



Special Closed and Regular Public Session of August 23, 2022

**Santa Cruz Port Commission
MINUTES**

Commission Members Present:

Reed Geisreiter	Chair
Darren Gertler	Vice-chair
Dennis Smith	Commissioner
Stephen Reed	Commissioner
Toby Goddard	Commissioner

SPECIAL PUBLIC SESSION – 6:00 PM

Chair Geisreiter convened the special public session at 6:00 PM at the Harbor Public Meeting Room, 365 A Lake Avenue, Santa Cruz CA (hybrid meeting platform).

1. Oral Communication
2. Announcement of Closed Session Pursuant to Government Code (Ralph M. Brown Act) Section 54956.8.

At 6:00 PM, Chair Geisreiter announced that the Commission will meet in closed session to discuss agenda item 3.

SPECIAL CLOSED SESSION

3. Conference with Real Property Negotiators
Property: 616 Atlantic Avenue
Agency Designated Representative: H. MacLaurie
Under Negotiation: Lease

SPECIAL PUBLIC SESSION

4. Action and Vote Disclosure after Closed Session Pursuant to Government Code (Ralph M. Brown Act) Section 54957.1

Chair Geisreiter announced that the Commission took no reportable action in closed session on item 3.

Chair Geisreiter adjourned the special open session following the closed meeting at 6:50 PM.

REGULAR PUBLIC SESSION – 7:00 PM

Chair Geisreiter convened the regular public session at 7:00 PM at the Harbor Public Meeting Room, 365 A Lake Avenue, Santa Cruz CA (hybrid meeting platform).

5. Pledge of Allegiance
6. Oral Communication

Chair Geisreiter announced that the Commission took no reportable action in closed session on item 3.

Commissioner Goddard reported that he recently attended a Santa Cruz Kiwanis Club meeting, where attendees participated in a “demographer for a day” exercise and provided input on the District’s upcoming redistricting process.

Audience member, Wendy King, requested (via Zoom) a status update on the restoration of the tsunami-damaged jetfloat at FF-Dock.

In response to Ms. King’s request, Port Director MacLaurie stated that a new jetfloat system has been purchased and will be installed upon delivery (estimated 12-week lead time).

CONSENT AGENDA

7. Approval of Minutes
 - a) Special Public Meeting of July 14, 2022
 - b) Special Closed and Regular Public Meeting of July 26, 2022
8. Approval of Resolution 22-18 – Reauthorizing Virtual Public Meetings in Accordance with Assembly Bill 361
9. Approval of Resolution 22-19 – Suspending Emergency Authority Granted to the Port Director under the Tsunami Event of January 15, 2022

MOTION: Motion made by Commissioner Reed, seconded by Commission Goddard to approve consent agenda items 7 through 9.
– *Motion carried unanimously.*

REGULAR AGENDA

10. Review Draft FY22 Audited Financial Statement

Discussion: Port Director MacLaurie introduced Kim Said of the auditing firm, Hutchinson and Bloodgood.

Ms. Said reviewed the draft FY22 audit and reported that the District received a clean, unmodified opinion in all respects for the audit year ending March 31, 2022. Ms. Said stated that the Port District did not adopt any new accounting policies in FY22.

Ms. Said highlighted the following:

- Operating income was \$227k, down approximately \$169k over the prior fiscal year. Contributing factors include:
 - Revenue increased 14% primarily related to concession and parking revenues returning to pre-pandemic levels.
 - Expenses increased 17% (non-cash pension and OPEB liabilities increased \$635k, fuel costs increased \$313k over the prior year, \$187k in unanticipated tsunami expenses)
- Overall increase in non-operating revenue from prior year. Contributing factors include:
 - Increased annual dredge reimbursement (\$525k) and receipt of shortfall funding from 2020 (\$140k).
 - \$519k State funding received for replacement patrol boat.
- Net cash flow increased \$1.5 million in the current year
 - Cash received from operations was \$3.2 million.
 - Cash used to pay down long-term debt was \$1.2 million.
 - Cash used for capital expenditures was \$2.4 million.

In response to a question posed by Commissioner Goddard, Ms. Said stated that that the \$2.4 million capital expenditure figure is comprised of multiple fixed asset additions for the period, including 497 Lake Avenue acquisition, construction in progress, north harbor paving project, replacement patrol boat, and other equipment purchases.

In response to a question posed by Chair Geisreiter, Port Director MacLaurie stated that the preliminary Debt Service Ratio (DSR) is favorable and will exceed the minimum 1.25 threshold.

Port Director MacLaurie stated that the final audit will be presented to the Commission for acceptance at the regular public session of September 27, 2022.

Commissioners thanked staff for their efforts in preparing this year's audit.

11. Review 50% Plan Submittals for Site Development of Port District Owned Property at 1025 7th Avenue

Discussion: Port Director MacLaurie requested that the Commission provide input and direction on the 50% plan submittal prepared by Mesiti-Miller Engineering (MME) for site development of the District's dry storage area on the northwest corner of 7th and Brommer.

Rodney Cahill of MME presented the 50% plans and discussed the following:

- Proposed layout and design of dry storage yards

- Soil conditions and treatment options (lime treatment is preferable)
- Security lighting options
- Construction cost estimates
- Permitting process for the project

Audience member, Jean Brocklebank, thanked the Commission and staff for maintaining transparency and public involvement throughout the design process. She stated that while she understands the constraints surrounding the project, it is her hope that through an alternative design concept, the California Buckeye tree (currently located in the dry storage yard) will remain in place for as long as possible.

Audience member, Michael Lewis, expressed concern regarding the potential conflict between pedestrian/bicycle traffic and vehicle traffic at the proposed entry and exit points along Brommer Street Extension.

After reviewing the plans, the Commission provided the following input:

- Display property lines more clearly on the plan sets
- Determine permit status/requirements for trees located within the dry storage yard
- Limit detail regarding future restaurant / retail site development on permit submittals. The proposed impervious area for the restaurant site will be shown so that drainage facilities can be accurately reviewed and assessed by regulatory agencies.
- Explore feasibility of initiating work in the North Harbor Dry Storage yard (paved lot) as a separate project, as it only requires reconfiguration of fencing and parking lot striping, which can be achieved relatively quickly and for minimal expense.

12. Approval of Additional Services Contract for Engineering and Design of the Port District's Sanitary Sewer Lift Stations (NTE \$9,026.25)

Discussion: Port Director MacLaurie stated that as a result of a recent engineering evaluation of the District's sanitary sewer lift stations, the G-Dock lift station has been prioritized for repair and replacement. She recommended that the Port Commission authorize a contract amendment with MKN for the development of construction plans and technical specifications necessary to facilitate the repairs and place the project out to bid.

MOTION: Motion made by Commissioner Smith, seconded by Commission Goddard to authorize a contract amendment with MKN for engineering and design of the Port District's sanitary sewer lift stations in an amount not to exceed \$9,026.25.

– *Motion carried unanimously.*

13. Review Design Concepts for I-Dock Restroom and Shower Facility

Discussion: Port Director MacLaurie stated that as a result of the January 15, 2022, tsunami, the I-Dock restroom and shower facility sustained prolonged water inundation and was significantly damaged. She stated that William Fisher Architecture, Inc. (WFA) was retained to develop preliminary design concepts for this project.

Facilities Maintenance & Engineering (FME) Manager Wulf detailed the following replacement options and requested that the Commission provide input and direction to determine which option is preferable:

- OPTION 1 – EXPAND BUILDING SIZE
Expand the existing building size to achieve ADA compliance and maintain the current number of restroom stalls, urinal stalls, sinks, and shower stalls.
- OPTION 2 – MAINTAIN BUILDING SIZE
Maintain the existing building size but reduce the number of restroom stalls and sinks to achieve ADA compliance within the same footprint. Unisex facilities are utilized for this concept.
- OPTION 3 – UTILIZE CURRENT BUILDING IN CONJUNCTION W/ NEW RESTROOM FACILITY
Maintain and utilize the existing building for shower facilities only. Design and construct a new, separate restroom facility adjacent to the District’s maintenance building.

In response to a question posed by Commissioner Goddard, FME Manager Wulf confirmed that the facility will include skylights and industrial fixtures and finishes.

There was a consensus among the Commission to proceed with Option 2.

14. Approval of Employment Reclassification for Accounting Technician II and Administrative Assistant I

Discussion: Port Director MacLaurie stated that the Commission met in closed session on July 26, 2022, to discuss the proposed employment reclassifications. She stated that there was consensus among the Commission to present the following reclassifications for approval at a regular public session:

- Accounting Technician II
Revised job description, proposed salary Grade 23
- Administrative Assistant I to Administrative Assistant II
Revised job description, proposed salary Grade 22

Port Director MacLaurie noted one key revision to the Administrative Assistant II job description which includes the reassignment of Customer Service Representative oversight from the Administrative Services Department to the Operations Department, where it is more aptly suited (and currently budgeted).

Port Director MacLaurie stated that approval of the updated salary schedule will follow in agenda item 15.

MOTION: Motion made by Commissioner Smith, seconded by Commissioner Reed to

1. Approve salary reclassification of Accounting Technician II, with revised job duties;
2. Approve reclassification of one full-time equivalent (FTE) Administrative Assistant to Administrative Assistant II, with revised job duties.

– *Motion carried unanimously.*

15. Approve Resolution 22-20 – Adopting Amendments to the Salary Schedule (*There was no discussion on this agenda item*)

MOTION: Motion made by Commissioner Goddard, seconded by Vice-chair Gertler to approve resolution 22-20.

– *Motion carried unanimously.*

16. Approval of Cash / Payroll Disbursements – July 2022 (*There was no discussion on this agenda item*)

MOTION: Motion made by Commissioner Reed, seconded by Commissioner Goddard to approve cash and payroll disbursements for July 2022, in the amount of \$1,571,390.16.

– *Motion carried unanimously.*

INFORMATION

17. Port Director's Report

Port Director MacLaurie stated that a dredge reimbursement request for Quarters 1 and 2 of calendar year 2022, has been submitted to the U.S. Army Corps of Engineers, totaling \$262,500.

In response to a question posed by Chair Geisreiter, Port District MacLaurie stated that staff is currently in the process of developing construction documents to place the 2222 East Cliff Deck Repair Project out to bid in the coming weeks. She stated that construction is anticipated to commence later this year (weather dependent).

18. Harbormaster's Report

Harbormaster Anderson stated that the District's 2014 Trail Wagon UTV was sold as surplus for \$2,025, in accordance with current District policies. He stated that the funds from the sale will go towards the purchase of a replacement electric golf cart.

19. Facilities Maintenance & Engineering Manager's Report

Facilities Maintenance & Engineering (FME) Manager Wulf stated that off-season maintenance continues in preparation for the upcoming dredge season. He stated that representatives from DSC were on site today to facilitate installation of the hydraulic Christmas Tree lifting equipment and new Dredge RX software.

20. Slip Vacancy Bi-Annual Report / Waiting List Statistics

In response to a question posed by Commissioner Goddard, Harbormaster Anderson confirmed that the approximate wait times for unpaid waiting list categories (i.e., dry storage, rack storage, inside-tie, and dory-tie) vary and may be inflated, as customers are permitted to be on multiple lists at one time.

21. Sea Scouts' Bi-Annual Report

Commissioner Goddard expressed appreciation for Sea Scouts' increased program activities and its participation with the Coast Guard Auxiliary.

22. Financial Reports (*There was no discussion on this agenda item*)

a) Comparative Seasonal Revenue Graphs

23. Delinquent Account Reporting (*There was no discussion on this agenda item*)

24. Harbor Patrol Incident Response Report – July 2022 (*There was no discussion on this agenda item*)

25. Written Correspondence (*There was no discussion on this agenda item*)

a) CalOES / California Disaster Assistance Act (CDAA) Funding Denial Letter

26. Port Commission Review Calendar / Follow-Up Items (*There was no discussion on this agenda item*)

Chair Geisreiter adjourned the regular public session at 8:31 PM.

Reed Geisreiter, Chair



TO: Port Commission

FROM: Holland MacLaurie, Port Director

DATE: September 19, 2022

SUBJECT: Approval of Resolution 22-22 – Reauthorizing Virtual Public Meetings in Accordance with Assembly Bill 361

Recommendation: Approve Resolution 22-22.

BACKGROUND

As a result of the continuing impacts of the COVID-19 pandemic, the Santa Cruz Port Commission approved Resolution 22-12 (Attachment B), allowing the legislative body of the Port District to conduct teleconference meetings in accordance with modified rules authorized under Assembly Bill 361 (AB 361).

ANALYSIS

Pursuant to AB 361, once the initial resolution is adopted, a local agency may meet virtually for a maximum period of 30 days. Prior to expiration of the 30 day period, the local agency must renew its resolution in order to continue meeting virtually under the modified rules.

Resolution 22-22 is presented for approval to continue meeting virtually under the modified rules provided for in AB 361.

IMPACT ON PORT DISTRICT RESOURCES

There are no impacts associated with approval of this resolution.

ATTACHMENTS: A. Resolution 22-22 – Reauthorizing Virtual Public Meetings in Accordance with Assembly Bill 361

B. Resolution 22-12 – Authorizing the Santa Cruz Port Commission to Conduct Teleconference Meetings in Accordance with Assembly Bill 361 as a Result of the Continuing COVID-19 Pandemic State of Emergency

Santa Cruz Port District
Resolution 22-22
September 27, 2022

On the motion of _____

Duly seconded by _____

A resolution reauthorizing the Santa Cruz Port Commission to conduct teleconference meetings in accordance with Assembly Bill 361 as a result of the continuing COVID-19 pandemic state of emergency.

WHEREAS, all meetings of the Santa Cruz Port Commission are open and public, as required by the Ralph M. Brown Act (California Government Code Section 54950 – 54963), to ensure that any member of the public may attend, participate, and watch the District’s legislative body conduct business; and,

WHEREAS, on September 16, 2021, Governor Newsom signed into law Assembly Bill 361 (AB 361), which amended Government Code Section 54953 to permit legislative bodies subject to the Brown Act the ability to meet under modified teleconferencing rules if they comply with specific requirements set forth in the statute; and,

WHEREAS, under AB 361, a local agency may teleconference under the modified rules if the legislative body holds a meeting during a proclaimed state of emergency and state or local officials have imposed or recommended measures to promote social distancing; and

WHEREAS, on June 7, 2022, the Santa Cruz Port Commission held an initial teleconference meeting under AB 361 and adopted Resolution 22-12, finding that the requisite conditions exist for the Santa Cruz Port Commission to conduct remote teleconference meetings under modified rules.

WHEREAS, after its initial AB 361 teleconference meeting, a legislative body can continue to hold such teleconference meetings if the legislative body has reconsidered the circumstances of the state of emergency and determined that the state of emergency continues to directly impact the ability of the members to meet safely in person and that local officials continue to recommend measures to promote social distancing; and,

WHEREAS, the Santa Cruz Port Commission has reconsidered the circumstances of the current state of emergency and find that the COVID-19 pandemic continues to directly impact the ability of the Commission to meet safely in person and further finds that the Santa Cruz County Public Health Officer continues to recommend measures to promote social distancing; and,

WHEREAS, in the interest of public health and safety, due to the emergency caused by the spread of COVID-19, the Santa Cruz Port Commission deems it necessary to continue utilizing the modified teleconferencing rules set forth in AB 361 and authorizes remote meetings as set forth in the Resolution.

NOW, THEREFORE, the Santa Cruz Port Commission hereby RESOLVES, and ORDERS as follows:

Section 1. Recitals. The Recitals set forth above are true and correct and incorporated into this resolution by reference.

Section 2. Acknowledgment of Governor’s Proclamation of a State of Emergency. The Board hereby acknowledges that the Governor of the State of California’s Proclamation of State of Emergency, as related to the COVID-19 pandemic, remains in effect.

Section 3. Remote Teleconference Meetings. The Port Director is authorized and directed to carry out the intent and purpose of this Resolution, including conducting open and public meetings in accordance with the modified teleconferencing rules as set forth in Government Code Section 54953(e) and other applicable provisions of the Brown Act.

Section 4. Effective Date of Resolution. This Resolution shall take effect immediately upon its adoption and shall be effective until the earlier of (1) thirty days from adoption of this Resolution, or (2) such time the Board of Directors adopts a subsequent resolution in accordance with Government Code Section 54953(e)(3) to extend the time during which the Santa Cruz Port Commission may continue to teleconference without compliance with paragraph 3 of subdivision (b) of Section 54953.

PASSED AND ADOPTED, by the Santa Cruz Port District Commission this 27th day of September 2022, by the following vote:

AYES: _____

NOES: _____

ABSENT: _____

APPROVED BY:

Reed Geisreiter, Chair
Santa Cruz Port District Commission

Santa Cruz Port District
Resolution 22-12
June 7, 2022

On the motion of Commissioner Goddard

Duly seconded by Commissioner Gertler

A resolution authorizing the Santa Cruz Port Commission to conduct teleconference meetings in accordance with Assembly Bill 361 as a result of the continuing COVID-19 pandemic state of emergency.

WHEREAS, all meetings of the Santa Cruz Port Commission are open and public, as required by the Ralph M. Brown Act (California Government Code Section 54950 – 54963), to ensure that any member of the public may attend, participate, and watch the District's legislative body conduct business; and,

WHEREAS, on September 16, 2021, Governor Newsom signed into law Assembly Bill 361 (AB 361), which amended Government Code Section 54953 to permit legislative bodies subject to the Brown Act the ability to meet under modified teleconferencing rules if they comply with specific requirements set forth in the statute; and,

WHEREAS, under AB 361, a local agency may teleconference under the modified rules if the legislative body holds a meeting during a proclaimed state of emergency and state or local officials have imposed or recommended measures to promote social distancing; and

WHEREAS, on March 4, 2020, in response to the COVID-19 pandemic, Governor Newsom issued a Proclamation of State of Emergency pursuant to California Government Code section 8550 et seq., which remains in effect; and,

WHEREAS, on September 30, 2021, the Santa Cruz County Public Health Officer, Dr. Gail Newel, strongly recommended that legislative bodies in Santa Cruz County engage in physical / social distancing by meeting via teleconference as allowed by AB 361; and,

WHEREAS, after its initial AB 361 teleconference meeting, a legislative body can continue to hold such teleconference meetings if the legislative body has reconsidered the circumstances of the state of emergency and determined that the state of emergency continues to directly impact the ability of the members to meet safely in person and that local officials continue to recommend measures to promote social distancing; and,

WHEREAS, the Port Commission finds that there is a continuing threat of COVID-19 to the community and requiring all members of the legislative body to appear in-person at meetings presents greater risk to the health and safety of the meeting participants resulting from reduced social distancing, increased exposure for those who are immunocompromised or unvaccinated, and challenges associated with fully ascertaining and ensuring compliance with vaccination, face coverings, and other safety measures at such public meetings; and

WHEREAS, in the interest of public health and safety, due to the emergency caused by the spread of COVID-19, the Santa Cruz Port Commission deems it necessary to utilize the modified teleconferencing rules set forth in AB 361.

NOW, THEREFORE, the Santa Cruz Port Commission hereby RESOLVES, and ORDERS as follows:

Section 1. Recitals. The Recitals set forth above are true and correct and incorporated into this resolution by reference.

Section 2. Acknowledgement of Governor's Proclamation of a State of Emergency. The Board hereby acknowledges that the Governor of the State of California's Proclamation of State of Emergency, as related to the COVID-19 pandemic, remains in effect.

Section 3. Remote Teleconference Meetings. The Port Director is authorized and directed to carry out the intent and purpose of this Resolution, including conducting open and public meetings in accordance with the modified teleconferencing rules as set forth in Government Code Section 54953(e) and other applicable provisions of the Brown Act.

Section 4. Effective Date of Resolution. This Resolution shall take effect immediately upon its adoption and shall be effective until the earlier of (1) thirty days from adoption of this Resolution, or (2) such time the Board of Directors adopts a subsequent resolution in accordance with Government Code Section 54953(e)(3) to extend the time during which the Santa Cruz Port Commission may continue to teleconference without compliance with paragraph 3 of subdivision (b) of Section 54953.

PASSED AND ADOPTED, by the Santa Cruz Port District Commission this 7th day of June, by the following vote:

AYES: Geisreiter, Gertler, Reed, Goddard

NOES: n/a

ABSENT: Smith

Approved by:



Reed Geisreiter, Chairman
Santa Cruz Port District Commission

Santa Cruz Port District
Resolution 22-23
September 27, 2022

On the motion of _____

Duly seconded by _____

A resolution authorizing the Port Director to execute documents accepting a Surrendered and Abandoned Vessel Exchange (SAVE) Grant from the State of California Division of Boating and Waterways.

WHEREAS, the State of California Division of Boating and Waterways funds a Surrendered and Abandoned Vessel Exchange Program and,

WHEREAS, the Division of Boating and Waterways has approved an application by the Santa Cruz Port District to fund a \$20,400 Surrendered and Abandoned Vessel Exchange for the purpose of reducing the number of abandoned vessels, eliminating the vessel lien process for those that are turned in, and reducing the overall cost to the Port District associated with storage and disposal of abandoned and derelict vessels; and,

WHEREAS, the terms of the contract expire on September 30, 2024; and,

WHEREAS, the Port District is required to fund a 10% matching contribution for participation in this grant program.

NOW, THEREFORE, BE IT RESOLVED that the Santa Cruz Port District Commission hereby authorizes the Port Director to execute contract documents for the Surrendered and Abandoned Vessel Exchange Program.

PASSED AND ADOPTED, by the Santa Cruz Port District Commission this 27th day of September, 2022, by the following vote:

AYES: _____

NOES: _____

ABSENT: _____

APPROVED BY:

Reed Geisreiter, Chair
Santa Cruz Port Commission



TO: Port Commission
FROM: Renee Ghisletta, Administrative Assistant
DATE: September 20, 2022
SUBJECT: Approval of Month-to-Month Rental Agreement for 333 Lake Avenue, Suite H
(Tenant: Sea Spirit Memorial)

Recommendation: Approve the month-to-month rental agreement.

BACKGROUND

Raina and Joe Stoops submitted an application for month-to-month rental of 333 Lake Avenue, Suite H. The prospective tenant conducts an approved charter operation in the north harbor, Sea Spirit Memorial, which offers ocean ash scattering services.

Mrs. and Mr. Stoops propose to utilize the premises as office space for their charter business. Staff recommends award of the month-to-month rental agreement to Raina and Joe Stoops (dba Sea Spirit Memorial).

The prospective tenant is prepared to take over the premises beginning October 1, 2022, with terms as outlined below.

ANALYSIS

Terms of lease: Month-to-Month
Tenant: Sea Spirit Memorial (Raina and Joe Stoops)
Space: 333 Lake Avenue, Suite H (210 SF)
Rent: \$729/mo. (\$3.47/SF) – Adjusted annually by CPI
Use: Office Space
Insurance: \$1 million with Santa Cruz Port District named as additional insured

IMPACT ON PORT DISTRICT RESOURCES

Approval of this lease will generate approximately \$8,748 per year in concession income.

ATTACHMENTS: A. Rental Agreement – 333 Lake Avenue, Suite H

**SANTA CRUZ PORT DISTRICT
RENTAL AGREEMENT**

THIS AGREEMENT is made and entered into as of the Agreement date in Section 1, by and between the SANTA CRUZ PORT DISTRICT COMMISSION, a political subdivision, 135 5th Avenue, Santa Cruz, California, 95062, hereafter referred to as "Landlord," and Tenant indicated in Section 1, hereafter referred to as "Tenant."

RECITALS:

A. Landlord is the owner of that certain real property described in Section 1 and located in the City and County of Santa Cruz, State of California, as more particularly described in Exhibit A attached hereto and incorporated herein by this reference (the "Property").

B. Landlord desires to rent to Tenant and Tenant wishes to rent from Landlord the land and improvements as indicated in Exhibit A and described in Section 1 (the "Premises").

NOW, THEREFORE, in furtherance of the foregoing, and in consideration of the mutual covenants contained herein, Landlord and Tenant hereby agree as follows:

1. Rental of Premises. Landlord hereby rents the Premises to Tenant, and Tenant rents the Premises from Landlord, for the term, at the rental, and upon the other terms and conditions summarized in this Section and more fully described in subsequent sections:

Agreement Date: September 12, 2022 Term: Month to Month
 Tenant: Sea Spirit Memorial
 Property: 333 Lake Avenue, Suite H
 Premises: Office Space

	<i>Fixed Minimum</i>	<i>Time Period</i>	<i>Percentage Rent</i>	<i>Based On</i>
Rent:	<u>\$729.00</u>	<u>per month</u>	<u>N/A</u>	<u>N/A</u>

Rent Payable:	<u>Monthly</u>	on:	<u>the 1st</u>	starting:	<u>October 1, 2022</u>
Rent Adjusted:	<u>annually</u>	on:	<u>April 1</u>	based on:	<u>SF Bay Area CPI</u>
Deposit:	<u>\$729.00</u>	paid:	<u></u>		
Use:	<u>Office Space</u>				

Tenant Insurance Requirements:	<u>Casualty</u>	<u>N/A</u>	<u>Liability</u>	<u>\$1 million</u>
Notice of Rent Adjustment:	<u>30 days</u>	Notice of Termination:	<u>30 days</u>	

	<i>Landlord</i>	<i>Tenant</i>
Notice Addresses:	<u>Santa Cruz Port District</u>	<u>Sea Spirit Memorial</u>
	<u>Attn: Port Director</u>	<u>Raina & Joe Stoops</u>
	<u>135 5th Avenue</u>	<u>340 Hallsons Ln.</u>
	<u>Santa Cruz, CA 95062</u>	<u>Ben Lomond, CA 95005</u>

2. Term. The term of this agreement shall be month-to-month, commencing as of the date indicated in Section 1.

3. Notice of Termination. Landlord or Tenant may terminate this agreement with advance written notice to the other party. Such written notice must be given on the first day of the calendar month and shall be in advance of its effective date by the number of days indicated in Section 1.

