

# Port of Sacramento Advisory Committee

## Final Report and Recommendations (August 28, 2003)



J. Clark Kelso (Chair)  
Professor of Law & Director  
Capital Center for Government Law & Policy  
University of the Pacific  
McGeorge School of Law  
3200 Fifth Avenue  
Sacramento, CA 95817  
(916) 739-7104

# TABLE OF CONTENTS

<b>I. Background and Context for Recommendations</b> .....	1
A. Formation of Advisory Committee .....	1
B. The Public Role of Ports.....	3
C. Allocation of Governmental Responsibility for Ports in California.....	3
D. The Problem of Local Port-Related Burdens .....	5
E. Alignment of Benefits, Burdens, Governance and Infrastructure Investment.....	5
F. The Port of Sacramento.....	6
G. Key Findings from Other Reports on the Port of Sacramento .....	9
H. Description of “Measure L” .....	10
1. Key Policy Changes Proposed in Measure L.....	11
2. Proponents of Measure L .....	12
3. Opponents of Measure L.....	12
4. Vote on Measure L.....	13
5. Spending on Measure L Campaign .....	13
<b>II. Advisory Committee Recommendations</b> .....	14
A. The Port Commission should consider adopting a broader vision for the Port’s future to generate more enthusiasm and support for the Port and its operations.....	14
B. The Port Commission should consider adopting a “Port / West Sacramento Community Partnering Plan.” .....	18
C. The Port Commission and the City of West Sacramento should consider re-adjustments to their relationship on issues involving the Port to reduce the likelihood of future conflict between the Port and the City. ....	19
D. Consideration should be given to modifying the Port Commission’s membership so that it is better aligned with the benefits and burdens created by the Port’s operations and reflects a great diversity of experience. ....	21
E. The Port Commission, the political units that appoint members to the Port Commission, the Sacramento Area Council of Governments, and the region’s congressional and legislative delegation should consider committing themselves to assisting the Port in fulfilling all aspects of its newly-adopted, broader vision. ....	23

## **I. Background and Context for Recommendations**

### **A. Formation of Advisory Committee**

The ballot for the November 2002 election in the City of West Sacramento included an initiative, Measure L, that would have substantially affected the Port of Sacramento's future (the measure is discussed in detail below). Shortly before the election, and in light of the pendency of Measure L, the Chair of the Port of Sacramento's governing board, the Port Commission, contacted Professor Clark Kelso at the University of the Pacific McGeorge School of Law to ask whether Professor Kelso would be willing to form a committee to advise the board and other interested stakeholders on what steps the Port could take better to fulfill its mission within the context of the changing face of the City of West Sacramento and the changing nature of the Port's immediate neighborhood. Professor Kelso agreed to form such a committee and serve as its Chair.

The Chair determined that the committee's membership needed to reflect representatives with diverse interests and experience, including leaders from the business community and West Sacramento neighborhood communities, other residents of the port district, recreational users of areas around the port, labor, environmental, members of the Sacramento and Yolo County Boards of Supervisors, and the Mayor of West Sacramento. About half of the committee's members were directly contacted by the Chair to solicit their participation. The remaining members were appointed after a substantial public effort to recruit interest in participation on the committee. Most of these members nominated themselves, while a few were nominated by others. The final membership of the Advisory Committee is as follows:

Clark Kelso (Chair)	Kathy Fletcher
Derek Backus	Jack Godwin
Everett Burdan	Stephen L. Jenkins
Christopher Cabaldon	Muriel Johnson
Norm DeYoung	Helen Thomson
John Disney	Jeralyn Hughes Wingfield
Denice Edgar	Greg Verdon

Each member received an invitation to join the committee which explained its purpose as follows:

Thank you for your interest in working on the Port of Sacramento Advisory Committee. I very much hope you will be able to accept my invitation to join the committee.

A few words about the committee before you accept my invitation. Although the committee will itself determine its agenda and schedule, my own thoughts are that it should meet 4-6 times over the course of the next 6 months or so to discuss and seek consensus on how the Port can fulfill its mission within the context of the City of West Sacramento's vision for itself. We will be soliciting input from a number of sources in the process, including providing an opportunity for residents affected by the Port's activities to make their concerns known. I hope that we will be able to conclude our deliberations with agreement upon a set of recommendations for the Port, the City of West Sacramento, and others to consider.

It is worth emphasizing that the committee is advisory only, and its ultimate success will depend primarily upon the wisdom of its recommendations, not upon any political power or influence. The committee is not intended to serve as a "mediator" between the Port and its critics, and it is not intended to supersede the Port's or any other governmental entity's authority. Instead, we will be gathering information and perspectives, and working to generate ideas for how the Port can improve its relationship with its neighbors.

For this effort to be successful, I will be counting upon each member to come with an open mind and a willingness to work collaboratively with others of differing viewpoints and perspectives towards a common goal.

