

Santa Cruz Port District

Service and Sphere of Influence Review



Final Version
Adopted by LAFCO on August 7, 2019

Local Agency Formation Commission of Santa Cruz County

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EXECUTIVE SUMMARY

Introduction

This Service and Sphere of Influence Review provides information about the services and boundaries of the Santa Cruz Port District. The report is for use by the Local Agency Formation Commission in conducting a statutorily required review and update process. The Cortese-Knox-Hertzberg Act requires that the Commission conduct periodic reviews and updates of Spheres of Influence of all cities and districts in Santa Cruz County (Government Code section 56425). It also requires LAFCO to conduct a review of municipal services before adopting Sphere updates (Government Code section 56430). The last service review of the District was completed in June 2005, as part of a countywide service review.

The municipal service review process does not require LAFCO to initiate changes of organization based on service review conclusions or findings; it only requires that LAFCO make determinations regarding the delivery of public services in accordance to the provisions of Government Code Section 56430. However, LAFCO, local agencies, and the public may subsequently use the determinations and related analysis to consider whether to pursue changes to service delivery, government organization, or spheres of influence.

Service reviews are information documents and are generally exempt from environmental review. LAFCO staff has conducted an environmental review of the District's existing sphere of influence pursuant to the California Environmental Quality Act (CEQA) and determined that this report is exempt from CEQA. Such exemption is due to the fact that it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment (Section 15061[b][3]).

Service Provision

The Santa Cruz Port District was formed in 1950 by petition of the voters to provide for and manage small craft harbor facilities in Santa Cruz County. The Santa Cruz Port District offers slip renter services including wet berthing and dry storage, as well as visitor services such as visitor berthing, launching and parking. The District also leases space for restaurant, retail, office, and marine commercial businesses. The District's facilities are in-demand with an extensive wait list for all the slips and most dry storage spaces.

Sphere of Influence

LAFCO originally adopted a coterminous sphere of influence for the District in 1988. The sphere boundary was then reaffirmed in 1992, following a consultant's report. That report recommended a zero-sphere boundary. Prior to Commission consideration of the consultant report, an agreement among the County, City of Santa Cruz, and the District resulted in all three parties supporting a coterminous sphere boundary with the notion that the District would become a full enterprise district through a Joint Administrative Agreement, which relinquished its property tax revenue to the County, and City of Santa Cruz in exchange for services provided in an amount equal to its property tax revenue. The Commission supported the joint agreement and adopted a coterminous sphere boundary. Since then, the sphere boundary has not changed. LAFCO staff, along with the District, is not recommending any changes to the sphere of influence at this time.

Key Findings

The following are key findings of the 2019 Service and Sphere of Influence Review for the Santa Cruz Port District:

1. The District provides harbor services to a population beyond its borders.

The Santa Cruz Port District encompasses 27.9 square miles consisting of the City of Santa Cruz and surrounding unincorporated territory. However, the District serves a larger regional area that includes the San Francisco Bay area and the San Joaquin Valley. The Santa Cruz Harbor is considered a regional resource and, per the terms of the original agreement to construct the harbor with state and federal funding, the District must provide equal boating opportunities to all residents of the state, not just Port District residents. As a result, there is a constant demand for small craft harbor space. Based on staff's analysis, there will be a continued need for the services and facilities offered by the District.

2. The District is financially sound.

The Santa Cruz Port District's financial ability to provide services is well established. The District has successfully kept costs below its revenue stream since 2013. Audited financial statements from Fiscal Years 2013 to 2018 indicate that the increase in net position has ranged from \$170,000 to as high as \$6.6 million, which includes disaster assistance grants recognized in excess of expenditures from FEMA/CalOES for the March 11, 2011 tsunami. As of March 31, 2018, the District is operating with a net position of approximately \$28 million and current assets of approximately \$46 million.

3. The District has an active joint agreement with the County and City of Santa Cruz for over 28 years.

Since 1991, the District has redirected its property taxes towards the cost of municipal services provided by the County and the City of Santa Cruz. In exchange for the property tax redistribution, the two local agencies provide police, fire, traffic control, and street maintenance services within the harbor area. This agreement is automatically extended on an annual basis.

4. The District's website is a model of accountability and transparency.

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. It outlines minimum website data requirements including contact information, financial reports, and meeting agendas/minutes. The Santa Cruz Port District maintains a comprehensive website that exceeds the minimum requirements outlined in SB 929. The District has been recognized twice by the Special District Leadership Foundation (SDLF) for its ongoing efforts to promote transparency and good governance.

5. The District has a long-term plan to address capital improvement needs.

A five-year capital improvement plan was adopted in February 2019, outlining how and when infrastructure improvements and other projects will be completed. A total of 40 capital improvement projects, covering six different categories, are identified in the long-term plan: (1) Docks, Piers & Marine Structures, (2) Buildings, (3) Landside Infrastructure, (4) Utility Systems, (5) Planning Projects & Studies, and (6) Other/Miscellaneous.

Recommended Actions

Based on the analysis and findings in the 2019 Service and Sphere of Influence Review for the Santa Cruz Port District, the Executive Officer recommends that the Commission:

1. Find that pursuant to Section 15061(b)(3) of the State CEQA Guidelines, LAFCO determined that the sphere of influence review is not subject to the environmental impact evaluation process because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment and the activity is not subject to CEQA;
2. Determine, pursuant to Government Code Section 56425, the Local Agency Formation Commission of Santa Cruz County is required to develop and determine a sphere of influence for the Santa Cruz Port District, and review and update, as necessary;
3. Determine, pursuant to Government Code Section 56430, the Local Agency Formation Commission of Santa Cruz County is required to conduct a service review before, or in conjunction with an action to establish or update a sphere of influence; and
4. Adopt a Resolution (LAFCO No. 2019-18) approving the 2019 Service and Sphere of Influence Review for Santa Cruz Port District.



DISTRICT OVERVIEW

History

The Santa Cruz coast area was first surveyed in the early 1900s by the United States Army Corps of Engineers for the purpose of establishing a safe harbor in this area of the Monterey Bay. The harbor was re-surveyed in the Fall of 1949 and, after extensive field studies and numerous meetings with affected local, state, and federal agencies, the conclusion was drawn that the Santa Cruz area was an appropriate location for a harbor. The Santa Cruz Port District was then established in 1951 to provide management during the construction of the Santa Cruz Harbor. The south (lower) harbor was completed in 1964 and has 390 designated docking areas for vessels known as “slips.” The north (upper) harbor was completed in 1973 and has 586 slips. The Port District continued to operate after construction was completed. Today, the District provides year-round services and operations, which are discussed throughout this report.