4. Rent.

(a) Fixed Minimum Rent. As described in Section 1, Tenant shall pay to Landlord a fixed amount of rent ("Fixed Minimum Rent") which shall be subject to periodic adjustment as described in subparagraph 4(b).

(b) Adjustment of Fixed Minimum Rent. Landlord shall notify Tenant if rent is to be adjusted as indicated in Section 1. Any adjustment shall be effective as indicated in Section 1.

(c) Payment of Fixed Minimum Rent. Fixed Minimum Rent shall be payable as indicated in Section 1, in advance, without notice, offset, or abatement. All rent and other sums payable by Tenant hereunder shall be paid to Landlord in currency of the United States of America (or by personal check unless Landlord otherwise notifies Tenant) at Landlord's address set forth in Paragraph 23 hereof, or at such other place as Landlord may from time to time designate in writing.

(d) Deposit. Tenant shall also pay the amount indicated in Section 1, to be held as security deposit.

5. Use.

(a) Permitted Uses. Tenant shall use the Premises solely for the use indicated in Section 1 and for no other uses whatsoever. Tenant acknowledges that Landlord has made no warranties or representations to Tenant regarding the suitability of the Premises for Tenant's intended use, and Tenant waives all claims against Landlord regarding the suitability of the Premises for Tenant's intended uses. Landlord reserves the right to fix and determine rates charged (per Section 72 H&N).

(b) Roof. Tenant shall have no right to use any portion of the roof of the Building for any purpose.

(c) Continuous Use. Tenant shall continuously and uninterruptedly during the Agreement term, occupy and use the Premises for the purposes permitted under this Agreement.

(d) Hazardous Materials. No goods, merchandise, or materials shall be kept, stored, or sold in such a manner as to create any unusual hazard on the Premises; and no offensive or dangerous trade, business, or occupation shall be conducted thereon, and nothing shall be done on the Premises which will cause an increase in the rate of or cause a suspension or cancellation of the insurance upon the Premises or upon adjacent properties or improvements thereon.

No machinery or apparatus shall be used or operated on the Premises, which will in any way injure the Premises, or adjacent properties or improvements thereon.

Tenant shall indemnify Landlord from any damages suffered by Landlord, including, without limitation, cleanup costs, as a result of the generation, use, storage, transport, or release of hazardous materials by Tenant in, on, or about the Premises or the Property. For the purpose of this Agreement, the term "hazardous materials" shall mean (A) those substances listed in Title 22 section 66680 of the California Administrative Code, (B) substances within the criteria set forth in Title 22 sections 66693 through 66723 of the California Administrative Code, (C) substances which, at any time during the term hereof, are added to the list described in paragraph (A) above or which are within any future criteria described in subparagraph (B) above, (D) petroleum and all byproducts and distillates thereof, and (E) asbestos. Prior to bringing or allowing any hazardous materials to be brought onto the Premise or Property, Tenant shall notify Landlord as to the identity of said materials and the safeguards to be used in connection therewith. Landlord shall be entitled, in its sole discretion, to refuse to allow hazardous materials to be brought onto the Premises or Property. Landlord's consent to the introduction of any hazardous material onto the Property (i) shall not release Tenant from its duty to indemnify Landlord for any damages resulting from such materials, (ii) shall not be deemed to waive Landlord's right to disapprove of any subsequent introductions of hazardous materials onto the Property whether of the same or of a different nature than the material to which Landlord consented, and (iii) may be revoked at any time, in Landlord's sole discretion, whereupon Tenant shall remove such materials from the Property within five (5) days of receipt of Landlord's demand for removal. In all events, if any hazardous materials become located upon the Property for any reason other than as consented to by Landlord in accordance with the foregoing procedure; Tenant shall immediately notify Landlord as to the same.

(e) Effect on Navigable Waters. Under federal law, no construction, installation, dredging, filling, or other activity, which would have an effect on navigation, may be conducted in or adjoining navigable waters without a permit therefore first being issued by the Secretary of the Army. The Port Director determines whether any proposed facility of Tenant may be construed to have an effect on navigation. In the event the Port Director so determines, Tenant shall prepare at its expense a permit application for submittal by Landlord in Landlord's name to the Corps of Engineers, United States Army. The permit application shall be prepared in strict conformity with regulations published by the United States Army.

(f) Non-permitted Uses. Tenant shall not permit the Premises to be used for any purpose not described in Paragraph 5(a) or for any unlawful purpose; and Tenant shall not perform, permit, or suffer any act of omission or commission upon or about the Premises which would result in a nuisance or a violation of the laws and ordinances of the United States, State of California, or City of Santa Cruz, as the same may be now or hereafter in force and effect. Without limiting the generality of the foregoing, Tenant specifically agrees not to cause or permit generation of unreasonable levels of noise from other sources, which might disturb liveaboard slip licensees, or residential neighbors of the Port District from 9:00 pm until 6:00 am each day during the lease term. Tenant further specifically agrees to prevent emission from the Premises into the air of any smoke or other noxious substances, or any odors reasonably deemed offensive to personnel of Landlord, liveaboard slip licensees or residential neighbors of the Port District.

(g) Compliance with Laws. Tenant shall abide by all applicable rules, codes, regulations, resolutions, ordinances and statutes of Landlord, the City of Santa Cruz, County of Santa Cruz, California Coastal Commission, State of California, or other governmental body where applicable, respecting the use, operation, maintenance, repair or improvement of the Premises and equipment therein, and shall pay for any and all licenses or permits required in connection with the use, operation, maintenance, repair, or improvement of the Premises.

6. Ownership of Improvements. All structures, buildings, improvements, additions, and fixtures now existing or hereafter constructed, erected, or installed in or upon the Premises, and all alterations and additions thereto, shall be deemed a part of the Premises and title thereto shall be deemed vested in and remain in Landlord during the agreement term, and upon expiration or sooner termination of the agreement term shall remain upon and be surrendered with the Premises as part thereof.

7. Construction of Improvements.

(a) No Landlord Improvements. Landlord shall not be obligated to install or construct any improvements, additions, or alterations (collectively called "improvements") on the Premises during the agreement term.

(b) Tenant Improvements. Tenant may, at Tenant's expense, construct certain new additions and improvements to the Premises required in connection with the conduct of Tenant's business; provided, (a) that Tenant shall obtain, at Tenant's expense, all necessary plans and specifications for the construction of said additions and improvements, (2) that Tenant's plans and specifications shall be subject to review and prior written approval by Landlord, and (3) that Tenant shall be responsible for obtaining, at Tenant's expense, all necessary governmental permits and approvals for construction of any new additions or improvements to the Premises.

(c) Liens. Tenant shall keep the Premises free from any liens arising out of any work performed, materials furnished, or obligations incurred by Tenant. Tenant shall indemnify and hold Landlord harmless against liability, loss, damage, cost, and all other expenses (including but without limitation, attorneys' fees) arising out of claims of lien for work performed or materials or supplies furnished at the request of Tenant or persons claiming under Tenant.

8. Taxes and Assessments.

(a) Payable by Tenant. Tenant shall pay directly to the taxing authority during each year or partial year during the term hereof, all real and personal property taxes, general and special assessments, use and possessory taxes, environmental protection charges, and other charges of every kind or description whatsoever, foreseen or unforeseen, levied on or assessed against the Premises, improvements or personal property therein, the leasehold estate or any personal property therein, the leasehold estate or any subleasehold estate permitted by Landlord. Tenant shall pay each installment of such taxes and assessments prior to the date such installment becomes delinquent. The taxes and assessments to be paid by Tenant hereunder shall be prorated at the end of the agreement term, in order that Tenant will pay only the proportionate part of said taxes and assessments attributable to the period of the agreement term, based on the ratio of the unit's square feet to the building's total square feet.

(b) Substitute Taxes. If at any time during the agreement, under the laws of the United States of America, the State of California, or any political subdivision thereof in which the Premises are located, a tax on rent or other charge by whatever name called, is levied, assessed, or imposed against Landlord, or against the rent payable hereunder to Landlord, as a substitute in whole or in part for any of the taxes described in Paragraph 8(a), Tenant, to the extent such substitute tax or other charge relieves Tenant from the payment of taxes provided for herein, shall pay such tax or other charge in the manner provided in this Paragraph 8.

9. Insurance.

(a) Casualty Insurance. If indicated in Section 1, Landlord shall, at Tenant's expense, procure and maintain in full force and effect at all times during the term of this agreement, fire, and extended coverage insurance satisfactory to Landlord covering the Premises and all improvements therein in an amount not less than ninety percent (90%) of the actual replacement cost thereof. The insurance provided for in this Paragraph 9(a) shall, in Landlord's sole discretion, provide protection against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, special extended perils (all risk), including earthquake, and loss of rents covering Fixed Minimum Rent for a period of up to twelve (12) months, and shall contain an inflation endorsement. Insurance proceeds thereunder shall be payable to Landlord. Landlord shall have no obligation to insure against loss by Tenant to Tenant's leasehold improvements, fixtures, furniture, or other personal property in or about the Premises occurring from any cause whatsoever and Tenant shall have no interest in the proceeds of any insurance carried by Landlord. Landlord shall be entitled to carry any such insurance in the form of a blanket policy covering property in addition to the Premises. Tenant shall reimburse Landlord upon demand for its share of the cost to Landlord of any insurance policy or policies, which Landlord may carry on the Premises in accordance with this paragraph. Such costs shall include both premiums and deductibles. Tenant's share of the cost of such insurance shall be a prorated share based upon the portion of the building square footage contained within the Premises, or if in Landlord's reasonable judgment the foregoing square footage based apportionment does not fairly apportion the insurance costs related to the building, Landlord may adjust such insurance costs as appropriate to reflect any disparity in risk level or other factors which may affect the relative cost of insurance between and among all tenants of the building; as to any blanket policy of insurance covering properties other than the building, the portion of insurance costs allocable to the building shall be as equitably determined by Landlord. The premiums for such insurance of Landlord shall be prorated as of the expiration of the agreement term so that Tenant pays only for insurance coverage attributable to the agreement term.

(b) Liability Insurance. Tenant, at Tenant's sole expense, shall provide and keep in force at all times during the term of this agreement for the benefit of Landlord and Tenant general liability insurance policies with an insurance company reasonably satisfactory to Landlord, protecting Landlord and Tenant against any and all liability occasioned by any occurrence in, on, about, or related to the Premises in an amount not less than the amount indicated in Section 1, single combined limit for personal injury and property damage. Tenant shall cause Landlord to be named as an additional insured under such policy.

(c) Workers' Compensation Insurance. Tenant shall procure, at its own expense, and shall keep in force during the agreement term, adequate insurance against liability arising on account of injuries or death to workers or employees on the Premises. Such workers' compensation insurance shall be in amounts at least equal to the maximum liability of Tenant, its agents, and contractors under the Workers' Compensation Insurance and Safety Act of the State of California or other applicable laws.

(d) Other Insurance. Tenant shall procure, at its sole cost and expense, and shall keep in force, such other insurance in amounts from time to time reasonably required by Landlord against other insurable risks if at the time they are commonly insured against for business operations similar to that of Tenant.

(e) Written Notice of Cancellation or Reduction. Each policy of insurance, which Tenant is required to procure and maintain in effect, shall contain the following clause:

"It is agreed that this policy shall not be cancelled nor the coverage reduced until thirty (30) days after the Port Director of Santa Cruz Port District shall have received written notice of such cancellation or reduction. The notice shall be sent by certified or registered mail and shall be deemed effective the date delivered to said Port Director, as evidenced by properly validated return receipt."

(f) Waiver of Subrogation. Tenant and Landlord each hereby waives any and all rights of recovery against the other, and against the officers, employees, agents and representatives of the other, for loss of or damage to such waiving party or its property or the property of others under its control, where such loss or damage is insured against under any insurance policy in force at the time of such loss or damage to the extent of the insurance proceeds actually paid in connection therewith. Tenant and Landlord shall, upon obtaining any of the policies of insurance required or desired hereunder, give notice to the insurance carrier or carriers that the foregoing mutual waiver of rights of recovery is contained in this agreement, and shall each use their best efforts to cause the insurer for each such policy to waive in writing any rights of subrogation it may have against the other party.

(g) Submittal of Policies. Tenant agrees to deposit with Landlord, at or before the times at which the insurance policies necessary to satisfy the insurance provisions of this agreement are required to be in effect, a copy of each such policy or policies required hereunder and to keep such insurance in effect and the policy or policies therefore on deposit with Landlord during the entire term of this agreement.

(h) Review of Coverage. Landlord shall retain the right at any time to review the coverage, form, and amount of the insurance required hereby. If, in the opinion of Landlord, the insurance provisions in this agreement do not provide adequate protection for Landlord and for members of the public using the Premises, Landlord may require Tenant to obtain (or may obtain at Tenant's expense) insurance sufficient in coverage, form and amount to provide adequate protection. Landlord's requirements shall be reasonable but shall be designed to assure protection from and against the kind and extent of the risks, which exist at the time a change in insurance is required.

Landlord shall give Tenant written notice of changes in the insurance requirement and Tenant shall deposit copies of acceptable insurance policies with Landlord incorporating such changes within sixty (60) days following receipt of such notice.

The procuring of such required policy or policies of insurance shall not be construed to limit Tenant's liability hereunder nor to fulfill the indemnification provisions and requirements of this agreement. Notwithstanding said policy or policies or insurance, Tenant shall be obligated for the full and total amount of any damage, injury, or loss caused by Tenant's negligence or neglect connected with this agreement or with use or occupancy of the Premises.

(i) Landlord's Remedies. In case of failure on the part of Tenant to procure or to maintain in effect any insurance which Tenant is required to carry as provided in this Paragraph 9, Landlord may at its discretion, and in addition to any other remedies it may have upon failure of Tenant to procure or to maintain in effect any insurance which Tenant is required to carry as provided in this Paragraph 9, procure or renew such insurance and pay any and all premiums therefore and all monies so paid by Landlord shall be repaid by Tenant to Landlord upon demand.

10. Indemnification.

(a) Tenant's Hold Harmless. Tenant hereby indemnifies Landlord against and holds Landlord harmless from any and all claims, damage, cost, liability, or expense, including but not limited to attorneys' fees and costs of suit, resulting from or arising out of Tenant's use of the Premises, Tenant's default in the performance of any obligation of Tenant under this agreement, any act or failure to act of Tenant or any employees, agents, contractors, customers, or other invitees of Tenant occurring in or about the Premises, or construction of any improvements by Tenant in the Premises. Such indemnification specifically includes without limitation any damage to property or injury or death to any person arising from the use of the Premises by Tenant or from the failure of Tenant to keep the Premises in good condition, order, and repair. Tenant expressly agrees to exercise due care in the handling of fuel or any other flammable materials in, on, or around the Premises. Tenant shall maintain on the Premises adequate firefighting equipment, which shall remain under the use, control, maintenance, and repair of Tenant.

(b) Tenant's Waiver of Claims. Tenant hereby waives all claims against Landlord for damage to any property, goods, wares, or merchandise of Tenant stored in, upon, or about the Premises, and for injury to persons in, upon, or about the Premises from any cause whatsoever arising at any time, except as may be caused by the active negligence or willful misconduct of Landlord. Landlord shall not be liable to Tenant for any damage caused by any act or negligence of any person, other than Landlord's personnel, in, upon, or about the Premises, whether a customer of Tenant or otherwise. Tenant expressly waives any claims against Landlord for damage to Tenant's business on the Premises or loss of goodwill or any other damage to Tenant arising from complete or partial closure of the Santa Cruz Harbor at any time and from time to time, whether such closure shall result from inclement weather, excess deposits of sand in the harbor, or any other reason whatsoever. Landlord shall have no obligation or responsibility to dredge the entrance channel of the Santa Cruz Harbor.

11. Maintenance and Repairs.

(a) Tenant's Obligations. Subject to Paragraph 15 below relating to damage and destruction, and subject to Landlord's maintenance responsibilities set forth in Paragraph 11(c) below, through the term of this agreement Tenant shall, at Tenant's sole cost and expense, maintain the Premises and every part thereof, and all fixtures, machinery and equipment located in or on the Premises and utilized in the conduct of Tenant's business in first class condition, order and repair, and in accordance with all applicable laws, rules, ordinances, orders and regulations of (1) municipal, county, state, federal, and other governmental agencies and bodies having or claiming jurisdiction of the Premises and all their respective departments, bureaus, and officials; and (2) all insurance companies insuring all or any part of the Premises or improves or both. For purposes of this paragraph, the obligation to repair includes the obligation to replace as and when reasonably necessary. Tenant hereby waives such rights as it may have under California Civil Code Sections 1941 and 1942 and any similar or successor laws that permit a tenant to perform repairs and offset the cost thereof against rent.

(b) Outside Areas. Tenant acknowledges that the cleanliness and neat and attractive appearance of the interior and exterior of the Building and all other areas of the Premises are a material concern of Landlord. Accordingly, Tenant shall continuously exercise diligence throughout the agreement term in keeping the Premises and the Outside Area in a neat, clean, sanitary, and attractive condition. Tenant shall arrange for regular and prompt disposal of garbage generated by Tenant's operations on the Premises, and shall not permit garbage or refuse to accumulate in or around the Premises. Tenant shall not cause or permit offensive odors to emanate from the Premises.

(c) Landlord's Obligations. Notwithstanding anything to the contrary contained in this Paragraph 11, and subject to the provisions of Paragraph 15 below relating to damage and destruction, Landlord shall maintain in good condition, order and repair the parking area upon the Property, the heating, ventilation and air conditioning equipment, if any, servicing the Premises, and the structural portions of the Building, including the roof, walls and foundation of the Building, except to the extent any such maintenance is necessitated by damages due to the negligence or greater culpability of Tenant, its agents, employees or invitees. Landlord shall have no obligation to maintain or repair under this Paragraph 11(c) until a reasonable period of time after receipt by Landlord of notice from Tenant of the need therefore, specifying the nature of the maintenance or repair needed.

12. Utilities. Tenant shall pay promptly as the same become due and payable its pro rata share of all bills and costs for water, gas, electricity, refuse pickup, sewer service charges, and any other utilities or services supplied to the Premises as indicated in Section 1. Tenant shall pay its pro rata share of utilities within five (5) days of receiving notice from Landlord as to the amount thereof. The parties hereby agree that Tenant's pro rata share of said utility costs shall be reasonably calculated by Landlord and conveyed to Tenant. In no event shall Landlord be liable to Tenant for any interruption or failure of any utility services to the Premises.

13. Assignment and Subletting.

(a) Landlord's Consent Required. Tenant shall not assign, sublease, mortgage, pledge, hypothecate, encumber, or transfer the Premises or any part thereof, or this agreement or any rights or obligations hereunder without Landlord's written consent.

(b) Incorporation of Terms. Should Landlord consent to any Transfer such consent shall not constitute a waiver of any of the terms, covenants, or conditions of this agreement. Such terms, covenants, or conditions shall apply to each and every transfer hereunder and shall be severally binding upon each and every encumbrancer, assignee, transferee, subtenant, or other successor in interest of tenant. Any document to mortgage, pledge, hypothecate, encumber, transfer, sublet, or assign the Premises or any part thereof shall incorporate directly or by reference all the provisions of this agreement.

14. Damage or Destruction.

(a) Partial Damage-Insured. Subject to the provisions of Paragraphs 15(c) and 15(d), if the Premises or any improvements therein are damaged, such damage involves damage to the building to the extent of less than eighty percent (80%) of the then replacement value thereof (excluding excavations and foundations of the building), such damage was caused by an act or casualty covered under an insurance policy provided for in Paragraph 9, and the proceeds of such insurance received by Landlord are sufficient to repair the damage, Landlord shall at Landlord's expense repair such damage as soon as reasonably possible and this agreement shall continue in full force and effect.

(b) Partial Damage-Uninsured. Subject to the provisions of Paragraphs 15(c) and 15(d), if at any time during the term hereof the Premises or any improvements are damaged, such damage involves damage to the Building to the extent of less than eighty percent (80%) of the then replacement value thereof (excluding excavations and foundations of the building), and the insurance proceeds received by Landlord are not sufficient to repair such damage, or such damage was caused by an act or casualty not covered under an insurance policy, Landlord may at Landlord's option either (a) repair such damage as soon as reasonably possible at Landlord's expense, in which event this continue in full

force and effect, or (b) give written notice to Tenant within thirty (30) days after the date of the occurrence of such damage of Landlord's intention to cancel and terminate this agreement as of the date of the occurrence of such damage.

(c) Total Destruction. If at any time during the term hereof either the Premises or the improvements contained therein are damaged from any cause, whether or not covered by the insurance provided for in Paragraph 9, and such damage involves damage to the Building to the extent of eighty percent (80%) or more of the replacement value thereof (excluding excavations and foundations of the Building), including any total destruction required by any authorized public authority, this Lease shall at the option of Landlord terminate as of the date of such total destruction. Landlord shall exercise its right to terminate this agreement by delivery of notice to Tenant within thirty (30) days after the date that Tenant notifies Landlord of the occurrence of such damage. In the event Landlord does not elect to terminate this agreement, Landlord shall at Landlord's expense repair such damage as soon as reasonably possible, and this Lease shall continue in full force and effect.

(d) Damage Near End of Term. If the Premises or the improvements therein are destroyed or damaged in whole or part during the last six (6) months of the term of this agreement, Landlord may at Landlord's option cancel and terminate this agreement as of the date of occurrence of such damage by giving written notice to Tenant of Landlord's election to do so within thirty (30) days after the date of occurrence of such damage.

(e) Abatement of Rent. Notwithstanding anything to the contrary contained elsewhere in this Lease, if the Premises are partially damaged and Landlord repairs or restores them pursuant to the provisions of this agreement Paragraph 14, the Fixed Minimum Rent payable hereunder for the period commencing on the occurrence of such damage and ending upon completion of such repair or restoration shall be abated in proportion to the degree to which Tenant's use of the Premises is impaired during the period of repair; provided that, nothing herein shall be construed to preclude Landlord from being entitled to collect the full amount of any rental loss insurance proceeds if such rental loss insurance is then carried with respect to the Premises. Except for abatement of rent, if any, Tenant shall have no claim against Landlord for any damage suffered by reason of any such damage, destruction, repair, or restoration.

(f) Waiver. Tenant waives the provisions of California Civil Code Sections 1932(2) and 1933(4), and any similar or successor statutes relating to termination of agreement when the agreement term is substantially or entirely destroyed, and agrees that such event shall be governed by the terms of this agreement.

(g) Tenant's Property. Landlord's obligation to rebuild or restore shall not include restoration of Tenant's equipment, merchandise, or any improvements, alterations or additions made by Tenant to the Premises.

(h) Notice of Damage. Tenant shall notify Landlord within five (5) days after the occurrence thereof of any damage to all or any portion of the Premises. In no event shall Landlord have any obligation to repair or restore the Premises pursuant to this Paragraph 14 until a reasonable period of time after Landlord's receipt of notice from Tenant of the nature and scope of any damage to the Premises, and a reasonable period of time to collect insurance proceeds arising from such damage (unless such damage is clearly not covered by insurance then in effect covering the Premises).

(i) Replacement Cost. The determination in good faith by Landlord of the estimated cost of repair of any damage, or of the replacement cost, shall be conclusive for purposes of this Paragraph 14.

15. Eminent Domain.

(a) Termination. In the event the whole or any part of the Premises is condemned in the lawful exercise of the power of eminent domain by any public entity, then this agreement shall terminate as to the part condemned on the date possession of that part is taken.

(b) Partial Taking Renders Economically Unfeasible. If only a part of the Premises is condemned, but such taking makes it economically unfeasible for Tenant to use the remainder of the Premises for the purposes contemplated by this agreement, then Tenant may, at its option, terminate this agreement as of the date possession of the condemned part is taken by giving written notice to Landlord of its intention within thirty (30) days following the date said possession is taken.

(c) Partial Taking with Business Continued. If only part of the Premises is condemned and this agreement terminated as set forth above, then this Lease shall, as to the condemned portion of the Premises, terminate as of the date possession of such portion is taken. The Fixed Minimum Rent shall thereupon be reduced in the same proportion that the area of the Premises taken bears to the initial total area of the Premises. Fixed Minimum Rent, as so reduced, shall continue to be subject to adjustment in accordance with Paragraph 4 hereof.

(d) Repairs. Tenant shall, at its sole cost and expense and in a prompt and expeditious manner, make all necessary repairs or alterations to the remainder of the Premises so as to make them reasonably suitable for Tenant's continued occupancy for those uses and purposes contemplated by this agreement.

(e) Compensation. All compensation awarded or paid upon the total or partial taking of the fee title to the Premises or part of the Premises, or for the taking of all or any portion of the Premises, shall belong to Landlord. The Building and other improvements made by Landlord on the Premises at Landlord's expense shall belong to Landlord. Landlord shall not be entitled to any compensation paid to Tenant for costs incurred by Tenant in removing its furniture, equipment, and trade fixtures from the condemned Premises.

