



BOARD OF PORT COMMISSIONERS MEETING MAY 17, 2023

Ventura Harbor
GATEWAY TO THE CHANNEL ISLANDS NATIONAL PARK

- Call to Order
- Pledge of Allegiance
- Roll Call

ADMIN AGENDA

ADMIN AGENDA

Adoption of the May 17, 2023 Agenda

**Approval of the Minutes of
May 3, 2023 Regular Port
Commission Mtg and
April 19, 2023 Public Facilities
Corp Mtg**

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

00 : 03 : 00

- Board Communications
- Staff and General Manager Reports

ADMIN AGENDA

CONSENT AGENDA

- A) Approval of a New Restaurant Lease Agreement with The Sugar Lab Bake Shop, LLC dba Sugar Lab Bake Shop**
- B) Approval of Amendment No. 3 to a Professional Services Agreement with Rincon Consultants, Inc. for Dredging Support Services**
- C) Approval of a Professional Services Agreement with Jensen Design & Survey, Inc. to Provide Services for the Beach Restrooms and Showers ADA Access Project**

PUBLIC COMMUNICATION CONSENT AGENDA ITEMS

00 : 03 : 00

FISCAL YEAR 2023 – 2024 BUDGET STUDY SESSION

RECOMMENDATION:

That the Board of Port Commissioners conduct a Fiscal Year 2023–2024 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 1

Report by:

Brian D. Pendleton, General Manager
Gloria Adkins, Accounting Manager
Joe Gonzalez, Capital Projects Manager

OVERVIEW

- FY23-24 Budget process
 - Study Session: May 17
 - Preliminary Budget: June 7
 - Final Budget: June 21
- Study Session
 - Board and Stakeholder Engagement
 - Discussion of funding priorities
 - Guiding Principles
 - 5-Year Objectives
 - Study Session Speakers
 - Brian Pendleton, Mary Beth Redding, Gloria Adkins, Joe Gonzalez

OVERVIEW

- Revenues
 - Operational Revenues
 - Master Tenants
 - Outlook
 - Rental Income
 - Harbor Village
 - Outlook
 - Rental Income
 - Commercial Fishing
 - Outlook
 - Slips, Fuel, Landings
 - Recreational Fishing
 - Property Taxes
 - Grants

OVERVIEW

- Expenses
 - Operational Expenses
 - Inflationary pressures for on-going expenses
 - Increased Village marketing events
 - Personnel
 - Staff changes/ vacancies
 - Cost of Living Adjustments
 - Labor Agreements
 - Employee Compensation and Benefits
 - CalPERS contributions
 - General Liability Insurance Premiums
 - Dredging
 - Atmospheric Rain Events
 - Q1 Calendar Year 2024

ACTUARIAL REVIEW – CALPERS

MARY BETH REDDING, FOSTER & FOSTER ACTUARIES AND CONSULTANTS

- Mary Beth Redding is an actuary with Foster & Foster Consultants, a CA actuarial firm
 - Public agencies' pension and retiree benefits
- Analyzes issues relating to CalPERS pensions and projecting future CalPERS rates
- Provides Board updates on our CalPERS obligations

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



VENTURA PORT DISTRICT MISCELLANEOUS & SAFETY PLANS



CalPERS Actuarial Analysis – 6/30/21 Valuation

Mary Elizabeth Redding, FSA, EA, MAAA

Bianca Lin, FSA, EA, MAAA

Matthew Childs

Foster & Foster, Inc.

May 17, 2023

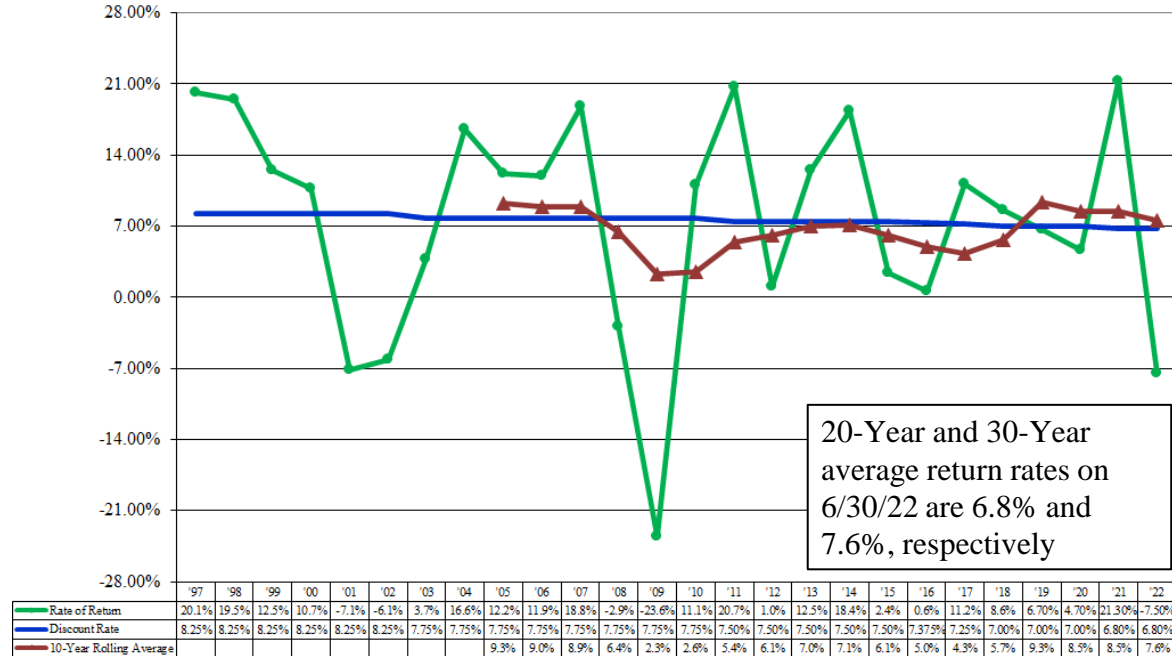
AGENDA

- **How We Got Here**
- **Miscellaneous Plan Safety Plan**
- **Combined Miscellaneous and Safety**
- **Paying Down the Unfunded Liability**



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.



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

- Note:
 - 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
 - 2023 Compensation limit
 - Social Security participants: \$146,042
 - Non-Social Security participants: \$175,250



HOW WE GOT HERE – ENHANCED BENEFITS

- Around the State
 - Large retiree liability compared to actives
 - State average: 59% for Miscellaneous, 67% for Safety
 - Due to declining active population and increasing number of retirees
 - Higher percentage of retiree liability increases contribution volatility

- Ventura Port District's percentage of liability belonging to retirees is lower than average:
 - Miscellaneous 53%
 - Safety 36%



CALPERS CHANGES

- Pay off UAL faster, with less interest
 - No asset smoothing or rolling amortization
 - Fixed dollar (level) 20-year amortization rather than % pay (escalating)
 - 5-year ramp up (smoothing) 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
 - Asset allocation has higher investment risk than previous portfolio
 - Risk Mitigation Strategy – lower discount rate in good investment years – still exists



CALPERS CHANGES

CalPERS Portfolio Target Allocations

Asset Classification	Prior Portfolio	11/17/21 Portfolio
Liquidity	1%	-
Real Assets	13%	15%
Private Debt	-	5%
EM Sov Bonds	1%	5%
High Yield	4%	5%
Investment Grade Corp.	6%	10%
Mtge-backed Securities	7%	5%
Treasury	10%	5%
Private Equity	8%	13%
Global Equity ¹	50%	42%
Leverage	-	(5)%
Total	100%	100%
Standard Deviation	11.2%	12.0%

