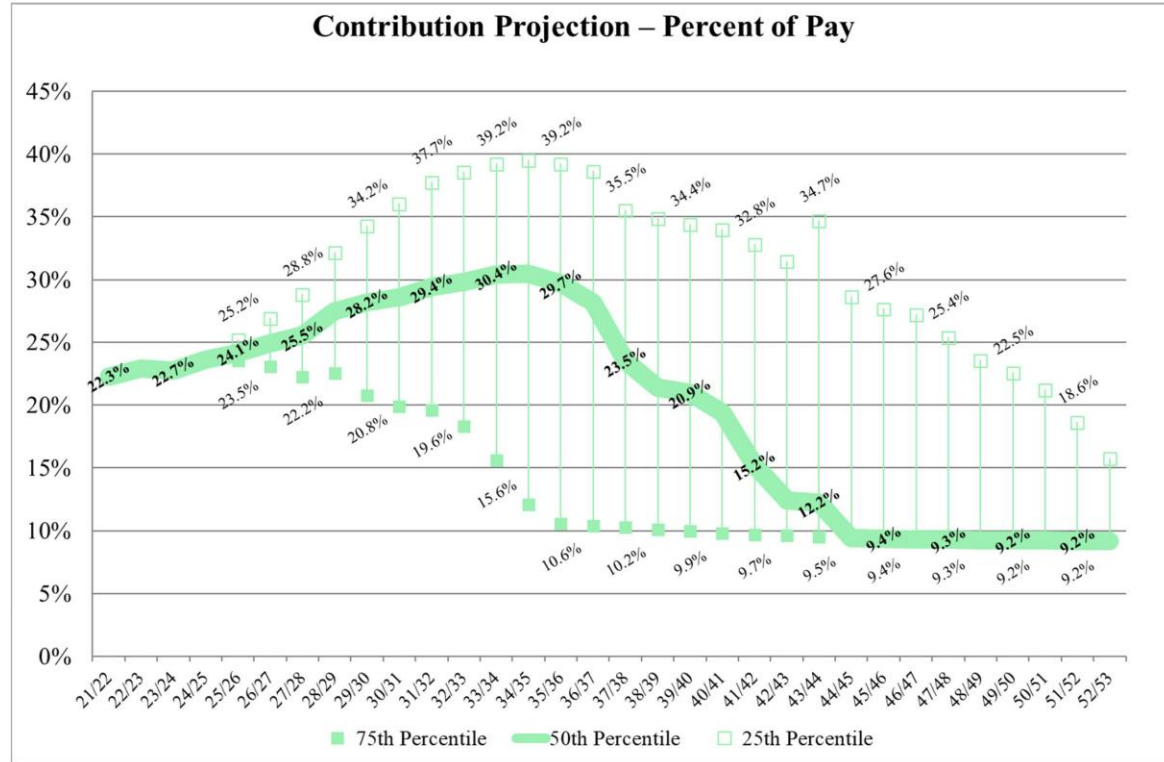
Impact of 20/21 Investment Return Contribution Projection – Percent of Pay