Services and Operations

The Santa Cruz Harbor is a commercial fishing and full-service small craft harbor. It is bordered by Seabright Beach, Harbor Beach and Twin Lakes State Beach southwest and southeast of the jetties, residential development on the east and west, and the Arana Gulch greenbelt, owned by the City of Santa Cruz on the north. Permanent jetties placed along the east and west sides of the Harbor’s entrance channel provide year-round access to the Monterey Bay and Pacific Ocean. At present, the Santa Cruz Port District encompasses approximately 38 acres of land and 52 acres of water area, and offers an array of services including wet berthing, dry storage, visitor berthing, launching, and over 1,000 parking spaces. A review of the services offered by the District begins on Page 8 of this report.

The District owns the land within its jurisdictional boundary and leases space for restaurant, retail, office, and marine commercial businesses. The Santa Cruz Port District also accommodates non-profit foundations, such as the O’Neill Sea Odyssey, Save Our Shores, Coastal Watershed Council, and Arana Gulch Watershed Alliance. Though the majority of boat use within the District is for recreational purposes, Santa Cruz Harbor provides berthing for a small commercial fishing fleet, numerous commercial charter operations, the marine education

Port District Terminology

Below are definitions of some commonly used harbor-related terms:

- **Berth:** the place where a ship lies at anchor or at a wharf
- **Dry-stored:** vessels stored on land
- **Inside-tie space:** inside portion of the dock along the shoreline in the north/upper harbor
- **Jetty:** a structure, such as a pier, that projects into a body of water to influence the current or tide or to protect a harbor or shoreline from storms or erosion.
- **Slip:** a docking place for a vessel between two piers. All slips are berths, but not all berthing locations are slips.

foundation O'Neill Sea Odyssey, the U.S. Coast Guard, the California Air National Guard, the City of Santa Cruz fire boat, and a commercial vessel towing service. As a result, the District's facilities are in high demand with a waiting list for all of the slips and most dry storage spaces. **Table A** shows the approximate wait time for each harbor slip.

Table A – Approximate Wait Time for Harbor Slips

South Harbor	
24-Foot Slip	5 Years
30-Foot Slip	15+ Years
40-Foot Slip	22 Years
50-Foot Slip	18 Years
60-Foot Slip	10 Years
North Harbor	
20-Foot Slip	<1 Year
25-Foot Slip	2 Years
30-Foot Slip	1 Year
35-Foot Slip	5 Years
40-Foot Slip	5 Years
45-Foot Slip	3 Years

Slips range from 20 to 60-feet long. As of June 2019, the District has over 1,000 names on a wait list. The longest approximate wait time is approximately 22 years for a 40-foot slip located in the south harbor. The longest approximate wait time for a north harbor slip is about 5 years. In addition to harbor slips, there are also approximately 275 dry-stored vessels spaces available and over 200 storage spaces for kayaks and dory-type vessels with minimal wait time.

Table B provides a listing of the District's current fees and rate for all services.



Table B – District Rates and Fees

Rates & Fees	Description
South Harbor	
Single Side	\$13.11/foot
Double Side	\$14.44/foot
AA Dock	\$22.29/foot
ABC Dock	\$26.22/foot
North Harbor	
20' (Including Inside-Ties)	\$11.78/foot
25'/30'	\$12.40/foot
35'/40'	\$12.75/foot
Wide 45'	\$14.63/foot
Dory-Tie	\$63.49/month
Dry Storage	
7th & Brommer Gravel Lot	\$120.94/month
North Harbor Paved Lot	\$129.14; \$156.02; \$162.32/month
Catamaran Storage	\$60.46/month
Kayak Rack Storage	\$56.85/month
Additional Fees	
Gate, Restroom, Shower Key	\$20 (non-refundable for first 3)/\$80 (non-refundable for 4+)
Unattended Electrical Use	\$35 for 30 AMP/\$50 for 50 AMP
Annual Waiting List	\$100/year
Annual Slip Leave Option	\$250/year
Other Fees	
Liveaboard Fees	<p align="center">\$250 application fee; Monthly Per Person Cost (age 16 and older): \$100; Monthly Variable Utilities Fee: 30% of Slip Rent</p> <p>Liveaboard privileges are subject to Harbormaster approval and will not be granted to individuals possessing a temporary one-year slip license agreement. A \$250 application fee is required for all liveaboard applications. Pets are not permitted to liveaboard.</p>
Partnership Fee	<p align="center">Monthly Partnership Fee:</p> <p align="center">2 Partners 5% of Slip Rent 3 Partners 10% of Slip Rent 4 Partners 15% of Slip Rent</p> <p>Vessels held in partnerships or limited liability companies are acceptable as long as the original slip licensee remains financially involved, and personally active in the vessel. Harbormaster approval is required before transferring a vessel into a partnership or limited liability company.</p>
Sublease Fee	<p align="center">Monthly Sublease Fee: South Harbor: 30% of Slip Rent; North Harbor: 15% of Slip Rent</p> <p>Slip licensees are permitted to enter into a sublease agreement for their slip for a maximum period of up to six months. If a sublease agreement is made, both parties must register with the harbor office. The regular slip licensee will be billed monthly as usual and will remain responsible for all bad debts.</p>
Late Fees & Interest Charges	<p align="center">A late fee of \$25 is assessed on balances due after the 20th of each month.</p> <p>Interest in the amount of .833% is assessed to all outstanding balances on the last day of each month. The late fee and interest amounts charged are established and may be changed from time to time by the Port District and as published on the Port District's fee schedule.</p>

Santa Cruz Harbor Patrol

The Harbor Patrol, with the assistance of contract operators, currently provides security and enforcement of Port District ordinances, California Harbors and Navigation, Penal and Vehicle Codes. Deputy Harbormasters provide site security and traffic control, make arrests, prepare incident reports and provide mutual aid response to other law enforcement agencies. In addition to law enforcement duties, deputy Harbormasters perform vessel search and rescue services, and a wide range of program management and customer services. In FY 2017-18, 8 full-time and 1 part-time employees were assigned to Harbor Patrol with a budget of approximately \$628,000. Staffing has remained static under the current fiscal year (FY 2019-20). The District has 8 full-time and 1 part-time employees assigned in this program with a budget of approximately \$665,000.

The County of Santa Cruz does not provide its own marine search and rescue unit, and relies upon the Santa Cruz Harbor Patrol vessel and crew to provide first responder marine search and rescue service within the County's jurisdiction. Rescues performed are conducted under the Coastal Incident Response Plan in coordination with City, County and State resources. The County of Santa Cruz provides financial support for the Rescue Services and Harbor Patrol programs which was increased in the County's 2019-20 budget from approximately \$24,000 per year to \$50,000 per year. The United States Coast Guard staffs its Santa Cruz station in the harbor on weekends between Memorial Day and Labor Day. The Harbor Patrol and Coast Guard coordinate efforts on those days.

