



BOARD OF PORT COMMISSIONERS PORT OF REDWOOD CITY AGENDA

REGULAR MEETING
WEDNESDAY, 8:00 AM
JUNE 28, 2023

CHAIR: RALPH A. GARCIA
VICE CHAIR: LORIANNA KASTROP
SECRETARY: STAN MAUPIN
COMMISSIONER: RICHARD S. CLAIRE
COMMISSIONER: NANCY C. RADCLIFFE

HYBRID MEETING — IN-PERSON AND BY VIDEOCONFERENCE

The BOARD OF PORT COMMISSIONERS (BOARD) hereby provides notice that it will hold a regular meeting of the BOARD. This meeting of the Board will be held in the Port Administrative Offices (located at 675 Seaport Boulevard, Redwood City, California 94063), an alternative location of 244 Alameda de las Pulgas Boulevard, Redwood City, California 94062, and by teleconference pursuant to Government Code Section 54953(e). Members of the public will be able to participate in the meeting remotely via the Zoom platform or in person at the Port Administrative Offices and at the location referred to above. Some of the COMMISSIONERS may attend the meeting and participate remotely to the same extent as if they were present. The public is welcome to attend in person or alternatively via Zoom. PURSUANT TO THE RALPH M. BROWN ACT, ALL VOTES SHALL BE BY ROLL CALL.

Members of the public may also access and observe the meeting by joining by video teleconference via Zoom at: <https://zoom.us/join> Meeting ID: 985 1201 8699 Password: 85917060
Or use this link: <https://us06web.zoom.us/j/98512018699?pwd=dTc3a09SMWN5bDFQMFZMSDM4WVNSZz09>

To join by audio teleconference: Phone: (669) 900-6833 or (346) 248-7799 Meeting ID: 985 1201 8699

The Port of Redwood City is not responsible for a member of the public's technical ability to participate in the meeting.

HOW TO PROVIDE PUBLIC COMMENTS BEFORE THE BOARD MEETING:

Members of the public may also submit public comments on items of public interest that are within the subject matter jurisdiction of the Board via email to publiccomments@redwoodcityport.com. All public comments received by 7:45 AM on the date of the Board meeting will be read into the record with a time limit of three minutes per commenter unless otherwise indicated.

HOW TO PROVIDE PUBLIC COMMENTS DURING THE BOARD MEETING:

By video conference, use the "Raise Hand" feature to request to speak.

By teleconference, press *9 to "Raise Hand" (request to speak) and *6 to unmute.

Members of the public in attendance at the meeting who wish to speak on a matter within the jurisdiction of the Board of Port Commissioners should complete a speaker's slip to be recognized by the Chair at the appropriate time. Public comment from video teleconference will be heard first.

AGENDA ITEM

- I. CALL TO ORDER/ROLL CALL/PLEDGE OF ALLEGIANCE
- II. PUBLIC COMMENT — The Chair of the Board will recognize members of the public to make public comments on items of public interest that are within the subject matter jurisdiction of the Board. Comments on non-agendized items will be taken during the Public Comment period. Comments pertaining to agendized items will be taken at the time the agenda item is considered. Public comments received via email as provided above will be read into the record with a time limit of three minutes per commenter. No action will be taken on any public comment on a matter not appearing on the Agenda as a separate item unless otherwise authorized by law.

- III. **APPROVAL OF MINUTES — MAY 24, 2023**
ACTION: MOTION TO APPROVE; PUBLIC COMMENT; ROLL CALL VOTE
- IV. **APPROVAL OF CLAIMS — MAY 25, 2023, AND JUNE 9, 2023**
ACTION: MOTION TO APPROVE; PUBLIC COMMENT; ROLL CALL VOTE
- V. **ORDINANCES**
 - A. **ADOPTION OF AN ORDINANCE OF THE BOARD OF PORT COMMISSIONERS OF THE CITY OF REDWOOD CITY APPROPRIATING ANTICIPATED REVENUES AND OTHER GENERAL FUNDS OF THE PORT OF REDWOOD CITY FOR THE FISCAL YEAR JULY 1, 2023 – JUNE 30, 2024 - PUBLIC HEARING**

CEQA: THE ACTION BEFORE THE BOARD IS NOT SUBJECT TO CEQA REVIEW PROCESS PURSUANT TO RESOURCE CODE, SECTION 21065 AND GUIDELINES, SECTION 15378
ACTION: MOTION TO WAIVE THE SECOND READING AND ADOPT THE ORDINANCE; PUBLIC COMMENT; ROLL CALL VOTE
- VI. **RESOLUTIONS — NONE**
- VII. **MOTIONS — NONE**
- VIII. **REPORTS/PRESENTATIONS**
 - A. **RECEIVE THE FISCAL YEAR 2022 ANNUAL AUDITED FINANCIAL STATEMENTS (MAZE & ASSOCIATES)**
ACTION: PUBLIC COMMENT
- IX. **EXECUTIVE DIRECTOR'S REPORT**
- X. **MATTERS OF BOARD INTEREST**
- XI. **CLOSED SESSION — NONE**
- XII. **ADJOURNMENT — TO REGULAR MEETING OF JULY 12, 2023**
ACTION: MOTION TO APPROVE; PUBLIC COMMENT; ROLL CALL VOTE

DOCUMENTS: Public records that relate to an agenda item for an open session of a regular meeting of the Board of the Port Commissioners, which are released less than 72 hours prior to the meeting, are available to the public at the Port offices at 675 Seaport Boulevard, Redwood City, CA, 94063.

ALTERNATIVE AGENDA FORMATS: The Board of the Port Commissioners will provide public records in appropriate alternative formats upon request by any person with a disability consistent with the federal Americans with Disabilities Act of 1990 and disability related accommodation to enable participating in the public meeting consistent with federal Americans with Disabilities Act of 1990. Please send a written request to the Clerk of the Board at the Port of Redwood City, 675 Seaport Boulevard, Redwood City, CA, 94063, or via email at info@redwoodcityport.com and include address, phone number and brief description of the requested materials and preferred alternative format or auxiliary ad or service at least seven calendar days before the meeting.



BOARD OF PORT COMMISSIONERS
PORT OF REDWOOD CITY
MINUTES

REGULAR MEETING
WEDNESDAY, 8:00 AM
MAY 24, 2023

CHAIR: RALPH A. GARCIA
VICE CHAIR: LORIANNA KASTROP
SECRETARY: STAN MAUPIN
COMMISSIONER: RICHARD S. CLAIRE
COMMISSIONER: NANCY C. RADCLIFFE

AGENDA ITEM

I. CALL TO ORDER/ROLL CALL/PLEDGE OF ALLEGIANCE

The Board of Port Commissioners held its regular meeting in person at the Port Administrative Offices and via video/teleconference, pursuant to Government Code Section 54953(e). Members of the public participated in the meeting as well as remotely via the Zoom platform or in person at the Port Administrative Offices. Pursuant to the Ralph M. Brown Act, as amended by AB 361, all votes were by roll call and the meeting was available to the public to attend and provide public comments via audio/video teleconference.

Chair Ralph Garcia, presiding

Commissioners Present: Richard Claire, Nancy C. Radcliffe, Stan Maupin, Lorianna Kastrop and Ralph A. Garcia

Commissioners Absent: None

Port Executives Present: Executive Director, Kristine A. Zortman; Director of Finance and Administration, Rajesh Sewak and Port Attorney, Francois X. Sorba

Chair Garcia called the meeting to order at 8:00 AM. Clerk of the Board Linda Alvarado confirmed a meeting quorum with Commissioners Claire, Radcliffe, Kastrop, Maupin, and Garcia in attendance. Port Attorney Francois Sorba led the Pledge of Allegiance.

II. PUBLIC COMMENT

Executive Director Zortman confirmed that there were no members of the public who wished to make public comment on non-agendized items.

III. APPROVAL OF MINUTES — APRIL 26, 2023, and MAY 10, 2023

After inviting public comment, Chair Garcia confirmed with Executive Director Zortman that there were no members of the public who wished to make public comment on this agenda item. A motion to approve minutes dated April 26, 2023, and May 10, 2023 was made by Commissioner Radcliffe and seconded by Commissioner Maupin. The motion passed by a unanimous voice roll call vote of all Commissioners present.

IV. APPROVAL OF CLAIMS — MAY 11, 2023

After inviting public comment, Chair Garcia confirmed with Executive Director Zortman that there were no members of the public who wished to make public comment on this agenda item. A motion to approve claims dated May 11, 2023 was made by Commissioner Maupin and was seconded by Commissioner Radcliffe. The motion passed by a unanimous voice roll call vote of all Commissioners present.

V. ORDINANCES

A. ADOPTION OF AN ORDINANCE OF THE BOARD OF PORT COMMISSIONERS OF THE CITY OF REDWOOD CITY ESTABLISHING SALARY PLAN FOR THE OFFICERS AND EMPLOYEES OF THE PORT OF REDWOOD CITY, AND REPEALING ALL ORDINANCES, OR PORTIONS THEREOF, IN CONFLICT HERewith - PUBLIC HEARING

Chair Garcia opened the public hearing at 8:02 AM. After inviting public comment, Chair Garcia confirmed with Executive Director Zortman that there were no members of the public who wished to make public comment on this agenda item. A motion to close the public hearing and waive the second reading was made by Commissioner Kastrop and was seconded by Commissioner Radcliffe. A motion to adopt the ordinance was made by Commissioner Kastrop and was seconded by Commissioner Radcliffe. The motion passed by a unanimous voice roll call vote of all Commissioners present.

B. INTRODUCTION OF AN ORDINANCE OF THE BOARD OF PORT COMMISSIONERS OF THE CITY OF REDWOOD CITY APPROPRIATING ANTICIPATED REVENUES AND OTHER GENERAL FUNDS OF THE PORT OF REDWOOD CITY FOR THE FISCAL YEAR JULY 1, 2023 – JUNE 30, 2024

Executive Director Zortman introduced Rajesh Sewak, Director of Finance and Administration. Mr. Sewak presented a brief walkthrough of the proposed fiscal year 2024 budget. Mr. Sewak stated on May 12, 2023 the ad-hoc Finance Committee convened with staff on the Preliminary Port Budget for fiscal year 2023/2024 (Fy2024). Mr. Sewak stated the Preliminary Budget is based on an estimated 1.9 million metric tons (mt) of cargo. Mr. Sewak also stated the total operating revenue in the Preliminary Budget of \$10.1 million is almost 11% more than the Fy2022-23 Budget. Commissioner Maupin stated he appreciated serving on the ad-hoc Finance Committee. After inviting public comment, Chair Garcia confirmed with Executive Director Zortman that there were no members of the public who wished to make public comment on this agenda item. A motion to waive the full reading and introduce the ordinance was made by Commissioner Radcliffe and seconded by Commissioner Maupin. The motion passed by a unanimous voice roll call vote of all Commissioners present.

VI. RESOLUTIONS

A. RESOLUTION OF THE BOARD OF PORT COMMISSIONERS OF THE CITY OF REDWOOD CITY APPROVING THE BELOW SUBLEASE AGREEMENTS:

- 1. RESOLUTION OF THE BOARD OF PORT COMMISSIONERS OF THE CITY OF REDWOOD CITY APPROVING STANDARD SUBLEASE AGREEMENT — (PORTSIDE INVESTORS — PHASE I LEASE AGREEMENT) — (KYO AUTISM THERAPY, LLC)**
- 2. RESOLUTION OF THE BOARD OF PORT COMMISSIONERS OF THE CITY OF REDWOOD CITY APPROVING SECOND AMENDMENT TO SUBLEASE AGREEMENT — (PORTSIDE INVESTORS — PHASE I LEASE AGREEMENT) — (WORKBOARD, INC.)**

After inviting public comment, Chair Garcia confirmed with Executive Director Zortman that there were no members of the public who wished to make public comment on this agenda item. A motion to adopt the resolutions was made by Commissioner Radcliffe and was seconded by Commissioner Maupin. The motion passed by a unanimous voice roll call vote of all Commissioners present.

VII. MOTIONS — NONE

VIII. REPORTS/PRESENTATIONS

IX. EXECUTIVE DIRECTOR'S REPORT

On May 11, 2023 Executive Director Zortman attended San Francisco Marine Exchange May Day Celebration. On May 17, 2023 Executive Director Zortman attended California Marine Affairs and Navigation Conference (CMANC) Board of Directors meeting. From May 17 through May 19, 2023 staff attended the CMANC Spring Meeting. On May 22, 2023 Executive Director Zortman attended City Council for approval of an armored vehicle on behalf of Redwood City Police. City Council approved the item. On May 23, 2023 Executive Director Zortman served on a panel discussion at the Dredging Open House Panel by US Army Corps of Engineers. On May 24, 2023 Executive Director Zortman will meet with Dredged Material Management Office to discuss permitting for the upcoming federal dredge of the Port's channel. Executive Director Zortman stated on June 14, 2023 the Port will be hosting Chamber San Mateo County Off the Clock on the Dock at the marina.

X. MATTERS OF BOARD INTEREST

On May 10 Commissioner Kastrop attended Bay Planning Coalition's Resilient Transportation Committee meeting. Chair Garcia announced on June 2, 2023 Music on the Square and on June 21, 2023 Music in the Park will commence.

XI. CLOSED SESSION — NONE

XII. ADJOURNMENT — TO REGULAR MEETING OF JUNE 14, 2023

After inviting public comment, Chair Garcia confirmed with Executive Director Zortman that there were no members of the public who wished to make public comment on this agenda item. A motion to adjourn the meeting was made by Commissioner Maupin and seconded by Commissioner Kastrop. The motion passed by a unanimous voice roll call vote of all Commissioners present. The meeting was adjourned by Chair Garcia at 8:36 AM to its next regularly scheduled meeting on June 14, 2023.



**BOARD OF PORT COMMISSIONERS
PORT OF REDWOOD CITY**

STAFF REPORT

DATE: JUNE 28, 2023
ITEM NO: V.A
SUBMITTED BY: Rajesh Sewak, Director of Finance & Administration
TITLE: ADOPTION OF AN ORDINANCE OF THE BOARD OF PORT COMMISSIONERS OF THE CITY OF REDWOOD CITY APPROPRIATING ANTICIPATED REVENUES AND OTHER GENERAL FUNDS OF THE PORT OF REDWOOD CITY FOR THE FISCAL YEAR JULY 1, 2023 – JUNE 30, 2024 – PUBLIC HEARING

RECOMMENDATION

Staff recommends that the Board of Port Commissioners (Board) adopt the Port of Redwood City's (Port) Fy2024 Budget Ordinance.

BACKGROUND

On May 24, 2023, the Ordinance was introduced by the Board. On June 11, 2023, the Notice of Public Hearing and Ordinance was published in the Examiner-Redwood City Tribune (Attachment A).

As of today, there have been no changes to the Ordinance since its introduction on May 24, 2023.

ANALYSIS

See analysis in the May 24, 2023, Staff Report when the Ordinance was introduced (Attachment B).

ALTERNATIVES

N/A

ENVIRONMENTAL REVIEW

The action before the Board for consideration today is not subject to the CEQA review process pursuant to Resource Code, Section 21065 and Guidelines, Section 15378.



Staff



Executive Director

ATTACHMENTS

- A. Notice of Public Hearing Proof of Publication printed in Daily Journal on June 11, 2023
- B. Staff Report dated May 24, 2023 (with attachments)
- C. Ordinance

ATTACHMENT A

CALIFORNIA NEWSPAPER SERVICE BUREAU

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LINDA ALVARADO
REDWOOD CITY PORT / ADMIN
675 SEAPORT BLVD.
REDWOOD CITY, CA 94063

SPEN# 3708314

COPY OF NOTICE

Notice Type: HRG NOTICE OF HEARING

Ad Description
BUDGET ORDINANCE

To the right is a copy of the notice you sent to us for publication in the REDWOOD CITY TRIBUNE. Please read this notice carefully and call us with any corrections. The Proof of Publication will be filed with the County Clerk, if required, and mailed to you after the last date below. Publication date(s) for this notice is (are):

06/11/2023

The charge(s) for this order is as follows. An invoice will be sent after the last date of publication. If you prepaid this order in full, you will not receive an invoice.

| | |
|-------------|----------|
| Publication | \$573.80 |
| Total | \$573.80 |

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN THAT THE ORDINANCE OF THE BOARD OF PORT COMMISSIONERS OF THE CITY OF REDWOOD CITY APPROPRIATING ANTICIPATED REVENUES AND OTHER GENERAL FUNDS OF THE PORT OF REDWOOD CITY FOR THE FISCAL YEAR JULY 1, 2023 - JUNE 30, 2024 will be considered for adoption by the Board of Port Commissioners of the City of Redwood City at its regularly scheduled meeting on the 28th day of June 2023 at 8:00 AM in the Board's Meeting Room, Port Administration Building, 675 Seaport Blvd, Redwood City, CA. 94063. The public hearing on the adoption of the ordinance will be open to members of the public via teleconference and in person in order to preserve public health and safety. Members of the public may attend virtually via Zoom. Log in credentials are as follows: <https://us06web.zoom.us/j/98512018699?pwd=dTc3a09SMWN5bDFQMFZMSDM4WVNSZz09>

Meeting ID: 985 1201 8699
Passcode: 85917060 Or dial (669) 900-6833 or (346) 248-7799 **Meeting ID:** 985 1201 8699 and will then be recognized by the Chair of the Board of Port Commissioners of the City of Redwood City. The Port of Redwood City is not responsible for a member of the public's technical ability to participate in the meeting.
ORDINANCE OF THE BOARD OF PORT COMMISSIONERS OF THE CITY OF REDWOOD CITY APPROPRIATING ANTICIPATED REVENUES AND OTHER GENERAL FUNDS OF THE PORT OF REDWOOD CITY FOR THE FISCAL YEAR JULY 1, 2023 - JUNE 30, 2024

BE IT ORDAINED BY THE BOARD OF PORT COMMISSIONERS OF THE CITY OF REDWOOD CITY, AS FOLLOWS:

WHEREAS, an annual budget containing an estimate of the revenues and expenses of the Port of Redwood City for the Fiscal Year beginning July 1, 2023, and ending June 30, 2024, has been presented to and approved by the Board of Port Commissioners of the Port of Redwood City; and **WHEREAS,** said Board desires and intends to appropriate and authorize the expenditure of said anticipated revenues in

accordance with the above-mentioned budget. **NOW THEREFORE, BE IT ORDAINED BY THE PORT OF REDWOOD CITY BOARD OF PORT COMMISSIONERS OF THE CITY OF REDWOOD CITY, AS FOLLOWS:**

SECTION 1. GENERAL.