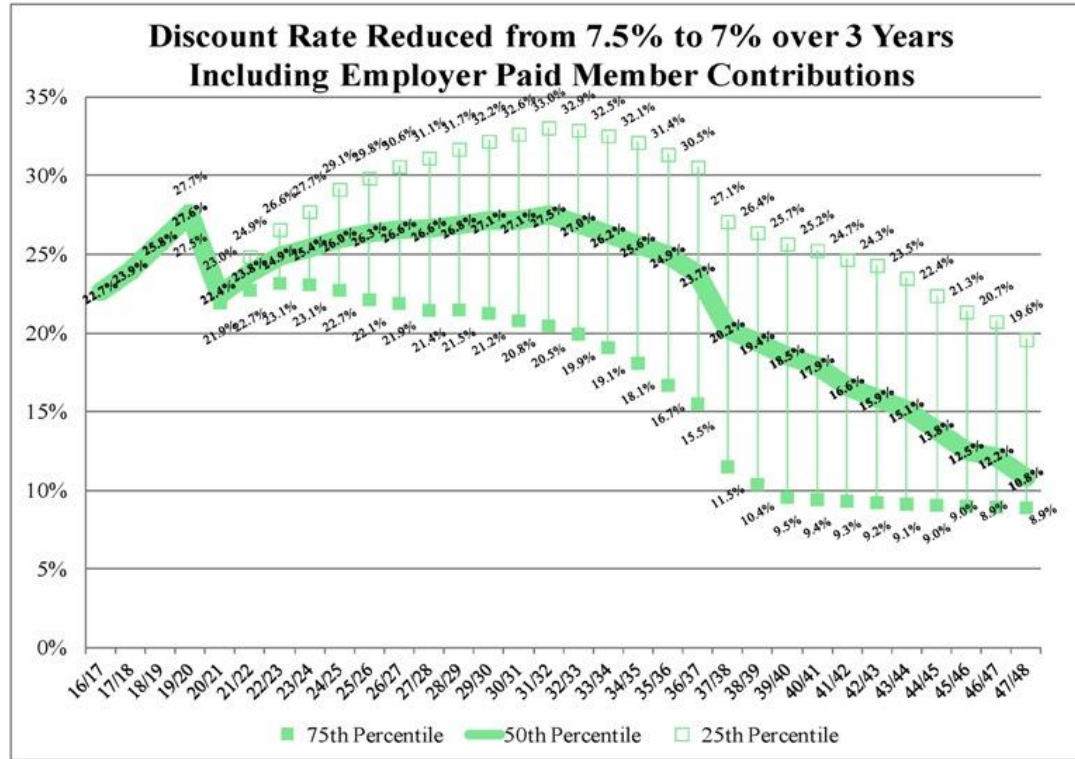
CONTRIBUTION PROJECTIONS - MISCELLANEOUS



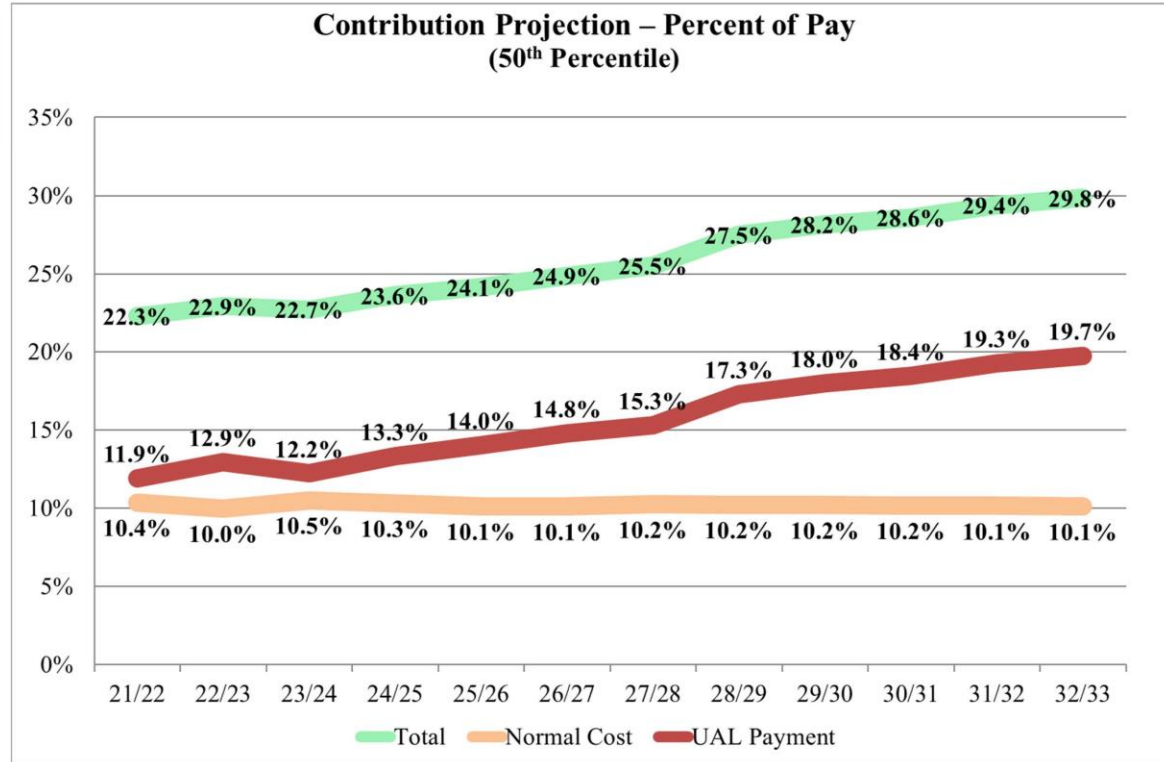
CONTRIBUTION PROJECTIONS - MISCELLANEOUS



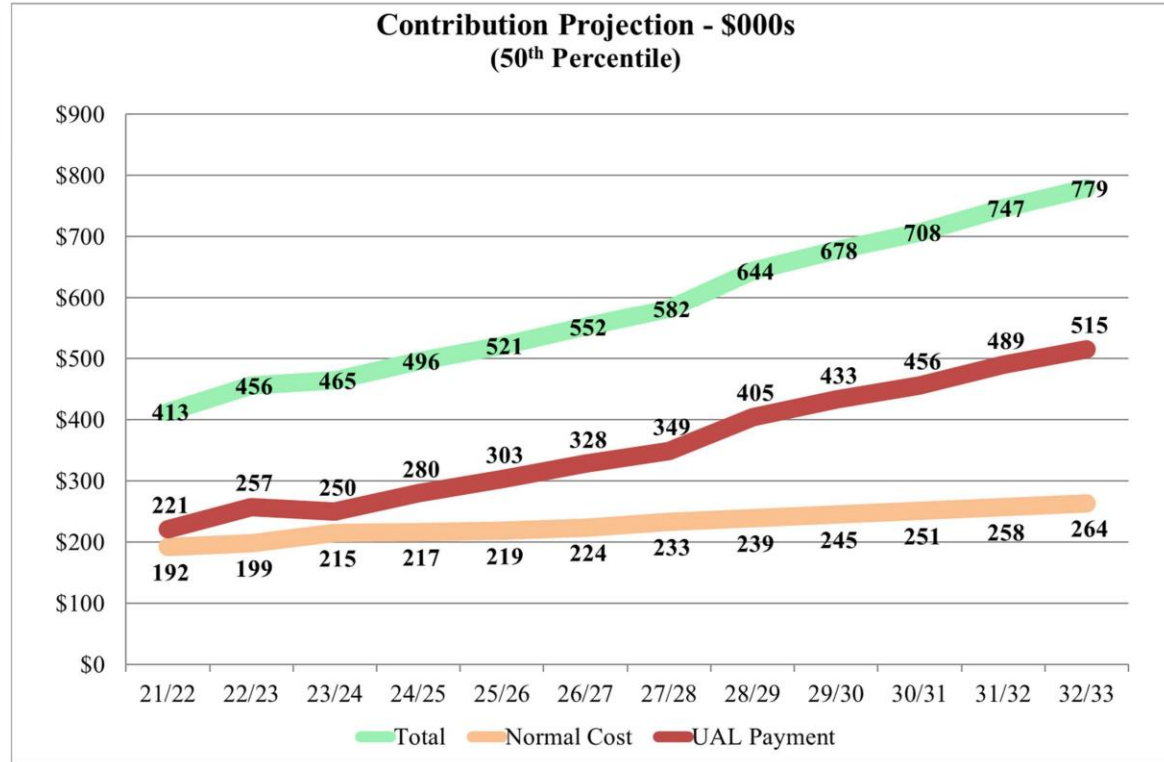
CONTRIBUTION PROJECTIONS – MISCELLANEOUS



CONTRIBUTION PROJECTIONS - MISCELLANEOUS



CONTRIBUTION PROJECTIONS - MISCELLANEOUS



SUMMARY OF DEMOGRAPHIC INFORMATION - SAFETY

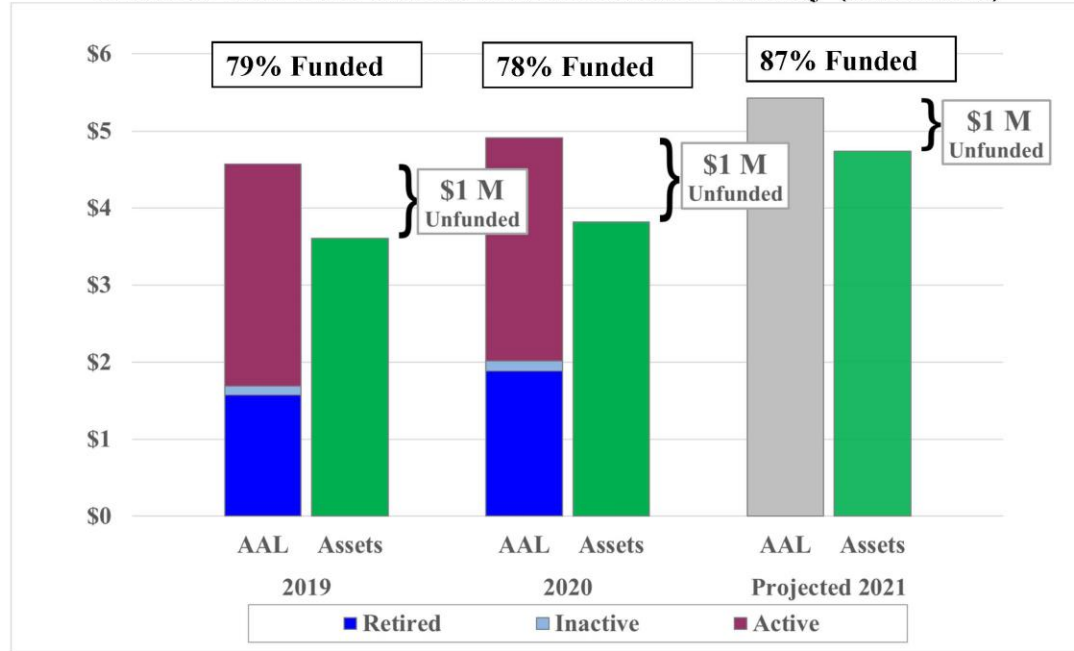
| | 2012 | 2016 | 2019 | 2020 |
|--------------------------|-----------|-----------|-----------|-----------|
| Actives | | | | |
| ■ Counts | 9 | 11 | 13 | 11 |
| ■ Average PERSable Wages | \$ 58,200 | \$ 48,900 | \$ 59,300 | \$ 60,300 |
| ■ Total PERSable Wages | 500,000 | 500,000 | 800,000 | 700,000 |
| Inactive Members | | | | |
| ■ Counts | | | | |
| • Transferred | 4 | 2 | 3 | 4 |
| • Separated | 2 | - | 1 | 1 |
| • Retired | 3 | 7 | 7 | 8 |

As of June 30, 2020

| | Total | Classic | PEPRA |
|-----------------------------|------------|------------|------------|
| • Employee Counts | 11 | 8 | 3 |
| • Projected FY22/23 Payroll | \$ 720,000 | \$ 588,000 | \$ 132,000 |