Rescue Services

Rescue services are provided by the Harbor Patrol aboard two patrol vessels. An inner-harbor safety boat is also available as needed to manage human-powered watercraft activity on busy days. Vessel maintenance and harbor patrol staffing for the marine search and rescue program are funded out of two budget programs: Harbor Patrol and Rescue Services. As noted above, the County of Santa Cruz provides annual financial support for this program.

The Port District previously contracted with the City of Santa



Cruz to provide staffing and oversight of the Harbor Beach lifeguard program. The Port District presently contracts with State Parks to provide lifeguard service. In FY 2017-18, full-time harbor patrol staff provided oversight and administration of the Rescue Services program with a budget of approximately \$97,000. Staffing has remained static under the current fiscal year (FY 2019-20), with harbor patrol staff providing oversight of this program with a budget of approximately \$111,000.

Parking Services

Parking services encompass year-round staffing of the concession parking lot serving 2222 East Cliff Drive (O'Neill Building), the Crow's Nest and its Beach Market (Café el Palomar), the SUP Shack and Harbor Beach; beach parking permit sales; slip licensee and employee parking permits; launch ramp parking and permits; water taxi and shuttle van services, and parking ordinance enforcement. Revenues from parking meters, pay stations, permit sales and concession lot receipts are used to funding parking services.

In FY 2017-18, the equivalent of 1.4 full-time employees were assigned to Parking Services with a budget of approximately \$360,000, and up to 20 part-time, seasonal personnel. Under the current fiscal year (FY 2019-20), the District has the equivalent 1.5 full-time employees assigned in this program and up to 20 part-time, seasonal personnel with a budget of approximately \$387,000.

Fuel Services

The Port District took over operation and maintenance of the harbor's only fuel dock in July 2010. The program is managed by the Deputy Harbormaster staff. Recurring program costs include full and part-time staff, fuel purchases, taxes, storage tank fees, maintenance and insurance, inspections, training, regulatory compliance and spill prevention equipment and supplies. In FY 2017-18, full and part-time employees were assigned to Fuel Services with a budget of approximately \$350,000. Under the current fiscal year (FY 2019-20), the District has the equivalent of 1.8 full-time employees assigned in this program with a budget of approximately \$465,000.

Events

This program is jointly managed by the District's Operations and Administrative Department, and comprises permitting, transportation and security for special events such as the Haunted Harbor and Car Show events hosted by the Port District, the Crow's Nest Thursday night beach barbecues, beach volleyball tournaments, regattas, and other special events. In FY 2017-18, the equivalent of .4 full-time employees were assigned to Events with a budget of approximately \$32,000. Under the current fiscal year (FY 2019-20), the District has the equivalent of .2 full-time employees assigned in this program with a budget of approximately \$42,500.



Santa Cruz Harbor Boatyard

The Port District took over operation and maintenance of the boatyard on February 1, 2014 and opened on April 7, 2014 as a Do-It-Yourself facility. Boaters may perform their own work or hire contractors from list of registered contractors authorized to work in the yard. Recurring program costs include staff, fuel purchases, taxes, storage tank fees, inspections, permitting and environmental compliance, spill prevent equipment, supplies, stormwater filtration costs, and equipment maintenance. In FY 2017-18, 2 full-time and 1 part-time employees were assigned to the Harbor Boatyard with a budget of approximately \$222,000.

Staffing has remained static under the current fiscal year (FY 2019-20). The District has 2 full-time and 1 part-time employees assigned in this program with a budget of approximately \$285,000. In FY 2019-20, the boatyard is projected to require approximately \$35,000 in proceeds to support expenditures. This is due in part to a projected increase in Personnel Services, conservative revenue projections which do not include the value of interdepartmental services, and the addition of PG&E utility expense in the Santa Cruz Harbor Boatyard program.

Service Area

The District boundaries encompass a 27.9 square mile area that includes the City of Santa Cruz and unincorporated area to the north and east of the city. The service area for the Santa Cruz Harbor was defined by the United States Army Corps of Engineers after review of data provided by the United States Coast Guard and Collector of Customs.

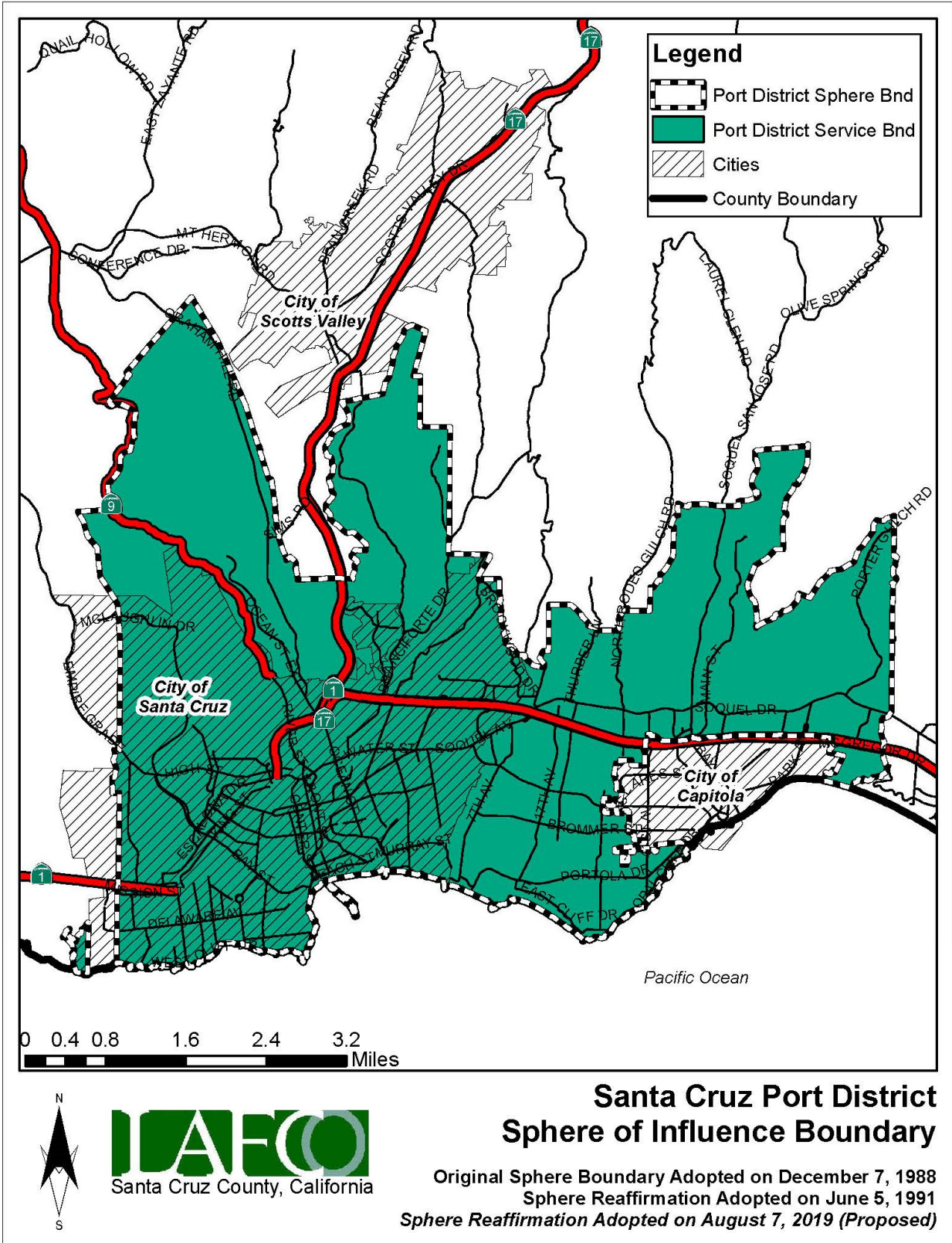
The boundaries of the Port District encompass almost one-sixth the total area of Santa Cruz County. The lower harbor, south of the Murray Street and Southern Pacific Railroad bridges, was completed in 1964. The upper harbor, north of the bridges, was completed in 1973. **Figure 1** shows the District's jurisdictional and sphere of influence boundaries.

