

BOARD OF STATE HARBOR COMMISSIONERS, SAN FRANCISCO

ITEM 504 of the Budget Bill

Budget page 966
Budget line No. 50

For Support of the Board of State Harbor Commissioners, San Francisco, From the San Francisco Harbor Fund

Amount requested	\$3,369,511
Estimated to be expended in the 1949-50 Fiscal Year	3,713,228
Decrease (9.3 percent)	<u>\$343,717</u>

Summary of Increases

	Total increase	INCREASE DUE TO		Budget page	Line No.
		Work load or salary adjustments	New services		
Salaries and Wages	—\$46,262	—\$49,590	\$3,328	31	66
Operating Expenses	—201,799	—201,799	---	31	67
Equipment	—95,656	—95,656	---	31	68
Total Decrease	—\$343,717	—\$347,045	\$3,328		

RECOMMENDATIONS

Amount budgeted	\$3,369,511
Legislative Auditor's Recommendation	<u>3,369,511</u>
Reduction	None

ANALYSIS

Administration

The total cost of administration is anticipated to be increased by \$5,856 or 1.7 percent from \$343,966 estimated to be expended in the 1949-50 Fiscal Year to \$349,822 estimated to be expended in the 1950-51 Fiscal Year. This over-all increase is attributable to a \$5,452 increase in salaries and wages for merit salary adjustments and a \$1,520 increase in operating expenses, which together are partly offset by a reduction of \$1,116 in anticipated purchases of equipment. We recommend approval of the amount budgeted for administration.

Port Operation

The cost of port operation is anticipated to be reduced by \$316 from \$814,522 estimated to be expended in the 1949-50 Fiscal Year to \$814,206 proposed to be expended in the 1950-51 Fiscal Year. This over-all reduction is largely the result of reductions in anticipated purchases of equipment since operating expenditures indicate a slight increase while salaries and wages remain comparatively unchanged.

Expenditures for salaries and wages are anticipated to be increased by only several hundred dollars because of the fact that three restroom attendant positions are being eliminated. The savings occasioned by the elimination of these three positions is offset by merit salary adjustments in the remaining authorized positions and by the fact that no salary savings are anticipated in the 1950-51 Fiscal Year as compared with the 1949-50 Fiscal Year when a saving of one man year or \$3,150 was accomplished. The elimination of the three positions is made possible by the reduced use of facilities. We recommend approval of the amount budgeted for port operation.

Maintenance

The cost of port maintenance, which normally accounts for approximately 50 percent of the total budget of the State Harbor Commissioners, is anticipated to be reduced by \$277,860 or 14.7 percent from \$1,886,918 estimated to be expended in the 1949-50 Fiscal Year to \$1,609,058 proposed to be expended in the 1950-51 Fiscal Year. This substantial reduction is largely attributed to the fact that a considerable amount of deferred maintenance of piers and wharf substructures has been caught up in the past few years and, consequently, reduction in this category of maintenance expense is possible in the 1950-51 Fiscal Year.

Salaries and Wages

Expenditures in salaries and wages for port maintenance are anticipated to be reduced by \$9,232 from \$960,613 estimated to be expended in the 1949-50 Fiscal Year to \$951,381 proposed to be expended in the 1950-51 Fiscal Year. This reduction is made possible by the fact that two plumber positions are being eliminated and allotments for overtime and temporary help are being reduced by approximately 20 percent. As a partially offsetting factor one new position of deckhand is being proposed at \$3,328. This position is necessary in order to provide 24-hour security coverage on Dredge No. 3. Most of the positions in the port maintenance function are based on hourly pay rates, and as a result merit salary adjustments influence the total to only a minor degree.

Operating Expenses

Operating expenditures are anticipated to be reduced by \$192,161 or 24 percent from \$798,683 estimated to be expended in the 1949-50 Fiscal Year to \$606,522 proposed to be expended in the 1950-51 Fiscal Year. This substantial reduction is the result of reductions in almost every item of operating expense with two major exceptions. The greatest reduction occurs in pier and wharf substructure maintenance expenses which are scheduled to be reduced from \$553,000 in the 1949-50 Fiscal Year to \$310,661 in the 1950-51 Fiscal Year. The two major offsetting factors are an increase in pier and wharf shed maintenance costs from \$96,000 anticipated to be expended in the 1949-50 Fiscal Year to \$120,123 proposed to be expended in the 1950-51 Fiscal Year and an increase in signs and signals from \$1,600 in the current fiscal year to \$36,400 in the 1950-51 Fiscal Year. This latter expenditure is occasioned by the necessity to rearrange the traffic lanes on the embarcadero to facilitate both the traffic moving on the embarcadero and traffic entering and leaving the embarcadero. This has been a perplexing problem in the past and it is hoped that it can now be solved in line with a traffic survey made recently.