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



SUMMARY OF DEMOGRAPHIC INFORMATION - MISCELLANEOUS

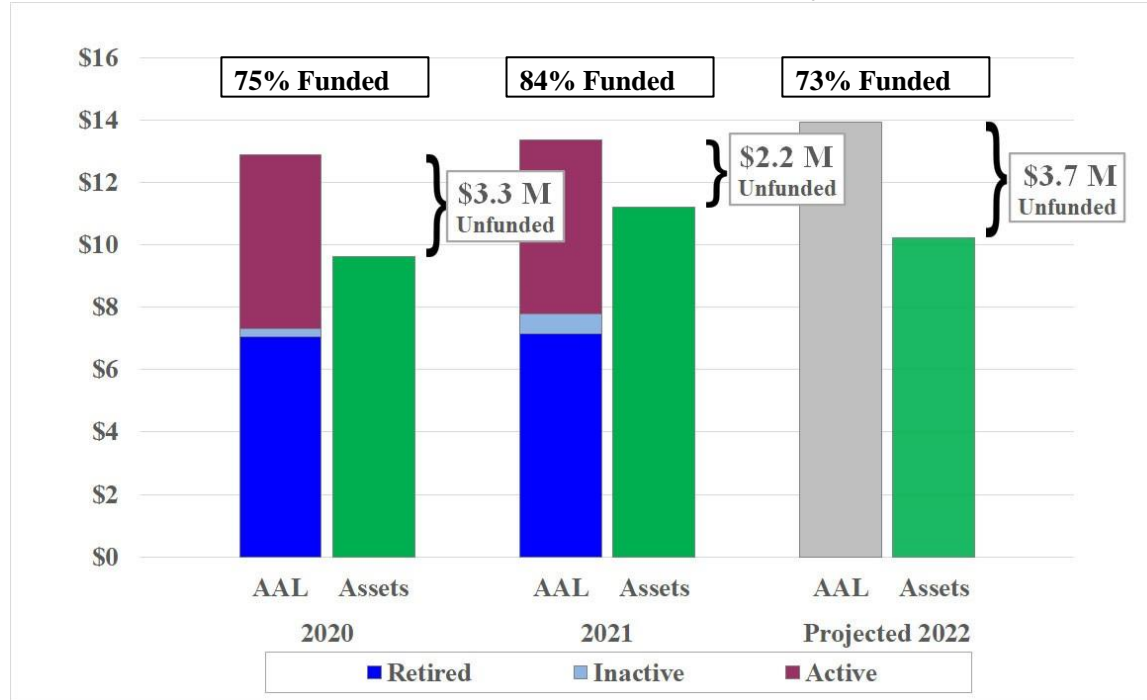
	2012	2016	2020	2021
Actives				
■ Counts	25	28	29	27
• Average Age	n/a	n/a	51	50
• Average Service	n/a	n/a	11	12
■ Average PERSable Wages	\$ 54,900	\$ 52,700	\$ 63,300	\$ 59,900
■ Total PERSable Wages	1,400,000	1,500,000	1,800,000	1,600,000
Inactive Members				
■ Counts				
• Transferred	3	1	6	6
• Separated	12	12	14	15
• Receiving Payments	23	27	28	28

As of June 30, 2021	Counts	%	Payroll	%
■ Classic	17	63%	1,264,397	72%
■ PEPRA	10	37%	493,596	28%
Total	27	100%	1,757,993	100%



PLAN FUNDED STATUS - MISCELLANEOUS

District CalPERS Assets and Actuarial Liability (\$Millions)²



² Projected 2022 assets reflects -7.5% CalPERS investment return for 2021/22.



CONTRIBUTION PROJECTIONS - MISCELLANEOUS

■ Investment returns:

- June 30, 2022 (7.5%)³
- June 30, 2023 6.8%
- Future returns based on stochastic analysis using 1,000 trials
- Single year returns⁴ with current investment mix, no risk mitigation:

	Percentile		
	25 th	50 th	75 th
First 10 years	-1.8%	6.0%	14.7%
After 10 years	-0.7%	7.5%	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:
 - All new hires assumed PEPRA members and none are Classic members

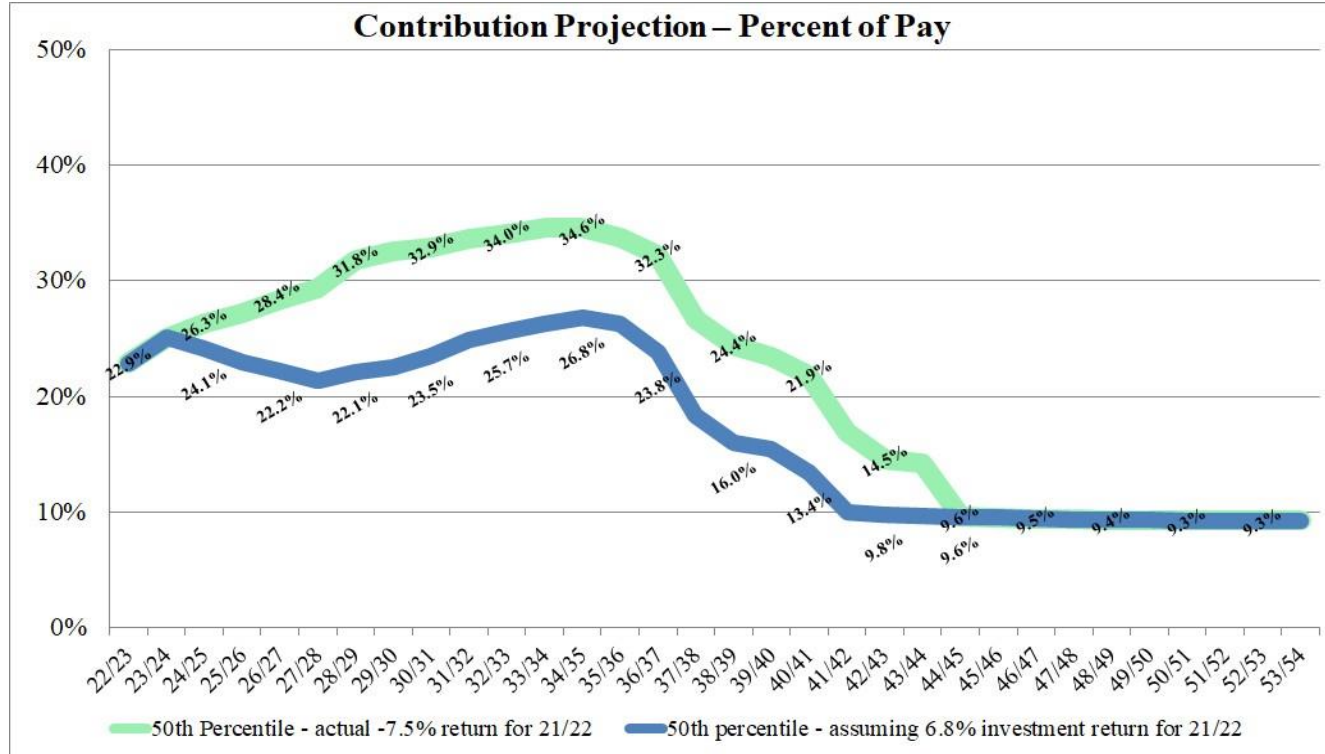
³ Gross return based on June 30, 2022 CalPERS Annual Financial Comprehensive Report issued in November 2022.