PLAN FUNDED STATUS - SAFETY

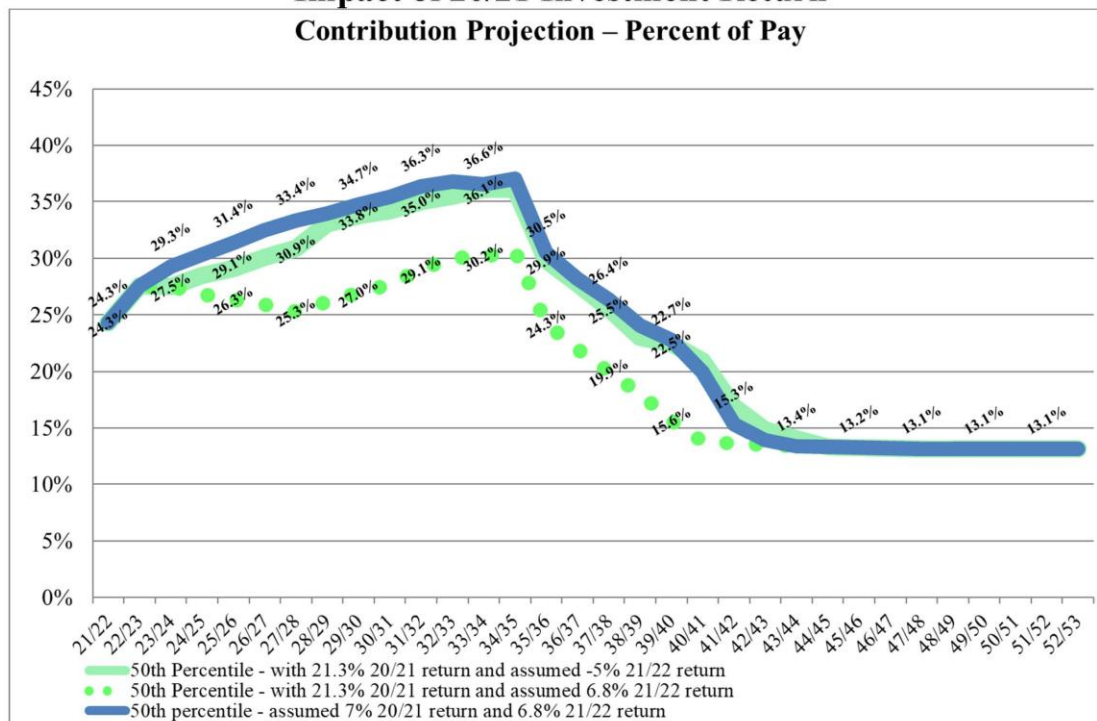
District CalPERS Assets and Actuarial Liability (\$Millions)



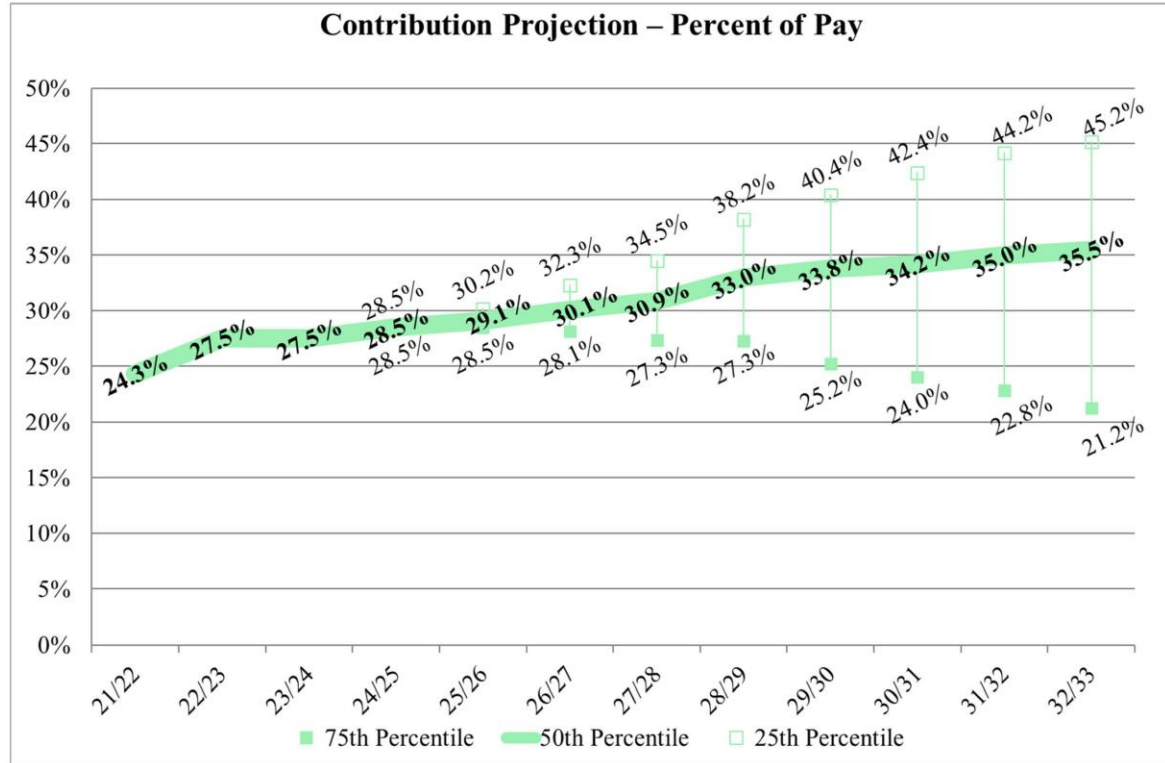
CONTRIBUTION PROJECTIONS - SAFETY

Impact of 20/21 Investment Return

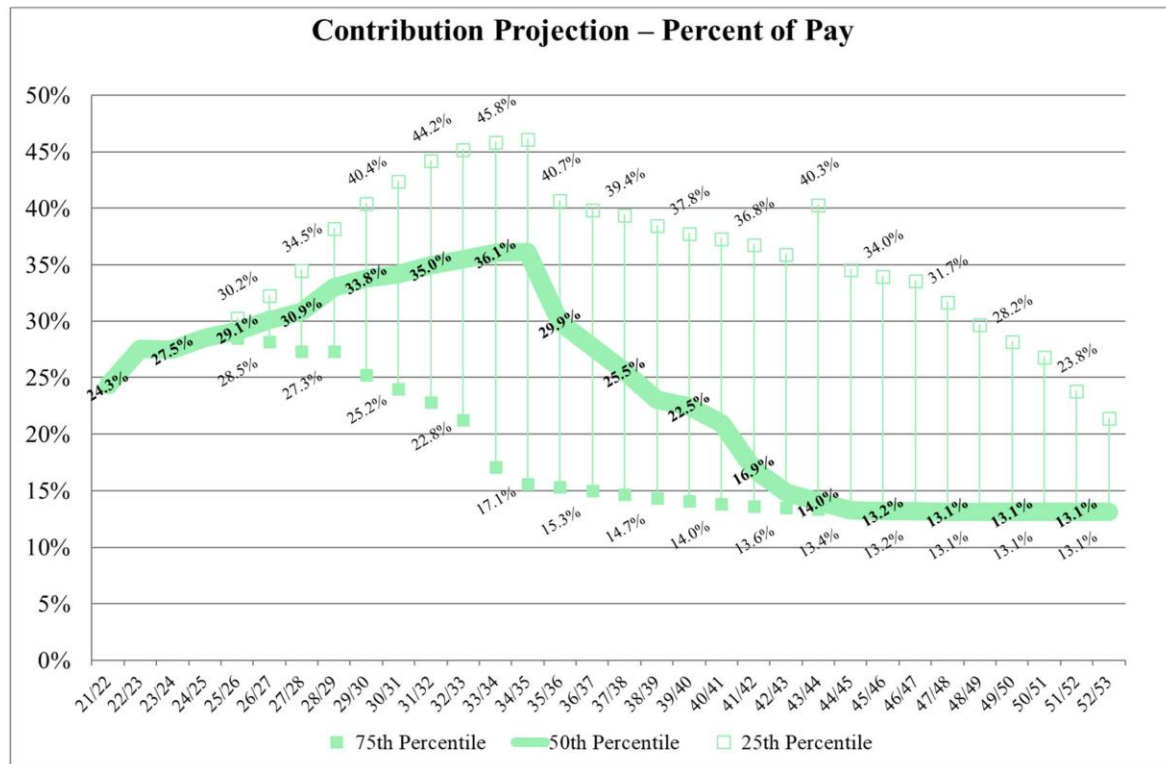
Contribution Projection – Percent of Pay



