2019

MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE STUDY

FOR THE

Sacramento-Yolo Port District

YOLO LOCAL AGENCY FORMATION COMMISSION

PUBLIC REVIEW DRAFT May 1, 2019

Project Name:	MSR/SOI for Sacramento-Yolo Port District
LAFCo Project No.	052
Conducted By:	Yolo Local Agency Formation Commission 625 Court Street, Suite 203 Woodland, CA 95695
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Subject Agency:	Sacramento-Yolo Port District
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Date of Previous Adopted MSR/SOI:	June 22, 2009

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MSR/SOI BACKGROUND

ROLE AND RESPONSIBILITY OF LAFCO

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, as amended ("CKH Act") (California Government Code §§56000 et seq.), is LAFCo's governing law and outlines the requirements for preparing Municipal Service Reviews (MSRs) for periodic Sphere of Influence (SOI) updates. MSRs and SOIs are tools created to empower LAFCo to satisfy its legislative charge of "discouraging urban sprawl, preserving open-space and prime agricultural lands, efficiently providing government services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances (§56301). CKH Act Section 56301 further establishes that "one of the objects of the commission is to make studies and to obtain and furnish information which will contribute to the logical and reasonable development of local agencies in each county and to shape the development of local agencies so as to advantageously provide for the present and future needs of each county and its communities."

Based on that legislative charge, LAFCo serves as an arm of the State; preparing and reviewing studies and analyzing independent data to make informed, quasi-legislative decisions that guide the physical and economic development of the state (including agricultural uses) and the efficient, cost-effective, and reliable delivery of services to residents, landowners, and businesses. While SOIs are required to be updated every five years, they are not time-bound as planning tools by the statute, but are meant to address the "probable physical boundaries and service area of a local agency" (§56076). SOIs therefore guide both the near-term and long-term physical and economic development of local agencies, and MSRs provide the near-term and long-term time-relevant data to inform LAFCo's SOI determinations.

PURPOSE OF A MUNICIPAL SERVICE REVIEW

As described above, MSRs are designed to equip LAFCo with relevant information and data necessary for the Commission to make informed decisions on SOIs. The CKH Act, however, gives LAFCo broad discretion in deciding how to conduct MSRs, including geographic focus, scope of study, and the identification of alternatives for improving the efficiency, cost-effectiveness, accountability, and reliability of public services. The purpose of a Municipal Services Review (MSR) in general is to provide a comprehensive inventory and analysis of the services provided by local municipalities, service areas, and special districts. A MSR evaluates the structure and operation of the local municipalities, service areas, and special districts and discusses possible areas for improvement and coordination. The MSR is intended to provide information and analysis to support a sphere of influence update. A written statement of the study's determinations must be made in the following areas:

1. Growth and population projections for the affected area;
2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence;
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence;
4. Financial ability of agencies to provide services;
5. Status of, and opportunities for, shared facilities;

6. Accountability for community service needs, including governmental structure and operational efficiencies; and

7. Any other matter related to effective or efficient service delivery, as required by commission policy.

The MSR is organized according to these determinations listed above. Information regarding each of the above issue areas is provided in this document.

PURPOSE OF A SPHERE OF INFLUENCE

In 1972, LAFCos were given the power to establish SOIs for all local agencies under their jurisdiction. As defined by the CKH Act, "'sphere of influence' means a plan for the probable physical boundaries and service area of a local agency, as determined by the commission" (§56076). SOIs are designed to both proactively guide and respond to the need for the extension of infrastructure and delivery of municipal services to areas of emerging growth and development. Likewise, they are also designed to discourage urban sprawl and the premature conversion of agricultural and open space resources to urbanized uses.

The role of SOIs in guiding the State's growth and development was validated and strengthened in 2000 when the Legislature passed Assembly Bill ("AB") 2838 (Chapter 761, Statutes of 2000), which was the result of two years of labor by the Commission on Local Governance for the 21st Century, which traveled up and down the State taking testimony from a variety of local government stakeholders and assembled an extensive set of recommendations to the Legislature to strengthen the powers and tools of LAFCos to promote logical and orderly growth and development, and the efficient, cost-effective, and reliable delivery of public services to California's residents, businesses, landowners, and visitors. The requirement for LAFCos to conduct MSRs was established by AB 2838 as an acknowledgment of the importance of SOIs and recognition that regular periodic updates of SOIs should be conducted on a five-year basis (§56425(g)) with the benefit of better information and data through MSRs (§56430(a)).

Pursuant to Yolo County LAFCO policy an SOI includes an area adjacent to a jurisdiction where development might be reasonably expected to occur in the next 20 years. A MSR is conducted prior to, or in conjunction with, the update of a SOI and provides the foundation for updating it.

LAFCo is required to make five written determinations when establishing, amending, or updating an SOI for any local agency that address the following (§56425(c)):

1. The present and planned land uses in the area, including agricultural and open-space lands.

2. The present and probable need for public facilities and services in the area.

3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

4. The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

5. For an update of an SOI of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

DISADVANTAGED UNINCORPORATED COMMUNITIES

SB 244 (Chapter 513, Statutes of 2011) made changes to the CKH Act related to "disadvantaged unincorporated communities," including the addition of SOI determination #5 listed above. Disadvantaged unincorporated communities, or "DUCs," are inhabited territories (containing 12 or more registered voters) where the annual median household income is less than 80 percent of the statewide annual median household income.

On March 26, 2012, LAFCo adopted a "Policy for the Definition of 'Inhabited Territory' for the Implementation of SB 244 Regarding Disadvantaged Unincorporated Communities", which identified 21 inhabited unincorporated communities for purposes of implementing SB 244.

CKH Act Section 56375(a)(8)(A) prohibits LAFCo from approving a city annexation of more than 10 acres if a DUC is contiguous to the annexation territory but not included in the proposal, unless an application to annex the DUC has been filed with LAFCo. The legislative intent is to prohibit "cherry picking" by cities of tax-generating land uses while leaving out under-served, inhabited areas with infrastructure deficiencies and lack of access to reliable potable water and wastewater services. DUCs are recognized as social and economic communities of interest for purposes of recommending SOI determinations pursuant to Section 56425(c).

ORGANIZATION OF MSR/SOI STUDY

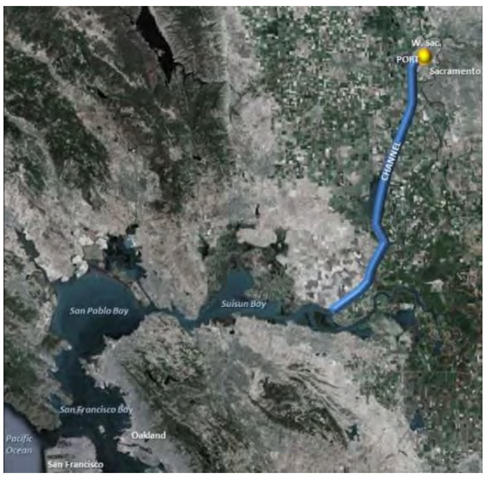
This report has been organized in a checklist format to focus the information and discussion on key issues that may be particularly relevant to the subject agency while providing required LAFCo's MSR and SOI determinations. The checklist questions are based on the Cortese-Knox-Hertzberg Act, the LAFCo MSR Guidelines prepared by the Governor's Office of Planning and Research and adopted Yolo LAFCo local policies and procedures. This report provides the following:

- Provides a description of the subject agency;
- Provides any new information since the last MSR and a determination regarding the need to update the SOI;
- Provides MSR and SOI draft determinations for public and Commission review; and
- Identifies any other issues that the Commission should consider in the MSR/SOI.

AGENCY PROFILE

Background

The Sacramento-Yolo Port District was formed pursuant to Section 6800 et seq (i.e. river port districts) of the California Public Harbors and Navigation Code. The District has significant powers and may acquire, purchase, construct, maintain, operate, develop, and regulate wharves, docks, warehouses, grain elevators, bunkering facilities, cold storage facilities, belt railroads, floating plants, lands, towage facilities, and any and all other facilities, aids, or public personnel, incident to, or necessary for, the operation and development of ports, waterways, and the district. It may exercise the right of eminent domain to take any property necessary or convenient to carry out any of its purposes. A district may do any work or make any improvement within or without the territorial limits of the district, if the doing of the work or the making of the improvement will aid in the development or the improvement of navigation or commerce to or within the district.



The District was formed in 1947 to develop and maintain a deep water port for the northern California region. Upon formation the District was governed by a five-member Commission with two members representing the City of Sacramento, two representing the County of Sacramento, and one representing the County of Yolo. The Port's boundaries included Sacramento County and the Yolo County Supervisor District 1. The Port opened to commerce in 1963.

Soon after the City of West Sacramento incorporated in 1987, legislation was adopted that expanded the five-member Port Commission to a seven-member Commission with two members appointed by each the City of Sacramento and County of Sacramento, one by each the Yolo County Board of Supervisors and City of West Sacramento, and one jointly appointed by the City and County of Sacramento. Several years after the District increased the representation on its Commission, the Port District also increased the size of its boundaries. In 1992, Sacramento LAFCO approved the annexation of 14 parcels totaling approximately 1,754 acres of the Solano County Deep Water Channel into the District.

On December 5, 2005, the Port Commission approved changes to its boundaries, governance, and administration. These changes were approved by the West Sacramento and Sacramento City Councils and the Sacramento and Yolo County Board of Supervisors through the execution of a Joint Port Governance Agreement with an effective date of January 15, 2006.

In September 2006, the California Legislature detached the County and City of Sacramento from the District's boundaries and provided the City of West Sacramento with a majority of the Port Commission seats. The Commission was reduced from seven to five members with four of the Commissioners being appointed by the City Council and one by the Yolo County Board of Supervisors. The City of West Sacramento assumed management of the business, financial, administrative, and related operations of the Port.

After years of financial losses, in 2013 the Port was reorganized from a district with its own staff to a "landlord-operator" model and the District contracted with SSA Marine to be the Port's Terminal Operator responsible for business development. The District is currently managed by one, full time Port Chief Operating Officer employed by the City of West Sacramento.

Boundaries

The District consists of approximately 65,000 acres. Its boundaries include the area within the Yolo County Board of Supervisor's District 1 and approximately 1,754 acres of land in Solano County owned by the Port. Board of Supervisor's District 1 includes the City of West Sacramento and is generally bounded by the Sacramento Bypass on the north, the Yolo Bypass on the west, the Yolo/Solano County boundary on the south, and the Sacramento River on the east.

The boundaries extend south into Solano County encompassing the Deep Water Channel and its levees south to the intersection of Cache and Miner Sloughs. The District also includes land on either side of and adjacent to the Channel levees. The current District boundary also includes Prospect and Decker Islands because they were once owned by the District. However, these properties were sold to the Department of Water Resources in 2015 as part of a land exchange in which the District acquired another property located at 4300 West Capitol Avenue in West Sacramento.

Land Use

The District encompasses a large area that overlaps several jurisdictions. The District's boundaries include the City of West Sacramento and the counties of Yolo and Solano.

The City of West Sacramento is located in the north portion of the District. The City contains 14,734 acres, which represent nearly 25 percent of land in the District. The City contains a range of land uses and zoning that include commercial, industrial, residential, and high-density mixed uses. The majority of the Port's facilities and operations are in the City of West Sacramento. The remaining land in the District, 1,754 acres, is located in Solano County in and around the Deep Water Channel.

Operation

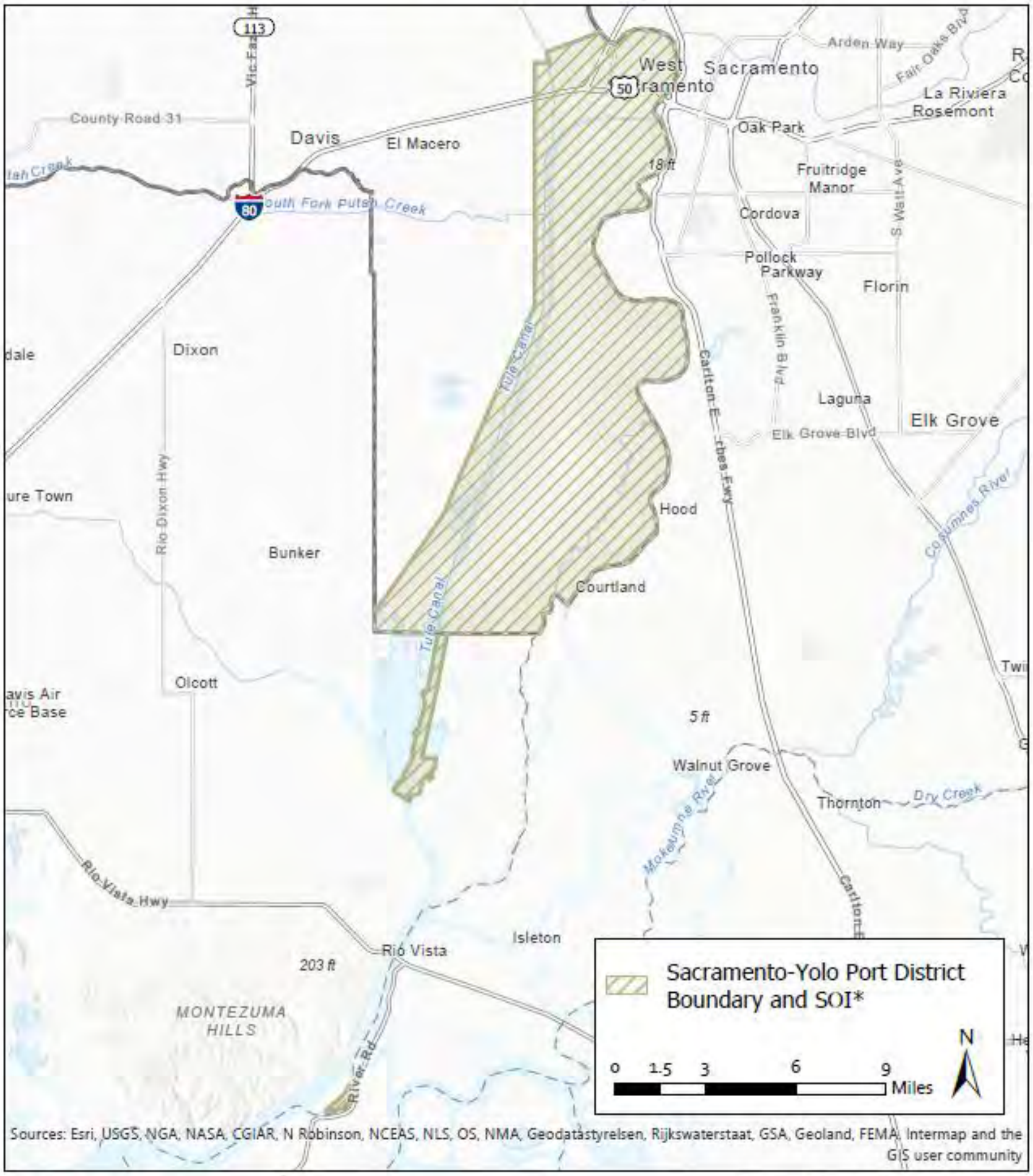
The Port mainly handles foreign exports and imports and little domestic waterborne trade. The Port's focus is on specialized bulk (unpackaged) cargo shipping. The cargo base consists mainly of exporting rice and importing cement, fertilizer and other miscellaneous products. The primary users of Port facilities are local agriculture producers and local building markets located within 500 miles of Port facilities.

The elements of the Port of West Sacramento include: the Deep Water Ship Channel, the harbor, the maritime terminal, non-maritime development property, and the foreign trade zone. The barge canal is no longer a navigable facility and is used for recreation, and the decommissioned navigation lock has been transferred to the City of West Sacramento and will be incorporated in to a future regional park facility.

The Deep Water Ship Channel runs from the Harbor of West Sacramento west (bisecting the City) then south along River Road. The approximately 43-mile long Channel ends at Collinsville at the mouth of the Sacramento River. Access to international shipping lanes is provided via San Francisco's Golden Gate, located 80 nautical miles southwest of the Port. The channel is 200-300 feet wide and 30-35 feet deep. Most of the channel (between mile 1 and mile 35) has a thirty-foot depth. Eight miles of the shipping channel, starting from the harbor (between mile 35 and mile 43), has a 35-foot depth. The harbor, or turning basin, at the upper end of the ship channel is 35 feet deep and has a triangular configuration (2,000 feet by 2,400 feet by 3,100 feet). The harbor is the receiving area for ships and transferring cargo.

The barge canal connects the harbor and the Sacramento River. The canal is 11 feet deep and 120 feet wide. The William G. Stone Navigation Lock, at one time, would allow the transit of vessels between the harbor and the Sacramento River through the barge canal when the two water bodies were at different levels. The lock is 86 feet wide by 640 feet long by 13 feet deep. The barge canal and navigational lock were constructed to permit the transit of shallow draft commercial, recreational, and construction vessels between the harbor and the Sacramento River. In 2000, the City of West Sacramento expanded Jefferson Boulevard, the major thoroughfare into the Southport area, disabling the navigational lock as a viable entryway for any marine craft.

Sacramento-Yolo Port District Boundary and Sphere of Influence



*Sacramento-Yolo Port District Boundary is coterminous with the Sphere of Influence

Boundary Adopted by the State of California September 2006

In late 1987, the Port was approved as a foreign trade zone (FTZ). A foreign trade zone is an area considered outside of United States customs territory and, therefore, exempt from customs duty payments. FTZs are divided into general-purpose zones or subzones. The Port's North Terminal and Seaway properties are general foreign trade zones. The Port sponsors subzones located in the Counties of Sacramento and Placer and the Cities of Sacramento, Lincoln, Dixon and Roseville.

One of the Port's competitive strengths is its access to alternative forms of transportation to help move cargo. Rail and truck access are provided by dockside rail lines and close connections to Interstate 80, US 50 and Interstate 5. Other major thoroughfares in the District include Industrial Boulevard, West Capitol Avenue, Harbor Boulevard, Sacramento Avenue, Reed Avenue, and State Route 84/Jefferson Boulevard.

One major railroad line and a set of local freight switching tracks run through West Sacramento. Union Pacific tracks run east-west, generally parallel to and north of I-80/US50. Sierra Northern Railroad, per an operating agreement with the Port, provides short-line service on Port-owned tracks which run northeast-southwest to the industrial districts north and west of the Port's maritime terminal.

District Land Holdings

With the District acting as a landlord and the Port having secured an operator and a lease for the maritime facilities, its focus has been on generating revenues from the non-maritime real estate assets. The District has executed several leases to bolster and diversify our revenues (UPS, Propak Logistics, RJJ Resource Management, Tri-C Recycling, Manson Construction, Ramcon). The District has made investments to develop its real estate business and maintain the maritime facilities.

The Port owns 300 acres of property in Southport known as Seaway International Trade Center which it is in the process of planning for development. The Seaway property is currently zoned for industrial and commercial development. City entitlements are underway for a portion of the property, but the future owner/tenant information has not been released.

The Port also owns the 200-acre Stone Lock property south of the barge canal Which is zoned for mixed-use development. This property is a desirable in-fill site which is suitable for high-density development after supporting infrastructure is installed. Development of this property will be a long-term collaborative effort with the City of West Sacramento.

Additionally, the Port owns approximately 5000 acres in the Sacramento Delta which consists of the ship channel, upland habitat, riparian habitat, and wetlands. Much of the upland habitat is licensed to tenants for livestock rearing (primarily goats) and beekeeping.

District Accounting

The District operates as an enterprise fund within the City's budget. An enterprise fund is established to account for operations that are financed and operated in a manner similar to private business enterprises (i.e. predominately supported by user charges). The Port's main revenue source comes from leasing its terminal facilities. The District has also received funding through the sale of property and through grants.

AFFECTED AGENCIES

Per Government Code Section 56427, a public hearing is required to adopt, amend, or revise a sphere of influence. Notice shall be provided at least 21 days in advance and mailed notice shall be provided to each affected local agency or affected County, and to any interested party who has filed a written request for notice with the executive officer. Per Government Code Section 56014, an affected local agency means any local agency that overlaps with any portion of the subject agency boundary or SOI (included proposed changes to the SOI).

The affected local agencies for this MSR/SOI are:

County/Cities:

☐ City of Davis
☒ City of West Sacramento
☐ City of Winters
☐ City of Woodland
☒ County of Yolo
☒ County of Solano

K-12 School Districts:

☐ Davis Joint Unified
☐ Esparto Unified
☐ Pierce Joint Unified
☒ River Delta Unified
☒ Washington Unified
☐ Winters Joint Unified
☐ Woodland Joint Unified

Community College Districts:

☒ Delta
☒ Los Rios
☐ Solano
☐ Yuba

Special Districts:

☒ Cemetery District – Capay, Cottonwood, **Davis**, Knight's Landing, Mary's, Winters
☐ Community Service District – Cacheville, Esparto, Knights Landing, Madison
☐ County Service Area - Dunnigan, El Macero, Garcia Bend, North Davis Meadows, Snowball, Wild Wings, Willowbank
☒ Fire Protection District – Capay, **Clarksburg**, Dunnigan, **East Davis**, **Elkhorn**, Esparto, Knights Landing, Madison, **No Man's Land**, Springlake, West Plainfield, Willow Oak, Winters, Yolo, Zamora
☐ Sacramento-Yolo Port District
☒ Reclamation District – **150**, **307**, **537**, 730, **765**, 785, 787, 827, **900**, **999**, 1600, 2035
☒ Yolo County Resource Conservation District
☐ Water District – Dunnigan, Knight's Landing Ridge Drainage, Yolo County Flood Control & Water Conservation

Multi-County Districts:

☒ Reclamation District – 108 (Colusa), 2068 (Solano), **2093** (Solano)
☐ Water District – Colusa Basin Drainage
☒ Sacramento-Yolo Mosquito and Vector Control District

MUNICIPAL SERVICE REVIEW

POTENTIALLY SIGNIFICANT MSR DETERMINATIONS

The MSR determinations checked below are potentially significant, as indicated by "yes" or "maybe" answers to the key policy questions in the checklist and corresponding discussion on the following pages. If most or all of the determinations are not significant, as indicated by "no" answers, the Commission may find that a MSR update is not warranted.

☐	Growth and Population	☐	Shared Services
☐	Disadvantaged Unincorporated Communities	☒	Accountability
☐	Capacity, Adequacy & Infrastructure to Provide Services	☐	Other
☒	Financial Ability		

LAFCO MUNICIPAL SERVICE REVIEW:

☐ On the basis of this initial evaluation, the required determinations are not significant and staff recommends that an MSR is NOT NECESSARY. The subject agency will be reviewed again in five years per Government Code Section 56425(g).

☒ The subject agency has potentially significant determinations and staff recommends that a comprehensive MSR IS NECESSARY and has been conducted via this checklist.

1. GROWTH AND POPULATION Growth and population projections for the affected area.	YES	MAYBE	NO
a) Will the agency's territory or surrounding area experience any significant population change or development over the next 5-10 years?	☐	☐	☒
b) Will development have an impact on the subject agency's service needs and demands?	☐	☐	☒
c) Will projected growth require a change in the agency's service and/or sphere of influence boundary?	☐	☐	☒

Discussion:

a-c) No. According to the California Department of Finance population projections, the City of West Sacramento will have an increase of 1.0% growth from January 1, 2017 to January 1, 2108. The unincorporated portions of Yolo County are estimated to have an increase of 1.2% and in unincorporated Solano County it is merely 0.5% for the same timeframe. Local population growth will not have an impact on the District's service needs or demands, and will not create a need to change the agency's boundary. The District's economic drivers extend far beyond local population growth. Therefore, population growth is not a factor for the Sacramento-Yolo Port District.