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

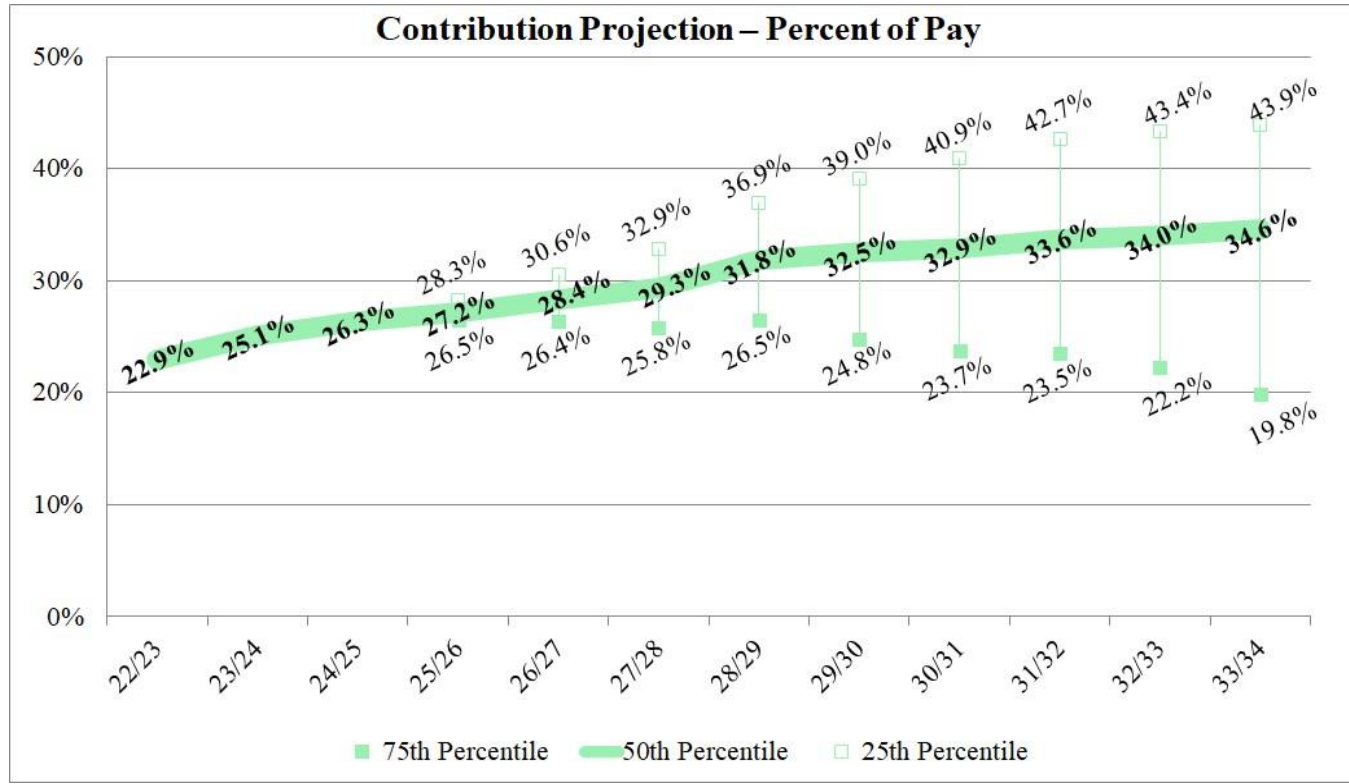


CONTRIBUTION PROJECTIONS - MISCELLANEOUS

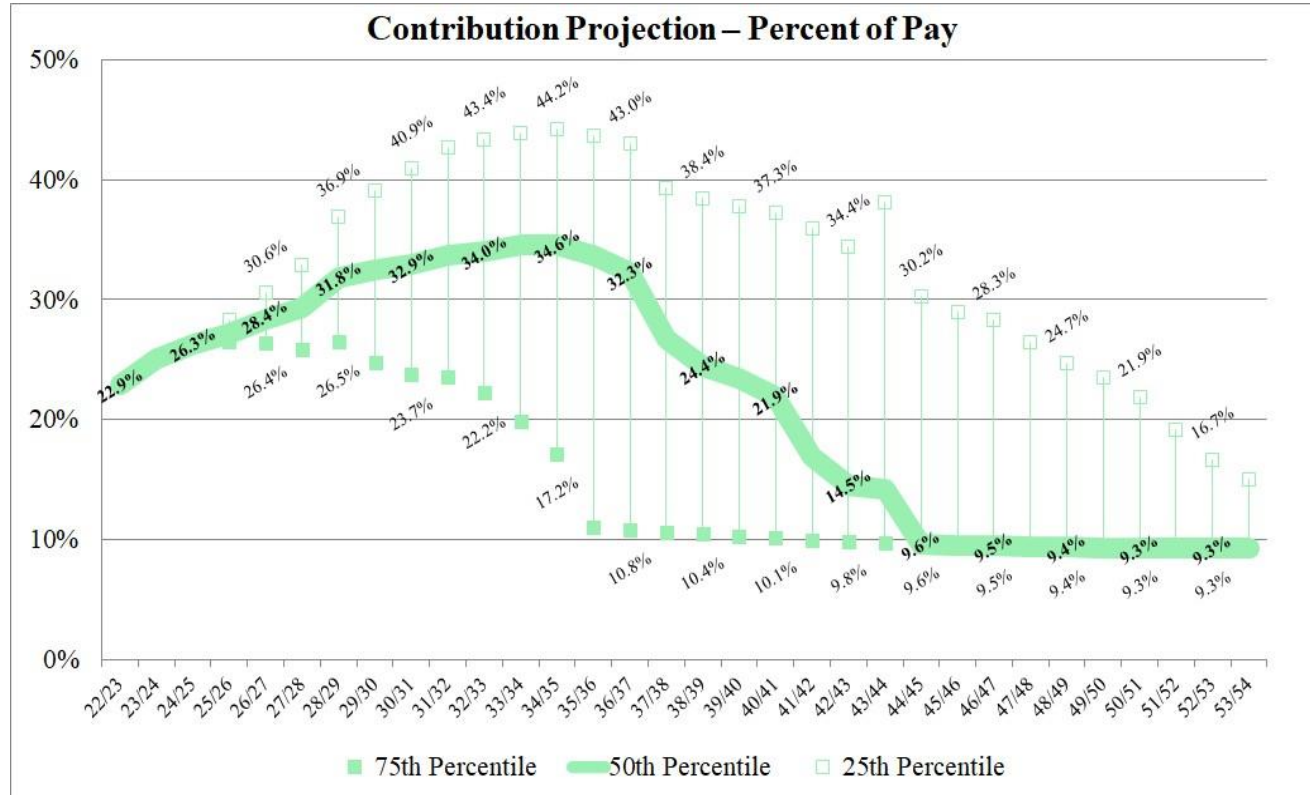
Impact of 21/22 Investment Return
Contribution Projection – Percent of Pay