With this general understanding of the committee's function, I hope you will be able to join us. I look forward to hearing from you.

The Advisory Committee began its deliberations on February 10, 2003, and had its final meeting on August 28, 2003. The Advisory Committee's first set of meetings involved presentations by a variety of institutional stakeholders (including presentations by the Port staff, the City of West

Sacramento, and the Washington Unified School District) and distribution to committee members of a substantial amount of written material on the Port. Two “listening session” meetings were then held to provide a forum for input from interested members of the community. The final meetings provided an opportunity for the committee members themselves to discuss this report and the committee’s recommendations.

At its final meeting on August 28, 2003, the Advisory Committee achieved general consensus on the contents of this Final Report and Recommendations.

## **B. The Public Role of Ports**

Throughout history, ports have been natural centers of trade, transportation, recreation, tourism and culture. Ports have been launching points for exploration of the world, and receiving points for visitors and commerce from afar. Ports have been, in short, major centers of civilization. It is no accident that many of the world’s greatest cities are a host for port facilities; a thriving port helps create and support the conditions for a thriving city.

Because ports play such an important role in supporting commerce and the growth of civilization, and in light of the substantial infrastructure costs associated with establishing and maintaining port facilities, ports have often received substantial governmental support, both in their creation and ongoing maintenance. This substantial support recognizes that ports are, in large part, public resources that perform an important public function.

## **C. Allocation of Governmental Responsibility for Ports in California**

There are federal, state, regional and local components to the public involvement in the development and maintenance of port facilities. As noted in the United States General Accounting Office’s March 2000 report on *Port Infrastructure: Financing of Navigation Projects at Small and Medium-Sized Ports*, “the federal government has long participated in developing and improving the nation’s transportation infrastructure because a well-functioning infrastructure is important for commerce, international trade, and national defense” (p. 6). Similarly, the State of California has recognized, in the language of the Coastal Act, that “the ports of the State of California . . . constitute one of the state’s primary economic and coastal

resources and are an essential element of the national maritime industry.” Pub. Res. Code § 30701(a).

Port lands and facilities in California are generally subject to the conditions and restrictions of the “Public Trust Doctrine.” As it applies to ports, the Public Trust Doctrine provides that “lands under tidal bodies of water . . . and under navigable rivers, lakes and streams are held in trust for all the people of California and are only to be used to serve and promote certain limited public purposes related to the waterways involved.” Staff Report to the California Lands Commission, *Port – Community Relationships*, p. 3 (DRAFT Sept. 2002).

California state government has generally discharged its obligations under the public trust doctrine by granting defined waterfront public trust lands to local jurisdictions, either cities or specially created port districts. These grants remain subject to the conditions of the public trust as well as to any additional limitations imposed by statute.

The Port of Sacramento is *not* a tidewater port and does not operate on tidelands of the State. Instead, it is an inland port that owns its realty in fee simple. However, like other ports in California, the Port is an independent unit of local government and carries with it public responsibilities to manage its assets in furtherance of the public’s interest.

As a general matter, unlike the federal government and unlike a majority of other states with ports, state government in California has *not* made any substantial, direct financial investments in the state’s ports and their infrastructure. This has left it to the local jurisdictions and port districts to find their own resources for infrastructure development. Much of this investment has been supported by federal dollars, and the remainder by local levies.

Until enactment by Congress of the Water Resources Development Act of 1986, many navigation projects and improvements could receive 100% financing from the federal government. However, the 1986 act now requires some type of cost-sharing arrangement for navigation projects. This cost-sharing requirement was imposed in recognition of federal budget constraints, in an attempt to encourage greater state and local involvement and commitment to navigation infrastructure development, and to provide a state and local mechanism for prioritization of such projects. In states such

as California, where there is no history of state funding for port infrastructure development, the burden of finding matching funds falls, in the first instance, upon the port itself.

#### **D. The Problem of Local Port-Related Burdens**

Ports are major industrial facilities that bring together a variety of transportation modalities, each of which creates potential burdens on local communities ranging from water quality issues associated with large ships in the port, to air and other pollution problems associated with materials stored on port properties, and to traffic congestion associated with trucks coming to and leaving from port facilities. These issues can create tensions between ports and their host communities, particularly as the distance between port facilities and surrounding residential neighborhoods decreases.

These tensions appear to exist in virtually every California port. As noted in a recent staff report to the California State Lands Commission:

California ports face major challenges including, but not limited to: generation of significant environmental and health impacts associated with air and water quality; traffic congestion; and governance issues, specifically, port planning processes and allegations of resource mismanagement, pressures by local communities and municipalities to use trust revenues and trust land for non-trust related activities, and establishing and facilitating community outreach programs to be a better neighbor. These planning and environmental issues define the character of the relationships between the ports, other entities, and constituents. (*Port – Community Relationships*, p. 2).