Growth and Population MSR Determination

Local population growth will not have an impact on the District's service needs or demands, and will not create a need to change the agency's boundary. The District's economic drivers extend far beyond local population growth. Therefore, population growth is not a factor for the Sacramento-Yolo Port District.

2. DISADVANTAGED UNINCORPORATED COMMUNITIES

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

		YES	MAYBE	NO
a)	Does the subject agency provide public services related to sewers, municipal and industrial water, or structural fire protection?	☐	☐	☒
b)	If yes, are there any "inhabited unincorporated communities" (per adopted Commission policy) within or adjacent to the subject agency's sphere of influence that are considered "disadvantaged" (80% or less of the statewide median household income) that do not already have access to public water, sewer and structural fire protection (if no to a), this question may be skipped)?	☐	☐	☒
c)	If "yes" to both a) and b), it is feasible for the agency to be reorganized such that it can extend service to the disadvantaged unincorporated community (if "no" to either a) or b), this question may be skipped)?	☐	☐	☐

Discussion:

a-c) No. The Sacramento-Yolo Port District does not provide public services related to sewers, municipal and industrial water, or structural fire protection that would trigger the requirements of SB 244 regarding disadvantaged unincorporated communities.

Disadvantaged Unincorporated Communities MSR Determination

The Sacramento-Yolo Port District does not provide public services related to sewers, municipal and industrial water, or structural fire protection that would trigger the requirements of SB 244 regarding disadvantaged unincorporated communities.

3. CAPACITY AND ADEQUACY OF PUBLIC FACILITIES AND SERVICES

Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.

		YES	MAYBE	NO
a)	Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory (also note number of staff and/or contracts that provide services)? Are there any concerns regarding services provided by the agency being considered adequate (i.e. is there a plan for additional staff or expertise if necessary)?	☐	☐	☒
b)	Are there any issues regarding the agency's capacity to meet the service demand of reasonably foreseeable future growth?	☐	☐	☒
c)	Are there any significant infrastructure needs or deficiencies to be addressed for which the agency has not yet appropriately planned (including deficiencies created by new state regulations)?	☐	☐	☒
d)	If the agency provides water, wastewater, flood protection, or fire protection services, is the agency not yet considering climate adaptation in its assessment of infrastructure/service needs?	☐	☐	☒
e)	Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the agency's sphere of influence?	☐	☐	☒

Discussion:

a) *Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory (also note number of staff and/or contracts that provide services)? Are there any concerns regarding services provided by the agency being considered adequate (i.e. is there a plan for additional staff or expertise if necessary)?*

No. Following years of financial issues, on July 1, 2013, the District implemented a new landlord-lessee operating model and currently the District's only staff is a Port Chief Operating Officer. Port operations are contracted out to SSA Marine, which leases and operates the Port's North Terminal cargo facilities. There are no concerns regarding services provided by the District being adequate and there is no plan to hire additional staff. Expertise is provided by the Port operator arrangement. [1]

b) *Are there any issues regarding the agency's capacity to meet the service demand of reasonably foreseeable future growth?*

No. The Port is able to be dynamic and responsive to fluctuations in demand for movement of goods through its maritime facilities. Additional cargo facilities and development sites can be made available over time with redevelopment of some of the existing obsolete warehouses. Notwithstanding, the Port

[1] Port of West Sacramento Business Plan, March 2013

is fully leased and is turning prospective tenants away (although it should be noted that the demand is for the Port's non-maritime industrial land).

c) *Are there any significant infrastructure needs or deficiencies to be addressed for which the agency has not yet appropriately planned (including deficiencies created by new state regulations)?*

No. There was a channel deepening project underway in 2009, but was cancelled due to environmental impacts to the Delta and an ever-increasing cost estimate (the original cost estimate of $80M increased to $200M). Channel deepening to accommodate larger vessels is no longer considered a viable option.

The Port has made investments to develop its real estate business and to maintain the maritime facilities. SSA Marine, the Port's Terminal Operator, is now responsible for maritime business development. As a landlord Port, having secured an operator and a lease for the maritime facilities, the focus has been on generating revenues from our non-maritime estate assets and it has successfully executed several leases to bolster and diversify our revenues (UPS, Propak Logistics, RJJ Resource Management, Tri-C Recycling, Manson Construction, Ramcon).

The maritime facilities include obsolete warehouses and conveyor systems which are not planned for re-capitalization. Some facilities will be demolished over time in coordination with the Terminal Operator to repurpose these sites. The Port has planned for these costs and will not create an adverse economic impact.

d) *If the agency provides water, wastewater, flood protection, or fire protection services, is the agency not yet considering climate adaptation in its assessment of infrastructure/service needs?*

No. The Port facilities are constructed such that any increased flooding in the ship channel would not result in damage. The Port has installed and operates a large roof-top solar facility which generates enough electricity to cover the basic power needs of the North Terminal. It also recently completed an LED lighting project to reduce power consumption. The District is currently working with its Terminal Operator on a collaborative project to install charging stations for zero-emission heavy equipment (the Port does not own any equipment). This project will involve re-purposing high-voltage electrical infrastructure (previously used to power conveyor systems) to fast-charging stations.

e) *Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the agency's sphere of influence?*

No. The Sacramento-Yolo Port District does not provide public services related to sewers, municipal and industrial water, or structural fire protection that would trigger the requirements of SB 244 regarding disadvantaged unincorporated communities.

Capacity and Adequacy of Public Facilities and Services MSR Determination

Following years of financial issues, on July 1, 2013, the District implemented a new landlord-lessee operating model and currently the District's only staff is a Port Chief Operations Officer. Port operations are contracted out to SSA Marine, which leases and operates the Port's North Terminal cargo facilities. There are no concerns regarding services provided by the District being adequate and there is no plan to hire additional staff. The Port is able to be dynamic and responsive to fluctuations in demand for movement of goods through its maritime facilities. Additional cargo facilities and development sites can be made available over time with redevelopment of some of the existing obsolete warehouses. The Port has made investments to develop its real estate business and to maintain the maritime facilities. SSA Marine, the Port's Terminal Operator, is now responsible for maritime business development. As a landlord Port, having secured an operator and a lease for the maritime facilities, the focus has been on generating revenues from non-maritime real estate assets.

4. FINANCIAL ABILITY

Financial ability of agencies to provide services.

		YES	MAYBE	NO
a)	Is the subject agency in an unstable financial position, i.e. does the 5-year trend analysis indicate any issues?	☐	☐	☒
b)	Does the subject agency fail to use generally accepted accounting principles, fully disclosing both positive and negative financial information to the public and financial institutions including: summaries of all fund balances and charges, summaries of revenues and expenditures, five-year financial forecast, general status of reserves, and any un-funded obligations (i.e. pension/retiree benefits)?	☐	☐	☒
c)	Does the agency need a reconciliation process in place and followed to compare various sets of data to one another; discrepancies identified, investigated and corrective action is taken? For small agencies, this would include comparing budgets to actuals, comparing expenses from one year to the next, etc.?	☐	☐	☒
d)	Does the agency board fail to receive periodic financial reports (quarterly or mid-year at a minimum); reports provide a clear and complete picture of the agency's assets and liabilities?	☒	☐	☐
e)	Is there an issue with the organization's revenue sources being reliable? For example, is a large percentage of revenue coming from grants or one-time/short-term sources?	☐	☐	☒
f)	Is the organization's rate/fee schedule insufficient to fund an adequate level of service, necessary infrastructure maintenance, replacement and/or any needed expansion and/or is the fee inconsistent with the schedules of similar service organizations?	☐	☒	☐
g)	Is the organization needing additional reserve to protect against unexpected events or upcoming significant costs?	☐	☒	☐
h)	Does the agency have any debt, and if so, is the organization's debt at an unmanageable level? Does the agency need a clear capital financing and debt management policy, if applicable?	☐	☐	☒
i)	Is the agency lacking documented accounting policies and procedures including investments (If not, LAFCo has a sample)? Does the agency segregate financial duties among staff and/or board to minimize risk of error or misconduct? Is there a system of authorizations, approval and verification for transactions?	☐	☐	☒

Discussion:

a) *Is the subject agency in an unstable financial position, i.e. does the 5-year trend analysis indicate any issues?*

<u>General</u>

No. The District accounting and financial reporting is set up in an enterprise fund. An enterprise fund is established to account for operations that are financed and operated in a manner similar to private business enterprises (i.e. predominately supported by user charges). Also unlike governmental funds, enterprise funds use full accrual accounting, records depreciation and does not account for debt principal payments and capital equipment acquisitions as expenses. Because of this accounting presentation, besides reviewing the income statement it is also necessary to review the statement of cash flows. The statement of cash flows will also have information on debt repayments and equipment acquisitions.

The Port utilizes the same budget system as the City of West Sacramento. An annual budget with projections out 4-5 years is prepared and taken to the Port Commission for approval. The Port follows City policies for procurement and signing authority; the Port Chief Operating Officer limit is $25K and the Port CEO is $50K. Any major expenses not previously adopted as part of the budget plan must be brought to the Commission for a supplemental budget adjustment request.

The Port's financial statements are incorporated within the City's Comprehensive Annual Financial Report (CAFR) as a major enterprise fund and as such is presented in a separate column. The City's CAFR is audited annually. Below is the audited Statement of Revenues, Expenses and Changes in Net Position for fiscal years 2014 through 2018. Selected information from the statement of cash flows is also presented.

SACRAMENTO-YOLO PORT DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2014	2015	2016	2017	2018
Revenue					
Charges for services	$ 2,068,640	$ 2,098,433	$ 2,216,697	$ 2,645,948	$ 2,538,180
Other operating revenue	504,823	-	51,276	89,537	44,139
Total Operating Revenue	2,573,463	2,098,433	2,267,973	2,735,485	2,582,319
Operating Expenses					
Salaries and benefits	292,183	388,368	461,910	522,164	388,699
Operations and maintenance	1,052,004	713,778	668,540	1,010,749	1,673,274
Depreciation and amortization	1,446,594	1,414,394	1,580,950	1,522,588	1,419,680
Total Operating Expenses	2,790,781	2,516,540	2,711,400	3,055,501	3,481,653
Operating income or (loss)	(217,318)	(418,107)	(443,427)	(320,016)	(899,334)
Nonoperating Revenues and (Expenses)					
Interest revenue	2,061	3,015	13,938	13,213	29,866
Gain (loss) on disposal of capital assets	2,655	(247,537)	621,462	-	192,607
Other nonoperating revenues	213,806	95,031	405,600	314,031	272,000
Interest expense	(159,659)	(149,440)	(143,479)	(125,771)	(118,560)
Other nonoperating expenses	(267,566)	(267,566)	-	-	-
Total Nonoperating Revenues (Expenses)	(208,703)	(566,497)	897,521	201,473	375,913
Net Income Before Transfers	(426,021)	(984,604)	454,094	(118,543)	(523,421)
Transfers					
Transfers In	-	34,970	-	271,515	-
Transfers Out	(118,446)	(118,542)	-	-	-
Net Transfers	(118,446)	(83,572)	-	271,515	-
Change in Net Position	(544,467)	(1,068,176)	454,094	152,972	(523,421)
Net Position, July 1	38,406,480	37,862,013	36,651,028	37,105,122	37,258,094
Restatement	-	(142,809)	-	-	(101,948)
Net Position, July 1 - restated	38,406,480	37,719,204	36,651,028	37,105,122	37,156,146
Net Position, June 30	$ 37,862,013	$ 36,651,028	$ 37,105,122	$ 37,258,094	$ 36,632,725
Net Position					
Net investment in capital assets	$ 38,740,740	$ 37,611,908	$ 39,775,082	$ 38,869,380	$ 37,904,823
Restricted for debt service	181	181	-	-	-
Unrestricted	(878,908)	(961,061)	(2,669,960)	(1,611,286)	(1,272,098)
	$ 37,862,013	$ 36,651,028	$ 37,105,122	$ 37,258,094	$ 36,632,725
Additional information from cash flow statement					
Debt principal repayments	$ 1,152,597	$ 847,772	$ 889,218	$ 1,872,400	$ 251,980
Advance from/(repayment) to General Fund	(49,999)	(50,000)	2,050,000	(321,515)	(50,000)
Capital asset purchases	5,034	68,310	2,368,266	95,415	301,718

Revenues

Over the past five years the Port's revenue consists of facility lease payments, foreign trade zone licenses, wharfage/cargo (related to the SSA Marine lease), interest, state grants, gains/losses from disposal of capital assets and other miscellaneous revenue. Total core operating revenues over the past 5 years have remained relatively stable primarily due to the implementation of the new business model.

Expenses

The Port's expenses consist of salaries and benefits (approximately 2.5 FTE's), general operating expenses, facility maintenance, and debt service. Some of these expenditures are reimbursements to the City for shared personnel and general support expenses such as insurance, general administration, facilities maintenance and fleet maintenance. Total expenses have varied somewhat over the past five years from a low of $3.1M in FY 2014 to a high of $3.6M in FY 2018. The increase in FY 2018 is due to additional expenses related to preparing vacant property for new tenants.

Port Long-Term Liabilities

The Port has various long-term debt and accrued liabilities, they include an advance from the City's general fund, construction note, service concession arrangement, pension liability, OPEB liability and accrued compensated absences. Since June 30, 2014 the total balance of these long-term liabilities has decreased from $8.7M to $6.8M.

Long-Term Liabilities as of June 30,2018

Advance from the General Fund	$ 3,234,582
Construction Note	2,113,570
Service Concession Arrangement	1,064,322
Pension Liability	272,577
OPEB Liability	118,372
Compensated Absences	43,862
	$ 6,847,285

Total Net Position, Cash Flows, and Overall Assessment

SACRAMENTO-YOLO PORT DISTRICT
STATEMENTS OF CASH FLOWS

	2014	2015	2016	2017	2018
Cash Receipts					
Receipts from tenants	$ 2,856,797	$ 2,477,216	$ 2,669,894	$ 3,099,353	$ 2,912,880
Service concession arrangement	-	(264,836)	(77,431)	846,864	-
Grants and miscellaneous revenues	568,936	485,258	405,600	314,031	272,000
Interest received	2,061	3,015	13,938	13,213	29,866
Fund transfers	-	34,970	-	271,515	50,000
Total cash receipts	3,427,794	2,735,623	3,012,001	4,544,976	3,264,746
Cash Disbursements					
Salary and benefits	(501,805)	(292,074)	(448,080)	(512,504)	(447,414)
Services and supplies	(1,188,781)	(1,234,178)	(466,691)	(630,956)	(1,526,695)
Overhead payments to City of West Sacramento	(118,446)	(118,542)	(187,740)	(184,754)	(190,243)
Debt service - Principal	(1,202,596)	(897,772)	(889,218)	(2,193,915)	(301,980)
Debt service - Interest	(333,160)	(151,472)	(145,581)	(127,946)	(93,577)
Net capital asset purchases and disposals	(2,379)	(57,187)	(574,266)	(95,415)	(109,111)
Option payments to RDA Successor Agency	(267,566)	(267,566)	-	-	-
Total cash disbursements	(3,614,733)	(3,018,791)	(2,711,576)	(3,745,490)	(2,669,020)
Net change	(186,939)	(283,168)	300,425	799,486	595,726
Cash Balance, July 1	$ 1,276,966	$ 1,090,027	$ 806,859	$ 1,107,284	$ 1,906,770
Cash Balance, June 30	$ 1,090,027	$ 806,859	$ 1,107,284	$ 1,906,770	$ 2,502,496

Total net position (on an accrual basis) has decreased by $1.8M over the past five years. This means that on a generally accepted accounting principles basis the Port is losing money. This decrease is primarily due to the $1.5M annual depreciation charge. Depreciation is the systematic non-cash write-off of the acquisition cost of capital equipment and facilities and is included as an expense on the Statement of Revenues, Expenses and Changes in Net Position.

On a cash flow basis, the Port has a positive cash flow since 2016. However, the City's general fund has provided a loan of $2.1M in 2016 to finance the purchase of investment property which will eventually be sold to a developer. The loan will be repaid with the sale proceeds. Additional advances from the City to the Port which were made prior to fiscal year 2014, were fully repaid as of April 1, 2019.

Overall the Port's financial condition has stabilized since the last MSR was completed in 2009. In the past the Port sold off property in order to maintain positive cash flow. Although the City has advanced the Port funds for investment property acquisition, overall operating and debt service, cash flow is now positive; a big change from 2013 when the Port's net cash flow was a negative $3.2M.

b) *Does the subject agency fail to use generally accepted accounting principles, fully disclosing both positive and negative financial information to the public and financial institutions including: summaries of all fund balances and charges, summaries of revenues and expenditures, five-year financial forecast, general status of reserves, and any un-funded obligations (i.e. pension/retiree benefits)?*

No. The Port's accounting transactions are processed, in conformance to generally accepted accounting principles, and is managed by the City's finance department staff. Audits are performed by licensed external auditors annually, in conformance to generally accepted auditing standards, and are posted on the City's website.

The Port's financial statements are incorporated within the City's Comprehensive Annual Financial Report (CAFR) as a major enterprise fund and as such is presented in a separate column. All of the Port's assets, liabilities, deferred balances and net position are presented. Additional information about specific balances, inter-fund transfers and liabilities are included in the notes to the financial statements.

c) *Does the agency need a reconciliation process in place and followed to compare various sets of data to one another; discrepancies identified, investigated and corrective action is taken? For small agencies, this would include comparing budgets to actuals, comparing expenses from one year to the next, etc.?*

No. According to the City's finance staff, the Port adheres to the City's financial policies including quarterly budget to actual review by budget staff and Port Chief Operations Officer.

d) *Does the agency board fail to receive periodic financial reports (quarterly or mid-year at a minimum); reports provide a clear and complete picture of the agency's assets and liabilities?*

Yes. Port staff prepares and presents an annual budget to the Port Commission. The report includes a current year projection, annual budget for the upcoming year and a 4-5 year projection. The Commission does not receive a presentation of audited financial statements nor quarterly or mid-year budget reviews.

e) *Is there an issue with the organization's revenue sources being reliable? For example, is a large percentage of revenue coming from grants or one-time/short-term sources?*

No. The Port's budget for the upcoming year is presented annually at the last board meeting of the current fiscal year. The Port submits an annual budget with a 4-5 year projection. The outer years' revenues are budgeted very conservatively reflecting actual lease agreement expiration dates even when it is known that the leases will be extended. The Port's major operating revenue is from leasing port facilities and property. According to the latest budget projections long-term lease revenues are very stable. However, in 2017-18 the SSA North Terminal Lease revenue was over 30% of total real estate revenue and over 25% of total operating revenue. In July 2017 this lease was extended for another 5-year term.

f) *Is the organization's rate/fee schedule insufficient to fund an adequate level of service, necessary infrastructure maintenance, replacement and/or any needed expansion and/or is the fee inconsistent with the schedules of similar service organizations?*

Maybe. Under the new business model, the Port leases property and/or facilities to interested parties. Generally, lease payments are negotiated. The North Terminal maritime lease rate is the result of negotiations with the terminal operator which was selected through an RFI process. Yard storage lease rates are based on market comps. Whether the current lease revenue is sufficient to fund adequate reserves is not known at this time, since the new business model was implemented only since 2013.

g) *Is the organization needing additional reserve to protect against unexpected events or upcoming significant costs?*

Maybe. The District's cash balance as of June 30, 2018 was $2,502,496 and it has maintained a healthy cash balance in recent years. Currently, the District operates on a financially sustainable basis without the need to borrow from the City. Although capital projects are budgeted on a year-to-year basis subject to projected cash flow. There is not a long term plan or set aside for capital improvement planning (CIP) and funding. In addition, there is not a contingency established for unforeseen costs. The Government Finance Officers Association (GFOA) recommends agencies to set aside, at a minimum, two months of operating expenditures (or revenues) as a general reserve. The District should consider establishing a long term CIP and reserve policy to further strengthen its financial position instead of operating on an annual cash flow basis.

h) *Does the agency have any debt, and if so, is the organization's debt at an unmanageable level? Does the agency need a clear capital financing and debt management policy, if applicable?*

No. As long as the Port's financial position remains stable and continues to improve the debt service is not unmanageable. The Port has various long-term debt and accrued liabilities including: an advance from the City's general fund; a construction note; a service concession arrangement; pension liability; OPEB liability; and accrued compensated absences. Since June 30, 2014 the total balance of these long-term liabilities has decreased from $8.7M to $6.8M.

i) *Is the agency lacking documented accounting policies and procedures including investments (If not, LAFCo has a sample)? Does the agency segregate financial duties among staff and/or board to minimize risk of error or misconduct? Is there a system of authorizations, approval and verification for transactions?*

No. The Port follows the City's financial and administrative policies including internal controls.

Financial Ability MSR Determination

Overall the Ports financial condition has improved and stabilized since the last MSR was completed in 2009, primarily due to the implementation of the 2013 Business Plan which changed Port operations from an operating Port to a landlord-lessee operation. In the past the Port has balanced its budget through the use of one-time revenues including carryover cash balances and property sales. With the implementation of the new model the Port has been able to reduce expenditures, including debt service, and create reliable long-term revenue streams through the execution of leases. Although the City has advanced funds to the Port for investment property acquisition, overall operating and debt service, cash flow is now positive; a big change from 2013 when the Port's net cash flow was a negative $3.2M. The Port Chief Operating Officer should consider pre-funding a long-term capital project plan and setting aside funds in a specific reserve for unforeseen emergency expenses.

Staff noted several financial reporting inconsistencies in the Comprehensive Annual Financial Report (CAFR) related to the Port fund. In fiscal years 2016 and 2017 overhead transfers out were reclassified, as part of the CAFR preparation process, to the salaries/benefits and operations/maintenance line items. For fiscal year 2014 and 2015 the overhead transfers were reported in the CAFR as transfers out. In fiscal year 2018 total transfers out of $740,442 consisting of $190,243 of general support, $50,198 of non-capitalized CIP and a $500,000 repayment to general fund were reclassified to operations and maintenance.

Financial Ability Recommendations

1. In addition to the annual budget report, the Port Chief Operating Officer should present quarterly budget-to-actual reports with a year-end projection of net income or loss. Also the Port Chief Operating Officer with City financial staff assistance should present the audited financial statements to the District board.

2. Now that the District is financially stable, it should consider establishing and funding a long term capital improvement plan (CIP) and reserve policy to continue to strengthen its financial position.

3. We recommend that City finance staff collaborate with the Port Chief Operating Officer when preparing the CAFR and consider additional reporting line items to make the audited numbers more meaningful such as, "general/administration expenditures" and "other operating costs". The "other operating costs" would include items that are not truly operating but do not qualify as "non-operating" for reporting purposes.

4. All City transfers to the Port that are made with the intention of repayment, should be recorded on the Port's balance sheet as a liability. As previously noted above a $500,000 repayment to the

general fund was recorded as a transfer, since a liability was not established for a prior year subsidy transfer to the Port.

5. SHARED SERVICES AND FACILITIES

Status of, and opportunities for, shared facilities.

	YES	MAYBE	NO
a) Are there any opportunities for the organization to share services or facilities with neighboring, overlapping or other organizations that are not currently being utilized?	☐	☐	☒

Discussion:

a) *Are there any opportunities for the organization to share services or facilities with neighboring, overlapping or other organizations that are not currently being utilized?*

No. The Sacramento-Yolo Port District's governance has evolved since its formation in 1947. In September 2006, the California Legislature detached the County and City of Sacramento from the District's boundaries and provided the City of West Sacramento with four Port Commission seats and Yolo County with the one remaining seat. The District is now a dependent district to the City. Therefore, the District is already taking advantage of shared services with the City of West Sacramento. The City of West Sacramento has assumed management of the business, financial, administrative, and related operations of the District.

Shared Services MSR Determination

The Sacramento-Yolo Port District is already taking advantage of shared services with the City of West Sacramento. The City of West Sacramento has assumed management of the business, financial, administrative, and related operations of the District.