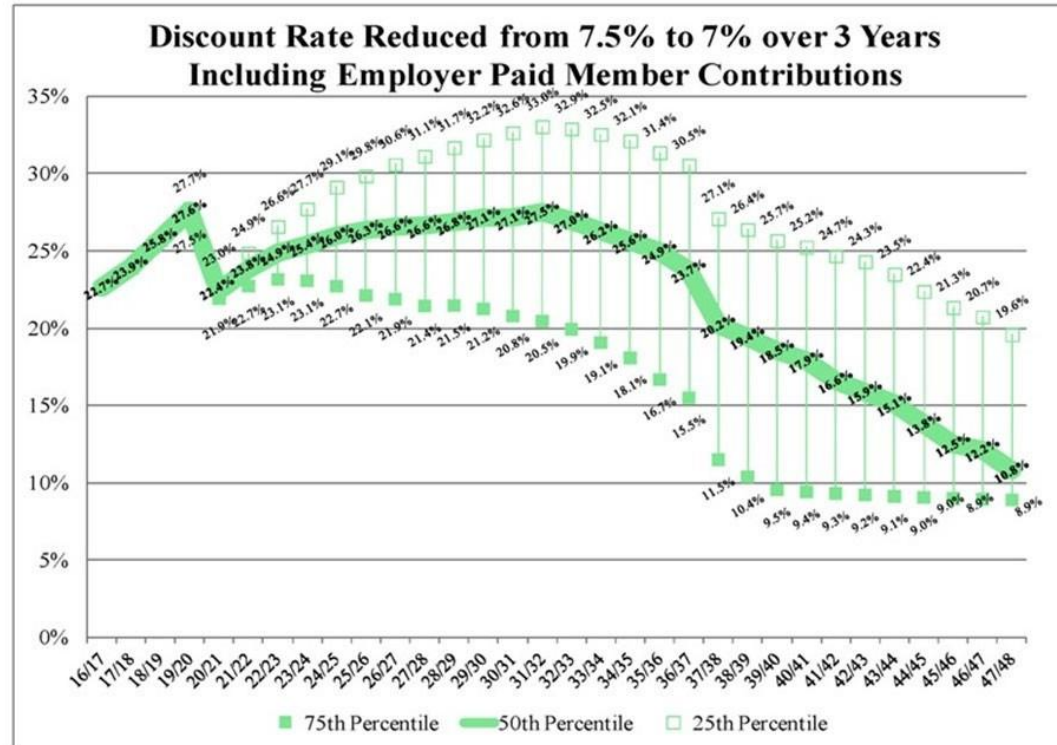
CONTRIBUTION PROJECTIONS - MISCELLANEOUS



CONTRIBUTION PROJECTIONS - MISCELLANEOUS



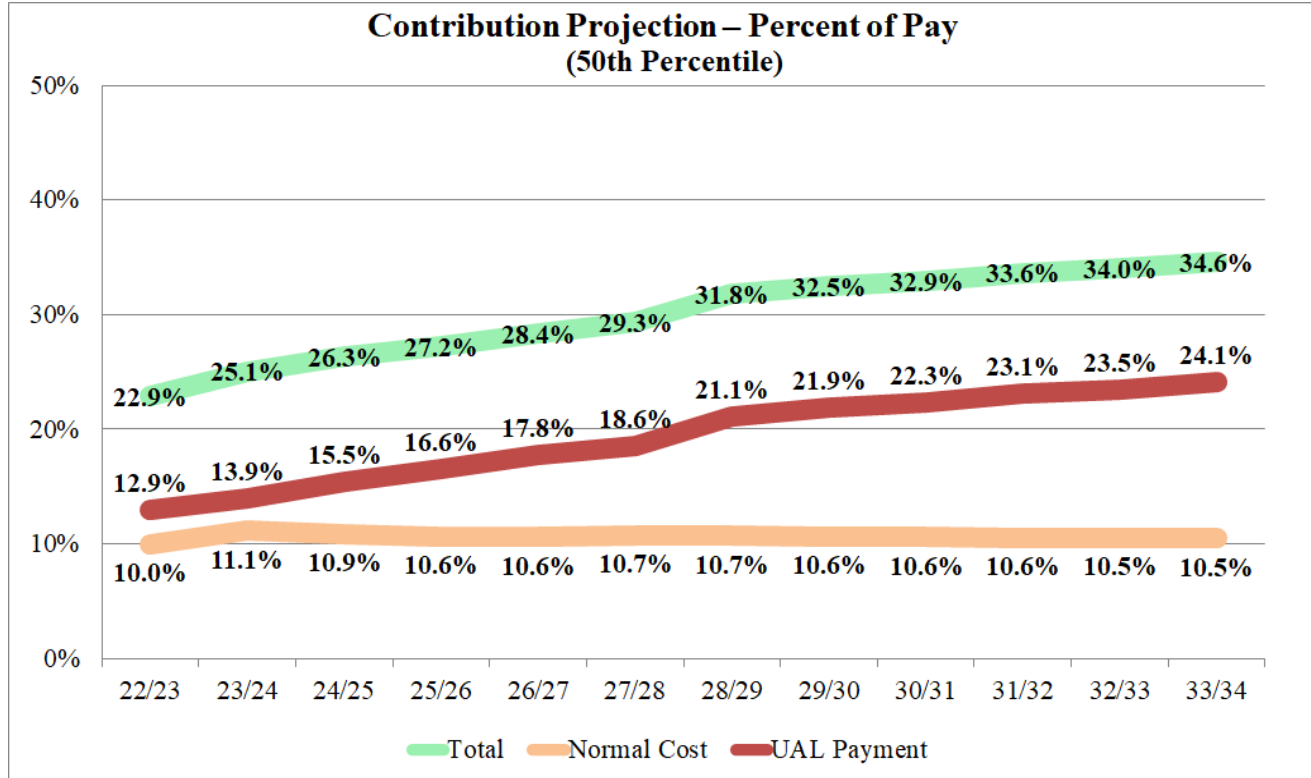
CONTRIBUTION PROJECTIONS - MISCELLANEOUS



June 14, 2017



CONTRIBUTION PROJECTIONS - MISCELLANEOUS



SUMMARY OF DEMOGRAPHIC INFORMATION - SAFETY

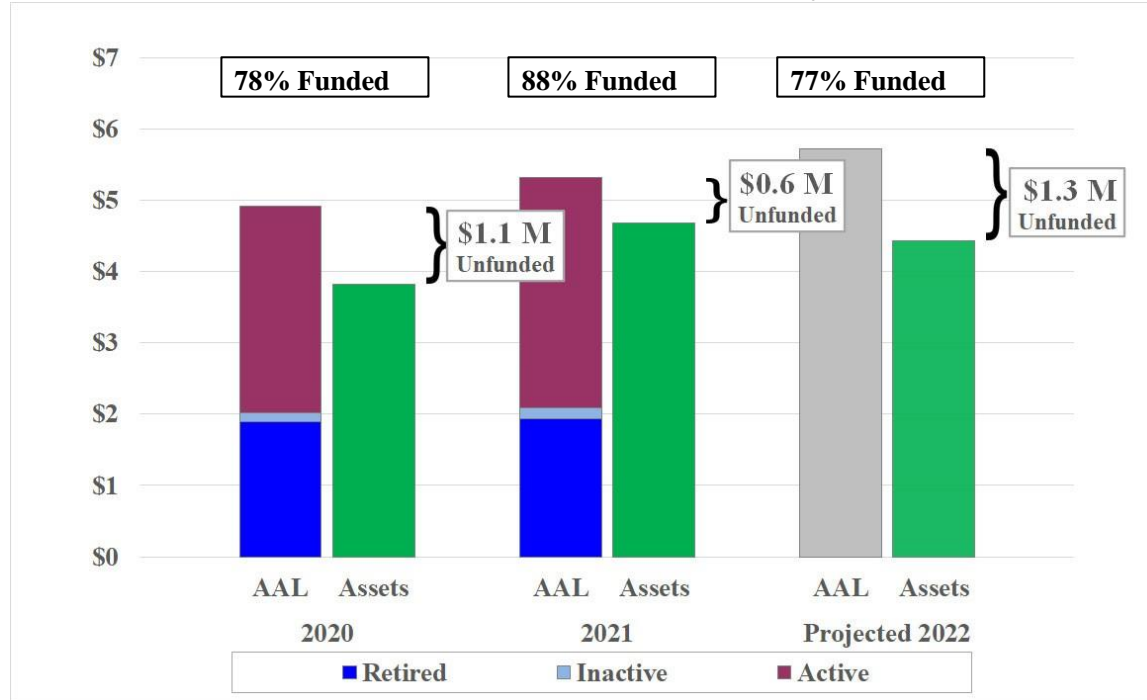
	2012	2016	2020	2021
Actives				
■ Counts	9	11	11	11
• Average Age	n/a	n/a	47	48
• Average Service	n/a	n/a	16	17
■ Average PERSable Wages	\$ 58,200	\$ 48,900	\$ 60,300	\$ 63,400
■ Total PERSable Wages	500,000	500,000	700,000	700,000
Inactive Members				
■ Counts				
• Transferred	4	2	4	4
• Separated	2	-	1	1
• Receiving Payments	3	7	8	8