#### **E. Alignment of Benefits, Burdens, Governance and Infrastructure Investment**

The primary economic benefits recognized above – supporting commerce and international trade – oftentimes flow most directly to persons and businesses *outside* of a port’s local governing jurisdiction, and the burdens associated with port operations are oftentimes concentrated within the immediate area of a port’s facilities and *within* a port’s governing jurisdiction. This mismatch between benefits, burdens and governance is one of the reasons why the federal government has historically provided

financial support for port infrastructure development. These federal contributions recognize that the benefits of port development are, at least in part, national in scope.

With the change in federal policy in 1986 to require state or local matching funds for navigation projects, and in light of California's tradition of not providing state funds to support port infrastructure investment, the mismatch between benefits, burdens and governance has become much more acute for California ports. One of the consequences has been increasing pressure on California ports to use port property for revenue producing, non-navigation-related purposes (e.g., sale or lease of land for business or other development activities).

## **F. The Port of Sacramento**

The Sacramento-Yolo Port District was created in 1947 by a vote of the citizens residing in Sacramento County and the First Supervisorial District of Yolo. The Port's first order of business was to secure approval and funding for construction of the Deep Water Channel. Congress had authorized construction in 1946, and funding for the channel and other Port infrastructure was secured through two bond issues in 1947 and 1963 which raised \$13.6 million as the local contribution towards construction of the Port. Construction of the Port was completed in 1963. As of 1992, all of the bonds issued by the Port were retired, and the Port currently operates exclusively from its business revenues. Approximately 97% of the repayment of the bonds came from Sacramento County, and 3% from Yolo County.

The Port is governed by a 7-member Port Commission consisting of two members appointed by the County of Sacramento, two members appointed by the City of Sacramento, one member appointed jointly by the County of Sacramento and the City of Sacramento, one member appointed by the County of Yolo, and one member appointed by the City of West Sacramento. The Port's management staff is comprised of ten persons. According to the Port's executive office, over the course of a year, the Port directly employs the approximate equivalent of 150 persons, who are represented by seven different unions.<sup>1</sup>

---

<sup>1</sup> The information regarding the Port's employment figures and financial performance were provided by the Port's executive office. At least one member of the Advisory Committee believes those figures may not be a true reflection of the Port's operations. The Advisory Committee also heard comments from a member of

The Port is an “operational” port (as opposed to a “landlord” port), and the Port assumes operational control over most of its facilities. The Port’s market niche has generally been in the area of agribusiness and forestry. Primary cargoes include wood chips, rice, wheat, fertilizer, lumber and animal feedstock. Over the course of just the last year or two, the Port has seen substantial increased competition from the Port of Stockton.

The Port’s primary facilities are its Deep Water Channel (a 43-mile long, 32-foot deep man-made channel), port facilities on approximately 150 acres of land north of the port’s harbor, 420 gross acres south of the harbor, 90 acres along the south side of the barge canal which formerly connected the harbor to the Sacramento River, and approximately 3,000 acres along the right-of-way of the deep water channel. The area south of the harbor was entitled in 1996 for development by the City of West Sacramento. The land along the channel is being developed as a mitigation bank. The 90 acres along the south side of the barge canal is zoned for riverfront mixed uses, including retail, commercial, residential, marina and service.

According to information presented by the Port’s executive office, the Port of Sacramento’s ten-year financial performance is as follows:

<b>Year</b>	<b>Revenues</b>	<b>Net Income</b>	<b>Net Profit Margin</b>
2002	\$8,761,762	(\$948,831)	-10.8%
2001	\$11,794,530	\$598,683	5.1%
2000	\$11,045,479	\$296,380	2.7%
1999	\$10,054,747	\$196,071	2.0%
1998	\$10,345,837	\$153,418	1.5%
1997	\$10,936,439	\$691,403	6.3%
1996	\$10,942,934	\$992,734	9.1%
1995	\$9,877,571	(\$747,152)	-7.6%
1994	\$12,245,559	\$1,362,144	11.1%
1993	\$11,048,855	\$184,611	1.7%
Total	\$107,053,713	\$2,779,461	2.6%
Average	\$10,705,371	\$277,946	2.6%

---

the public alleging substantial mismanagement of the Port and improper practices by one or more represented employee groups. The Advisory Committee did not have the resources or expertise to investigate any of these claims, which are most appropriately addressed to the Port Commission or, with respect to allegations of criminal wrongdoing, to law enforcement officials.

According to its current strategic plan, the Port's mission is

To provide quality transportation facilities and services that expands waterborne commerce.

In furtherance of this mission, the plan identifies two goals:

- (1) Produce consistent profitability, and
- (2) make necessary capital improvements to ensure long-term success.