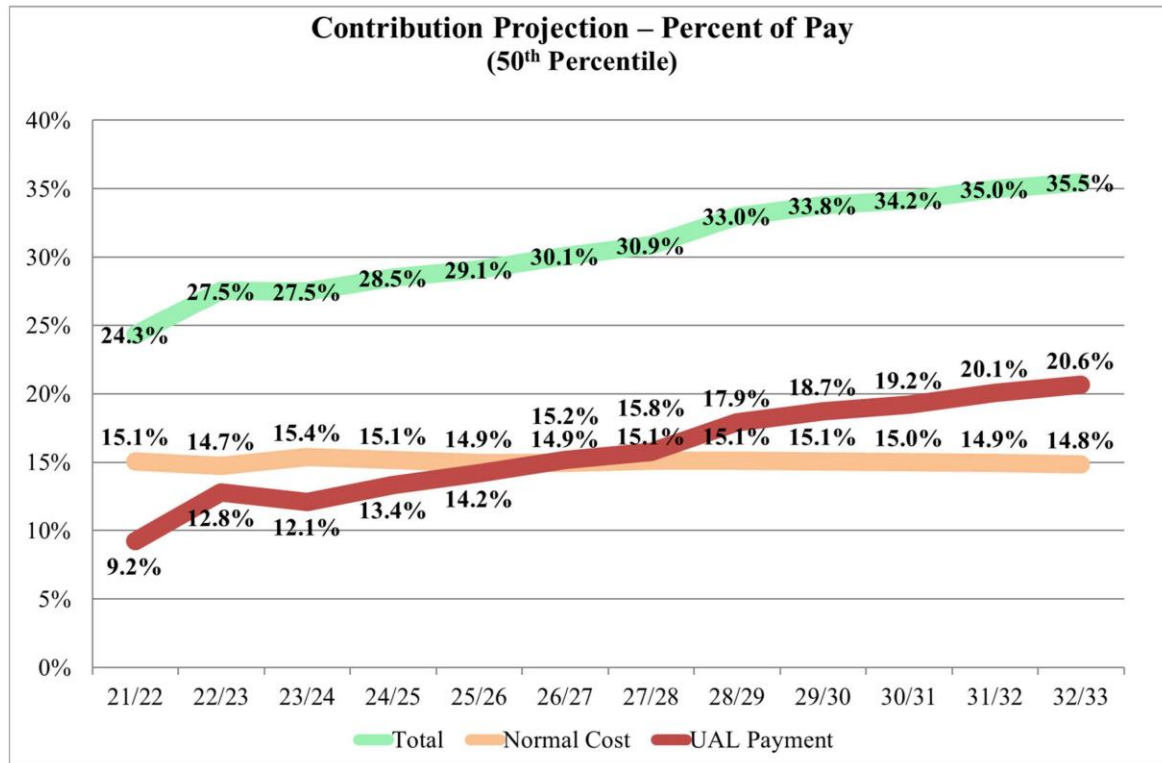
CONTRIBUTION PROJECTIONS - SAFETY



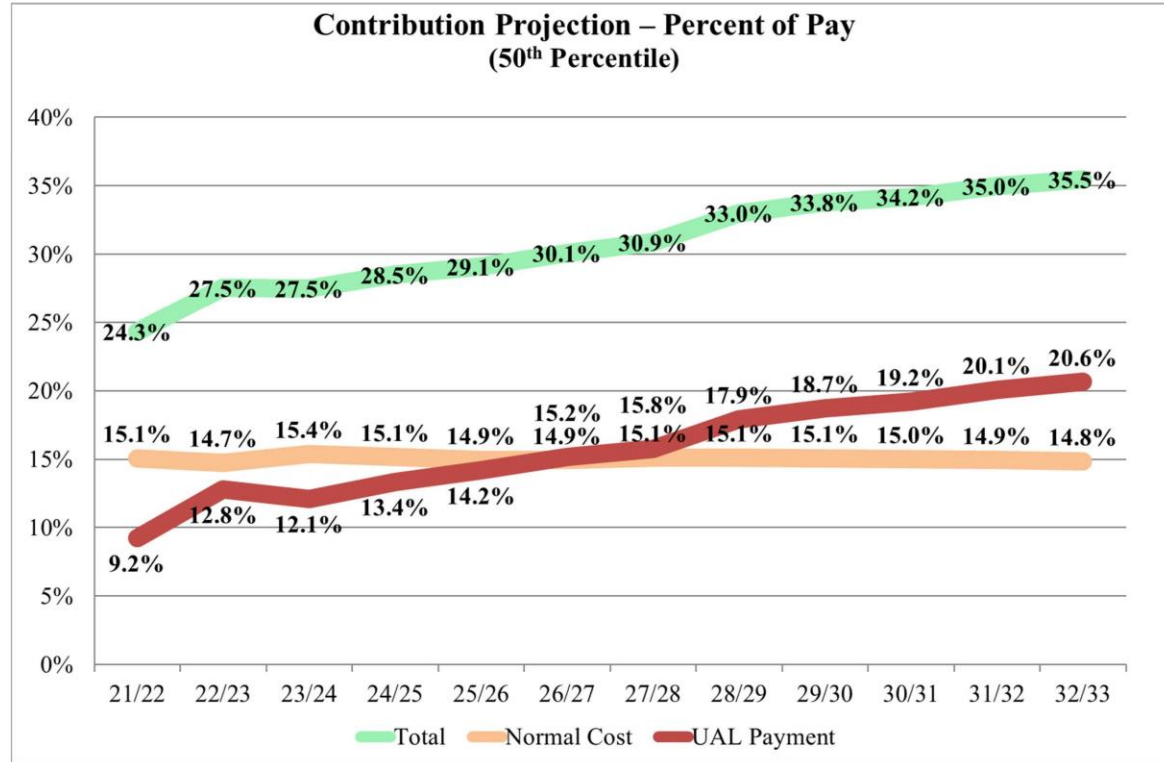
CONTRIBUTION PROJECTIONS - SAFETY



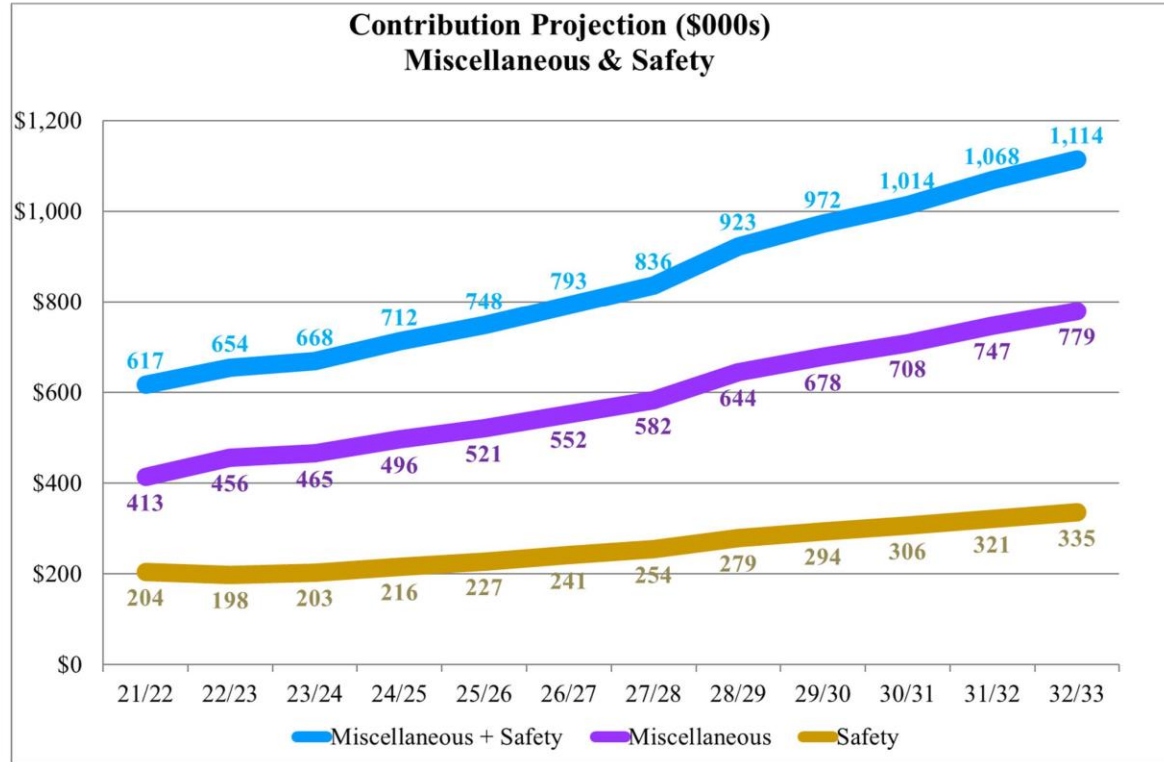
CONTRIBUTION PROJECTIONS - SAFETY



CONTRIBUTION PROJECTIONS - SAFETY



COMBINED MISCELLANEOUS AND SAFETY



PAYING DOWN THE UAL & RATE STABILIZATION

- Options for Funding the CalPERS Obligation
 - Pay CalPERS contributions as billed
 - Favorable investment performance could reduce unfunded liability
 - Only if consistently outperform assumptions
 - Make additional payments to CalPERS
 - Set aside funds in an irrevocable supplemental/Section 115 Trust

PAYING DOWN THE UAL & RATE STABILIZATION

- Investment performance has a large impact on unfunded liability:

| | <u>Assumed FY2022 Investment Return</u> | | |
|---|--|-------------------|---------------------|
| | <u>6.8%</u> | <u>0%</u> | <u>-6.8%</u> |
| Actuarial Accrued Liability (projected to 6/30/2022) | \$20,000,000 | \$20,000,000 | \$20,000,000 |
| Estimated Assets at 6/30/2022 | <u>17,200,000</u> | <u>16,100,000</u> | <u>15,000,000</u> |
| Unfunded Liability | 2,800,000 | 3,900,000 | 5,000,000 |
| Funded Ratio | 86.0% | 80.5% | 75.0% |

PAYING DOWN THE UAL & RATE STABILIZATION

- **Make payments directly to CalPERS:**
 - Likely best long-term investment return
 - Must be considered an irrevocable decision
 - Option #1: Request shorter amortization period (Fresh Start):
 - ☐ Higher short term payments
 - ☐ Cannot be changed once elected
 - ☐ Less interest and lower long term payments
 - Option #2: Additional Discretionary Payments (ADP):
 - ☐ Extra contributions applied as directed by employer to pay off a portion of the UAL
 - ☐ CalPERS will reduce subsequent contribution requirements by a little
 - ☐ No guaranteed savings – more assets means larger potential investment loss (or gain)

PAYING DOWN THE UAL & RATE STABILIZATION

■ Irrevocable supplemental/Section 115 Trust

- Can only be used for CalPERS contributions
- Investments significantly less restricted than District investment funds
- Assets don't count for GASB accounting
- More flexibility than paying CalPERS directly
 - ☐ District decides if and when and how much money to put into Trust
 - ☐ District decides if and when and how much to withdraw to pay CalPERS or reimburse Agency
- Funding strategies typically focus on
 - ☐ Reducing the unfunded liability
 - ☐ Use funds for rate stabilization/budget predictability

COMPARISON OF OPTIONS

■ Supplemental Trust

- Flexible
- Likely lower long-term return
- Investment strategy choice
- Does not reduce net pension liability for GASB reporting
- More visible

■ CalPERS

- Locked In
- Likely higher long-term return
- No investment choice
- Reduces net pension liability for GASB reporting
- More restricted