6. ACCOUNTABILITY, STRUCTURE AND EFFICIENCIES

Accountability for community service needs, including governmental structure and operational efficiencies.

	YES	MAYBE	NO
a) Are there any recommended changes to the organization's governmental structure that will increase accountability and efficiency (i.e. overlapping boundaries that confuse the public, service inefficiencies, and/or higher costs/rates)?	☒	☐	☐
b) Are there any issues with filling board vacancies and maintaining board members? Is there a lack of board member training regarding the organization's program requirements and financial management?	☐	☐	☒
c) Are there any issues with agency officials and designated staff being current in making their Statement of Economic Interests (Form 700) disclosures?	☐	☐	☒

d)	Are there any issues with staff turnover or operational efficiencies? Is there a lack of staff member training regarding the organization's program requirements and financial management?	☒	☐	☐
e)	Does the agency need to have a qualified external person review agency finances each year (at a minimum), comparing budgets to actuals, comparing actuals to prior years, analyzing significant differences or changes, and determining if the reports appear reasonable?	☐	☐	☒
f)	Does the agency need to secure independent audits of financial reports that meet California State Controller requirements? Are the same auditors used for more than six years? Are audit results not reviewed in an open meeting?	☐	☐	☒
g)	Does the organization need to improve its public transparency via a website (i.e. a website should contain at a minimum: organization mission/description/boundary, board members, staff, meeting schedule/agendas/minutes, budget, revenue sources including fees for services, if applicable, and audit reports)?	☐	☒	☐
h)	Does the agency need policies (as applicable) regarding anti-nepotism/non-discrimination, travel and expense reimbursement, personal use of public resources, contract bidding and handling public records act requests?	☐	☐	☒

Discussion:

a-b) *Are there any recommended changes to the organization's governmental structure that will increase accountability and efficiency (i.e. overlapping boundaries that confuse the public, service inefficiencies, and/or higher costs/rates)?*

Yes. In September 2006, the California Legislature detached the County and City of Sacramento from the District's boundaries and provided the City of West Sacramento with a majority of the Port Commission seats. The Commission was reduced from seven to five members with four of the Commissioners being appointed by the City Council and one by the Yolo County Board of Supervisors. Board members do not receive reimbursement. There are no recommended changes to the District's governance structure. However, the current District boundary also includes Prospect and Decker Islands because they were once owned by the District, but they were sold to the Department of Water Resources in 2015 as part of a land exchange in which the District acquired a property located at 4300 West Capitol Avenue in West Sacramento. Therefore, these islands should be detached from the District boundary as a cleanup item.

c) *Are there any issues with agency officials and designated staff being current in making their Statement of Economic Interests (Form 700) disclosures?*

No. According to the Fair Political Practices Commission website portal, agency officials are current with their Form 700 disclosures (www.fppc.ca.gov).

d) *Are there any issues with staff turnover or operational efficiencies? Is there a lack of staff member training regarding the organization's program requirements and financial management?*

Yes. As of July 1, 2013, the District implemented a new landlord-lessee operating model and currently the District's only staff member is the Port Chief Operating Officer. Port maritime operations are contracted out to SSA Marine, which leases and operates the Port's North Terminal cargo facilities. However, despite this simplified landlord model and the District having a dedicated Chief Operating

Officer who handles "nearly all of the Port's management, budgeting, and planning responsibilities"[2], the City Manager still acts as the Chief Executive Officer for the District.

On October 3, 2018, the District approved a change in management structure which moved the Port's budget from the supervision of the Economic Development and Housing Department (EDH) to the City Manager's Office. As part of this re-organization position cost allocations were revised such that the District is now paying 50% of the City Manager's salary and benefits, which does not appear to be supported by analysis. This does not appear to be an efficient staff cost from the District's perspective.

e) *Does the agency need to have a qualified external person review agency finances each year (at a minimum), comparing budgets to actuals, comparing actuals to prior years, analyzing significant differences or changes, and determining if the reports appear reasonable?*

No. The District is treated as a department in the City and is organized under the City Manager and Assistant City Manager. The District's budget is approved as part of the City's budget process. Port activities are reported as the Port Enterprise Fund in the City's financial statements.

f) *Does the agency need to secure independent audits of financial reports that meet California State Controller requirements? Are the same auditors used for more than six years? Are audit results not reviewed in an open meeting?*

No. The Port's finances are presented in the City of West Sacramento's Comprehensive Annual Financial Report (CAFR), which is designed to fairly present the City's financial position and fund operations. Port activities are reported as the Port Enterprise Fund in the City's financial statements. The CAFR is audited annually by an independent firm.

g) *Does the organization need to improve its public transparency via a website (i.e. a website should contain at a minimum: organization mission/description/boundary, board members, staff, meeting schedule/agendas/minutes, budget, revenue sources including fees for services, if applicable, and audit reports)?*

Yes. The District received a 28% transparency score for 2018. The District's information deficiencies can be viewed here: https://www.yololafco.org/yolo-local-government-website-transparency-scorecards

h) *Does the agency need policies (as applicable) regarding anti-nepotism/non-discrimination, travel and expense reimbursement, personal use of public resources, contract bidding and handling public records act requests?*

No. The District is treated as a department in the City and is organized under the City Manager's Office. As such, it has appropriate policies in place.

Accountability, Structure and Efficiencies MSR Determination

In September 2006, the California Legislature detached the County and City of Sacramento from the District's boundaries and provided the City of West Sacramento with a majority of the Port Commission seats. The District has effectively become a subsidiary district to the City. Following years of financial issues, as of July 1, 2013, the District implemented a new landlord-lessee operating model. The District has undergone several significant evolutions in governance structure which has resulted in much more efficiency and financial stability. The District has also sold some property (the Prospect and Decker islands) which should be detached from its boundary.

However, there is one notable area where this subsidiary district model may not be operating in the best interest of the District. Despite this simplified landlord model and the District having a dedicated Chief

[2] Consideration of Proposed Organizational Modifications and Budget Adjustments, Sacramento-Yolo Port District Staff Report dated October 3, 2018.

Operating Officer who handles "nearly all of the Port's management, budgeting, and planning responsibilities", the City Manager acts as the Chief Executive Officer for the District and is now paying 50% of the City Manager's salary and benefits, which does not appear to be supported by analysis. This does not appear to be an efficient staff cost from the District's perspective. There is also the need for the District to improve its public transparency via its webpage on the City's website.

Accountability, Structure and Efficiencies Recommendations

1. Prospect and Decker Islands should be detached from the District boundary since they were sold to the Department of Water Resources in 2015 as part of a land exchange. The District should submit a proposal application to LAFCo to detach these areas as a subsequent cleanup item.
2. The District and City should consider the appropriateness of allocating 50% of the City Manager/Port CEO's salary and benefit costs to the Port. Allocations should be supported by time studies or based on the best approximation of actual time spent on District management. Allocations based solely on budget needs are not an acceptable method for cost allocation under state and federal cost allocation guidelines.
3. The District should work on improving its transparency on its page on the City's website (the District received a 28% transparency score for 2018). The District's webpage deficiencies can be viewed here: https://www.yololafco.org/yolo-local-government-website-transparency-scorecards.

7. OTHER ISSUES

Any other matter related to effective or efficient service delivery, as required by commission policy.

	YES	MAYBE	NO
a) Is there any other matter related to effective or efficient service delivery, as required by commission policy?	☐	☐	☒

Discussion:

a) *Is there any other matter related to effective or efficient service delivery, as required by commission policy?*

No. There are no other issues related to effective or efficient service delivery, as required by commission policy.

Other Issues MSR Determination

There are no other issues related to effective or efficient service delivery, as required by Commission policy.

SPHERE OF INFLUENCE STUDY

The District's Sphere of Influence is coterminous with the District boundary and the Port Chief Operating Officer has indicated there is no foreseeable need for an update.

On the basis of the Municipal Service Review:

☒ Staff has reviewed the agency's Sphere of Influence and recommends that a SOI Update is NOT NECESSARY in accordance with Government Code Section 56425(g). Therefore, NO CHANGE to the agency's SOI is recommended and SOI determinations HAVE NOT been made.

☐ Staff has reviewed the agency's Sphere of Influence and recommends that a SOI Update IS NECESSARY in accordance with Government Code Section 56425(g). Therefore, A CHANGE to the agency's SOI is recommended and SOI determinations HAVE been made and are included in this MSR/SOI study.

ATTACHMENTS

1. Consideration of Proposed Organizational Modifications and Budget Adjustments, Sacramento-Yolo Port District Staff Report dated October 3, 2018.
2. Port of West Sacramento Business Plan, March 2013

MEETING DATE: October 3, 2018	**ITEM # 4**
SUBJECT: **CONSIDERATION OF PROPOSED ORGANIZATIONAL MODIFICIATIONS AND BUDGET ADJUSTMENTS**	
INITIATED OR REQUESTED BY: [ ] Commission [X] Staff [ ] Other	**REPORT COORDINATED OR PREPARED BY:** Aaron Laurel, Port CEO
ATTACHMENT [ ] Yes [X] No	[ ] Information [ ] Direction [X] Action

OBJECTIVE

The objective of this report is to provide sufficient information to approve proposed adjustments to the Port's organizational structure and personnel budget.

RECOMMENDED ACTION

It is respectfully recommended that the Port Commission receive staff's presentation and approve the organizational modifications and budget adjustments proposed in this report.

BACKGROUND

Since the Joint Port Governance Agreement was implemented in 2006, City of West Sacramento staff have fulfilled the administrative functions of the Port of West Sacramento. The City Manager, serving as the Port's Chief Executive Officer (CEO), has overall responsibility for the Port's management, budgeting, and planning. In addition to the Port CEO role, the City has consistently maintained a Port Manager or similar position to carry out the Port's day to day operations and activities, at times with the support of additional staff. Historically, the Port Manager has reported to a department director as an intermediary to the Port CEO. Since 2006, that intermediate supervisor role was assigned, in sequential order, to the Redevelopment Director, the Community Development Director, the Public Works Director, and most recently, the Economic Development and Housing (EDH) Director.

Meanwhile, since the *Port Business Plan* was implemented in 2013, the Port Manager has progressively taken over nearly all the Port's management, budgeting, and planning responsibilities, which had been shared with the EDH Director. During that time, the Port has enjoyed unprecedented financial and operational success, including five consecutive years of profitability. The Port's scope of activities has also expanded beyond its traditional maritime cargo operations to include real estate acquisition, disposition and development, transportation and goods movement infrastructure planning, and other activities to promote economic development within the Port District. Today, the Port Manager exercises greater independent judgement with higher accountability for outcomes than in the past.

Effective July 1, 2018, the former EDH Director was appointed to the City Manager/Port CEO role. This organizational change, coupled with the evolving role of the Port Manager position and other City staffing changes, gave cause for the new Port CEO to re-evaluate the Port's management structure. This report presents the CEO's proposals for organizational modifications. The CEO is requesting that the Port Commission review and approve these proposed changes, which will then be presented to the City Council for consideration as part of an upcoming mid-fiscal year City budget update.

The primary recommendations include moving the Port budget unit from its current placement in the EDH Department to the City Manager's Office, as well as revising the title, job description, and salary range of the Port Manager position to a new Port Chief Operations Officer (COO) position with direct reporting to the CEO. Other proposed changes include reassigning the cost center for two City staff positions in the EDH Department that were previously paid for by the Port to the EDH Department budget, along with corresponding budgetary adjustments to the amount the Port contributes for administrative support in the City Manager's Office.

ANALYSIS

Currently, the Port's personnel budget includes the following allocations of Port funds to City positions:

Position	Amount Allocated[1]	% of Position Cost
Port Manager	$117,456	100%
EDH Director	$90,000	50%
Secretary[2]	$55,008	100%
City Manager/Port CEO[3]	$0	0%
Total	$262,464	-

[1] Only salary portion of position costs shown, based on top end of position salary range.
[2] This position is currently shared by the EDH Department and the City Manager's Office.
[3] Currently, the Port pays only its proportionate share of the City Manager position's allocated cost.

The following modifications to the Port's organizational structure and personnel budget are recommended:

1. *Move Port budget unit (Fund 516) from EDH Department to City Manager's Office.*
This action will effectively place the Port under the responsibility of the City Manager's Office and remove a layer of reporting between the Port CEO and staff assigned to managing the Port. However, coordination and collaboration between the Port and the EDH Department will continue for activities related to real estate acquisition, disposition and development, and transportation and goods movement infrastructure planning.

2. *Eliminate the Port Manager position and add a Port Chief Operations Officer position.*
The Port Manager position will be revised to Port COO with direct reporting to the Port CEO and will remain an at-will position. The full cost of the position will continue to be allocated to the Port Fund. The recommended salary range for the Port COO position is $107,328—$130,440, which is line with other top-level senior management positions in the City organization. This range is appropriate given the COO position's degree of decision-making authority and budgetary responsibility concerning Port business and operations, and because of the unique complexity of managing the Port with minimal staff support. Prior to the City adopting its next two-year budget, staff will conduct classification and compensation studies to inform whether the proposed range is adequate. The Port COO will remain under the City's Management Bargaining Group, thus no other changes to the position's benefit summary are required.

3. *Redirect Port allocations to EDH Director and Secretary positions to City Manager/Port CEO position and contribution to City Manager's Office for staff support.*
Currently, half the position costs of the EDH Director and the full costs of a shared Secretary position are allocated to the Port. These allocations will no longer be appropriate if the Port budget unit is moved to the City Manager's Office. Also, currently the Port does not pay any direct contribution to the City Manager position, nor does it contribute to administrative support from the City Manager's Office although department staff clerk the Port Commission meetings and provide other regular assistance. Under this item, the current amount of Port funds budgeted for contribution to the EDH Director and Secretary positions will be redirected to the City Manager's Office to cover a portion of the City Manager/Port CEO position cost and additional support to the Port from staff in that department. The current Secretary position would be eliminated pending an upcoming retirement and a new Administrative Clerk position would be added under the EDH Department, which would provide much-needed direct clerical support to EDH (currently that responsibility is shared among positions in other departments).

   While approximately $140,000 in General Funds would be made available to cover the remaining costs of the EDH Director position and the EDH Administrative Clerk position (these costs also total about $140,000), at a future meeting the City Council will be asked to consider corresponding budget adjustments to the Community Investment (CI) Fund (the home cost center for the EDH Department). Allocating the full cost of the EDH positions to the CI Fund would place them under their most appropriate funding source and would have the added benefit of creating budget capacity in the City's General Fund.

4. *As part of the next two-year budget, consider creating a shared Port/City Manager analyst-level position.*
Although no action on this item is recommended at this time, staff will explore the potential for adding an analyst-level position to assist the Port COO with various activities related to Port management and operations. The cost for this position could be shared with the City Manager's Office, which would utilize this

staff resource to support other City activities such as legislative advocacy. In addition to meeting a significant organizational need for the Port, the position would also provide the opportunity for cross-training and succession planning. Funding for this position will likely depend on continuing the Port's fiscal success and stability.

The proposed revisions would result in the following allocations of Port funds to City positions:

Position	Amount Allocated[1]	% of Position Cost
Port COO	$130,440	100%
City Manager/Port CEO	$100,000	50%
City Manager's Office[2]	$45,008	-
Total	$275,448	-

[1] Only salary portion of position costs shown, based on top end of position salary range.
[2] Contribution for clerical support from City Manager's Office staff.

The proposed modifications would increase the Port's annual budgeted amount for personnel costs by about $12,984, but the Port has ample budget capacity to absorb this structural change. Aside from the consideration of how costs for the EDH positions are allocated, the proposed changes are budget neutral to the City. If the Port Commission approves the proposed organizational and budget modifications, it is anticipated that the changes would be presented to the City Council for consideration at its November meeting.

Environmental Considerations
N/A

Strategic Plan Integration
N/A

Alternatives
The Port Commission could direct staff to propose a different allocation mix for costs related to the City Manager/Port CEO, EDH Director, and other positions. This alternative is not recommended because the proposed allocations most appropriately align funding sources with the functions of those positions.

Coordination and Review
N/A

Budget/Cost Impact
As reflected by the charts provided in this report, the proposed organizational modifications would result in an increase of $12,984 to the Port's annual operating budget. The Port has ongoing budget capacity to absorb this cost adjustment.

ATTACHMENT(S)
N/A

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BUSINESS PLAN

MARCH 2013

Acknowledgements

The Sacramento-Yolo Port Commission initiated the preparation of the Business Plan in late-2012 and guided the direction of the Business Plan Team throughout the process of completing the plan. A multi-departmental team of City of West Sacramento staff and a consultant contributed to the Business Plan's completion.

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Introduction

The Port of West Sacramento opened in 1963 with a primary mission to serve the Northern California agricultural industry. Some 50 years later that mission endures, with the Port maintaining its position as the leading export facility for rice in California. Just as it was conceived to be in 1947 when the Sacramento-Yolo Port District was established, the Port remains an important infrastructure asset with great potential to generate jobs and economic activity within the City of West Sacramento and the greater region.

Notwithstanding the Port's rich history and long-term economic promise, the past 15 years have proven especially challenging to the viability of the Port's cargo operation. While rice exports remain strong, multiple factors have contributed to the Port's fiscal woes during this period, including declining volumes of other cargo products due to overseas market shifts, competition from other ports, debt, and the need for a deeper channel to accommodate larger ships. These challenges to financial sustainability presented themselves long before the City of West Sacramento assumed control of the Port in 2006 and they remain today, compounded by a global recession and a struggle to keep pace with capital investments necessary for sustaining the market competitiveness of the Port's cargo facilities.

Since the City embarked on the goal of turning the Port into a successful and community-friendly enterprise, a concerted business development effort focused on cargo growth has achieved some successes but has not produced a financially sound Port operating model. The current fiscal situation poses an unacceptable amount of financial risk for the Port and City going forward. The identification and implementation of strategic actions leading to a new and successful operating model is essential to the long-term viability of the Port and to the realization of the economic and community benefits the City hoped to achieve when it took control of the Port seven years ago.

Business Plan Purpose

The purpose of this plan is to set forth a strategic course for the Port that achieves two primary goals:

1. To solidify the Port's role as a vital goods movement asset for Northern California's agricultural industry in addition to other industry sectors; and

2. To put the Port in an optimal position for achieving financial sustainability through the reduction of costs and, most importantly, increasing the productivity of the Port's greatest asset—its real estate holdings.

By advancing these two goals, the plan aims to transition the Port from an underutilized asset and major source of financial risk to the City into a dynamic contributor of economic growth in West Sacramento. In a sense, the objectives of this plan are no different than those that premised the City's assumption of control over the Port in 2006. However, the recommendations presented in this plan are intended to enact a more strategic, focused, and action-oriented agenda for achieving those goals, building on lessons of the past and acknowledging that the stakes for success or failure are higher than ever before for the Port and the City alike.

Plan Organization

This plan is organized into two parts. The first part, *Context*, provides background information and framework for the recommendations put forth by the plan. Part two, *Recommendations*, provides the action plan for achieving the goals of the Business Plan.

PART 1: Business Plan Context

The following presents a synopsis of the Port's finances, an assessment of its recent history under City control, and a summary of its constraints and assets. This evaluation forms the basis for the recommendations provided in part 2 by isolating the underlying issues related to the Port's current challenges while identifying corrective actions and opportunities that should be pursued.

Financial Status

This Business Plan is necessary because of the financial unsustainability of the Port's current operating model. In spite of recent efforts to stimulate cargo activity, anticipated increases did not materialize. Meanwhile, the Port has been burdened by debt service obligations and operating/administrative costs that exceed revenues. The result has been a structural operating deficit spanning multiple years, including the last seven under City control.

Recent Budget History and Structural Deficit Management

In 2006, when administration of the Port transitioned to the City of West Sacramento, the Port was already operating under a structural deficit. That problematic, ongoing trend has been exacerbated by decreased revenues, as demonstrated by the chart below showing the past five fiscal years:

Year	Operating Revenue	Operating Expenses	Structural Deficit	Deficit as % of Revenue	Source of Funds to Cover Deficit
FY 2008-9	$4,303,803	$5,725,591	($1,421,788)	33%	carryover cash balance
FY 2009-10	$4,337,703	$5,770,446	($1,432,743)	33%	cash balance & property sale
FY 2010-11	$3,356,231	$4,177,174	($820,943)	24%	property sale
FY 2011-12	$3,460,416	$4,462,058	($1,001,642)	29%	property sale
FY 2012-13*	$3,406,927	$4,889,459	($1,482,532)	43%	other one-time revenue

* Estimate based on status quo.

The Port has balanced its annual deficit through the use of one-time revenues; including carryover cash balances in FY 2008-9 and 2009-10, property sales to the City's former redevelopment agency in FY 2009-10, 2010-11, and 2011-12, and a property sale to a private entity in 2012-13. In the current fiscal year, other one-time funds will allow the Port to continue operations into FY 2013-14, but beyond these funds no other sources are available to cover future deficits.

This budget reality is reinforced by the recent loss of the City's redevelopment agency as a result of State legislative actions. In previous years, the agency acted as a financial partner of the Port, purchasing properties for projects related to the mutual economic development objectives of both entities. This approach is no longer available and in any case, balancing the Port's budget through the liquidation of its real estate assets is not an economically viable approach to advancing the City's long-term objectives for the Port. Furthermore, the City lacks the financial ability and the risk tolerance to cover future Port operating deficits.

Revenue

The Port receives two primary types of revenue: wharfage and dockage revenue from cargo, and real estate income from leases and license agreements. Looking ahead to fiscal year 2013-14, the Port estimates gross cargo revenue of about $2 million and real estate revenue of $1.1 million.

Cargo revenue estimates are based on current income and an analysis of future cargo volumes completed by Port staff in late-2012 (see Appendix A). That analysis highlights that rice has always been the Port's predominant and most stable cargo commodity, and is projected to continue as such for the foreseeable future. The Port typically handles over 80 percent of the California bagged/bulk rice export market and has capacity for an even greater market share.

Cement imports represent the highest potential cargo growth at the Port, although the rate and timing of that growth is largely dependent on the recovery of the domestic economy. Project cargo, such as imports of wind power generation equipment, and general bulk cargo make up small shares of current cargo revenue to the Port. While the Port's current cargo revenue is steady because of rice, the lack of commodity diversification is a concerning risk factor.

The following table provides a breakdown of current cargo revenue:

Cargo Type	Revenue
Rice (Bagged and Bulk)	$1,900,000
General Bulk	$50,000
Project Cargo	$50,000
Total	**$2,000,000**

The Port's real estate-related revenue is generated from leases of North Terminal sites, off-site leases of ship channel property to private cargo facilities, and rail trackage owned by the Port. Current North Terminal real estate revenue totals over $300,000 while off-site revenue equals approximately $700,000, as shown in the table below:

Lease/Agreement	Location	Revenue
Cemex	Off-Site	$432,000
Rail Revenue	Off-Site	$132,000
CalAgri	North Terminal	$132,000
Agrium	Off-Site	$113,000
Two Rivers	North Terminal	$81,000
License Agreements (Various)	North Terminal	$66,000
Manson Construction	North Terminal	$37,000
Prospect Island	Off-Site	$20,000
	Total	**$1,013,000**

Most of the real estate agreements listed above represent long-term sources of stable revenue with little associated administrative cost, generally yielding higher net revenue than sources of cargo revenue. As described later, the Port holds a substantial amount of real estate at both the North Terminal and off-site locations that is not currently producing revenue. Many of the recommendations in this plan focus on activating those real estate assets to produce additional income for the Port well into the future.

The Port's other sources of revenue include about $50,000 per year in rental income from cargo clients' use of the mobile harbor crane to handle project cargo and from $20,000 in fees received through the Port's Free Trade Zone agreements.