16. Tenant Default. Tenant shall be deemed in default under this agreement upon occurrence of any of the following:

(a) Tenant Default

(1) Tenant fails to pay a monetary sum when due under this Lease (provided that Tenant shall not be deemed in default if Tenant pays such sum within ten (10) days after notice from Landlord that such sum is overdue; and provided further that, Tenant shall not be entitled to any such ten (10) day grace period or notice and shall be deemed in default immediately upon failure to so pay when due if Landlord has already delivered two notices of overdue payments within the immediately preceding twelve (12) month period;

(2) Tenant fails to perform any of its other obligations under this agreement provided that, if such failure is of the nature that it may be cured, Tenant shall not be deemed in default if Tenant cures such failure within twenty (20) days after notice from Landlord of such failure;

(3) Tenant's interest in the Premises or the Lease, or any part thereof, is assigned or transferred, either voluntarily or by operation of law (except as expressly permitted by other provisions of this agreement), including, without limitation, the filing of an action by or against Tenant, or by any member of Tenant if Tenant is a partnership or joint venture, under any insolvency or bankruptcy laws, or if Tenant makes a general assignment for the benefit of its creditors, or;

(4) Tenant vacates, abandons, or surrenders the Premises during the agreement term. In the event of a default by Tenant under this agreement, Landlord may pursue such remedies as it may have for such default under law or in equity, including but not limited to the remedies set forth below.

(b) Repossession. Landlord may repossess the Premises and remove all persons and property therefrom. If Landlord repossesses the Premises because of a breach of this Lease, this agreement shall terminate and Landlord may recover from Tenant:

(1) the worth at the time of award of the unpaid rent, which had been earned at the time of termination including interest at ten percent (10%) per annum;

(2) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided including interest at ten percent (10%) per annum;

(3) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss for the same period that Tenant proves could be reasonably avoided, computed by discounting such amount by the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%); and

(4) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this agreement or which in the ordinary course of things would be likely to result therefrom.

(c) No repossession. If Landlord does not repossess the Premises, then this agreement shall continue in effect for so long as Landlord does not terminate Tenant's right to possession and Landlord may enforce all of its rights and remedies under this agreement, including the right to recover the rent and other sums due from Tenant hereunder. For the purposes of this Paragraph 16, the following do not constitute a termination of Tenant's right to possession:

(1) Acts of maintenance or preservation by Landlord or efforts by landlord to relent the Premises; or

(2) The appointment of a receiver by landlord to protect Landlord's interest under this agreement.

17. Attorneys' Fees. If any action at law or in equity shall be brought to recover any rent under this Lease, or for or on account of any breach of or to enforce or interpret any of the terms, covenants, agreements, or conditions of this agreement or for the recovery of the possession of the Premises, the prevailing party shall be entitled to recover from the other party, as a part of the

prevailing party's costs, reasonable attorneys' fees, the amount of which shall be fixed by the court and shall be made a part of any judgement rendered. "Prevailing party" within the meaning of this paragraph shall include, without limitation, a party who brings an action against the other party after the other party's breach or default, if such action is settled or dismissed upon the payment by the other party of the sums allegedly due or performance of the covenants allegedly breached or the plaintiff obtains substantially the relief sought by it in the action.

18. Removal of Property. Tenant hereby irrevocably appoints Landlord as agent and attorney in fact of Tenant to enter upon the Premises in the event of a default by Tenant in the payment of any rent herein reserved, or in the performance of any term, covenant, or condition herein contained to be kept or performed by Tenant, and to remove any and all furniture and personal property whatsoever situated upon the Premises, and to place such property in storage for the account of and at the expense of Tenant. In the event that Tenant shall not pay the cost of storing any such property after the property has been stored for a period of ninety (90) days or more, Landlord may sell any or all of such property, at public or private sale, in such manner and at such times and places as Landlord in its sole discretion may deem proper, without notice to Tenant or any demand upon Tenant for the payment of any part of such charge or the removal of any such property and shall apply the proceeds of such sale first to the costs and expenses of such sale, including reasonable attorneys' fees actually incurred; second, to the payment of the costs of any other sums of money which may then or thereafter be due to Landlord from Tenant under any of the terms hereof; and fourth, the balance, if any, to Tenant.

19. Subordination.

(a) Subordination of Lease. This agreement at Landlord's option shall be subordinate to any mortgage, deed of trust, or any other hypothecation for security now or hereafter placed upon all or any portion of the Premises and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements and extensions thereof. Notwithstanding such subordination, Tenant's right to quiet possession of the Premises shall not be disturbed if Tenant is not in default and so long as Tenant shall pay the rent, observe, and perform all of the provisions of this agreement unless this agreement is otherwise terminated pursuant to its terms. If any mortgagee or trustee shall elect to have this agreement prior to the lien of its mortgage or deed of trust, and shall give written notice thereof to Tenant, this agreement shall be deemed prior to such mortgage or deed of trust, whether this agreement is dated prior or subsequent to the date of said mortgage or deed of trust or the date of recording thereof.

(b) Execution of Documents. Tenant agrees to execute any documents required to effectuate such subordination or to make this agreement prior to the lien of any mortgage or deed of trust, as the case may be, and failing to do so within ten (10) days after written demand, does hereby make, constitute and irrevocably appoint Landlord as Tenant's attorney in fact and in Tenant's name, place and stead, to do so.

20. Landlord's Right to Reenter.

(a) Peaceable Surrender. Tenant agrees to yield and peaceably deliver possession of the Premises to Landlord on the date of termination of this agreement regardless of the reason for such termination. Upon giving written notice of termination to Tenant, Landlord shall have the right to reenter and take possession of the Premises on the date such termination becomes effective without further notice of any kind and without institution of summary or regular legal proceedings. Termination of the agreement and reentry of any Premises by Landlord shall in no way alter or diminish any obligation of Tenant under the Lease terms and shall not constitute an acceptance or surrender.

(b) Waiver of Redemption and Stipulated Damages. Tenant waives any and all right of redemption under any existing or future law or statute in the event of eviction from or dispossession of the Premises for any reason or in the event, Landlord reenters and takes possession of the Premises in a lawful manner.

21. Notices. All notices, statements, demands, requests, approvals or consents given hereunder by either party to the other party shall be in writing and shall be sufficiently given and served upon the other party if served personally or if sent by first class mail of the United States Postal Service, certified, return receipt requested, postage prepaid, and addressed to the parties as indicated in Section 1, or to such other address as any party may have furnished to the others as a place for the service of notice. Notices sent by mail shall be deemed served on the date actually received, as indicated on the return receipt.

23. No Commission. Landlord and Tenant each agree that Landlord and Tenant, respectively, have not had any dealings with any realtor, broker, or agent in connection with the execution of this agreement. Tenant shall pay the commission or compensation payable to any agent or broker employed by Tenant in connection with the execution of this agreement.

24. Waiver. The waiver by Landlord or Tenant of any breach of any term, covenant, or condition herein contained shall not be deemed to be a waiver of such term, covenant, or condition or any subsequent breach of the same or any other term, covenant, or condition herein contained. The subsequent acceptance of rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant, or condition of this agreement, other than the failure of Tenant to pay the particular rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such rent. Landlord's acceptance of partial payments of rent or any other sum due hereunder shall not be deemed a waiver of its right to recover the full amount of such payment and shall not be deemed an accord and satisfaction whether or not the amount due is disputed by the parties.

25. Holding Over. Any holding over after the expiration of the term with the consent of Landlord shall be construed to be a tenancy from month to month on the same terms and conditions specified herein so far as applicable.

26. Parking. Tenant acknowledges that all parking areas and all other common areas within the Santa Cruz Small Craft Harbor shall remain under the operation and control of Landlord. The manner in which such areas and facilities are operated and maintained shall be at the sole discretion of Landlord, and the use of such areas and facilities shall be subject to such rules and regulations as Landlord shall make from time to time. Landlord shall have the right to regulate access and parking and to install parking meters in such parking areas.

27. Non-Discrimination. Tenant agrees in the conduct of Tenant's business not to discriminate against any person or class of persons by reason of sex, race, creed, national origin, age, or physical condition. Tenant shall make its accommodations and services available to all persons on equal and reasonable terms.

28. Entry by Landlord. Landlord and its agents shall be entitled to enter into and upon the Premises at all reasonable times, upon reasonable notice (except in the case of an emergency, in which event no notice shall be required), for purposes of inspecting or making repairs, alterations or additions to all or any portion thereof, or any other part of the Building, including the erection and

maintenance of such scaffolding, canopies, fences and props as may be required, or for the purpose of posting notices of non-responsibility for alterations, additions, or repairs, and during the one hundred eighty (180) day period prior to the expiration of this agreement to place upon the Premises any usual or ordinary "for rent" signs and exhibit the Premises to prospective tenants at reasonable hours, all without any abatement of rent and without liability to Tenant for any injury or inconvenience to or interference with Tenant's business, quiet enjoyment of the Premises, or any other loss occasioned thereby.

29. General.

(a) Entire Agreement. This agreement contains all of the terms, covenants, and conditions agreed to by Landlord and Tenant and it may not be modified orally or in any manner other than by an agreement in writing signed by all of the parties to this agreement or their respective successors in interest.

(b) Covenants and Conditions. Each term and each provision of this agreement performable by Tenant shall be construed to be both a covenant and a condition, all of which conditions shall be for the sole benefit of Landlord.

(c) Binding on Successors. The covenants and conditions hereof, subject to the provisions as to subletting and assignment, shall apply to and bind the heirs, successors, executors, administrators, sublessees, and assigns to the parties.

(d) Joint and Several Liability. All persons who have signed this agreement shall be jointly and severally liable hereunder.

(e) Gender. When the context of this agreement requires, the masculine gender includes the feminine, a corporation, or a partnership, and the singular number includes the plural.

(f) Captions. The captions of the numbered and lettered paragraphs of this agreement are for convenience only and are not a part of this agreement and do not in any way limit or amplify the terms and provisions of this agreement.

(g) Governing Law. This agreement shall be governed by and construed in accordance with the laws of the State of California.

(h) Time of Essence. Time is of the essence as to all of the provisions of this agreement.

(i) Partial Invalidity. If any term, covenant, condition, or provision of this agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the

provisions hereof shall remain in full force and effect and shall in no way be affected, impaired, or invalidated thereby.

(j) Relationship. Tenant shall not be an agent of Landlord for any purpose, and nothing in this agreement shall be deemed to create a partnership relationship between Tenant and Landlord.

(k) No Recordation. Tenant shall not record either this Agreement or a short form memorandum of this agreement.

(l) Calendar Days. All references herein to "days" shall mean calendar days unless otherwise stated.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the date first above written.

"LANDLORD"

SANTA CRUZ PORT DISTRICT
COMMISSION,
a political subdivision

By _____
Holland MacLaurie
Port Director

"TENANT"

By  _____
Raina Stoops
Owner, Sea Spirit Memorial

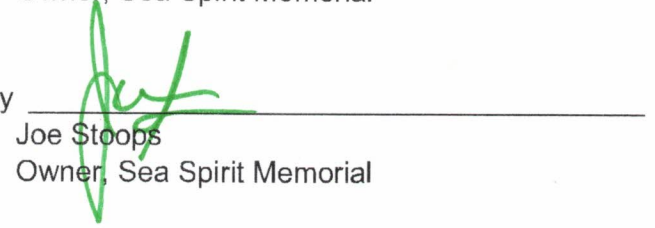
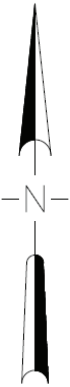
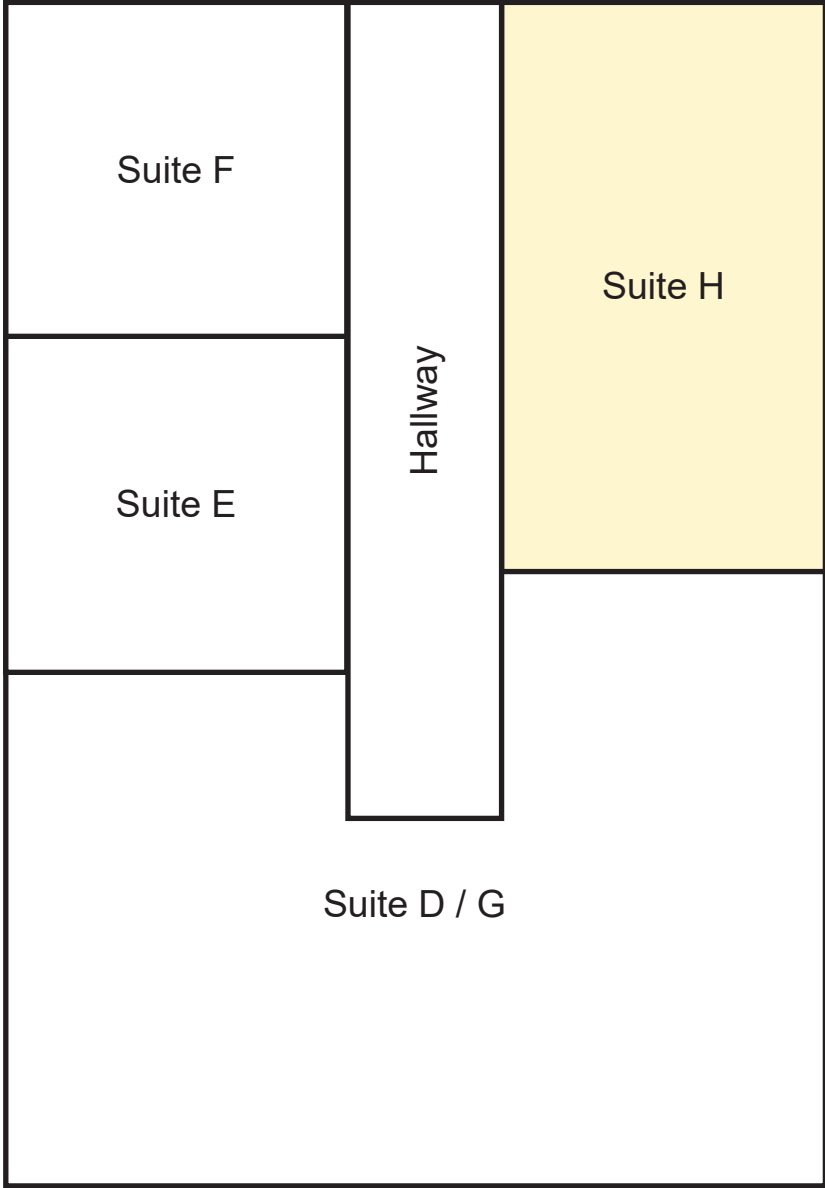
By  _____
Joe Stoops
Owner, Sea Spirit Memorial

EXHIBIT 'A'
333 Lake Avenue
2nd Floor



NOT TO SCALE

Santa Cruz Port District
135 5th Avenue
Santa Cruz, CA 95062
831.475.6161
831.475.9558 Fax
www.santacruzharbor.org



PORT COMMISSIONERS:
Toby Goddard
Dennis Smith
Reed Geisreiter
Stephen Reed
Darren Gertler

TO: Port Commission
FROM: Holland MacLaurie, Port Director
DATE: September 13, 2022
SUBJECT: Acceptance of Final FY22 Audited Financial Statement

Recommendation: Accept the FY22 audited financial statement.

BACKGROUND

At the Port Commission meeting of August 23, 2022, Hutchinson and Bloodgood (H&B) auditor Kim Said reviewed the draft FY22 audit. H&B's opinion was unmodified, meaning the District received a clean audit. The audit is appended as Attachment A.

ANALYSIS

Staff recommends acceptance of the final FY22 audit.

After acceptance, the final audited figures will be used to prepare the Debt Service Ratio (DSR) report for PNC Bank (formerly BBVA Compass Bank) in accordance with our loan agreement. The DSR report will be included in the Commission's October regular meeting packet as an information item.

IMPACT ON PORT DISTRICT RESOURCES

There is no cost to the Port District associated with accepting the audited financial statement.

ATTACHMENTS: A. Audited Financial Statement as of March 31, 2022

SANTA CRUZ PORT DISTRICT

FINANCIAL REPORT

Years ended March 31, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Santa Cruz Port District
Santa Cruz, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Santa Cruz Port District (the District), which comprise the statements of net position as of March 31, 2022 and 2021, and the related statements of revenues, expenses, and change in net position and cash flows for the years then ended, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Santa Cruz Port District, as of March 31, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements 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.

Responsibilities of Management for the Financial Statements

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

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 the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' report that includes our opinions. 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 GAAS 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS 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 District'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 District'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions – defined benefit pension plans, and the schedule of changes in the net OPEB liability and related ratios, identified as Required Supplementary Information (RSI) in the accompanying 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 RSI 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **September 27, 2022** on our consideration of the District'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 solely 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 District'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 District's internal control over financial reporting and compliance.

September 27, 2022

SANTA CRUZ PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS Years Ended March 31, 2022 and 2021

Our discussion and analysis of the Santa Cruz Port District's (the District) financial performance provides an overview of the District's financial activities for the fiscal years ended March 31, 2022 and 2021. Please read in conjunction with the District's basic financial statements.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Concerns related to the spread of COVID-19 and the related containment measures intended to mitigate its impacts created substantial disruption on both the global and local economy. Financial impacts associated with the District's COVID-19 mitigation response measures were most prevalent in FY21.

While there continues to be uncertainty regarding the duration and magnitude of the pandemic, COVID-19 restrictions around the world have eased. In FY22, the District recognized an almost near return to normal operation and demonstrated continued financial growth despite the challenging conditions.

The January 15, 2022, tsunami caused significant damage to infrastructure, including pilings, landside electrical transformers, and restroom and shower facility buildings. While the Port District's application for disaster recovery assistance with the California Governor's Office of Emergency Services (CalOES) was not approved, the District has been successful in facilitating repairs and maintaining services to its slip renters with minimal disruption while more extensive recovery efforts are planned.

FINANCIAL HIGHLIGHTS

During FY16, the Commission adopted a Reserve Policy and an annual contribution goal to the Capital Improvement Program (CIP) fund. In FY21, due to COVID-19 related impacts, the District's annual contributions to the CIP and Reserve Fund were eliminated. Funding contributions were reestablished in FY22.

Reserve Policy

The Reserve Policy provides that the District will strive to hold in reserve an amount equal to 25 percent of the District's annual operating expenses in the current fiscal year's adopted general fund budget. The District recognizes that reserve fund amounts may fluctuate and may need to be rebuilt over time as needed. The reserve fund will generally come from one-time revenue and from excess revenues over expenditures. The use of reserves shall generally be limited to unanticipated, non-recurring needs, not for normal or recurring annual operating expenditures.

The District's FY22 budget funded a \$76,139 contribution to the reserve fund, to bring the fund balance up to \$1,964,831. Despite the unforeseen financial impacts associated with the January 15, 2022, tsunami, reserve funding remained intact and was not utilized in FY22. As of March 31, 2022, the unrestricted Reserve Fund balance totaled \$1,964,831 (23% of the District's annual operating expense, which includes \$187,859 in unanticipated tsunami-related expenditures).

Capital Improvement Program (CIP)

The CIP fund contribution goal was set at \$500,000 annually to fund current and future infrastructure maintenance and improvements. In February 2020, the Commission elected to increase the funding contribution to \$750,000, whenever practicable. The FY22 budget funded \$500,000 to the CIP fund, with the Unallocated CIP project fund identified as an available funding source for unanticipated project needs (if any) during the fiscal year. As of April 1, 2021, the Unallocated CIP balance was \$374,639.

SANTA CRUZ PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS Years Ended March 31, 2022 and 2021

Priorities for capital investment focused on the following:

- Completion of north harbor paving repairs
- Acquisition of a new Moose Boat patrol vessel
- Installation of aluminum gangways for southeast area docks
- Re-roofing of the District's maintenance building
- Completion of Fishery Pier inspection
- Acquisition of a new maintenance workboat (*Big Red*)
- Initiation of conceptual design planning for the Port District-owned property on the northwest corner of 7th and Brommer
- Initiation of electrical service upgrades at 333 Lake Avenue

\$52,842 from the Unallocated CIP was utilized for north harbor paving repairs, and a funding reallocation of \$65,000 from the Unallocated CIP to the 7th and Brommer Reconnaissance Fund was approved on September 28, 2021. As of March 31, 2022, the Unallocated CIP totaled \$256,797.

US Army Corps of Engineers Memorandum of Agreement

The District finalized a Memorandum of Agreement (MOA) with the US Army Corps of Engineers (Corps) in FY16. The District had taken over responsibility for maintenance dredging from the Corps in 1986. That agreement provided funding for the purchase of the District's original dredge *Seabright*, and a small annual contribution for operations and maintenance costs through July 2013. The District began work on a successor agreement in 2008. The agreement provides that the Corps will contribute up to \$385,000 per year toward the dredging operation, provided funding is available in either the President's budget or the Corps' annual work plan. This annual amount is based on 35% of average annual dredge operation and maintenance expense which the MOA set at \$1,100,000 for calendar years 2015 – 2019. The MOA provides for an adjustment to the annual reimbursement amount based on the actual average expenses for the first 5 years of the MOA. The Corps has reviewed and approved the District's verification of expenses for calendar years 2015 – 2019 and subsequently increased the annual reimbursement amount to \$525,000 annually for calendar years 2020 – 2024, subject to funding availability.

The District received \$665,000 in revenue from the Corps in FY22, which includes the annual contribution of \$525,000 for calendar year 2021, and \$140,000 in shortfall funding for calendar year 2020.

Boatyard

The District continues to operate the Santa Cruz Harbor Boatyard (SCHB) which opened in April 2014, as a Do-It-Yourself facility. Boaters may perform their own work or hire contractors from a list of registered contractors authorized to work in the yard. The District, as permittee, manages and documents the work of boat owners and contractors for reporting to various regulatory agencies. The District has invested in equipment, rehabilitation of the marine ways, supplies and training to ensure safety, compliance with permits and best management practices for stormwater run-off and sanitary sewer discharges.

Staffing

The District's full-time equivalent staffing was reduced from twenty-nine (29) to twenty-eight (28) positions in FY21 as a result of COVID-19. This staffing reduction remained in place in FY22.

SANTA CRUZ PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS Years Ended March 31, 2022 and 2021

Employee Labor Contracts

Effective January 1, 2022, the District entered into three-year Memorandums of Understanding (MOUs) with the Harbor Employees Association and the Operating Engineers Union (Local 3) on salaries and benefits. The MOUs reflect comparable labor market findings from an updated Classification and Compensation Study, which was completed with oversight by Public Sector Personnel Consultants (PSPC) in 2021.

Effective January 1, 2022, the District entered into a three-year salary and benefits agreement with the Harbor Management Group.

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SANTA CRUZ PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS Years Ended March 31, 2022 and 2021

Fiscal Year Ended March 31, 2022

Operating Revenues

Operating revenues were \$10,887,939; \$66,544 of which were non-cash lease revenues from O'Neill Sea Odyssey, leaving total revenues at \$10,821,395, or about 111% of budgeted revenues. Operating revenues in FY22 were \$1,366,061, or approximately 14% higher than the prior year, which demonstrates that visitor-related income sources, like RV park and Parking, are rebounding after the COVID-19 pandemic.

Overall, visitor-related income sources (visitor berthing fees, launch fees, parking, and RV) were \$1,660,836, which is \$501,148 or 43% higher than the prior year. FY22 Launch revenue remained consistent with FY21 revenue, but visitor berthing increased over FY21 by approximately 73% and was more than double budget projections due to increased commercial and recreational demand. As a result of the increased commercial and recreational vessel activity, fuel sales were \$880,263, which is \$304,750 or 53% higher than the prior year. Slip rent, at \$4,690,200, met budget projections, and was approximately \$8,042 higher than the prior year. Slip rent revenue remained consistent with FY21 slip rent revenue, as no slip rent increase was implemented for FY22.

Concession income was significantly impacted by the COVID-19 pandemic in FY21, but saw a marked improvement in FY22. FY22 concession income of \$2,023,819 was 20% or \$338,819 higher than budget, and 24% higher than FY21 revenue. A portion of the increase, \$32,166, is attributable to unanticipated revenue received for the period January through March 2022, under an Amended and Restated Lease between O'Neill Sea Odyssey and the District. Additionally, in October 2021, the Port Commission authorized the purchase of a commercial property carrying a professional-administrative zoning status located at 497 Lake Avenue. Concession income generated from the newly acquired property totaled \$5,600 in FY22. The remaining \$301,053 is attributable to increased restaurant performance after various State and local COVID-19 restrictions and mandates were lifted.

Boatyard revenue in FY22 was \$467,419 an increase of \$117,358 over the prior year, or approximately 34% higher, due in part to higher demand and efficient yard oversight.

The overall increase in operating revenues in FY22 is primarily attributable to increases in visitor berthing, parking, fuel, RV park, and boatyard income.

Operating Expenses

Operating expenses (before depreciation, amortization and non-cash pension and OPEB liability) were \$7,566,005, \$293,318, or approximately 4% under budget, and approximately \$871,218, or 13% higher than the prior year. Dredging expenses of \$1,324,630 were also lower than budget and \$32,592 lower than the prior year. Non-dredging expenses of \$6,241,375 were lower than budget, and \$903,810 higher, or approximately 17% higher than the prior year, when significant cutbacks were approved as part of the District's COVID-19 pandemic response measures. Unanticipated tsunami expenses totaled \$187,859 in FY22.