Population and Growth

Population projections are not available for the District. The City of Santa Cruz, which is within the District's boundary, does have population projection data available. As of July 2018, the United States Census Bureau estimates that the City's population is 64,725. This represents an increase of approximately 8% from the 2010 population count (59,946).

In general, the Santa Cruz Port District is substantially developed. Although the Port District represents less than 5% of the entire Santa Cruz County, it serves a much larger regional area. It draws renters and visitors from the San Francisco Bay area as well as the San Joaquin Valley. Approximately 70% of the boaters are Santa Cruz County residents. The Santa Cruz Harbor is considered a regional resource and, per the terms of the original agreement to construct the harbor with state and federal funding, the District must provide equal boating opportunities to all residents of the state, not just Port District residents. Other small craft harbor facilities along this section of the coast include Pillar Point Harbor in Half Moon Bay to the north, Moss Landing, and Monterey to the south. With the likelihood that population will continue to grow at its current rate, there will be continuous demand for the type of facilities and services the District currently offers to all California residents.

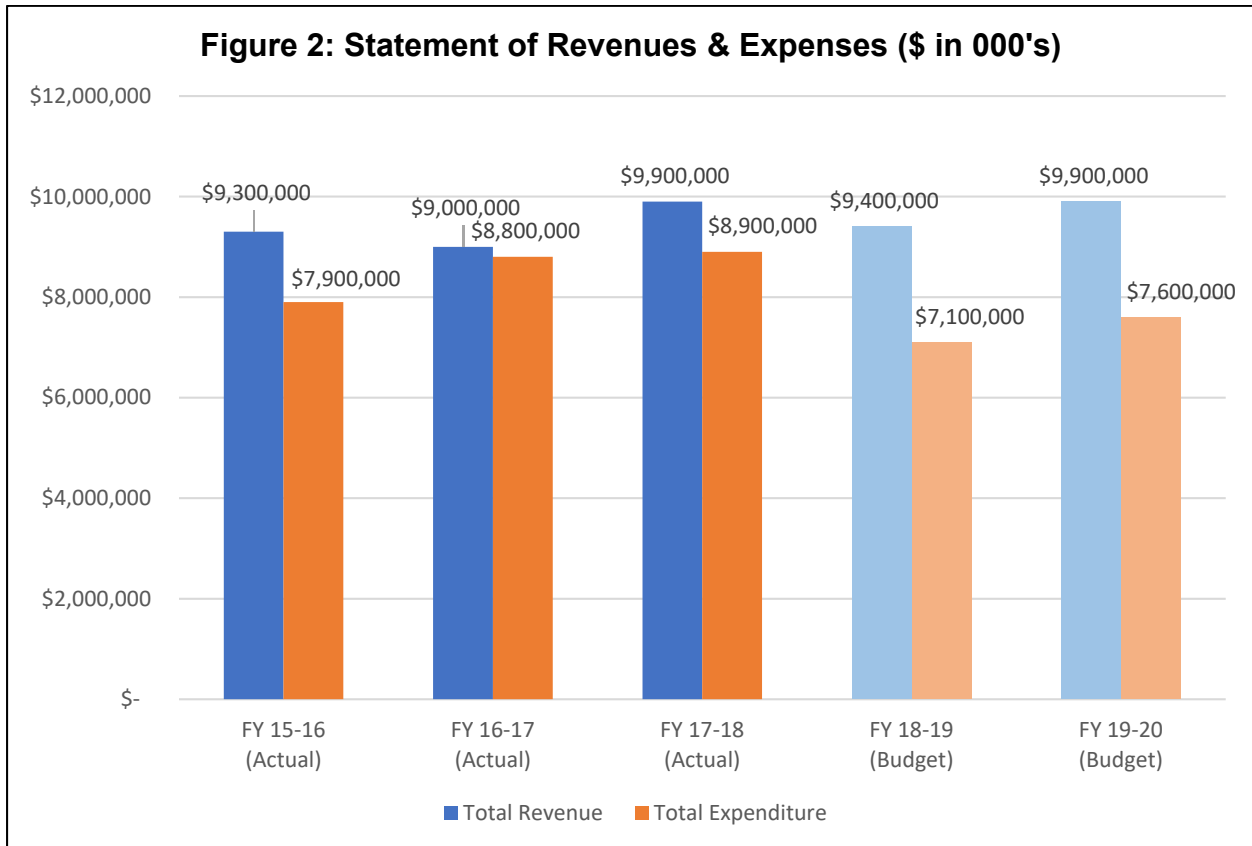
Figure 1: Vicinity Map



FINANCES

A local government in good fiscal condition generally maintains adequate service levels during economic downturns, identifies and adjusts to long-term demographic changes, and develops resources to meet future needs¹. For the past five years, on average, the Santa Cruz Port District’s revenues exceeded expenses by approximately \$2.4 million, largely due to disaster assistance grants recognized in excess of expenses related to the March 11, 2011 tsunami. This section will highlight the District’s audited financial performance during the most recent fiscal years. Fiscal Year 2017-18 is the latest audited financial statement available. A comprehensive analysis of the District’s financial performance during the past 5 years is shown in **Tables G** and **H**.

At the end of Fiscal Year 2017-18, total revenue collected was almost \$10 million representing a 9% increase from the previous year (\$9 million in FY 16-17). The increase in total revenue was primarily due to increases in parking, visitor berthing, gasoline fuel sales and tenant reimbursement of sewer / garbage and utility charges. Total expenses for FY 2017-18 were \$8.9 million which increased from the previous year by approximately \$84,000 (\$8.8 million in FY 16-17). Even with an increase in total expenditures, the District’s total revenue exceeded total expenses each year since 2013 and is projected to continue this trend, as shown in the two recently adopted budgets (refer to **Figure 2**).