Retained Earnings
For the current fiscal year ending June 2013, the Port estimates a retained earnings balance of about $230,000 after debt obligations are retired in accordance with a recommendation presented later in this plan, and assuming status quo of the Port's operating and administrative expenses. This cash balance is made possible by one-time revenue to the Port received from a grant reimbursement in 2012. As stated earlier, no other one-time funds are available to the Port to cover future operating deficits.

Operating Expenses
The North Terminal cargo operation generates nearly all of the Port's approximately $1.5 million in operating expenses. These costs generally include facility maintenance, security, utilities, insurance, and regulatory and environmental permits. Current North Terminal operating costs are summarized in the table below:

Operating Cost	Amount
Maintenance	$455,000
Utilities	$377,000
Security	$332,000
Insurance	$300,000
Regulatory Permits	$46,000
Total	**$1,510,000**

Although maintenance makes up a large portion of operating costs, the Port currently lacks the financial ability to build a capital reserve to fund major maintenance or facility replacement. Due to this incapacity the Port is not only unable to make major investments in its facilities, but it is also inadequately capitalized to deal with major repair incidents should they occur.

Recommendations presented later in this plan propose to shift most of the operating costs listed above to a private lessee/operator of the North Terminal in addition to creating and funding, to the greatest extent possible, a capital reserve to deal with major maintenance issues in the future.

Administrative Expenses
The Port's current administrative expenses total over $1.2 million with personnel costs making up about half of the cost. Other general categories of administrative costs include professional services (attorney fees, lobbying/public relations, consulting, and auditing), flood assessments on Port properties, memberships, and travel expenses (business development and training), as summarized in the table below:

Administrative Cost	Amount
Personnel	$602,000
Professional Services	$236,000
General Administration	$182,000
Flood Assessment	$95,000
Memberships	$60,000
Travel and Training	$50,000
Total	**$1,225,000**

Over the past few years the Port's administrative budget grew to expand the Port's business development efforts and to manage various capital projects and maintenance functions. A key recommendation of this plan would significantly reduce these administrative costs to place the Port's expenses in line with revenue to reflect a recommended shift in the Port's overall operating model.

Debt Service
Arguably, the Port's most challenging financial issue is debt. Mounting debt service has been an issue facing the Port for some time, but the next five years represents a critical period of debt management that could diminish the burden.

Much of the Port's debt was inherited from the prior administration before the transfer of governance to the City. These funds were borrowed by the Port District to purchase equipment, and to construct new cargo facilities and the Port's storm water management system.

Other debt sources were incurred more recently and are related to channel deepening, rail improvements, infrastructure reimbursement, and a loan to upgrade the Port's bulk cargo handling facilities. A capital funding loan was also recently made to the Port from the City's general fund. The table below presents the Port's current debt service schedule:

Source of Debt	Purpose	Annual Payment	Debt Expiration
2001 Bonds	Cargo Facility Construction	$1,555,482	FY 2013-14
Taylor Village	Infrastructure Reimbursement	$383,633	FY 2016-17
California Infrastructure Bank	Storm Water System	$239,503	FY 2029-30
PG&E	Channel Deepening	$165,474	FY 2013-14
Sierra Northern Railway	Railroad Improvements	$132,000	FY 2014-15
SSA Pacific	Bulk Cargo Facility Improvements	$109,345*	FY 2024-25
West America	Cargo Handling Equipment	$101,732	FY 2012-13
City General Fund	Capital Projects	$32,000	FY 2036-37
	Total	**$2,719,169**	

* Payments scheduled to begin in FY 2015-16.

By the end of fiscal year 2016-17, when the Taylor Village debt is scheduled for retirement, the Port's annual debt service will have fallen by nearly 85 percent of the current level. Certain near-term financial strategies could accelerate the Port's debt retirement rate to alleviate the Port's most concerning budgetary problem. Specific recommendations related to those debt management strategies are included in this plan, including an immediate approach to retiring the Port's bond debt ahead of schedule.

Infrastructure Challenges and Investment Constraints

As referenced earlier, the Port lacks the capital required to make investments in its facilities and infrastructure needed to improve its competitiveness in the cargo market. The Port's financial situation has prevented it from fully keeping pace with facility maintenance, let alone building reserves for capital investment. As discussed in this section, deferred maintenance and channel depth are the Port's two largest capital needs and obstacles to cargo revenue growth.

Deferred Maintenance

The consequence of deferred maintenance of certain North Terminal facilities is a major detriment to the Port's market standing. While the Port's rice handling facilities are adequate to support the current volume and future growth of bagged or bulk rice cargo, the condition of other facilities is an impediment to volume expansion and diversification. This obstacle to developing additional cargo business is especially prevalent in the Port's bulk cargo facilities, as upgrades are required to ensure the efficiency needed to process bulk cargo in a competitive fashion. Without outside investment, the Port's options to address this issue on its own are very limited.

Channel Depth

The 30-foot depth of the Deep Water Ship Channel has been, and will continue to be, the greatest challenge to the Port's competitiveness. This key constraint was identified as the Port's highest priority capital funding need long ago, yet the project remains elusive to complete. The Port has expended a significant amount of resources on the channel deepening project in both staff and consultant time, motivated by the fact that without the completion of the project, expansion of cargo revenue is severely limited. With federal funding very uncertain and persistent delays in completing the required environmental review process adversely affecting the project's likelihood of proceeding, the Port faces the need to make do with the current depth for the foreseeable future.

Evaluation of Current Operating Model

As demonstrated by its financial status, the Port's current operation is not financially sustainable and requires immediate reevaluation. The recommendations of this Business Plan are intended to implement a major shift in the current operating model to accomplish the plan's goals. Beyond citing the Port's fiscal urgency to justify the recommended changes, it is important to consider the underlying reasons for why the current operating model is no longer feasible as the rationale for change. These issues include fundamental problems with the Port's current terminal operations agreement and related shortcomings of the Port's emphasis on expanding cargo revenues as the answer to its financial distress.

Terminal Operations Management Agreement

From its inception in 1963 to 2006, the Port was an "operating port," directly hiring the labor required for vessel and warehouse operations. When the City took control of the Port in 2006, it envisioned a transition to a landlord-tenant operating model. In an effort to implement such a model, the new administration issued a request for proposals for terminal operators.

The ultimate result of that solicitation was a Terminal Operations Management Agreement with SSA Pacific (SSA), executed in September 2006 with a term of ten years. Generally, the agreement allocates roles, responsibilities, and costs of operating the North Terminal between the parties and assigns a 25 percent share of cargo revenue to SSA (up to the first $4 million, after which SSA's share increases) with SSA paying for a portion of the Port's security and utility costs. The $4 million tier level is noteworthy because the Port's revenue from cargo since 2006 has declined as the economy worsened, amounting to about $2 million currently.

SSA's basic responsibilities under the agreement are to provide vessel stevedoring services, terminal and warehousing services, normal repairs and preventative maintenance of cargo conveyance equipment, vessel scheduling and billing, solicitation of potential cargo shippers for the North Terminal facility, and other facility management duties. Meanwhile, the Port has maintained responsibility for the cost of major repairs of cargo handling equipment and Port facilities, permits, and capital improvements, while also effectively assuming the primary role in overall Port business development and marketing. This operating model has allowed the Port to control its cargos and tenants, but has left the Port (and in turn, the City) exposed to significant financial risk due to the volatility of cargo revenue, facility repair and upgrade costs, and other operating costs related to promoting the Port to attract and preserve cargo revenue.

Practically, the current agreement with SSA is not a lease and therefore falls well short of the original goal of placing the Port in a position of a true landlord. There is no regular payment required by SSA under the terms of the agreement, either in the form of a lease payment or minimum revenue guarantee, and the City is responsible for certain core operational and administrative activities not typically found in a lease arrangement. In essence the current agreement places the Port and SSA in the position of joint venture partners of a cargo operation more so than landlord and tenant. The Port assumes most of the financial risk of the partnership because it covers the majority of the North Terminal operating costs, with additional risk due to its administrative budget being sized to manage its role in business development and maintenance.

It is important to identify and understand lessons learned from the current agreement with SSA in order to avoid or minimize the same issues in a future lease or operating agreement, including:

- *Guarantee revenue*—While revenue sharing is an appropriate secondary source of revenue to the Port from a lease or operations management agreement, any new agreement should include a guaranteed payment to the Port to create a higher degree of revenue predictability and to reduce risk.

- *Shift costs in exchange for revenue*—The Port's current responsibilities require more administration than its budget can support. To the greatest extent possible, responsibilities and costs should be shifted to a lessee (particularly maintenance, security, utilities, and permitting) in exchange for a greater share of cargo revenue.

- *Incentivize business development and investment*—The current operating agreement with SSA does not encourage revenue growth because it lacks adequate financial incentives for the partner to invest in facilities and to develop new business. The Port should not have primary responsibility for increasing cargo revenue because it is not able to make investments necessary to encourage new activity, nor is it well-suited or financially able to conduct proactive business development activities. Lower cargo revenue tiers and higher revenue shares should be used to encourage growth and investment.

Cargo Growth Focus
When the City took control of the Port in 2006, immediate business development efforts focused on further transitioning the Port to a landlord over the North Terminal by pursuing leases for projects that would also generate cargo revenue. The Port negotiated agreements with five cargo-based tenants—Primafuel, Enligna, West Coast Recycling, Two Rivers Cement, and Cemex. However, only two of those agreements resulted in completed projects and actual lease revenue (Two Rivers and Cemex). Still, with over $500,000 per year in real estate income, the two cement import projects now account for over half of the Port's annual real estate revenue and easily represent the greatest revenue growth in the Port's budget during the past seven years under City control.

As the recession deepened and the real estate and cargo markets declined, the Port's business development efforts remained focused on cargo revenue growth, but with an eye towards improving the cargo handling facilities to drive that growth. In 2012, a debt of approximately $900,000 was incurred to upgrade the bulk cargo facility, but that investment has not yielded the revenue once anticipated while adding to the Port's debt service problem. Similarly, the Port incurred additional debt to improve its rail infrastructure in an effort to accommodate unit trains. It remains to be seen whether or not the Port will realize a positive return from these expenses. However, the speculative nature of these investments, coupled with the lack of resultant revenue to support the debt incurred, underscore the problems with the Port having primary responsibility for cargo business development and emphasize the desirability of identifying a better-capitalized partner to operate the North Terminal.

Assets and Opportunities

The urgency of the current financial situation begs the question of the Port's ability to continue operating, yet even with numerous challenges to feasibility, the economic potential of the Port endures. Rice cargo volume, which is projected to remain stable, sets a clear priority as the North Terminal's cargo base from which to grow. However, the Port's highest potential for long-term revenue growth is not in cargo, but in real estate.

Opportunity exists for all of the Port's land holdings, from undeveloped sites at the North Terminal, to the Seaway property in Southport, to the Delta properties. The key to unlocking that potential is to devise an operational means for the North Terminal to financially stand on its own while the Port scales its administrative costs to balance with revenue and engages the City's expertise in real estate development to create productive assets out of underutilized Port properties. Several recommendations presented in Part 2 of the Business Plan propose early, proactive steps to unleash the development potential of these real estate assets as the Port's long-term solution to financial sustainability and primary generator of economic and community benefit to the City.

PART 2: Recommendations

The following presents a slate of 22 action-oriented recommendations designed to work in concert to implement a new operating model and strategic direction for the Port. These recommendations were derived from the background information presented in Part 1 in addition to an alternatives analysis of potential Port operating models, financial models related to those alternatives, and a review of Port assets and opportunities. Unless noted as longer-term initiatives, the recommendations are intended to be carried out between now and the beginning of fiscal year 2013-14. All of the recommendations have significant importance to advancing the Business Plan's goals; therefore they are not listed in any particular priority but instead are organized into the categories described below.

- *Financial Controls*—These recommendations include budgetary actions that the Port can immediately implement to reduce costs, manage debt, build reserves, and improve the Port's financial tracking.
- *Operating Model*—Recommendations are provided to implement a new operating model that transitions the Port to the position of a true landlord over the North Terminal while the Port's other real estate assets are retained for their current lease revenue or future development potential.
- *Real Estate*—As the primary focus of the new operating model, several strategies and actions are recommended to capitalize on the Port's real estate to create productive assets that add new revenue to the Port and produce economic benefit for the City.
- *Cargo*—Although the Business Plan aims to put the Port in a secondary role for developing new cargo business and upgrading North Terminal facilities, certain cargo-related objectives persist. Recommendations are provided related to preserving the Port's base cargo, advancing the Marine Highway container barge service project, and maintaining the current depth of the Deep Water Ship Channel.
- *Other Revenue Opportunities*—These recommendations address two other potential sources of revenue to the Port, including the Port's Foreign Trade Zone.
- *Governance Agreement*—Approaches are suggested to relieve some of the constraints imposed by the original Joint Port Governance Agreement, as certain provisions of the agreement may no longer be appropriate or necessary given the Port's current financial circumstances.
- *Community Relations*—In recognition of the importance of maintaining a positive image for the Port in the West Sacramento community, recommendations are provided to improve the Port's physical appearance and preserve existing relationships with community organizations.

Financial Controls

1. *Immediately implement administrative cost reductions.*
   Staff has thoroughly analyzed the Port's current administrative costs while also assessing minimum administrative needs to continue operating the North Terminal. The result of that evaluation is the recommendation to reduce administrative costs by over 50 percent (or by about $617,000) in Fiscal Year 2013-14, with some cuts taking effect April 1st of this year to produce one fiscal quarter of savings (about $150,000). The proposed reductions would be mainly achieved by shifting the costs, along with duties, of certain City staff from the Port cost center to other City funds such as Public Works. Other cuts are proposed related to the Port's numerous professional organization memberships, travel expenses, and lobbying contracts. If the Port can successfully enter into a master lease agreement for the North Terminal, it will be able to achieve even greater reductions to its overall operating expenses. The chart on the following page shows the approximate effect of the proposed cost reductions on the Port's budget:

Administrative Cost	Amount Before Reductions	Amount After Reductions	Cost Savings
Personnel	$602,000	$238,000	$364,000
Professional Services	$236,000	$102,000	$134,000
General Administration	$182,000	$150,000	$32,000
Flood Assessment	$95,000	$95,000	$0
Memberships	$60,000	$13,000	$47,000
Travel and Training	$50,000	$10,000	$40,000
Total	**$1,225,000**	**$608,000**	**$617,000**

2. *Implement the Port-Finance team's strategy for short-term debt retirement.*
   The Port currently has access to a significant amount of one-time funding resulting from a property sale, a grant reimbursement, and its reserve fund for the 2001 revenue bonds. In light of this situation, the Port-Finance team devised a plan for defeasance of the Port's bond debt and two other loans with near-term maturity dates in order to achieve substantial savings on loan interest. Staff estimates the interest savings of the debt retirement plan to be about $200,000; therefore the implementation of the plan is recommended.

3. *Create a maintenance reserve fund and capitalize the fund through annual budgeting and surplus revenues.*
   One of the biggest risk factors of the Port's current operation is major maintenance, as currently no reserves exist to deal with an event requiring repairs to major structural elements of the North Terminal (such as docks and piers, water and sewer systems, and electrical infrastructure). This recommendation would create a dedicated maintenance reserve fund with the Port budget and allocate an annual amount to the fund, starting with $10,000 in Fiscal Year 2013-14. In addition, to the extent that surplus revenue is generated in the future, a major portion of that revenue should be deposited into the reserve fund until such time that the fund is adequately capitalized to deal with major maintenance events.

4. *Improve financial controls through regular coordination of the Port-Finance team.*
   The Business Plan process highlighted the need for improved financial monitoring and ongoing budget coordination among Port and Finance staff to collaboratively manage the complicated nature of the Port's finances. At least monthly meetings of the Port-Finance team will be held (likely more frequent during the next several months) to update actual revenue and expense figures, plan for future budgets, and most importantly to strategize about approaches to issues such as debt management and capitalization of maintenance reserves.

Operating Model

5. *Negotiate a master lease agreement for the North Terminal cargo facilities for Port Commission consideration.*
   In late January 2013 the Port issued a Request for Statements of Interest (RFI) for lessees of the North Terminal cargo facilities and for developers of the Port's real estate (see Appendix B). Responses to the RFI included multiple proposals for a master lease of the North Terminal. Meanwhile SSA Pacific, as the Port's current business partner at the North Terminal, was provided the opportunity to submit a master lease proposal.

   The master lease concept is the key component of implementing a new operating model that transitions the Port into the role of a landlord. As envisioned by the RFI, a master lease would shift most of the North Terminal's operating costs and much of its cargo revenue from the Port to the lessee in exchange for a guaranteed lease payment to the Port. Under this model, the Port would be able to reduce its operating expenses by up to $1.5 million, significantly reducing its exposure to financial risk. The master lessee would share a portion of revenue growth with the Port and be responsible for cargo business development and facility upgrades needed to attract additional maritime business to the North Terminal.

In the map of the North Terminal below, the white dotted line illustrates the desired footprint of a master lease. The recommended lease area would include the Port's cargo facilities, but not leased areas such as Two Rivers and the CalAgri offices (the master lessee would receive cargo revenue from the Two Rivers facility, but the Port would continue to receive its ground rent). The Port would also retain the North Terminal's undeveloped sites to preserve the long-term upside of developing those properties.

This recommendation is an extension of the RFI process and would enable staff to move quickly into direct negotiations to advance this critical component of the new operating model. Based on the outcome of master lease negotiations, a lease agreement would be returned to the Port Commission for consideration, ideally before the end of the current fiscal year.

6. *As a secondary option to the master lease approach, negotiate individual leases for the North Terminal cargo facilities, including the break bulk area, bulk rice facility, bulk grain facility, and general bulk area.*
   If a master lease for the North Terminal is determined to be unattainable, the Port should follow-up on statements of interest in response to the RFI from firms interested in leasing one of the Port's distinct cargo facilities. This option is less desirable than a master lease because it would not allow the Port to achieve the same level of operating cost reductions and it would require a more active role of Port staff to manage tenants and avoid operational conflicts between users. However, the individual facility lease approach has the potential to achieve the same or even greater revenue generation as a master lease.

7. *Under the master lease scenario, retain productive and high-potential real estate assets.*
   As noted earlier, the Port currently receives over $1 million in annual revenue from leases or other real estate-based agreements. In terms of net revenue, these income sources represent the Port's most productive assets. About 30 percent of the Port's real estate revenue is generated from the North Terminal. Under the recommended master lease arrangement the Port should retain this revenue. However, if a master lessee is interested in taking over the management of North Terminal leases and their associated revenue, the Port should consider this option as long as the value of those leases is captured in the master lease payment. The same approach could apply to the Port's off-site real estate revenue sources, including Cemex, Agrium, and rail revenue. The Port should also retain its undeveloped properties at the North Terminal (shaded in green on the previous map) to preserve the potential for future revenue from leases or sales related to the development of new projects at those sites.

Real Estate

8. *Promote the lease, sale, and development of available North Terminal properties.*
   As noted on the map, the North Terminal includes nearly 40 acres of vacant property suitable for industrial or commercial development. Most of this property was previously encumbered by leases for tenant-based cargo projects that did not come to fruition. The Port, in coordination with the City's Economic Development Division, should actively market these properties for new development while also assessing options for adding value to the properties through infrastructure improvements. Strong consideration should be given to targeting uses for these properties beyond only those that include maritime cargo operations. This approach would fully expand development opportunities for the sites with the ultimate goals of adding jobs in the city and bringing new lease revenue to the Port.

9. *Complete and implement a master development strategy for the Seaway property.*
   While a focused amount of work will be required to advance Seaway's development, the property is arguably the Port's most valuable and promising asset with the most long-term economic benefit for the City. Appendix C includes a summary of the Seaway property's current land use entitlement status and infrastructure needs based on the build-out of existing entitlements. Maps are also provided pertaining to developable acreages of Seaway's four quadrants and infrastructure improvements previously completed. An estimate prepared by the City to detail costs of completing infrastructure required under existing entitlements is included as well.

   The Port should coordinate closely with the City's Community Development Department and Economic Development Division to initiate a proactive effort to advance the development of Seaway. The process should begin with internal due diligence by the Port and City as a prerequisite to assessing the value and feasibility of the property's existing entitlements. An infrastructure financing plan should also be developed to refine the City's cost estimates, identify and accurately quantify pre-existing financial liabilities tied to the properties (such as obligations for reimbursement to other developers), and examine options for financing infrastructure costs.

   The RFI issued by the Port in January included the option for developers to provide statements of interest regarding Seaway development, which several did. In order to generate a maximum amount of interest in the property, the

Port should engage real estate brokers and other potential master developers, with the possibility of issuing a Request for Proposals (RFP) for proposals to jointly venture with the Port on implementing a financing and development strategy. The RFP could be released immediately following the completion of the Port/City's due diligence process, depending on the level of interest garnered in the property.

10. *Create a lease schedule and preserve existing lease and license revenue.*
    The Port should create, maintain, and regularly review a schedule of its leases and license agreements, with a particular focus on identifying those set to expire in the near-term. This basic landlord function will provide information to be used for prioritizing negotiations for lease extensions with existing Port tenants, in addition to fulfilling an important budget planning tool.

11. *Coordinate with the City on a comprehensive real estate strategy.*
    The City, as part of the redevelopment dissolution process and related to its Community Investment efforts, will be developing a strategy for advancing the development of its real estate assets. The Port's properties, both Seaway and the vacant North Terminal sites, should be included in this strategy to ensure a coordinated approach to developing all of the real estate assets controlled by the City. The strategy should also examine the potential application of the Port's broad real estate authority under the State Harbors and Navigation Code, and how those powers might be utilized by the City to facilitate desired real estate development activities. This recommendation is consistent with the Community Investment Action Plan adopted by the City Council in 2012.

12. *Coordinate with the City's Community Investment Program and advocate for State legislation to create new infrastructure financing options to advance Port real estate development.*
    The Community Investment Action Plan set forth an integrated strategy to bring new financing tools to the City for investing in strategic infrastructure improvements in the post-redevelopment environment. Infrastructure improvements enabling development of Port real estate assets, most notably Seaway, are prime examples of how those new tools could be applied to catalyze private investment for the economic benefit of both the Port and City. The Port should assist the City in advocating for the enactment of State legislation to enable tax increment financing for infrastructure. Once new financing tools are established, the Port should encourage the City to include infrastructure investments related to improving the development potential of its real estate assets as high priorities.

13. *Advance the development and sale of Delta lands for habitat mitigation.*
    The Port's Delta lands, which include Prospect Island, Decker Island, and dry lands on either side of the Deep Water Ship Channel, do not currently generate significant income to the Port. However, these properties represent potential revenue from habitat mitigation related to new development or possibly State of California water conveyance projects. The Port should explore this opportunity by proactively marketing these properties to habitat mitigation developers to assess the potential benefits from joint venturing on the entitlement and development of a mitigation project that would eventually be sold to generate real estate revenue.

Cargo

14. *Ensure an effective transition of North Terminal operations to a lessee to prevent service disruptions for current cargo customers.*
    The core business of the North Terminal is rice cargo, currently generating annual revenue of about $2 million per year. If the Port is successful in implementing a master lease for the terminal that includes a revenue sharing arrangement with the lessee, the preservation of base cargo revenue will be critical to the Port realizing a financial upside from such a deal. Additionally, the Port's rice customers rely on its adeptness at moving bagged and bulk rice efficiently through the North Terminal facility. In implementing the recommended operating model shift to a master lessee, it will be important to ensure that no service disruptions for rice customers occur in order to maintain the Port as the preferred option for California's bag and bulk rice shippers.