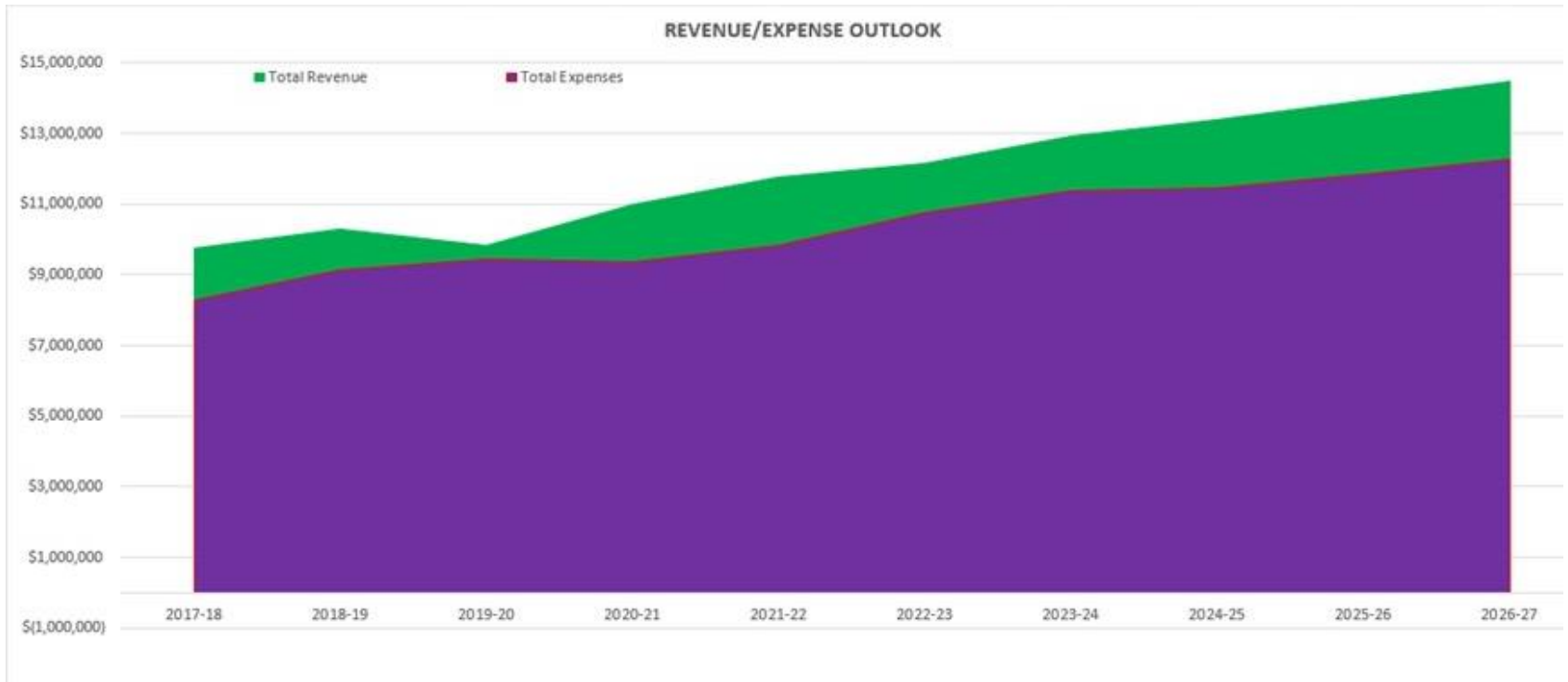
FUNDING UAL PAY DOWN

- District budget
- One-time funds
- Employee cost sharing
- Pension Obligation Bond:
 - Usually thought of as interest arbitrage between expected earnings and rate paid on POB
 - No guaranteed savings
 - PEPPRA prevents contributions from dropping below normal cost
 - Savings offset when investment return is good
 - GFOA Advisory
 - Very popular before interest rates began rising

OPERATING REVENUES & EXPENSES

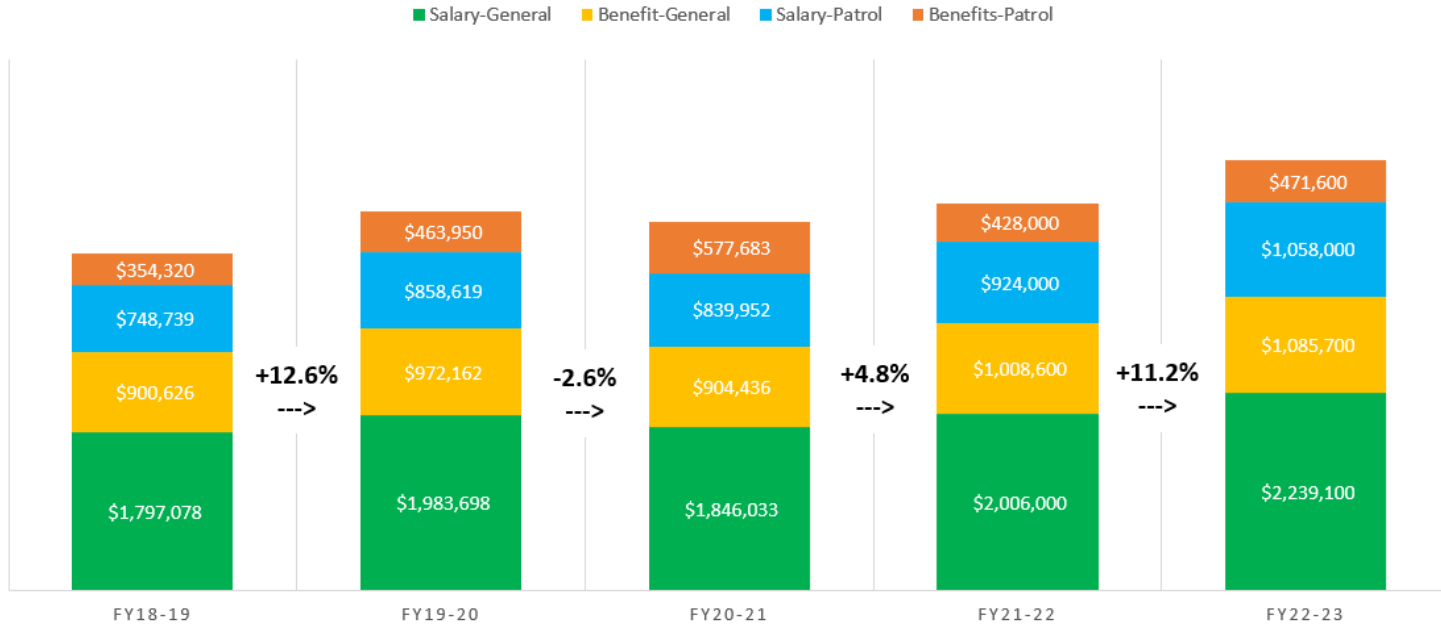
| Fiscal Year | Revenue | % +/- |
|--------------|--------------|-------|
| FY17-18* | \$8,514,086 | <7%> |
| FY18-19 | \$8,969,830 | 5% |
| FY19-20** | \$8,413,254 | <6%> |
| FY20-21*** | \$9,491,185 | 13% |
| FY21-22**** | \$9,787,500 | 3% |
| FY22-23***** | \$10,568,500 | 8% |

| Fiscal Year | Expenses | % +/- |
|-------------|-------------|--------|
| FY17-18 | \$5,788,472 | 18% |
| FY18-19 | \$6,214,715 | 7% |
| FY19-20 | \$6,306,806 | 1% |
| FY20-21 | \$6,276,863 | <0.5%> |
| FY21-22* | \$6,586,700 | 5% |
| FY22-23** | \$7,109,870 | 8% |



REVENUE & EXPENSE: 5-YEAR OUTLOOK

VPD SALARY FOUR YEAR HISTORY AND FORECAST FOR NEXT FISCAL YEAR



SALARY AND BENEFITS COMPARISON

| | |
|----|--|
| 1) | Maintain a safe, navigable, and resilient harbor. |
| 2) | Advance the harbor's vibrant, working waterfront in support of commercial and recreational fishing and boating. |
| 3) | Grow financial sustainability through a reliable, recurring revenue stream supplemented with grants and public-private partnership investment while maintaining responsible budgeting practices. |
| 4) | Establish and implement harbor-wide environmental sustainability policies and practices through collaboration with our business partners. |
| 5) | Build respectful, productive relationships with employees, tenants, residents, visitors, stakeholders, public officials, and elected representatives while promoting diversity, equity, and inclusion. |
| 6) | Provide exceptional public service and organizational transparency. |
| 7) | Provide high-quality Harbor and coastal visitor-serving amenities, services, facilities and infrastructure. |
| 8) | Support the Channel Islands National Park in its efforts to provide a first-class visitor center, educational resources, and ferry boat services to the islands. |

GUIDING PRINCIPLES

| | |
|----|---|
| D) | Ensure dredging occurs annually at the federal Harbor entrance and as needed in the inner Harbor. |
| E) | Encourage public and civic engagement; maintain high levels of organizational transparency; and promote Harbor-wide diversity, equity and inclusion through District policies, procedures and programs. |
| F) | Support current and future commercial fishing and sustainable aquaculture industries. Maintain and improve working waterfront facilities and infrastructure. |
| M) | Collaborate with Master Tenants and National Park Service to plan, improve, and develop the Harbor in a financially and environmentally sustainable way. |
| N) | Maintain and grow Channel Islands National Park Service (NPS) presence and customer visitation to the Harbor. |
| P) | Implement parking management, traffic circulation, and multi-modal transportation strategies. |
| R) | Seek opportunities to grow revenues and secure grants; continue to improve the quality, efficiency, and transparency of financial reporting, monitoring, and property management. |
| V) | Maintain and improve Harbor Village facilities, infrastructure, and amenities. |