As of June 30, 2021	Counts	%	Payroll	%
■ Classic	8	73%	593,398	78%
■ PEPRA	3	27%	164,100	22%
Total	11	100%	757,498	100%



PLAN FUNDED STATUS - SAFETY

District CalPERS Assets and Actuarial Liability (\$Millions)⁵



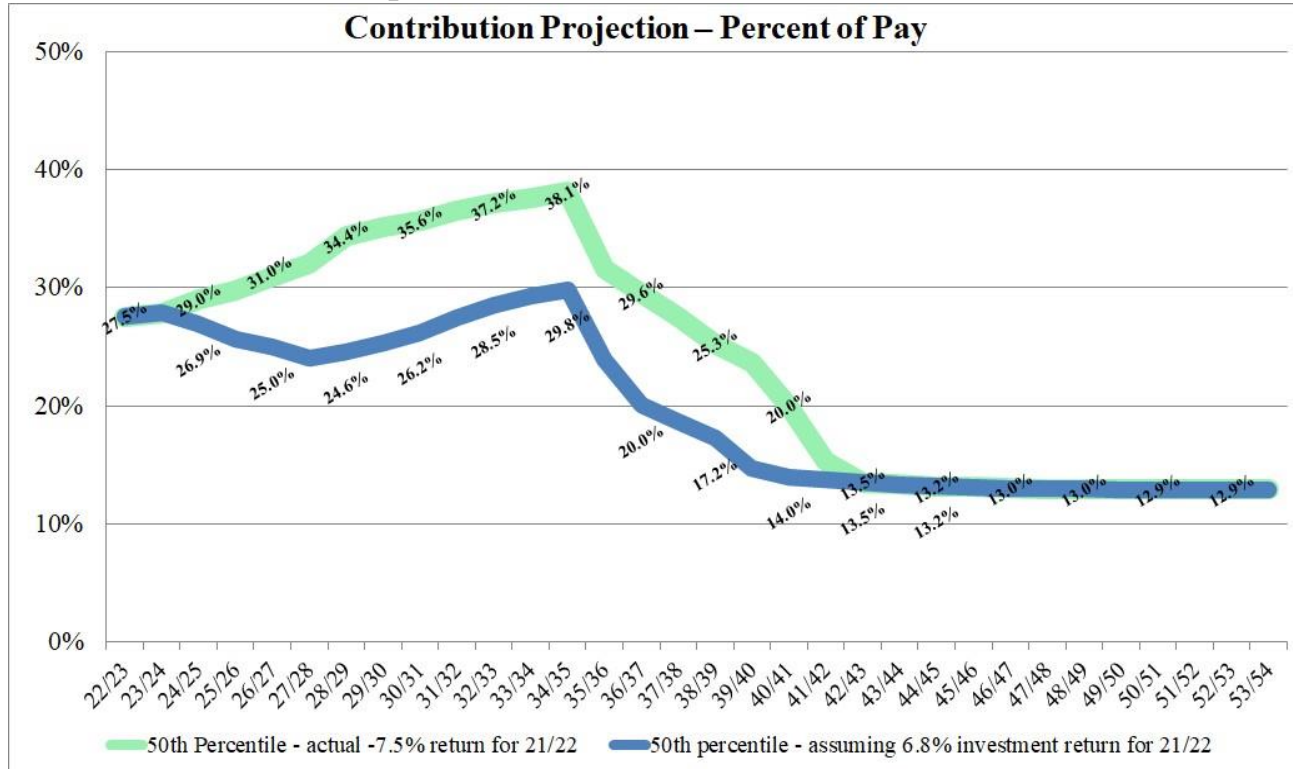
⁵ Projected 2022 assets reflects -7.5% CalPERS investment return for 2021/22.