15. *Implement the Marine Highway project.*
    The barge container service remains a high priority for the Port and its partnership with the Ports of Stockton and Oakland on the Marine Highway project. In 2010, the Port was awarded an $8.5 million TIGER grant to purchase a mobile harbor crane for the project—a significant investment of federal funds in the Port. However, economic factors have prevented the project from moving ahead as quickly as planned. In order to encourage progress towards implementing the project at the Port of West Sacramento, the Port should continue efforts to purchase barges for the service through grants or other means while analyzing ways to improve the feasibility of the project.

16. *Continue advocacy for federal funding and seek opportunities for public-private partnerships to implement the Deep Water Ship Channel deepening project and to continue maintenance dredging.*
    While the channel deepening project may be on indefinite hold, maintenance dredging remains a top priority for the Port. Maintaining the current depth of 30 feet is essential to cargo operations at the North Terminal and to off-site cargo facilities that pay lease revenue to the Port for use of the channel. The Port should continue its federal advocacy efforts related to continued funding for maintenance dredging. The Port should also pursue opportunities to partner with private entities that may be willing to make capital investments in channel deepening or maintenance, including potential North Terminal lessees.

Other Revenue Opportunities

17. *Expand Foreign Trade Zone marketing and seek an administrative partner for the program.*
    The Port's designation as a Foreign Trade Zone (FTZ) allows it to accept applications from eligible companies interested in the tax benefits of becoming a sub-zone. Currently the Port's FTZ has three sub-zones, generating fee revenue of nearly $20,000 per year from the companies receiving the benefits. There is potential for growing Port revenue from the FTZ, but the Port will require assistance in marketing and administering sub-zone applications and contracts. The Port should coordinate with the City's Economic Development Division to market the FTZ program to eligible West Sacramento-based companies and also solicit a partner to conduct regional marketing and application processing. An expansion of the Port's FTZ activity would increase revenue without adding significant additional costs since the Port already administers the FTZ program.

18. *Market the Port's air credits for sale to recoup funds originally expended.*
    The Port previously purchased approximately $50,000 worth of air credits from the Yolo-Solano Air Quality Management District related to the Port's pursuit of bulk mineral cargo. These credits could be sold in the secondary market or to a Port facility lessee. The Port should immediately explore this potential and, if an interested buyer is identified, sell the credits to produce short-term revenue.

Governance Agreement

19. *Identify provisions of the Joint Port Governance Agreement that are problematic to advancing Business Plan goals and propose alternative solutions to these issues.*
    Certain terms of the Governance Agreement place restrictions on the Port's disposition and development of real estate assets, most notably Seaway. These restrictions were grounded in circumstances surrounding the Port in 2005 at the time of the governance transition. Since that time much has occurred in terms of both the decline of the real estate market and the significant amount of investment provided by the City in its struggle to make the North Terminal a financially viable enterprise. The existing agreement should be analyzed further to identify specific terms that may no longer have relevance to the Port's current situation, yet stand as significant obstacles to positioning the Seaway property for future development.

    Changes to the Governance Agreement will require the approval of Yolo County, Sacramento County, and the City of Sacramento, but presented in an effective manner with reasonable alternative solutions, those changes should not be overly difficult to implement. Once the constraints of the current agreement are fully identified, the Port Commission should proactively engage the other parties with a proposed approach to eliminate the Governance Agreement, substantially revise it, or implement its replacement.

Community Relations

20. *Improve public access and recreational opportunities in and around Lake Washington.*
    Currently the Port hosts several boat clubs that use the Port's waterways, including the UC Davis Rowing Club, River City Rowing Club, Lake Washington Sailing Club, and Lake Washington Outboard Club. This small but important role in providing recreational opportunities to the community can be improved and possibly expanded. For example, the Port should continue to seek funding for the removal of the derelict vessels which have been abandoned in Lake Washington. Removing these vessels will eliminate blight and greatly enhance the recreational experience for boat club members and other recreational users of Lake Washington. The Port should also consider additional opportunities for the public to enjoy the natural environment surrounding the North Terminal by improving public access through its properties, including the northern edge of the Seaway property.

21. *Develop a short-term plan for physical improvements to the North Terminal property.*
    The North Terminal's existing physical appearance reflects a lack of recent investment which, if left unaddressed, will intensify a negative public image of the facility. To the extent feasible, ideally using surplus funds generated from the successful implementation of this plan, the Port should plan and implement basic aesthetic improvements to improve the appearance of the North Terminal property. Examples of possible improvements could include streetscape enhancements and public art along Industrial Boulevard at the property's "front door" or lighting enhancements on the rice and grain elevators, the Port's most iconic structures.

PORT BUSINESS PLAN

APPENDIX A

Cargo Analysis

CARGO ANALYSIS

Background

Introduction

The purpose of this analysis is to identify and quantify cargo opportunities to provide the basis for a focused Port cargo marketing strategy. Source documents used include the 2004 Port of Sacramento Maritime Demand Analysis by Parsons Brinkerhoff, and the 2012 economic analysis prepared by the US Army Corps of Engineers and their consultant (Global Insight) for the channel deepening project. Port staff also looked at historical cargo data, and drew from its own experience and discussions with industry professionals. Additionally, port staff consulted with existing customers and vendors, including: SSA Marine, Ports America Group, Cemex, Two Rivers Cement, Farmers' Rice Cooperative, ADM Rice, and West Coast Recycling Group. The projections in this analysis are based on the existing 30-foot depth of the Deep Water Ship Channel and on the current physical conditions of the Port operating terminal.

Cargo History

The Port of West Sacramento (the Port) was conceived and constructed as a bulk cargo[1] port to serve the agricultural and natural resource industries in Northern California. Since its opening nearly 50 years ago in 1963, the Port's primary cargos have been rice, wheat, woodchips, logs, and fertilizer. In 2007, cement was introduced as a major new cargo. Throughout most of its 5 decades of operations, the Port maintained an annual cargo throughput of approximately 1 million tons with gross maritime revenues of roughly $10M. Since 1999, however, cargo volumes have steadily declined to a plateau of approximately 320,000 tons annually for the past three years[2]. During the 5-year period ending 6/30/12, annual maritime revenues have averaged $1.8M[3].

5-Year Maritime Revenue Summary

FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12
$1,587,264	$2,412,434	$1,624,253	$1,543,871	$1,864,934

The loss of cargo tonnage and revenue since 1999 can be attributed to several factors:

- Discontinuation of log exports (2000)
- Discontinuation of wheat exports and termination of Cargill lease of the grain facility (2000)
- Decline in bulk rice exports (1999-2003)
- Port of Stockton's expansion to Rough and Ready Island (2000)
- Penny Newman's purchase of grain facility at Port of Stockton (2000)
- Discontinuation of woodchip exports (2005)
- Discontinuation of fertilizer imports and Yara lease termination; loss of Star Shipping (2009)
- The Great Recession and the cessation of cement imports (2010 to present)

[1] Bulk cargo includes break-bulk (bundled) cargos that are transferred via forklift and crane, and free flowing bulk cargos that are transferred via conveyor systems.

[2] See attached cargo history summary, 1988 to present.

[3] A significant percentage of the revenue decline from historical averages is due to the 2006 change to a landlord operating model in which there is no stevedoring revenue and wharfage-dockage revenues are shared with the Port's terminal operator.

Today, the Port finds itself with historically low cargo volumes and an undiversified cargo base. In fact, the only cargos currently being handled at the Port are rice exports (96% of total tonnage) and an occasional import shipment of project cargo (wind generation equipment).With the exception of cement, none of the historically important cargos discussed above are likely to return in significant volumes without a significant capital investment in cargo handling systems and deepening of the ship channel to improve the Port's competitive position.

Business Development Efforts, 2006 - Present[4]

Since 2006 staff has been actively working on transitioning the Port to a lessee based operating model in which long-term tenants build and operate their own facilities, and the Port receives land rent and/or maritime revenues. Port staff successfully recruited three major maritime oriented tenants to the North Terminal location –Primafuel, Enligna, and West Coast Recycling – and all three projects were successfully steered through the entitlement process with the City of West Sacramento. For various external reasons beyond the control of the Port, these projects have yet to break ground; each is outlined below:

Primafuel

- Description: Biofuel imports, ethanol and biodiesel
- Project size: 12 acres
- Tonnage: 120,000 tons
- Revenue projection: $550,000
- Construction start date: unknown

Project feasibility hinges on implementation of California's low-carbon fuel standards, development of biofuel distribution infrastructure, and favorable trade policy that does not penalize imported fuels. The lack of clear policy direction from the state, combined with the recession, has effectively stalled this project and construction is not anticipated in the foreseeable future.

Enligna

- Description: Wood pellet exports
- Project size: 15 acres
- Tonnage: 150,000 tons
- Revenue projection: $650,000
- Construction start date: n/a

Enligna AG, parent company of Enligna USA, abandoned this project due to uncertain feedstock supply and there little prospect that it will be built. Although the permits for this project are still active, the Port is now actively seeking tenants and cargo for the facilities that were to be used for this project.

[4] In 2006, SSA assumed primary responsibility for marketing the port's existing facilities and developing new cargo opportunities.

West Coast Recycling

- Description: Scrap metal exports
- Project size: 15 acres
- Tonnage: 330,000 tons
- Revenue projection: $650,000
- Construction start date: 2013

Construction has been delayed due to CEQA lawsuit, but the developer expects to break ground in 2013. This project operates on the margin price of scrap metal and recent volatility in the market has prevented the project from breaking ground in 2012. The project is expected to be fully operational in 2015.

General Bulk Cargo Market

In late 2010, when it became clear that the Primafuel and Enligna projects were not going to break ground, the Port began to take a more active cargo marketing role and looked to the general bulk cargo market for cargos that could generate significant revenues. Coal and iron ore shippers in particular were approaching the Port looking for facilities to move millions of tons annually to the west coast by unit train[5] for export to Asia. In order to maximize its overall competitiveness for bulk cargos, the Port, SSA , and the railroads made investments in the Port's bulk cargo handling infrastructure, including:

Conveyor Upgrades

The Port's bulk handling facilities, suffering from years of deferred maintenance, required significant repairs just to be able to demonstrate to bulk shippers that the Port was a potential facility option. Approximately $900,000 was spent on electrical, structural, mechanical, environmental, and safety improvements to the Port's conveyor systems to be prepared for potential bulk cargo opportunities.

Rail Upgrades

The Port has worked closely with the Union Pacific and Sierra Northern Railroads to determine trackage improvements required for unit train service to the Port. In partnership with Cemex, the Port constructed a $1.8M unit train landing track along Industrial Blvd. The Port also invested $450,000 on upgrades to the Washington Transfer trackage which links the Port to the UP main line. Finally, the Port secured a $1M grant and easement rights through the Sacport parcel to construct a loop track which will greatly enhance the Port's ability to handle unit trains and attract bulk cargos. In addition to the Port investment, UP has recently upgraded all of its rail lines and at-grade rail crossings in West Sacramento, and is planning to upgrade an automated switch on the main line to facilitate unit train service in to West Sacramento.

These efforts have resulted in successful negotiations with 3 shippers of iron ore cargos:

Tenant Metals

- Cargo: Iron Fines (concentrated steel mill dust)

[5] Large trains of up to 100 railcars

- Status: executed contract with minimum annual guarantee (MAG)
- Origin/Destination: Utah/China
- Receiving mode: unit train
- Tonnage: 450,000 tons
- Duration: 2-3 years
- Annual revenue projection: $350,000 (gross)
- Start date: unknown

This project requires the shipper to excavate, dry, grind, and blend the cargo at the old Geneva steel mill site in Vineyard, Utah. These efforts are well underway but the shipper has faced numerous logistical issues which have delayed the project. This project and other iron ore shipments off the West Coast are dependent upon favorable and stable commodity prices. Revenues to the Port will be reduced by a 30% payback requirement to SSA and on-going deferred maintenance repair costs to the conveyor system required to accommodate the cargo.

CWT

- Cargo: Iron Ore
- Status: Letter of Intent
- Origin/Destination: Nevada-Utah/Asia
- Receiving mode: unit train
- Tonnage: 1M tons
- Duration: to be negotiated
- Annual revenue projection: $750,000
- Start date: unknown

This project has been delayed due to the slowdown in the Asian economy and slumping commodity prices. SSA has close ties to the shipper in other U.S. locations.

Nevada Iron

- Cargo: Iron Ore
- Status: Letter of Intent
- Origin/Destination: Nevada/Asia
- Receiving mode: unit train
- Tonnage: 1M-2.5M tons
- Duration: 10-20 years
- Annual revenue projection: $750K - $1.5M
- Start date: unknown, 2014 at earliest

Nevada Iron has purchased the Buena Vista mine complex east of Reno and the Port offers a competitive location vs. competing ports. This pending agreement will involve Nevada Iron investing in conveyor upgrades at the Port, but execution of this agreement has been delayed due to unstable commodity prices and global economic conditions.

Miscellaneous Bulk Cargos

The Port and SSA have quoted handling rates to shippers of several other bulk cargos including: feed grains, soda ash, perlite, organic fertilizer, woodchips, biomass, biofuel, and petroleum coke. The bulk commodity business typically generates low profit margins and depends on large volumes; shippers need the freight cost savings provided by unit trains to move their cargo to and from ports. Bulk shippers cite the Port's ability to handle unit trains and its abundant warehouse and silo space as competitive strengths, but the Port's competitive weaknesses have been difficult to overcome. Specifically, a 30' channel depth and outdated conveyor systems are not competitive versus other bulk ports in Northern California (primarily Stockton and Richmond). The Port has lost cargo opportunities to these ports and it appears that sustained, ideal economic conditions have to be in place, including capacity constraints at competing ports, before bulk shippers consider West Sacramento.

Since the dissolution of the Port's traditional warehousing union (Local 17) in 2009, bulk cargo handling in the Port's warehouses and conveyor maintenance have been performed by ILWU Local 18 (Longshoremen). Warehousing operations for some bulk cargos at competing ports, e.g. feed grains and fertilizer in Stockton and iron ore at Richmond, are handled by non-ILWU labor. In some cases, the Port is competing with non-union facilities. Given the cost sensitivity of bulk cargo handling, the Port and SSA have had to reduce price quotes to compete with lower cost ports for many cargos.

Cargo Tonnage and Revenue[6] Projections

Currently, the only cargos being handled via vessel at the Port are rice and project cargo. However, the two privately operated cement companies at the port – Two Rivers and Cemex - have been actively consolidating operations at the Port during the recession to take advantage of the efficiencies that their new facilities offer, and to prepare for the inevitable return of imported cement. Two Rivers is currently conducting a supplemental EIR to increase the permitted throughput at their facility from 800,000 to 2 million tons, and Cemex recently completed construction of the batch plant component of their facility.

The tonnage model that follows is organized in layers, with a base layer representing a solid foundation of existing cargos and additional layers which are presented in a sequence of descending probability: new tenant cargo, potential bulk cargo, potential breakbulk cargo, and container barge cargo. Wharfage rates for each cargo were applied to generate the revenue projections.

[6] All revenue projections are net of SSA share (25%) per Terminal Operations Management Agreement and include wharfage and dockage.

Existing Base Cargo

Rice

Bagged rice exports to Japan continue to be the revenue base of the Port. The Japanese rice trade dates back to 1993 when rice exports at the Port transitioned from purely market based trade to the current era of trade agreement cargo. Prior to 1993, most California rice exports were shipped to Korea in bulk; post-1993, GATT trade agreements with Japan created the primary export market for California rice and the trade transitioned from bulk to bagged shipments. This business has stabilized and the annual volume has been quite predictable at approximately 300,000 tons, including the Korean market. The specification of rice type and quality in these trade agreements effectively limits the U.S. market to Northern California Calrose rice.

5-Year Bagged Rice Export Tonnage/Revenue Summary

FY 07-08		FY 08-09		FY 09-10		FY 10-11		FY 11-12	
Tonnage	Revenue	Tonnage	Revenue	Tonnage	Revenue	Tonnage	Revenue	Tonnage	Revenue
187,249	$887419	338,326	$1689225	231,486	$1110434	232,114	$1176464	244,404	$1212838
Rev/Ton	$4.74	Rev/Ton	$4.99	Rev/Ton	$4.80	Rev/Ton	$5.07	Rev/Ton	$4.96

Bulk rice exports, which historically were shipped as milled rice to multiple Far East and Middle East destinations, have been sporadic over the past 5 years and this trend is expected to continue. Today, almost 100% of bulk exports are paddy (un-milled) rice bound for Turkey.

5-Year Bulk Rice Export Tonnage/Revenue Summary

FY 07-08		FY 08-09		FY 09-10		FY 10-11		FY 11-12	
Tonnage	Revenue	Tonnage	Revenue	Tonnage	Revenue	Tonnage	Revenue	Tonnage	Revenue
27,649	$81756	0	$0	80,513	$247491	25,066	$65313	64,778	$264448
Rev/Ton	$2.96	Rev/Ton	n/a	Rev/Ton	$3.07	Rev/Ton	$2.61	Rev/Ton	$4.08

West Sacramento has a locational advantage for rice exports versus other Northern California bulk ports given its proximity to the rice growing region in the northern Sacramento valley. Moreover, the Farmers' Rice Cooperative (FRC) rice mill is located directly across Industrial Boulevard from the port. Historically, the Port has handled almost all of California's rice exports, but the Port of Stockton became a serious competitor in 2000 when they inherited Rough and Ready Island from the US Navy and used that property to successfully secure a significant share of the business. When Stockton offered favorable pricing to rice shippers, the Port lost significant tonnage and had to lower its pricing.

In 2011, local export dynamics changed when Connell Rice and Sugar (a major shipper which had been committed to Stockton) discontinued its rice export operations, and Bunge Corp. entered the market with their purchase of the PIRMI rice mill in Woodland. These developments present an opportunity for the Port to increase its market share of California rice exports. In fact, for the 2011-12 shipping season just ended, the Port handled 244,404 tons of bagged rice or 81% of the market. For the upcoming 2012-13 shipping season, the Port has successfully recruited Sunwest Foods back to Sacramento from Stockton and stands ready for increased tonnage with the recent completion of the new TIGER-funded warehouse (Shed H).

Based on these developments, a bagged rice forecast of 250,000 tons at $5/ton for 2012-13 and beyond is estimated ($1,250,000/year).

Based on the 5-year history of bulk rice, a forecast of 50,000 tons at $3.50/ton is estimated ($175,000/year).

Potential cargo risk: Northern California water availability, world commodity pricing, trade agreements between U.S. and rice importing countries.

<u>Cement</u>

In 2005-2006, Pan Pacific Cement commenced import cement operations at the Port to satisfy construction demand in Northern California, and initiated plans to develop a bulk import facility. In 2007, the $45 million Pan Pacific (Two Rivers) cement facility on the Port's north terminal was completed. In 2007, 190,000 tons was imported through this facility; tonnage declined to 177,000 in 2008 and to only 33,000 in 2009 when the recession effectively halted building construction and the need for imported cement. This facility is permitted to handle 800,000 tons of cement annually and Two Rivers is currently in the process of applying for an increase to 2 million tons.

In 2009, Cemex completed construction of their $60 million cement import facility which is permitted to handle 1 million tons of cement and 1.2 million tons of aggregate annually. Cemex has yet to import any tonnage due to the ongoing recession, but the facility pays wharfage fees based on a 400,000-ton MAG.

5-Year Cement Tonnage/Revenue Summary

FY 07-08		FY 08-09		FY 09-10		FY 10-11		FY 11-12	
Tonnage	Revenue	Tonnage	Revenue	Tonnage	Revenue	Tonnage	Revenue	Tonnage	Revenue
190,157	$268857	176,572	$262588	32,833	$209171	0	$252996	0	$363000
Rev/Ton	$1.41	Rev/Ton	$1.49	Rev/Ton	n/a	Rev/Ton	n/a	Rev/Ton	n/a

The two cement facilities at the Port are currently permitted to handle 2.8 million tons annually and this is expected to increase to 4 million tons with the completion and approval of the Two Rivers supplemental Environmental Impact Report in 2013. Two Rivers and Cemex have made significant investments in their Port facilities and both companies have secured long-term land leases with the Port. While the immediate prospects for cement imports are not favorable, the cement industry expects imported tonnage to resume in 2014-15 as construction activity returns to normal levels. Long-term, imported tonnage is expected to increase significantly as the domestic cement supply from Californian limestone diminishes over time.

Based on capacities, historical tonnages, and the analyses in the PB and Corps studies, a forecast of 50,000 tons in 2014 is reasonable. Tonnage is estimated to increase to 150,000 in 2015 and to 400,000 in 2016. All tonnages are assumed to be split 50/50 between Two Rivers and Cemex. This analysis will not attempt to speculate beyond 2016, but there is clearly potential for increasing cement imports at the Port. In the meantime, it is likely that both facilities will receive cement domestically from other areas of California by truck and rail.

The Port has an opportunity to renegotiate the land lease and wharfage agreement with Two Rivers in conjunction with consideration of their application for increased permitted throughput. A new 200,000-ton MAG is conservatively estimated as of FY 2013-14.

The current contractual wharfage rates are $1.36 for Two Rivers and $1.05 for Cemex. Total revenue per ton, including dockage fees, is estimated to be $1.50 for Two Rivers (Cemex is a satellite facility and dockage fees are not assessed). These rates are escalated by CPI annually. Applying escalated rates (a 3% annual inflator is assumed) to the projected tonnages generates revenue projections of $57,563 for FY 14-15, $178,500 for FY 15-16, and $489,500 for FY 16-17.

Sincethese figures are less than the MAGs, MAG tonnages are used in this analysis[7].

Potential cargo risk: construction activity levels, world commodity pricing, trade agreements between the U.S. and cement exporting countries.

Project Cargo

In 4 of the past 5 years, the Port has handled imported project cargo, primarily wind turbine components destined for the Shiloh Wind Power Project in northern Solano County. This business peaked in 2007 when the Port handled 11 vessels carrying wind and power plant related cargo. The Port, given its proximity to the I-80 corridor, is the preferred port in Northern California for these oversized pieces of equipment which are hauled by truck to the Rio Vista area. The Port of Stockton typically handles wind turbine components destined for areas south of I-580.

While additional phases of the Shiloh project present on-going opportunities for the Port (five wind projects are currently in the planning stage), future cargo tonnage may be impeded by the

[7]$400,000 MAG for Cemex (actual); $200,000 MAG for Two Rivers (projected). Cemex revenue is 100% net to the Port (no revenue share with terminal operator).

loss of federal tax incentives for wind power projects. Other factors challenging this trade are tariffs on Chinese imports and an increase in domestic manufacturing of wind turbine equipment.

Rail movement of project cargo is another opportunity for the Port. The port has on-dock rail and a new 100-ton mobile harbor crane that is well suited to heavy equipment handling. A major impediment for this business has been the weight limit on the Washington Overpass. With the completion of this project, the Port could aggressively pursue additional project cargo.

5-Year Project Cargo Tonnage/Revenue Summary

FY 07-08		FY 08-09		FY 09-10		FY 10-11		FY 11-12	
Tonnage	Revenue	Tonnage	Revenue	Tonnage	Revenue	Tonnage	Revenue	Tonnage	Revenue
13,426	$146,669	38,825	$359,094	0	0	7,739	$49,099	2,573	$24,649
Rev/Ton	$10.92	Rev/Ton	$9.24	Rev/Ton	n/a	Rev/Ton	$6.34	Rev/Ton	$9.58

Based on the tonnage history and continued future development of wind power projects in Solano County, an on-going annual volume of 10,000 tons at $9/ton is estimated ($90,000/year).

Potential cargo risk: Solano County/Travis Air Force Base issues related to wind turbines, trade agreements between the U.S. and project cargo exporting countries, import tariffs, and shift to domestic manufacturing of wind generation equipment.