The estimated revenues of the Port of Redwood City for Fiscal Year July 1, 2023 - June 30, 2024, and all unexpended and unencumbered monies remaining in the Port funds at the close of Fiscal Year July 1, 2022 - June 30, 2023 are hereby allocated and appropriated as hereinafter provided.

SECTION 2. OPERATING EXPENSES - OPERATIONS.

The sums hereinafter specified are hereby appropriated from general Port funds for the payment of operating expenses in connection with the operation of the Port of Redwood City during Fiscal Year July 1, 2023 - June 30, 2024, and the expenditure of said sums for the purposes stated herein is hereby authorized:

- Line Item 1. Marine Terminal \$ 2,347,216
- Line Item 2. Recreational Boating \$ 584,017
- Line Item 3. Commercial \$ 493,599
- Line Item 4. Infrastructure \$ 971,734
- Line Item 5. General Maintenance \$ 606,062
- Total-Operations \$ 5,002,628

SECTION 3. OPERATING EXPENSES - ADMINISTRATION.

The sums hereinafter specified are hereby appropriated from general Port funds for the payment of operating expenses in connection with the administration of the Port of Redwood City during Fiscal Year July 1, 2023 - June 30, 2024, and the expenditure of said sums for the purposes stated herein is hereby authorized:

- Line Item 1. Admin Salaries, Taxes & Benefits \$1,165,899
- Line Item 2. Office & Administrative Expenses \$ 179,599
- Line Item 3. Professional Services \$ 325,680
- Line Item 4. Promotion & Marketing \$ 257,000
- Line Item 5. Depreciation (Admin only)



* A 0 0 0 0 0 6 3 2 6 6 3 1 *

ATTACHMENT A

\$ 18,036

Total-Administration
\$1,946,214

SECTION 4. SUBVENTION. The sum of Six Hundred Seven Thousand and Four Hundred Fifty-Eight dollars (\$607,458) for voluntary Subvention to the City of Redwood City is hereby appropriated from general Port funds (derived from sources other than State granted lands) should the Board of Port Commissioners deem such funds as surplus and provided such payment does not violate Revenue Bond covenants and applicable state and federal laws.

SECTION 5. REVENUE BONDS SERIES 2015 INTEREST. For purposes of this Ordinance, "Revenue Bonds Series 2015" refers to those bonds authorized, issued and outstanding pursuant to Resolution No. P-2267 entitled "Resolution of the Board of Port Commissioners of the Port Department of the City of Redwood City Authorizing the Issuance of Revenue Bonds, Approving an Official Statement, Authorizing the Execution and Delivery of a Third Supplemental Indenture, and Escrow Deposit and Trust Agreement and a Bond Purchase Agreement and Authorizing Certain Related Matters."

The sum of One Hundred Thirty-Three Thousand and One Hundred Ninety-One dollars (\$133,191) is hereby appropriated from general Port funds for the payment of interest on the Revenue Bonds Series 2015 during the Fiscal Year July 1, 2023 - June 30, 2024, and the expenditure of said sum for such purpose is hereby authorized.

SECTION 6. REVENUE BONDS SERIES 2015-PRINCIPAL. The sum of Four Hundred Seventy-Five Thousand dollars (\$475,000) is hereby appropriated from general Port funds for the payment of principal of the Revenue Bonds Series 2015 during the Fiscal Year July 1, 2023 - June 30, 2024, and the expenditure of said sum for such purpose is hereby authorized.

SECTION 7. REVENUE BONDS SERIES 2012 INTEREST. For purposes of this Ordinance, "Revenue Bonds Series 2012" refers to those bonds authorized, issued and outstanding pursuant to Resolution No. P-2178 entitled "Resolution of the Board of Port Commissioners of the Port Department of the City of Redwood City Authorizing

the Issuance of Revenue Bonds and the Execution and Delivery of a Second Supplemental Indenture and a Bond Purchase Agreement and Authorizing Certain Related Matters."

The sum of Two Hundred Twenty-Three Thousand and Four Hundred Three dollars (\$223,403) is hereby appropriated from general Port funds for the payment of interest on the Revenue Bonds Series 2012 during the Fiscal Year July 1, 2023 - June 30, 2024, and the expenditure of said sum for such purpose is hereby authorized.

SECTION 8. REVENUE BONDS SERIES 2012-PRINCIPAL. The sum of Five Hundred Eighteen Thousand and Eight Hundred Ninety-One dollars (\$518,891) is hereby appropriated from general Port funds for the payment of principal of the Revenue Bonds Series 2012 during the Fiscal Year July 1, 2023 - June 30, 2024, and the expenditure of said sum for such purpose is hereby authorized.

SECTION 9. REVENUE BONDS SERIES 2012-RESERVES. The sum of Seven Hundred Forty Two Thousand and Two Hundred Ninety Four dollars (\$742,294) theretofore appropriated, transferred and carried over in the Parity Bond Reserve Fund account held by the Trustee, is hereby re-appropriated and maintained pursuant to Resolution No. P-2178 during the Fiscal Year July 1, 2023 - June 30, 2024.

SECTION 10. CAPITAL IMPROVEMENTS. The sum of One Million Four Hundred Fifty Thousand dollars (\$1,450,000) is hereby appropriated from Port Reserve Fund and Grant Fund in connection with Capital Improvements Program for the Port of Redwood City during the Fiscal Year July 1, 2023 - June 30, 2024, and this expenditure of said sum for the purpose stated is authorized.

SECTION 11. RESERVE FUNDING. The sum remaining in the general Port funds as of June 30, 2023, less a prudent amount to be retained in the general Port funds, is hereby appropriated from General Fund to Reserve Fund in connection with contingent expenditure for the operation, administration, and/or capital improvement program of the Port of Redwood City during the Fiscal Year July 1, 2023 - June 30, 2024, and the

expenditure of said sum and for the purpose stated is authorized.

SECTION 12. TRANSFER, ADDITIONAL APPROPRIATIONS, CANCELLATIONS.

The Board of Port Commissioners may consent to the transfer of sums from an appropriated operating expense line item to any other appropriated operating expense line item within each Section. Transfers in excess of \$25,000 per operating expense line item shall be by Resolution.

The Board of Port Commissioners may, by Resolution, transfer appropriated sums from one Section to another, authorize additional appropriations, and cancel previously authorized appropriations.

SECTION 13. EFFECTIVE DATE. This ordinance shall be effective thirty (30) days after its adoption and shall be operative as of July 1, 2023.

Introduced on the 24th day of May 2023.
5/11/23

SPEN-3708314#
EXAMINER - REDWOOD CITY TRIBUNE



ATTACHMENT B
BOARD OF PORT COMMISSIONERS
PORT OF REDWOOD CITY

STAFF REPORT

DATE: MAY 24, 2023
ITEM NO: V.B
SUBMITTED BY: Rajesh Sewak, Director of Finance & Administration
TITLE: INTRODUCTION OF ORDINANCE OF THE BOARD OF PORT COMMISSIONERS OF THE CITY OF REDWOOD CITY APPROPRIATING ANTICIPATED REVENUES AND OTHER GENERAL FUNDS OF THE PORT OF REDWOOD CITY FOR THE FISCAL YEAR JULY 1, 2023 – JUNE 30, 2024

RECOMMENDATION

Staff recommends that the Board of Port Commissioners (Board) introduce the Port of Redwood City's (Port) Fy2024 Budget Ordinance.

BACKGROUND

On May 12, 2023 the ad-hoc Finance Committee convened with staff on the Preliminary Port Budget for fiscal year 2023/2024 (Fy2024). Should the Board adopt the proposed budget, a summary of the Preliminary Port Fy2024 Budget will be transmitted to the Mayor and City Manager of Redwood City, copies of which will also be provided to the Port Commissioners. The City of Redwood City's (City) annual budget will include the Port's adopted budget.

The Ordinance appropriating anticipated revenues and funds of the Port for Fy2024 is based on the Preliminary Fy2024 Budget and requires introduction, a future Public Hearing at a Board meeting, and final action at a subsequent Board meeting.

ANALYSIS

The Preliminary Budget is based on an estimated 1.9 metric tons (mt) of cargo. Cargo tonnage is primarily composed of construction sand and aggregates imported from Canada and recycled scrap metal exported mainly to Asia.

The Preliminary Budget also reflects \$10.1 million in operating revenue of which \$7.2 million, or 71%, will be generated by maritime operations. In consultation with Port tenants and researching the impacts to supply chain merchants in consideration of ongoing COVID-19 impacts, staff proposes a conservative tonnage budget with an approximate 3% above this fiscal year's (Fy2023) forecast. Commercial leases and Recreational Boating (Marina activities) show a revenue increase of 2%, in part due to rent increases.

Total operating revenue in the Preliminary Budget of \$10.1 million is almost 11% more than the Fy2022-23 Budget. The Preliminary Budget also includes \$6.9 million in operating expenses, 72% of which is attributed to operations and 28% to administration, leaving an operating income of \$3.2 million. The operating income is further reduced by almost \$300,000 of non-operating expenses, such as, interest expense on the Port's 2015 and 2012 Revenue Bonds (offset by interest income on investments) and subvention payment to the City, resulting in a projected net income of \$2.9 million.

If approved, the Fy2024 Budget will be implemented starting no sooner than July 1, 2023.

| | |
|------------------|--------------------------------------|
| Cost Recovery | N/A |
| Port 2020 Vision | Comports with the Port's 2020 Vision |
| Budget | FY2024 Budget |

ATTACHMENT B

DATE: MAY 24, 2023

ITEM NO: V.B

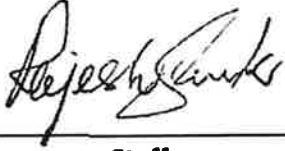
TITLE: INTRODUCTION OF ORDINANCE OF THE BOARD OF PORT COMMISSIONERS OF THE CITY OF REDWOOD CITY APPROPRIATING ANTICIPATED REVENUES AND OTHER GENERAL FUNDS OF THE PORT OF REDWOOD CITY FOR THE FISCAL YEAR JULY 1, 2023 – JUNE 30, 2024

ALTERNATIVES

N/A

ENVIRONMENTAL REVIEW

The action before the Board for consideration today is not subject to the CEQA review process pursuant to Resource Code, Section 21065 and Guidelines, Section 15378.



Staff



Executive Director

ATTACHMENTS

- A. Fy2023-24 Port Budget
- B. Budget Ordinance

Executive Summary
PORT OF REDWOOD CITY
Fy2023-24 BUDGET
COMPARATIVE STATEMENTS OF ACTIVITIES

| | Fy2021 ACTUAL | Fy2022 ACTUAL | Fy2023 BUDGET | Fy2023 FORECAST | Fy2024 BUDGET | Fy2024 Budget vs Fy2023 Forecast Favorable (Unfavorable) | % |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---|--------------|
| OPERATING REVENUES | | | | | | | |
| Dockage: | \$ 714,059 | \$ 721,415 | \$ 707,092 | \$ 798,316 | \$ 825,695 | \$ 27,379 | 3% |
| Line Handling: | 680,419 | 627,052 | 614,951 | 750,882 | 775,840 | 24,958 | 3% |
| Wharfage: | 2,332,115 | 2,497,397 | 2,361,928 | 2,464,356 | 2,528,400 | 64,044 | 3% |
| Facilities Usage: | 355,551 | 382,541 | 379,130 | 555,351 | 557,000 | 1,649 | 0% |
| Services & Misc (Water usage): | 34,408 | 34,551 | 32,000 | 42,402 | 44,000 | 1,598 | 4% |
| Rental - Maritime: | 2,259,504 | 2,294,341 | 2,344,445 | 2,375,515 | 2,463,652 | 88,137 | 4% |
| Sub-Total Marine Terminal: | 6,376,056 | 6,557,297 | 6,439,546 | 6,986,822 | 7,194,587 | 207,765 | 3% |
| Marina - Berth Rental: | 514,756 | 503,689 | 526,400 | 506,253 | 548,090 | 41,837 | 8% |
| Dry Boat Storage: | 52,787 | 54,143 | 55,854 | 56,529 | 59,011 | 2,482 | 4% |
| Sub-Total Recreational Boating: | 567,543 | 557,832 | 582,254 | 562,782 | 607,101 | 44,319 | 8% |
| Rental - Commercial: | 1,973,784 | 2,167,904 | 2,128,114 | 2,312,058 | 2,322,615 | 10,557 | 0% |
| Sub-Total Commercial: | 1,973,784 | 2,167,904 | 2,128,114 | 2,312,058 | 2,322,615 | 10,557 | 0% |
| TOTAL OPERATING REVENUES: | 8,917,383 | 9,283,033 | 9,149,914 | 9,861,662 | 10,124,304 | 262,642 | 3% |
| OPERATING EXPENSES | | | | | | | |
| Marine Terminal: | 2,127,631 | 3,263,350 | 2,289,218 | 2,364,709 | 2,347,216 | 17,493 | 1% |
| Recreation Boating: | 580,544 | 629,049 | 581,610 | 584,181 | 584,017 | 164 | 0% |
| Commercial: | 343,389 | 368,803 | 399,268 | 492,786 | 493,599 | (813) | 0% |
| Infrastructure: | 781,676 | 760,620 | 889,270 | 880,826 | 971,735 | (90,909) | -10% |
| General Maintenance: | 272,863 | 444,659 | 491,418 | 525,701 | 606,062 | (80,361) | -15% |
| Sub-Total Operating Expenses: | 4,106,103 | 5,466,481 | 4,650,784 | 4,848,203 | 5,002,628 | (154,425) | -3% |
| ADMINISTRATIVE EXPENSES | | | | | | | |
| Salaries & Benefits: | 1,033,834 | 979,790 | 989,037 | 987,634 | 1,165,899 | (178,265) | -18% |
| Office & Admin Expenses: | 143,325 | 218,541 | 160,735 | 137,578 | 179,599 | (42,021) | -31% |
| Professional Services: | 256,347 | 216,211 | 287,680 | 299,183 | 325,680 | (26,497) | -9% |
| Promotion & Marketing: | 171,160 | 182,112 | 260,000 | 216,909 | 257,000 | (40,091) | -18% |
| Depreciation (Office Only): | 15,630 | 15,630 | 15,636 | 15,630 | 18,036 | (2,406) | -15% |
| Sub-Total Administrative Exp: | 1,620,296 | 1,612,284 | 1,713,088 | 1,656,934 | 1,946,214 | (289,280) | -17% |
| TOTAL OPERATING EXPENSES: | 5,726,399 | 7,078,765 | 6,363,872 | 6,505,137 | 6,948,842 | (443,705) | -7% |
| OPERATING INCOME: | 3,190,984 | 2,204,268 | 2,786,042 | 3,356,525 | 3,175,461 | (181,063) | -5% |
| NON-OPERATING REVENUES (EXPENSES) | | | | | | | |
| Interest Income: | 105,795 | 75,461 | 55,000 | 300,352 | 250,000 | (50,352) | -17% |
| Interest Expense: | (478,036) | (426,677) | (413,275) | (413,274) | (378,123) | 35,151 | 9% |
| Other Income (Expense): | 115,331 | (84,501) | 468,360 | 247,522 | 468,466 | 220,944 | 89% |
| Total Non-Operating Income (Expenses): | (256,910) | (435,717) | 110,085 | 134,600 | 340,343 | 205,743 | -153% |
| NET INCOME BEFORE SUBVENTION: | 2,934,074 | 1,768,551 | 2,896,127 | 3,491,125 | 3,515,804 | 24,680 | 1% |
| Subvention to City of Redwood City: | (541,416) | (563,962) | (558,766) | (591,700) | (607,458) | (15,758) | 3% |
| NET INCOME AFTER SUBVENTION: | \$ 2,392,658 | \$ 1,204,589 | \$ 2,337,361 | \$ 2,899,425 | \$ 2,908,346 | \$ 8,921 | 0% |