The plan identifies three strategies to achieve these goals:

- (1) Enhance revenues with diversification of cargo such as industrial bulks and development of real estate.
- (2) Cost containment through
  - (a) debt reduction,
  - (b) personnel efficiencies, and
  - (c) rational spending.
- (3) Facility improvements as follows:

Finally, the plan highlights three financing alternatives to support the desired facility improvements:

- (1) Profits and cash flow from successful operations, and
- (2) private financing through partnerships with related companies (i.e., stevedores, barge companies, shippers, etc.), and
- (3) development and leverage of port assets, including the lease, joint-venture of its real estate and facilities.

The Port recognizes that new taxes to support new debt issues are not feasible for the foreseeable future.

The Port's management has highlighted three strategic challenges facing the Port: (1) Securing financing to deepen the Port's channel to 35 feet (which would better serve existing customers, increase and diversify cargoes and improve the value of the port's realty); (2) satisfying the requirements of applicable regulatory jurisdictions (including environmental, land use and building codes); and (3) maintaining a good relationship with the Port's neighbors and host community, the City of West Sacramento.

The third strategic challenge relates most specifically to several changing conditions in the City of West Sacramento. First, the City of West Sacramento is engaged in a process of re-discovery and re-invention, where its self-identity is undergoing a substantial transformation. The Port's role and place in that vision needs to be discussed. Second, the Port owns a substantial piece of undeveloped land essentially in the middle of the City of West Sacramento, and there are competing uses for that land (e.g., for maritime-related commerce, for light industry, for commercial and retail, for parks, for a school and for housing). Third, substantial housing developments just south of the Port's lands create a "boundary" problem for further development of the Port's property.

An additional challenge has recently emerged in the form of substantial price competition from the Port of Stockton which, in the year 2000, received an enormous federal subsidy in the form of the transfer to the Port of Stockton of more than 1,400 acres of land known as "Rough & Ready Island." Formerly owned by the U.S. Navy, the property "has more than one mile of dock space with 10 berths, 42 miles of railroad tracks, five million square feet of warehousing and another three million square feet of paved open storage and dockside transit sheds. Several warehouses have skylights, specialized high ceiling cranes and extra electrical services." *Port of Stockton Annual Report*, p. 3 (2000).

## **G. Key Findings from Other Reports on the Port of Sacramento**

Over the course of the last decade, the Port and its future have been examined and discussed by a number of different entities. *See* Sacramento Metro Chamber Report (2001); Port of Sacramento Issue Analysis by City of

Sacramento Economic Development Department (April 9, 2001); Staff Recommendation to West Sacramento City Council (February 14, 2001); Port of Sacramento Issues – West Sacramento Redevelopment Agency (October 6, 1999); Workshop Report (September 30, 1999); Information Item to Sacramento City Council (July 26, 1995); Recommendations from Port Working Group (March 20, 1995). The key findings from these reports are largely consistent with each other and are as follows:

- The Port is a niche port that provides ancillary benefits to West Sacramento and direct benefits to agricultural and natural resource industries in Northern Sacramento valley.
- Channel deepening project, and other capital improvements, are of strategic importance to the Port’s future.
- Current revenues are inadequate to fund necessary infrastructure and capital improvements.
- The Port may need to be in the land development business to provide long-term financing for maritime operations.
- The Port produces no significant direct economic benefits to the City or County of Sacramento.
- There is a disconnect between the geographic region served by the Port and the Port’s governance structure (in particular, the City and County of Sacramento should have a reduced role, and the City of West Sacramento should have a greater role).

## **H. Description of “Measure L”**

Measure L, which appeared on the November 2002 ballot, proposed to amend the West Sacramento General Plan land use designations and zoning classifications affecting all lands owned and operated by the Port of Sacramento and all land bounded on the north by the barge canal and deep water ship channel, on the west by the deep water ship channel, on the east by the Sacramento River and on the south by the limits of the City of West Sacramento.

With respect to those lands, the measure would have amended the plan to exclude all industrial zoning subject to an exception process and to provide for an undetermined mix of commercial, residential and recreational uses through a planned unit zoning mechanism. Consideration of exceptions for proposed industrial uses with respect to those lands would be granted by the city council or planning commission only after

- a properly noticed public hearing to all land owners within five thousand feet of the proposed development boundaries;
- clear and convincing evidence that
  - the proposed industrial land use will not have an adverse impact on the environment or upon public health, safety, and/or welfare; and,
  - the proposed development shall be classified as and proceed under a conditional use application status through the City of West Sacramento planning and development department.

Measure L also required the creation of city-wide policies regarding commercial and retail development.

### **1. Key Policy Changes Proposed in Measure L**

- Any future industrial use proposed by the Port on its land could proceed only with the approval of the City of West Sacramento acting through its city council or planning commission;
- Any future industrial use proposed by the Port on its land could proceed only with a public noticed hearing and subject to a conditional use permit;
- Any future industrial use proposed by the Port on its land could proceed only if, based on clear and convincing evidence, the proposed use would not have an adverse impact on the environment or upon public health, safety and/or welfare.