Net Position

The District's net position as of March 31, 2022, is \$31,369,232. This is an increase of \$1,264,144 or approximately 4% higher than the March 31, 2021, net position of \$30,105,088.

SANTA CRUZ PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS Years Ended March 31, 2022 and 2021

Other key changes in the statement of net position are as follows:

Current Assets increased \$1,599,409 in FY22, attributable to an increase in cash and cash equivalents.

Deferred outflows of resources decreased by \$35,957 in FY22, to \$1,036,310. This change is primarily related to a reduction in pension asset deferred outflows as calculated per GASB Statement No. 68 (from \$897,876 in FY21 to \$829,012), and an increase in OPEB asset deferred outflows as calculated per GASB Statement No. 75 (from \$174,391 in FY21 to \$207,298). Actual OPEB contribution (expense) for retirees in FY22 was \$2,363.

The Current and Other Liabilities decreased by \$1,639,639 in FY22, to \$6,717,583. This is due primarily to a decrease in net pension liability of \$1,765,823.

Even with the assumption of new debt for 497 Lake Avenue, long-term debt obligations continue to decrease. Long-term debt obligations decreased from \$11,292,731 in FY21 to \$10,912,376 in FY22, or approximately 3% as bond financing secured with BBVA Compass Bank in 2013, and other long-term debt is paid down.

Deferred inflows of resources increased by \$2,574,245 in FY22, to \$2,798,410. This increase is primarily due to the change in pension and OPEB liability deferred inflows as calculated per GASB Statement No's. 68 and 75.

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SANTA CRUZ PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS Years Ended March 31, 2022 and 2021

Fiscal Year Ended March 31, 2021

Operating Revenues

Operating revenues were \$9,521,878; \$66,544 of which were non-cash lease revenues from O'Neill Sea Odyssey, leaving total revenues at \$9,455,334, or about 97% of budgeted revenues, which is notable, considering the economic challenges faced during the COVID-19 pandemic. Operating revenues in FY21 were \$291,782, or approximately 3% lower than the prior year. Some visitor-related income sources suffered as a result of the COVID-19 pandemic (i.e., RV park and parking), while other visitor-related income sources (i.e., visitor berthing and launch) exceeded budget projections. Overall, visitor-related income sources (visitor berthing fees, launch fees, parking, and RV) were \$1,159,688, \$67,886, or 5.5% lower than the prior year. Launch revenue increased over FY20 by approximately 55% and was more than double budget projections due to increased demand. Fuel sales were \$575,513, which falls below budget projections by \$114,487. Despite this shortfall, the fuel program was more profitable than in prior years, due in part to a combination of higher visitorship by commercial and recreational vessels, launch activity, improved product pricing management, and decreased expenses (including labor), as a result of the COVID-19 pandemic. Slip rent, at \$4,679,394, exceeded budget by \$100,430, or 2%, and was approximately \$181,806 higher, or 4% greater than the prior year due to reduced vacancy (expeditious filling of slips upon turnover, temporary/interim berthing arrangements).

FY21 concession income was significantly impacted by the COVID-19 pandemic, as temporary restaurant closures and reductions to dine-in seating capacity were mandated by State and local authorities. FY21 concession income of \$1,635,555 was 12% or \$230,765 lower than budget, and 14% lower than FY20 revenue.

Boatyard revenue in FY21 was \$350,061 an increase of \$13,713 over the prior year, or approximately 4% higher, due in part to higher demand and increased commercial fishing activity.

The 3% overall decrease in operating revenues in FY21 is primarily attributable to decreases in RV park, parking, fuel, and concession income, as a result of the COVID-19 pandemic and associated mitigation measures. Additionally, the Port District's emergency response to the CZU Lightning Complex Fire further impacted RV revenue, as RV park spaces in the north harbor were made available for exclusive use by Santa Cruz area fire evacuees for a two-month period.

Operating Expenses

Operating expenses (before depreciation, amortization and non-cash pension and OPEB liability) were \$6,694,787, \$1,369,621, or approximately 17% under budget, and approximately \$148,076, or 2% lower than the prior year. Non-dredging expenses of \$5,337,565 were lower than budget, and \$134,262 lower, or approximately 2% less than the prior year. Dredging expenses of \$1,357,222 were also lower than budget and \$12,448 lower than the prior year. The reduction in overall operating expenses across all programs is due to cutbacks approved as part of the COVID-19 pandemic and response measures adopted by the Port Commission in April 2020, as well as a concerted effort by staff to minimize spending during the pandemic to offset anticipated revenue losses.

SANTA CRUZ PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended March 31, 2022 and 2021

Fiscal Year Ended March 31, 2021 (Continued)

Net Position

The District's net position as of March 31, 2021, is \$30,105,088. This is an increase of \$530,140 or approximately 2% higher than the March 31, 2020, net position of \$29,574,948.

Other key changes in the statement of net position are as follows:

Current Assets increased \$827,292 in FY21, attributable to an increase in cash and cash equivalents.

Deferred outflows of resources increased by \$133,963 in FY21, to \$1,072,267. This increase is primarily related to a reduction in pension asset deferred outflows as calculated per GASB Statement No. 68 (from \$927,507 in FY20 to \$897,876), and an increase in OPEB asset deferred outflows as calculated per GASB Statement No. 75 (from \$10,797 in FY20 to \$174,391). Actual OPEB contribution (expense) for retirees in FY21 was \$1,655.

The Current and Other Liabilities increased by \$617,832 in FY21, to \$8,357,222. This is due primarily to increases in net pension and OPEB liability, and an overall increase in current liabilities including accounts payable and accrued expenses, deposits and prepaid slip rents.

Long term debt obligations decreased from \$12,563,188 in FY20 to \$11,292,731 in FY21, or approximately 10% as bond financing secured with BBVA Compass Bank in 2013, and other long term debt is paid down.

Deferred inflows of resources decreased by \$183,757 in FY21, to \$224,165. This decrease was primarily due to the change in pension and OPEB liability deferred inflows as calculated per GASB Statement No's. 68 and 75.

Net pension liability and net OPEB liability combined, increased \$581,717, from \$4,821,620 in FY20, to \$5,403,337 in FY21 (See Notes 6 and 9).

SANTA CRUZ PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS Years Ended March 31, 2022 and 2021

USING THIS ANNUAL REPORT

This annual report consists of management's discussion and analysis, the basic financial statements, and notes to the financial statements. Management's discussion and analysis provides a narrative of the District's financial performance and activities for the year ended March 31, 2022. The basic financial statements provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The basic financial statements consist of three statements:

- The *Statement of Net Position* presents information on all of the District's assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- The *Statement of Revenues, Expenses, and Change in Net Position* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Certain revenues and expenses are reported in this statement that will result in cash flows in future periods.
- The *Statement of Cash Flows* presents information showing how the District's cash changed during the most recent fiscal year. It shows the sources and uses of cash.

SANTA CRUZ PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS Years Ended March 31, 2022 and 2021

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The following summarizes net position:

	2022	2021	2020
Assets			
Current and other assets	\$ 12,836,137	\$ 11,236,728	\$ 10,409,436
Capital assets net of depreciation	36,908,146	36,653,161	37,921,137
Other assets	<u>1,017,008</u>	<u>1,017,050</u>	<u>1,016,571</u>
Total Assets	50,761,291	48,906,939	49,347,144
Deferred outflows	<u>1,036,310</u>	<u>1,072,267</u>	<u>938,304</u>
	<u>\$ 51,797,601</u>	<u>\$ 49,979,206</u>	<u>\$ 50,285,448</u>
	4%	-1%	
Liabilities			
Current liabilities	\$ 2,715,995	\$ 2,571,255	\$ 2,468,596
Long-term debt	10,912,376	11,292,731	12,563,188
Unearned revenue	316,086	382,630	449,174
Net pension liability	2,908,996	4,674,819	4,338,392
Net OPEB liability	<u>776,506</u>	<u>728,518</u>	<u>483,228</u>
Total Liabilities	17,629,959	19,649,953	20,302,578
Deferred inflows	<u>2,798,410</u>	<u>224,165</u>	<u>407,922</u>
	<u>\$ 20,428,369</u>	<u>\$ 19,874,118</u>	<u>\$ 20,710,500</u>
	3%	-4%	
Net position			
Net investment in capital assets	\$ 24,283,200	\$ 23,637,093	\$ 23,543,068
Restricted for debt service	1,017,008	1,017,050	1,016,571
Unrestricted	<u>6,069,024</u>	<u>5,450,945</u>	<u>5,015,309</u>
Total net position	<u>\$ 31,369,232</u>	<u>\$ 30,105,088</u>	<u>\$ 29,574,948</u>
	4%	2%	

Net investment in capital assets represents the District's long-term investment in capital assets, net of accumulated depreciation and related debt. The net investment in capital assets is not available for current operations.

SANTA CRUZ PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended March 31, 2022 and 2021

CAPITAL ASSETS AND DEBT ADMINISTRATION

Fiscal Year Ended March 31, 2022

Capital Assets

Priorities for capital investment in FY22 focused on completing north harbor paving repairs, installing aluminum gangways for southeast harbor docks; completing the acquisition of a new patrol vessel; initiating conceptual design planning for Port District-owned property at 7th and Brommer; re-roofing the District's maintenance building; acquiring a new maintenance work boat; initiating electrical service upgrades at 333 Lake Avenue; and initiating tsunami recovery efforts.

Debt Administration

The District's debt acquired in 2013, is related to facilities modernization and up-front funding for acquisition of the new dredge vessel *Twin Lakes*. New debt totaling \$3.35 million was acquired in FY19 to fund two capital infrastructure projects, a Seawall Replacement Project at 616 Atlantic Avenue (formerly referred to as the Aldo's Seawall Replacement Project) and the Pile Removal and Replacement Project. In FY22, new debt totaling \$950,000 was assumed for the purchase of 497 Lake Avenue.

The District's debt at March 31, 2022, totaled \$12,242,316. This represents a decrease of \$324,578 or approximately 3%, from FY21's total debt of \$12,566,894.

SANTA CRUZ PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended March 31, 2022 and 2021

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Fiscal Year Ended March 31, 2021

Capital Assets

Priorities for capital investment in FY21 focused on concluding construction activities for the Seawall Replacement Project at 616 Atlantic Avenue; completing Phase 3 of the Pile Removal and Replacement Project; acquiring aluminum gangways for southeast harbor docks; initiating a site assessment for the District property at 7th and Brommer, and a market study assessing development opportunities for County-owned property at 7th and Brommer; and acquisition of a new water taxi.

Debt Administration

The District's debt acquired in 2013, is related to facilities modernization and up-front funding for acquisition of the new dredge vessel *Twin Lakes*. New debt totaling \$3.35 million was acquired in FY19 to fund two capital infrastructure projects, a Seawall Replacement Project at 616 Atlantic Avenue (formerly referred to as the Aldo's Seawall Replacement Project) and the Pile Removal and Replacement Project. The District's debt at March 31, 2021, totaled \$12,566,894. This represents a decrease of \$1,259,457 or approximately 9%, from FY20's total debt of \$13,862,351.

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SANTA CRUZ PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended March 31, 2022 and 2021

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's accountability for the District's assets. If you have questions about this report or need additional financial information, contact the Santa Cruz Port District office at 135 5th Avenue, Santa Cruz, California, 95062.

DRAFT

SANTA CRUZ PORT DISTRICT

STATEMENTS OF NET POSITION

March 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 12,526,327	\$ 10,991,416
Trade receivables	193,065	180,128
Interest receivable	8,896	10,841
Inventory	16,324	8,781
Prepaid expenses	91,525	45,562
	<u>12,836,137</u>	<u>11,236,728</u>
Total current assets		
	<u>12,836,137</u>	<u>11,236,728</u>
RESTRICTED ASSETS		
Cash and cash equivalents (Note 2)	<u>1,017,008</u>	<u>1,017,050</u>
CAPITAL ASSETS (Note 3)		
Nondepreciable assets:		
Land	2,201,360	1,349,360
Construction in progress	574,372	570,268
Depreciable assets:		
Structures and improvements	30,705,762	30,057,168
Docks	27,122,552	27,023,464
Equipment	11,510,070	10,884,518
Office equipment	63,621	73,114
	<u>72,177,737</u>	<u>69,957,892</u>
Less accumulated depreciation	<u>35,269,591</u>	<u>33,304,731</u>
	<u>36,908,146</u>	<u>36,653,161</u>
Total Assets		
	<u>50,761,291</u>	<u>48,906,939</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts from pension plans (Note 6)	829,012	897,876
Deferred amounts from OPEB plan (Note 9)	207,298	174,391
	<u>1,036,310</u>	<u>1,072,267</u>
Total Deferred Outflows of Resources		
	<u>1,036,310</u>	<u>1,072,267</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 51,797,601</u>	<u>\$ 49,979,206</u>

The notes to financial statements are an integral part of these statements.

SANTA CRUZ PORT DISTRICT

STATEMENTS OF NET POSITION

March 31, 2022 and 2021

	2022	2021
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 300,949	\$ 213,884
Accrued interest	72,508	82,466
Payroll liabilities	239,105	229,613
Current portion of long-term debt (Note 4)	1,329,940	1,274,163
Current portion of unearned revenue (Note 5)	66,544	66,544
Prepaid slip rents	251,346	258,639
Deposits	455,603	445,946
Total current liabilities	<u>2,715,995</u>	<u>2,571,255</u>
LONG-TERM DEBT, less current portion (Note 4)	<u>10,912,376</u>	<u>11,292,731</u>
OTHER LONG-TERM LIABILITIES		
Unearned revenue, less current portion (Note 5)	316,086	382,630
Net pension liability (Note 6)	2,908,996	4,674,819
Net OPEB liability (Note 9)	776,506	728,518
Total Liabilities	<u>4,001,588</u>	<u>5,785,967</u>
Total Liabilities	<u>17,629,959</u>	<u>19,649,953</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts from pension plans (Note 6)	2,661,589	158,902
Deferred amounts from OPEB plan (Note 9)	136,821	65,263
Total Deferred Inflows of Resources	<u>2,798,410</u>	<u>224,165</u>
NET POSITION		
Net investment in capital assets	24,283,200	23,637,093
Restricted for:		
Debt service	1,017,008	1,017,050
Unrestricted	6,069,024	5,450,945
Total Net Position	<u>31,369,232</u>	<u>30,105,088</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 51,797,601</u>	<u>\$ 49,979,206</u>

The notes to financial statements are an integral part of these statements.

SANTA CRUZ PORT DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION Years Ended March 31, 2022 and 2021

	2022	2021
Operating revenues:		
Charges for berthing and services	\$ 8,864,120	\$ 7,886,323
Rent and concessions	2,023,819	1,635,555
	<u>10,887,939</u>	<u>9,521,878</u>
Operating expenses:		
Depreciation and amortization	2,187,657	2,159,280
Dredging operations	1,324,630	1,357,222
Administrative services	663,892	753,848
Grounds	790,109	733,457
Harbor patrol	712,258	669,826
Fuel services	740,950	427,765
Property management	669,573	515,497
Marina management	495,234	483,428
Parking services	352,771	248,637
Non-cash pension liability	805,728	190,116
Buildings	321,331	323,175
Boatyard operations	326,087	303,551
Docks, piers, marine structures	320,346	269,258
Finance and purchasing	183,581	194,674
Environmental and permitting	95,646	139,893
Rescue services	104,968	84,414
Utilities	97,358	86,067
Non-cash OPEB liability	101,318	81,221
Port commission support	107,746	56,586
Aeration	49,913	40,795
Events	13,111	--
Capital projects	54	1,630
Fishery support	8,588	5,064
Tsunami expense	187,859	--
	<u>10,660,708</u>	<u>9,125,404</u>
Operating income	<u>227,231</u>	<u>396,474</u>
Non-operating revenues (expenses):		
County revenues for public services	50,000	50,000
Grants	619,189	23,801
Dredging reimbursement (Note 10)	665,000	385,000
Interest income	30,375	80,131
Other income	83,001	38,570
Interest expense	(410,652)	(443,836)
	<u>1,036,913</u>	<u>133,666</u>
Increase in net position	<u>1,264,144</u>	<u>530,140</u>
Net position, beginning	<u>30,105,088</u>	<u>29,574,948</u>
Net position, ending	<u>\$ 31,369,232</u>	<u>\$ 30,105,088</u>

The notes to financial statements are an integral part of these statements.

SANTA CRUZ PORT DISTRICT

STATEMENTS OF CASH FLOWS

Years Ended March 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 10,810,822	\$ 9,594,945
Cash paid to suppliers and employees	<u>(7,537,633)</u>	<u>(6,648,246)</u>
Net cash provided by operating activities	<u>3,273,189</u>	<u>2,946,699</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County revenues received for public services	50,000	50,000
Grant monies received	28,425	23,801
Government revenues received for dredge operations	665,000	385,000
Cash received from other nonoperating activities	<u>126,141</u>	<u>47,333</u>
Net cash provided by noncapital financing activities	<u>869,566</u>	<u>506,134</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital expenditures	(2,485,782)	(900,067)
Proceeds from grantors and governmental agencies as reimbursement for capital expenditures	590,764	--
Interest paid on long-term debt	(420,610)	(453,750)
Issuance of long-term debt	950,000	--
Principal paid on long-term debt	<u>(1,274,578)</u>	<u>(1,295,457)</u>
Net cash used by capital and related financing activities	<u>(2,640,206)</u>	<u>(2,649,274)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	<u>32,320</u>	<u>117,513</u>
Net increase in cash and cash equivalents	1,534,869	921,072
CASH AND CASH EQUIVALENTS, BEGINNING	<u>12,008,466</u>	<u>11,087,394</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 13,543,335</u>	<u>\$ 12,008,466</u>

The notes to financial statements are an integral part of these statements.

SANTA CRUZ PORT DISTRICT

STATEMENT OF CASH FLOWS

Years Ended March 31, 2022 and 2021

	2022	2021	
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 227,231	\$ 396,474	
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	2,187,657	2,159,280	
Non-cash pension liability	805,728	190,116	
Non-cash OPEB liability	101,318	81,221	
(Increase) decrease in:			
Trade receivables	(12,937)	65,422	
Inventory	(7,543)	1,482	
Prepaid expenses	(45,963)	(10,985)	
Deferred outflows from OPEB plan	(14,679)	(7,340)	
Increase (decrease) in:			
Accounts payable and accrued expenses	96,557	63,384	
Unearned revenue	(66,544)	(66,544)	
Prepaid slip rents	(7,293)	66,654	
Deposits	9,657	7,535	
Net cash provided by operating activities	<u>\$ 3,273,189</u>	<u>\$ 2,946,699</u>	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION			
	Current Assets	Restricted Assets	Statements of Cash Flows Total
Year ended March 31, 2022			
Cash and cash equivalents, beginning	\$ 10,991,416	\$ 1,017,050	\$ 12,008,466
Net increase (decrease)	<u>1,534,911</u>	<u>(42)</u>	<u>1,534,869</u>
Cash and cash equivalents, ending	<u>\$ 12,526,327</u>	<u>\$ 1,017,008</u>	<u>\$ 13,543,335</u>
Year ended March 31, 2021			
Cash and cash equivalents, beginning	\$ 10,070,823	\$ 1,016,571	\$ 11,087,394
Net increase	<u>920,593</u>	<u>479</u>	<u>921,072</u>
Cash and cash equivalents, ending	<u>\$ 10,991,416</u>	<u>\$ 1,017,050</u>	<u>\$ 12,008,466</u>

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Years Ended March 31, 2022 and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business: The Santa Cruz Port District (the District) is a political subdivision of the State of California. The District was organized on November 20, 1950, in conformity with Division 8, Part 4 of the Harbors and Navigation Code, Section 6200 et seq. The District was formed for the purpose of creating a legal entity to negotiate with various governmental agencies for the financing and construction of a small craft harbor and the subsequent operation of the facility. The District began the operation of the small craft harbor in January 1964.

Accounting Policies: The District is accounted for as an enterprise activity, and therefore follows the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Other significant accounting policies are:

Basis of Accounting: The accounting methods and procedures adopted by the District conform to accounting principles generally accepted in the United States of America as applied to governmental enterprise funds.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to certain limitations. The District has elected not to follow subsequent private-sector guidance.

The District distinguishes operating revenues and expense from non-operating items. Operating revenues and expenses generally result from fees charged to users of the harbor facilities and maintaining harbor facilities. Operating expenses include maintenance, security, dredging, general and administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Capital contributions are reported as a separate line item in the Statement of Revenues, Expenses, and Change in Net Position.

Use of Restricted/Unrestricted Net Assets: When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy is to apply restricted net assets first.

Use of Estimates: Preparing the District's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Years Ended March 31, 2022 and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Trade Receivables: Trade receivables consist of tenant and slipholder rents. The District believes its receivables to be fully collectible and, accordingly, no allowance for doubtful accounts is recorded.

Interest Receivable: Interest receivable consists of accrued interest from the Local Agency Investment Fund.

Federal and State Grants: Federal and state grants for the construction, acquisition, improvement of capital assets, or assistance for dredging costs are recorded as capital contributions. Revenues for reimbursement grants are recorded when allowable expenditures are made.

Liability for Compensated Absences: The District is required to recognize a liability for employees' rights to receive compensation for future absences. This obligation consists of the vested portion of leave balances, including vacation and compensatory time off, which are payable upon retirement. The liability for compensated absences at March 31, 2022 and 2021, included in payroll liabilities on the Statement of Net Position, was \$135,706 and \$129,276, respectively.

Revenues (Pledged): By resolution of the Board of Directors, all District revenues are pledged to secure debt service. The District derives its revenue principally from fees charged to users of the harbor facilities, rents, and concession fees.

Income Taxes: The District is a government agency that falls under Internal Revenue Code Section 115 and corresponding California Revenue and Taxation Code provisions. As such, it is not subject to federal or state income taxes.

Inventory: Inventory is stated at the lower of cost or market determined by the first-in, first-out method. Inventory consists of boat supplies and merchandise for resale.

Capital Assets: District capital assets, purchased or constructed, are recorded at cost. The cost of assets built by the District includes direct costs and eligible interest. Contributed assets are recorded at fair market value at the date of contribution.

The amount of interest capitalized as part of the District-constructed assets is the difference between the interest the District must pay on the bonds and loans issued to finance improvements, and the interest the District earns on bond and loan proceeds not yet expended. The interest as defined above is capitalized until the projects are placed in service at which time any remaining interest is expensed.

The District's policy is to capitalize all assets that cost \$5,000 or more, and to charge to current operations all additions under that limit. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are also expensed in the current period, even if greater than \$5,000.

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Years Ended March 31, 2022 and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation and Amortization: Depreciation expense is computed using the straight-line method over estimated useful lives ranging from three to fifty years.

Restricted Assets: Certain cash and investments of the District are classified as restricted because their uses are limited by commitments made by the District to its lenders.

Net Position: Net position as shown in the Statement of Net Position is classified in the following categories:

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

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments, as reduced by related outstanding debt.

Unrestricted – This amount is all remaining net position that does not meet the definition of “net investment in capital assets” or “restricted”.

Upcoming Accounting Standards: GASB has issued the following statements which may impact the District’s financial reporting requirement in the future:

- GASB 87 - “Leases”, effective for periods beginning after June 15, 2021.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

The District has the following items that qualify for reporting in this category:

- Deferred outflows related to pensions and OPEB equal to employer contributions made after the measurement date of the net pension liability / total OPEB liability.
- Deferred outflows related to pensions for differences between actual and expected experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plans.
- Deferred outflows from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the pension plans.
- Deferred outflows related to pensions resulting from the net difference between projected and actual earnings on plan investments of the pension plans fiduciary net position. These amounts are amortized over five years.

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Years Ended March 31, 2022 and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (continued):

- Deferred outflows related to pension plans for the changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plans.

In addition to liabilities, the Statement of Net Position will sometimes report on a separate section for deferred inflow of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

- Deferred inflows related to pensions for differences between actual and expected experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plans.
- Deferred inflows from pensions and OPEB resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expected remaining service lives of all employees that are provided with pensions through the pension plans.
- Deferred inflows related to pensions for the changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plans.

NOTE 2. CASH AND CASH EQUIVALENTS

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are maintained on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations.

The District's investment policy, adopted by the Port Commission on November 27, 2018, requires that all funds not required for immediate use be invested in investment vehicles authorized by the Government Code of the State.

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS
 Years Ended March 31, 2022 and 2021

NOTE 2. CASH AND CASH EQUIVALENTS (Continued)

The District has adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Under this statement, disclosures of these risks are required for uninsured and unregistered investments and deposits collateralized with securities held by the broker or pledging financial institution’s trust department or agent, but not in the District’s name. The District did not hold any investments or deposits falling into this category of risk (generally known as Category 3) at March 31, 2022.