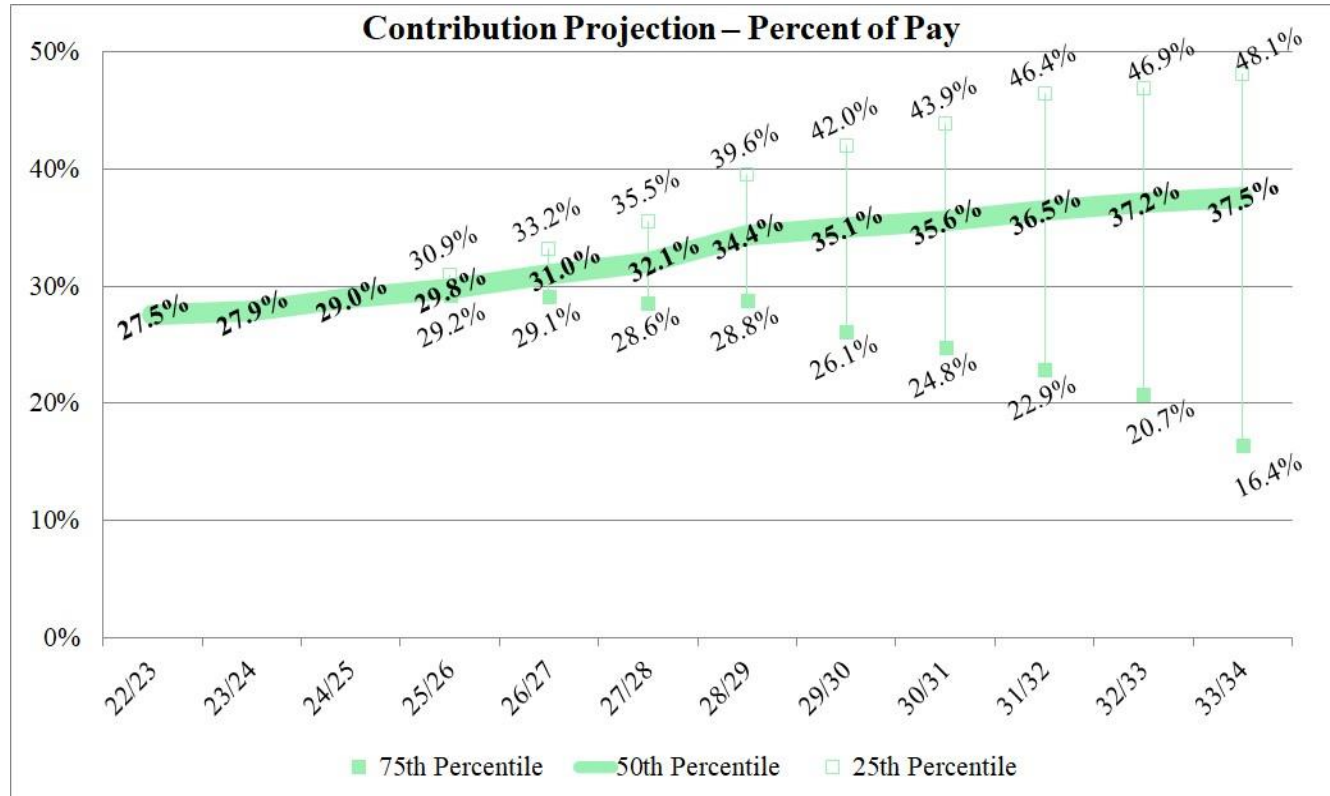
CONTRIBUTION PROJECTIONS - SAFETY

Impact of 21/22 Investment Return

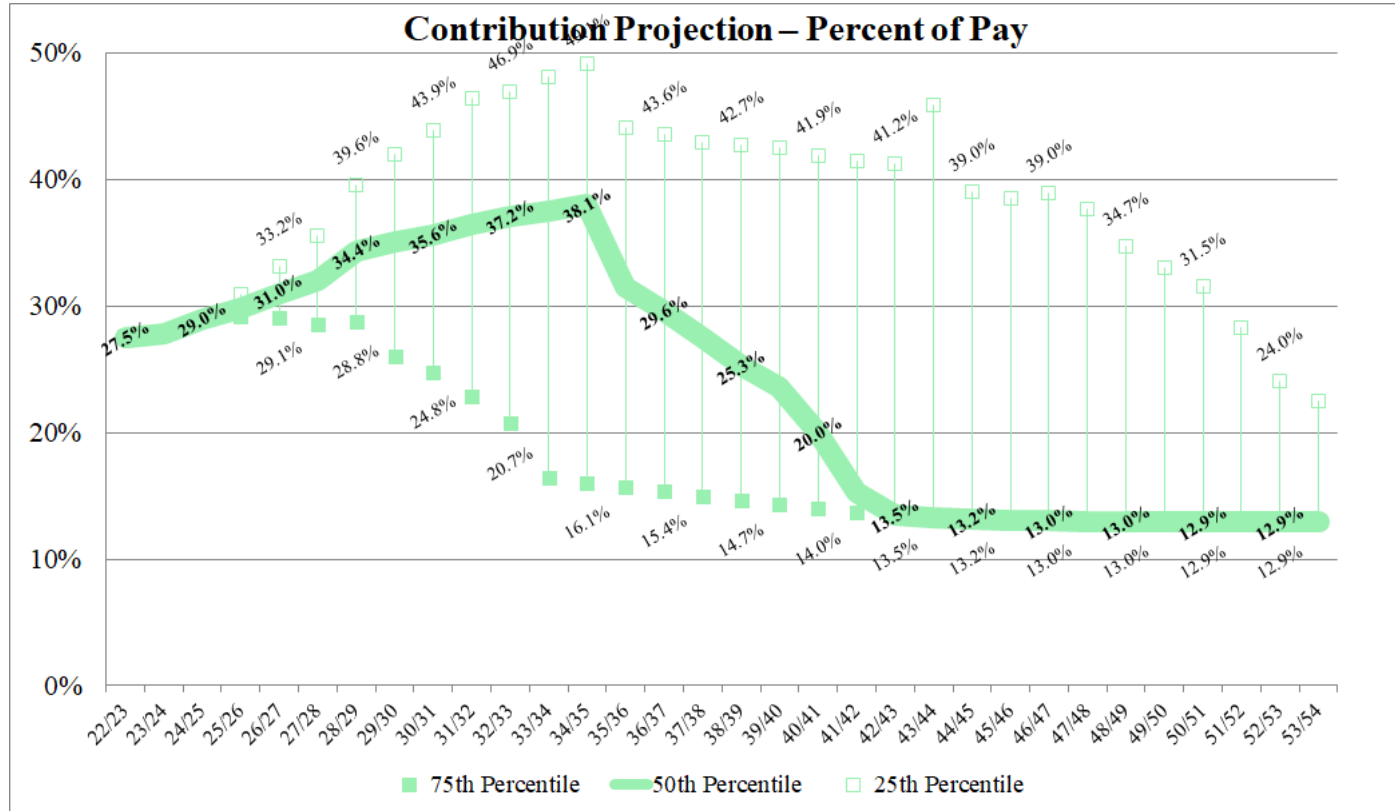
Contribution Projection – Percent of Pay