ATTACHMENT B

Executive Summary
**PORT OF REDWOOD CITY
FY2024 BUDGET
STATEMENTS OF CASH FLOWS**

| | <u>Fy2024</u> |
|---|----------------------------|
| Operating Income: | \$ 3,175,461 |
| Plus: Interest Income: | 250,000 |
| Plus: Other Non-Operating Income: | 468,466 |
| Less: Subvention: | (607,458) |
| Less: Debt Service: | |
| 2012 Bonds | (742,294) |
| 2015 Bonds | <u>(608,187)</u> |
| | (1,350,481) |
| Plus: Depreciation: | 1,464,325 |
| Less: Capital Improvement Program (CIP): | (1,450,000) |
| Net Cash Flow: | <u>\$ 1,950,312</u> |

Executive Summary
**PORT OF REDWOOD CITY
FY2024 BUDGET
CAPITAL IMPROVEMENT PROGRAM (CIP)**

| PROJECT DESCRIPTION | COST |
|----------------------------------|---------------------|
| 9-Acre Fencing: | \$ 25,000 |
| 9-Acre Development Project: | 100,000 |
| Wharf-5 & Boat-Yard Project: | 350,000 |
| EOC Room & Equipment: | 300,000 |
| Stormwater Drainage Improvement: | 250,000 |
| Sewer Lift Improvement Project: | 75,000 |
| WIP - Ferry Project: | 250,000 |
| WIP - Living Shoreline Project: | 100,000 |
| | <u>\$ 1,450,000</u> |

Executive Summary
**PORT OF REDWOOD CITY
 FY2024 BUDGET
 COMPARATIVE STATISTICS**

| | <u>FY2021</u> <u>ACTUAL</u> | <u>FY2022</u> <u>ACTUAL</u> | <u>FY2023</u> <u>BUDGET</u> | <u>FY2023</u> <u>FORECAST</u> | <u>FY2024</u> <u>BUDGET</u> |
|---|--------------------------------|--------------------------------|--------------------------------|----------------------------------|--------------------------------|
| <u>MARINE TERMINAL</u> | | | | | |
| OPERATING REVENUE: | \$ 6,376,056 | \$ 6,557,297 | \$ 6,439,546 | \$ 6,986,822 | \$ 7,194,587 |
| OPERATING EXPENSE: | 2,127,631 | 3,263,350 | 2,289,218 | 2,364,709 | 2,347,216 |
| GROSS PROFIT: | 4,248,425 | 3,293,947 | 4,150,328 | 4,622,113 | 4,847,372 |
| GROSS MARGIN: | 66.6% | 50.2% | 64.5% | 66.2% | 67.4% |
| <u>RECREATIONAL BOATING</u> | | | | | |
| OPERATING REVENUE: | 567,543 | 557,832 | 582,254 | 562,782 | 607,101 |
| OPERATING EXPENSE: | 580,544 | 629,049 | 581,610 | 584,181 | 584,017 |
| GROSS PROFIT: | (13,001) | (71,217) | 644 | (21,399) | 23,085 |
| GROSS MARGIN: | -2.3% | -12.8% | 0.1% | -3.8% | 3.8% |
| <u>COMMERCIAL</u> | | | | | |
| OPERATING REVENUE: | 1,973,784 | 2,167,904 | 2,128,114 | 2,312,058 | 2,322,615 |
| OPERATING EXPENSE: | 343,389 | 368,803 | 399,268 | 492,786 | 493,599 |
| GROSS PROFIT: | 1,630,395 | 1,799,101 | 1,728,846 | 1,819,272 | 1,829,016 |
| GROSS MARGIN: | 82.6% | 83.0% | 81.2% | 78.7% | 78.7% |
| <u>OPERATIONS ONLY (NO ADMIN)</u> | | | | | |
| OPERATING REVENUE: | 8,917,383 | 9,283,033 | 9,149,914 | 9,861,662 | 10,124,304 |
| OPERATING EXPENSE: | 4,106,103 | 5,466,481 | 4,650,784 | 4,848,203 | 5,002,628 |
| GROSS PROFIT: | 4,811,280 | 3,816,552 | 4,499,130 | 5,013,459 | 5,121,676 |
| GROSS MARGIN: | 54.0% | 41.1% | 49.2% | 50.8% | 50.6% |
| <u>OPERATING INCOME TO OPERATING REVENUE</u> | | | | | |
| TOTAL OPERATING INCOME: | 3,190,984 | 2,204,268 | 2,786,042 | 3,356,525 | 3,175,461 |
| TOTAL OPERATING REVENUE: | 8,917,383 | 9,283,033 | 9,149,914 | 9,861,662 | 10,124,304 |
| ATIO OF OPS INCOME TO OPS REVENUE: | 35.8% | 23.7% | 30.4% | 34.0% | 31.4% |
| <u>NET INCOME TO OPERATING INCOME</u> | | | | | |
| NET INCOME BEFORE SUBVENTION: | 2,934,074 | 1,768,551 | 2,896,127 | 3,491,125 | 3,515,804 |
| OPERATING REVENUE: | 8,917,383 | 9,283,033 | 9,149,914 | 9,861,662 | 10,124,304 |
| ATIO OF NET INCOME TO OPS REVENUE: | 32.9% | 19.1% | 31.7% | 35.4% | 34.7% |
| <u>ADMINISTRATIVE EXPENSE TO OPERATING EXPENSE</u> | | | | | |
| ADMINISTRATIVE EXPENSE: | 1,620,296 | 1,612,284 | 1,713,088 | 1,656,934 | 1,946,214 |
| TOTAL OPERATING EXPENSES: | 5,726,399 | 7,078,765 | 6,363,872 | 6,505,137 | 6,948,842 |
| RATIO OF ADMIN EXP TO OPS EXP: | 28.3% | 22.8% | 26.9% | 25.5% | 28.0% |

Executive Summary
**PORT OF REDWOOD CITY
 FY2024 BUDGET
 COMPARATIVE TONNAGE**

| | <u>FY2021</u> <u>ACTUAL</u> Metric ton | <u>FY2022</u> <u>ACTUAL</u> Metric ton | <u>FY2023</u> <u>BUDGET</u> Metric ton | <u>FY2023</u> <u>FORECAST</u> Metric ton | <u>FY2024</u> <u>BUDGET</u> Metric ton | |
|-----------------------|--|--|--|--|--|--------------|
| CEMENT: | 108,418 | 113,579 | 90,000 | 215,000 | 180,000 | |
| IMPORTED SAND: | 1,256,039 | 1,082,155 | 1,320,000 | 1,200,000 | 1,260,000 | |
| GYPSUM: | 207,518 | 284,022 | 230,000 | 200,000 | 220,000 | |
| BAUXITE: | - | - | 75,000 | - | - | |
| SCRAP METAL: | 248,739 | 310,640 | 240,000 | 245,000 | 250,000 | |
| | <u>1,820,714</u> | <u>1,790,396</u> | <u>1,955,000</u> | <u>1,860,000</u> | <u>1,910,000</u> | |
| | Fy2023-24 vs Fy2022-23 (FORECAST): | | | | 50,000 | 2.7% |
| | Fy2023-24 vs Fy2022-23 (BUDGET): | | | | (45,000) | -2.3% |

Executive Summary
PORT OF REDWOOD CITY
FY2024 BUDGET
TONNAGE BY COMMODITY

| <u>CUSTOMER</u> | <u>COMMODITY</u> | <u>IMPORTS</u> | <u>EXPORTS</u> | <u>TOTAL</u> | <u>No. of Vessels</u> |
|--------------------------------|------------------|-------------------------|-----------------------|-------------------------|-----------------------|
| Cemex (HS&G) | Imported Sand: | 1,260,000 | | <u>1,260,000</u> | 36 |
| Cemex | Cement: | 180,000 | | <u>180,000</u> | 10 |
| Pabco | Gypsum: | 220,000 | | <u>220,000</u> | 11 |
| Simsmetal | Scrap: | | 250,000 | <u>250,000</u> | 12 |
| TOTAL TONNAGE (metric): | | <u>1,660,000</u> | <u>250,000</u> | <u>1,910,000</u> | <u>69</u> |

| | NUMBER OF VESSELS | | | | |
|----------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------------|--------------------------------|
| | <u>FY2021</u> <u>ACTUAL</u> | <u>FY2022</u> <u>ACTUAL</u> | <u>FY2023</u> <u>BUDGET</u> | <u>FY2023</u> <u>FORECAST</u> | <u>FY2024</u> <u>BUDGET</u> |
| CARGO VESSELS: | 63 | 65 | 61 | 67 | 69 |
| BARGES: | 12 | 9 | 12 | 22 | 21 |
| PESSSENGER VESSELS: | 0 | 0 | 0 | 0 | 0 |
| TOTAL VESSELS: | <u>75</u> | <u>74</u> | <u>73</u> | <u>89</u> | <u>90</u> |

ATTACHMENT B

ORDINANCE NO. P-

INTRODUCTION OF ORDINANCE OF THE BOARD OF PORT COMMISSIONERS OF THE CITY OF REDWOOD CITY APPROPRIATING ANTICIPATED REVENUES AND OTHER GENERAL FUNDS OF THE PORT OF REDWOOD CITY FOR THE FISCAL YEAR JULY 1, 2023 – JUNE 30, 2024

BE IT ORDAINED BY THE BOARD OF PORT COMMISSIONERS OF THE CITY OF REDWOOD CITY, AS FOLLOWS:

WHEREAS, an annual budget containing an estimate of the revenues and expenses of the Port of Redwood City for the Fiscal Year beginning July 1, 2023, and ending June 30, 2024, has been presented to and approved by the Board of Port Commissioners of the Port of Redwood City; and

WHEREAS, said Board desires and intends to appropriate and authorize the expenditure of said anticipated revenues in accordance with the above-mentioned budget.

NOW THEREFORE;

BE IT ORDAINED BY THE PORT OF REDWOOD CITY BOARD OF PORT COMMISSIONERS OF THE CITY OF REDWOOD CITY, AS FOLLOWS:

SECTION 1. GENERAL. The estimated revenues of the Port of Redwood City for Fiscal Year July 1, 2023 – June 30, 2024, and all unexpended and unencumbered monies remaining in the Port funds at the close of Fiscal Year July 1, 2022 – June 30, 2023 are hereby allocated and appropriated as hereinafter provided.

SECTION 2. OPERATING EXPENSES - OPERATIONS. The sums hereinafter specified are hereby appropriated from general Port funds for the payment of operating expenses in connection with the operation of the Port of Redwood City during Fiscal Year July

ATTACHMENT B

1, 2023 – June 30, 2024, and the expenditure of said sums for the purposes stated herein is hereby authorized:

| | | |
|--------------|----------------------|---------------------|
| Line Item 1. | Marine Terminal | \$ 2,347,216 |
| Line Item 2. | Recreational Boating | \$ 584,017 |
| Line Item 3. | Commercial | \$ 493,599 |
| Line Item 4. | Infrastructure | \$ 971,734 |
| Line Item 5. | General Maintenance | <u>\$ 606,062</u> |
| | Total-Operations | <u>\$ 5,002,628</u> |

SECTION 3. OPERATING EXPENSES - ADMINISTRATION. The sums hereinafter specified are hereby appropriated from general Port funds for the payment of operating expenses in connection with the administration of the Port of Redwood City during Fiscal Year July 1, 2023 – June 30, 2024, and the expenditure of said sums for the purposes stated herein is hereby authorized:

| | | |
|--------------|----------------------------------|--------------------|
| Line Item 1. | Admin Salaries, Taxes & Benefits | \$1,165,899 |
| Line Item 2. | Office & Administrative Expenses | \$ 179,599 |
| Line Item 3. | Professional Services | \$ 325,680 |
| Line Item 4. | Promotion & Marketing | \$ 257,000 |
| Line Item 5. | Depreciation (Admin only) | <u>\$ 18,036</u> |
| | Total-Administration | <u>\$1,946,214</u> |

SECTION 4. SUBVENTION. The sum of Six Hundred Seven Thousand and Four Hundred Fifty-Eight dollars (\$607,458) for voluntary Subvention to the City of Redwood City is hereby appropriated from general Port funds (derived from sources other than State granted lands) should the Board of Port Commissioners deem such funds as surplus and provided such payment does not violate Revenue Bond covenants and applicable state and federal laws.

SECTION 5. REVENUE BONDS SERIES 2015 INTEREST. For purposes of this Ordinance, "Revenue Bonds Series 2015" refers to those bonds authorized, issued and outstanding pursuant to Resolution No. P-2267 entitled "Resolution of the Board of Port

ATTACHMENT B

Commissioners of the Port Department of the City of Redwood City Authorizing the Issuance of Revenue Bonds, Approving an Official Statement, Authorizing the Execution and Delivery of a Third Supplemental Indenture, and Escrow Deposit and Trust Agreement and a Bond Purchase Agreement and Authorizing Certain Related Matters.”

The sum of One Hundred Thirty-Three Thousand and One Hundred Ninety One dollars (\$133,191) is hereby appropriated from general Port funds for the payment of interest on the Revenue Bonds Series 2015 during the Fiscal Year July 1, 2023 – June 30, 2024, and the expenditure of said sum for such purpose is hereby authorized.

SECTION 6. REVENUE BONDS SERIES 2015-PRINCIPAL. The sum of Four Hundred Seventy-Five Thousand dollars (\$475,000) is hereby appropriated from general Port funds for the payment of principal of the Revenue Bonds Series 2015 during the Fiscal Year July 1, 2023 - June 30, 2024, and the expenditure of said sum for such purpose is hereby authorized.

SECTION 7. REVENUE BONDS SERIES 2012 INTEREST. For purposes of this Ordinance, “Revenue Bonds Series 2012” refers to those bonds authorized, issued and outstanding pursuant to Resolution No. P-2178 entitled “Resolution of the Board of Port Commissioners of the Port Department of the City of Redwood City Authorizing the Issuance of Revenue Bonds and the Execution and Delivery of a Second Supplemental Indenture and a Bond Purchase Agreement and Authorizing Certain Related Matters.”

The sum of Two Hundred Twenty-Three Thousand and Four Hundred Three dollars (\$223,403) is hereby appropriated from general Port funds for the payment of interest on the Revenue Bonds Series 2012 during the Fiscal Year July 1, 2023 – June 30, 2024, and the expenditure of said sum for such purpose is hereby authorized.

SECTION 8. REVENUE BONDS SERIES 2012-PRINCIPAL. The sum of Five Hundred Eighteen Thousand and Eight Hundred Ninety-One dollars (\$518,891) is hereby appropriated from general Port funds for the payment of principal of the Revenue Bonds Series 2012 during

ATTACHMENT B

the Fiscal Year July 1, 2023 - June 30, 2024, and the expenditure of said sum for such purpose is hereby authorized.

SECTION 9. REVENUE BONDS SERIES 2012-RESERVES. The sum of Seven Hundred Forty Two Thousand and Two Hundred Ninety Four dollars (\$742,294) theretofore appropriated, transferred and carried over in the Parity Bond Reserve Fund account held by the Trustee, is hereby re-appropriated and maintained pursuant to Resolution No. P-2178 during the Fiscal Year July 1, 2023 - June 30, 2024.

SECTION 10. CAPITAL IMPROVEMENTS. The sum of One Million Four Hundred Fifty Thousand dollars (\$1,450,000) is hereby appropriated from Port Reserve Fund and Grant Fund in connection with Capital Improvements Program for the Port of Redwood City during the Fiscal Year July 1, 2023 - June 30, 2024, and this expenditure of said sum for the purpose stated is authorized.

SECTION 11. RESERVE FUNDING. The sum remaining in the general Port funds as of June 30, 2023, less a prudent amount to be retained in the general Port funds, is hereby appropriated from General Fund to Reserve Fund in connection with contingent expenditure for the operation, administration, and/or capital improvement program of the Port of Redwood City during the Fiscal Year July 1, 2023 - June 30, 2024, and the expenditure of said sum and for the purpose stated is authorized.

SECTION 12. TRANSFER, ADDITIONAL APPROPRIATIONS, CANCELLATIONS.
The Board of Port Commissioners may consent to the transfer of sums from an appropriated operating expense line item to any other appropriated operating expense line item within each Section. Transfers in excess of \$25,000 per operating expense line item shall be by Resolution.

The Board of Port Commissioners may, by Resolution, transfer appropriated sums from one Section to another, authorize additional appropriations, and cancel previously authorized appropriations.

SECTION 13. EFFECTIVE DATE. This ordinance shall be effective thirty (30) days after its adoption and shall be operative as of July 1, 2023.

ATTACHMENT B

Introduced on the ____ day of May 2023.