Restricted Cash: Restricted cash consists of the following as of March 31:

	2022	2021
Restricted cash and cash equivalents for debt service:		
Money market funds/government obligations	<u>\$ 1,017,008</u>	<u>\$ 1,017,050</u>

NOTE 3. CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended March 31, 2022:

	March 31, 2021	Additions	Deletions and Transfers	March 31, 2022
Nondepreciable assets:				
Land	\$ 1,349,360	\$ 852,000	\$ --	\$ 2,201,360
Construction in progress	570,268	203,913	(199,809)	574,372
Depreciable assets:				
Structures and improvements	30,057,168	648,594	--	30,705,762
Docks	27,023,464	17,332	81,756	27,122,552
Equipment	10,884,518	763,947	(138,395)	11,510,070
Office equipment	73,114	--	(9,493)	63,621
	<u>69,957,892</u>	<u>2,485,786</u>	<u>(265,941)</u>	<u>72,177,737</u>
Accumulated depreciation	<u>(33,304,731)</u>	<u>(2,180,286)</u>	<u>215,426</u>	<u>(35,269,591)</u>
	<u>\$ 36,653,161</u>	<u>\$ 305,500</u>	<u>\$ (50,515)</u>	<u>\$ 36,908,146</u>

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2022 and 2021

NOTE 3. CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets for the year ended March 31, 2021:

	March 31, 2020	Additions	Deletions and Transfers	March 31, 2021
Nondepreciable assets:				
Land	\$ 1,349,360	\$ --	\$ --	\$ 1,349,360
Construction in progress	3,197,517	308,182	(2,935,431)	570,268
Depreciable assets:				
Structures and improvements	29,668,008	389,160	--	30,057,168
Docks	24,113,526	2,909,938	--	27,023,464
Equipment	11,864,219	228,218	(1,207,919)	10,884,518
Office equipment	<u>153,680</u>	<u>--</u>	<u>(80,566)</u>	<u>73,114</u>
	70,346,310	3,835,498	(4,223,916)	69,957,892
Accumulated depreciation	<u>(32,425,173)</u>	<u>(2,159,280)</u>	<u>1,279,722</u>	<u>(33,304,731)</u>
	<u>\$ 37,921,137</u>	<u>\$ 1,676,218</u>	<u>\$ (2,944,194)</u>	<u>\$ 36,653,161</u>

In January of 2015 the District accepted a 16,000 square foot vacated right of way along Brommer Street Extension, adjacent to lands owned by the District. Due to the very limited marketability of subject property, and the time and expense involved in getting a market appraisal, the District has opted to record the asset at zero value.

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Years Ended March 31, 2022 and 2021

NOTE 4. LONG-TERM DEBT

Long-term debt and related current portion as of March 31, 2022 and 2021, is presented below:

	March 31, 2021	Additions	Reductions	March 31, 2022
PNC Bank taxable loan	\$ 1,074,252	\$ --	\$ (228,740)	\$ 845,512
PNC Bank tax-exempt loan	8,617,606	--	(843,502)	7,774,104
PG&E loan	28,934	--	(13,889)	15,045
2018A Revenue Obligation	1,381,161	--	(89,807)	1,291,354
2018B Revenue Obligation	1,510,646	--	(98,226)	1,412,420
497 Lake Avenue	--	950,000	(4,120)	945,880
	<u>12,612,599</u>	<u>950,000</u>	<u>(1,278,284)</u>	<u>12,284,315</u>
Less revenue obligation issuance costs	(45,705)	--	3,706	(41,999)
Less current portion	<u>(1,274,163)</u>	<u>(55,777)</u>	<u>--</u>	<u>(1,329,940)</u>
	<u>\$ 11,292,731</u>	<u>\$ 894,223</u>	<u>\$ (1,274,578)</u>	<u>\$ 10,912,376</u>

Total interest incurred and charged to expense during the years ended March 31, 2022 and 2021, was \$410,652 and \$443,836, respectively.

During the fiscal year ended March 31, 2014, the District refinanced its outstanding debt with loans privately placed with PNC Bank (formerly BBVA Compass Bank). The financing package included \$4,000,000 in new debt to be used to purchase a new dredge to replace the *Seabright*, which had reached the end of its useful life. The new dredge was placed in service in July 2016.

The loans also reduced the District's payback period, with payoff occurring in 2029 rather than 2042 under the prior loans. Through this combined financing and new debt, the District will realize cash flow savings of approximately \$3.8 million over the 16-year life of the loans.

The PNC Bank taxable loan, in the amount of \$2,384,445 was part of the refinance package noted above. Proceeds of the loan were used to payoff the existing Series 2004C revenue bonds, as well as to provide funding to payoff the OE3 pension liability. Terms of the note call for semi-annual principal and interest payments in May and November, ranging from \$114,000 to \$229,000, with an average payment of \$140,000, including interest at 4.74% per annum. Final payment on the loan is due November 1, 2026.

The PNC Bank tax-exempt loan, in the amount of \$14,418,961 was part of the refinance package noted above. Proceeds of the loan were used to pay off the existing Series 2004A revenue bonds, all of the Department of Boating and Waterways loans, as well as providing funding for the new dredge. Terms of the note call for semi-annual principal and interest payments in February and August, ranging from \$547,000 to \$590,000, including interest at 3.09% per annum. Final payment on the loan is due August 1, 2029.

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS
 Years Ended March 31, 2022 and 2021

NOTE 4. LONG-TERM DEBT (Continued)

PG&E loan – In August 2014 the District entered into an on-bill financing loan agreement with PG&E, in the amount of \$120,368, for the purchase of energy efficient equipment. Terms of the loan call for monthly principal payments of \$1,157, to be included in the monthly utilities bill, over a period of 104 months.

On September 1, 2018, the District entered into an installment sale agreement with PNC Bank for 2018A Revenue Obligations in the amount of \$1,750,000, for the Santa Cruz Harbor Pile Replacement Project. Terms of the agreement call for semi-annual payments of \$75,123 beginning February 1, 2019, including interest at the rate of 3.5% per annum. The final payment is due August 1, 2033.

On September 1, 2018, the District entered into an installment sale agreement with PNC Bank for 2018B Revenue Obligations in the amount of \$1,600,000, for the Santa Cruz Harbor Seawall Replacement Project. Terms of the agreement call for semi-annual payments of \$68,684 beginning February 1, 2019, including interest at the rate of 3.5% per annum. The final payment is due August 1, 2033.

The borrowing agreements with PNC Bank for the taxable and tax-exempt loans and the 2018A and 2018B revenue obligations include a restrictive covenant requiring net revenues for the fiscal year to be equal to at least 1.25 times the debt service. At March 31, 2022, the District was in compliance with the covenant.

During the year ended March 31, 2022, the District purchased property at 497 Lake Ave. The purchase price was \$1,200,000, of which \$950,000 was financed with the seller. The terms of the finance agreement call for monthly payments of \$4,535.45 beginning January 1, 2022, including interest at the rate of 4.00% per annum. A final balloon payment of \$452,500 plus any accrued interest is due December 1, 2041.

Debt service required under the notes for each of the succeeding five years and thereafter in five year increments are:

	Principal	Interest	Total
2023	\$ 1,329,940	\$ 396,018	\$ 1,725,958
2024	1,366,974	344,588	1,711,562
2025	1,413,057	294,301	1,707,358
2026	1,273,550	252,523	1,526,073
2027	1,241,518	212,420	1,453,938
2028-2032	4,500,218	496,353	4,996,571
2033-2037	553,403	198,033	751,436
2038-2042	605,655	100,830	706,485
	<u>\$ 12,284,315</u>	<u>\$ 2,295,066</u>	<u>\$ 14,579,381</u>

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Years Ended March 31, 2022 and 2021

NOTE 5. UNEARNED REVENUE

In 2002, the District entered into a joint venture agreement with a not-for-profit tenant to recapitalize and reconstruct the building at 2222 East Cliff Drive. The agreement stated the tenant would pay 47% of the cost of the construction project and the District would pay 53% of the cost of the project. Title for the building remains with the District. In return for the cost sharing agreement, the tenant received a 24-year lease with payment terms similar to a ground only lease which extends through December 31, 2028.

The tenant's total contribution to the project was \$1,558,239. That amount was established as unearned revenue and will be amortized to concession rental income over the term of the lease. Since inception of the lease agreement the District has recognized \$1,175,609 of the unearned revenue as rental income. Of the remaining \$382,630, \$66,544 is considered current and \$316,086 is considered long-term.

NOTE 6. PENSION PLANS

Deferred Compensation Plan (457(a)):

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to District employees based on eligibility, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Defined Benefit Pension Plan (CalPERS):

General Information:

Plan Description: Effective April 1, 2003, the District adopted a cost-sharing multiple employer defined benefit pension plan (the Plan) that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. All qualified employees are eligible to participate in the District's Plan administered by the California Public Employees' Retirement System (CalPERS).

State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions as well as other requirements. The District selected its optional benefit provisions from the benefit menu when it contracted with CalPERS and adopted those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814, or on their 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.

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2022 and 2021

NOTE 6. PENSION PLANS (Continued)

Funding Policy: Active plan members are required to contribute a percentage of their annual covered salary. The District has a 3-tiered CalPERS plan system for miscellaneous employees – 2.5% @ 55; 2% @ 60; and 2% @ 62. Plan placement is dependent on the eligible employee’s status as an existing member or new member. Depending on plan placement, active members contribute between 6.25% and 8% of their annual covered salary: 8% contribution for 2.5% @ 55; 7% contribution for 2% @ 60; and 6.25% contribution for 2% @ 62.

The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS’ Board of Administration. The required employer contribution rate for the 2.5% @ 55 tier was 10.823% for April 2020 – June 2020, 11.742% for July 2020 – June 2021 and 11.59% from July 2021 – March 2022. For the 2% @ 60 tier, the employer rate was 8.081% from April 2020 – June 2020, 8.794% from July 2020 – June 2021 and 8.65% from July 2021 – March 2022. For the 2% @ 62 tier, the employer rate was 6.985% from April 2020 – June 2020, 7.732% from July 2020 – June 2021 and 7.59% from July 2021 - March 2022. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Pension Liabilities, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions:

As of March 31, 2022 and 2021, the District reported a \$2,908,996 and \$4,674,819 net pension liability for its proportionate share of the net pension liability of the Plan, respectively.

As of March 31, 2022, the net pension liability of the Plan is measured as of June 30, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. As of March 31, 2021, the net pension liability of the Plan is measured as of June 30, 2020, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The District’s proportionate share of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District’s proportionate share of the net pension liability for the Plan as of March 31, 2022 was as follows:

Proportion - March 31, 2021	0.0430%
Proportion - March 31, 2022	0.0538%
Change - Increase	0.0108%

The District’s proportionate share of the net pension liability for the Plan as of March 31, 2021 was as follows:

Proportion - March 31, 2020	0.0423%
Proportion - March 31, 2021	0.0430%
Change - Increase	0.0007%

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS
 Years Ended March 31, 2022 and 2021

NOTE 6. PENSION PLANS (Continued)

For the year ended March 31, 2022, the District recognized pension expense of \$1,384,306. At March 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
	<u> </u>	<u> </u>
Differences between actual and expected experience	\$ 326,213	\$ --
Net differences between projected and actual earnings on plan investments	--	2,539,400
Change in employer's proportion	60,960	44,966
Differences between the employer's contributions and the employer's proportionate share of contributions	--	77,223
Pension contributions subsequent to measurement date	<u>441,839</u>	<u>--</u>
 Total	 <u>\$ 829,012</u>	 <u>\$ 2,661,589</u>

The \$441,839 reported as deferred outflows of resources relates to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending March 31, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will increase (decrease) recognized pension expense as follows:

<u>Year ending March 31,</u>	<u>Amount</u>
2023	\$ (478,276)
2024	(515,244)
2025	(579,137)
2026	<u>(701,759)</u>
	<u>\$ (2,274,416)</u>

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS
 Years Ended March 31, 2022 and 2021

NOTE 6. PENSION PLANS (Continued)

For the year ended March 31, 2021, the District recognized pension expense of \$718,517. At March 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between actual and expected experience	\$ 240,908	\$ --
Change in assumptions	--	33,343
Net differences between projected and actual earnings on plan investments	138,872	--
Change in employer's proportion	106,463	16,629
Differences between the employer's contributions and the employer's proportionate share of contributions	--	108,930
Pension contributions subsequent to measurement date	411,633	--
Total	<u>\$ 897,876</u>	<u>\$ 158,902</u>

The \$411,633 reported as deferred outflows of resources relates to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending March 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will increase (decrease) recognized pension expense as follows:

Year ending March 31,	Amount
2022	\$ 24,524
2023	131,699
2024	104,512
2025	66,606
	<u>\$ 327,341</u>

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS
 Years Ended March 31, 2022 and 2021

NOTE 6. PENSION PLANS (Continued)

Actuarial Assumptions: The March 31 total pension liability was determined using the following actuarial methods and assumptions:

	March 31, 2022	March 31, 2021
Valuation Date	June 30, 2020	June 30, 2019
Measurement Date	June 30, 2021	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method	
Actuarial assumptions:		
Discount rate	7.15%	
Inflation	2.50%	
Salary Increase	Varies by entry age and service.	
Mortality	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using 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.	
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies.	

The underlying mortality assumptions and all other actuarial assumptions used in the valuations were based on the results of a 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 7.15% for the years ended March 31, 2022 and 2021. To determine whether the municipal bond rate should be used in the calculation of a discount rate, 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 run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% will be 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.

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Years Ended March 31, 2022 and 2021

NOTE 6. PENSION PLANS (Continued)

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 (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 adjusted to account for assumed administrative expenses.

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.

Asset class	Assumed asset allocation	Real return years 1-10 (a)	Real return years 11+ (b)
Public equity	50.00%	4.80%	5.98%
Fixed income	28.00%	1.00%	2.62%
Inflation assets	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

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

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

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2022 and 2021

NOTE 6. PENSION PLANS (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability, calculated using the discount rate, as well as what the District’s proportionate share of the 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:

	<u>March 31, 2022</u>	<u>March 31, 2021</u>
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 5,254,458	\$ 6,937,862
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 2,908,996	\$ 4,674,819
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 970,036	\$ 2,804,938

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

Payable to the Pension Plan: At March 31, 2022, the District had no outstanding contributions payable to the pension plan required for the year ended March 31, 2022.

NOTE 7. RISK MANAGEMENT

The District covers its liability for significant claims by purchasing workers’ compensation, property, and liability insurance. There have been no significant reductions in insurance coverage in the current year. Settlement amounts have not materially exceeded insurance coverage for the current and prior year.

NOTE 8. OPERATING LEASES

The District is the lessor of land and improvements under operating leases expiring in various years through 2032. Of the District’s total capital assets, a portion of total land, structures and improvements is available for rent and concessions, and docks (berths) are available for slip licensing, while the remainder is held for District use.

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS
 Years Ended March 31, 2022 and 2021

NOTE 8. OPERATING LEASES (Continued)

Following is a summary of property held for lease at March 31:

	2022	2021
Land	\$ 2,076,703	\$ 1,224,703
Structures and improvements	28,897,512	28,248,918
Docks	<u>27,086,302</u>	<u>26,987,214</u>
	58,060,517	56,460,835
Less accumulated depreciation and amortization	<u>28,702,861</u>	<u>27,076,407</u>
	<u>\$ 29,357,656</u>	<u>\$ 29,384,428</u>

Minimum future lease income to be received on non-cancelable rent and concession leases as of March 31, 2022, for each of the next 5 years and in the aggregate is:

2023	\$ 909,906
2024	687,927
2025	568,052
2026	437,030
2027	403,387
Thereafter	<u>1,775,995</u>
	<u>\$ 4,782,297</u>

Minimum future lease income does not include contingent rentals that may be received under certain leases based on the volume of business conducted by the lessee. Contingent rental income on non-cancelable leases for the years ended March 31, 2022 and 2021, totaled approximately \$770,724 and \$396,202, respectively.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Public Employees’ Medical and Hospital Care Act (PEMHCA)

The District administers a multiple-employer defined benefit healthcare plan (the Plan). The Plan provides medical healthcare insurance for eligible retirees and their spouses through the California Public Employees’ Retirement System (CalPERS) Health Benefits Program under the Public Employees’ Medical and Hospital Care Act (PEMHCA). No dental, vision, or life insurance benefits are provided by the Plan. Currently there are 3 retired employees and 34 active employees participating in the Plan.

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2022 and 2021

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Funding Policy: There is no statutory requirement for the District to pre-fund its OPEB obligation. The District has currently chosen to pay Plan benefits on a pay-as-you-go basis and does not maintain a trust fund for its OPEB obligation. The District’s fixed dollar benefit contribution cannot be less than the PEMHCA minimum for PEMHCA actives and retirees. The District accrued these benefits at the monthly statutory rate (\$149 for 2022 and \$143 for 2021) for each participant in the PEMCHA plan. The total amount paid directly by the District to CalPERS for the District’s health premium contributions under PEMHCA for retiree medical health care plan postemployment benefits for the years ending March 31, 2022 and 2021 was \$2,267 and \$1,576, respectively. Including the implicit rate subsidy of \$14,679 and administrative expenses of \$96, the District’s total contributions to the plan for the year ended March 31, 2022, were \$17,042. Including the implicit rate subsidy of \$7,340 and administrative expenses of \$79, the District’s total contributions to the plan for the year ended March 31, 2021, were \$8,995.

Total OPEB liability: For the year ended March 31, 2022, the District’s total OPEB liability was measured as of March 31, 2021 and was determined by an actuarial valuation as of April 1, 2021. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions

Valuation Date	April 1, 2021
Measurement Date	March 31, 2021
Contribution Policy	No pre-funding
Actuarial assumptions:	
Discount rate	2.4% at March 31, 2021 (Bond buyer 20-bond index)
General inflation	2.5% annually
Mortality, retirement, disability and termination	CalPERS 2000-2019 experience study
Mortality improvement	Mortality projected fully generational with Scale MP-2021
Medical trend	Non-medicare: 6.5% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare: 5.65% for 2023, decreasing to an ultimate rate of 3.75% for 2076
PEMHCA minimum increase	\$149 and \$151 per month in 2022 and 2023 respectively increasing 4.00% annually in 2024+
Participation at retirement	Actives: 35% in 2020, increasing to 50% in 2034 Retirees: based on current election

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2022 and 2021

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

For the year ended March 31, 2021, the District’s total OPEB liability was measured as of March 31, 2020 and was determined by an actuarial valuation as of April 1, 2019, with update procedures used to roll forward the total pension liability to March 31, 2020. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Valuation Date	April 1, 2019
Measurement Date	March 31, 2020
Contribution Policy	No pre-funding
Actuarial assumptions:	
Discount rate	2.27% at March 31, 2020 (Bond buyer 20-bond index)
General inflation	2.75% annually
Mortality, retirement, disability and termination	CalPERS 1997-2015 experience study
Mortality improvement	Post-retirement mortality projected fully generational with Scale MP-2019
Medical trend	Non-medicare: 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076 Medicare: 6.3% for 2021, decreasing to an ultimate rate of 4.0% for 2076
PEMHCA minimum increase	4.25% annually
Participation at retirement	Actives: 30% initially, increasing to 50% in 2034 Retirees: 100% if covered

Discount Rate

The discount rates used to measure the total OPEB liability as of March 31, 2022 and March 31, 2021 was 2.4% and 3.79%, respectively. These rates are equal to the municipal bond twenty-year bond index rate as the District’s OPEB plan does not have any fiduciary net position.

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Years Ended March 31, 2022 and 2021

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in the Total OPEB Liability: The changes in the Total OPEB liability as of March 31, 2022 are as follows:

Balance at 3/31/21 (3/31/20 measurement date)	<u>\$ 728,518</u>
Changes in the year:	
Service cost	79,892
Interest	18,250
Actual vs. expected experience	45,917
Assumption changes	(87,155)
Benefit payments	<u>(8,916)</u>
Net changes	<u>47,988</u>
Balance at 3/31/22 (3/31/21 measurement date)	<u><u>\$ 776,506</u></u>

The changes in the Total OPEB liability as of March 31, 2021 are as follows:

Balance at 3/31/20 (3/31/19 measurement date)	<u>\$ 483,228</u>
Changes in the year:	
Service cost	53,462
Interest	20,235
Assumption changes	177,131
Benefit payments	<u>(5,538)</u>
Net changes	<u>245,290</u>
Balance at 3/31/21 (3/31/19 measurement date)	<u><u>\$ 728,518</u></u>

Change of Assumptions

The discount rate changed from 2.27% for the measurement period ended March 31, 2020, to 2.4% for the measurement period ended March 31, 2021 as a result of the change in the municipal bond 20-year high grade rate index. The discount rate changed from 3.79% for the measurement period ended March 31, 2019, to 2.27% for the measurement period ended March 31, 2020 as a result of the change in the municipal bond 20-year high grade rate index.

Change of Benefit Terms

There were no changes of benefit terms.

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2022 and 2021

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB 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 discount rate:

	<u>March 31, 2022</u>	<u>March 31, 2021</u>
1% Decrease	1.40%	1.27%
Total OPEB Liability	\$ 934,944	\$ 889,726
Current Discount Rate	2.40%	2.27%
Total OPEB Liability	\$ 776,506	\$ 728,518
1% Increase	3.40%	3.27%
Total OPEB Liability	\$ 652,585	\$ 604,559

Sensitivity of the Total OPEB Liability to Changes in Healthcare Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage point lower and 1-percentage point higher than the current healthcare trend rate:

	<u>March 31, 2022</u>	<u>March 31, 2021</u>
1% Decrease	5.50%	6.25%
Total OPEB Liability	\$ 633,723	\$ 580,677
Current Trend	6.50%	7.25%
Total OPEB Liability	\$ 776,506	\$ 728,518
1% Increase	7.50%	8.25%
Total OPEB Liability	\$ 967,669	\$ 930,084

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS
 Years Ended March 31, 2022 and 2021

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: For the year ended March 31, 2022, the District recognized OPEB expense of \$103,681. At March 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 41,817	\$ 55,827
Change in assumptions	148,439	80,994
OPEB contributions made subsequent to the measurement date	<u>17,042</u>	<u>--</u>
Total	<u>\$ 207,298</u>	<u>\$ 136,821</u>

The OPEB contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending March 31, 2023.

For the year ended March 31, 2021, the District recognized OPEB expense of \$82,876. At March 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ --	\$ 63,371
Change in assumptions	165,396	1,892
OPEB contributions made subsequent to the measurement date	<u>8,995</u>	<u>--</u>
Total	<u>\$ 174,391</u>	<u>\$ 65,263</u>

The OPEB contributions subsequent to the measurement date were recognized as a reduction of the total OPEB liability in the year ending March 31, 2022.

Payable to the OPEB Plan: At March 31, 2022, the District had no outstanding amount of contributions to the OPEB plan required for the year ended March 31, 2022.

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Years Ended March 31, 2022 and 2021

NOTE 10. DREDGING REIMBURSEMENT

In November, 2015, the District entered into an agreement with the Department of the Army Corps of Engineers (Corps) to reimburse the District for a portion of expected dredging costs, only if funds are specifically appropriated for that purpose. The agreement terminates on April 1, 2025. Due to the uncertainty of the availability of funds, revenue will be recorded when the funds are ultimately received. During the year ended March 31, 2022, the District received \$665,000 in payments from Department of the Army Corps of Engineers for dredging operations, \$140,000 of which occurred January-December 2020 and \$525,000 of which occurred January-December 2021. During the year ended March 31, 2021, the District received \$385,000 in payments from Department of the Army Corps of Engineers for dredging operations that occurred in 2019-20.

NOTE 11. SUBSEQUENT EVENTS

Management has evaluated its March 31, 2022 and 2021 financial statements for subsequent events through **September 27, 2022**, the date of issuance of the financial statements. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

DRAFT

SANTA CRUZ PORT DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last 10 Fiscal Years*

	<u>March 31, 2022</u>	<u>March 31, 2021</u>	<u>March 31, 2020</u>	<u>March 31, 2019</u>	<u>March 31, 2018</u>	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Measurement date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Plan's proportionate share of the net pension liability	0.0538%	0.0430%	0.0423%	0.0414%	0.0409%	0.0406%	0.0400%
Plan's proportionate share of the net pension liability	\$ 2,908,996	\$ 4,674,819	\$ 4,338,392	\$ 3,990,879	\$ 4,052,992	\$ 3,509,957	\$ 2,745,051
Plan's covered - employee payroll**	\$ 2,211,919	\$ 2,222,678	\$ 2,239,940	\$ 2,174,449	\$ 1,995,472	\$ 1,730,361	\$ 1,680,148
Plan's proportionate share of the net pension liability as a percentage of its covered - employee payroll	131.51%	210.32%	193.68%	183.54%	203.11%	202.85%	163.38%
Plan's proportionate share of the fiduciary net position as a percentage of the proportionate share of the Plan's total pension liability	88.29%	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%
Plan's proportionate share of aggregate employer contributions	\$ 584,290	\$ 550,939	\$ 491,504	\$ 430,069	\$ 400,662	\$ 365,656	\$ 343,279

Notes to Schedule:

Changes in Benefit Terms:

None

Change in Assumptions:

None

* - Fiscal year 2016 was the first year of implementation, therefore seven years are shown.