## **2. Proponents of Measure L**

West Sacramento Quality Urbanization and Development (“QUAD”)  
Kimber B. Goddard (2002 Candidate for West Sacramento City Council)

Key points:

- Measure L would have resulted in the development of a city-wide policy emphasizing commercial development.
- Measure L would not close the Port but would only subject its land use decisions to reasonable public process and appropriate restrictions to protect the environment, health, public safety and general welfare.
- Measure L would further a broad policy of minimizing further industrial development in the City of West Sacramento (except in already industrialized areas).
- Measure L would likely result in the diversification of uses of the Port’s land to both the Port’s and the community’s benefit.
- Measure L would have no impact on jobs because there are so few full-time jobs at the Port.
- The primary benefits from the Port flow to other northern California counties, while the burdens fall upon the local community.
- The Port does not have a plausible growth potential while competing ports in Stockton and Oakland are likely to draw business away from the Port.

## **3. Opponents of Measure L**

Port of Sacramento  
City of West Sacramento  
West Sacramento Chamber of Commerce  
West Sacramento Democrat Club  
Yolo County Board of Supervisors  
Yolo County Economic Development Council  
Yolo County Farm Bureau  
Yolo County Democrat Central Committee  
Woodland Chamber of Commerce  
Sacramento Labor Council  
Sierra Association of Building and Trades Council  
ILWU  
Summit Development Company

Sacramento Bee

Mark Johanessen (2002 Candidate for West Sacramento City Council)

Key points:

- Measure L would effectively close the Port because the land use restrictions would make any necessary improvements or additions impossible to achieve.
- Measure L would result in substantially increased traffic congestion based on a worst-case scenario.
- Measure L would adversely impact the agricultural and raw materials markets in the region.
- Measure L would have an adverse impact on jobs in West Sacramento and make it more difficult to recruit new industrial businesses to the community.
- Measure L would adversely impact water and intermodal borne commerce.

#### **4. Vote on Measure L**

29.7% Yes, 69.2% No.

Measure L lost in all precincts except precinct 15 (598 Yes / 432 No).

#### **5. Spending on Measure L Campaign**

According to the Sacramento Bee, proponents of Measure L were outspent approximately 13-to-1 by developers and labor unions.

## II. Advisory Committee Recommendations

The Advisory Committee reached consensus on five recommendations that we believe are critical for the Port to realize its potential value as an important city, county and regional asset:

- The Port Commission should consider adopting a broader vision for the Port’s future to generate more enthusiasm and support for the Port and its operations.
- The Port Commission should consider adopting a “Port / West Sacramento Community Partnering Plan.”
- The Port Commission and the City of West Sacramento should consider re-adjustments to their relationship on issues involving the Port to reduce the likelihood of future conflict between the Port and the City.
- Consideration should be given to modifying the Port Commission’s membership so that it is better aligned with the benefits and burdens created by the Port’s operations and reflects a great diversity of experience.
- The Port Commission, the political units that appoint members to the Port Commission, the Sacramento Area Council of Governments, and the region’s congressional and legislative delegation should consider committing themselves to assisting the Port in fulfilling all aspects of its newly-adopted, broader vision.

### **A. The Port Commission should consider adopting a broader vision for the Port’s future to generate more enthusiasm and support for the Port and its operations.**

There does not appear to be a broad base of strong support within the relevant stakeholder communities to invest further in the Port to support its existing operations or new operations that are a simple extension of existing operations. Although the vote on Measure L may suggest that the voting public in West Sacramento is not ready to see the Port substantially burdened or closed by land use regulation, given the narrow issue presented

to the public by Measure L, the vote does *not* indicate that there is strong support for the Port along the path it is now heading. To the contrary, the other reports we have read, and the failure of the relevant political forces and stakeholders to step up to the plate to implement the recommendations of those reports, suggests an absence of enthusiasm about the Port's existing mission and operations.

Some of the missing enthusiasm no doubt relates to the Port's financial performance. Its average net profit margin over the past decade is approximately 2.6%, a much lower figure than would ordinarily be tolerated in a private business environment. The Port posted a loss in 2002 and will likely post a loss in 2003. It bears noting that ports around the country have received enormous amounts of public financial support over the years, and there are probably many ports that technically show annual profits only because of that significant investment of public funds. The Port of Sacramento has not received any significant public financial support in recent years, and its balance sheet reflects that reality. Nevertheless, even though the Port's bottom line is most fairly assessed from the perspective of a quasi-public entity (instead of from a purely private business perspective), there is no question that the Port's soft financial performance dampens public support.

Arguably, the absence of enthusiasm could be a simple matter of the Port not successfully executing a sufficiently robust "marketing" program about its operations. However, this diagnosis seems to miss the mark. There has been no lack of attention paid to the Port and its challenges over the last decade, as the series of reports about the Port amply demonstrates. Moreover, the Port's management team appears to have done a good job of sticking closely to the mission and strategies set forth in the Port's strategic plan as adopted by the Port Commission and to communicating that mission and those strategies to relevant stakeholders.