5-YEAR OBJECTIVES

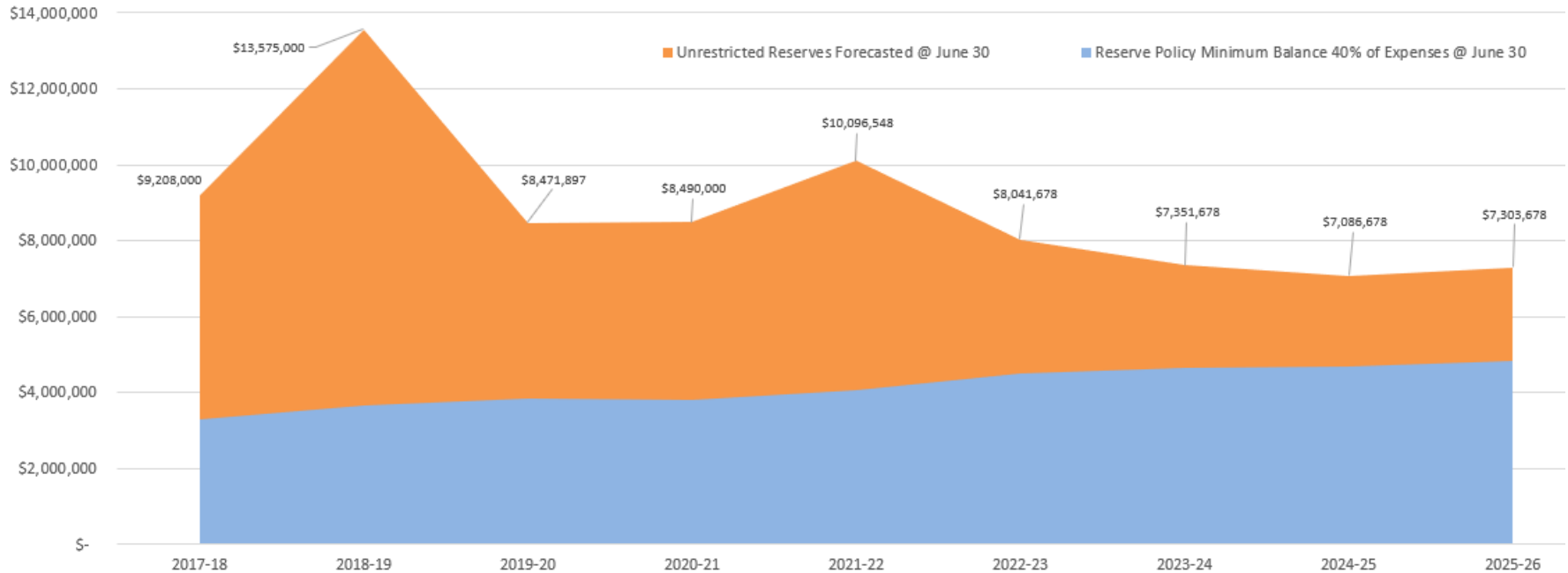
FY22-23 Proposed Capital Improvement Projects

| | |
|--|------------|
| 1567 Spinnaker #100 - Building Improvements (Includes mechanical roof and structural roof under patio) | \$ 875,000 |
| Launch Ramp Floating Dock Replacement, Washdown Station ADA Improvement, Restroom Upgrades | \$ 650,000 |
| Harbor Village Trash Enclosures (Accelerated timing due to Grant funding) | \$ 350,000 |
| Boat Replacement - Harbor Patrol Dept. (Supplement to Insurance Money) | \$ 300,000 |
| 1449 Building structural improvement & Dockmaster Office renovation | \$ 200,000 |
| Vehicle Replacement - Harbor Patrol Dept. (Deferred from FY21-22 due to limited availability of EV/hybrid vehicles) | \$ 95,000 |
| 1575/1583 Pass-Through Repaving | \$ 95,000 |
| Vehicle Replacement - Maintenance Dept. (EV) (2) | \$ 90,000 |
| EV Charging Stations (Deferred from FY21-22 due to SCE schedule) | \$ 60,000 |
| 1603 Anchors Way Building - Repainting & Flashing | \$ 60,000 |

FY22-23 Proposed Capital Improvement Projects

| | |
|--|-----------|
| Ventura Harbor Village WiFi Infrastructure | \$ 60,000 |
| Vehicle Replacement - Courtesy Patrol (EV) | \$ 45,000 |
| Vehicle Purchase - Administration (EV) | \$ 45,000 |
| Parking Lot Lights & Poles - Parcel 19A | \$ 30,000 |
| Dry Storage Lot Resurfacing | \$ 30,000 |
| Paid Parking Infrastructure (Procurement of infrastructure deferred until after all approvals received) | \$ 25,000 |
| Harbor Cove & Surfers Knoll - Retaining Wall & Shower Area Improvements (Planning level with construction in FY23-24) | \$ 25,000 |
| Active Transportation Program - design & permitting first years, phased afterwards (includes paving, furniture, lights & poles) | \$ 25,000 |
| Harbor Village Wayfinding Signage, Entry Awnings | \$ 25,000 |
| Harbor Village Bldgs. - refurbish elevator at 1591 Spinnaker (last of the 5 elevators in the Village to be refurbished) (Carry over work) | \$ 25,000 |
| Village "I ♥ The Sea" Sign (Fabrication of permanent sign foundation) | \$ 20,000 |
| Harbor Patrol Radio Repeater and Communication Upgrades | \$ 20,000 |

CASH POSITION OUTLOOK



THIS PRELIMINARY BUDGET FORECAST MEETS OR EXCEEDS THE REQUIRED BOND COVENANT FOR NET REVENUES TO MEET OR EXCEED 115% OF THE CURRENT YEAR DEBT SERVICE.

5-YEAR CASH POSITION OUTLOOK

PUBLIC COMMUNICATION STANDARD AGENDA ITEM 3

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Choose Sound Effect

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**Adoption of Resolution No. 3453 Accepting a
Harbors and Watercraft Revolving Fund BLF
Grant**

RECOMMENDATION

That the Board of Port Commissioners adopt Resolution No. 3453, accepting a Harbors and Watercraft Revolving Fund BLF Grant in the amount of \$890,000 for the Ventura Harbor BLF Improvements Project.

**STANDARD
AGENDA
ITEM
4**

**Report by:
Todd Mitchell,
Sr. Business Operations Manager**

PUBLIC COMMUNICATION STANDARD AGENDA ITEM 4

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**Approval of the FY2022-2023 Harbor Village
Leasing Strategy and Action Plan**

RECOMMENDATION

That the Board of Port Commissioners approve the FY2022-2023 Harbor Village Leasing Strategy and Action Plan.

**STANDARD
AGENDA
ITEM
5**

**Report by:
Todd Mitchell,
Sr. Business Operations Manager**



VENTURA PORT DISTRICT

Harbor Village:

Leasing Strategy & Action Plan

FY 2022-2023

OUTLINE

- ▶ Ventura Port District's Guiding Principles and 5-Year Objectives
- ▶ How We Support Tenant Success
- ▶ Where We've Been and Where We're Going
- ▶ Leasing Goals (Overview & Details)

DISTRICT'S APPLICABLE GUIDING PRINCIPLES

- 3) Grow financial sustainability through a reliable, recurring revenue stream supplemented with grants and public-private partnership investment while maintaining responsible budgeting practices.
- 4) Establish and implement harbor-wide environmental sustainability policies and practices through collaboration with our business partners.
- 5) Build respectful, productive relationships with employees, tenants, residents, visitors, stakeholders, public officials, and elected representatives while promoting diversity, equity, and inclusion.
- 6) Provide exceptional public service and organizational transparency.
- 7) Provide high-quality Harbor and coastal visitor-serving amenities, services, facilities and infrastructure.