Existing Base Cargo Totals

The table below summarizes the projected tonnages and revenues for the Port's existing base cargos for the next 4 fiscal years. The projections indicate revenues of approximately $1.9 million for FY 12-13 increasing to $2.2-2.4 million for the following 3 years.

Base Cargo Projections[8]

Cargo	FY 12-13		FY13-14		FY 14-15		FY 15-16	
	Tonnage	Revenue	Tonnage	Revenue	Tonnage	Revenue	Tonnage	Revenue
Bagged Rice	250,000	$1250000	250,000	$1287500	250,000	$1326125	250,000	$1365909
Bulk Rice	50,000	$175000	50,000	$180250	50,000	$185658	50,000	$191227
Cement	0	$432,000	0	$732,000	50,000	$746,000	150,000	$750,000
Project Cargo	10,000	$90,000	10,000	$92,700	10,000	$95,481	10,000	$98,345
Totals	330,000	$1947000	330,000	$2292450	380,000	$2353264	480,000	$2405481

[8] Revenues assume a 3% annual increase in wharfage and dockage rates

Other Potential Cargo

New Tenant Cargo

Long-term land tenant-based cargo represents a relatively low risk tonnage and revenue source to the Port given the capital investment that such tenants make in their facilities. Of course, until a facility is actually built and operational, there is a significant risk. Of the three potential new projects described earlier in this analysis, only the West Coast Recycling project is anticipated to be constructed and operational in the next three years. There is too much uncertainty in the demand for imported biofuels to speculate on the timing of the Primafuel project, and there is no indication that there is a market to support the Enligna project or a similar wood pelletl export facility. However, the potential for a new liquid bulk facility should not be entirely dismissed. The new Gavilon biofuel import facility at the Port of Stockton indicates that this market is still active.

West Coast Recycling is permitted to export 300,000 tons of scrap metal annually, and the facility is expected to break ground in 2013 and be fully operational by 2015. Both the PB and Corps studies indicated that a scrap metal facility at the Port is feasible. West Coast Recycling executed a 49-year land lease in 2011 at $360,000/year and is currently paying land rent to the Port.

The on-going annual export tonnage to be generated by this facility is estimated at 250,000 tons; net cargo revenues to the Port over and above the current ground rent are estimated at $50,000 for FY 14-15 and increasing to $250,000 in FY 15-16 and thereafter based on wharfage rates of $2.16 - $2.73 and applicable land rent discounts.

Potential Bulk Cargo

Since the departure of Yara (fertilizer) in 2009, the Port has not handled any bulk cargo other than bulk rice through its silo facilities. The Port's "back area", which consists of 6 bulk warehouses (collectively 300,000 square feet) connected by a conveyor system over an area of approximately 35 acres, was to have been developed with the Primafuel and Enligna projects. This area has now been vacant and dormant for three years.

The challenge for the Port in attracting bulk cargos is overcoming its competitive disadvantages, specifically a 30-foot shipping channel, an outdated conveyor system, and relatively high labor costs versus non-ILWU facilities.

The Port has been unsuccessful in attracting new tenants to its silo facilities. Historically, wheat and other grain exports were driven by the long-term Cargill lease of the grain facility which ended in 2000 and then by short-term leases with Adams Grain and Metzger Grain through

2004. Since 2004, there has been little interest in the grain facility and it is likely that there is currently insufficient grain export volume from Northern California to generate the demand for a leased bulk export facility. Potential new export cargos for both the rice and grain facilities include biofuel grains and soda ash, but tonnage and revenue estimates are too speculative to quantify at this time. Modifying these facilities to handle import grains for the feed grain trade is also a possibility, but a significant tenant-financed capital improvement would be required.

For the past two years, the Port has been actively pursuing bulk cargos to generate revenue from the bulk facilities, and has negotiated the bulk cargo contracts mentioned earlier in this analysis for iron ore. Bulk cargos are very cost sensitive and the feasibility of their profitable movement through the Port remains uncertain. Given the competitive environment and the challenge of constructing new facilities, the Port and other small ports on the West Coast may be viewed as limited facilities for bulk cargos, to be used only when international economic factors are favorable and more competitive ports have no capacity or desire to handle a challenging cargo.

Given the restrictions of a 30-foot shipping channel, attracting bulk cargos to the Port on a long-term basis will require more productive conveyor systems. Iron ore shippers have indicated that they require a production rate of 2000 tons per hour; the existing conveyor system is only capable of 600-1000 tons per hour depending on the density of the cargo. Preliminary engineering analyses suggest that a capital expenditure of approximately $3 million would be required to upgrade systems to competitive levels.

Other potential bulk shippers have expressed an interest in the Port bulk facilities if they could employ their own warehouse labor. At this point in time, with ILWU Local 18 as the Port's warehouse labor force, there appears to be limited opportunity for bulk shippers to reduce cargo handling labor costs.

Based on the foregoing, there appears to be very limited opportunity to secure long-term bulk cargos without a major investment in new facilities by a shipper. The Tenant Metals contract may be the most likely source of bulk tonnage, but this cargo project is currently on hold. This contract could generate 450,000 tons per year over a three-year period with gross revenues of approximately $1/ton. However, the Port has a reimbursement obligation to SSA of 30% of the gross revenue for this cargo. Moreover, additional deferred maintenance expenses related to the conveyor system are likely to further erode the net revenue to the Port.

Potential annual net revenues of 50 cents per ton as of FY 13-14 are used in this analysis, although this projection is speculative at this time ($225,000/year).

Potential Breakbulk Cargo

During the period 2001-2007, the Port handled imported lumber and fiberboard from New Zealand and Chile for Northern California lumber mills, with a peak annual volume of 90,000 tons. A modest quantity of steel coils has also been handled over the years, with a peak volume of 15,000 tons. Both lumber and steel imports are dependent upon robust construction activity in Northern California, and the Port faces competition from multiple ports for these cargos. The loss of Star Shipping as a regular shipping line calling the Port due to Yara moving to Stockton is another negative factor, particularly with respect to steel. However, with the right economic conditions and a targeted marketing strategy, the Port could see a return of these cargos.

As a very speculative cargo, 50,000 tons at a rate of $5.50/ton is estimated as of FY 14-15 ($275,000/year).

Container Barge Service

The concept of using the Port as a barge feeder port to move containers to/from the Port of Oakland has been discussed for decades, but a barge service has never been a financially viable alternative to trucking. However, regional and national policymakers have taken an interest in establishing marine highways as goods movement corridors that have the potential to alleviate freeway congestion, reduce air pollution and fossil fuel use, and reduce road and bridge maintenance costs. In 2010, the Port, together with the Ports of Stockton and Oakland, secured TIGER funding for the cranes and barges needed to initiate a marine highway container service to the Port of Oakland. Stockton will initiate phase one of the barge service in 2012-13 and the Port will follow with phase two after additional barges have been purchased and operational issues have been resolved.

The Port envisions two barges departures per week from Sacramento when the service is fully operational, although the service will likely start with only one barge and one round-trip per week. Assuming two barges with a 200-container capacity and a weekly service to Oakland for each barge, a total potential annual export volume of 20,800 containers is indicated. To put this in perspective, Farmer’s Rice Cooperative (FRC) alone currently ships 6000-7000 containers per year through Oakland. This suggests that there would be ample demand for the service’s maximum export capacity. Import demand is projected to be about 50% of exports and 10,000 empty containers are estimated, but a detailed marketing study has yet to be conducted. Other than FRC, potential shippers include: ADM Rice, Bunge Rice, Sun West Rice, Sun Valley Rice, Tony’s Fine Foods, Mariani Nut, Blue Diamond, Target, Walgreens, Home Depot, Milgard Windows, Hunter Douglass, Nippon Shoken, Sunsweet, and various wineries.

Many of these shippers export to multiple destinations worldwide and use the services of multiple shipping lines which specialize in different areas of the world. The container handling facilities in Oakland are divided amongst eight separate terminals, each with different shipping lines. It is not likely that the barge service can be cost competitive with multiple stops at Oakland, and the details of feeding and receiving from the eight terminals have yet to be worked out. It may be that all of the containers on any one barge may have to be limited to shipping lines which share the same terminal. This creates a logistical challenge to the barge operator and an inconvenience to container shippers. The Outer Harbor Terminal, operated by Ports America, accommodates 17 of the 22 shipping lines that call Oakland and is the most likely terminal to accommodate the barge service initially.

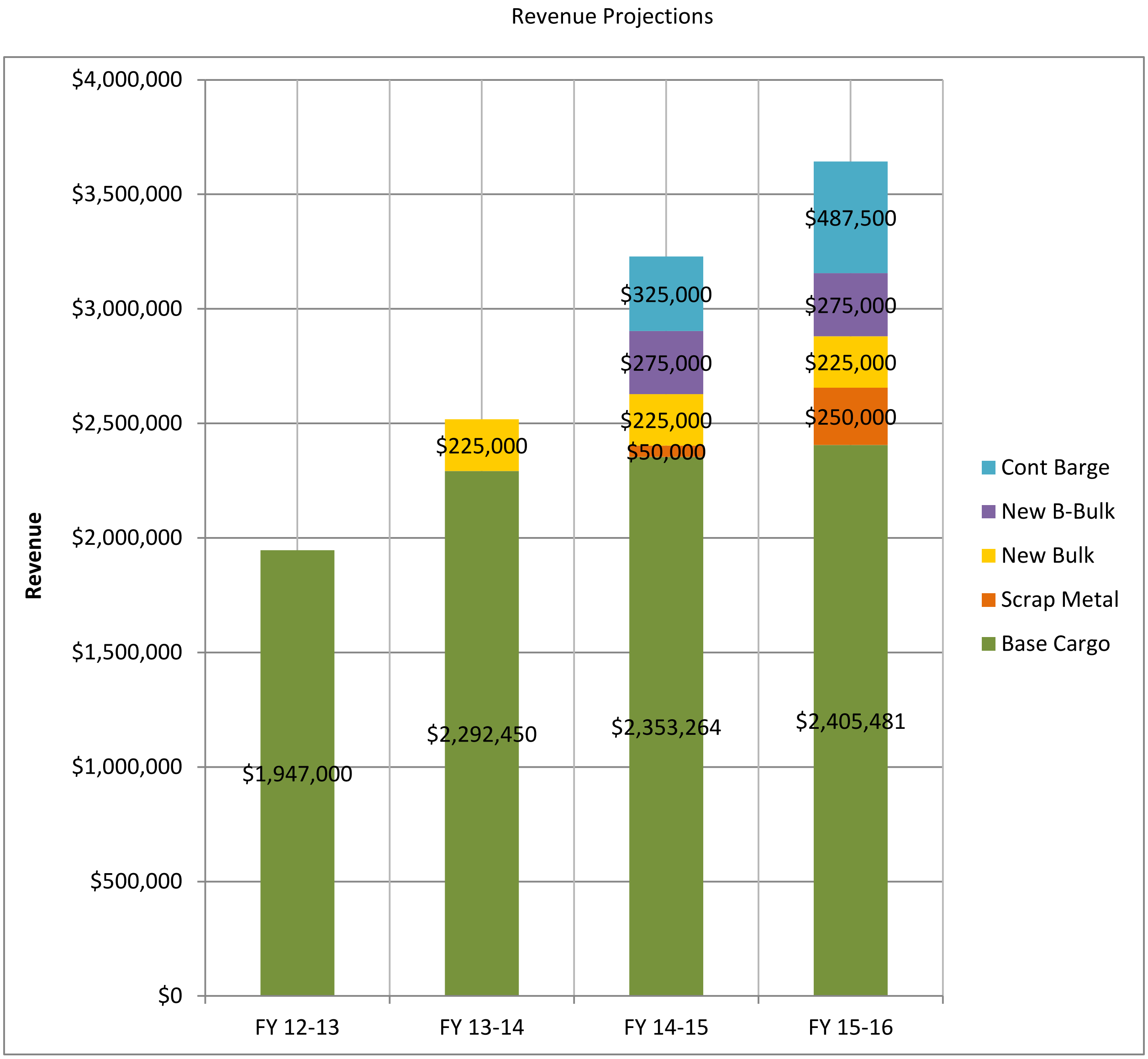
The barge service will have to compete with trucking rates to Oakland which are currently in the $400-500 range from the Sacramento region. Shippers will still face a trucking cost to West Sacramento, estimated to be $200-$300 depending on their distance from the Port; this suggests that a rate of $200-$300 per container would be required to attract shippers to the barge service. Until phase one of the service at Stockton is demonstrated, the feasibility of this pricing structure has yet to be determined.

Potential revenue to the Port from this service is extremely speculative at this time, and the timing of start-up is not expected to be sooner than FY 14-15. Projected wharfage rates are $20 per full container and $5 per empty container; any revenue generated by mobile harbor crane rental fees will likely be offset by maintenance costs. Assuming a best case of 20,000 export containers, 10,000 import containers, and 10,000 empty containers, maximum annual net revenues of approximately $650,000 are indicated.

For the sake of establishing a speculative starting point for estimated revenues, a 50% utilization factor is assumed for FY 14-15 and a 75% utilization factor is assumed for FY 15-16. These assumptions generate revenue estimates of $325,000 for FY 14-15 and $487,500 for FY 15-16.

Cargo Summary by Descending Probability (1 = most probable, 5 = least probable)

Cargo	FY 12-13		FY13-14		FY 14-15		FY 15-16	
	Tonnage	Revenue	Tonnage	Revenue	Tonnage	Revenue	Tonnage	Revenue
1. Base Cargo	310,000	$1,947,000	310,000	$2,292,450	360,000	$2,353,264	460,000	$2,405,481
2.Scrap Metal	0	0	0	0	100,000	$50,000	250,000	$250,000
3.New Bulk	0	0	450,000	$225,000	450,000	$225,000	450,000	$225,000
4.New Breakbulk	0	0	0	0	50,000	$275,000	50,000	$275,000
5.Container Barge	n/a	0	n/a	0	n/a	$325,000	n/a	$487,500
Totals	310,000	$1,947,000	760,000	$2,517,450	960,000	$3,228,264	1,210,000	$3,642,981



The chart above shows revenues by cargo category, with risk increasing as one moves up the columns. For conservative budgeting purposes, the base cargo figures are well supported and realistic. Above the base cargo projections, the revenue forecasts are increasingly speculative. To maximize tonnage and revenue, the following actions are recommended:

- Maximize bagged rice tonnage by focused marketing to all rice shippers.
- Implement a MAG for Two Rivers cement facility.
- Target wind energy and other rail based project cargo shippers to maximize project cargo.
- Facilitate construction of the West Coast Recycling project.
- Consider non-maritime uses for back area vs. traditional bulk cargo handling operations.
- Pursue only tenant-based bulk cargos with tenant responsible for facility upgrade costs.
- Issue RFPs for the two silo facilities at the Port.
- Target lumber and steel shippers to maximize breakbulk cargo.
- Attract anchor tenant to Seaway to facilitate shipment of containers.

PORT BUSINESS PLAN

APPENDIX B

Request for Statements of Interest

REQUEST FOR STATEMENTS OF INTEREST

FROM POTENTIAL:

CARGO FACILITY USERS, MARITIME TERMINAL OPERATORS, AND REAL ESTATE DEVELOPERS

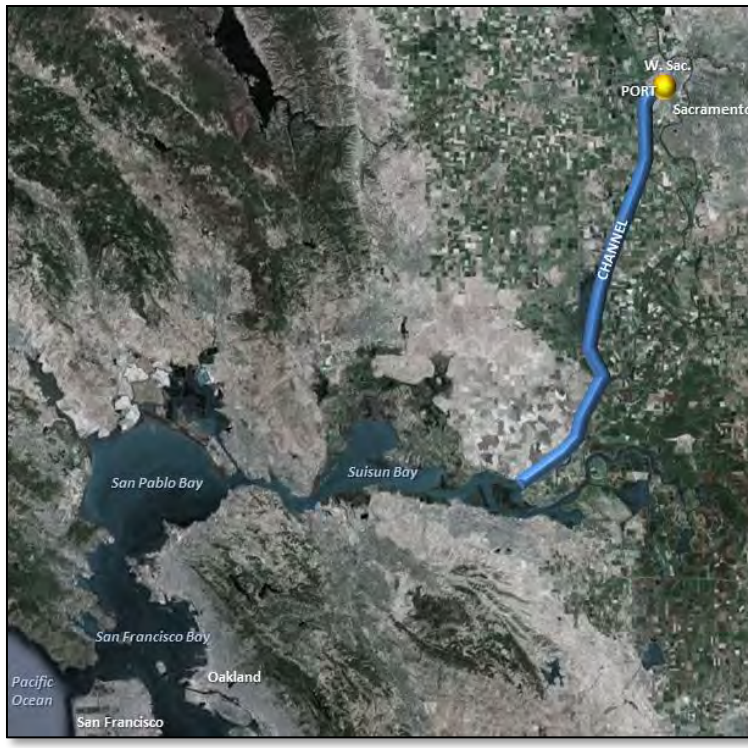
RESPONSES DUE FEBRUARY 15TH TO:

PORT OF WEST SACRAMENTO
ATTN: RICK TOFT
rickt@cityofwestsacramento.org
1110 West Capitol Avenue
West Sacramento, CA 95691 USA

Introduction and Purpose
The Port of West Sacramento, a distinct legal entity from the City of West Sacramento, has been operated by the City as an enterprise fund since 2006. The Port and City are in the process of re-evaluating the Port's current operations through a new Business Plan. The overall goal of the Plan is to implement a new operating model that makes the Port financially self-sufficient while remaining a long-term economic asset for the City and the greater Sacramento region. The Port aims to achieve this goal by partnering with private entities to transition the Port's presently underutilized facilities and properties into more productive assets.

The Port is releasing this Request for Interest (RFI) to identify potential business partners, including cargo facility users, maritime terminal operators, and developers. The RFI requests statements of interest from qualified entities to lease or operate all or a portion of the Port's cargo facilities and to lease, purchase, or master develop the Port's available real estate development opportunity sites.

About the Port
The inland Port of West Sacramento is situated at the heart of the Sacramento metropolitan area and centered in one of the richest agricultural regions in the world. The Port is located within the City of West Sacramento, which is directly across the Sacramento River from downtown Sacramento (see map). The Port opened in 1963, primarily to serve the Northern California rice industry, and is capable of handling an array of cargo commodities through its facilities. The Port is located 79 nautical miles from San Francisco with direct access to Suisun Bay provided via the 40-mile Deep Water Ship Channel, which is maintained at a depth of 30 feet.



The Port's maritime terminal, known as the "North Terminal," serves the Sacramento region as an integrated goods movement infrastructure asset. As an asset of the City, the Port operates with an approach that balances economic development and environmental sustainability, consistent with the objectives listed in Appendix A of this RFI.

North Terminal Cargo Facilities
North Terminal cargo operations are currently managed by SSA Pacific (SSA) under a revocable Terminal Operations Management Agreement which was executed in 2006 when the City took control of the Port. SSA is a member of the Pacific Maritime Association (PMA) and employs an ILWU-Longshore workforce for all maritime-related operations at the Port in accordance with the PMA-ILWU Pacific Coast Contract. The current agreement with SSA provides a share of cargo-related revenues to the Port with no revenue guarantee, and requires the Port to provide facility maintenance, utilities, security, and other operating functions.

The Port's goal is to transition to a pure landlord operating model which minimizes the Port's cargo facility operating costs and cargo market risks. In accordance with that goal and as part of its Business Plan process, the Port is re-evaluating its current contractual arrangement with SSA and considering new operating options for its facilities. The Port envisions that North Terminal cargo operations will be governed by a new master lease/operating agreement or multiple facility contracts. Any new management agreement or lease with the Port will be subject to the provisions of the PMA-ILWU Pacific Coast Contract.

The North Terminal includes four distinct cargo facilities, including the main break bulk and container barge facilities, a bulk rice facility, a bulk grain facility, and a general bulk facility. These cargo facilities are identified on the attached Map 1 and described in further detail, along with the Port's other cargo-related infrastructure, in the attached RFI Appendix. Historic cargo volumes by commodity and a summary of current operating costs for the North Terminal are available from Port staff upon request.

Possible Contract Types for North Terminal Cargo Facilities

The Port is open to responses from parties who are interested in operating the entire North Terminal facility via a master agreement, as well as parties who are only interested in operating one or more component facility via separate facility-based agreements. Joint venture submittals, in which parties express interest in two or more component facilities, or the entire North Terminal facility, are encouraged. The Port is open to both management agreements and leases (including ground leases with facility purchases) as contractual instruments, depending on the facility of interest. The matrix below shows the allowable contract type for each of the four cargo facilities:

<table>
<tr><th></th><th>Break Bulk & Container Barge Facility</th><th>General Bulk Facility</th><th>Bulk Rice Facility (Silos)</th><th>Bulk Grain Facility (Silos)</th></tr>
<tr><td>Individual Facility Lease</td><td>YES</td><td>YES</td><td>YES</td><td>YES</td></tr>
<tr><td>Individual Facility Purchase with Ground Lease</td><td>NO</td><td>YES</td><td>YES</td><td>YES</td></tr>
<tr><td>Individual Facility Management Agreement</td><td>YES</td><td>NO</td><td>NO</td><td>NO</td></tr>
<tr><td>Multiple Facility Purchase with Master Ground Lease</td><td>NO</td><td colspan="3">YES</td></tr>
<tr><td>Master Lease/Master Management Agreement (entire North Terminal)</td><td colspan="4">YES</td></tr>
</table>

Port Real Estate Development Opportunity Sites

In addition to the North Terminal cargo facilities, the Port also owns a substantial amount of real estate at and near the North Terminal that is available for development and is appropriately zoned and entitled for commercial/industrial development. Proposed uses for these properties, which may include both maritime-related and non-maritime uses, must advance the mutual economic development goals of the Port and City listed under number 4 of Appendix A.

The Port's development opportunity sites are depicted on the maps provided, including four properties at the North Terminal totaling over 35 acres (see "Development Sites" on Map 1) and the 260-acre Seaway International Trade Center property located across the Deep Water Ship Channel from the North Terminal (see Map 2). The City owns a 22-acre property located to the immediate west of Seaway and the adjacent Southport Industrial Park development. Particularly with Seaway and the adjacent City property, the Port and City may be interested in joint venture proposals from potential master developers. More information on Seaway, including a summary of existing entitlements and infrastructure cost estimates related to those entitlements, is available from Port staff upon request.

As noted on Map 1, the General Bulk Facility and Bulk Grain Facility could be considered redevelopment sites if additional property at the North Terminal is needed to accommodate a new development project.

RFI Response Requirements
This is not a Request for Proposals (RFP). All interested parties should provide a brief written response with the following information:

- Provide general company information, qualifications, history, and a point of contact;
- Note existing agreements the firm has at other ports;
- Describe how and what cargo(s) are owned or controlled in the firm's existing operations and cargo(s) that would be proposed for the Port;
- Identify which facilities (and, if applicable, which type of contract) are of interest to your firm;
- Describe the firm's financial capacity to capitalize Port infrastructure and facility improvements;
- Describe how the proposal is consistent with the Port and City's mutual economic development objectives (projected number jobs, Port revenue, and business development—see Appendix A);
- If the response is related to a real estate development site, identify the specific site (see labels on Map 1) and describe the proposed land use and site control arrangement (purchase or lease);
- If the response is related to the Seaway property, provide a statement of qualifications demonstrating your firm's capacity and experience in acting as a master developer of a large-scale mixed-use commercial/industrial development; and
- Provide any additional information about your company or its specific interest in an individual Port cargo facility, the North Terminal as a whole, or a specific Port property that would be helpful to Port staff in understanding and evaluating your firm's interests.