The problem is not a lack of communication or marketing. Instead, the Advisory Committee believes that the problem is the mission itself. In short, the Port's stated mission no longer commands widespread enthusiasm or support. The mission no longer inspires the community as it once did. The Advisory Committee is convinced that the Port's mission must be broadened if the Port is to have any realistic hope of significant growth.

The Port's strategic plan states its mission as follows:

To provide quality transportation facilities and services that expands waterborne commerce.

The strategies to achieve that mission are to improve the financial performance of the Port's commerce operations through diversification of cargo, cost containment and facility improvements.

In short, the strategic plan envisions a working, industrial port with that as its primary focus. Anything else, such as the development of land for recreational or non-maritime-commerce uses, is essentially secondary and in support of the primary mission.

The Advisory Committee is convinced that a port can be much more than a transfer point for maritime commerce. Historically, ports have been much more than centers of commerce. They have supported transportation networks, recreation, tourism, education and culture. This is a very different and much broader vision of what the Port might contribute to West Sacramento and the greater Sacramento region. It is a vision that may inspire increased enthusiasm about the Port and support for its operations and future. It may also be a vision that is more aligned with the City of West Sacramento's developing vision of itself as a 21<sup>st</sup> century river city.

Adopting a new mission statement for the Port is not something that the Port Commission should do without engaging in an appropriate planning process that would give stakeholders a full opportunity to contribute to the development of the new mission and related goals and strategies. However, to give the Port Commission a sense of what such a revised mission might look like so the Port Commission can begin to assess the potential benefits of embarking on a reevaluation of the Port's mission, the Advisory Committee proffers the following expanded mission, strategies and methodologies to spark future conversations and deliberations:

---

## **Possible Revised Mission for Port of Sacramento**

### **Mission**

To provide secure facilities and services that support and expand the community's water-related commerce, transportation, business, recreation, education, culture and tourism.

### **Strategies**

1. Improve financial performance of waterborne commerce operations through diversification of cargo, cost containment and facility improvements.
2. Advocate a "Two Waterfront Concept" that shows how a working port can co-exist with and complement development of recreational and residential uses, including the visionary plans for developing the waterfront along the Sacramento River as set forth in the Riverfront Plan.
3. Develop business partnerships and facilities to support water-related recreation, tourism and education.
4. Create opportunities for the location of businesses on Port property consistent with the nature of surrounding neighborhoods.
5. Explore long-range opportunities to develop other water-related transportation services (i.e., non-cargo).
6. Develop and implement a community partnering plan to ensure the greatest amount of community participation in consideration and review of business opportunities and an expanded vision for the Port.

### **Methodology**

Visionary leadership.  
Community engagement.  
Communication and collaboration.  
Re-capitalization.

---

**B. The Port Commission should consider adopting a “Port / West Sacramento Community Partnering Plan.”**

As noted above, ports around the country often have rocky relationships with their immediate neighbors and host communities. This is because many of the benefits of a port are to businesses and people who are located far away from the port’s facilities, while many of the most serious burdens associated with light and heavy industry are concentrated in the immediate vicinity of the port.

Some of these tensions are simply inherent in the unequal distribution of benefits and burdens, and these tensions are thus a reflection of real differences in perspective and land uses. However, it appears to the Advisory Committee that, at various times in its past, the Port has not done as much as it could to engage its immediate neighbors and stakeholders in the Port’s plans and opportunities. This communication deficit can leave community members feeling like they lack the necessary and appropriate information about, and input into, Port activities.

The Advisory Committee believes the Port should formalize a more robust process, a “Port / West Sacramento Community Partnering Plan,” that solicits input from all parties interested in proposed projects and activities at the Port. The Partnering Plan should emphasize the importance of communication with residents, property owners and businesses regarding their local concerns, as well as recommendations of local elected officials and their staff. The plan should be designed to ensure that proposed projects are thoroughly vetted through an open and constant system of two-way communications. The Port should consider as part of this plan establishing an advisory panel that could provide specific input to the Port Commission on proposed plans and activities. The Port of Oakland has established a similar plan which may serve as a starting point for the Port’s Partnering Plan.

The Advisory Committee does not believe that merely creating a Port / West Sacramento Community Partnering Plan or an advisory panel is a cure-all, and there are risks in such a venture. The Port Commission and the Port should not, by establishing a partnering plan or an advisory panel, create insurmountable barriers to achieving the Port’s business goals. At the same time, a partnering plan or an advisory panel must represent a genuine commitment by the Port Commission to listen to and learn from stakeholder

input. Achieving and maintaining the right balance in this partnership will be difficult, but the Advisory Committee believes that the long-term benefits to the Port in terms of improved communication and relationships with its neighbors and host community make this a venture worth pursuing.