Equipment

Expenditures for equipment purchases are anticipated to be substantially reduced by \$76,467 from \$127,622 estimated to be expended in the 1949-50 Fiscal Year to \$51,155 proposed to be expended in the 1950-51 Fiscal Year. This reduction is largely occasioned by the fact that the budget for the 1949-50 Fiscal Year contained a sufficient amount for the replacement of two pile driver scows which were purchased prior to 1930. Accordingly the need for similar large equipment does not occur in the 1950-51 Fiscal Year and the amount is correspondingly reduced. We recommend approval of the budget for port maintenance as requested.

Belt Railroad

The cost of operating the belt railroad is anticipated to be reduced by \$71,397 or 10.7 percent from \$667,822 estimated to be expended in the 1949-50 Fiscal Year to \$596,425 proposed to be expended in the 1950-51 Fiscal Year. This substantial reduction is the result of reductions in all categories of expenditure occasioned in the operation of the belt railroad.

Salaries and Wages

Almost all of the positions in the belt railroad function are on an hourly pay basis and, as a consequence, there are no appreciable increases attributable to merit salary adjustments. A reduction of \$42,924 is anticipated from \$501,983 estimated to be expended in the 1949-50 Fiscal Year to \$459,059 proposed to be expended in the 1950-51 Fiscal Year. This is entirely the result of reductions in the scheduling of funds for temporary help and overtime for the 1950-51 Fiscal Year. The total number of permanent positions remains the same as in the 1949-50 Fiscal Year.

Operating Expenses and Equipment

Operating expenses are anticipated to be reduced in practically all items, the major reduction being occasioned by reductions in transportation rail line maintenance expenses.

Purchases of equipment are anticipated to be reduced from \$20,389 estimated to be expended in the 1949-50 Fiscal Year to \$3,900 proposed to be expended in the 1950-51 Fiscal Year. This substantial reduction is due to the fact that in the 1949-50 Fiscal Year Budget there was allowed a sum sufficient to purchase a spare diesel locomotive truck which will be used to reduce the amount of out-of-service time occasioned by breakdowns. In the 1950-51 Fiscal Year this expenditure does not recur and consequently the total purchases of equipment are substantially reduced. We recommend approval of the budget for the belt railroad as requested.

GENERAL SUMMARY

The harbor of San Francisco, which is owned by the State, has been operated by the Board of State Harbor Commissioners since 1863. The board consists of three members who are appointed by and serve at the pleasure of the Governor.

The jurisdiction of the board is confined to the City and County of San Francisco and has under its control and management most of the waterfront property in the city and county, with the major exceptions of Fort Mason, the Presidio, other federal property, the yacht harbor, and Aquatic Park. The board appoints a port manager who is responsible for the administration and operation of the port with board supplying general supervision and policy determinations.

The port, which consists of 43 piers, various terminals and wharves, and approximately 195 acres of cargo space, is normally self-supporting in every particular, including the payment of construction, maintenance and operating costs and debt service. On various occasions the harbor has issued improvement bonds, the proceeds of which were used to improve, modernize and expand the harbor as needed. The operation of the port and the retirement of the bonded debt are funded by revenues received

from tolls, dockage, rentals, demurrage, switching, and various other services offered by the port, the rates for which are fixed by the board.

For the past several years the harbor has been operating at a yearly deficit which was covered by the surplus accruing to the San Francisco Harbor Fund during the war years. For the 1948-49 Fiscal Year the deficit was approximately \$665,000; for the 1949-50 Fiscal Year it is estimated that the deficit will be \$793,000. However, for the 1950-51 Fiscal Year the deficit will be only \$373,000 as a result of the reduced cost of operating the harbor. In past budget years there has been a tendency on the part of the board of commissioners to over-estimate anticipated revenues. However, for the 1950-51 Fiscal Year for the first time it appears that the estimate of anticipated revenues is conservative and that any change will probably be in the direction of increased rather than decreased revenues.

The 1949 calendar years shows an increase in total tonnage handled by the port as compared with 1948 and 1947. This is partly due to the fact that in 1948 and 1947 the port was involved in several strikes which caused an appreciable reduction in traffic handled through the port and consequently in its revenues

The foreign trade zone which was established for the first time in 1948 is still operating at a substantial loss. However, the board is still of the belief that within five years from the date of its inception the foreign trade zone will be operating at a profit. Our investigations into this particular phase of the operation would indicate that this optimistic outlook is still reasonably well founded. Negotiations are presently under way to reduce the cost of the foreign trade zone by persuading the customs service to assume a legitimate share of the cost of providing special guard and customs inspection service. The foreign trade zones in Los Angeles and New York are cooperating in this endeavor.