Passed and adopted as an Ordinance by the Board of Port Commissioners of the City of Redwood City this ____ day of _____, 2023 by the following vote:

AYES, Commissioners:

NOES, Commissioners:

ABSTAIN, Commissioners:

ABSENT, Commissioners:

PRESIDENT,
BOARD OF PORT COMMISSIONERS

Attest:

SECRETARY,
BOARD OF PORT COMMISSIONERS

ATTACHMENT C

ORDINANCE NO. P-

ADOPTION OF AN ORDINANCE OF THE BOARD OF PORT COMMISSIONERS OF THE CITY OF REDWOOD CITY APPROPRIATING ANTICIPATED REVENUES AND OTHER GENERAL FUNDS OF THE PORT OF REDWOOD CITY FOR THE FISCAL YEAR JULY 1, 2023 – JUNE 30, 2024 – NOTICE OF PUBLIC HEARING

BE IT ORDAINED BY THE BOARD OF PORT COMMISSIONERS OF THE CITY OF REDWOOD CITY, AS FOLLOWS:

WHEREAS, an annual budget containing an estimate of the revenues and expenses of the Port of Redwood City for the Fiscal Year beginning July 1, 2023, and ending June 30, 2024, has been presented to and approved by the Board of Port Commissioners of the Port of Redwood City; and

WHEREAS, said Board desires and intends to appropriate and authorize the expenditure of said anticipated revenues in accordance with the above-mentioned budget.

NOW THEREFORE;

BE IT ORDAINED BY THE PORT OF REDWOOD CITY BOARD OF PORT COMMISSIONERS OF THE CITY OF REDWOOD CITY, AS FOLLOWS:

SECTION 1. GENERAL. The estimated revenues of the Port of Redwood City for Fiscal Year July 1, 2023 – June 30, 2024, and all unexpended and unencumbered monies remaining in the Port funds at the close of Fiscal Year July 1, 2022 – June 30, 2023 are hereby allocated and appropriated as hereinafter provided.

SECTION 2. OPERATING EXPENSES - OPERATIONS. The sums hereinafter specified are hereby appropriated from general Port funds for the payment of operating expenses in connection with the operation of the Port of Redwood City during Fiscal Year July

ATTACHMENT C

1, 2023 – June 30, 2024, and the expenditure of said sums for the purposes stated herein is hereby authorized:

| | | |
|--------------|----------------------|---------------------|
| Line Item 1. | Marine Terminal | \$ 2,347,216 |
| Line Item 2. | Recreational Boating | \$ 584,017 |
| Line Item 3. | Commercial | \$ 493,599 |
| Line Item 4. | Infrastructure | \$ 971,734 |
| Line Item 5. | General Maintenance | <u>\$ 606,062</u> |
| | Total-Operations | <u>\$ 5,002,628</u> |

SECTION 3. OPERATING EXPENSES - ADMINISTRATION. The sums hereinafter specified are hereby appropriated from general Port funds for the payment of operating expenses in connection with the administration of the Port of Redwood City during Fiscal Year July 1, 2023 – June 30, 2024, and the expenditure of said sums for the purposes stated herein is hereby authorized:

| | | |
|--------------|----------------------------------|--------------------|
| Line Item 1. | Admin Salaries, Taxes & Benefits | \$1,165,899 |
| Line Item 2. | Office & Administrative Expenses | \$ 179,599 |
| Line Item 3. | Professional Services | \$ 325,680 |
| Line Item 4. | Promotion & Marketing | \$ 257,000 |
| Line Item 5. | Depreciation (Admin only) | <u>\$ 18,036</u> |
| | Total-Administration | <u>\$1,946,214</u> |

SECTION 4. SUBVENTION. The sum of Six Hundred Seven Thousand and Four Hundred Fifty-Eight dollars (\$607,458) for voluntary Subvention to the City of Redwood City is hereby appropriated from general Port funds (derived from sources other than State granted lands) should the Board of Port Commissioners deem such funds as surplus and provided such payment does not violate Revenue Bond covenants and applicable state and federal laws.

ATTACHMENT C

SECTION 5. REVENUE BONDS SERIES 2015 INTEREST. For purposes of this Ordinance, “Revenue Bonds Series 2015” refers to those bonds authorized, issued and outstanding pursuant to Resolution No. P-2267 entitled “Resolution of the Board of Port Commissioners of the Port Department of the City of Redwood City Authorizing the Issuance of Revenue Bonds, Approving an Official Statement, Authorizing the Execution and Delivery of a Third Supplemental Indenture, and Escrow Deposit and Trust Agreement and a Bond Purchase Agreement and Authorizing Certain Related Matters.”

The sum of One Hundred Thirty-Three Thousand and One Hundred Ninety-One dollars (\$133,191) is hereby appropriated from general Port funds for the payment of interest on the Revenue Bonds Series 2015 during the Fiscal Year July 1, 2023 – June 30, 2024, and the expenditure of said sum for such purpose is hereby authorized.

SECTION 6. REVENUE BONDS SERIES 2015-PRINCIPAL. The sum of Four Hundred Seventy-Five Thousand dollars (\$475,000) is hereby appropriated from general Port funds for the payment of principal of the Revenue Bonds Series 2015 during the Fiscal Year July 1, 2023 - June 30, 2024, and the expenditure of said sum for such purpose is hereby authorized.

SECTION 7. REVENUE BONDS SERIES 2012 INTEREST. For purposes of this Ordinance, “Revenue Bonds Series 2012” refers to those bonds authorized, issued and outstanding pursuant to Resolution No. P-2178 entitled “Resolution of the Board of Port Commissioners of the Port Department of the City of Redwood City Authorizing the Issuance of Revenue Bonds and the Execution and Delivery of a Second Supplemental Indenture and a Bond Purchase Agreement and Authorizing Certain Related Matters.”

The sum of Two Hundred Twenty-Three Thousand and Four Hundred Three dollars (\$223,403) is hereby appropriated from general Port funds for the payment of interest on the Revenue Bonds Series 2012 during the Fiscal Year July 1, 2023 – June 30, 2024, and the expenditure of said sum for such purpose is hereby authorized.

ATTACHMENT C

SECTION 8. REVENUE BONDS SERIES 2012-PRINCIPAL. The sum of Five Hundred Eighteen Thousand and Eight Hundred Ninety-One dollars (\$518,891) is hereby appropriated from general Port funds for the payment of principal of the Revenue Bonds Series 2012 during the Fiscal Year July 1, 2023 - June 30, 2024, and the expenditure of said sum for such purpose is hereby authorized.

SECTION 9. REVENUE BONDS SERIES 2012-RESERVES. The sum of Seven Hundred Forty Two Thousand and Two Hundred Ninety Four dollars (\$742,294) theretofore appropriated, transferred and carried over in the Parity Bond Reserve Fund account held by the Trustee, is hereby re-appropriated and maintained pursuant to Resolution No. P-2178 during the Fiscal Year July 1, 2023 - June 30, 2024.

SECTION 10. CAPITAL IMPROVEMENTS. The sum of One Million Four Hundred Fifty Thousand dollars (\$1,450,000) is hereby appropriated from Port Reserve Fund and Grant Fund in connection with Capital Improvements Program for the Port of Redwood City during the Fiscal Year July 1, 2023 - June 30, 2024, and this expenditure of said sum for the purpose stated is authorized.

SECTION 11. RESERVE FUNDING. The sum remaining in the general Port funds as of June 30, 2023, less a prudent amount to be retained in the general Port funds, is hereby appropriated from General Fund to Reserve Fund in connection with contingent expenditure for the operation, administration, and/or capital improvement program of the Port of Redwood City during the Fiscal Year July 1, 2023 - June 30, 2024, and the expenditure of said sum and for the purpose stated is authorized.

SECTION 12. TRANSFER, ADDITIONAL APPROPRIATIONS, CANCELLATIONS.
The Board of Port Commissioners may consent to the transfer of sums from an appropriated operating expense line item to any other appropriated operating expense line item within each Section. Transfers in excess of \$25,000 per operating expense line item shall be by Resolution.

ATTACHMENT C

The Board of Port Commissioners may, by Resolution, transfer appropriated sums from one Section to another, authorize additional appropriations, and cancel previously authorized appropriations.

SECTION 13. EFFECTIVE DATE. This ordinance shall be effective thirty (30) days after its adoption and shall be operative as of July 1, 2023.

Introduced on the 24th day of May 2023.

Passed and adopted as an ordinance of the Board of Port Commissioners of the City of Redwood City this 28th day of June 2023 by the following vote.

AYES, COMMISSIONERS:

NOES, COMMISSIONERS:

ABSENT, COMMISSIONERS:

ABSTAIN, COMMISSIONERS:

President, Board of Port Commissioners

Attest:

Secretary, Board of Port Commissioners



**BOARD OF PORT COMMISSIONERS
PORT OF REDWOOD CITY**

STAFF REPORT

DATE: June 28, 2023
ITEM NO: VIII.A
SUBMITTED BY: Rajesh Sewak, Director of Finance and Administration
TITLE: RECEIVE THE FISCAL YEAR 2022 ANNUAL AUDITED FINANCIAL STATEMENTS (MAZE & ASSOCIATES)

RECOMMENDATION

Staff recommends that the Board of Port Commissioners (Board) receive and accept the findings of Maze & Associates Fiscal Year 2022 (FY22) annual audited financial statements, as it relates to the Port of Redwood City's (Port) financial statements and data analysis, and provide direction if applicable.

BACKGROUND

An independent certified public accounting firm, Maze & Associates, was engaged to audit the financial statements of the Port for the year ending June 30, 2022 and to provide a report on internal controls over financial reporting and compliance pursuant to applicable laws and regulations.

The contract, with Maze & Associates, required that the audit be performed in accordance with U.S. Government Auditing Standards together with Governmental Accounting Standards Board's (GASB) various statements and issue an opinion of the port's financial statements. These GASB Statements establish financial reporting requirements for state and local governments throughout the United States.

Additionally, Maze & Associates analyzed whether the Port's financial management systems substantially complied with the requirements of Generally Accepted Accounting Principles (GAAP) and any reportable non-compliance with laws and regulations it tested.

Furthermore, the audit was conducted to obtain reasonable assurance as to whether the financial statements were free of misstatements or errors that included examining evidence supporting the amounts presented in the financial statements and testing of internal controls.

In its auditor's report of the Port's FY22 financial statements, dated May 16, 2023, Maze & Associates expressed an unmodified opinion or clean audit. In their opinion, the financial statements presented were in accordance with accounting principles generally accepted in the United States of America.

ANALYSIS

The Port's net assets increased by \$1,780,783 from \$44,277,013 as of June 30, 2021 to \$46,057,796 as of June 30, 2022.

| | |
|------------------|---|
| Cost Recovery | N/A |
| Port 2020 Vision | Comports with the Port's 2020 Vision |
| Budget | Annual Audit accounted for in Board Approved Budget |

DATE: June 28, 2023

ITEM NO: VIII.A

TITLE: RECEIVE THE FISCAL YEAR 2022 ANNUAL AUDITED FINANCIAL STATEMENTS (MAZE & ASSOCIATES)

ALTERNATIVES

N/A

ENVIRONMENTAL REVIEW

The action before the Board for consideration today is not subject to the CEQA review process pursuant to Resource Code, Section 21065 and Guidelines, Section 15378.



Staff



Executive Director

ATTACHMENTS

- A. Port of Redwood City's Basic Financial Statements & Independent Auditor's Report for FY2022

**PORT OF REDWOOD CITY,
REDWOOD CITY, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED JUNE 30, 2022
AND
SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Of the Port of Redwood City
Redwood City, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Port of Redwood City, California (Port), a department and enterprise fund of the City of Redwood City, California (City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Port as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Port and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

ATTACHMENT A

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Port's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Change in Accounting Principles

Management adopted the provisions of the following Governmental Accounting Standards Board Statement No. 87 - *Leases*, which became effective during the year ended June 30, 2022 and had material effects on the financial statements as discussed in Note 11 to the financial statements.

The emphasis of this matter does not constitute a modification to our opinions.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited Port's June 30, 2021 financial statements, and we expressed unmodified audit opinion on those audited financial statements in our report dated January 25, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 2021 is consistent, in all material responses, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 16, 2023 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Port's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
May 16, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

The Port of Redwood City has issued its financial statements for the fiscal year ended June 30, 2022 in conformity with the format prescribed by the provisions of Government Accounting Standards Board Statement 34 (GASB 34). This report, Management's Discussion and Analysis, is an overview of the Port's financial activities for the fiscal year and is an integral part of the accompanying Basic Financial Statements.

ACCOUNTING METHOD

The Port's operations are accounted for as an Enterprise Fund. Enterprise funds are used by municipalities to account for operations which are financed and managed similar to private business enterprises, where the costs and expenses (including depreciation) of providing services to the public on a continuing basis are recovered primarily through user charges. The Port does not receive tax revenues. The Port's revenues and expenses are recognized on a full accrual basis; revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred. All assets and liabilities associated with the activity of the enterprise are included on the Statement of Net Position. The Port is stated as a department in the City of Redwood City's financial statements.

THE BASIC COMPONENT UNIT FINANCIAL STATEMENTS

The Port has only one fund, therefore the Basic Financial Statements do not reflect the activities of multiple funds. The Basic Financial Statements include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position (Income Statement) and Statement of Cash Flows. Together with this report, the Basic Financial Statements provide information about the significant events, assumptions and decisions which resulted in the financial performance reflected in those statements.

The Statement of Net Position provides information regarding the financial position of the Port, including its capital assets and debts.

The Statement of Activities and Changes in Net Position (Income Statement) provides information regarding the revenues generated by each segment of the Port's business, and the expenses incurred in generating those revenues. The ultimate focus of the income statement is the measurement of profitability as reflected by the amount of net income generated for the fiscal year.

The Statement of Cash Flows provides information regarding the sources and uses of the cash which flowed into and out of the Port as a result of its operations and financing decisions.

FINANCIAL ACTIVITIES & FISCAL YEAR 2022 HIGHLIGHTS

The Statement of Net Position

The port business is capital intensive; significant investment in assets is required in order to acquire the land, and construct and maintain the necessary infrastructure and facilities. The acquisition of assets can be funded by cash reserves, debt, or donated capital including grants. In general, debt can be incurred in the form of notes payable and/or bonds payable. A condensed version of the Statement of Net Position is presented in Table A below, which reflects the capital intensity of the Port's business and the changes which occurred between Fiscal Years 2022, 2021, and 2020.

Table A

| | FY22 | FY21 | FY22 vs. FY21 Change | FY20 | FY21 vs. FY20 Change |
|-------------------------------|----------------------|----------------------|-------------------------|----------------------|-------------------------|
| Assets | | | | | |
| Current Assets | \$ 21,890,109 | \$ 22,129,761 | \$ (239,652) | \$ 19,144,750 | \$ 2,985,011 |
| Noncurrent Asset | 1,103,140 | 1,102,863 | 277 | 1,103,043 | (180) |
| Capital Assets, Net | 37,644,970 | 36,634,942 | 1,010,028 | 38,086,206 | (1,451,264) |
| All Other Assets | 15,409,542 | 419,387 | 14,990,155 | 421,557 | (2,170) |
| Total Assets | <u>76,047,761</u> | <u>60,286,953</u> | <u>15,760,808</u> | <u>58,755,556</u> | <u>1,531,397</u> |
| Deferred Outflow of Resources | | | | | |
| Loss on Bond Refunding | 142,909 | 160,765 | (17,856) | 178,621 | (17,856) |
| Pension Related | 535,977 | 391,333 | 144,644 | 311,514 | 79,819 |
| Pension Contributions | 4,259 | 73,354 | (69,095) | 54,981 | 18,373 |
| OPEB Related | 169,409 | 108,760 | 60,649 | 47,344 | 61,416 |
| Total Deferred Outflows | <u>852,554</u> | <u>734,212</u> | <u>118,342</u> | <u>592,460</u> | <u>141,752</u> |
| Liabilities | | | | | |
| Current Liabilities | 3,073,905 | 2,502,660 | 571,245 | 2,355,282 | 147,378 |
| Non-current Liabilities | 12,101,972 | 14,118,728 | (2,016,756) | 14,892,757 | (774,029) |
| Total Liabilities | <u>15,175,877</u> | <u>16,621,388</u> | <u>(1,445,511)</u> | <u>17,248,039</u> | <u>(626,651)</u> |
| Deferred Inflow of Resources | | | | | |
| Leases Related (Note 11) | 14,731,729 | - | 14,731,729 | - | - |
| OPEB Related | 80,180 | 113,082 | (32,902) | 145,984 | (32,902) |
| Pension Related | 854,733 | 9,682 | 845,051 | 69,635 | (59,953) |
| Total Deferred Inflows | <u>15,666,642</u> | <u>122,764</u> | <u>15,543,878</u> | <u>215,619</u> | <u>(92,855)</u> |
| Net Position | | | | | |
| Net Investment in | | | | | |
| Capital Assets | 31,737,033 | 30,279,206 | 1,457,827 | 31,277,390 | (998,184) |
| Restricted for Bebt Service | 957,585 | 922,155 | 35,430 | 892,563 | 29,592 |
| Unrestricted | 13,363,178 | 13,075,652 | 287,526 | 9,714,405 | \$ 3,361,247 |
| Total Net Position | <u>\$ 46,057,796</u> | <u>\$ 44,277,013</u> | <u>\$ 1,780,783</u> | <u>\$ 41,884,358</u> | <u>\$ 2,392,655</u> |

The increase in Net Position between June 30, 2022 and June 30, 2021 is due to the profitable operation of the Port for the fiscal year July 1, 2021 to June 30, 2022.

