



ECONOMIC DEVELOPMENT DEPARTMENT

CITY OF SACRAMENTO

May 24, 2005

City Council
Sacramento, CA

Honorable Members in Session:

SUBJECT: PORT OF SACRAMENTO INFORMATION UPDATE**LOCATION AND DISTRICT:** All Districts**RECOMMENDATION:** For Information Only. No Action Required**CONTACT PERSONS:** Tom Zeidner, Sr. Econ. Dev. Proj. Manager, 808-1931
Wendy Saunders Econ. Dev. Director, 808-8196**FOR COUNCIL MEETING OF:** June 7, 2005**SUMMARY:**

This report is another in a series of updates provided to the City Council through the course of the ongoing Port of Sacramento master planning process.

COMMITTEE/COMMISSION ACTION: None**BACKGROUND:**

The Port of Sacramento was created in 1947 by a vote of the citizens of Sacramento and Yolo Counties. The Port entity was subsequently authorized to construct and operate an inland deepwater port, ship channel and harbor for the purpose of expanding the economy of the Sacramento region. Voter-approved bond issues followed and the ship channel and port facilities were constructed between 1949 and 1963, when the facility opened for business.

The Port terminal occupies 150 acres of land in the geographic center of the City of West Sacramento, which incorporated around the Port property in 1987. The Port entity also owns between 400-500 acres of undeveloped land located directly across the deepwater channel from the Port Terminal. This undeveloped property is commonly referred to as "Southport".

Building on Our History ~ Creating The Place to Be

The Sacramento-Yolo Port District Commission is the governing Board of the Port of Sacramento. As originally composed, the Commission consisted of 5 members, with 2 representing the City of Sacramento, 2 representing the County of Sacramento and one representing Yolo County. Following incorporation of the City of West Sacramento, the Commission was enlarged and its composition modified. This resulted in a seven-member Commission, with one each from City of West Sacramento and Yolo County, two each from the City of Sacramento and Sacramento County, and a single member jointly appointed by Sacramento City and County.

As has been discussed in earlier reports to Council, the Port is currently at a critical juncture. Cargo volumes and revenues are down and a serious cash deficit is in the offing. Against this backdrop, some in the community believe the Port is no longer viable and has outlived its usefulness, while others believe it could be an economic engine adding greater vitality to the region.

While many of these issues have been under discussion for years, current circumstances add considerable urgency to the situation, prompting the Port and its appointing jurisdictions (City of West Sacramento, Yolo County, City of Sacramento and Sacramento County) to closely examine the Port's future.

Long-term Planning/Study

To address the issue of long-term viability, the Port commissioned a Maritime Demand Analysis and Port Master Land Use Plan. The goal of these was to provide a fact-based analysis to assist policy makers in clearly defining the Port's future. In doing so, the scope of the effort was to include the following elements:

- Provide a detailed assessment of the market opportunities, competitiveness and cargo outlook for the Port;
- Characterize the Port's regional economic significance;
- Identify the Port's future facility and land requirements;
- Provide recommendations on a Port development strategy;
- Evaluate the potential for non-maritime activities on the Port's undeveloped lands;
- Evaluate land use alternatives in the Port area;
- Identify traffic and air quality impacts associated with port activity; and
- Establish a land use plan that protects and buffers Port and non-Port activities.

The Maritime Demand Analysis was completed in September, 2004. Among its findings was a conclusion that, should the Port remain open, all anticipated cargo volumes could be handled on property north of the shipping channel. Thus, the bulk of the Port's vacant property in the Southport area was deemed to be surplus to current and future needs as projected in the Maritime Demand Analysis.

The Master Land Use Plan therefore proceeded to develop alternative scenarios for non-maritime use of these surplus Port lands. This was done through two public workshops in the latter half of 2004. The process resulted in 5 land use alternatives, ranging from an expansion of Port-related activities to Southport, to eliminating Port activities completely in favor of residential and commercial development.

The 5 alternative land use scenarios were presented to the Port Commission and West Sacramento City Council in February 2005. Rather than providing recommendations regarding preferred alternative(s), both bodies recommended preparation of findings and principles on which to base formulation of a preferred conceptual land use plan. A joint meeting of the Port Commission and West Sacramento City Council was held on February 28, 2005, at which time the findings and principles were approved.

Prominent within both was the matter of Port governance and the City of West Sacramento's representation therein. As mentioned above, West Sacramento currently appoints only one of 7 members to the Port Commission. Among the findings approved on February 28th was that "there is a fundamental imbalance in Port governance – the host city has inadequate representation on the Port Commission". Accordingly, a guiding principle concurrently approved was: "The appointing jurisdictions are committed to amending the governance structure of the Port District to provide the City of West Sacramento a greater voice on the Port Commission".

Executive staffs representing the various appointing jurisdictions have thus been in discussions concerning potential terms of an arrangement through which the City of West Sacramento would be given a greater voice in the Port's governance. Assuming such an arrangement can be crafted and approved by the appointing jurisdictions, it will likely entail the City and County of Sacramento relinquishing some or all of their representation on the Port Commission. Thus, careful consideration is being given to the City and County of Sacramento's original investment, which funded more than 90 percent of the costs associated with acquiring Port property and constructing its facilities. To assure that the City and County receive recompense for this investment in connection with relinquishing some or all representation on the Port Commission, arrangements are being considered to allow sharing of revenues that result from eventual development of the Southport property.

The Port Commission currently possesses wide-ranging powers within Sacramento City and County. These include the ability to condemn real property within either jurisdiction. Consideration is therefore also being given to appropriate limits to such powers in connection with any agreement that would shift representation on the Port Commission towards the City of West Sacramento.

Finally, no reduction of City of Sacramento representation on the Port Commission will be considered without strict limits to potential liabilities to the City that could arise from actions taken by the Port. Staff will report back to Council on the progress of

discussions related to potential shifts in the Port's governance structure and will seek Council approval of any agreement ultimately negotiated.

FINANCIAL CONSIDERATIONS: None

ENVIRONMENTAL CONSIDERATIONS: None

POLICY CONSIDERATIONS:

The City's interest in continuing its ongoing involvement in Port matters is consistent with the City Council-approved 2000 Economic Development Strategy, and the 2001-2004 City of Sacramento Strategic Plan goals: 1) Promote and support economic vitality; 2) Improve and diversify the transportation system; and 3) Position the City of Sacramento to effectively compete in regional, national and international markets.

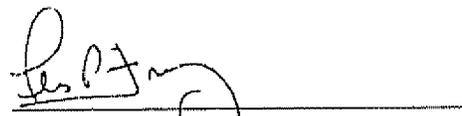
ESBD CONSIDERATIONS:

Not applicable.

Respectfully submitted,



Wendy S. Saunders
Economic Development Director



Thomas P. Frierly
City Treasurer

Approved for Council Information



ROBERT P. THOMAS
CITY MANAGER

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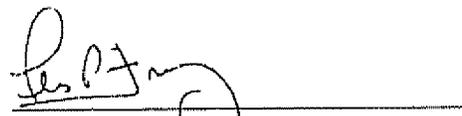
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