¹ Perceptions of Local Fiscal Stress During a State Budget Crisis, Public Policy Institute of California
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Operating and Non-Operating Revenue

Operating Revenue

The Santa Cruz Port District's primary source of revenue is from Charges for Berthing & Services. The rates for berthing and other harbor-related services are reviewed annually, and any increases are approved through a public process. In FY 2017-18, Charges for Berthing and Services totaled \$7.2 million, representing approximately 73% of the total revenue stream for that fiscal year. Earnings in Rent and Concessions was estimated at \$2 million, representing 19% of total revenue in FY 2017-18. Overall, operating revenue represents 92% of the District's entire revenue stream. **Table C** highlights the operating revenue funds for FY 2017-18.

Non-Operating Revenue

In FY 2017-18, the District collected approximately \$800,000 in non-operating revenue. Grants (\$140,000) and dredging reimbursement (\$485,000) are the largest contributors to the non-operating revenue stream. 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. Since 1986, the District has taken over responsibility for maintenance dredging of the federal entrance channel from the United States Army Corps of Engineers (Corps) under a Cooperative Agreement. In November 2015, the District entered into an agreement with Corps to reimburse the District for a portion actual dredging costs, only if federal funds are specifically appropriated for that purpose. The agreement terminates on April 1, 2025. Due to the uncertainty of the availability of federal funding, reimbursement funds are recorded when received. **Table C** highlights the non-operating revenue funds for FY 2017-18.

Table C – Fiscal Year 2017-18 Revenue Breakdown (audited data)

Operating Revenues:	(\$)	(%)
Charges for Berthing & Services	\$7,181,501	72.74%
Rent & Concessions	\$1,889,238	19.13%
Non-Operating Revenues:		
County Revenues for Public Services	\$36,228	0.37%
Grants	\$140,189	1.42%
Dredging Reimbursement	\$485,000	4.91%
Interest Income	\$96,293	0.98%
Other Income	<u>\$44,912</u>	<u>0.45%</u>
Total Revenue	\$9,873,361	100.00%

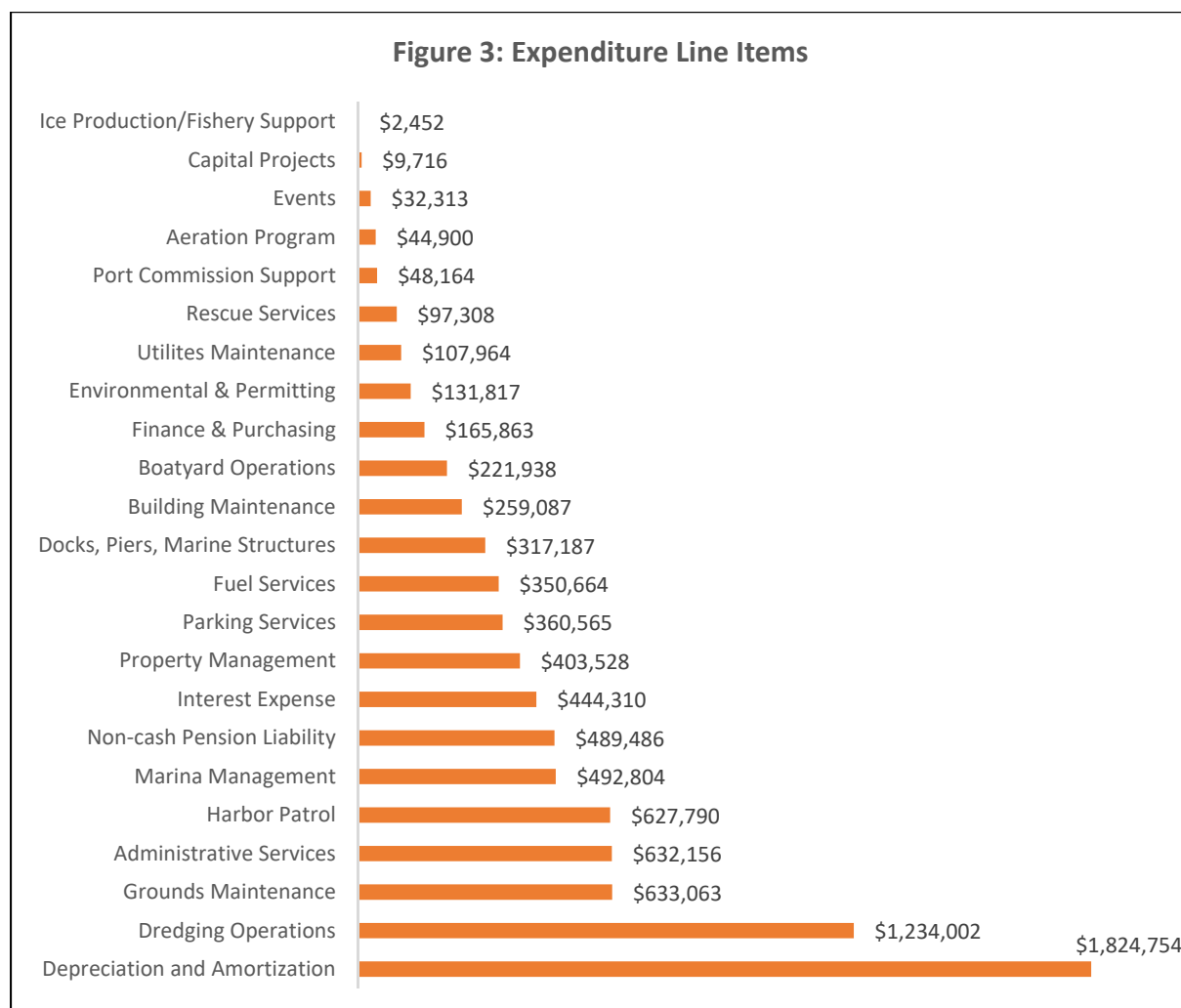
Operating and Non-Operating Expenditure

Operating Expenditure

Total expenditure for FY 2017-18 was approximately \$9 million. Operating expenditures represent 95% of the District's total expenditure with Depreciation & Amortization (\$1.8 million), and Dredging Operations (\$1.2 million) being the top two expenses. The remaining operating expenditures include but are not limited to grounds maintenance, administrative services, harbor patrol, boatyard operations, rescue services, and capital projects. **Figure 3** outlines all operating expenditures for FY 2017-18.