** - For the year ending on the measurement date

SANTA CRUZ PORT DISTRICT

SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLANS

Last 10 Fiscal Years*

	<u>March 31, 2022</u>	<u>March 31, 2021</u>	<u>March 31, 2020</u>	<u>March 31, 2019</u>	<u>March 31, 2018</u>	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Actuarially determined contribution	\$ 578,577	\$ 528,402	\$ 465,337	\$ 397,547	\$ 332,430	\$ 309,357	\$ 188,042
Contributions in relation to the actuarially determined contribution	<u>(578,577)</u>	<u>(528,402)</u>	<u>(465,337)</u>	<u>(397,547)</u>	<u>(332,430)</u>	<u>(309,357)</u>	<u>(188,042)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Covered-employee payroll**	\$ 2,141,686	\$ 2,182,330	\$ 2,267,137	\$ 2,227,398	\$ 2,160,998	\$ 1,912,027	\$ 1,692,156
Contributions as a percentage of covered-employee payroll	27.02%	24.21%	20.53%	17.85%	15.38%	16.18%	11.11%

Notes to Schedule:

Changes in Benefit Terms:

None

Change in Assumptions:

None

* - Fiscal year 2016 was the first year of implementation, therefore seven years are shown.

** - For the fiscal year ending on the date shown

SANTA CRUZ PORT DISTRICT

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years*

	<u>March 31, 2022</u>	<u>March 31, 2021</u>	<u>March 31, 2020</u>	<u>March 31, 2019</u>
Measurement date	March 31, 2021	March 31, 2020	March 31, 2019	June 30, 2018
Total OPEB liability:				
Service cost	\$ 79,892	\$ 53,462	\$ 54,348	\$ 53,126
Interest on total OPEB liability	18,250	20,235	20,887	18,141
Actual vs. expected experience	45,917	--	(78,459)	--
Changes in assumptions	(87,155)	177,131	5,778	(2,705)
Benefit payments, including refunds and the implied subsidy benefit payments	<u>(8,916)</u>	<u>(5,538)</u>	<u>(3,883)</u>	<u>(1,705)</u>
Net change in total OPEB liability	47,988	245,290	(1,329)	66,857
Total OPEB liability - beginning of the year	<u>728,518</u>	<u>483,228</u>	<u>484,557</u>	<u>417,700</u>
Total OPEB liability - end of the year (a)	<u>776,506</u>	<u>728,518</u>	<u>483,228</u>	<u>484,557</u>
Plan fiduciary net position:				
Contributions - employer	--	--	--	--
Net investment income	--	--	--	--
Administrative expenses	--	--	--	--
Benefit payments, including refunds and the implied subsidy benefit payments	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net change in plan fiduciary net position	--	--	--	--
Plan fiduciary net position - beginning of the year	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Plan fiduciary net position - end of the year (b)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net OPEB Liability - Ending (a)-(b)	<u>\$ 776,506</u>	<u>\$ 728,518</u>	<u>\$ 483,228</u>	<u>\$ 484,557</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered - employee payroll**	\$ 2,430,838	\$ 2,458,539	\$ 2,411,907	\$ 2,127,435
Net OPEB liability as a percentage of covered - employee payroll	31.94%	29.63%	20.04%	22.78%

Notes to Schedule:

Changes in Benefit Terms:

None

Change in Assumptions:

The discount rate changed from 3.79% for the measurement period ended March 31, 2019, to 2.27% for the measurement period ended March 31, 2020, to 2.40% for the period ended March 31, 2021 as a result of the change in the municipal bond 20-year high grade rate index.

* - Fiscal year 2019 was the first year of implementation, therefore four years are shown.

** - For the year ending on the measurement date



INDEPENDENT AUDITORS' 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*

Board of Commissioners
Santa Cruz Port District
Santa Cruz, 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 Santa Cruz Port District (the District), as of and for the year ended March 31, 2022, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated **September 27, 2022**.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 determination of financial statement amounts. 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 or other matters that are required to be reported under *Government Auditing Standards*.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 27, 2022

DRAFT

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Board of Commissioners
Santa Cruz Port District
Santa Cruz, California

Our report on our audits of the basic financial statements of the Santa Cruz Port District as of and for the years ended March 31, 2022 and 2021, appears on pages 1-2. The audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Insurance Coverage on page 48 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and, accordingly, we express no opinion on it.

September 27, 2022

DRAFT

SANTA CRUZ PORT DISTRICT

SCHEDULE OF INSURANCE COVERAGE

March 31, 2022

As of March 31, 2022, the District's insurance coverage was as follows:

	LIMITS	DEDUCTIBLE
UMBRELLA / BUMBERSHOOT LIABILITY	\$10,000,000	\$25,000
Each Occurrence, excess of \$1,000,000 primary		
PROPERTY		
Building , Business Personal Property, Business Income, Contractor's Equipment, Piers, Wharves, and Docks (Loss Limits and Deductibles are given as total, subject to sublimit described in policy)	\$40,120,198	See policy
MARINA OPERATORS LEGAL LIABILITY		
Each Occurrence	\$1,000,000	\$5,000
BUSINESS AUTO		
Liability, Combined Single Limit	\$1,000,000	\$1,000
Medical Payments	\$5,000	None
Uninsured/Underinsured Motorist	\$1,000,000	None
HULL AND MACHINERY / PROTECTION AND INDEMNITY		
Hull and Machinery	\$5,296,600	Per Schedule
Protection and Indemnity	\$1,000,000	\$1,000
PUBLIC OFFICIALS Liability		
Each Claim and in the Aggregate	\$2,000,000	\$25,000
Includes Employment Practices Liability		\$50,000
UNDERGROUND STORAGE TANKS		
Each Incident	\$1,000,000	\$25,000
Total Policy Aggregate Limit	\$2,000,000	
GENERAL LIABILITY		
General Aggregate	\$2,000,000	None
Products/Completed Operations Aggregate	\$1,000,000	None
Each Occurrence	\$1,000,000	None
FLOOD		
Each Incident and Aggregate (2 Properties)	\$500,000	\$1,250
	\$500,000	\$1,250



TO: Port Commission

FROM: Holland MacLaurie, Port Director

DATE: September 14, 2022

SUBJECT: Approval of Design Services for Replacement and Relocation of Tsunami-Damaged North Harbor Transformers (NTE \$207,200)

Recommendation: Authorize the Port Director to execute an agreement with TranSystems for design, engineering, cost estimating, and construction support services for the replacement and relocation of tsunami-damaged north harbor transformers.

BACKGROUND

As a result of the January 15, 2022, tsunami, 6 power substations (transformers) in the north harbor were significantly damaged. The transformers located at I, J, X1, X2, X3, and W Docks were inundated with saltwater after the tsunami surge rose approximately four feet above the breakwater.

Due to the prolonged water inundation, power to adjacent docks, restroom and shower facilities, a concession operated business, and critical sanitary sewer lift stations were rendered inoperable for a period of approximately one week after the tsunami. Significant efforts were made to inspect, dry, and restore service to each unit.

While the six transformers were brought back online and are currently operable, all are beginning to show signs of corrosion at the transformer windings and connection points.

At a special public session on June 7, 2022, the Commission determined that immediate replacement of the transformers was necessary to ensure electrical service to critical north harbor infrastructure remains operable. Additionally, the Commission was supportive of relocating the transformers from their current gangway location to an alternate, elevated land-based location to mitigate future risk of water inundation. The Commission directed staff to proceed with the project on an emergency basis, as authorized under Resolution 22-03 (Attachment A).

On June 13, 2022, staff met with representatives from TranSystems to discuss a scope of work and approach for the project. Subsequent to that meeting, TranSystems reviewed existing maps, electrical records, and site plans to develop a comprehensive proposal.

TranSystems has provided engineering services to the Port District for many years, and staff is confident that the firm is well qualified to deliver the needed design work in an efficient and cost-effective manner.

ANALYSIS

TranSystems will provide design, engineering, cost estimating, and construction support services for the relocation and replacement of the 6 transformers, which includes the following:

- Preliminary Design Work – Perform site reconnaissance to assess existing conditions and environs of the equipment, perform load studies to verify current and future anticipated loads to support sizing of new equipment, perform a topographic survey of the north harbor to determine placement for new equipment, and prepare preliminary electrical and civil plans.
- Construction Documents – Develop progress and final plan submittals, as well as construction drawings.
- Construction Support (as needed) – Attend one preconstruction meeting, review and respond to any contractor submittals, including requests for information, assist with the preparation of contract change orders as may be required, and prepare record drawings for the District’s files.

The figures below represent the estimated contract costs based on TranSystem’s proposal. Depending on the level of construction support services required, some overall cost savings may be achieved.

Preliminary Design	\$103,000
Construction Documents	\$66,400
Construction Support (Time & Materials)	\$37,800
Total Contract Amount:	\$207,200

IMPACT ON PORT DISTRICT RESOURCES

Funding for this contract was not included in the FY23 budget and will be an unanticipated capital expense. The Commission may elect to fund the contract from unreserved cash (which includes \$270,000 in undesignated insurance proceeds for covered damages related to the January 15, 2022, tsunami) or utilize reserve funding.

The current reserve fund balance totals \$2,110,644. Use of reserve funding is limited to unanticipated, non-recurring needs and requires a Port Commission resolution authorizing such use. The District’s Reserve Policy is included as Attachment B.

- ATTACHMENTS:
- A. Resolution 22-03
 - B. Reserve Policy

Santa Cruz Port District
Resolution No. 22-03

January 18, 2022

A resolution finding, with regard to Santa Cruz Harbor, that an emergency exists that requires the immediate expenditure of public funds to safeguard life, health, and property without a competitive solicitation of bids to respond to the emergency; and authorizing the Port Director to enter into contracts up to \$125,000 each to address the emergency without a competitive solicitation for bids.

RESOLVED, by the Santa Cruz Port District Commission, State of California, acting as the governing board of the Santa Cruz Port District, that

WHEREAS, Santa Cruz Harbor was inundated by a series of tsunami surge waves beginning on January 15, 2022, as a result of a major underwater volcanic eruption near the Island Nation of Tonga; and,

WHEREAS, the Santa Cruz Port District Commission acted to declare an emergency on January 18, 2022; and,

WHEREAS, the tsunami surge waves and associated flooding caused significant damage throughout the harbor including, but not limited to, damage to pilings, docks, utility service, and landside facilities infrastructure; damage to critical dredge equipment; and severe erosion of the embankment along the eastside access road; and

WHEREAS, immediate emergency repair is required to restore the integrity and serviceability of harbor infrastructure, to protect the environment, safeguard property, ensure public safety, and ensure public access and navigability of harbor waters; and,

WHEREAS, the marine environment, public interest and general welfare will be served by performing emergency repair work in an expedited manner; and,

WHEREAS, contractors must be selected utilizing a streamlined process in order to complete repairs, prevent further damage, provide protection of existing harbor infrastructure, and such other work as may be deemed necessary during and immediately after the emergency response; and,

WHEREAS, the Santa Cruz Port District Commission has authority to waive the formal bidding requirements when it determines that an emergency exists that requires the immediate expenditure of public money to safeguard life, health and/or property and that it is in the best interest of the Santa Cruz Port District to respond to such emergency.

NOW THEREFORE, IT IS HEREBY DETERMINED AND ORDERED that:

1. It is found that an emergency exists at Santa Cruz Harbor that requires the immediate expenditure of public money to safeguard life, health and/or property that will not permit a delay resulting from a competitive solicitation for bids, and that emergency repair work is necessary to respond to such emergency.

2. The Port Director is authorized to enter into individual contracts for emergency repair work up to \$125,000 to address the emergency and to safeguard life, health and/or property without a competitive solicitation for bids.
3. It is determined to be in the best interests of the Santa Cruz Port District, that the requirements under the Port District's Ordinance Section 108, Contracting, be waived in connection with the contracts necessary to respond to the emergency, if determined by the Port Director to be necessary and appropriate.

NOW, THEREFORE, BE IT RESOLVED THAT THE Santa Cruz Port District Commission hereby approves Resolution 22-03, finding, with regard to Santa Cruz Harbor, that an emergency exists that will not permit a delay resulting from a competitive solicitation for bids, and that emergency repair work is necessary to safeguard life, health and/or property and respond to the emergency; and authorizing the Port Director to enter into individual contracts up to \$125,000 to address the emergency without a competitive solicitation for bids.

PASSED AND ADOPTED, by the Santa Cruz Port District Commission this 18th day of January 2022, by the following vote:

AYES: Geisreiter, Gertler, Reed, Goddard

NOES: n/a

ABSENT: Smith

APPROVED BY:



Reed Geisreiter, Chairman
Santa Cruz Port Commission

Santa Cruz Port District
General Fund Reserve Policy
Adopted November 24, 2015

Reserve Policy Objectives

To strengthen the financial stability of the District against economic uncertainty, unexpected situations such as natural or man-made disasters, unanticipated drop in revenues, and other unforeseen emergencies or extraordinary circumstances that the Port District may face that are infrequent in occurrence.

Target Amount Held in Reserve

The Port District will strive to hold in reserve an amount equal to 25 percent of the District's annual operating expenses in the current fiscal year's adopted general fund budget. The District recognizes that reserve fund amount may fluctuate and may need to be rebuilt over time as needed.

Funding Sources

The reserve fund will generally come from one-time revenue and from excess revenues over expenditures. Examples of one-time revenue include infrequent sales of Port District assets, infrequent revenues from development and grants, or other sources that are typically non-recurring in nature.

Conditions on Use of Reserves

The use of reserves shall generally be limited to unanticipated, non-recurring needs. Reserve fund balances shall not be used for normal or recurring annual operating expenditures.

The Port Director shall make recommendations to the Port Commission for use of reserves. Appropriations from this reserve fund shall require a resolution approved by the Port Commission.

Requests for use of reserves shall occur only after exhausting the current year's budgetary flexibility. The Port Director shall, within six months of its use, present to the Port Commission a plan and timeline for replenishing the reserve fund. .

Santa Cruz Port District
Accounts Payable Monthly Check Register
August 2022

Date	No.	Vendor	Description	Amount
8/1/2022	57003	Amerigas	Ancillary Equipment Fuel	\$ 125.68
8/1/2022	57004	Aramark	Uniform Sweatshirt	\$ 61.16
8/1/2022	57005	Atchison Barisone Condotti & Kovacevich	Legal Consultation	\$ 5,877.50
8/1/2022	57006	B AND B Small Engine	Grounds Equipment Repair Parts	\$ 36.16
8/1/2022	57007	Bay Building Janitorial, Inc.	Janitorial Services	\$ 300.00
8/1/2022	57008	Bay Plumbing Supply, Inc.	D-Dock Restroom Faucet	\$ 151.51
8/1/2022	57009	Bayside Oil II, Inc.	Waste Oil Disposal	\$ 227.50
8/1/2022	57010	Big Creek	Bristle Brush, Putty Knife, 2218 East Cliff Dr. Roof Repair Supplies, Fuel Dock Hose Reel Hardware	\$ 83.90
8/1/2022	57011	California Municipal Advisors, LLC	Consulting Services: CalPERS Unfunded Accrued Liability Policy	\$ 5,700.00
8/1/2022	57012	Central Electric	Electrical Service Upgrade Project - 333 Lake Avenue	\$ 2,915.00
8/1/2022	57013	Comcast	Business Internet	\$ 301.70
8/1/2022	57014	Conte's Generator Service	Standby Generator Repair & Testing	\$ 1,900.66
8/1/2022	57015	County Specialty Gases	Welding Gas	\$ 101.97
8/1/2022	57016	Darco Printing & Paper	Envelopes	\$ 402.70
8/1/2022	57017	Elevator Service Company	Monthly Service	\$ 430.00
8/1/2022	57018	Ewing Irrigation Products, Inc.	Irrigation Valve & Fittings - Concession Lot	\$ 287.03
8/1/2022	57019	Fehr Engineering Company, Inc.	Electrical Service Upgrade Project - 333 Lake Avenue	\$ 125.00
8/1/2022	57020	Fresno Pipe & Supply	Squirt Suction Pipe Couplers	\$ 307.66
8/1/2022	57021	Garda CL West, Inc.	Excess Items Fees	\$ 21.98
8/1/2022	57022	GP Crane & Hoist	Fishery Hoist Brake Repair (\$1,202.17 Tenant Reimbursable), Twin Lakes Hoist Trolley	\$ 3,375.17
8/1/2022	57023	Grainger	Electrical Boxes, Marking Tools, Disposable Gloves, Paint Supplies, Maintenance Office Desk, Disposable Masks, Air Compressor Repair Parts, Impact Bits, Wire Wheels, Safety Glasses, X-Dock Fire Hose Valve	\$ 1,639.08
8/1/2022	57024	Home Depot Credit Services	Wire Nuts, Storage Bins, Pipe Fittings, Safety Hat, Impact Drill, Cleaning Supplies, Power Washer Nozzle, Drain Bladders, Electrical Fittings, Clamps, Straps, Vacuum Filter, Tree Pruner, Socket Set	\$ 907.78
8/1/2022	57025	Horizon Water and Environment, LLC	Consulting Services: Regional General Permit	\$ 931.25
8/1/2022	57026	Hose Shop	Fuel Dock Replacement Hose & Reel, Steam Cleaner Replacement Hose, A-Dock Fire Hose Assembly	\$ 1,752.12
8/1/2022	57027	Kelly-Moore Paint Company, Inc.	Parking Lot Paint	\$ 417.80
8/1/2022	57028	King's Paint & Paper, Inc.	Painting Supplies	\$ 10.44
8/1/2022	57029	Koffler Electrical Mechanical	Booster Pump & Twin Lakes Jet Pump Service	\$ 1,600.00
8/1/2022	57030	Lawson	Dauntless Hydraulic Hose & Fittings, Twin Lakes Christmas Tree Hardware	\$ 852.48
8/1/2022	57031	Lighthouse Welding	Squirt Suction Pipe Repairs	\$ 1,510.00
8/1/2022	57032	Linde Gas & Equipment, Inc.	Welding Gas & Rods	\$ 527.86
8/1/2022	57033	Matheson Tri-Gas, Inc.	Welding Gas	\$ 84.39

Santa Cruz Port District
Accounts Payable Monthly Check Register
August 2022

Date	No.	Vendor	Description	Amount
8/1/2022	57034	McDermott, Dick	497 Lake Avenue Installation Payment	\$ 4,535.45
8/1/2022	57035	McMaster-Carr Supply Company	Thread Repairing Kit	\$ 139.79
8/1/2022	57036	Mid County Auto Supply	Steam Cleaner Belt, Sign Paint, <i>Twin Lakes</i> Transmission Oil, Paint Sprayer Lubricant, <i>Squirt</i> Engine Oil	\$ 426.52
8/1/2022	57037	Mission Uniform Service	Uniform Service	\$ 580.30
8/1/2022	57038	Monterey Bay Marine	Dredge Skiff Repair	\$ 792.89
8/1/2022	57039	Nathen Castro	Pro-Rated Medical Expense Reimbursement	\$ 305.00
8/1/2022	57040	North Bay Ford	Maintenance Vehicle Door Handle	\$ 18.35
8/1/2022	57041	Capital One Trade Credit	Power Strip, Batteries, Clips, Concrete Cleaner	\$ 103.04
8/1/2022	57042	Pacific Gas & Electric Company	Utilities	\$ 28,704.64
8/1/2022	57043	Peterson	Dozer Repairs & Service, Dozer Paint	\$ 9,215.24
8/1/2022	57044	PNC Bank, N.A.	Tax Exempt Loan Principle & Interest	\$ 143,798.83
8/1/2022	57045	Quadient Leasing USA, Inc.	Postage Meter Lease	\$ 206.67
8/1/2022	57046	San Lorenzo	2222 East Cliff Drive, Suite 150 Ceiling Panels	\$ 62.71
8/1/2022	57047	Santa Cruz County Environmental Health Service	Underground Storage Tank Permit Fee	\$ 3,442.00
8/1/2022	57048	Santa Cruz Tire & Auto Care	Maintenance Vehicle Water Pump Replacement	\$ 713.87
8/1/2022	57048	Santa Cruz Tire & Auto Care	Dredge Vehicle Air Conditioning Repairs	\$ 1,642.62
8/1/2022	57049	Santa Cruz Municipal Utilities	Utilities	\$ 14,281.87
8/1/2022	57050	Staples Credit Plan	Office Supplies	\$ 144.48
8/1/2022	57051	The Home Depot Pro Institutional	Janitorial Supplies	\$ 1,998.07
8/1/2022	57052	Total Secure Technology	Technical Support (June)	\$ 547.50
8/1/2022	57053	WEX Bank	Fleet Fuel	\$ 2,806.13
8/1/2022	57054	West Marine Pro	Dredge Skiff Bottom Paint, Wire, Electrical Connectors, Adhesive, Epoxy	\$ 423.36
8/8/2022	57055	Employee #1928	Final Pay	\$ 102.65
8/8/2022	57056	Employee #1926	Final Pay	\$ 755.44
8/12/2022	57057	Air & Lube Systems, Inc.	Fuel Dock Hose Reels	\$ 6,461.47
8/12/2022	57058	Allied Administrators for Delta Dental	Dental Insurance	\$ 3,077.71
8/12/2022	57059	Anoba, Michael	Volleyball Court Reservation Cancellation Refund	\$ 70.00
8/12/2022	57060	Aptekar, Lewis	Security Deposit Refund	\$ 47.00
8/12/2022	57061	A Sign ASAP!	SUP & Kayak Launching Signage, Wash Rack Signage, Concession Lot Parking Signage	\$ 899.95
8/12/2022	57062	AT&T	Telephone	\$ 1,103.24
8/12/2022	57063	Bay Building Janitorial, Inc.	Janitorial Services, Refuse Collection	\$ 10,492.00
8/12/2022	57064	Bay Plumbing Supply, Inc.	Yellow Gas Tape, Restroom Faucet Handle, Plumbing Tool, Hose Bib	\$ 153.94
8/12/2022	57065	Bay Power Equipment, Inc.	<i>Dauntless</i> Steering Cylinders	\$ 3,751.03
8/12/2022	57066	Bay Propeller	<i>Dauntless</i> Propellers & Shafts	\$ 5,036.13
8/12/2022	57067	Bayside Oil II, Inc.	Hazardous Waste Disposal	\$ 1,393.60

Santa Cruz Port District
Accounts Payable Monthly Check Register
August 2022

Date	No.	Vendor	Description	Amount
8/12/2022	57068	Bow Wow Pet Waste Products	Pet Waste Station Bags	\$ 411.93
8/12/2022	57069	Carpi & Clay	Washington Representation	\$ 800.00
8/12/2022	57070	Castelli, Emilio	Parking Refund (Duplicate Payment)	\$ 15.00
8/12/2022	57071	Citi Cards	Breakroom Supplies, Drinking Water	\$ 752.71
8/12/2022	57072	Comcast	Business Television	\$ 27.51
8/12/2022	57073	County of Santa Cruz Auditor	Citation Tax (May - June)	\$ 5,646.50
8/12/2022	57074	County of Santa Cruz Department of Public Works	Waste Disposal	\$ 176.11
8/12/2022	57075	Crow's Nest Restaurant	1/2 Concession Lot Garbage (Tenant Reimbursable)	\$ 2,944.12
8/12/2022	57076	Data Ticket, Inc.	Citation Processing (June)	\$ 636.02
8/12/2022	57077	Fastenal Company	Silicone Sealant	\$ 104.05
8/12/2022	57078	Fluitt, Larry	Credit Balance Refund	\$ 15.00
8/12/2022	57079	Garda CL West, Inc.	Deposit Courier Service	\$ 517.43
8/12/2022	57080	Green Line	493 Lake Avenue Lift Station Pump Out	\$ 2,110.00
8/12/2022	57081	Gsolutionz	Telephone System Maintenance	\$ 263.15
8/12/2022	57082	Halenbeck, Peter	Parking Refund (Duplicate Payment)	\$ 5.75
8/12/2022	57083	Hose Shop	Travelift Hoses, Fuel Dock Hose Fittings	\$ 1,447.28
8/12/2022	57084	Hutchinson & Bloodgood LLP	Fiscal Year 2022 Audit Services Progress Payment	\$ 8,000.00
8/12/2022	57085	Jetfloat	FF-Dock Jetfloats (Tsunami-Damage)	\$ 14,527.00
8/12/2022	57086	Keco Inc.	Pumpout Hose Replacement	\$ 637.56
8/12/2022	57087	Koch, Christophe	Credit Balance Refund	\$ 8.63
8/12/2022	57088	Lawson	<i>Twin Lakes & Dauntless</i> Hardware	\$ 150.51
	57089	VOID		
8/12/2022	57090	Marine Lien Sale Service	Vessel Lien Fees	\$ 180.00
8/12/2022	57091	MBS Business Systems	Copier Usage Charges	\$ 356.36
8/12/2022	57092	McMaster-Carr Supply Company	Bolts, Bushing Adapters, Skiff Hatch Hinges, Gear Oil, <i>Squirt</i> Paint, <i>Squirt</i> Hardware, Silicone Sealant	\$ 1,708.41
8/12/2022	57093	Employee #262	Compensatory Time Payout	\$ 751.39
8/12/2022	57094	Mesiti-Miller Engineering, Inc.	Engineering Services: Westside Seawall Repair & Replacement Project	\$ 8,049.20
8/12/2022	57095	Michael K. Nunley & Associates, Inc.	Lift Station Assessment, <i>Twin Lakes</i> Snorkel Replacement	\$ 2,564.30
8/12/2022	57096	Moore & Sons Outboard Motors, Inc.	<i>Scout</i> Helm Unit Replacement	\$ 2,500.55
8/12/2022	57097	Mutual of Omaha	Life/LTD/AD&D Insurance	\$ 852.19
8/12/2022	57098	Operating Engineers Local Union No. 3	Union Dues (Payroll Deduction)	\$ 268.00
8/12/2022	57099	Palace Business Solutions	Office Supplies	\$ 72.19
8/12/2022	57100	Pete's Outflow Technicians LLC	Boatyard Vault Pump Out	\$ 1,790.00
8/12/2022	57101	Richard Pasquali	<i>Never Late</i> VHF Radio Replacement	\$ 660.31
8/12/2022	57102	Riverside Lighting & Electric	Zip Ties, Drill Press Breaker & Fuses, Electrical Connectors, Breakers, Brow Pier Receptacles	\$ 453.05