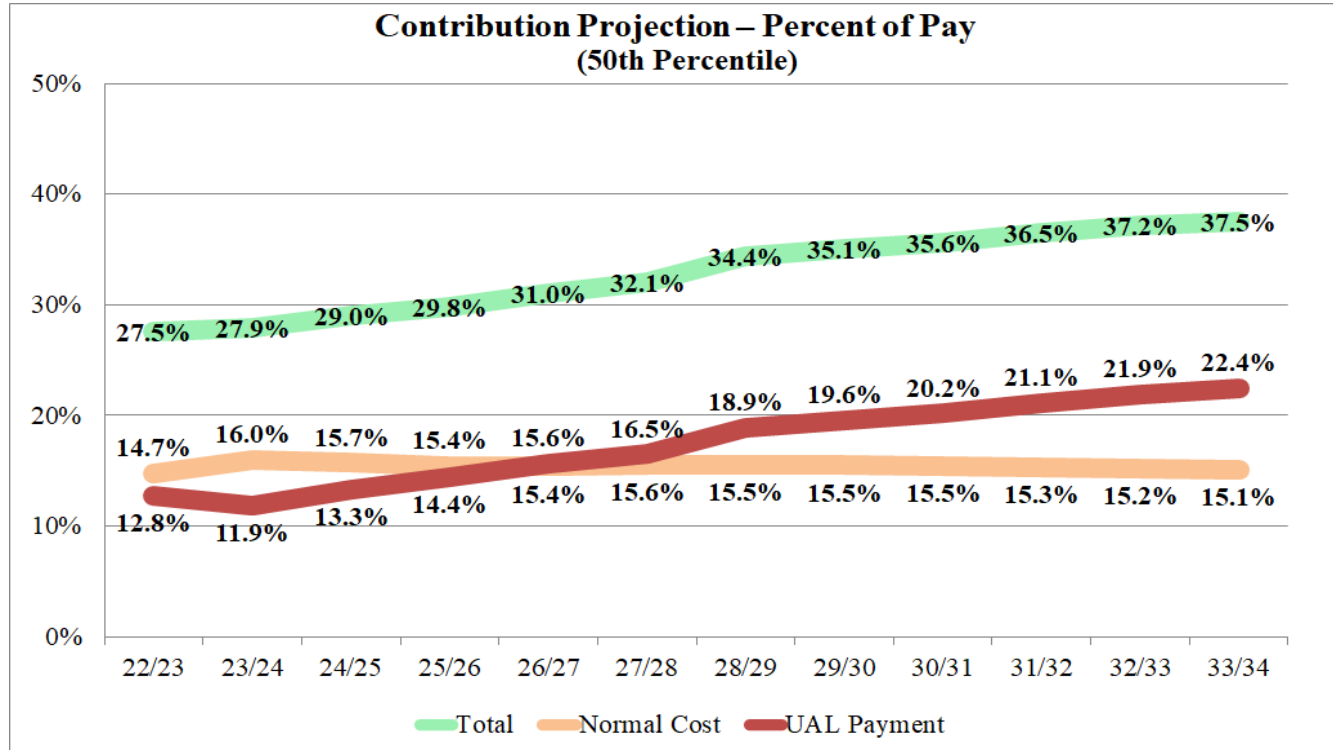
CONTRIBUTION PROJECTIONS - SAFETY



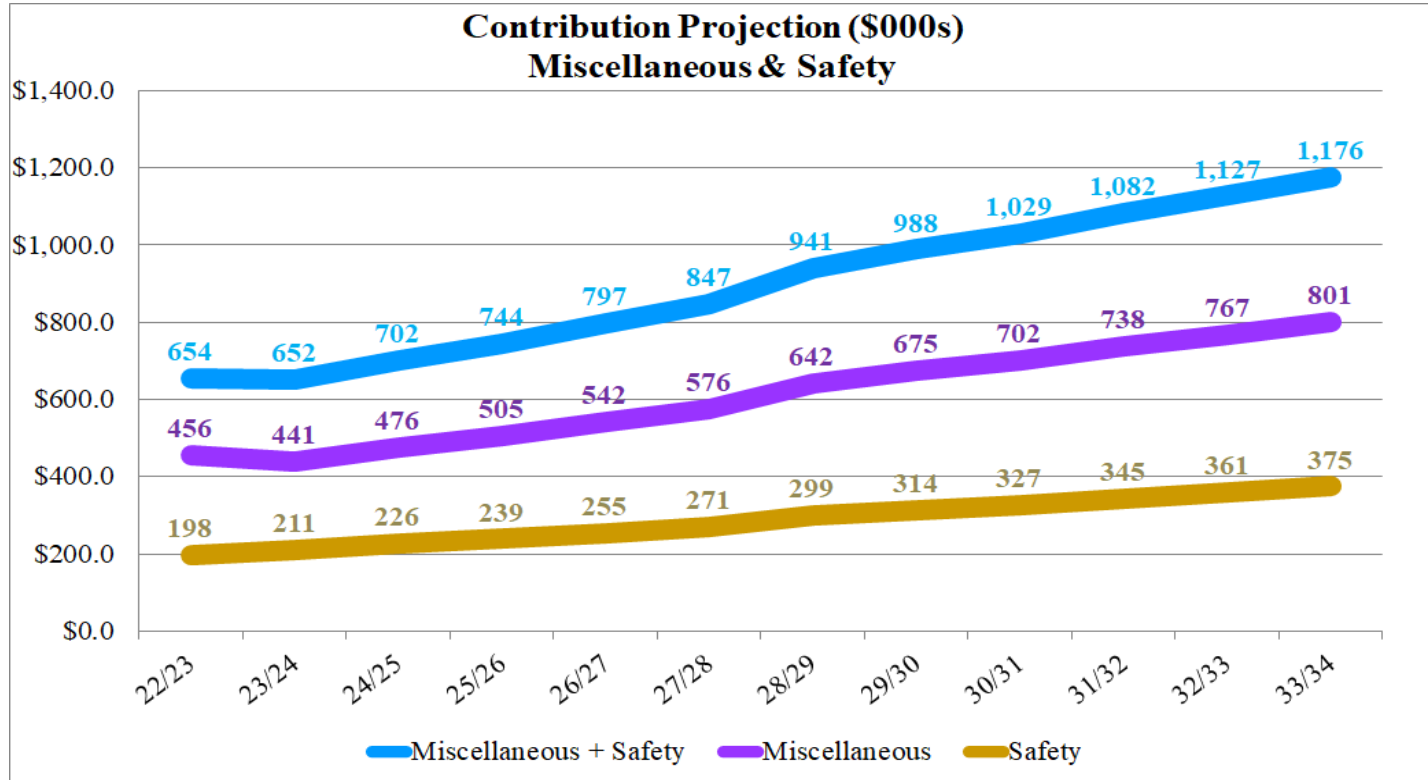
CONTRIBUTION PROJECTIONS - SAFETY



CONTRIBUTION PROJECTIONS - SAFETY



COMBINED MISCELLANEOUS AND SAFETY



- 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 FY2023 Investment Return</u>		
	<u>6.8%</u>	<u>0%</u>	<u>-6.8%</u>
Actuarial Accrued Liability (projected to 6/30/2023)	\$20,700,000	\$20,700,000	\$20,700,000
Estimated Assets at 6/30/2023	<u>15,700,000</u>	<u>14,700,000</u>	<u>13,700,000</u>
Unfunded Liability	5,000,000	6,000,000	7,000,000
Funded Ratio	75.9%	71.0%	66.2%



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 UNFUNDED LIABILITY & 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 itself for pension costs
- Funding strategies typically focus on
 - ☐ Reducing the unfunded liability (accumulate a lot of money)
 - ☐ Use funds for rate stabilization/budget predictability (target fund balance equal to 1 year's contribution)



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, either planned or annual surpluses
- One-time funds
- Employee cost sharing
- Pension Obligation Bond:
 - Very popular before interest rates began rising



FY23-24 Proposed Capital Improvement Projects

Capital Improvement Project	Budgeted Cost
<p>Launch Ramp Floating Dock Replacement, Washdown Station ADA Improvement, Restroom Upgrades</p> <ul style="list-style-type: none">• Project will replace both boarding float docks at the public launch ramp• Project will also replace the boat wash down station to make it ADA accessible• This project has been delayed by permitting and engineering review by Dept. Boating & Waterways	\$ 650,000
<p>Restrooms & Interior Plumbing Upgrades: 1559 Downstairs restrooms</p> <ul style="list-style-type: none">• Project will remodel the interior of the downstairs men's and women's restrooms at 1559• Project will also perform plumbing upgrades• These restrooms cannot be made ADA compliant due to space constraints• This project is new for the FY23-24 CIP plan	\$ 235,000
<p>Restrooms & Interior Plumbing Upgrades: 1583 Downstairs restrooms</p> <ul style="list-style-type: none">• Project will remodel the interior of the downstairs men's and women's restrooms at 1583• Project will also perform plumbing upgrades• These restroom cannot be made ADA compliant due to space constraints• This project is new for the FY23-24 CIP plan	\$ 200,000

FY23-24 Proposed Capital Improvement Projects

Capital Improvement Project	Budgeted Cost
<p>Paid Parking Infrastructure</p> <ul style="list-style-type: none">• Procurement will require prior approvals from City of Ventura and Coastal Commission• Staff currently working with consultants to prepare Coastal Development Permit• Staff also working with City of Ventura on necessary agreement and changes to municipal code.	\$ 175,000
<p>Promenade Curved Wall & Patio Upgrades</p> <ul style="list-style-type: none">• Curved walls at the Promenade in front of 1575 and 1583 Spinnaker have challenges with the exterior material. Water enters the wall and the paint continues to fail.• Project will “re-skin” the wall with natural concrete and seashells to be more resilient and match other design features.• This project is new for the FY23-24 CIP plan as of this year.	\$ 150,000
<p>Harbor Village Buildings – Roof Replacement</p> <ul style="list-style-type: none">• Many Harbor Village roof replacements complete, but 1575 and 1583 (the two biggest) remain.• In order to maximize investments in other projects, only the problematic portion of 1575 will be addressed this fiscal year. The remainder of the work will be deferred.	\$ 100,000

FY23-24 Proposed Capital Improvement Projects

Capital Improvement Project	Budgeted Cost
Vehicle Replacements: <ul style="list-style-type: none">Several District vehicles are ready for replacement and will be replaced by EV vehicles:<ul style="list-style-type: none">Harbor PatrolMaintenance Department (2)AdministrationThese replacements have been pre-funded by State Lands Commission grants	<ul style="list-style-type: none">\$ 95,000\$ 90,000\$ 45,000
EV Charging Stations <ul style="list-style-type: none">SCE has submitted designs to City for approval, but construction is still pendingDistrict will procure the stations and install them after SCE finishes constructingThe costs for procurement and installation will be covered through grant reimbursement from SCE and CALeVIP	<ul style="list-style-type: none">\$ 84,000
Harbor Cove & Surfers Knoll - Restrooms & Shower Area Improvements <ul style="list-style-type: none">Project will permit and perform improvements to shower areas at beach areasThis is a multi-year projectThis scope has been pre-funded by State Lands Commission grantsAdditional funding will be pursued through the National Fish and Wildlife Fund Refugio Grant	<ul style="list-style-type: none">\$ 75,000

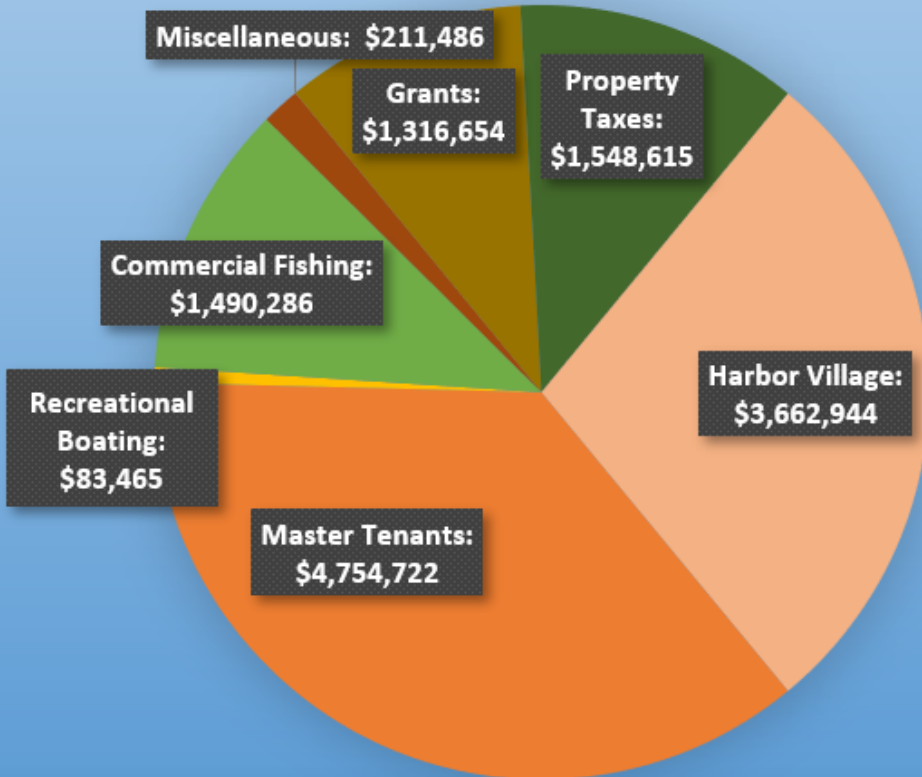
FY23-24 Proposed Capital Improvement Projects