Non-Operating Expenditure

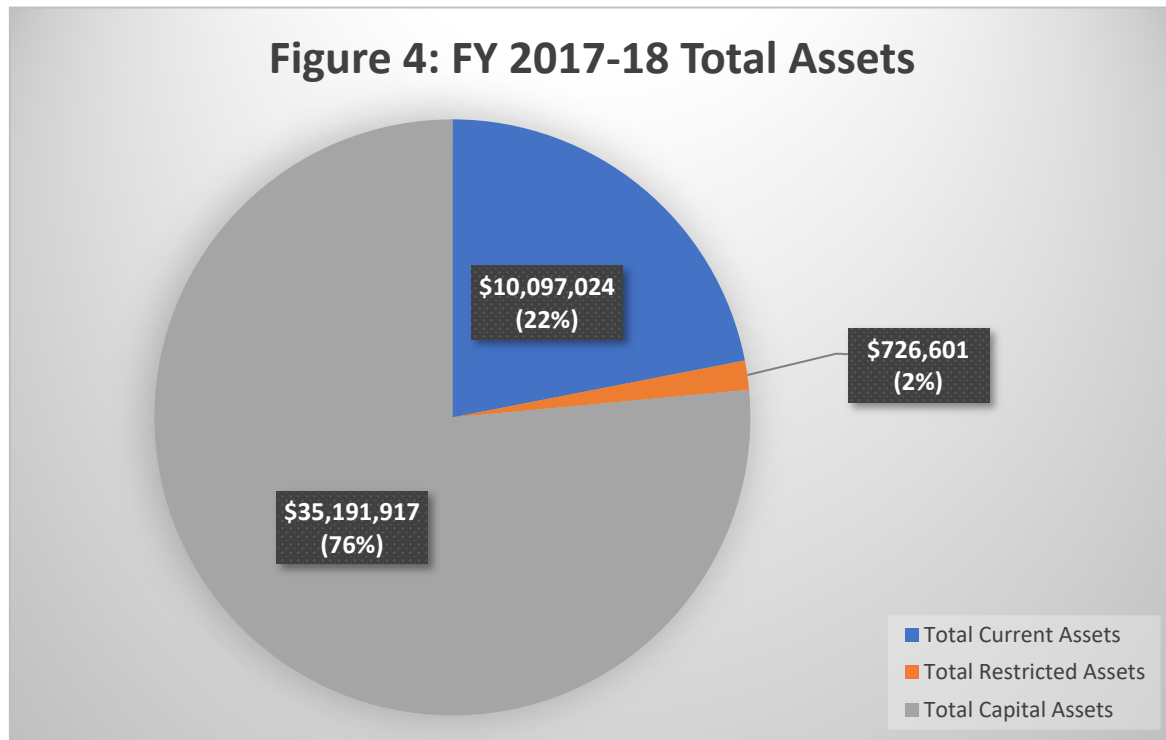
In FY 2017-18, the District's non-operating expenditure only included Interest Expenses, totaling \$444,000. It is noteworthy to state that the District has experienced additional non-operating expenses in the past 5 years including Tsunami Expenses totaling \$28,000 and \$17,000 in FY 2015-16 and FY 2016-17 respectively. Such expenses were needed to address the aftermath of the 2011 tsunami. An analysis of the tsunami and other natural disasters will be discussed later in the report.



Assets & Liabilities

District Assets

As of March 31, 2018, the District had \$46,015,542 in total assets. This represents an increase of \$495,589 or 1.09% from FY 2016-17's total assets of \$45,519,953. Total assets can be categorized into three types: Current, Restricted, and Capital. In FY 2017-18, current assets were approximately \$10 million, restricted assets were approximately \$727,000, and capital assets were approximately \$35 million (less accumulated depreciation). As shown in **Figure 4**, capital assets represent 76% of total assets.



Priorities for capital investment in recent years has focused on the acquisition of the new 16" dredge Twin Lakes, commencing engineering design and permitting for replacement of Aldo's seawall after temporary repairs failed in June 2016 and a sinkhole formed behind the sheetpile seawall, an unanticipated project replacing the fuel dispenser containment sumps and piping, rehabilitating restrooms (including an accessibility project at the D-Dock restroom), adding additional parking pay stations on the harbor's west side, re-roofing the harbor office, removal and replacement of aged piles throughout the harbor, fabrication of new aluminum dock gates with electronic access, and maintenance and upgrade of dock facilities.

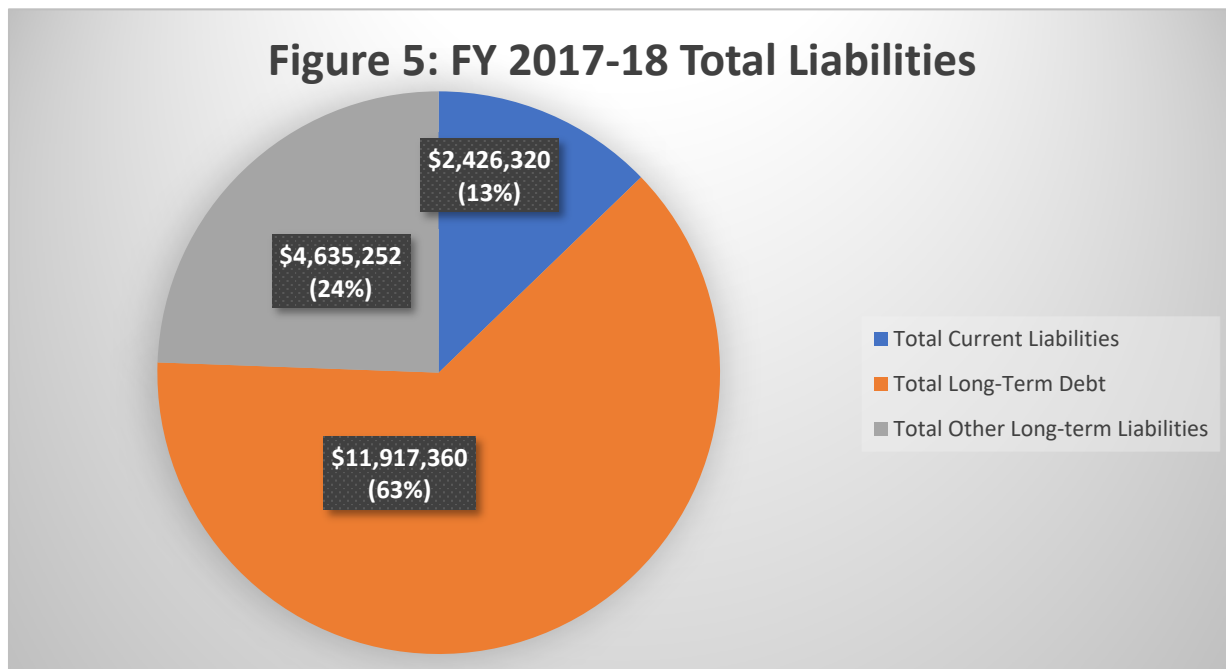
In addition to acquisition of the new dredge Twin Lakes, investments in equipment and construction in progress related to the District's dredging operations included fabrication of a new snorkel for Twin Lakes and replacement of the port and starboard engines in the workboat Dauntless with new diesel emissions-compliant John Deere marine engines. Other investments in equipment included a forklift, a WhisperWatt Power Generator for the Toyo pump, and new Yamaha engines for the Almar patrol boat. **Table D** highlights the District's assets.