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Date	No.	Vendor	Description	Amount
8/12/2022	57103	San Lorenzo	Extension Cord	\$ 104.63
8/12/2022	57104	Santa Cruz Sentinel	Legal Advertising	\$ 211.20
8/12/2022	57105	SC Fuels	Fuel Dock Gas & Diesel	\$ 35,813.70
8/12/2022	57106	Santa Cruz Municipal Utilities	Utilities	\$ 13,347.31
8/12/2022	57107	Svensden's Boat Works	Boatyard Retail Items	\$ 803.75
8/12/2022	57108	The Home Depot Pro Institutional	Janitorial Supplies	\$ 2,172.24
	57109	VOID		
8/12/2022	57110	U.S. Bank Equipment Finance	Copier Lease	\$ 151.31
8/12/2022	57111	US Relay	Webcam Service	\$ 484.00
8/12/2022	57112	Van Orden, Pamela	Credit Balance Refund	\$ 35.00
8/12/2022	57113	Verizon Wireless	Cell Phone & Tablet Service	\$ 330.54
8/12/2022	57114	Walker, Damon	Special Event Permit Security Deposit Reimbursement	\$ 500.00
8/12/2022	57115	West Marine Pro	Dredge Paint, Brushes, Tape	\$ 166.33
8/12/2022	57116	West Marine Pro	Boatyard Retail Items	\$ 1,078.21
8/12/2022	57117	Wocasek, Frank	Security Deposit Refund	\$ 116.54
	57118 - 57144	VOID		
8/26/2022	57145	AA Safe & Security Co.	Maintenance Vehicle Lock Replacement	\$ 15.00
8/26/2022	57146	ACCO Engineered Systems	Quarterly Boiler Maintenance - 2222 E. Cliff Drive	\$ 335.00
8/26/2022	57147	Ace Portable Services	Portable Toilet Rental	\$ 214.67
8/26/2022	57148	Allied Universal	Security Patrol	\$ 7,665.84
8/26/2022	57149	American Trash Management	Refuse & Recycling Study	\$ 8,000.00
8/26/2022	57150	Amerigas	Ancillary Equipment Fuel	\$ 97.43
8/26/2022	57151	Atchison Barisone Condotti & Kovacevich	Legal Consultation	\$ 796.00
8/26/2022	57152	CIT	Telephone System Maintenance	\$ 323.09
8/26/2022	57153	Banman, Gene	Credit Balance Refund	\$ 25.00
8/26/2022	57154	Bay Plumbing Supply, Inc.	ABS Cement, Trap Primer Valve, O-Dock Restroom Shower Head, Pumpout Station Check Valve	\$ 306.91
8/26/2022	57155	Bayside Oil II, Inc.	Squirt Gear Oil, Waste Oil Disposal	\$ 536.78
8/26/2022	57156	Big Creek	Lumber, Glue, Galvanized Bolts, Oscillating Blade Set	\$ 274.93
8/26/2022	57157	Brass Key Locksmith, Inc.	Harbor Office ADA Compliant Door Hardware, Key Blanks	\$ 654.78
8/26/2022	57158	Central Coast Systems	Quarterly Fire Alarm Monitoring	\$ 210.00
8/26/2022	57159	Chin, Jason	Security Deposit Refund	\$ 359.50
8/26/2022	57160	Citi Cards	Service Charges	\$ 58.41
8/26/2022	57161	Comcast	Business Internet	\$ 731.44
8/26/2022	57162	Complete Mailing Service	Statement Mailing & Postage	\$ 627.26
8/26/2022	57163	County of Santa Cruz Auditor	Citation Tax (July)	\$ 4,332.06
8/26/2022	57164	County of Santa Cruz Department of Public Works	7th Avenue & Brommer Overflow Lot Rental	\$ 1,200.00

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Date	No.	Vendor	Description	Amount
8/26/2022	57165	County Specialty Gases	Welding Gas	\$ 105.09
8/26/2022	57166	Cross, Susan	Parking Refund (Duplicate Payment)	\$ 15.00
8/26/2022	57167	Crow's Nest Restaurant	1/2 Concession Lot Garbage (Tenant Reimbursable)	\$ 2,457.18
8/26/2022	57168	Crystal Springs Water Co.	Boatyard Drinking Water	\$ 69.50
8/26/2022	57169	Data Ticket, Inc.	Citation Processing (July)	\$ 726.32
8/26/2022	57170	El Camino Machine & Welding	<i>Twin Lakes</i> Christmas Tree Repair	\$ 6,000.00
8/26/2022	57171	Elevator Service Company	Monthly Service, Additional Service Call	\$ 622.50
8/26/2022	57172	Ewing Irrigation Products, Inc.	Trench Drain Filters	\$ 72.28
8/26/2022	57173	Ferguson Enterprises, Inc.	Galvanized Fittings, Saddles	\$ 463.28
8/26/2022	57174	Flo-Line Technology, Inc.	<i>Squirt</i> Main Pump Rebuild	\$ 2,311.39
8/26/2022	57175	Frost, Gene	Security Deposit Refund	\$ 322.56
8/26/2022	57176	Garda CL West, Inc.	Excess Items Fee	\$ 24.75
8/26/2022	57177	Goyert, Jeff	Security Deposit Refund	\$ 437.15
8/26/2022	57178	Grainger	Drum Pump, Paint Supplies, Welding Helmet Covers, Disposable Gloves, Batteries, Bushings, Utility Blade, Broom, Dead Blow Hammers, Sockets, Office Supplies, 20A Snap Switch & Enclosure, Buffer Solution, Hard Hat, Dock Sign Brackets	\$ 1,770.08
8/26/2022	57179	Horizon Water and Environment, LLC	Consulting Services: Regional General Permit	\$ 2,302.50
8/26/2022	57180	Hose Shop	<i>Twin Lakes</i> Pump Room Hydraulic Hose & Fittings	\$ 3,729.57
8/26/2022	57181	Jim Walters Tractors	Flatbed Hauling - <i>Squirt</i> Relocation	\$ 1,531.25
8/26/2022	57182	Kelly, Susan	Parking Refund (Duplicate Payment)	\$ 3.50
8/26/2022	57183	Kelly-Moore Paint Company, Inc.	Dredge Primer	\$ 2,674.22
8/26/2022	57184	Landreth, Jim	Parking Refund (Duplicate Payment)	\$ 3.50
8/26/2022	57185	Lawson	Carbide Burs, Respirator Cleaning Wipes, Hydraulic Hose Collets, <i>Squirt</i> Exhaust Hardware, <i>Twin Lakes</i> Pump Hydraulic Fittings, <i>Twin Lakes</i> Snorkel Hardware, <i>Twin Lakes</i> Hydraulic Hoses, <i>Twin Lakes</i> Snorkel Fittings	\$ 6,827.80
8/26/2022	57186	Linde Gas & Equipment, Inc.	Welding Gas	\$ 548.50
8/26/2022	57187	Longley, Chuck	Security Deposit Refund	\$ 696.60
8/26/2022	57188	Mankins, Logan	Security Deposit Refund	\$ 403.20
8/26/2022	57189	Manning, Dwight	Security Deposit Refund	\$ 127.90
8/26/2022	57190	Matheson Tri-Gas, Inc.	Welding Gas	\$ 87.20
8/26/2022	57191	MBS Business Systems	Copier Usage Charges	\$ 1,228.85
8/26/2022	57192	McDermott, Dick	497 Lake Avenue Installment Payment	\$ 4,535.45
8/26/2022	57193	McMaster-Carr Supply Company	<i>Dauntless</i> Sanding Discs & Dowel Pins, Hand Reamer Tool, Wire Rope Compression Tool, I-Beam Washers, Compression Sleeve, Gauge, Lubricant, Nuts, Screws, <i>Twin Lakes</i> Walkway Grating, Hydraulic Line Flange Caps, <i>Twin Lakes</i> Snorkel Hardware	\$ 2,171.78

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Date	No.	Vendor	Description	Amount
8/26/2022	57194	Mid County Auto Supply	Washer Fluid, Wrenches, Brake Hose, Brake Line, Tubing Bender, Patrol Vehicle Battery, <i>Twin Lakes</i> Hydraulic Wrap, <i>Squirt</i> Bearings & Batteries	\$ 1,147.76
8/26/2022	57195	Mission Uniform Service	Uniform Service	\$ 840.85
8/26/2022	57196	Mutual of Omaha	Life/AD&D/LTD Insurance	\$ 870.75
8/26/2022	57197	O'Grady, Maggie	Parking Refund (Duplicate Payment)	\$ 13.50
8/26/2022	57198	Obata, Kenji	Parking Refund (Duplicate Payment)	\$ 11.75
8/26/2022	57199	Operating Engineers Local Union No. 3	Union Dues (Payroll Deduction)	\$ 335.00
8/26/2022	57200	Capital One Trade Credit	Pile Jacket Hardware	\$ 73.62
8/26/2022	57201	Pacific Crest Engineering, Inc.	Stormwater Pollution Prevention Plan Inspection	\$ 475.00
8/26/2022	57202	Pacific Gas & Electric Company	Utilities	\$ 29,465.35
8/26/2022	57203	Palace Business Solutions	Office Supplies	\$ 493.23
8/26/2022	57204	PDM Steel Service Centers, Inc.	<i>Squirt</i> Round Bar, Angle Iron, Rebar	\$ 547.28
8/26/2022	57205	Quadient, Inc.	Postage & Office Supplies	\$ 685.94
8/26/2022	57206	Red Hills Environmental, LLC	Sampling & Analysis Plan Progress Payment	\$ 6,200.00
8/26/2022	57207	Riverside Lighting & Electric	<i>Twin Lakes</i> Jet Pump Electrical Connectors, V-Dock Restroom Lighting Ballast	\$ 418.57
8/26/2022	57208	Salas O'Brien Engineers, Inc.	2218 East Cliff Drive Roofing Assessment	\$ 4,337.98
8/26/2022	57209	San Lorenzo	Tire Chock Lumber, Stair Railing Repair	\$ 495.71
8/26/2022	57210	Michael Smith	Backflow Testing	\$ 812.00
8/26/2022	57211	Santa Cruz Carpet Cleaning	Harbor Office & Public Meeting Room Carpet Cleaning	\$ 530.00
8/26/2022	57212	Santa Cruz Fire Equipment Company	Fire Extinguisher Service	\$ 201.97
8/26/2022	57213	SC Fuels	Fuel Dock Gas & Diesel	\$ 70,192.52
8/26/2022	57214	Scheidt & Bachmann	Concession Lot Parking Equipment Monthly Warranty	\$ 2,630.75
	57215-57240	VOID		
8/26/2022	57241	Santa Cruz Municipal Utilities	Utilities	\$ 23,254.09
8/26/2022	57242	Southland Printing	Parking Machine Tickets	\$ 4,285.36
8/26/2022	57243	Staples Credit Plan	Office Supplies	\$ 520.67
8/26/2022	57244	Stephen, Mark	Parking Refund (Duplicate Payment)	\$ 4.25
8/26/2022	57245	Svensden's Boat Works	Boatyard Retail Items	\$ 425.10
8/26/2022	57246	The Home Depot Pro Institutional	Janitorial Supplies	\$ 1,399.89
8/26/2022	57247	Triton Construction	Designated Fuel Operator Services	\$ 300.00
8/26/2022	57248	Uline	Dredge Yard Trash Cans	\$ 222.59
8/26/2022	57249	WEX Bank	Fleet Fuel	\$ 3,170.24
8/26/2022	57250	Mark Larsen DBA: Viking	Window Cleaning	\$ 35.00
8/26/2022	57251	West Coast Wire Rope	Rigging Wire Rope	\$ 24,507.75
8/26/2022	57252	West Marine Pro	Dredge Paint, <i>Squirt</i> Bushings, Fasteners, Paint Tray Liners	\$ 699.93
8/26/2022	57253	West Marine Pro	Boatyard Retail Items	\$ 579.15

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Date	No.	Vendor	Description	Amount
8/26/2022	57254	Mejia, Manuel	Operations Department Electric Golf Cart	\$ 4,999.99
8/5/2022	Various	Various Employees	7/16/22-7/31/22 Payroll	\$ 10,492.28
8/19/2022	Various	Various Employees	8/1/22-8/15/22 Payroll	\$ 10,119.99
8/1/2022	EFT	Merchant Services	Online Billpay Credit Card Fees	\$ 213.75
8/1/2022	EFT	Merchant Services	CALE Parking Machine Credit Card Fees	\$ 2,404.28
8/1/2022	EFT	Merchant Services	Boatyard Credit Card Fees	\$ 387.45
8/1/2022	EFT	Gravity Payments	Front Desk Credit Card Fees	\$ 2,327.19
8/1/2022	EFT	Windcave, Inc.	Concession Lot Credit Card Fees	\$ 3,240.68
8/1/2022	EFT	ElectronicPayments	Fuel Dock Credit Card Fees	\$ 1,179.61
8/1/2022	EFT	Transaction Express	Online Billpay ACH Fees	\$ 550.84
8/4/2022	EFT	CalPERS	Health Insurance	\$ 40,762.76
8/4/2022	EFT	CalPERS	457 Contributions (Payroll Deduction)	\$ 4,333.07
8/4/2022	EFT	CalPERS	Retirement Contributions (Employee & Employer)	\$ 7,400.58
8/4/2022	EFT	CalPERS	Retirement Contributions (Employee & Employer)	\$ 6,155.02
8/4/2022	EFT	CalPERS	Retirement Contributions (Employee & Employer)	\$ 1,390.05
8/4/2022	EFT	Empower Retirement	457 Loan Repayments (Payroll Deduction)	\$ 568.90
8/5/2022	EFT	PAYCHEX	7/16/22-7/31/22 Payroll	\$ 62,313.18
8/5/2022	EFT	PAYCHEX	7/16/22-7/31/22 Payroll	\$ 30,584.68
8/5/2022	EFT	PAYCHEX	Payroll Service Fees	\$ 360.18
8/5/2022	EFT	Comerica Commercial Card Services	Rubber Roof Coating, Fleet Fuel, WhenIWork Subscription, Employee Recognition, Water Taxi Upholstery Paint, Zoom Subscription, Front Desk Air Filters, 497 Lake Avenue Valance Replacement, Office Supplies, Shipping, Commission Meeting Refreshments, State Lands Commission 10-Year Lease Renewal, Dredge Yard Shade Structure, Postage, Ancillary Equipment Fuel, Travelift Bungee Cords, Stormwater Testing Supplies, Sweeper Main Brush, <i>Squirt</i> Keel Cooler Service, Prime Subscription, Shade Canopies, Pile Repair Grout, Propane, Fuel Dock Electrical Connectors, <i>Twin Lakes</i> , Stainless Steel Fittings, <i>Squirt</i> Exhaust Rain Shield Assembly	\$ 24,256.27
8/8/2022	EFT	CalPERS	Additional Discretionary Unfunded Accrued Liability Payment	\$ 13,593.00
8/9/2022	EFT	Comerica Bank	Service Charges	\$ 815.76
8/10/2022	EFT	Gravity Payments	Front Desk Credit Card Fees	\$ 18.66
8/19/2022	EFT	PAYCHEX	8/1/22-8/15/22 Payroll	\$ 58,174.05
8/19/2022	EFT	PAYCHEX	8/1/22-8/15/22 Payroll	\$ 28,494.19
8/19/2022	EFT	PAYCHEX	Payroll Service Fees	\$ 355.29
8/20/2022	EFT	PAYCHEX	Time & Attendance Fees	\$ 109.00
8/24/2022	EFT	CalPERS	Health Insurance	\$ 41,143.66
8/24/2022	EFT	CalPERS	457 Contributions (Payroll Deduction)	\$ 4,030.40
8/24/2022	EFT	CalPERS	Retirement Contributions (Employee & Employer)	\$ 6,958.66

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Date	No.	Vendor	Description	Amount
8/24/2022	EFT	CalPERS	Retirement Contributions (Employee & Employer)	\$ 6,158.58
8/24/2022	EFT	CalPERS	Retirement Contributions (Employee & Employer)	\$ 1,390.05
8/24/2022	EFT	CalPERS	GASB 68 Reporting Fee	\$ 1,050.00
8/24/2022	EFT	Empower Retirement	457 Loan Repayments (Payroll Deduction)	\$ 568.90
8/30/2022	EFT	Windcave, Inc.	Concession Lot Credit Card Fees	\$ 873.26
Total August 2022 Disbursements				\$ 1,022,906.70



TO: Port Commission
FROM: Holland MacLaurie, Port Director
DATE: September 21, 2022
SUBJECT: Port Director's Report – September 27, 2022

Murray Street Bridge Seismic Retrofit Project

The Port District continues to work with the City of Santa Cruz and their consultant, Bender Rosenthal, Inc., to reach agreement on terms of a final settlement agreement for the Murray Street Bridge Seismic Retrofit Project. Staff will meet with the City and their consultant on Monday, September 26, 2022, to review and discuss proposed terms of a newly revised draft agreement. It is anticipated that the draft agreement will be available for Commission review in the coming months.

West Side Seawall Inspection Update

Mesiti-Miller Engineering (MME) is currently performing a condition assessment of the west side seawall. As part of the evaluation process, geotechnical work to document the type and condition of existing subsurface material will be performed on Friday, October 7, 2022. Upon completion of the geotechnical work and other visual observations, MME will provide a preliminary condition assessment report for review.

Encroachment Permit – 216 4th Avenue (R. Steere)

The property owners at 216 4th Avenue are proceeding with plans to construct a new, single-story detached Accessory Dwelling Unit (ADU) on their parcel. The proposed project is currently under review with the City of Santa Cruz Planning Department and will require review by the California Coastal Commission. Staff has been in contact with the City to confirm that plans for proposed access and sewer service connection points do not impact Port District infrastructure. The Port District will work with the owners to issue a temporary encroachment permit to facilitate construction vehicle/equipment access to the property from the west side of the harbor.

CSDA Capitol Staff Tour

On September 13, 2022, the Port District hosted approximately 38 Capitol staff members as part of the California Special Districts Association's (CSDA) State Capitol Staff Tour. Attendees toured the harbor via the water taxi and patrol boat, and gained a better understanding of the services and benefits the harbor provides to our region.

California Marine Affairs and Navigation Conference (CMANC) Fall Meeting

CMANC's annual fall meeting is scheduled for October 12 – 14, 2022, and will be held in-person in South San Francisco.

Professional Grant Writing Services

Staff is currently exploring options to retain a consulting firm to assist the District with grant research and identification, preparation of grant application packages, and grant submission. There are numerous funding opportunities available to the District through NOAA and FEMA that could provide significant benefits for future capital improvement projects (i.e., west side seawall

construction, north harbor restroom rehabilitation, embankment repair, etc.). Funding for this consulting service will be included in the FY24 budget.

Insurance Proceeds Update

The Port District is still awaiting final confirmation of the anticipated insurance proceeds for damages related to the January 15, 2022, tsunami. Confirmation from the carrier was anticipated last month, but has since been delayed, as the third-party inspector responsible for providing the cost estimate for repairs has been unresponsive. If a new third-party inspector must be selected by the insurer, confirmation of anticipated proceeds will be further delayed by approximately 3-4 months.

Administrative Services Manager Recruitment Update

Recruitment for the Administrative Services Manager position closed on September 19, 2022. A total of 12 applications were received. Interviews will be scheduled for the week of October 3, 2022.

Community Outreach

- **Arana Gulch Historical Walking Tour**

On August 27, 2022, I participated in a historical walking tour of Arana Gulch, which included a brief segment about the harbor. The tour was hosted by local historian Dan Model, and provided an opportunity to share historical harbor facts and answer questions regarding the harbor's current operation.



TO: Port Commission
FROM: Blake Anderson, Harbormaster
DATE: Sept 16, 2022
SUBJECT: Harbormaster's Report

SAR Council Missions Day- Monterey

On Saturday, September 10, 2022, Deputy Harbormaster staff participated in the first annual Monterey Bay SAR Council's "Missions Day" event held at the Monterey Harbor. The event is sponsored by U.S. Coast Guard Monterey in partnership with the City of Monterey and provides an opportunity for the public to interact with maritime first responders from around the region and tour their rescue vessels and aircraft.



National Tsunami Warning Center Site Visit

Staff from the National Tsunami Warning Center in Palmer, AK, along with NOAA representatives and State tsunami coordinators, visited the Port District on August 25, 2022. District staff provided a tour of the harbor and provided an overview of the tsunami-damage and recovery efforts following the January 15, 2022, tsunami event. The January 15, tsunami presented some forecasting challenges as it was the result of an underwater volcanic eruption, and Warning Center staff wanted to better understand the event as it relates to future tsunami modeling.

North Harbor Dredging Preparations

Staff is currently working on a relocation plan for north harbor slip renters that will be impacted by north harbor dredging. The first phase, the I/J fairway area, will impact approximately 30 slips (duration 3-4 weeks). The second phase, the X/J fairway down to the Arana Gulch culverts, will impact roughly 40 slips.

Forklift Training

Staff from the Boatyard, Operations, and Maintenance departments completed a forklift certification class conducted at the boatyard.

New Security Cameras

Seven new security cameras were installed on Sept 12, 2022. The cameras offer additional views of the entrance channel, main channel, RV park, Brommer Street Extension entrance, J-Dock parking area, North Harbor Dry Storage entrance, and fishery docks. The installation of these additional security cameras was one of the Port District's identified funding priorities in the current FY23 budget for capital improvement projects. The District now has a total of 23 cameras throughout the harbor. The new cameras are an upgraded version and offer better resolution and low-light capability.

Crow's Nest Thursday Night Beach BBQ

The Crow's Nest Beach BBQ Events concluded on September 1, 2022. Throughout the summer the Thursday night beach events were well-attended and required minimal law enforcement response. Parking impacts were as expected, with congestion in the southeast harbor during the events. The water taxi ridership for the Thursday events totaled 2,339 throughout the season.

Fisheries Report

The fisheries report consists of data from two sources: the Department of Fish and Wildlife (DFW) and H&H Fresh Fish (resident fish buyer). The data from DFW is partially redacted in accordance with federal fisheries laws. Data is considered confidential when less than three separate vessels land species at any one port. For species landed by three or more separate vessels, the full data is made public and includes weight and value. For other data, the species landed is shown with no weight data.

Landing data continued on next page.

August 2022 – Total Port Landings:

Species	Weight (lbs.)	Ex-Vessel (per lbs.)	Approx. Value
Chinook Salmon	1,561.55	\$7.51	\$11,731.68
Halibut	14,777.98	\$5.00	\$73,898.63
Lingcod	453.10	\$3.37	\$1,530.80
Rockfish	654.53	\$3.20	\$2,097.18
Jacksmelt	1,040.10	\$1.40	\$1,460.51
Petrale Sole	104.65	\$2.68	\$281.35
Total Reported:		18,591.91 lbs.	Total Ex-Vessel: \$91,000.15

Species also landed* - Northern Anchovy, Pacific Sardine, Pacific Halibut, White Seabass, Sablefish (blackcod), Starry Flounder, Rock Crab, Rockfish (various), Pacific Mackerel, Jack Mackerel, White Croaker, Thorneyhead Shortspine, Thorneyhead Lingspine, Sand Sole, Dover Sole, Market Squid

**Weight and value data redacted by Fish and Wildlife pursuant to Fish and Game Code, Section 8022.*

August 2022 – Resident Buyer Landings:

Species	Weight (lbs.)	Ex-Vessel (per lbs.)	Approx. Value
Chinook Salmon	2,590.45	\$8.00	\$20,723.60
Halibut	4,930.05	\$4.50	\$22,185.22
Lingcod	236.80	\$3.00	\$710.40
White Seabass	252.00	\$6.00	\$1,512.00
Rock Crab	250.00	\$3.00	\$750.00
Rock Fish (various)	1,664.10	\$3.00	\$4,992.30
Soles	84.45	\$3.00	\$253.35
Flounder	32.80	\$2.00	\$65.60
Anchovies	100.50	\$2.00	\$201.00
Market Squid	50.00	\$2.00	\$100.00
Total Reported:		10,191.15 lbs.	Total Ex-Vessel: \$51,493.47



TO: Port Commission
FROM: Carl Wulf, Facilities Maintenance & Engineering Manager
DATE: September 27, 2022
SUBJECT: Facilities Maintenance & Engineering Manager's Report

Dredging Operations:

Twin Lakes

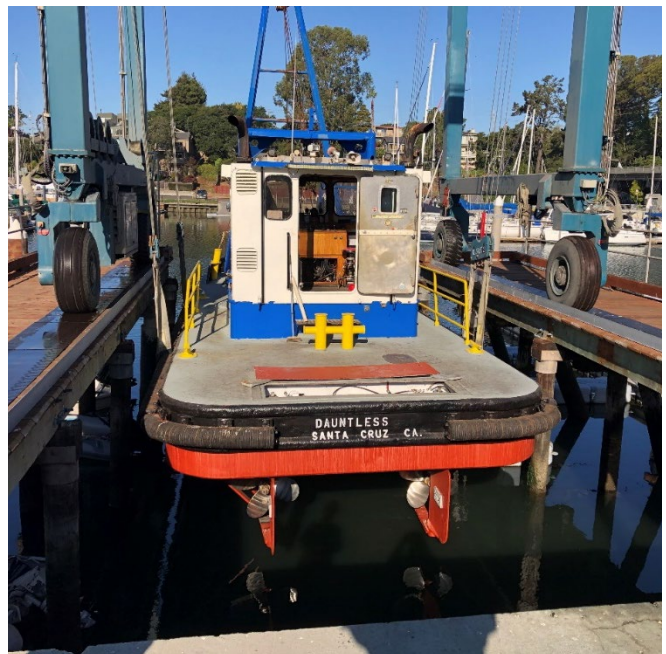
Offseason dredge maintenance is wrapping up. Representatives from DSC were on site on August 23, 2022, to complete installation of the hydraulic Christmas tree lifting equipment and new Dredge RX software.