**C. The Port Commission and the City of West Sacramento should consider re-adjustments to their relationship on issues involving the Port to reduce the likelihood of future conflict between the Port and the City.**

It is apparent to the members of the Advisory Committee that the City of West Sacramento has become, in recent years, a much more important strategic partner for the Port's future. In part, this is because the Port's land use decisions are ultimately controlled by the City of West Sacramento. More importantly, however, the City of West Sacramento has now grown up around the Port, and the Port finds itself embedded within a vibrant city that is developing a new vision for itself and its future. The Port's future depends upon generating fresh, enthusiastic support from its key stakeholders, and the City of West Sacramento encompasses many of the Port's most important constituents. The first recommendation above, that the Port Commission adopt a broader vision, reflects the changing nature of the Port's host community and is intended, in part, to provide a basis for renewed excitement about and support for the Port.

However, the Advisory Committee believes that more must be done. The Port Commission should examine a variety of approaches to reducing the likelihood of conflict with the City of West Sacramento. There are a number of models that might work, and each deserves serious consideration.

For example, the Advisory Committee was impressed with the joint planning undertaken between the City of West Sacramento and the City of Sacramento on the riverfront development. That joint planning effort has produced an exciting vision for the future of the riverfront, and it appears the effort has resulted in a new and possibly long-standing spirit of collaborative development between the two river cities. This sort of visionary, collaborative process could form the basis for improved relations between the Port and the City of West Sacramento as well as a new "Port Master Plan" satisfactory to both.

On the other hand, the joint planning by the City of West Sacramento and the City of Sacramento may have been successful because both cities had very similar development interests, and neither city could pursue that interest in isolation. It is less clear to the Advisory Committee that the interests of West Sacramento and the Port are similarly congruent. If the Port's and the City's fundamental interests are essentially divergent, a joint planning effort might only paper over those differences or create additional tensions.

Alternatively, instead of engaging in joint planning, the Port Commission and the City of West Sacramento could embark upon a process in which the Port Commission ultimately transfers, for appropriate consideration, certain properties, or the development rights to certain properties, to the city consistent with adoption of a broader, updated mission for the Port. Under this approach, the Port Commission could define those areas of the Port's property most suitable for possible maritime-related development and focus the Port's maritime management and business expertise on those areas, while leaving for the City of West Sacramento the development of other lands for non-maritime related uses. This approach reduces the likelihood of friction by clearly defining and separating the development roles of the Port and the City of West Sacramento.

There may be much to recommend this approach. In fact, the Advisory Committee already informally determined during its deliberations that certain Port property was most suitable for mixed-use development and had no potential for maritime development whatsoever. With respect to this property, the Advisory Committee informally indicated to both the Port and the City of West Sacramento that the parties should move forward to reach agreement about development of those properties.

A combination of these two models is also possible. The Port and City of West Sacramento could begin with a joint planning process that results, ultimately, in defining areas for Port development and areas for City of West Sacramento development. There may be substantial benefit in including in these discussions the Sacramento Area Council of Governments to ensure that a truly regional perspective is adequately represented.

There are undoubtedly other models for reducing the likelihood of conflict between the Port and the City of West Sacramento regarding uses of the Port's property. The choice of models is ultimately a decision best made by the Port Commission in consultation with the City of West Sacramento. The

Advisory Committee simply recommends that the Port Commission begin exploring immediately with the City of West Sacramento what mechanisms are most likely to reduce conflict between these two public entities. Reducing the likelihood of such conflicts must become a high priority for the Port Commission.

**D. Consideration should be given to modifying the Port Commission's membership so that it is better aligned with the benefits and burdens created by the Port's operations and reflects a greater diversity of experience.**

The Advisory Committee believes that the representation on the Port Commission is not well aligned with the benefits and burdens created by the Port's operations and that steps should be taken to achieve a better alignment. In addition, the appointing authorities may wish to make some efforts to coordinate their appointments so that the membership on the Port Commission reflects greater diversity of experience.

The Port Commission consists of the following members:

- 2 members appointed by the County of Sacramento
- 2 members appointed by the City of Sacramento
- 1 member appointed jointly by the County of Sacramento and the City of Sacramento
- 1 member appointed by the County of Yolo
- 1 member appointed by the City of West Sacramento.

As can be seen, the Port Commission is dominated by Sacramento interests. When the Port was established, this dominance made sense because the initial investments in the Port were supported by tax revenues raised primarily from residents of the City and County of Sacramento (as noted above, 97% of the revenues to repay the original bonds came from the County of Sacramento). Sacramento agri-business was also much larger when the Port was established, and the Port's business supported Sacramento commerce.