Capital Improvement Project	Budgeted Cost
Harbor Patrol Boathouse Repairs <ul style="list-style-type: none"> This project is new for the FY23-24 CIP plan 	\$ 55,000
Sustainable Transportation Program <ul style="list-style-type: none"> Soft costs associated with project development 	\$ 50,000
1567 Spinnaker #100 - Building Improvements <ul style="list-style-type: none"> Anticipated carry over for installation of the upgraded electrical switch gear 	\$ 50,000
Boat Replacement – Harbor Patrol <ul style="list-style-type: none"> Supplemental expenditure for when boat is received Grant funded 	\$ 35,000
1583/1591 ADA Path of Travel Ramps <ul style="list-style-type: none"> Repaving of area to meet ADA path of travel requirements 	\$ 35,000
National Park Service Building (1691 Building) HVAC System Replacement	\$ 33,000
Harbor Village Trash Enclosures <ul style="list-style-type: none"> Carry over to complete paver change-over for small islands 	\$ 30,000
Harbor Village Wayfinding Signage, Entry Awnings <ul style="list-style-type: none"> Ongoing program 	\$ 25,000

FY23-24 Proposed Tenant Improvements

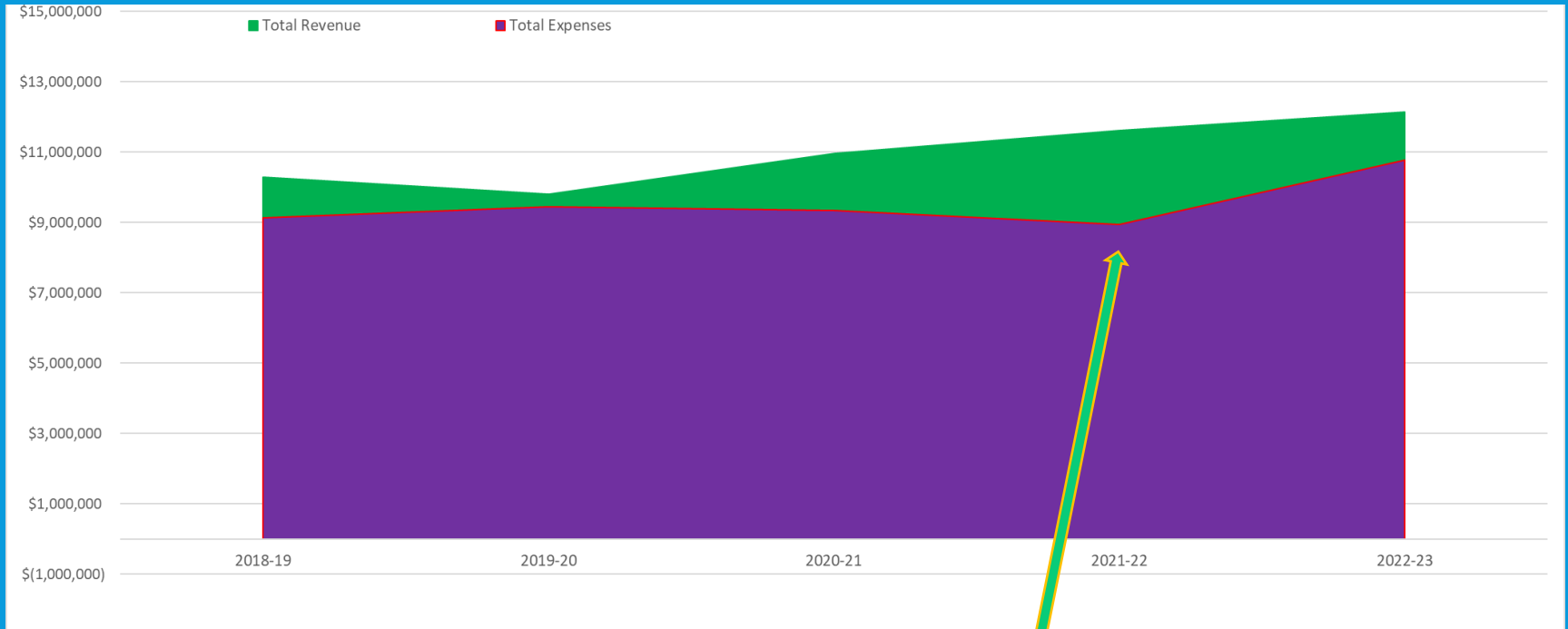
- For FY23-24, Staff is planning for a significant increase in Tenant Improvement costs associated with:
 - The modernization of ~4,000 square feet of office space
 - Planned in-kind investments in three restaurants.

Ventura Port District Revenue FY21-22



- Revenue is ~88% self generated.
- ~12% comes as a property tax special assessment to City residents.
- This is allocated to Public Safety.

FY23-24 REVENUE & EXPENSE OUTLOOK



Note: The State Lands Commission COVID-19 grants were received prior to incurring the expenses and therefore these funds show up as extra revenue (green), which are being spent in the current and next Fiscal Year (purple).

PUBLIC COMMUNICATION STANDARD AGENDA ITEM 1

00 : 03 : 00

ADOPTION OF RESOLUTION NOS. 3473 and 3474
APPROVING UPDATES TO THE EXPENSE
REIMBURSEMENT POLICIES FOR EMPLOYEES AND
COMMISSIONERS AND RESCINDING RESOLUTION
NOS. 3302 AND 3303

RECOMMENDATION:

That the Board of Port Commissioners adopt:

- a) Resolution No. 3473 approving the updates to the Expense Reimbursement Policy for Employees and rescind Resolution No. 3302.
- b) Resolution No. 3474 approving the updates to the Expense Reimbursement Policy for Commissioners and rescind Resolution No. 3303.

STANDARD AGENDA ITEM 2

Report by:

Brian D. Pendleton, General Manager
Jessica Rauch, Clerk of the Board

Updates to Expense Reimbursement Policies:

- Last updated in 2016
- Benefited from improved clarity as well as additional direction
- Updates simplify these policies and provide additional specificity
- The essence of the policies were not changed
- Most important update is that meals are not to exceed the following:
 - Breakfast..... \$20.00
 - Lunch..... \$30.00
 - Dinner..... \$45.00
 - These totals are to include sales tax and tip
 - Tip is not to exceed 20% pretax total
 - The amounts did not change
- Commissioner Stephens recommends deleting the phrase per diem from this section as it is usually used for an “entire day”

PUBLIC COMMUNICATION STANDARD AGENDA ITEM 2

00 : 03 : 00



ADJOURNMENT IN HONOR OF CHUCK ORMSON
NEXT MEETING JUNE 7, 2023

Ventura Harbor
GATEWAY TO THE CHANNEL ISLANDS NATIONAL PARK