Dauntless

The dredge crew completed all offseason maintenance items for the District's workboat, *Dauntless*, and splashed her on September 6, 2022. *Dauntless* is ready for service!

Discharge Pipe

The 10" offshore discharge pipe has been reassembled and deployed on Harbor Beach in preparation for the 2022-23 dredge season.



Squirt

The District's 8" dredge, *Squirt*, was splashed on September 8, 2022, after having extended maintenance performed while hauled out in the dredge yard. *Squirt* has been mobilized to the north harbor and is ready for the 2022-23 dredge season. North harbor dredging is scheduled to commence on Monday, October 3, 2022, pending issuance of regulatory permits from the Corps.



Maintenance:

Deck Repair Project – 2222 East Cliff Drive

Staff is currently preparing a Request for Proposals for the repair and replacement of the second story deck at 2222 East Cliff Drive. It was recently determined that under the new building code, the deck will be required to have an increased insulation value as part of the project. An application for a Coastal Development Permit Waiver is currently pending with the California Coastal Commission. Construction is anticipated to commence prior to the year end.

I-Dock Restroom and Shower Facility

Staff recently met with William Fisher Architecture, Inc. to discuss moving forward with developing the construction documents and cost estimates for the I-Dock restroom facility.

Security Camera Upgrades

Maintenance staff recently assisted in the installation of seven additional security cameras throughout the harbor.

Electric Service Upgrade Project – 333 Lake Avenue

Due to supply chain challenges, the lead time for the electrical panels needed for the Electrical Service Upgrade Project at 333 Lake Avenue has been delayed to November 3, 2022.

Pile Repair – Phase 4

Under current pile repair and replacement permits, maintenance staff has completed jacketing of one of three critical piles under the East Public Pier. The remaining two critical piles under the East Public Pier will be repaired in conjunction with upcoming low tides prior to November 30, 2022.

Tsunami-Damaged Jetfloat – FF-Dock

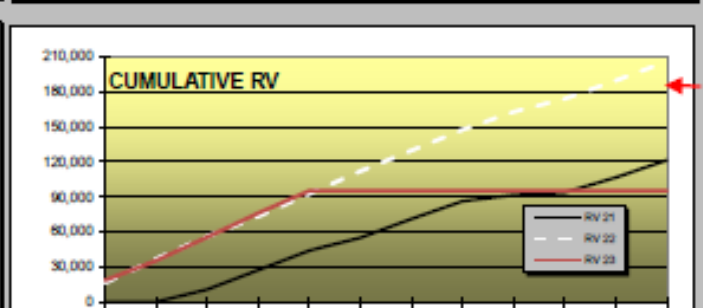
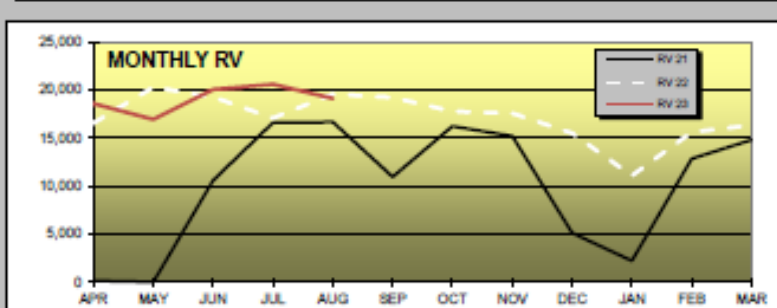
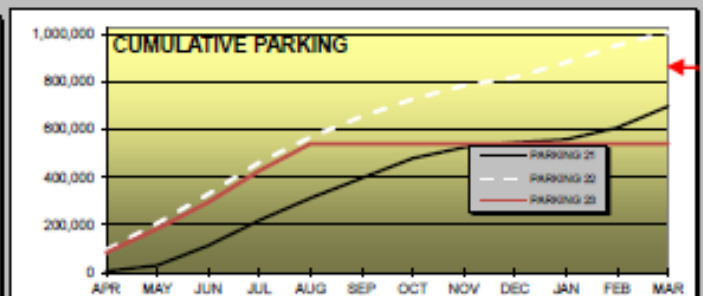
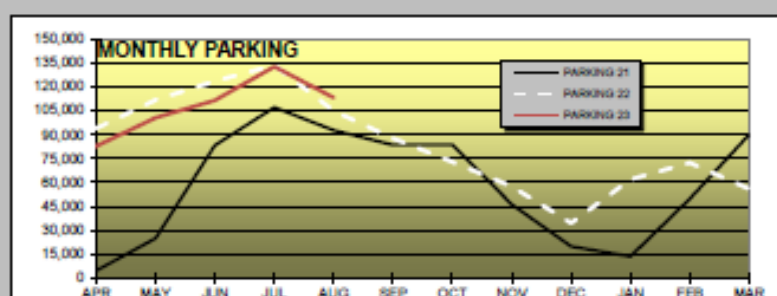
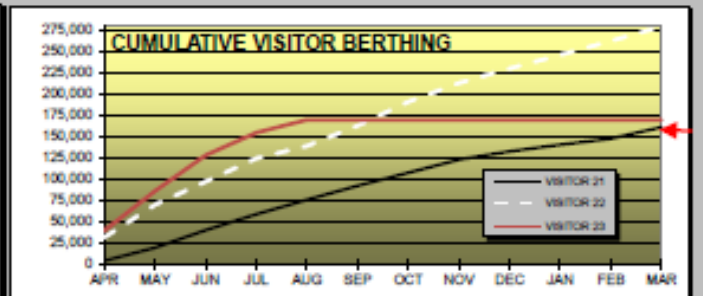
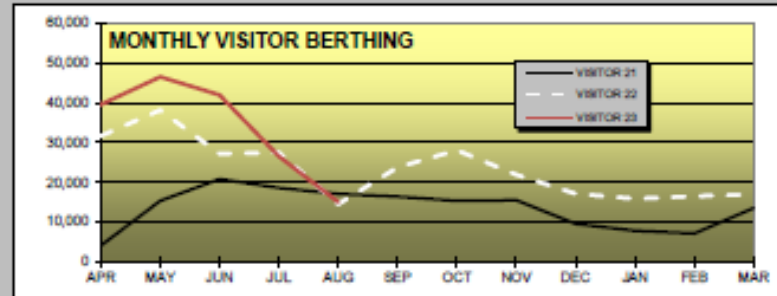
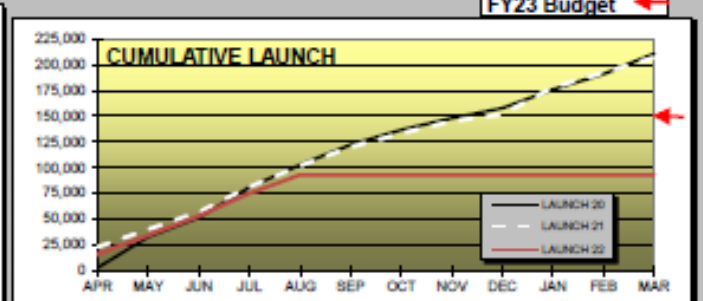
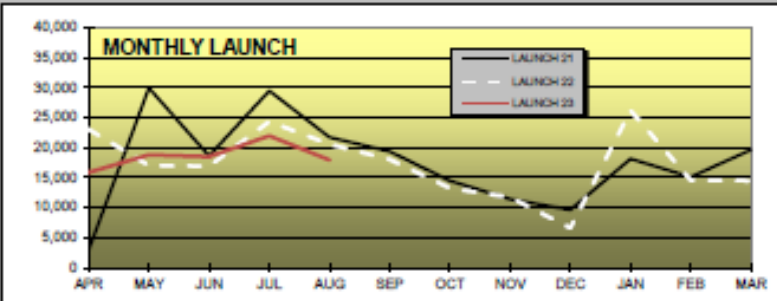
Maintenance staff took delivery and installed a new jetfloat on FF-Dock.



New jetfloat installed at FF-Dock.

SEASONAL INCOME

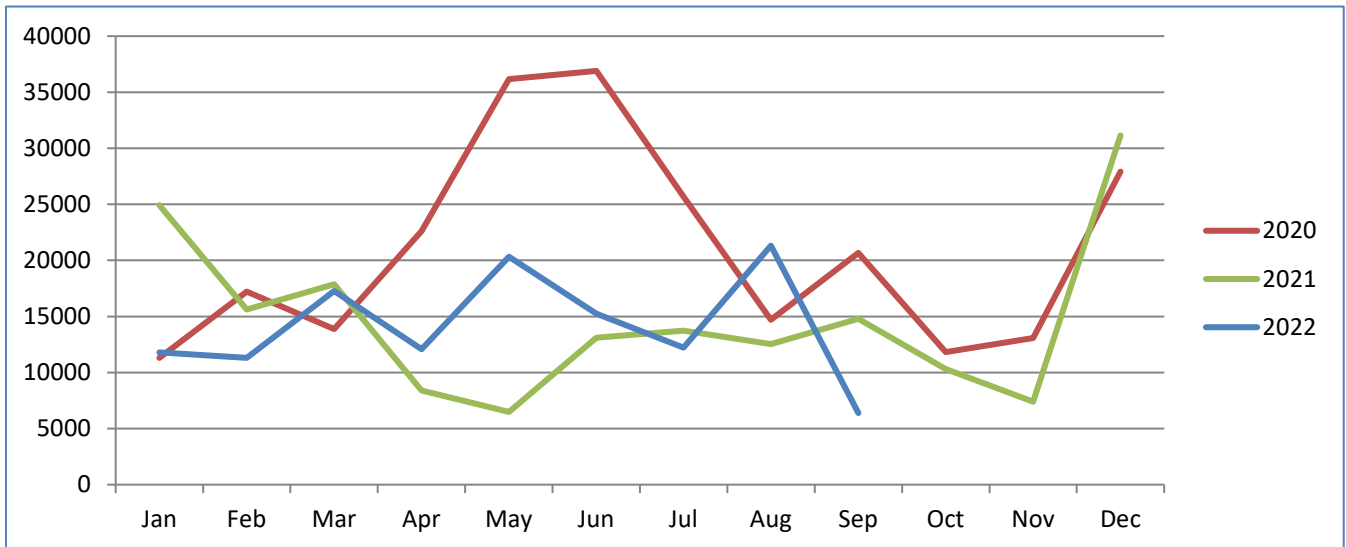
FY23 Budget ←



Santa Cruz Port District
60 DAY DELINQUENT ACCOUNTS

The following accounts have balances 60 days delinquent as of September 20, 2022

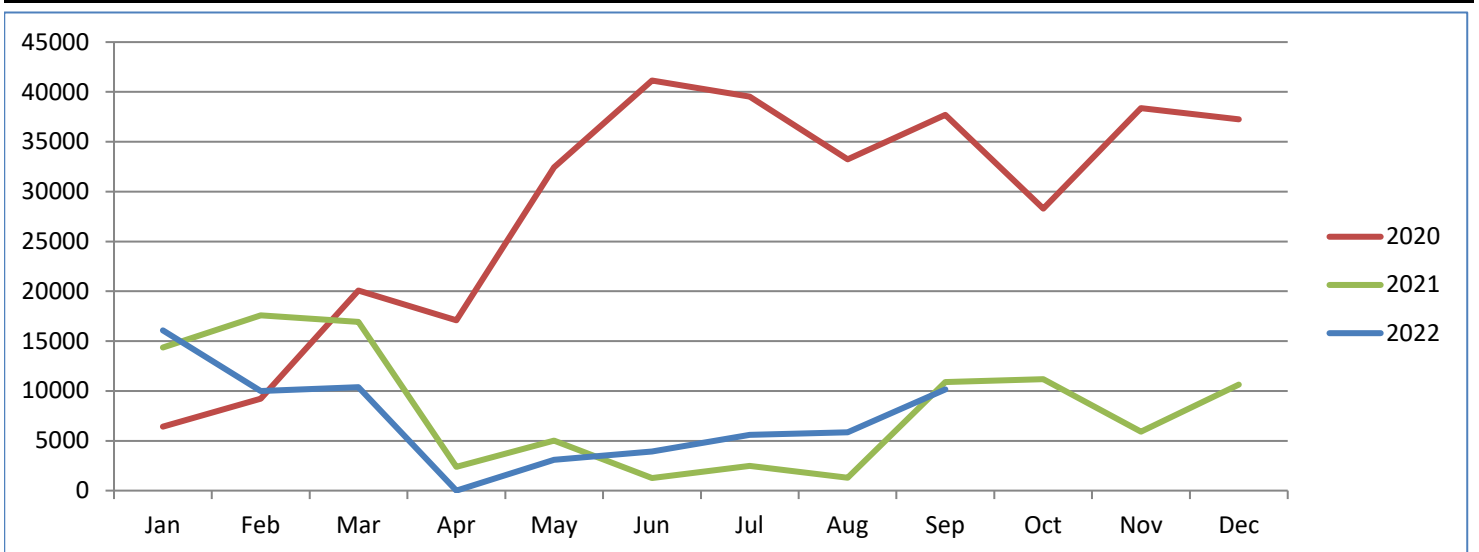
Account Number	Current Month	30 Day Balance	60 Day Balance	90 Day Balance	Total Balance
58910	0.00	220.29	892.53	0.00	1,112.82
55852	527.44	355.14	141.04	0.00	1,023.62
55503	399.73	377.61	36.10	0.00	813.44
44666	355.73	328.00	25.00	0.00	708.73
47207	301.40	278.69	25.00	0.00	605.09
58883	95.53	69.97	362.91	0.00	528.41
55462	127.93	127.93	127.88	0.00	383.74
56995	155.04	128.98	25.00	0.00	309.02
57229	87.63	62.13	86.63	0.00	236.39
2621	92.84	67.28	38.95	0.00	199.07
48432	92.72	67.16	25.00	0.00	184.88
59589	85.63	60.13	0.13	0.00	145.89
59941	25.41	0.41	74.50	0.00	100.32
2434	0.00	0.00	36.00	0.00	36.00
Total:	2,347.03	2,143.72	1,896.67	0.00	6,387.42



Santa Cruz Port District
90+ DAY DELINQUENT ACCOUNTS

The following accounts have balances 90 days delinquent or greater as of September 20, 2022

Account Number	Current Month	30 Day Balance	60 Day Balance	90+ Day Balance	Total Balance	Commercial Slip	Action
57024	490.84	462.08	483.32	920.67	2,356.91	X	Revoke
57057	581.56	552.03	572.50	441.10	2,147.19	X	Revoke
49036	604.48	574.74	567.77	155.52	1,902.51		Revoke
3574	158.26	132.19	159.88	485.29	935.62		Revoke
58897	208.58	182.08	205.59	208.53	804.78		Revoke
59015	88.47	62.97	87.47	410.54	649.45		Revoke
59335	88.12	62.62	87.12	341.63	579.49		Revoke
59763	87.13	61.63	86.13	170.76	405.65		Revoke
57443	92.88	62.62	87.12	135.63	378.25		Revoke
TOTAL:	2,400.32	2,152.96	2,336.90	3,269.67	10,159.85		





TO: Port Commission
FROM: Sean Rothwell, Assistant Harbormaster
DATE: September 3, 2022
SUBJECT: Harbor Patrol Incident Response Report – August 2022

Search and Rescue, Patrol Boat Response

- 8/6/22 Harbor Patrol responded to a report of a cliff rescue in the area of Wilder Ranch State Beach. Upon arrival, State Parks rescue swimmers assisted two victims on board the patrol boat. Harbor Patrol transported the victims to the harbor where they were evaluated by paramedics.
- 8/8/22 Harbor Patrol responded to a report of a disabled vessel in the area of Seacliff State Beach. Upon arrival, Harbor Patrol located a vessel that had lost power and was drifting toward the surf. Harbor Patrol brought two passengers on board the patrol vessel and provided transport back to the harbor. TowBoatUS towed the vessel back to the harbor.
- 8/13/22 Harbor Patrol responded to a report of a vessel taking on water in the area of the Mile Buoy. Upon arrival, Harbor Patrol conducted a search of the area. No signs of distress were found. The vessel was later reported to have returned safely to the harbor.
- 8/17/22 Harbor Patrol responded to a report of an unidentified object in the water in the area of West Cliff Drive and Getchell Street. Harbor Patrol conducted a search of the area and located a buoy. No signs of distress were found. Harbor Patrol returned to harbor without incident.
- 8/26/22 Harbor Patrol responded to a report of a disabled vessel in the area of Twin Lakes State Beach. Upon arrival, Harbor Patrol located a vessel that had lost power and was being assisted by a State Parks lifeguard. Harbor Patrol towed the vessel back to the harbor.

Crime Reports, Assist Outside Department, and Incident Reports

- 8/1/22 Harbor Patrol responded to a report of a subject who tripped and fell in the area of Harbor Beach. Upon arrival, State Parks Lifeguards were assisting the victim who sustained a laceration to the forehead. The victim declined further medical attention.
- 8/1/22 Harbor Patrol took an accident report after a minor vehicle collision occurred in the area of the launch ramp. Both parties exchanged information. No injuries reported.
- 8/4/22 Harbor Patrol took an incident report after a subject lost consciousness on Harbor Beach. The subject was evaluated by Harbor Patrol before being transported to Dominican Hospital by ambulance for further evaluation.

- 8/10/22 Harbor Patrol conducted a traffic enforcement detail in the harbor and cited one bicyclist for CVC 22450 - Failure to Stop at a Stop Sign.
- 8/10/22 Harbor Patrol responded to a medical incident in the area of FF-Dock after a charter passenger hit his head on the boom of the vessel and sustained a laceration. Harbor Patrol assisted the subject, who later declined further medical attention.
- 8/23/22 Harbor Patrol responded to an accident report after a bicyclist collided with a vehicle in the area of Mariner Park Way. Harbor Patrol provided the bicyclist with a courtesy ride home. Minor injuries reported, medical attention declined.
- 8/25/22 Harbor Patrol took an incident report after a subject became disoriented and lost consciousness on Harbor Beach. The subject was evaluated by Harbor Patrol before being transported to Dominican Hospital by ambulance for further evaluation.

August Parking Citation: 433

From: Kyle Davenport <polypenguin@gmail.com>
Sent: Wednesday, August 24, 2022 1:17 PM
To: scpd@ SCPD <scpd@santacruzharbor.org>
Subject: Re: New parking lots - north harbor

In summary.

It is easy to compartmentalize things.

In my experience, no thing or person exists in isolation.

I would like to ask the harbor to consider this list of community members in reference to any projects:

The elderly
The dog walkers
Teenagers looking for space from their parents
People who come here when they are having a fight with their significant other to talk to them on the phone
Astronomers
Bird watchers
People who come here to grieve
People searching for answers or hope with whatever they are dealing with
People coming to scatter ashes
View the sea lions (again for connection or hope or fun)
People wanting to be seen or heard (including, obviously, myself)

The harbor and everything here is a source of hope, connection, space, and freedom for the whole community.

Escape. Whether walking, biking, or boating.

Fun. Enjoyment. Peace. Education. Whale watching. Learning about crabs and sardines. UCSC. The yacht club.

The whole of the harbor exists as an integration of the whole town including the animals and the lagoon.

Please consider this. Thank you.

On Aug 24, 2022, at 12:50 PM, Kyle Davenport polypenguin@gmail.com wrote:

I am sorry for all of these emails.

What I am trying to communicate to the harbor leadership is a perspective of understanding.

For some people, the harbor is all they have. Including an old tree.

The same as the mile buoy.

For a lot of people, that is all they have had to find peace, solace, and even connection.

Kyle Davenport

On Aug 24, 2022, at 12:46 PM, Kyle Davenport polypenguin@gmail.com wrote:

The north harbor fills from around 9-10 and then 5-8. And on the weekends. It is home to a lot of people. A lot of elderly also walk through here in the mornings. They seem to love it.

It really means a lot to a lot of people. I would like to express gratitude to the harbor for making it a beautiful, fun place for everyone.

It is truly a wonderful, well taken care of place that thousands of people enjoy. It is their escape or even extended yard.
Kyle Davenport

On Aug 24, 2022, at 10:13 AM, Kyle Davenport polypenguin@gmail.com wrote:

One last observation. I am not sure how the parking lot plays in to this.

People seem to come here to be heard. There is something about them being above all the boats that they think the boats hear them and care. They sit on the benches and and up in the field, and talk, and it gives people the impression that they are heard, I think.

And that is important. So please keep that in consideration. Consider it or observe it if you can. People come to the north harbor to be heard!!!

Thank you,
Kyle Davenport

On Aug 24, 2022, at 10:07 AM, Kyle Davenport polypenguin@gmail.com wrote:

I retract my last statement about the trees.

Perhaps the old tree actually scares people and new, colorful trees like the ones planted alongside the water would make people at this end of the harbor happier.

Especially when they come to their boats to go fishing.

I also see people riding through the harbor all day. They love it. It is open. It's an escape for a lot of people. So whatever would make it more open and happy for the community. That is my vote.

People come here to meditate, read, get away. They have phone calls. They go on walks and talk. There is a lot that goes on in that parking lot that is what I am trying to communicate. It is much more than a parking lot. For a lot of people. Bird enthusiasts. Astronomers. Walkers. Talkers. The dog walkers. Etc.

Thank you.
Kyle Davenport

On Aug 24, 2022, at 9:48 AM, Kyle Davenport polypenguin@gmail.com wrote:

Hi,

I just wanted to say about the new parking lot idea for the north harbor-

I would like it if the trees could stay. Not for the trees themselves. But for the people who walk through the harbor daily. I think the trees are great.

I also, in my opinion, see the north harbor as an estuary that the boats and people inhabit.

I would love to have lighting that is not intrusive, both for the fish and the stars. And viewing the stars. Quite a few astronomers do actually use the upper fields for their telescopes on dark nights.

Thank you. I do not wish to add to the budget of the project or ask for anything that would raise the berthing fees.
Kyle Davenport

Port Commission Review Calendar 2022-23

2022

January-March

- ✓ H&H Fresh Fish Lease Exp. 01/31/2022
2 (3) year options to extend
- ✓ Bayside Marine Lease Exp. 01/31/2022
no option to extend
- ✓ Committee Assignments for 2022
- ✓ Sea Scouts' Biannual Report
- ✓ FY 23 Budget
- ✓ Review 5-year CIP
- ✓ Santa Cruz Yacht Club Lease Exp. 03/31/2022
no option to extend
- ✓ Slip Vacancy Biannual Report / Waiting List Statistics
- ✓ Form 700 Filing (due by 03/31 each year)

April-June

- ✓ Chardonnay Lease Exp. 05/31/2022
1 (5) year option to extend
- ✓ PY&S Lease Exp. 05/31/2022
1 (5) year option to extend
- ✓ Biennial Update to Conflict-of-Interest Code

July-September

- ✓ Annual O'Neill Sea Odyssey Report (review slip rent reduction / charter fee. PC action of 07/07)
- ✓ Dredge Report 2022-23
- ✓ Sea Scouts' Biannual Report
- ✓ Slip Vacancy Biannual Report / Waiting List Statistics

October-December

- Nexus Wealth Advisors Lease Rent Review at Option Period Ending 11/30/2022
- Annual Vessel Use List Review
- Annual Review of Business Use of Slips
- Ethics Training Update (due by year end)
- Mid Fiscal Year Review of CIP
- Port Commission Officers for 2023

Committee Review Items *(timeline not specified)*

- Comprehensive Review of Charter Fees
- Public Benefit Discount Policy

Key

- Pending
- In process
- ✓ Done

2023

January-March

- Committee Assignments for 2023
- Sea Scouts' Biannual Report
- Slip Vacancy Biannual Report / Waiting List Statistics
- FY 24 Budget
- Review 5-year CIP
- Form 700 Filing (due by 03/31 each year)
- Biennial Anti-Harassment/Anti-Discrimination Training
- Crow's Nest Beach Market Rent Review at Option Period Ending 4/30/2023
- Intero Real Estate Lease Exp. 05/31/2022
no option to extend

April-June

- Dredge Report 2023-24

July-September

- Annual O'Neill Sea Odyssey Report (review slip rent reduction / charter fee. PC action of 07/07)
- Sea Scouts' Biannual Report
- Slip Vacancy Biannual Report / Waiting List Statistics

October-December

- Annual Vessel Use List Review
- Annual Review of Business Use of Slips
- Ethics Training Update (due by year end)
- Mid Fiscal Year Review of CIP
- Port Commission Officers for 2024

Future Calendar

- ABC End-Tie Review after Murray Street Bridge Retrofit
- 7th and Brommer Property Assessment