ITEM 505 of the Budget Bill

Budget page 971
Budget line No. 5

For Maintenance of Fire Boats, San Francisco Harbor, Payable From the San Francisco Harbor Improvement Fund

Amount budgeted	\$200,000
Estimated to be expended in 1949-50 Fiscal Year.....	200,000
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Increase	None

RECOMMENDATIONS

Amount budgeted	\$200,000
Legislative Auditor's Recommendation.....	200,000
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Reduction	None

ANALYSIS

The legislative appropriation for the maintenance of fireboats in San Francisco Harbor for the 1949-50 Fiscal Year was \$167,000. Subsequently, the Board of Harbor Commissioners requested a deficiency appropriation of \$33,000, which brought the total estimated expenditure for the 1949-50 Fiscal Year to \$200,000.

While we recognize the need for fireboat service to protect the state-owned harbor installations in San Francisco, and we recommend approval of this item at this time, it is our belief that this service can be rendered at a considerable reduction in cost. The City and County of San Francisco is presently maintaining two steam fireboats in the harbor at a yearly cost of \$400,000, of which the Harbor Commission pays half. Steam fireboats, because of the necessity of maintaining a 24-hour, 365-day alert condition, are extremely costly in fuel and maintenance. In addition, the steam type vessel requires a larger complement of men to operate it for a given capacity than is required by diesel type vessels. Therefore, we recommend that the State Harbor Commission undertake to develop an estimate of the cost for the State to purchase and operate one diesel fireboat of adequate capacity with a view of eventually withdrawing from the present maintenance agreement with the City and County of San Francisco, and providing a completely state operated service.

ITEM 506 of the Budget Bill

Budget page 971
Budget line No. 21.

For Services of City and County of San Francisco Firemen for San Francisco Harbor, Payable From the San Francisco Harbor Improvement Fund

Amount requested	\$12,000
Estimated to be expended in 1949-50 Fiscal Year.....	12,000
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Increase	None

RECOMMENDATIONS

Amount budgeted	\$12,000
Legislative Auditor's Recommendation.....	12,000
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Reduction	None

ANALYSIS

This item represents payments to the City and County of San Francisco for fire patrol service on the land side of docks, wharfs and other installations in the state-owned harbor facility. We recommend approval of this item as a necessary service.

ITEM 507 of the Budget Bill

Budget page 971
Budget line No. 36

For Promotion of the Maritime and Commercial Interests of the Harbor by Advertising and by Solicitation of Business, Payable From the San Francisco Harbor Improvement Fund

Amount requested	\$50,000
Estimated to be expended in 1949-50 Fiscal Year.....	50,000
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Increase	None

RECOMMENDATIONS

Amount budgeted	\$50,000
Legislative Auditor's Recommendation.....	50,000
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Reduction	None

ANALYSIS

This item, together with \$28,000 contained in the support budget of the administrative division of the San Francisco Harbor Commission, represents an expenditure of \$78,000 for advertising and publicity purposes. In view of the constantly increasing competition from other West Coast ports, as well as from Gulf ports, we recommend approval of this item as a necessary expenditure towards the increasing of tonnage handled by the Port of San Francisco.

ITEM 508 of the Budget Bill

Budget page 971
Budget line No. 54

For Construction, Repairs and Improvements and Equipment of San Francisco Harbor, Payable From the San Francisco Harbor Improvement Fund

Amount requested	\$257,000
Estimated to be expended in 1949-50 Fiscal Year.....	332,500
Decrease (22.7 percent)	\$75,500

RECOMMENDATIONS

Amount budgeted	\$257,000
Legislative Auditor's Recommendation.....	257,000
Reduction	None

ANALYSIS

The amount of \$332,500, which is estimated to be expended in the 1949-50 Fiscal Year, represents a deficiency increase of \$195,000 over the sum of \$137,500 which was appropriated by Item 393 of the Budget Bill of 1949. This deficiency increase was made necessary by certain unexpected and emergency items which arose during the current Fiscal Year.

The item as requested contains the sum of \$200,000 for the reconstruction of Pier 18, which it is anticipated will be leased for a specialized type of operation and one which it is believed will result in a very good rate of return for the additional investment. There is also an item of \$7,000 for a refrigeration unit in the Foreign Trade Zone, which is made necessary because of certain types of commodities which seek entry through this specialized zone. The balance is for minor emergency construction. We recommend approval of this item.

BUDGETARY CONTROL SECTIONS

Section 3, page 89 of the Budget Bill. This section is designed to overcome a technical question which has been raised by the Controller with respect to the availability of the appropriations mentioned. We recommend approval.

Section 3.1, page 89 of the Budget Bill. This section provides for continuing the availability beyond June 30, 1950, of those sums of money which are in the Architectural Revolving Fund, or which have been allocated by the Public Works Board, and which were originally appropriated out of the Postwar Employment Reserve. Without this provision any such sums of money which will not have been actually obligated or encumbered by contract as of June 30, 1951, would revert to the General Fund in accordance with the provisions of Chapter 145, Statutes of 1946.