Interested parties are requested to submit statements of interest by Friday, February 15th at 5:00 pm to:

Port of West Sacramento
1110 West Capitol Avenue
West Sacramento, California 95691 USA
Attention: Rick Toft

Email responses to rickt@cityofwestsacramento.org are encouraged. Questions regarding this RFI should be directed to Rick Toft at this email address or by phone at 916-617-4565. This RFI is also available for viewing on the Port's website: www.portofwestsacramento.org

Response Evaluation and Next Steps
All responses will be promptly evaluated by Port and City staff. A summary of the responses will be presented to the Port Commission on February 20, 2013 or at a subsequent meeting date. The information gathered from the responses will assist the Port in determining the appropriate next steps for the Business Plan. Potential next steps may include proceeding with a formal RFP process, entering directly into negotiations with one or more of the responders, or taking no further action. The decision regarding next steps will be made at the Port Commission's sole discretion.

Public Records Act
Responses to this RFI will become the exclusive property of the City and Port, and will be subject to the California Public Records Act. Any confidential or proprietary information submitted which is labeled as such may not be subject to disclosure. Neither the City nor the Port shall be liable or responsible for the disclosure of any such records as required by law.

RFI Attachments
Map 1: North Terminal Cargo Facilities and Development Sites
Map 2: Seaway Property
Appendix A: Port and City Mutual Economic Development Objectives
Appendix B: Description of Cargo Facilities

PORT OF WEST SACRAMENTO

MAP 1: NORTH TERMINAL

CARGO FACILITIES & DEVELOPMENT SITES

PORT OF WEST SACRAMENTO

MAP 2: SEAWAY PROPERTY

SEAWAY PROPERTY FEATURES:

- Up to 260 acres of developable property plus adjacent 22-acre property owned by City
- Existing Vesting Tentative Map: entitled for over 3 million square feet of mixed industrial and commercial development
- Direct access to Port (2 miles) and Interstate 80/Highway 50 (2.5 miles)

Mutual goals of the Port and City include:

1. **Revenue Stability**
   a. Achieve revenue stability for the Port and City.
   b. Decrease operating costs for the Port and City.
   c. Devote resources and expertise to manage and operate transportation infrastructure, develop and support the regional economy, promote international trade, and advance the long term sustainability of the region's transportation infrastructure.
   d. Share in economic interest with the Port and City in exchange for revenue stability.

2. **Investment**
   a. Make and attract strategic investments in the Port and other transportation infrastructure to:
      i. Attract new business;
      ii. Develop long-term, sustainable cash flows;
      iii. Develop the franchise and branding of the Port; and
      iv. Develop real estate and other assets of the Port.
   b. Create alignment between Port and rail operations in business development.
   c. Collaborate with the City of West Sacramento, Yolo County, State of California, air districts flood districts, transportation districts, and other agencies to attract public funds to support investment in infrastructure and advance the priorities of the community and the region.

3. **Sustainability**
   a. Promote the long-term economic sustainability of the Port.
   b. Maintain and promote the long-term environmental sustainability of the Port for the benefit of the community and the region.

4. **Economic Development of West Sacramento**
   a. Promote the economic development of West Sacramento, Yolo County, and the region.
   b. Make investments that create jobs, increased tax base, and business development, and that generally advance the economic development priorities of the community and the region.
   c. Develop synergies between industrial uses and users in the region in a manner that promotes the Port and the transportation infrastructure of the region.
   d. Collaborate with other developers and investors, business interests, government, and community interests to advance a balanced and sustainable economic environment.

General Infrastructure
The North Terminal is approximately 150 acres and includes the following general infrastructure facilities:

Docks and Piers (Vessel Berths)

Berth #	Description	Cargos	Adjacent Facilities
1	600' Finger Pier	Bulk Rice	Bulk Rice Facility & Ship Loader
2	600' Dock w/Transit Sheds	Bagged Rice General Break Bulk Bulk Cement	Sheds 2A/2B Bulk Cement Intake Pipes On-Dock Rail
3/4	Tug Dock	N/A	Tug Shop and Yard
5	600' Finger Pier	Dry Bulk Exports Bulk Grain	Fixed Ship Loader Bulk Grain Facility & Ship Loader
6	600' Open Dock	Break Bulk Bulk Cement Containers	Mobile Harbor Crane Bulk Cement Intake Pipes Open Wharf On-Dock Rail
7	600' Dock w/Transit Sheds	Bagged Rice General Break Bulk Dry Bulk Imports/Exports	Sheds 7, G, H Fixed Ship Loader Dock Hopper On-Dock Rail

Rail Infrastructure

- Marshaling yard adjacent to North Terminal with 150-car storage capacity on 6 spurs.
- 12 spurs within North Terminal serving the rice facility, grain facility, and general cargo warehouses; four discharge pits.
- On-dock rail at berths 2, 6, and 7.
- 8000' unit-train landing track.
- Easement rights for 8000' loop track (scheduled for construction).

Utility Infrastructure

- High voltage electrical system.
- Fiber optic network for communication and security systems.
- Rooftop solar panel installation provides 100% of Port's electrical demand (excluding high-voltage conveyor systems).
- Enclosed stormwater management system including lined detention pond and constructed wetland pond for nitrate treatment.
- Wash rack for equipment washing with filtering system and holding tanks for wash water.

Component Cargo Facilities
The North Terminal is comprised of four component cargo facilities which can be operated independently, including:

Break Bulk and Container Barge Facility
This is the main cargo area of the Port and is currently used primarily to handle bagged rice and project cargo. This area includes:

Transit Sheds

Shed Name	Size (sq. ft.)	Cargos
Sheds 2A/2B	172,800	Break Bulk
Shed 7	86,400	Break Bulk
G Building	46,400	Break Bulk
H Building	52,500	Containers, Break Bulk
Bagging Building	21,600	General Cargo, Storage
Total	**379,700**	

Paved Storage
- 2 acres of open dock paved storage area at berth 6.

Crane and Dock Hopper
- New 100-ton capacity mobile harbor crane capable of handling containers and miscellaneous cargos at berth 6.
- Rail mounted hopper for bulk import cargo at berths 6 and 7, linked to fixed conveyor system via portable conveyors.

Bulk Cargo Facility
The Port's general bulk cargo area includes:

Dry Bulk Cargo Warehouses

Warehouse Name	Size (sq. ft.)
A Building	68,400
B3/B4	20,420
C Building	38,400
D Building	109,117
E Building	72,884
Total	**309,221**

Fixed Conveyor Systems
The general cargo warehouses in the table above are linked to berths 5 and 7 by conveyor systems which are capable of handling general bulk import and export cargos. The conveyor systems also link these warehouses to two rail discharge pits, enabling receiving of bulk cargo via manifest and unit-train service.

The bulk cargo facility also includes an open 3.5-acre storage area, originally designed for woodchips, with three reclaim pits for export to vessel and two truck receiving pits. The receiving conveyors also allow for rail receiving.

The conveyor systems were built in stages from the 1960s through the 1980s and are currently functional and permitted for miscellaneous bulk cargos by the local Air Quality Management District. Dry bulk cargos handled with these systems include: fertilizer, woodchips, grains, and various minerals (clay, chromite). The systems generally achieve a production rate of 600 metric tons per hour.

Truck and Rail Scales
Certified scales allow for weighing of inbound and outbound truck or rail shipments.

Bulk Rice Silo Facility
The Port's bulk rice facility includes:
- 20,000-ton food-grade facility designed for milled rice exports.
- Two receiving pits for truck and rail.
- Certified truck scale.
- Dedicated ship loading conveyor system at berth 1 with three fixed loading spouts with a production rate of 600 tons per hour.
- Certified outbound scale for export to vessel.

Bulk Grain Silo Facility
The Bulk Grain facility includes:
- 30,000-ton multi-purpose grain facility traditionally used for wheat exports.
- Multiple receiving pits and loading spouts for trucks, one receiving pit/loading spout for rail
- Certified truck scale.
- Dedicated ship loading conveyor system at berth 5 with one fixed spout with a production rate of 500 tons per hour.
- Certified outbound scale for export to vessel.

PORT BUSINESS PLAN

APPENDIX C

Seaway Property Information

Port of West Sacramento
Seaway Property Information

Background

The Seaway International Trade Center Subdivision (Seaway) consists of approximately 504 acres on the south side of the DWSC and barge canal in Southport (see attached map). On August 3, 1995, the City of West Sacramento Planning Commission approved Vesting Tentative Subdivision Map 4000 (VTSM 4000) and Planned Development 37 Standards (PD-37) for Seaway. VTSM 4000 vested Seaway in certain zoning regulations and land uses. On June 5, 1996, the City entered into a Development Agreement with the Sacramento-Yolo Port District for Seaway (Seaway DA). The Seaway DA incorporated VTSM 4000, PD-37, and the Seaway Mitigation Monitoring Program by reference and extended the term of VTSM 4000 from 3 to 15 years. The Seaway DA also provided for reserved water and sewer treatment capacity, drainage master planning standards, and other terms related to rail use and crossings. On June 19, 1996, the City entered into an Agreement Regarding CFD Formation and Industrial Development Incentives (Financing Agreement) with the Port District for Seaway which provided a mechanism for the Port's financial participation in its share of public improvements vital to the development of the Southport area as well as development fee incentives for the Port for Seaway. The Financing Agreement was incorporated by reference into the Seaway DA through an amendment.

Land Use Entitlement Status

VTSM 4000 is still valid and has an expiration date of June 10, 2014 which reflects the original 15 year term granted by the Seaway DA and a subsequent extension of 3 years with the filing of the first final map for Phase 1. The Seaway DA had a term of 15 years and expired on June 5, 2011. An extension request was brought before the City Council in 2003 but was continued to a date uncertain. No evidence has been found to date in City Clerk or Port files indicating an extension was ever taken back up to or formally approved by the City Council. The Financing Agreement is still valid and has a term of 30 years from the date of the agreement (June 19, 2026) or until all bonds issued by the Port CFD have been repaid, whichever occurs first. Given that the majority of the terms contained in the Seaway DA are also contained in PD-37 standards, VTSM 4000 conditions and mitigations, or Financing Agreement terms, the expiration of the Seaway DA does not appear to have significant impacts to the Port or the City, but this is still under review by staff and the City Attorney.

In 2005, approximately 30 acres located on the east side of Lake Washington Boulevard at Southport Parkway was sold to Taylor Properties who developed what is now known as Phase 1 of Westbridge Plaza (Lowe's). The remainder of Seaway to the west of Lake Washington Boulevard is undeveloped. Of the remainder, only about 230 to 260 acres is considered developable, depending on habitat development setbacks. The portions of the Lake Washington remnant and the narrow strip along the south side of the DWSC may have habitat conservation and industrial water-related accessory uses (docks) but are not suitable for development. The City owns a 22-acre parcel of land that was originally acquired for a corporation yard located directly to the west of Seaway (also see map). That parcel, due to its location between Seaway and the Southport Industrial Park, could be coordinated for development with the adjacent Seaway property.

The City's current General Plan designates the following land uses for Seaway:

Land Use	Acreage	EIR Density/FAR	Development Potential
Neighborhood Commercial	6	0.25	65,340 sf
Business Park[1]	70	0.30	914,760 sf
Light Industrial	11	0.35	167,706 sf
Water-Related Industrial[1]	174	0.25	1,894,860 sf
Open Space	55	N/A	N/A
Recreation Parks	37	N/A	N/A
Roads	12	N/A	N/A
Total	**365**		**3,042,666 sf**

[1] Some of these uses adjacent to the remnant Lake Washington open space may have additional development setbacks for habitat.

Infrastructure Analysis

Seaway has considerable development potential based on the above land use designations and existing entitlements, but the property needs significant infrastructure improvements before it can be competitively positioned for development. The following is a detailed description of public infrastructure required for development under current build-out assumptions and based on the original conditions of VTSM 4000.

- *Roadways:*
  The public roadway system for Seaway is depicted on Sheets 1 and 2 of the attached Tentative Map. To date, four lanes of the six lane cross section of Southport Parkway have been constructed along with a landscaped median. An additional lane will be required in both the east and west bound directions at build-out. Additional intersection improvements will also be required at the intersection of Southport Parkway and Lake Washington Boulevard. All local streets taking access from Southport Parkway will need to be constructed as will a travel lane and frontage improvements along the property frontage on Lake Washington Boulevard. It is anticipated that all Southport Parkway intersections within Seaway will be signalized. All street lighting remains outstanding. The estimated total cost for the outstanding street improvements is $13,592,708.

- *Water:*
  The public water system for Seaway is depicted on Sheet 3 of the Tentative Map. The main trunk line located in Southport Parkway and Lake Washington Boulevard has been constructed (these areas are highlighted in yellow). All other water main improvements and appurtenances remain outstanding. The estimated cost for the outstanding water improvements is $1,492,000.

- *Sewer:*
  The public sewer system for Seaway is depicted on Sheet 4 of the Tentative Map. A very small portion of the required improvements have been constructed. Approximately 800 feet of main was constructed at the southerly end of Lake Washington Boulevard to serve the easterly portion of the map which has been developed. All other improvements remain outstanding. The estimated cost for the outstanding sewer improvements is $928,400.

- *Storm Drainage:*
  The public storm drain system for Seaway is depicted on Sheet 5 of the Tentative Map. The main trunk line which extends between Lake Washington Boulevard and Lake Washington has been constructed but all other required improvements remain outstanding. The proposed drainage plan contemplates all storm flows from the property draining into Lake Washington. Lake Washington would need to be expanded to accommodate those flows and act as a detention facility for purposes of peak flow attenuation and water quality treatment. A pump station is required to be built to pump water from Lake Washington to the DWSC.

  In addition to the high cost of the proposed drainage solution, there are significant environmental and permitting issues associated with the expansion of Lake Washington. The first phase of subdivision development, located on the east side of Lake Washington Boulevard, was permitted to drain into the City's Main Drain. Although not originally contemplated, it is possible that other portions of the project area could do the same following a favorable analysis of downstream Main Drain capacities. This could reduce, or even possibly eliminate the demands and impacts on Lake Washington, thereby reducing project costs, however making that determination would require an extensive engineering study. The estimated cost for the outstanding storm drain improvements is $8,509,800 assuming the original drainage plan.

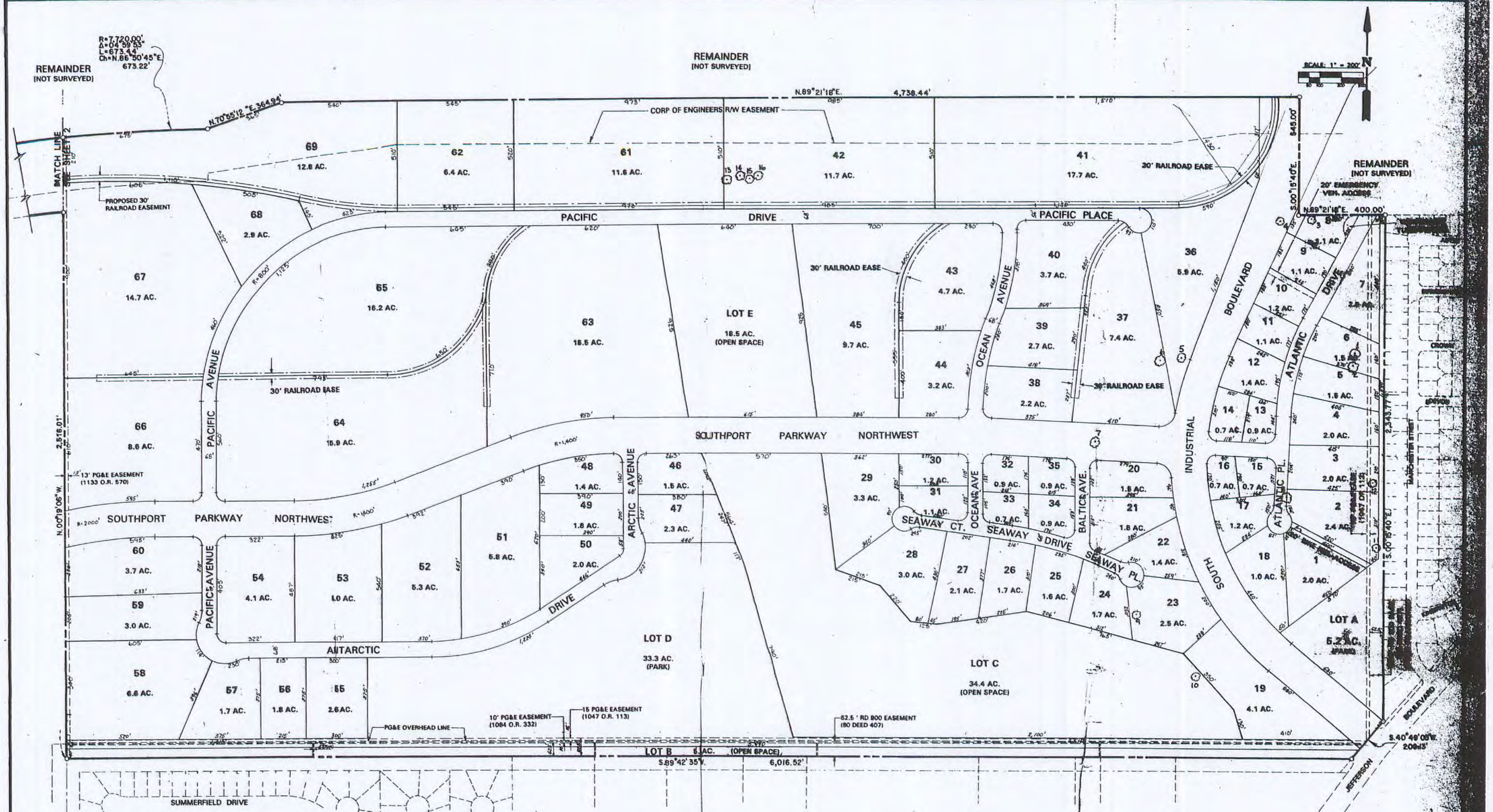
The total amount of public infrastructure needed to realize the development potential entitled with VTSM 4000 is estimated at $34,332,071, including the figures from above along with soft costs and contingency (a full breakdown of costs was prepared by City staff in December and is included as the last attachment). The City/Port is considering infrastructure financing options for the property, including the potential for tax increment financing such as an Infrastructure Financing District in addition to the potential for a joint venture between the Port, the City, and a master developer of the Seaway property.

PORT OF WEST SACRAMENTO

SEAWAY PROPERTY

SEAWAY PROPERTY FEATURES:

- Up to 260 acres of developable property plus adjacent 22-acre property owned by City
- Existing Vesting Tentative Map: entitled for over 3 million square feet of mixed industrial and commercial development
- Direct access to Port (2 miles) and Interstate 80/Highway 50 (2.5 miles)



LIST OF TREES:

The diameter of the drip line is given in parentheses. In addition to those trees listed below, there are numerous willows & cottonwoods around the lake.

1.	42"	Oak	(60')
2.	38"	Oak	(56')
3.	37"	Oak	(72')
4.	36"	Oak	(66')
5.	39"	Oak	(55')
6.	37"	Oak	(70')
7.	32"	Oak	(60')
8.	37"	Oak	(60')
9.	37"	Oak	(64')
10.	30"	Oak	(40')
11.	52"	Oak	(84')
12.	47"	Oak	(64')
13.	24"	Willow	(52')
14.	30"	Willow	(60')
15.	10"	Willow	(30')
16.	24"	Willow	(50')

NOTES:

1. See Sheet 2 for street sections and the Vicinity Map.
2. See Sheet 3 for accompanying Utility Diagram showing the layout of all utilities.
3. 15' Public Utilities Easements will be provided adjacent to the street right-of-ways on both sides of the street.
4. An Access Easement exists across the property from the future Southport Industrial Park to Jefferson Boulevard. The exact location is not yet defined.

AREA:

504 acres
Remainder: not surveyed

USE AND ZONING:

Existing: Vacant land zoned PD-37
Proposed: Future industrial subdivision

TOPOGRAPHY:

No trees will be removed as part of the construction of this subdivision. The tree size and type are listed in the "List of Trees." Tree #7 will be in the street median. Trees 3 and 4 will be in the landscaped area adjacent to the Boulevard.

PHASING:

The project will be developed [illegible] 8 phases as follows:

Phase 1: Lots 1 - 16 Pha[illegible] 5: Lots [illegible]
Phase 1A: Lots [illegible] Pha[illegible] 6: Lots [illegible]
Phase 3: Lots [illegible] Pha[illegible] 7: Lots [illegible]
Phase 4: Lots [illegible] Pha[illegible] 8: Lots [illegible]

The phasing of lots A throug[illegible] will be determined by the City. These are park and open space are[illegible]nd will be improved by the City. Either Phase 1 or Phase 1A will be [illegible]eloped first. By having either area designated as the first pha[illegible], the owner has the option of developing either a business park (P[illegible] 1) or an industrial area (Pha[illegible] 1A) first. The area not develope[illegible] will become Phase 2.

[illegible] of phases 7 and [illegible]epends of the development of the Southport [illegible] since access [illegible] lots will be through this development. [illegible] will not be develo[illegible] until this access is provided.

FIRE DISTRICT:

City of West Sacramento

UTILITIES:

Sewer & Water: City of West Sacramento
Drainage: RD 900
Electricity & Gas: PG&E
Telephone: Pacific Bell

ASSESSOR PARCEL NUMBERS:

45-020-02 & 03; 45-030-01, 02, & 04; 45-190-01 & 02; portions of 45-010-04 & 17, 45-100-01, 02, 07, & 09; 67-110-04 and 67-180-09.