The \$1,780,783 increase in FY22 Total Net Position is comprised of:

\$ 2,344,796 - Net income for the year
< 564,013 > - Less subvention to the City of Redwood City.

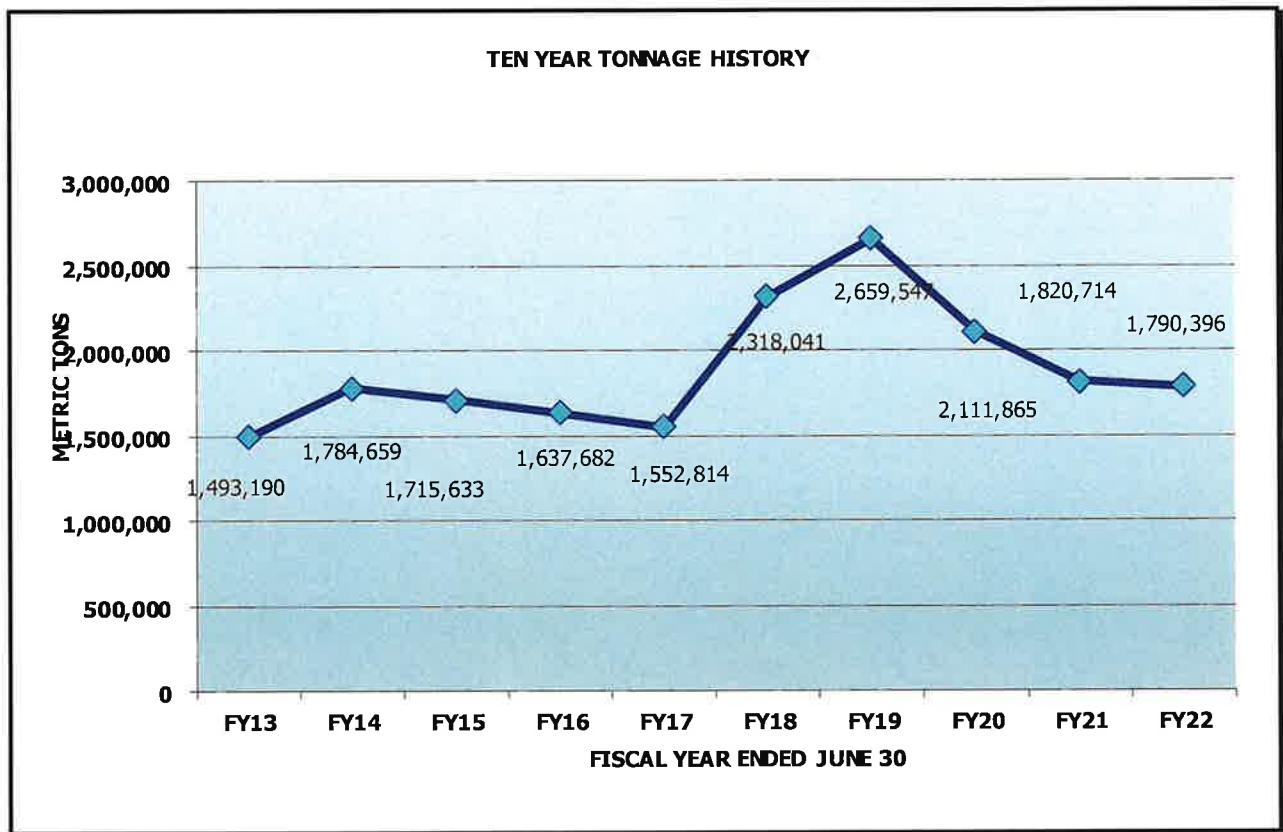
\$ 1,780,783

FINANCIAL ACTIVITIES & FISCAL YEAR 2022 HIGHLIGHTS, CONTINUED

The Statement of Revenues, Expenses & Changes in Net Position

The Port's business is comprised of three major segments:

- Maritime – activities related to the import and export of waterborne cargos.
- Recreational Boating – activities related to the operation of a public marina, boat launch facility and dry boat storage facility.
- Commercial – activities related to the leasing of land and buildings not directly associated with Maritime activities.



In Fiscal Year 2022 (FY22) the Port's tonnage was 1,790,396 metric tons, 2% down from 1,820,714 metric tons in FY21. The decline was mainly due to the Covid-19 Pandemic that not only affected our Port but the region, as a whole.

FINANCIAL ACTIVITIES & FISCAL YEAR 2022 HIGHLIGHTS, CONTINUED

The Statement of Revenues, Expenses & Changes in Net Position (continued)

The Port's Income Statement segregates the revenues and expenses of each of its three major business segments, as well as expenses related to the operation and maintenance of the Port's infrastructure and its administration. Table B, below, is a condensed version of the Income Statement; it summarizes the Port's revenue and expense, splits out other non-operating revenue/(expense) into its component parts, and compares results for Fiscal Years 2022, 2021 and 2020.

Table B

| | <u>FY22</u> | <u>FY21</u> | <u>FY22 vs. FY21</u> <u>Change</u> | <u>FY20</u> | <u>FY21 vs. FY20</u> <u>Change</u> |
|---------------------------------|---------------------|---------------------|---------------------------------------|---------------------|---------------------------------------|
| Revenue | | | | | |
| Operating Revenue | \$ 9,660,823 | \$ 9,023,602 | \$ 637,221 | \$ 8,761,928 | \$ 261,674 |
| Interest Income | 75,461 | 105,795 | (30,334) | 292,088 | (186,293) |
| Other Non-Operating Income | 50,000 | 33,509 | 16,491 | 143,604 | (110,095) |
| Total Revenue | <u>9,786,284</u> | <u>9,162,906</u> | <u>623,378</u> | <u>9,197,620</u> | <u>(34,714)</u> |
| Expense | | | | | |
| Operations | 5,137,329 | 3,843,241 | 1,294,088 | 3,923,233 | (79,992) |
| Administration | 1,607,375 | 1,701,357 | (93,982) | 2,007,418 | (306,061) |
| Operating Expense | 6,744,704 | 5,544,598 | 1,200,106 | 5,930,651 | (386,053) |
| Interest Expense | 445,619 | 478,036 | (32,417) | 510,405 | (32,369) |
| Other Non-Operating Expense | 251,165 | 206,201 | 44,964 | 31,876 | 174,325 |
| Total Expense | <u>7,441,488</u> | <u>6,228,835</u> | <u>1,212,653</u> | <u>6,472,932</u> | <u>(244,097)</u> |
| Excess (Deficiency) before | | | | | |
| Contributions, Special & | | | | | |
| Extraordinary Items & Transfers | 2,344,796 | 2,934,071 | (589,275) | 2,724,689 | 209,383 |
| Transfers (Subvention) | (564,013) | (541,416) | (22,597) | (525,715) | (15,701) |
| Net Income | <u>\$ 1,780,783</u> | <u>\$ 2,392,655</u> | <u>\$ (611,872)</u> | <u>\$ 2,198,974</u> | <u>\$ 193,682</u> |

Port's operating revenue for Fiscal Year 2022 increased by 7% or \$637,000 compared to Fiscal Year 2021, and that was mainly because of new leases/tenants.

The Charter of the City of Redwood City requires that the Port annually give to the City any surplus funds which in the judgment of the Board of Port Commissioners is not needed for Port purposes. This is called subvention; for Fiscal Year 2022 the Port will pay subvention of \$564,013 to the City.

FINANCIAL ACTIVITIES & FISCAL YEAR 2022 HIGHLIGHTS, CONTINUED

Capital Assets

At June 30, 2022 the Port had \$65,638,164 in capital assets and \$27,993,194 accumulated depreciation, resulting in net capital assets of \$37,644,970. A summary of the activity and balances in capital assets is presented in Table C below.

Table C

| | June 30, 2021 | Additions & Transfers | Deletions & Transfers | June 30, 2022 |
|---------------------------------|----------------------|--------------------------|--------------------------|----------------------|
| Land and Land Improvements | \$ 2,574,066 | \$ - | \$ - | \$ 2,574,066 |
| Infrastructure | 4,773,955 | - | - | 4,773,955 |
| Recreational Boating Facilities | 7,651,285 | - | - | 7,651,285 |
| Terminal & Facilities | 40,102,513 | - | - | 40,102,513 |
| Furniture, Fixtures & Equipment | 743,051 | - | - | 743,051 |
| Channel and Maritime Harbor | 4,319,084 | - | - | 4,319,084 |
| Construction in Progress | 3,149,602 | 2,324,608 | - | 5,474,210 |
| Total Capital Assets | \$ 63,313,556 | \$ 2,324,608 | \$ - | \$ 65,638,164 |
| Accumulated Depreciation | (26,678,612) | (1,314,582) | - | (27,993,194) |
| Capital Assets, Net | \$ 36,634,944 | \$ 1,010,026 | \$ - | \$ 37,644,970 |

At June 30, 2022, of the \$5,474,210 balance in Construction in Progress \$2,322,289 pertains to the Channel Deepening Feasibility Study, \$2,003,571 Fishing Pier, \$499,048 Emergency Operations Center (EOC) and the remaining \$649,302 to the other capital projects underway including Marina Improvements, Ferry Transit project.

Debt Administration

At June 30, 2022, the Port had the following debt obligations:

2012 Port Revenue Bonds – The bonds were issued on June 26, 2012, in the principal amount of \$10,000,000 to partially fund the replacement of Wharves 1 & 2. The remaining principal balance at June 30, 2022 was \$6,052,719. The interest rate is fixed at 4.20% throughout the 20 year term; principal and interest payments are due monthly through June 1, 2032.

2015 Port Revenue Bonds – The bonds were issued on June 1, 2015, in the principal amount of \$6,940,000 to refund the Revenue Bonds Series 1999. The remaining principal balance at June 30, 2022 was \$4,095,000. The bonds bear an interest rate between 2.00% and 4.00% and are fully amortized. Principal and interest are payable on June 1 and December 1 of each year throughout the 15 year term. The bonds are secured by and payable from the revenues generated by the Port's operations.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The Port's inbound cargos are concentrated in bulk construction materials; export cargo currently includes ferrous scrap metal destined for recycling in Asia. The Port's Fiscal Year 2023 (FY2022-23) budget for import and export tonnage was based on the expectations of its key customers with regard to their particular markets. At 1.955 million metric tons, the FY2022-23 tonnage budget is almost 7% higher than FY2021-22 Actual tonnage.

**Tonnage in metric tons
FY2022 vs FY2023 Comparison**



| | <u>Fy2022 Forecast</u> | <u>Fy2023 Budget</u> |
|---------------------------|------------------------|----------------------|
| Sand/Agg | 1,075,000 | 1,320,000 |
| Scrap Metal | 280,000 | 240,000 |
| Gypsum | 280,000 | 230,000 |
| Bauxite (only MAG) | 75,000 | 75,000 |
| Cement | 105,000 | 90,000 |
| | 1,815,000 | 1,955,000 |
| SHIPS | 64 | 61 |
| BARGES | 10 | 12 |



**OVERVIEW
FY2022 vs FY2023**

| | <u>Fy2022 Budget</u> (\$\$ million) | <u>Fy2022 Forecast</u> (\$\$ million) | <u>Fy2023 Budget</u> (\$\$ million) |
|----------------------------|--|--|--|
| Operating Revenue | \$ 9.526 | \$ 9.335 | \$ 9.313 |
| Operating Expenses | - 6.474 | - 5.529 | - 4.651 |
| Administrative Exp. | - 1.670 | - 1.633 | - 1.713 |
| Operating Income | 1.382 | 2.173 | 2.949 |
| Non-Operating Exp. | - 0.205 | - 0.276 | - 0.053 |
| Subvention | - 0.571 | - 0.560 | - 0.559 |
| Net Income | \$ 0.606 | \$ 1.337 | \$ 2.337 |



GOALS FOR FY2022-23:

- Continue to foster further growth of the Port's maritime commerce and cargo shipments
- Engage in public-private partnerships to develop Port site for future lease opportunities
- Enhance the Interagency Emergency Operations (IOC) Center
- Collaborate with City for the development of public Ferry Service
- Promote the Port as a multi-modal hub

CONTACTING THE PORT'S FINANCIAL MANAGEMENT

The Basic Component Unit Financial Statements combined with this report, Management's Discussion and Analysis, are intended to provide citizens, investors and creditors insight into the Port's operation and finances. Questions regarding this report should be directed to:

Port of Redwood City

Director of Finance & Administration

675 Seaport Boulevard, Redwood City, California 94063

Telephone: (650)306-4150 Facsimile: (650)369-7636 Email: portofrc@redwoodcityport.com

Port of Redwood City
Comparative Statements of Net Position
For the years ended June 30, 2022 and 2021

ATTACHMENT A

| | <u>2022</u> | <u>2021</u> |
|---|-----------------------------|-----------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and investments (Note 2) | \$ 20,035,891 | \$ 21,216,338 |
| Accounts receivables | 1,334,315 | 478,352 |
| Prepaid items | <u>519,903</u> | <u>435,071</u> |
| Total current assets | <u>21,890,109</u> | <u>22,129,761</u> |
| Noncurrent assets: | | |
| Restricted cash and investments (Note 2) | 1,103,140 | 1,102,863 |
| Silicon Valley Clean Water capacity rights (Note 4) | 400,000 | 400,000 |
| Prepaid bond insurance | 17,215 | 19,387 |
| Leases receivable (Note 11) | 14,992,327 | - |
| Capital assets (Note 3): | | |
| Non-depreciable assets | 7,994,274 | 5,669,667 |
| Depreciable assets, net | <u>29,650,696</u> | <u>30,965,275</u> |
| Total capital assets, net | <u>37,644,970</u> | <u>36,634,942</u> |
| Total noncurrent assets | <u>54,157,652</u> | <u>38,157,192</u> |
| Total assets | <u>76,047,761</u> | <u>60,286,953</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflow of resources - loss on bond refunding | 142,909 | 160,765 |
| Deferred outflows of resources - Pension contributions (Note 7) | 535,977 | 391,333 |
| Deferred outflow of resources - Pension related (Note 7) | 4,259 | 73,354 |
| Deferred outflow of resources - OPEB related (Note 8) | <u>169,409</u> | <u>108,760</u> |
| Total deferred outflow of resources | <u>852,554</u> | <u>734,212</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | 367,084 | 354,521 |
| Accrued payroll and benefits payable (Note 1F) | 220,477 | 154,518 |
| Unearned revenue | 175,431 | 175,431 |
| Refundable deposits | 754,968 | 317,686 |
| Interest payable | 34,347 | 36,933 |
| Subvention payable (Note 6) | 564,013 | 541,416 |
| Long-term debt - due within one year (Note 5) | <u>957,585</u> | <u>922,155</u> |
| Total current liabilities | <u>3,073,905</u> | <u>2,502,660</u> |
| Long-term liabilities: | | |
| Net OPEB liabilities (Note 8) | 849,375 | 691,244 |
| Net pension liabilities (Note 7) | 2,074,336 | 3,293,138 |
| Long-term debt - due in more than one year (Note 5) | <u>9,178,261</u> | <u>10,134,346</u> |
| Total noncurrent liabilities | <u>12,101,972</u> | <u>14,118,728</u> |
| Total liabilities | <u>15,175,877</u> | <u>16,621,388</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflow of resources - Leases related (Note 11) | 14,731,729 | - |
| Deferred inflow of resources - OPEB related (Note 8) | 80,180 | 113,082 |
| Deferred inflow of resources - pension related (Note 7) | <u>854,733</u> | <u>9,682</u> |
| Total Deferred inflow of resources | <u>15,666,642</u> | <u>122,764</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | 31,737,033 | 30,279,206 |
| Restricted for Debt service | 957,585 | 922,155 |
| Unrestricted | <u>13,363,178</u> | <u>13,075,652</u> |
| Total net position | <u>\$ 46,057,796</u> | <u>\$ 44,277,013</u> |

See accompanying Notes to Basic Financial Statements.

Port of Redwood City

ATTACHMENT A

Comparative Statements of Activities and Changes in Net Position

For the years ended June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|--|-----------------------------|-----------------------------|
| OPERATING REVENUES: | | |
| Marine terminal: | | |
| Rentals-maritime | \$ 2,703,061 | \$ 2,532,662 |
| Wharfage | 2,497,396 | 2,332,115 |
| Dockage | 719,390 | 714,059 |
| Facilities usage | 382,542 | 355,550 |
| Line handling | 627,052 | 680,419 |
| Services and miscellaneous | 34,552 | 34,408 |
| Total marine terminal | <u>6,963,993</u> | <u>6,649,213</u> |
| Rentals - commercial | 2,075,957 | 1,700,625 |
| Recreational boating | 504,211 | 567,544 |
| Other operating revenue | 116,662 | 106,220 |
| Total operating revenues | <u>9,660,823</u> | <u>9,023,602</u> |
| OPERATING EXPENSES: | | |
| Marine terminal | 3,352,446 | 2,137,629 |
| Recreational boating | 611,122 | 580,543 |
| Commercial | 379,236 | 343,390 |
| Infrastructure | 794,525 | 781,676 |
| Administration and general maintenance | 1,607,375 | 1,701,359 |
| Total operating expenses | <u>6,744,704</u> | <u>5,544,597</u> |
| OPERATING INCOME | <u>2,916,119</u> | <u>3,479,005</u> |
| NONOPERATING REVENUE (EXPENSES): | | |
| Interest income | 75,461 | 105,792 |
| Interest expense | (445,619) | (478,036) |
| Grant income | 292,048 | - |
| Other income (expense), net | (493,213) | (172,690) |
| Total nonoperating expenses | <u>(571,323)</u> | <u>(544,934)</u> |
| Change in net positions before subvention to the City of Redwood City | 2,344,796 | 2,934,071 |
| Subvention to City of Redwood City (Note 6) | (564,013) | (541,416) |
| Change in net positions | 1,780,783 | 2,392,655 |
| NET POSITION: | | |
| Beginning of year | 44,277,013 | 41,884,358 |
| End of year | <u>\$ 46,057,796</u> | <u>\$ 44,277,013</u> |

See accompanying Notes to Basic Financial Statements.