Today, however, the situation is quite different. The original bonds were paid off long ago, and Sacramento residents no longer provide any tax revenues to the Port. Just as important, Sacramento has itself undergone, and

is still undergoing, a radical transformation from a modest capitol city surrounded by agri-business, to a thriving and expanding urban area where agricultural interests are substantially reduced. Because of these changes, the City and County of Sacramento may have less direct interest in the Port's operations and future than they once did. This is likely to be true particularly of the City of Sacramento, which is largely focused on urban development issues. This is not to say that the City and County of Sacramento have no interests in the Port's continued viability. Some of the Port's imports (e.g., lumber) may support business development and growth in Sacramento, and there will be continuing interest in relieving congestion along I-80 (an interest the Port advances now by substituting maritime traffic for truck traffic and which may be advanced in the future by substituting ferry traffic for commuter traffic). But the fact remains that governmental interests in the Port have changed over the years as the region itself has changed.

The Advisory Committee believes that the Port Commission and the political units that appoint members to the Port Commission should have a frank discussion about ways of achieving a better alignment between the interests affected by the Port's operations and representation on the Commission. At a minimum, the Advisory Committee believes the City of West Sacramento should have a greater voice as the Port's host community. In addition, the Advisory Committee believes the Port Commission needs to consider having representation beyond the confines of Yolo and Sacramento counties. The Port is a *regional asset* that confers benefits far beyond those two counties. The Port's future should be decided by a Port Commission that reflects regional and state, and not just county-specific, interests.

In addition, the appointing authorities should consider whether the Port Commission could do a better job of oversight if there was greater diversity among the Commission's membership. For many years, the Commission's membership included persons with significant maritime business and/or management experience. In recent years, however, there has been a greater tendency to appoint to the Commission elected officials from the various appointing authorities. While many of these appointees have had some business experience (although not *maritime* business experience), it is fair to comment that elected officials may have a very different perspective on business and management issues than someone whose primary professional focus is on business activities. This is not necessarily a negative, since the Port is a *public* asset and many of the issues that come before the Commission are essentially public or political in nature. Nevertheless, the

Port Commission might benefit from having at least one or two of its members drawn entirely from the private sector, particularly someone with experience in maritime businesses.

The precise steps to be taken to implement this recommendation are best discussed by members of the Port Commission and the political entities those members represent. In light of the large number of alternatives that could be considered, and in order to avoid interfering with what are likely to be sensitive discussions, the Advisory Committee has decided not to suggest any specific modifications to the Commission's membership structure. We are confident that if the appointing authorities focus their attention upon the mis-alignment of the existing membership structure with the benefits and burdens created by the Port's operations, an agreement among the appointing authorities on specific modifications to the membership can readily be struck.

**E. The Port Commission, the political units that appoint members to the Port Commission, the Sacramento Area Council of Governments, and the region's congressional and legislative delegation should consider committing themselves to assisting the Port in fulfilling all aspects of its newly-adopted, broader vision.**

The Advisory Committee is convinced that the Port of Sacramento needs additional political and financial support to be successful over the long term. The Port has identified a number of critical capital projects, including the channel deepening, deferred maintenance, upgrades to meet regulatory requirements and other improvements. The Advisory Committee agrees with the observation of many of the prior reports that these capital improvements are of strategic importance to the Port's future.

As noted above, it appears clear to the Advisory Committee that the political will does not exist at present to provide the necessary financial support for these investments. The first recommendation – that the Port Commission broaden its vision – is intended in large part to create the basis for generating greater community and political enthusiasm and support. Similarly, each of the other recommendations are intended to establish a more favorable political and community context for Port operations and investments in its future.

In order for these recommendations to be successful, and for the Port's future to be more secure, it is no longer enough for all stakeholders simply to agree that the Port has substantial long-term financial needs. The political units that appoint members to the Port Commission need to be more proactive and publicly supportive of the Port's broadened vision and mission.

Support for the Port does not necessarily mean there is a need immediately to commit funds to the Port or to raise special revenues for the Port. Critical support can come in the form of political will and community leadership. For example, if the Port Commission adopts a broadened vision and mission, the appointing authorities can publicly review and endorse that vision and mission. And, if the membership on the Port Commission is to be modified, the political units that appoint members to the Port Commission will need to commit some political capital to achieve that statutory change.

Finally, local, regional and state political support might usefully be directed at the federal government to level the competitive playing field with the Port of Stockton to secure the waiver of the local financial participation in the channel deepening project. In view of the substantial federal subsidy to the Port of Stockton from the transfer of the Rough & Ready Island to that port, there is a strong equitable case for federal support for the Port of Sacramento. But that federal support will not be forthcoming without a coordinated effort by local, regional and state political leaders.

The important point here is that, if the Port Commission agrees to implement the recommendations in this report, the region's relevant public entities and elected officials (including the political units that appoint members to the Port Commission, the Sacramento Area Council of Governments, and the region's congressional and legislative delegation) will have a strong basis for committing themselves to the Port's long-term viability.