Table D – Total Assets (audited data)

Santa Cruz Port District - Total Assets (Fiscal Years 2016-17 to 2017-18)		
	FY 16-17 (Actual)	FY 17-18 (Actual)
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 7,952,713	\$ 9,737,760
Trade Receivables	\$ 148,668	\$ 138,015
Grants Receivables	\$ 39,776	\$ 129,666
Interest Receivable	\$ -	\$ 32,411
Inventory	\$ 4,597	\$ 7,256
CalEMA Receivable	\$ -	\$ 51,916
Prepaid Expenses	\$ -	\$ -
Total Current Assets	\$ 8,145,754	\$ 10,097,024
RESTRICTED ASSETS		
Cash and Cash Equivalents	\$ 725,685	\$ 726,601
Total Restricted Assets	\$ 725,685	\$ 726,601
CAPITAL ASSETS		
<u>Nondepreciable Assets:</u>		
Land	\$ 1,349,360	\$ 1,349,360
Construction in Progress	\$ 484,401	\$ 605,977
<u>Depreciable Assets:</u>		
Structures and Improvements	\$ 29,336,818	\$ 29,405,675
Docks	\$ 21,562,506	\$ 21,562,506
Equipment	\$ 10,977,716	\$ 10,873,439
Office Equipment	\$ 140,960	\$ 140,960
Sub-total	\$ 63,851,761	\$ 63,937,917
Less Accumulated Depreciation	\$ 27,203,247	\$ 28,746,000
Total Capital Assets	\$ 36,648,514	\$ 35,191,917
TOTAL ASSETS	\$ 45,519,953	\$ 46,015,542
Deferred Amount from Pension Plans	\$ 1,129,715	\$ 1,242,383
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 46,649,668	\$ 47,257,925

District Liabilities

As of March 31, 2018, the District had \$18,978,932 in total liabilities. This represents a decrease of \$392,392 or 2% from FY 2016-17's total liabilities of \$19,371,324. Total liabilities can be categorized into three types: Current, Long-term, and Other Long-term. In FY 2017-18, current liabilities were approximately \$2.4 million, long-term liabilities were approximately \$11,917,360, and other long-term liabilities were approximately \$4.6 million. As shown in **Figure 5**, long-term liabilities represent 63% of total liabilities.



Existing Debt

During Fiscal Year 2013-14, the District refinanced its outstanding debt with loans privately placed with 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 new loans also reduced the District's payback period, with payoff occurring in 2029 rather than 2042 under the old 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 borrowing agreements with BBVA Compass Bank for the taxable and tax-exempt loans and line of credit 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, 2018, the District was in compliance with the covenant.

The Compass Bank taxable loan, in the amount of \$2,384,445 was part of the refinance package noted in the previous page. Proceeds of the loan were used to pay off the existing Series 2004C revenue bonds, as well as to provide funding to pay off 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. **Table E** highlights the District's current and long-term liabilities.

Table E – Total Liabilities (audited data)

Santa Cruz Port District - Total Liabilities (Fiscal Years 2016-17 to 2017-18)		
	FY 16-17 (Actual)	FY 17-18 (Actual)
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 186,999	\$ 286,052
Accrued Interest	\$ 99,012	\$ 91,117
Payroll Liabilities	\$ 310,493	\$ 315,187
Line of Credit	\$ -	\$ -
Current Portion of Long-term Debt	\$ 1,015,120	\$ 1,048,837
Current Portion of Unearned Revenue	\$ 66,544	\$ 66,544
Tsunami CalEMA Advance Liability	\$ -	\$ -
Prepaid Slip Rents	\$ 154,165	\$ 181,220
Deposits	\$ 414,913	\$ 437,363
Total Current Liabilities	<u>\$ 2,247,246</u>	<u>\$ 2,426,320</u>
LONG-TERM DEBT		
Long-term Debt, less current portion	\$ 12,965,317	\$ 11,917,360
Total Long-Term Debt	<u>\$ 12,965,317</u>	<u>\$ 11,917,360</u>
OTHER LONG-TERM LIABILITIES		
Unearned Revenue, less current portion	\$ 648,804	\$ 582,260
Net Pension Liability	\$ 3,509,957	\$ 4,052,992
Total Other Long-term Liabilities	<u>\$ 4,158,761</u>	<u>\$ 4,635,252</u>
TOTAL LIABILITIES	<u>\$ 19,371,324</u>	<u>\$ 18,978,932</u>
DEFERRED INFLOW OF RESOURCES		
Tsunami CalEMA deferred admin allowance		
Deferred Rent		
Deferred Amounts from Pension Plans	\$ 224,512	\$ 283,631
Sub-total	<u>\$ 224,512</u>	<u>\$ 283,631</u>
NET POSITION		
Net Investment in Capital Assets	\$ 21,952,729	\$ 21,576,916
Restricted for Debt Service	\$ 725,685	\$ 726,601
Unrestricted	\$ 4,375,418	\$ 5,691,845
Total Net Position	<u>\$ 27,053,832</u>	<u>\$ 27,995,362</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 46,649,668</u>	<u>\$ 47,257,925</u>

Fund Balance / Net Position

As of March 31, 2018, the total fund balance projection was approximately \$28 million. The following table highlights the Fund Balance from 2015 to 2020. As **Table F** shows below, the District has experienced an increase in total reserves each year. On average, total reserves has increased by approximately \$1.4 million or 4.91% since 2015. In FY 2019-20, the total fund balance is projected to reach approximately \$32.5 million.

Table F –Fund Balance / Net Position (\$ in 000's)

	FY 15-16 (Audited)	FY 16-17 (Audited)	FY 17-18 (Audited)	FY 18-19 (Budget)	FY 19-20 (Budget)
Net Position	\$26,883	\$27,053	\$27,995	\$30,229	\$32,509
Change in \$		\$170	\$942	\$2,234	\$2,280
Change in %		0.63%	3.48%	7.98%	7.54%

Reserve funds are not available for use to offset any expenditures that exceed total appropriations. Reserve funds may only be used as approved by the Port Commission. Intended uses and timeframes for reserve funds are summarized as follows:

- Intermediate Dredge Fund: Funding for dredge equipment and maintenance needs is authorized by the Port Commission as part of the annual budget. Annual spending may fully extinguish the fund balance, or result in a carryover, reducing funding requirements the following year.
- Reserve Fund: Intended 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. There is no specified timeframe for expenditure of reserve funds. The Port District strives to hold in reserve an amount equal to 25% of the District's annual operating expenses in the current fiscal year's adopted general budget, though the reserve fund balance may fluctuate.
- Capital Improvement Fund: Funding for capital improvement projects identified in the 5-Year Capital Improvement Plan (CIP), which is reviewed and adopted each year by the Port Commission as part of the annual budget. The timeframe for project-related expenditures is prioritized by the Port Commission as part of the CIP review and adoption.
- Election Fund: Funding is set aside as part of the annual budget adoption to pay the estimated biennial costs billed by the County for Port Commission election costs.