Comparative Statements of Cash Flows

For the years ended June 30, 2022 and 2021

| | 2022 | 2021 |
|--|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from customers and other funds | \$ 8,544,262 | \$ 9,007,400 |
| Cash payments to suppliers for goods and services | (3,457,737) | (2,290,935) |
| Cash payments to employees for services | (1,926,136) | (1,749,600) |
| Net cash provided by operating activities | 3,160,389 | 4,966,865 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Cash payments of subvention to the City of Redwood City | (541,416) | (525,715) |
| Other nonoperating revenues (disbursements) | (201,165) | (172,690) |
| Net cash used by noncapital financing activities | (742,581) | (698,405) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Principal payments on debt | (920,655) | (891,063) |
| Interest paid on debt | (428,177) | (460,817) |
| Amortization of leases | | |
| Acquisition and construction of capital assets | (2,324,607) | (166,408) |
| Net cash used by capital and related financing activities | (3,673,439) | (1,518,288) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest received on investments | 75,461 | 105,792 |
| Net cash provided by investing activities | 75,461 | 105,792 |
| Net change in cash and cash equivalents | (1,180,170) | 2,855,964 |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of year | 22,319,201 | 19,463,237 |
| End of year | \$ 21,139,031 | \$ 22,319,201 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES | | |
| Operating income (loss) | \$ 2,916,119 | \$ 3,479,005 |
| Adjustments to reconcile operating income | | |
| (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,314,579 | 1,617,672 |
| (Increase) decrease in assets : | | |
| Accounts receivable | (855,963) | (16,202) |
| Prepaid expenses | (84,832) | (112,667) |
| (Increase) decrease in deferred outflow of resources: | | |
| Deferred outflow of resources - OPEB employer contributions | (60,649) | (61,416) |
| Deferred outflows of resources - pension | (144,644) | (79,819) |
| Deferred outflow of resources - pension employer contributions | 69,095 | (18,373) |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | 12,563 | 13,589 |
| Accrued payroll and benefits | 65,959 | 57,596 |
| Refundable deposits | 437,282 | 33,709 |
| Net OPEB Liability | 158,131 | 76,878 |
| Net pension liability | (1,218,802) | 69,748 |
| Increase (decrease) in deferred inflow of resources: | | |
| Deferred inflow of resources -Leases related amounts | (260,598) | (32,902) |
| Deferred inflow of resources - OPEB related amounts | (32,902) | (32,902) |
| Deferred inflow of resources - pension related amounts | 845,051 | (59,953) |
| Net cash provided by operating activities | \$ 3,160,389 | \$ 4,966,865 |

See accompanying Notes to Basic Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Port of Redwood City (Port) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Port's accounting policies are described below.

A. Reporting Entity

The Port was established under the City of Redwood City's (City) Charter as a department of the City and is managed by the Board of Port Commissioners, whose five members are appointed by the City Council. The Port's financial statements are included in the basic financial statements of the City.

The Port is one of California's most diversified small ports. In addition to handling bulk and recycled materials, other uses include warehouse and office leasing, recreational boating facilities and a 190-slip marina.

B. Basis of Accounting and Measurement Focus

The Port is an enterprise fund which is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. The basic financial statements include a Statement of Net Position, a Statement of Activities and Changes in Net Position and a Statement of Cash Flows.

These financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which the liability is incurred. The accompanying Statement of Activities and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. All of the Port's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The net position total reflected on both the Statement of Activities and Changes in Net Position and the Statement of Net Position represents equity.

C. Cash, Cash Equivalents and Investments

For purposes of the statement of cash flows, the Port considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase may be stated at amortized cost; all other investments should be stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. The Port has elected to state all investments at fair value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The Port participates in an investment pool managed by the State of California, the Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk. In addition, these Structured Notes and Asset-Backed Securities are subject to change in interest rate risk.

D. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Port policy has set the capitalization threshold for reporting capital assets at \$500. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

| | |
|-----------------------------------|-------------|
| Land improvements | 30-50 years |
| Infrastructure | 30-50 years |
| Recreational boating facilities | 30-50 years |
| Terminal and facilities | 30-50 years |
| Furniture, fixtures and equipment | 10-25 years |
| Channel and maritime harbor | 30-50 years |

E. Net Position

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation, reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position - This amount includes all net positions that do not meet the definition of "net investment in capital assets" or "restricted net position."

F. Compensated Absences

Compensated absences including accumulated unpaid vacation, sick pay and other employee benefits are accounted for as expenses in the year earned.

Vacation leave is earned by employees at the rate of ten days per year up to five years of service, fifteen days up to fourteen years of service, and twenty days thereafter. The maximum accrual permitted for any employee is two years earned vacation leave.

Sick leave is earned at a rate of eight hours per month. Unused sick leave may be accumulated up to a maximum of 120 working days (960) hours. Annually, employees may convert up to 96 hours of sick leave into compensation at 25% of their rate of pay. Employees leaving the service of the Port receive compensation in the amount of 25% of all unused accumulated sick leave.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. New Pronouncements

The following Governmental Accounting Standards Board (GASB) pronouncements were effective in the fiscal year 2022:

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The provisions of this Statement were implemented during the fiscal year 2022.

GASB Statement No. 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for certain interest costs. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period

in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in the financial statements. The implementation had no effect on the financial statements.

GASB Statement No. 93 – In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The implementation had no effect on the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Budget and Budgetary Accounting

Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). Prior to June 30 the proposed budget is submitted to the Port Commission for approval and the budget ordinance is introduced. Public hearings are conducted to obtain public comments. At a subsequent regularly scheduled commission meeting, the budget is legally enacted through passage of an ordinance, normally before July 1st. After adoption, the budget is submitted to the City Council, City Clerk, City Manager and Assistant City Manager - Administrative Services of the City of Redwood City. The Commission is authorized to transfer budgeted amounts between line items within any department and can revise amounts which will alter total expenditures by the Port.

J. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

K. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Port's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

| | |
|--------------------|-------------------------------|
| Valuation Date | June 30, 2021 |
| Measurement Date | June 30, 2021 |
| Measurement Period | July 1, 2020 to June 30, 2021 |

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position (balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position (balance sheet) will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

M. Leases

Under Government Accounting Standards Board (GASB) Statement No. 87, a lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Port recognizes lease receivables or liabilities with an initial, individual total present value of \$300,000 or more, based on the future lease payments remaining at the start of the lease.

Port reviews and analyzes leases, and when appropriate, would recognize certain lease assets and liabilities as inflows of resources and outflow of resources, based on the payment provision and remaining duration of the contract.

N. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Port's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

2. CASH AND INVESTMENTS

A. Summary of Cash and Investments

Deposits and investments held by the Port at June 30, 2022 and 2021 are summarized below:

| Cash and Investments: | Fair Value | |
|---|----------------------|----------------------|
| | 2022 | 2021 |
| Demand Deposits: | | |
| Deposits | \$ 1,088,401 | \$ 1,074,882 |
| Petty cash | 1,000 | 1,000 |
| Investments: | | |
| Local Agency Investment Fund | 18,946,490 | 20,140,456 |
| Total unrestricted cash and investments | 20,035,891 | 21,216,338 |
| Restricted Cash and Investments: | | |
| Cash held in escrow (Mitigation account) | 175,430 | 175,431 |
| Held by fiscal agent * | 927,710 | 927,432 |
| Total restricted cash and investments | 1,103,140 | 1,102,863 |
| Total unrestricted and restricted cash and investments | \$ 21,139,031 | \$ 22,319,201 |

*Trustee accounts with U.S. Bank invested in Government obligation funds and US treasury money market.

B. Cash Deposits

As of June 30, 2022 and 2021, the carrying amount of the Port's cash deposits were \$1,088,401 and \$1,074,882 respectively; bank balances before reconciling items were \$1,445,652 and \$1,789,395 respectively, of which \$250,000 was fully insured and \$1,195,652 and \$1,539,395 respectively were collateralized with securities held by the pledging financial institutions in the Port's name as discussed below. The Port has waived collateral requirements for the portion of cash deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

C. Cash Deposits

The California Government Code requires California banks and savings and loan associations to secure the Port's deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for deposits is considered to be held in the Port's name. The market value of pledged securities must equal at least 110% of the Port's deposits. California law also allows financial institutions to secure Port deposits by pledging first trust deed mortgage notes having a value of 150% of the Port's deposits.

2. CASH AND INVESTMENTS, Continued

As of June 30, 2022 and 2021, the Port had \$1,103,140 and \$1,102,864 respectively in total restricted cash and investments. The investment held by fiscal agents invested in Government obligation funds and US treasury money market funds pledged for the payment of certain bonds as of June 30, 2022 and 2021 was \$927,709 and \$927,432 respectively; the amount held in escrow and by fiscal agents pledged for future asset acquisitions was \$175,431 and \$175,431 respectively. The California Government Code requires these funds to be invested in accordance with any applicable Port ordinance, resolution or bond indenture, unless there are specific State statutes governing their investment. These funds have been invested only as permitted by the Investment Policy.

D. Investments

The Port follows the City's investment policy. Under the provisions of the City's investment policy, and in accordance with California Government Code, the following investments are authorized:

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage of Portfolio</u> | <u>Maximum Investment in One Issuer</u> |
|---|-----------------------------|--|---|
| United States Treasury Obligations | 5 years | No limit | No limit |
| Federal Agency/Government Sponsored Enterprises | N/A | No limit | No limit |
| Local Agency Investment Fund | N/A | No limit | \$75 Million |
| San Mateo County Pool | N/A | No limit | \$75 Million |
| State and Local Agency Bonds | N/A | 20% | 5% |
| Money Market and Mutual Funds | N/A | 20% | 5% |
| Local Government Investment Pools | N/A | 20% | No limit |
| U.S. Medium-Term Notes | 5 years | 30% | 5% |
| Non-negotiable Certificates of Deposit | 3 years | 10% | 2% |
| Negotiable Certificates of Deposit | N/A | 30% | 5% |
| Prime Commercial Paper | 270 days | 40% | 5% |
| Bankers' Acceptances | 180 days | 10% | 2% |
| Repurchase Agreements | 90 days | 10% | 2% |
| Asset-backed Securities | 5 years | 20% | 5% |
| Supranational Securities | 5 years | 30% | 5% |

2. CASH AND INVESTMENTS, Continued

E. Risk Disclosures

GASB Statement No. 40 requires that risks related to deposits and investments be disclosed.

Credit Risk – the risk of loss of value of an investment due to a downgrade of its rating or the failure or impairment of its issuer. In order to limit loss exposure due to Credit Risk, the investment policy limits purchases of investments to those rated A-1 by Standard & Poor’s or P-1 by Moody’s Investors Service.

| <u>Investment Type</u> | <u>Credit Rating</u> | <u>% of Investments</u> |
|---|----------------------|-------------------------|
| California Local Agency Investment Fund | Not Rated | 100% |

Custodial Credit Risk – the risk of loss of an investment due to failure, impairment or malfeasance of the third party in whose name the investment is held and/or who has physical possession of the investment instrument. In order to limit loss exposure due to Custodial Credit Risk, the investment policy requires all securities be received and delivered using the standard delivery versus payment (DVP) procedure, and all securities (excluding certificates of deposit) be held by a third party bank or trust department under the terms of a custody or trustee agreement.

F. External Investment Pool

The Port invests in LAIF, a State of California external investment pool. LAIF determines the fair value of its investment portfolio based on market quotations for those securities where market quotations are readily available, and based on amortized cost or best estimate for those securities where market value is not readily available.

The Port valued its investments in LAIF as of June 30, 2022, by multiplying its account balance with LAIF times a fair value factor computed by LAIF. As of June 30, 2022, the Port had \$19,193,600 in LAIF with fair value factor of .987125414. As of June 30, 2021 the Port had \$20,138,785 in LAIF with fair value factor of 1.00008297. The fair value factor was determined by dividing all LAIF participants’ total aggregate amortized cost by total aggregate fair value. Accordingly, as of June 30, 2022 and 2021, the Port’s investments in LAIF stated at fair value equaled \$18,946,490 and \$20,140,456 respectively. At June 30, 2022 these investments matured in an average of 311 days.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method. The unrealized gains (losses) due to fair value adjustments were (\$247,110) and \$1,671, for the years ended June 30, 2022 and 2021, respectively.

2. CASH AND INVESTMENTS, Continued

The Port's investments with LAIF at June 30, 2022, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments may include the following:

- Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend on one or more indices and/or that have embedded forwards or options.
- Asset-backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2022 and 2021, the Port had \$18,946,490 and \$20,140,456 respectively (stated at fair value) invested in LAIF, which had invested 1.14% and 1.10% of the pool investment fund in Structured Notes and Asset-Backed Securities.

G. Investment Valuation

Investments (except for money market accounts, time deposits, and commercial paper) are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments in LAIF and restricted cash and investments included money market accounts and guaranteed investment contracts are not subject to fair value measurement.

Port of Redwood City
Notes to Basic Financial Statements
For the years ended June 30, 2022 and 2021

ATTACHMENT A

3. CAPITAL ASSETS

The following is a summary of the Port's capital assets as of June 30, 2021 and 2022:

| | 2021 | | | 2022 | | | |
|-----------------------------------|--------------------------|--------------------------|----------------------------|--------------------------|--------------|----------------------------|--------------------------|
| | Balance June 30, 2020 | Additions & Transfers | Adjustments & Deletions | Balance June 30, 2021 | Additions | Adjustments & Transfers | Balance June 30, 2022 |
| Non-depreciable assets: | | | | | | | |
| Land | \$ 2,520,064 | \$ - | \$ - | 2,520,064 | \$ - | \$ - | \$ 2,520,064 |
| Construction in progress | 3,028,685 | 120,918 | - | 3,149,603 | 2,324,607 | - | 5,474,210 |
| Total non-depreciable assets | 5,548,749 | 120,918 | - | 5,669,667 | 2,324,607 | - | 7,994,274 |
| Depreciable assets: | | | | | | | |
| Land improvements | 54,002 | - | - | 54,002 | - | - | 54,002 |
| Infrastructure | 4,773,955 | - | - | 4,773,955 | - | - | 4,773,955 |
| Recreational boating facilities | 7,651,285 | - | - | 7,651,285 | - | - | 7,651,285 |
| Terminal and facilities | 40,064,513 | 38,000 | - | 40,102,513 | - | - | 40,102,513 |
| Furniture, fixtures and equipment | 735,559 | 7,492 | - | 743,051 | - | - | 743,051 |
| Channel and maritime harbor | 4,319,084 | - | - | 4,319,084 | - | - | 4,319,084 |
| Total depreciable assets | 57,598,398 | 45,492 | - | 57,643,890 | - | - | 57,643,890 |
| Accumulated Depreciation: | | | | | | | |
| Land improvements | (49,535) | (799) | - | (50,334) | (799) | - | (51,133) |
| Infrastructure | (3,633,355) | (88,109) | - | (3,721,464) | (68,095) | - | (3,789,559) |
| Recreational boating facilities | (4,630,010) | (229,335) | - | (4,859,345) | (222,379) | - | (5,081,724) |
| Terminal and facilities | (13,032,331) | (962,136) | - | (13,994,467) | (959,642) | - | (14,954,109) |
| Furniture, fixtures and equipment | (378,581) | (28,474) | - | (407,055) | (27,080) | - | (434,135) |
| Channel and maritime harbor | (3,337,129) | (308,821) | - | (3,645,950) | (36,584) | - | (3,682,534) |
| Total accumulated depreciation | (25,060,941) | (1,617,674) | - | (26,678,615) | (1,314,579) | - | (27,993,194) |
| Total depreciable assets, net | 32,537,457 | (1,572,182) | - | 30,965,275 | (1,314,579) | - | 29,650,696 |
| Capital assets, net | \$ 38,086,206 | \$ (1,451,264) | \$ - | \$ 36,634,942 | \$ 1,010,028 | \$ - | \$ 37,644,970 |

3. CAPITAL ASSETS (Continued)

Depreciation expense for the fiscal years ended June 30, 2022 and 2021 was as follows:

| | June 30 | |
|--|---------------------|---------------------|
| | 2022 | 2021 |
| Marine terminal | \$ 699,744 | \$ 962,136 |
| Infrastructure and general maintenance | 351,404 | 357,856 |
| Recreational boating | 201,117 | 229,335 |
| Commercial | 38,824 | 39,873 |
| Administration | 23,490 | 28,474 |
| Total | <u>\$ 1,314,579</u> | <u>\$ 1,617,674</u> |

4. SILICON VALLEY CLEAN WATER (SVCW) CAPACITY RIGHTS

The Silicon Valley Clean Water (SVCW) was established to build and operate a sewage treatment facility. SVCW is controlled by a four member board, which appoints management and employees of SVCW and is responsible for SVCW's budget, operations and finances.