OWNER AND SUBDIVIDER:

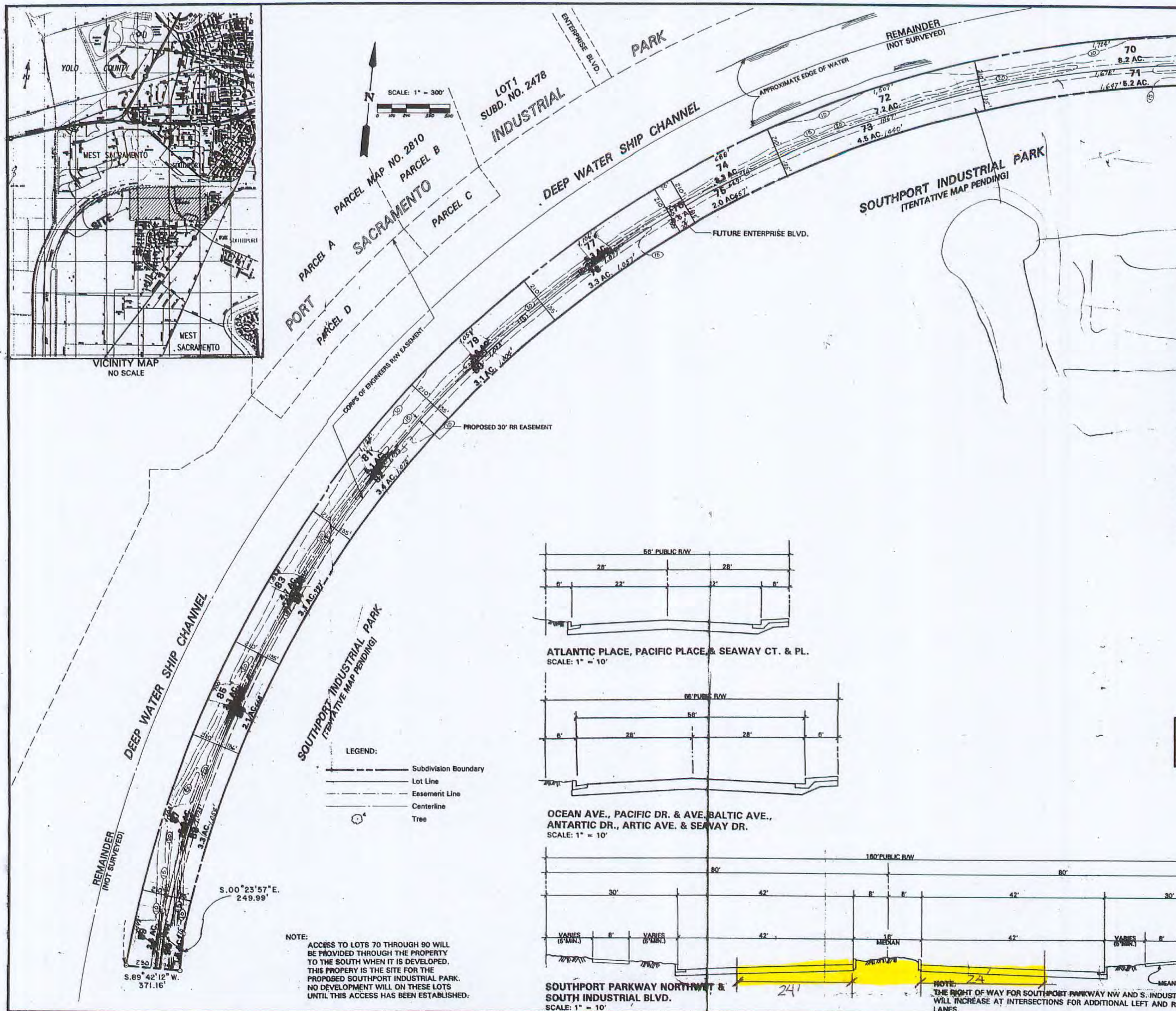
Sacramento-Yolo Port District
P.O. Box 815
West Sacramento, CA 95691
Telephone: 371-8000
Attn: John Sulpizio

ENGINEER:

NK Engineering & Surveying Co., [illegible]
1777 Oak Avenue, Suite A
Davis, Ca 95616
Telephone: 758-6490
Attn: Richard Chambers

[illegible] INTERNATI[illegible]
TRADE CENTER
PD-37

VESTING TENTATIVE [illegible]
SACRAMENTO - YOLO [illegible]
DESIGNED BY: [illegible]
DRAWN BY: [illegible]
DATE: [illegible]
SHEET [illegible]



LEGAL DESCRIPTION

PD-37 PORT OF SACRAMENTO

All that real property situated in the City of West Sacramento, County of Yolo, [illegible] of California, being a portion of Sections 8 and 9, T8N, R4E, MDM [illegible] follows:

Beginning at a point that is situated S 86°43'15" W, 675.32 feet from a [illegible] monument marked Mon 18, RE 8201 on the Southerly property line [illegible] Sacramento-Yolo Port District property as same appears of record on that [illegible] Record of Survey filed in Maps & Surveys Book 10, Page 81, Yolo County [illegible] thence from said point of beginning and along a curve to the left that is [illegible] with and 625.00 feet southerly of the said centerline of the District Deep [illegible] Channel, said curve having a radius of 7,375.00 feet, a central angle of [illegible] an arc distance of 10,011.65 feet, subtended by a chord bearing S 45°12'28" [illegible] 9,260.42 feet; thence S 0°23'57" E, 249.99 feet; thence S 89°42'12" W, [illegible] feet; thence along a curve to the right that is concentric with and [illegible] southerly of said channel centerline, said curve having a radius of 7,720.00 [illegible] central angle of 80°11'24", an arc distance of 10,804.77 feet, subtended by a [illegible] bearing N 44°15'06" E for 9,944.25 feet; thence, continuing along said curve [illegible] a radius of 7,720.00 feet, a central angle of 4°59'53", an arc distance of [illegible] feet, subtended by a chord bearing N 86°50'45" E for 673.22 feet; [illegible] 70°55'12" E, 364.94 feet to a line being 125.00 feet South of the [illegible] Sacramento-Yolo Port District Barge Canal; thence along said line N [illegible] 4,738.44 feet; thence S 0°15'40" E 545.00 feet; thence N 89°21'18" E, [illegible] feet to the northerly projection of the west line of Arlington Oaks Subdivision, [illegible] recorded in Map Book 4 on pages 49, 50, 57, and 58, of Yolo County [illegible] thence along said line S 0°15'40" E, 2,343.77 feet to the westerly line of [illegible] Boulevard; thence along said line S 40°49'05" W, 208.13 feet to the [illegible] Reclamation District 900 Main Drainage Canal, thence along said centerline of [illegible] Canal S 89°42'35" W, 6,016.52 feet; thence N 0°19'06" W, 2,516.01 feet to [illegible] point of beginning and containing 503.5 acres more or less.

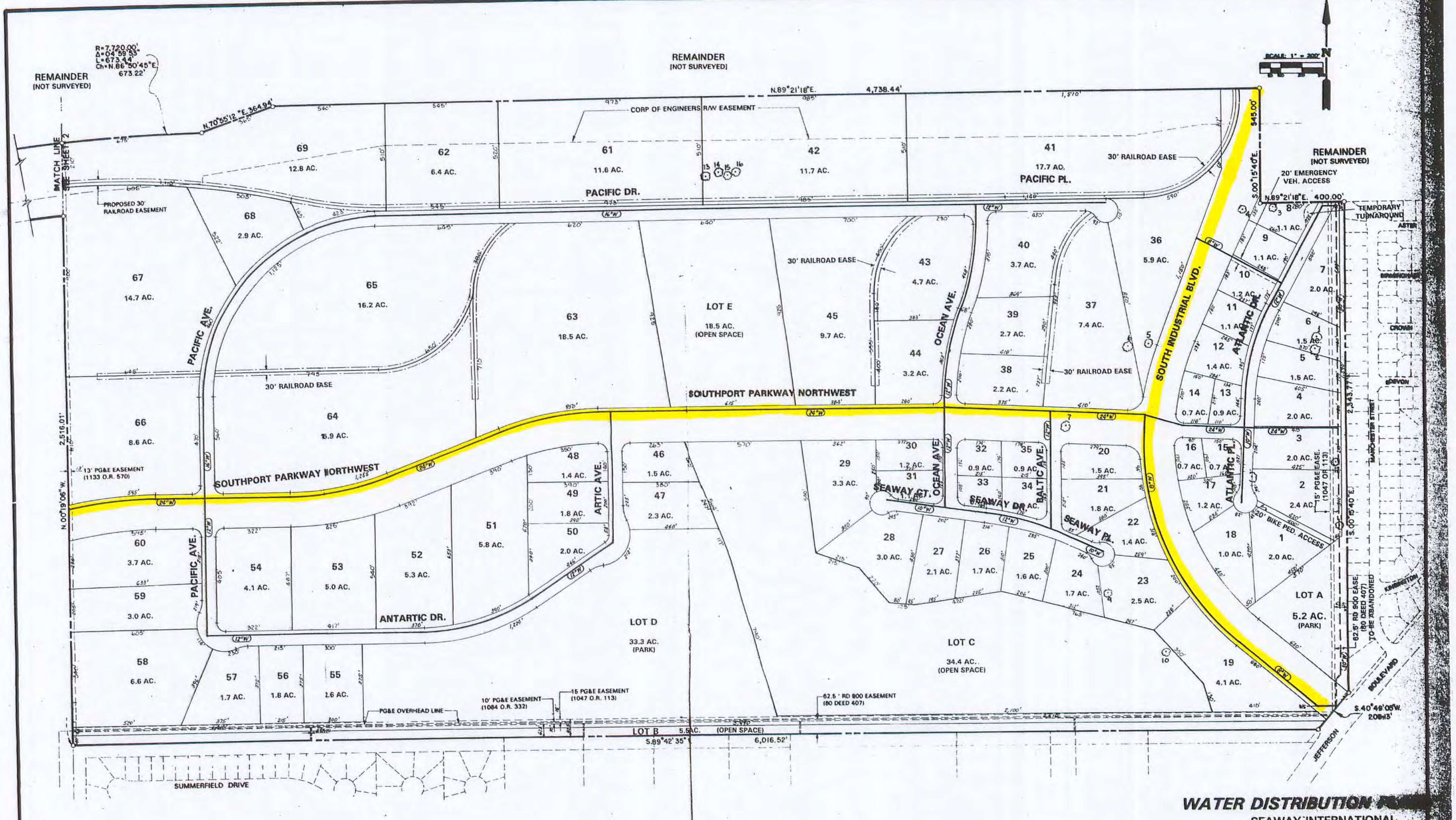
CURVE DATA

CV #	RADIUS	CENTRAL ANGLE	ARC LENGTH	CHORD BEARING	CHORD LENGTH
1	7375.00'	77°45'47"	10011.65'	S45°12'28"W	9260.42'
2	7720.00'	80°11'24"	10804.77	N44°15'06"E	9944.25'

SEAWAY INTERNATIONAL TRADE CENTER
PD-37

ENGINEERING AND SURVEYING [illegible]

DESIGNED BY: RWG
DRAWN BY: [illegible]



WATER DISTRIBUTION PLAN

SEAWAY INTERNATIONAL TRADE CENTER
PD-37

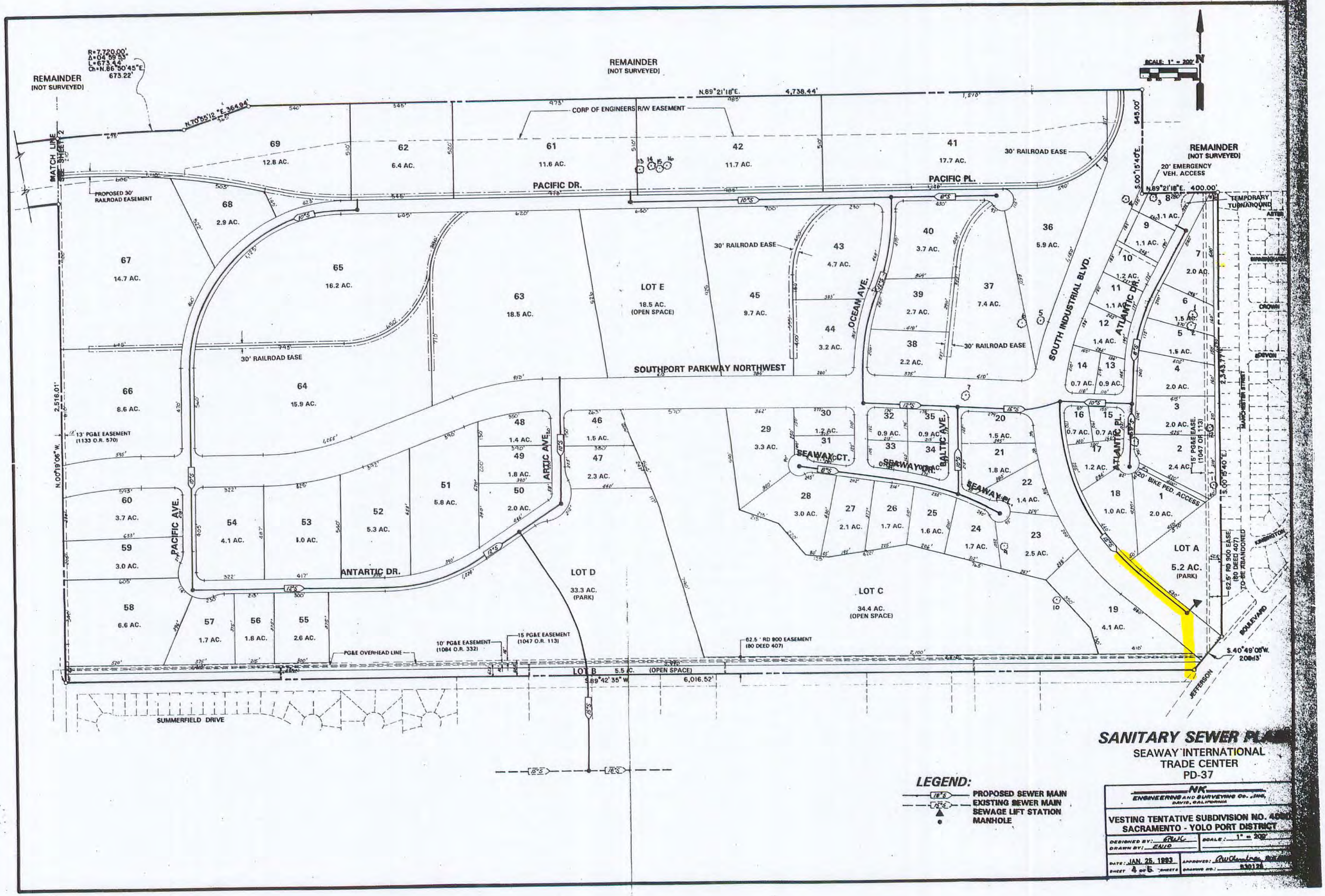
LEGEND:

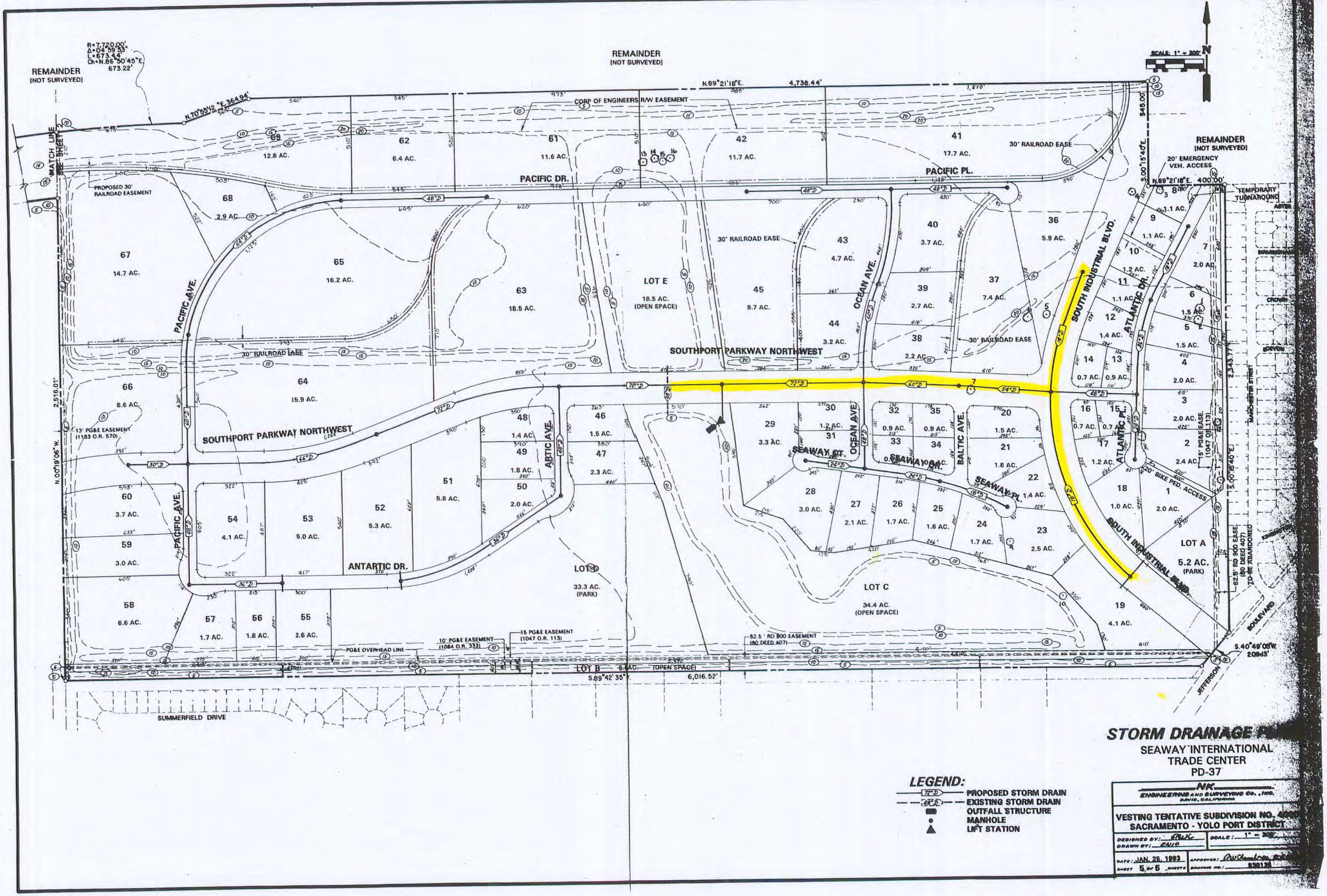
(24"W)	PROPOSED WATER MAIN
(10"W)	EXISTING WATER MAIN

NK ENGINEERING AND SURVEYING Co., INC. DAVIS, CALIFORNIA

VESTING TENTATIVE SUBDIVISION NO. 4030
SACRAMENTO - YOLO PORT DISTRICT

DESIGNED BY: GRUK
DRAWN BY: ENIO
SCALE: 1" = 200'
DATE: JAN. 25, 1993
SHEET 3 of 5 SHEETS
APPROVED:


SANITARY SEWER PLAN
SEAWAY INTERNATIONAL TRADE CENTER
PD-37
REMAINDER [NOT SURVEYED]
REMAINDER [NOT SURVEYED]
REMAINDER [NOT SURVEYED]
N.89°21'18"E. 4,738.44'
CORP OF ENGINEERS R/W EASEMENT
PACIFIC DR.
PACIFIC PL.
SOUTHPORT PARKWAY NORTHWEST
SOUTH INDUSTRIAL BLVD.
ATLANTIC DR.
ATLANTIC PL.
OCEAN AVE.
BALTIC AVE.
SEAWAY CT.
SEAWAY DR.
SEAWAY PL.
ARTIC AVE.
PACIFIC AVE.
ANTARTIC DR.
30' RAILROAD EASE
PROPOSED 30' RAILROAD EASEMENT
13' PG&E EASEMENT (1133 O.R. 570)
10' PG&E EASEMENT (1084 O.R. 332)
15 PG&E EASEMENT (1047 O.R. 113)
PG&E OVERHEAD LINE
62.5' RD 900 EASEMENT (80 DEED 407)
20' EMERGENCY VEH. ACCESS
20' BIKE PED. ACCESS
TEMPORARY TURNAROUND
LOT A 5.2 AC. (PARK)
LOT B 5.5 AC. (OPEN SPACE)
LOT C 34.4 AC. (OPEN SPACE)
LOT D 33.3 AC. (PARK)
LOT E 18.5 AC. (OPEN SPACE)
S.89°42'35"W. 6,016.52'
S.40°49'08"W. 208.13'
N.00°19'06"W. 2,516.01'
MATCH LINE SEE SHEET 2
SUMMERFIELD DRIVE
JEFFERSON BOULEVARD
SCALE: 1" = 200'
LEGEND:
PROPOSED SEWER MAIN
EXISTING SEWER MAIN
SEWAGE LIFT STATION
MANHOLE
NK ENGINEERING AND SURVEYING Co., INC. DAVIS, CALIFORNIA
VESTING TENTATIVE SUBDIVISION NO. 4
SACRAMENTO - YOLO PORT DISTRICT
SCALE: 1" = 200'
DATE: JAN. 25, 1993
SHEET 4 OF 5 SHEETS



STORM DRAINAGE PLAN
SEAWAY INTERNATIONAL TRADE CENTER
PD-37
LEGEND:
PROPOSED STORM DRAIN
EXISTING STORM DRAIN
OUTFALL STRUCTURE
MANHOLE
LIFT STATION
NK ENGINEERING AND SURVEYING Co., INC. DAVIS, CALIFORNIA
VESTING TENTATIVE SUBDIVISION NO.
SACRAMENTO - YOLO PORT DISTRICT
SCALE: 1" = 200'
DATE: JAN. 25, 1993
SHEET 5 of 5 SHEETS
REMAINDER [NOT SURVEYED]
SOUTHPORT PARKWAY NORTHWEST
PACIFIC AVE.
PACIFIC DR.
PACIFIC PL.
OCEAN AVE.
SOUTH INDUSTRIAL BLVD.
ATLANTIC DR.
ATLANTIC PL.
SEAWAY CT.
SEAWAY PL.
BALTIC AVE.
ARTIC AVE.
ANTARTIC DR.
SUMMERFIELD DRIVE
JEFFERSON BOULEVARD
MANCHESTER STREET
CORP OF ENGINEERS R/W EASEMENT
30' RAILROAD EASE
PROPOSED 30' RAILROAD EASEMENT
20' EMERGENCY VEH. ACCESS
TEMPORARY TURNAROUND
20' BIKE PED. ACCESS
LOT A 5.2 AC. (PARK)
LOT B (OPEN SPACE)
LOT C 34.4 AC. (OPEN SPACE)
LOT D 33.3 AC. (PARK)
LOT E 18.5 AC. (OPEN SPACE)
PG&E OVERHEAD LINE
62.5' RD 900 EASEMENT (80 DEED 407)
N.89°21'18"E. 4,738.44'
S.89°42'35"W. 6,016.52'
N.00°19'06"W. 2,516.01'

VTSM 4000
SEAWAY INTERNATIONAL
TRADE CENTER 12/18/2012

PRELIMINARY INFRASTRUCTURE COST ESTIMATE

Item Description	Unit of Measure	Estimated Quantity	Unit Cost	Total Price
STREETS				
Roadway Section (Inc. traffic control & striping)	SF	790,804	$7.00	$5,535,628.00
Curb and Gutter	LF	35,849	$40.00	$1,433,960.00
Sidewalk	SF	116,370	$10.00	$1,163,700.00
Landscaping and Irrigation	SF	213,356	$7.50	$1,600,170.00
Street lighting	EA	40	$5,000.00	$200,000.00
Joint Trench	LF	19,395	$150.00	$2,909,250.00
signalized intersection	EA	3	$250,000.00	$750,000.00
SUBTOTAL STREETS				**$13,592,708.00**
WATER				
10" WM pipe	LF	600	$85.00	$51,000.00
12" WM pipe	LF	6,700	$95.00	$636,500.00
16" WM pipe	LF	4,700	$115.00	$540,500.00
10" valve	EA	10	$2,000.00	$20,000.00
12" valve	EA	10	$2,400.00	$24,000.00
16" valve	EA	10	$4,500.00	$45,000.00
FH	EA	35	$5,000.00	$175,000.00
SUBTOTAL WATER				**$1,492,000.00**
SEWER				
8" Sewer piper	LF	1,700	$58.00	$98,600.00
10" Sewer pipe	LF	5,300	$60.00	$318,000.00
12" Sewer pipe	LF	3,400	$62.00	$210,800.00
15" Sewer pipe	LF	2,900	$65.00	$188,500.00
SSMH	EA	25	$4,500.00	$112,500.00
SUBTOTAL SEWER				**$928,400.00**
STORM DRAIN				
15" Storm pipe lateral	LF	2,600	$50.00	$130,000.00
18" Storm pipe	LF	400	$65.00	$26,000.00
24" Storm pipe	LF	750	$90.00	$67,500.00
30"Storm pipe	LF	300	$108.00	$32,400.00
36" Storm pipe	LF	1,500	$137.00	$205,500.00
48" Storm pipe	LF	3,850	$178.00	$685,300.00
54" Storm pipe	LF	1,200	$219.00	$262,800.00
60"Storm pipe	LF	1,700	$236.00	$401,200.00
66" Storm pipe	LF	1,100	$261.00	$287,100.00
72"Storm Pipe	LF	1,600	$345.00	$552,000.00
SDMH	EA	80	$4,500.00	$360,000.00
Pump Station	EA	1	$3,000,000.00	$3,000,000.00
Lake Washington Expansion	LS	1	$2,500,000.00	$2,500,000.00
SUBTOTAL STORM DRAIN				**$8,509,800.00**
Subtotal				**$24,522,908.00**
Soft Costs 25%				$6,130,727.00
15% Contingency				$3,678,436.20
TOTAL ESTIMATED COST				**$34,332,071.20**