DISTRICT'S APPLICABLE 5-YEAR OBJECTIVES

- E. Encourage public and civic engagement; maintain high levels of organizational transparency; and promote Harbor-wide diversity, equity and inclusion through District policies, procedures and programs.
- R. Seek opportunities to grow revenues and secure grants; continue to improve the quality, efficiency, and transparency of financial reporting, monitoring, and property management.

WE SUPPORT TENANT SUCCESS BY PROVIDING:

- Access to business analysis/mentorship/coaching resources (i.e. EDC-VC).
- Resources on small business assistance programs (i.e. EDC-VC, WEV, Chamber of Commerce, Score, etc.).
- General information and regulatory contact information regarding entitlement and permitting process for tenants.
- Coordination assistance with City, County, and State regulatory agencies to help ensure timely delivery of tenant space and permits.
- A collaborative and transparent environment for mutual success.

WHERE WE'VE BEEN (COVID-19)...

In FY19-20 through FY21-22, the District successfully took action to address COVID-19 impacts to businesses.

- ▶ Implemented the Port District COVID-19 Rental Abatement and Deferment Program, including multiple program amendments.
- ▶ Provided regular economic stimulus resource information to tenant businesses.
- ▶ Provided timely updates on changes to government orders to tenant businesses.
- ▶ Worked with tenants to provide additional business flexibility.
- ▶ Relaxed the minimum hours of operations.
- ▶ Assisted some restaurants with modifying the use of outdoor space to increase seating.
- ▶ Maintained an exceptionally high rate of occupancy due to the resilience of our business partners and an ongoing high visitor count.

...WHERE WE'RE GOING

Proactively work with tenants on expiring leases to:

- ▶ Discuss potential renewals early.
- ▶ Anticipate tenant departures/transitions.
- ▶ Continue to maintain waiting lists for each category.
- ▶ Market vacancies with broad outreach to connect with a diverse stakeholder group.

Ensure all new leases:

- ▶ Include compliance requirements for District Master Sign Program.
- ▶ Contemplate sustainability opportunities.
- ▶ Include modernization requirements where applicable.

FY22-23 LEASING GOALS

Create a strong foundation of successful leasing by:

1. Maintaining a high rate of retention for successful Harbor Village tenants.
2. Attracting new and innovative tenants to enhance the Harbor as a destination experience.
3. Expanding marketing efforts to reach a broader and more diverse audience of prospective tenants.
4. Achieving market lease rates consistent with city/regional averages in each leasing category and Harbor Village as a whole.

FY22-23 LEASING GOALS (CONTINUED)

5. Implementing the following changes as part of the roll out of the MRI Property Management Software:
 - a) Continue to standardize leases and lease provisions for new and renewing tenants.
 - b) Continue to implement standardized forms for prospective applicants to complete and develop instructional resources to simplify the process for applications.
 - c) Provide training to tenants who report sales on how to utilize their individual tenant portals to submit sales reports and review lease documents through the MRI program.
6. Seeking tenant feedback on the leasing process and possible areas of improvement.
7. Continuing to implement new City-Approved VHV Master Sign Program in all new and renewed leases.

GOAL 1: HIGH RATE OF RETENTION/LEASE RENEWALS

- **Continued Focus on Leasing Retention:**

- Internal evaluation of the cost savings to District of retaining successful tenants (versus attrition/remodel/etc.)
- Working to ensure tenant retention contributes to Harbor Village success as a destination
- Continuing to balance District need to increase our rent rate commiserate with our growing costs/CPI

- **Continued Focus on Longer-Term Leases:**

- Work to reduce turnover and tenant improvement costs while increasing business certainty through negotiating longer leases
- Provide successful retail and restaurants leases >5 years with options that include performance markers as a quantitative measure of success (“customers vote with their wallets”)
 - Retail Average Sales/Square Foot: \$250 (5-year average)
 - Restaurant Average Sales/Square Foot: \$555 (5-year average)

- **Tenant Participation in Modernization:**

- Continue to include requirements for tenant participation in suite modernization with new leases

GOAL 2: NEW & INNOVATIVE TENANTS

Leasing Packet:

- Revise and update leasing packets for retail, restaurant, and offices
- Communicate our value to tenant success
- Ensure we communicate our interest in diversity, equity, and inclusion among applicants

Leasing Agents:

- Develop policies for working with tenant agents/agencies

Leasing Evaluations:

- Continue to refine prospective tenant evaluation criteria
- Continue to implement third-party participation in leasing interviews

Leasing Updates:

- Continue to provide monthly updates to the Board and public via staff reports

GOAL 3: EXPANDED MARKETING CHANNELS

- At the start of FY22-23, there are limited vacancies at Harbor Village (plus 8 leases coming up for renewal or a lease option).
- There is a waiting list of possible office and retail prospects.
- During FY21-22, no advertising was conducted in order to fill vacancies due to the waiting list for both office and retail. Where leasing opportunities have come up, staff have actively pursued leads.

GOAL 3: EXPANDED MARKETING CHANNELS

- The District generally utilizes conventional marketing methods and outlets for advertising availability (i.e. website, commercial real estate websites and advertisements, email, and social networking).
- Future leasing advertisements will require changes to our approach in order to achieve the District's goals for diversity, equity, and inclusion in our outreach for new businesses. This transformative change will involve collaboration with Marketing Department, Visit Ventura, Chamber of Commerce, and other community resources to identify opportunities for maximizing diversity of business types and owners attracted to Harbor Village.

GOAL 4: ACHIEVE MARKET LEASE RATES

Through a combination of high occupancy and attraction of vibrant tenants, achieve market lease rental rates, and meet city/regional occupancy rates for each leasing category.

- Data-driven: Obtain monthly, quarterly and annual data from the following organizations and sources as well as others as applicable:
 - Skyfii Traffic Counting System (installed and running)
 - MRI Software for managing and reporting on rental income
 - Harbor Village Sales Report
 - Collect City and regional rental occupancy and remuneration rates (Co-Star)
 - Bureau of Labor Statistics and Consumer Price Index
 - Maintain a list of interested tenants
 - Develop and maintain a contact database of real estate leasing professionals

GOAL 5: ROLL OUT OF MRI PROPERTY MANAGEMENT SOFTWARE



- ▶ Continue to standardize leases and lease provisions for new and renewing tenants.
- ▶ Continue to implement standardized forms for prospective applicants to complete and develop instructional resources to simplify the process for applications.
- ▶ Provide training to tenants who report sales on how to utilize their individual tenant portals to submit sales reports and review lease documents through the MRI program.

GOAL 6: SEEK TENANT FEEDBACK ON LEASING

Actively seek tenant feedback on their experience with the District's staff during all phases of the leasing process:

- Timeliness during the process
- Professionalism & courtesy
- Clarity of the requirements to apply
- Transparency of negotiations
- Satisfaction with the process

These results will be used to inform staff of potential areas of improvement and improve the applicant experience.

GOAL 7: VHV MASTER SIGN PROGRAM

- ▶ Continue to implement the City Design Review Committee approved Ventura Harbor Village Master Sign and Awning Program.
- ▶ Include replacement of awnings in new/renewed leases.
- ▶ Host architect-led workshop(s) for tenants on new Master Sign Program.
- ▶ Continue to provide and fund architect review and approval of all new Village Tenant signage for consistency with the program.



PUBLIC COMMUNICATION STANDARD AGENDA ITEM 5

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VENTURA
PORT DISTRICT

Established 1952

ADJOURNMENT
NEXT MEETING JUNE 15, 2022

Ventura Harbor

HOME OF THE CHANNEL ISLANDS NATIONAL PARK