The Port's acquisition of capacity rights allows the Port and its tenants to discharge 400,000 gallons per day of wastewater to SVCW's treatment facility. The Port is carrying the capacity rights at the original acquisition cost of \$1.00 per gallon for a total amount of \$400,000.

Financial statements may be obtained from SVCW at 1400 Radio Road, Redwood City, California 94065.

5. LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2021 and 2022 are as follows:

| | Balance | | Balance | | Balance | | Due Within | Due in More |
|---------------------------|---------------------|---------------------|----------------------|---------------------|----------------------|-------------------|---------------------|-------------|
| | June 30, 2020 | Retirements | June 30, 2021 | Retirements | June 30, 2022 | One Year | Than One Year | |
| 2012 Revenue Bonds | \$ 6,987,437 | \$ (457,563) | \$ 6,529,874 | \$ (477,155) | \$ 6,052,719 | \$ 497,585 | \$ 5,555,134 | |
| 2015 Revenue Bonds | 4,975,000 | (435,000) | 4,540,000 | (445,000) | 4,095,000 | 460,000 | 3,635,000 | |
| Unamortized Bond Discount | (14,873) | 1,500 | (13,373) | 1,500 | (11,873) | - | (11,873) | |
| Total long-term debt | <u>\$11,947,564</u> | <u>\$ (891,063)</u> | <u>\$ 11,056,501</u> | <u>\$ (920,655)</u> | <u>\$ 10,135,846</u> | <u>\$ 957,585</u> | <u>\$ 9,178,261</u> | |

Port of Redwood City Revenue Bonds Series 2012

On June 1, 2012, the Port issued Port of Redwood City Revenue Bonds Series 2012 to finance the redevelopment of Wharves 1 & 2. The original principal amount of the bonds was \$10,000,000; there was no original issue discount. The bonds bear an interest rate of 4.20% and are fully amortized. Principal and interest are payable on the first of each month throughout the 20-year term. The bonds are secured by and payable from the revenues generated by the Port's operations.

5. LONG-TERM DEBT, Continued

The Revenue Bonds are general obligations of the Port, payable solely from operating revenues. The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City. No such events occurred during the fiscal year ending June 30, 2022.

At June 30, 2022, future debt service requirements for the 2012 revenue bonds were as follows:

| For the Year Ending June 30, | Principal | Interest | Total |
|---------------------------------|---------------------|---------------------|---------------------|
| 2023 | \$ 497,586 | \$ 244,708 | \$ 742,294 |
| 2024 | 518,891 | 223,403 | 742,294 |
| 2025 | 541,109 | 201,185 | 742,294 |
| 2026 | 564,278 | 178,015 | 742,293 |
| 2027 | 588,440 | 153,854 | 742,294 |
| 2028-2032 | 3,342,415 | 369,052 | 3,711,467 |
| Total | \$ 6,052,719 | \$ 1,370,217 | \$ 7,422,936 |

Port of Redwood City Refunding Revenue Bonds Series 2015

On June 1, 2015, the Port issued Port of Redwood City Refunding Revenue Bonds Series 2015 to refund the Revenue Bonds Series 1999. The original principal amount of the bonds was \$6,940,000; there was an original issue discount of \$22,375. The bonds bear an interest rate between 2.00% to 4.00% and are fully amortized. Principal and interest are payable on June 1 and December 1 of each year throughout the 15 year term. The bonds are secured by and payable from the revenues generated by the Port's operations.

The Revenue Bonds are general obligations of the Port, payable solely from operating revenues. The bond covenants contain events of default that require the revenue of the City to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the City to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the City; or if any court or competent jurisdiction shall assume custody or control of the City. No such events occurred during the fiscal year ending June 30, 2022.

5. LONG-TERM DEBT, Continued

At June 30, 2022, future debt service requirements for the 2015 revenue bonds were as follows:

| <u>Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------|---------------------|-------------------|---------------------|
| 2023 | \$ 460,000 | \$ 148,188 | \$ 608,188 |
| 2024 | 475,000 | 134,388 | 609,388 |
| 2025 | 485,000 | 119,544 | 604,544 |
| 2026 | 505,000 | 103,175 | 608,175 |
| 2027 | 520,000 | 85,500 | 605,500 |
| 2028-2032 | 1,650,000 | 131,800 | 1,781,800 |
| <u>Total</u> | <u>\$ 4,095,000</u> | <u>\$ 722,595</u> | <u>\$ 4,817,595</u> |

Debt Covenants and Restrictions

For the fiscal year ended June 30, 2022, the Port complied with all general and specific covenants of the master bond indenture and the first and supplemental bond indentures, including debt proceeds usage, debt repayment, and maintenance of adequate reserves.

6. SUBVENTION PAYMENTS TO THE CITY OF REDWOOD CITY

In accordance with Section 48d of the Charter of the City, the Board of the Port Commissioners is required to annually pay to the City profits from the operation of the Port and any surplus funds which in its judgment may not be needed for Port purposes. Subventions payable to the City for fiscal years 2022 and 2021 were \$564,013 and \$541,416, respectively.

7. PENSION PLANS

A. California Public Employees Retirement Plan

Plan Description - All qualified permanent and probationary employees are eligible to participate in the Port’s Miscellaneous Plan, agent multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and City of Redwood City and Port of Redwood City ordinances. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the plan is applied as specified by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at June 30, 2022 are summarized as follows:

| | Miscellaneous | | |
|---|------------------|------------------|------------------|
| | Tier 1 | Tier 2 | Tier 3 |
| *From 6.30.20 Valuation | Prior to | On or after | On or after |
| Hire date | October 13, 2011 | October 13, 2011 | January 1, 2013 |
| Benefit formula | 2.7% @ 55 | 2% @ 60 | 2% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Retirement age | 55 | 60 | 62 |
| Monthly benefits, as a % of eligible compensation | 2.0% to 2.7% | 1.092% to 2.418% | 1.0% to 2.5% |
| Required employee contribution rates* | 8.00% | 7.00% | 6.25% |
| Required employer contribution rates* | | 10.08% | |
| Required payment for Unfunded Accrued Liability* | | \$0 | |

Employees Covered - At June 30, 2022 and 2021, the following employees were covered by the benefit terms for the Plan:

| | June 30, 2022 | June 30, 2021 |
|--|---------------|---------------|
| Inactive employees or beneficiaries currently receiving benefits | 6 | 6 |
| Inactive employees entitled to but not yet receiving benefits | 0 | 0 |
| Active employees | 12 | 9 |
| Total | 18 | 15 |

7. PENSION PLANS, Continued

A. California Public Employees Retirement Plan, Continued

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Port is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Net Pension Liability - The Port's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2021 and 2022, using an annual actuarial valuation as of June 30, 2020 and 2019 respectively, rolled forward to June 30, 2021 and 2020 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions - The total pension liability in the June 30, 2021 and 2020 actuarial reports was determined using the following actuarial assumptions:

| Valuation Date | June 30, 2020 | June 30, 2019 |
|----------------------------------|---|---|
| Measurement Date | June 30, 2021 | June 30, 2020 |
| Actuarial Cost Method | Entry-Age Normal Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | | |
| Discount Rate | 7.15% | 7.15% |
| Inflation | 2.50% | 2.50% |
| Salary Increases | Varies by Entry Age and Service | Varies by Entry Age and Service |
| Investment Rate of Return | 7.25%, Net of pension plan investment expenses, including inflation | 7.25%, Net of pension plan investment expenses, including inflation |
| Mortality (1) | Derived using CalPERS' Membership data for all funds | Derived using CalPERS' Membership data for all funds |
| Post Retirement Benefit Increase | Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.50%, thereafter | Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.50%, thereafter |

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2021 and 2020 valuation were based on the results of an actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

7. PENSION PLANS, Continued

A. California Public Employees Retirement Plan, Continued

Change of Assumptions - For the measurement date of June 30, 2022, the inflation rate remain the same, which is 2.75%.

Discount Rate - The discount rate used to measure the total pension liability was 7.15% for the Plan for the measurement period ended June 30, 2021 and 7.15% for the measurement period ending June 30, 2020. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the 7.15 percent discount rate was adequate and the use of the municipal bond rate calculation was not necessary. The long term expected discount rates of 7.15 percent was applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

7. PENSION PLANS, Continued

A. California Public Employees Retirement Plan, Continued

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

| Asset Class | 2022-2021 | | | 2020-2021 | | |
|-------------------------------|--------------------------|-----------------------------|--------------------------|--------------------------|-----------------------------|--------------------------|
| | New Strategic Allocation | Real Return Years 1 - 10(a) | Real Return Years 11+(b) | New Strategic Allocation | Real Return Years 1 - 10(a) | Real Return Years 11+(b) |
| Global Equity | 50.00% | 4.80% | 5.98% | 50.00% | 4.80% | 5.98% |
| Global Fixed Income | 28.00% | 1.00% | 2.62% | 28.00% | 1.00% | 2.62% |
| Inflation Sensitive | 0.00% | 0.77% | 1.81% | 0.00% | 0.77% | 1.81% |
| Private Equity | 8.00% | 6.30% | 7.23% | 8.00% | 6.30% | 7.23% |
| Real Estate | 13.00% | 3.75% | 4.93% | 13.00% | 3.75% | 4.93% |
| Infrastructure and Forestland | 0.00% | | | 0.00% | | |
| Liquidity | 1.00% | 0.00% | -0.92% | 1.00% | 0.00% | -0.92% |
| Total | 100% | | | 100% | | |

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

7. PENSION PLANS, Continued

B. Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Plan for the measurement period ended June 30, 2022 were as follows:

| | Increase (Decrease) | | |
|--|----------------------------|--------------------------------|----------------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability/(Asset) |
| Balance at June 30, 2021 | \$ 9,654,681 | \$ 6,361,543 | \$ 3,293,138 |
| Changes in the year: | | | |
| Service cost | 188,003 | - | 188,003 |
| Interest on the total pension liability | 760,387 | - | 760,387 |
| Differences between actual and expected experience | 6,764 | - | 6,764 |
| Changes in assumptions | - | - | - |
| Change in proportion | - | - | - |
| Changes in benefit terms | - | - | - |
| Net Plan to Plan Resource Movement | - | - | - |
| Contribution - employer | - | 391,406 | (391,406) |
| Contribution - employee | - | 86,112 | (86,112) |
| Net investment income | - | 1,703,925 | (1,703,925) |
| Administrative expenses | - | (7,487) | 7,487 |
| contributions | (507,143) | (507,143) | - |
| Other Miscellaneous Income/(Expense) | - | - | - |
| Net changes during 2021-22 | 448,011 | 1,666,813 | (1,218,802) |
| Balance at June 30, 2022 | \$ 10,102,692 | \$ 8,028,356 | \$ 2,074,336 |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Port for the Plan, calculated using the discount rate for the Plan, as well as what the Port's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| Measurement Date June 30, | 2022 | 2021 |
|---------------------------|--------------|--------------|
| 1% Decrease | 6.15% | 6.15% |
| Net Pension Liability | \$ 3,523,871 | \$ 4,702,665 |
| Current Discount Rate | 7.15% | 7.15% |
| Net Pension Liability | \$ 2,074,336 | \$ 3,293,138 |
| 1% Increase | 8.15% | 8.15% |
| Net Pension Liability | \$ 872,620 | \$ 2,125,554 |

7. PENSION PLANS, Continued

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

C. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the years ended June 30, 2022 and 2021, the Port recognized pension expense of \$449,300 and \$302,936 respectively. At June 30, 2022 and 2021, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | June 30, 2022 | | June 30, 2021 | |
|---|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Pension contributions subsequent to measurement date | \$ 535,977 | \$ - | \$ 391,333 | \$ - |
| Differences between actual and expected experience | 4,259 | (3,987) | 18,452 | (9,682) |
| Changes in assumptions | - | - | - | - |
| Net differences between projected and actual earnings on plan investments | - | (850,746) | 54,902 | - |
| Total | \$ 540,236 | \$ (854,733) | \$ 464,687 | \$ (9,682) |

\$535,977 reported as deferred outflows of resources as of June 30, 2022 related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023, and \$391,333 reported as deferred outflows of resources as of June 30, 2021 related to contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Fiscal Year ended June 30: | Annual Amortization |
|----------------------------|---------------------|
| 2023 | \$ (217,083) |
| 2024 | (195,440) |
| 2025 | (203,870) |
| 2026 | (234,081) |
| Total | \$ (850,474) |

7. PENSION PLANS, Continued

D. Payable to the Pension Plan

The Port had no outstanding amount of contributions to the pension plan for both the years ended June 30, 2022 and 2021.

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

A. Plan Description

The Cost-sharing Multiple Employer Other Post-employment Benefits Plan offered by the Port are limited to reimbursement of medical premiums only. Eligibility extends to those employees hired before January 1, 2011, who, prior to retirement, have (a) worked ten or more consecutive years at the Port on a full time basis, and (b) are enrolled in the Port's medical plan, and (c) are age 55 or older, and (d) have not been voluntarily or involuntarily terminated from employment at the Port. Spouses and/or dependents are ineligible.

The reimbursement of medical premiums is limited to the lesser of (a) the medical insurance premium paid by the eligible retiree, or (b) the Port's cost to provide medical coverage for an active employee of the same age as the retiree or (c) the insurance premium for a Medicare supplement plan at the retiree's earliest Medicare eligibility age, whether or not the retiree enrolls in Medicare.

The accounting rules governing other post-employment benefits (OPEB) do not require mandatory funding of the actuarial accrued liability or actuarial required contribution. During the fiscal year ended June 30, 2011, the Port adopted a comprehensive funding policy for post-employment benefits other than pension. The policy addresses the selection of a Section 115 Trust, prefunding strategy, disbursements and administrative matters. The Section 115 Trust selected was the CalPERS California Employer's Retiree Benefit Trust Program ("CERBT").

B. Employees Covered

As of the June 30, 2021 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

| | |
|--|-------|
| Active employees | 3 |
| Inactive employees or beneficiaries currently receiving benefits | 5 |
| Inactive employees entitled to, but not yet receiving benefits | - |
| | <hr/> |
| | 8 |
| | <hr/> |

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB), Continued

C. Contributions

The OPEB Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the Authority and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2022, the Port contributed \$31,178 for the current retirees.

D. Actuarial Assumption

The Port's net OPEB liability was measured as of June 30, 2021 and 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021 and 2020, respectively, based on the following actuarial methods and assumptions:

Actuarial Assumption

| | |
|---------------------------|--|
| Discount Rate | Based on the Fidelity General Obligation AA Index |
| Inflation | 2.75% as of June 30, 2021 |
| Salary Increases | 3.0% including inflation |
| Investment Rate of Return | 1.92% |
| Healthcare Trend Rate | Medical premiums assumed to increase 8.0% in 2019 and 2020, 7.0% in 2021 through 2030, and 6.0% each year thereafter. |
| Mortality Rate | Based on the 2017 CalPERS Valuation |

Because the benefits are not funded, the discount rate is equal to the 20-Year Bond Rate. The Port has chosen to use the "Fidelity General Obligation AA Index" as its 20-year bond rate. That Index was 2.45% at June 30 2020, and 1.92% at June 30, 2021.

E. Discount Rate

The discount rate used to measure the total OPEB liability was 1.92 percent. The projection of cash flows used to determine the discount rate assumed that Port contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB), Continued

F. Changes in the Total OPEB Liability

The changes in the total OPEB liability for the OPEB Plan are as follows:

| | Total OPEB Liability |
|--|--------------------------|
| Balance at June 30, 2021 (Measurement date 06/30/2020) | <u>\$ 691,244</u> |
| Changes in the year: | |
| Service cost | 6,761 |
| Interest on the total pension liability | 16,550 |
| Differences between actual and expected experience | 97,275 |
| Changes in assumptions | 68,972 |
| Benefit payments | (31,427) |
| Administrative expenses | - |
| Net changes | <u>158,131</u> |
| Balance at June 30, 2022 (Measurement date 06/30/2021) | <u><u>\$ 849,375</u></u> |

G. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Port if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2021:

| | 1% Decrease (0.92%) | Current Discount Rate (1.92%) | 1% Increase (2.92%) |
|----------------------|------------------------|-------------------------------------|------------------------|
| Total OPEB Liability | \$ 1,005,928 | \$ 849,375 | \$ 725,943 |

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB), Continued

H. Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the Port if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2021:

| | 1% Decrease (6% to 5%) | Current Trend Rate (7% to 6%) | 1% Increase (8% to 7%) |
|----------------------|---------------------------|-------------------------------------|---------------------------|
| Total OPEB Liability | \$ 727,872 | \$ 849,375 | \$ 1,000,712 |

I. Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss:

| | |
|---|--|
| Net difference between projected and actual earnings on OPEB plan investments | 5 Years |
| All other amounts | Expected Average Remaining Service Lifetime (EARSL) (2.1 Years at June 30, 2021) |

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB), Continued

J. OPEB Expense and Deferred Outflows/(Inflows) of Resources Related to OPEB

For the fiscal year ended June 30, 2022, the Port recognized OPEB expense of \$64,580. For the fiscal year ended June 30, 2021, the Port reported deferred outflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| OPEB contributions subsequent to measurement date | \$ 31,178 | \$ - |
| Changes of assumptions | 87,277 | (15,332) |
| Differences between expected and actual experience | 50,954 | (64,848) |
| Net differences between projected and actual earnings on plan investments | - | - |
| Total | <u>\$ 169,409</u> | <u>\$ (80,180)</u> |

The amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

| Fiscal Year Ending June 30: | Deferred Outflows/Inflows of Resources |
|--------------------------------|--|
| 2023 | \$ 72,447 |
| 2024 | 2,016 |
| 2025 | (14,936) |
| 2026 | (1,476) |
| | <u>\$ 58,051</u> |

9. RISK MANAGEMENT

Workers' Compensation coverage is provided through the City's self-insurance program. The Port has no self-insured retention associated with this coverage.

All property and liability insurance coverage is provided through a broker. Deductible amounts range from \$250 to \$1,000,000.

In the last five years no claims were filed against the Port which exceeded its insurance coverage limits.

10. COMMITMENTS AND CONTINGENCIES

As of June 30, 2022 and 2021, the Port had committed approximately \$832,000 and \$3,298,000 respectively for professional services contracts and capital improvement projects.

11. LEASES

A. Lessor

The Port is a lessor for noncancellable leases of buildings and facilities. The Port recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the Port initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Port determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts as follows:

- The Port uses bond interest rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Port monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

11. LEASES (Continued)

B. Leases Receivable (Port as Lessor)

The terms and balances related to leases receivable and deferred inflows of resources as of June 30, 2022 were:

| Lessee | Property Address | Original Lease Date | Lease Ending Date | Term Duration (Years) | Remaining Lease Term (years) | Extension Years | Expiration Date Including Options |
|-------------------|--|---------------------|-------------------|-----------------------|------------------------------|-----------------|-----------------------------------|
| New Cingular | 117 Hinman Rd, Redwood City, CA 94063 | 9/15/2020 | 9/14/2030 | 10 | 9 | 5 | 9/14/2035 |
| Clean Harbors | 130 Heckner Rd, Redwood City, CA 94063 | 4/1/2021 | 3/31/2026 | 5 | 4 | 5 | 3/31/2031 |
| Cemex | 775 Seaport Blvd, Redwood City, CA 94063 | 1/1/2017 | 12/31/2026 | 10 | 5 | 10 | 12/31/2036 |
| Seaport Refining | 679 Seaport Blvd, Redwood City, CA 94063 | 1/1/2016 | 12/31/2022 | 6 | 1 | 5 | 12/31/2027 |
| SimsMetal America | 699 Seaport Blvd, Redwood City, CA 94063 | 5/1/2018 | 4/30/2033 | 15 | 11 | 5 | 4/30/2038 |

(Continued below)

| Lessee | Interest Revenue | Lease Revenue | Monthly Revenue as of June 30, 2022 | Lease Receivable Balance at June 30, 2022 | Deferred Inflow of Resources at June 30, 2022 |
|-------------------|-------------------|-------------------|-------------------------------------|---|---|
| New Cingular | \$ 10,883 | \$ 19,213 | \$ 2,508 | \$ 330,042 | \$ 319,159 |
| Clean Harbors | 48,107 | 133,801 | 15,159 | 1,434,384 | 1,386,277 |
| Cemex | 204,014 | 315,190 | 43,267 | 6,209,838 | 6,005,824 |
| Seaport Refining | 23,343 | 106,053 | 10,783 | 675,368 | 652,025 |
| SimsMetal America | 209,864 | 414,136 | 52,000 | 6,342,695 | 6,132,831 |
| | <u>\$ 496,211</u> | <u>\$ 988,393</u> | <u>\$ 123,717</u> | <u>\$ 14,992,327</u> | <u>\$ 14,496,116</u> |

The future principal and interest lease receivables as of June 30, were as follows:

| For the Year Ended June 30 | Principal | Interest | Total |
|----------------------------|----------------------|---------------------|----------------------|
| 2023 | \$ 975,417 | \$ 509,187 | \$ 1,484,604 |
| 2024 | 1,010,116 | 474,488 | 1,484,604 |
| 2025 | 1,046,040 | 438,564 | 1,484,604 |
| 2026 | 1,083,244 | 401,360 | 1,484,604 |
| 2027 | 1,121,770 | 362,834 | 1,484,604 |
| 2028-2032 | 5,409,506 | 1,223,200 | 6,632,706 |
| 2033-2037 | 3,953,099 | 3,953,099 | 7,906,199 |
| 2038 | 393,135 | 2,790 | 395,925 |
| Totals | <u>\$ 14,992,327</u> | <u>\$ 7,362,732</u> | <u>\$ 21,961,924</u> |

12. PLEDGES OF FUTURE REVENUES

The Master Indenture for the Series 2015 Bonds and Series 2012 Bonds requires the Port to pledge its annual Net Revenues (defined as operating income plus depreciation, interest income and non-operating income) in an amount equal to at least 120% of the annual debt service requirement each fiscal year, through final maturities of the Bonds or early retirement of the Bonds, whichever first occurs. The Series 2015 Bonds mature June 1, 2030; the Series 2012 Bonds mature June 1, 2032. At June 30, 2022, the ratio of Net Revenues to the debt service payments due during Fiscal Year 2022 was 5.36 (536%).

13. DEBT SERVICE COVERAGE RATIOS

The Second Supplemental Indenture, applicable to the Series 2012 Bonds, specifies additional reporting requirements and action to be taken in the event the Debt Service Coverage Ratio (DSCR) falls below specific levels. At a DSCR of less than 1.40, the Port is required to provide quarterly reports to the Trustee and the bondholders. At a DSCR of less than 1.20, the Port is required to hire an approved consultant to examine the Port's rates and operations, and to implement reasonable recommendations made by the consultant. A DSCR of less than 1.00 for two consecutive years is an immediate Event of Default. At June 30, 2022, the DSCR was 5.36.

14. MINIMUM OPERATING RESERVE

The Series 2012 Bond Purchase Agreement requires that the Port maintain a Minimum Operating Reserve. The Minimum Operating Reserve is defined as unrestricted cash reserves in an amount at least 1.5 times the annual maintenance and operation costs as defined in the Master Indenture. The definition of annual maintenance and operation costs, as applied to the Port's financial statements, is equal to Operating Expenses net of depreciation. At June 30, 2022, unrestricted cash reserves were 3.69 times Operating Expenses net of depreciation.

The Continuing Disclosure requirements for the Series 2015 Bond prescribe the information to be included in the Annual Report to the Port's Series 2015 bondholders and repositories. Among those requirements is calculation of the Debt Service Coverage Ratio (Net Revenues divided by Maximum Annual Debt Service). At June 30, 2022, the Debt Service Coverage Ratio was 5.36 (536%).

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REQUIRED SUPPLEMENTARY INFORMATION

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**Port of Redwood City
Required Supplementary Information
For the year ended June 30, 2022 and 2021**

1. DEFINED BENEFIT PENSION PLAN

*A. Schedule of Changes in Net Pension Liability and Related Ratios - Last 10 Years**

Miscellaneous Plan

| Measurement Period | 2020-21 | 2019-20 | 2018-19 | 2017-18 | 2016-17 | 2015-16 | 2014-15 | 2013-14 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| TOTAL PENSION LIABILITY | | | | | | | | |
| Service Cost | \$ 188,003 | \$ 181,634 | \$ 182,241 | \$ 185,591 | \$ 182,006 | \$ 133,198 | \$ 114,428 | \$ 115,620 |
| Interest | 760,387 | 730,309 | 702,295 | 668,448 | 666,678 | 558,107 | 473,041 | 440,975 |
| Changes of Benefit Terms | - | - | - | - | - | 72,632 | - | - |
| Difference Between Expected and Actual Experience | 6,764 | (15,377) | 59,456 | 48,082 | 8,423 | - | (13,055) | - |
| Changes of Assumptions | - | - | - | (74,522) | 551,649 | - | (114,655) | - |
| Changes in proportion | - | - | - | - | 540,585 | - | - | - |
| Benefit Payments, Including Refunds of Employee Contributions | (507,143) | (495,307) | (458,764) | (418,112) | (405,623) | (351,126) | (301,643) | (268,758) |
| Net Change in Total Pension Liability | 448,011 | 401,259 | 485,228 | 409,488 | 1,543,718 | 412,811 | 158,116 | 287,837 |
| Total Pension Liability - Beginning | 9,654,681 | 9,253,425 | 8,768,197 | 8,358,709 | 6,814,991 | 6,402,180 | 6,244,064 | 5,956,227 |
| Total Pension Liability - Ending (a) | 10,102,692 | 9,654,684 | 9,253,425 | 8,768,197 | 8,358,709 | 6,814,991 | 6,402,180 | 6,244,064 |
| PLAN FIDUCIARY NET POSITION | | | | | | | | |
| Contributions - Employer | 391,406 | 393,353 | 303,350 | 277,848 | 198,395 | 165,636 | 158,716 | 150,269 |
| Contributions - Employee | 86,112 | 84,727 | 78,699 | 82,020 | 85,018 | 69,561 | 56,707 | 60,404 |
| Net Investment Income (2) | 1,703,925 | 358,836 | 448,098 | 669,196 | 671,110 | 27,988 | 102,554 | 697,965 |
| Benefit Payments, Including Refunds of Employee Contributions | (507,143) | (495,307) | (458,764) | (418,112) | (405,623) | (351,126) | (301,643) | (268,758) |
| Net Plan to Plan Resource Movement | - | - | - | - | - | - | - | - |
| Administrative Expense | (7,487) | (10,098) | (4,850) | (9,884) | - | - | - | - |
| Other Miscellaneous Income/ (Expense) (1) | - | - | 16 | (18,769) | - | - | - | - |
| Net Change in Fiduciary Net Position | 1,666,813 | 331,511 | 366,549 | 582,299 | 548,900 | (87,941) | 16,334 | 639,880 |
| Plan Fiduciary Net Position - Beginning (2) | 6,361,543 | 6,030,035 | 5,663,486 | 5,081,187 | 4,532,287 | 4,620,228 | 4,603,894 | 3,964,014 |
| Plan Fiduciary Net Position - Ending (b) | 8,028,356 | 6,361,546 | 6,030,035 | 5,663,486 | 5,081,187 | 4,532,287 | 4,620,228 | 4,603,894 |
| Plan Net Position Liability/(Asset) - Ending (a) - (b) | 2,074,336 | 3,293,138 | 3,223,390 | 3,104,711 | 3,277,522 | 2,282,704 | 1,781,952 | 1,640,170 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 79.47% | 65.89% | 65.17% | 64.59% | 60.79% | 66.50% | 72.17% | 73.73% |
| Covered Payroll | 1,078,587 | 1,059,790 | 967,648 | 856,970 | 754,684 | 716,024 | 655,667 | 636,746 |
| Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll | 192.32% | 310.73% | 333.12% | 362.29% | 434.29% | 318.80% | 271.78% | 257.59% |

(1) During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No.75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California, agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No.68, Accounting and Financial Reporting for Pensions (GASB 68).

(2) Includes any beginning of year adjustment.

* Fiscal year 2015 was the 1st year of implementation, therefore only eight years are shown.

**Port of Redwood City
Required Supplementary Information
For the year ended June 30, 2022 and 2021**

1. DEFINED BENEFIT PENSION PLAN, Continued

B. SCHEDULE OF CONTRIBUTIONS - Last 10 Years (1)

Miscellaneous Plan (1)

| | 2021-22 | 2020-21 | 2019-20 | 2018-19 | 2017-18 | 2016-17 | 2015-16 | 2014-15 |
|--|--------------|--------------|--------------|------------|------------|------------|------------|------------|
| Actuarially determined contribution (2) | \$ 535,977 | \$ 345,458 | \$ 298,295 | \$ 262,674 | \$ 230,354 | \$ 198,395 | \$ 165,636 | \$ 158,716 |
| Contribution in relation to the actuarially determined contributions | (535,977) | (391,333) | (311,514) | (262,674) | (230,354) | (198,395) | (165,636) | (158,716) |
| Contribution deficiency (excess) | \$ 0 | \$ (45,875) | \$ (13,219) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 1,138,721 | \$ 1,078,587 | \$ 1,059,790 | \$ 967,648 | \$ 856,970 | \$ 754,684 | \$ 716,024 | \$ 655,667 |
| Contributions as a percentage of covered-employee payroll (3) | 47.07% | 36.28% | 29.39% | 27.15% | 26.88% | 26.29% | 23.13% | 24.21% |

(1) As prescribed in GASB 68, paragraph 46, the information presented in the Schedule of Plan Contribution should also be presented as of employer's most recent fiscal year-end. The employer is responsible for determining this information as prescribed by the standard as this data is not available to CalPERS.

(2) Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

(3) Includes one year's payroll growth using 2.75 percent payroll assumption for fiscal year ended June 30, 2018; 3.00 percent payroll assumption for fiscal years ended June 30, 2014-17.

**Port of Redwood City
Required Supplementary Information
For the year ended June 30, 2022 and 2021**

2. OTHER POST EMPLOYMENT BENEFITS (OPEB)

(A Cost-Sharing Multiple Employer Plan)

A. Schedule of Changes in Total OPEB Liability and Related Ratios - Last 10 Years*

| Measurement Period (1) | 2020-21 | 2019-20 | 2018-19 | 2017-18 | 2016-17 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| TOTAL OPEB LIABILITY | | | | | |
| Service Cost | \$ 6,761 | \$ 5,356 | \$ 12,928 | \$ 12,746 | \$ 14,623 |
| Interest | 16,550 | 18,925 | 24,324 | 23,193 | 20,261 |
| Changes of Benefit Terms | - | - | - | - | - |
| Difference Between Expected and Actual Experience | 97,275 | - | (127,605) | - | - |
| Changes of Assumptions | 68,972 | 72,042 | 37,647 | (5,925) | (68,366) |
| Benefit Payments | (31,427) | (19,445) | (9,711) | (9,426) | (8,400) |
| Net Change in Total OPEB Liability | 158,131 | 76,878 | (62,417) | 20,588 | (41,882) |
| Total OPEB Liability - Beginning | 691,244 | 614,366 | 676,783 | 656,195 | 698,077 |
| Total OPEB Liability - Ending (a) | \$ 849,375 | \$ 691,244 | \$ 614,366 | \$ 676,783 | \$ 656,195 |
| | | | | | |
| Covered Payroll | \$ 343,288 | \$ 410,854 | \$ 501,790 | \$ 632,232 | \$ 609,562 |
| | | | | | |
| Total Pension Liability as a Percentage of Covered Payroll | 247.42% | 168.25% | 122.43% | 107.05% | 107.65% |

(1) Historical information is required only for measurement periods for which GASB 75 is applicable.

**Port of Redwood City
Required Supplementary Information
For the year ended June 30, 2022 and 2021**

2. OTHER POST EMPLOYMENT BENEFITS (OPEB), Continued
(A Cost-Sharing Multiple Employer Plan)

B. Schedule of Contributions - Last 10 Years*

| Fiscal Year Ended June 30 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|------------------|------------------|------------------|-----------------|-----------------|
| Actuarially Determined Contribution (ADC) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the ADC | 31,178 | 31,427 | 15,869 | 9,949 | 9,426 |
| Contribution deficiency (excess) | <u>\$ 31,178</u> | <u>\$ 31,427</u> | <u>\$ 15,869</u> | <u>\$ 9,949</u> | <u>\$ 9,426</u> |
| Covered-employee payroll | 343,288 | \$ 343,288 | \$ 410,854 | \$ 501,790 | \$ 632,232 |
| Contributions as a percentage of covered-employee payroll | 9.1% | 9.2% | 3.9% | 2.0% | 1.5% |

Notes to Schedule:

Methods and assumptions used to determine contributions:

| | |
|-----------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method/Period | Straightline Amortization |
| Asset Valuation Method | Market value |
| Inflation | 2.75% |
| Payroll Growth | 3% annual increases |
| Investment Rate of Return | 2.45% |
| Healthcare cost-trend rates | 6.0% to 8.0% |
| Retirement Age | The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. |
| Mortality | Pre-retirement mortality probability based on 2014 CalPERS 1997-2011 Experience Study covering CalPERS participants. Post-retirement mortality probability based on CalPERS Experience Study 2007-2011 covering participants in CalPERS. |

* Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Of the Port of Redwood City
Redwood City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Port of Redwood City, California (Port), as of and for the year ended June 30, 2022, and have issued our report thereon dated May 16, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Port's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Port's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated May 16, 2023, which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maze & Associates

Pleasant Hill, California
May 16, 2023