- BBVA Reserve Restricted Fund: Restricted reserve fund to satisfy debt covenant requirements of its long-term debt financing with BBVA. There is no timeframe for expenditure. The Port District's taxable debt acquired in 2013, is scheduled to discharge in FY27; its tax-exempt debt is scheduled to discharge in FY30; and, debt financing acquired in 2018, is scheduled to discharge in FY34.
- PEMHCA (Public Employees Medical & Hospital Care Act) Fund: The Port Commission has set aside \$35,000 annually as part of the budget adoption process since offering CalPERS' health benefits to employees for the purpose of offsetting Other Post Employment Benefit (OPEB) liabilities. There is no timeframe for expenditure of this fund. The fund is not restricted and is intended as a set-aside to offset OPEB liability.



Table G – Total Revenues & Expenditures

Santa Cruz Port District - Financial Review (Fiscal Years 2013-14 to 2019-20)							
	FY 13-14 (Actual)	FY 14-15 (Actual)	FY 15-16 (Actual)	FY 16-17 (Actual)	FY 17-18 (Actual)	FY 18-19 (Budget)	FY 19-20 (Budget)
REVENUE							
Operating Revenues:							
Charges for Berthing and Services	\$ 6,323,993	\$ 6,767,201	\$ 6,898,905	\$ 6,799,847	\$ 7,181,501	\$ 6,266,706	\$ 6,492,190
Rent and Concessions	\$ 1,642,193	\$ 1,644,354	\$ 1,732,017	\$ 1,694,869	\$ 1,889,238	\$ 2,582,560	\$ 2,754,780
Sub-total	\$ 7,966,186	\$ 8,411,555	\$ 8,630,922	\$ 8,494,716	\$ 9,070,739	\$ 8,849,266	\$ 9,246,970
Non-Operating Revenues:							
County Revenues for Public Services	\$ 12,493	\$ 37,478	\$ 24,985	\$ 11,243	\$ 36,228	\$ 420,725	\$ 408,725
Grants	\$ 364,066	\$ 10,702	\$ 11,164	\$ 65,560	\$ 140,189	\$ 17,000	\$ 42,000
Grants recognized (related to tsunami damage)	\$ 6,055,067	\$ 2,086,757	\$ -	\$ -	\$ -	\$ -	\$ -
OE3 Pension Liability Settlement Adjustment	\$ -	\$ 100,447	\$ -	\$ -	\$ -	\$ -	\$ -
Dredging Reimbursement	\$ -	\$ -	\$ 591,000	\$ 400,000	\$ 485,000	\$ -	\$ -
Interest Income	\$ 31,681	\$ 18,360	\$ 30,007	\$ 46,245	\$ 96,293	\$ -	\$ -
Other Income	\$ 53,188	\$ -	\$ 46,760	\$ -	\$ 44,912	\$ 73,950	\$ 172,300
Sub-total	\$ 6,516,495	\$ 2,253,744	\$ 703,916	\$ 523,048	\$ 802,622	\$ 511,675	\$ 623,025
Total Revenue	\$14,482,681	\$10,665,299	\$ 9,334,838	\$ 9,017,764	\$ 9,873,361	\$ 9,360,941	\$ 9,869,995
EXPENDITURE							
Operating Expenses:							
Depreciation and Amortization	\$ 1,430,269	\$ 1,722,204	\$ 1,647,651	\$ 1,781,839	\$ 1,824,754	\$ -	\$ -
Dredging Operations	\$ 819,751	\$ 852,520	\$ 1,029,556	\$ 1,259,287	\$ 1,234,002	\$ 1,314,884	\$ 1,393,183
Grounds Maintenance	\$ 578,337	\$ 584,124	\$ 590,664	\$ 656,439	\$ 633,063	\$ 700,736	\$ 755,694
Administrative Services	\$ 607,274	\$ 623,503	\$ 784,443	\$ 1,016,517	\$ 632,156	\$ 727,018	\$ 741,251
Harbor Patrol	\$ 498,556	\$ 573,539	\$ 581,583	\$ 621,569	\$ 627,790	\$ 635,630	\$ 665,018
Marina Management	\$ 385,748	\$ 341,554	\$ 366,449	\$ 461,217	\$ 492,804	\$ 445,119	\$ 486,768
Non-cash Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ 489,486	\$ -	\$ -
Property Management	\$ 412,992	\$ 401,920	\$ 430,550	\$ 429,040	\$ 403,528	\$ 439,637	\$ 453,120
Parking Services	\$ 303,391	\$ 281,834	\$ 294,859	\$ 345,904	\$ 360,565	\$ 355,034	\$ 387,081
Fuel Services	\$ 554,830	\$ 472,246	\$ 342,096	\$ 331,742	\$ 350,664	\$ 478,065	\$ 465,031
Docks, Piers, Marine Structures	\$ 219,302	\$ 208,181	\$ 206,915	\$ 263,642	\$ 317,187	\$ 266,610	\$ 268,437
Building Maintenance	\$ 311,959	\$ 237,033	\$ 223,292	\$ 238,023	\$ 259,087	\$ 282,080	\$ 358,609
Boatyard Operations	\$ 64,561	\$ 280,911	\$ 216,665	\$ 239,953	\$ 221,938	\$ 253,158	\$ 285,214
Finance & Purchasing	\$ 180,263	\$ 178,125	\$ 170,536	\$ 170,809	\$ 165,863	\$ 191,294	\$ 198,454
Environmental & Permitting	\$ 116,999	\$ 147,984	\$ 162,413	\$ 156,750	\$ 131,817	\$ 205,654	\$ 201,746
Utilities Maintenance	\$ 102,937	\$ 98,475	\$ 104,864	\$ 84,314	\$ 107,964	\$ 124,940	\$ 132,939
Rescue Services	\$ 91,876	\$ 66,713	\$ 67,005	\$ 90,519	\$ 97,308	\$ 101,958	\$ 111,059
Port Commission Support	\$ 36,029	\$ 39,303	\$ 39,306	\$ 50,183	\$ 48,164	\$ 51,189	\$ 53,530
Aeration Program	\$ 99,678	\$ 80,991	\$ 39,944	\$ 42,498	\$ 44,900	\$ 54,263	\$ 58,458
Events	\$ 26,392	\$ 64,171	\$ 26,359	\$ 32,531	\$ 32,313	\$ 42,844	\$ 42,503
Capital Projects	\$ 32,600	\$ 8,581	\$ 2,453	\$ 1,024	\$ 9,716	\$ 437,601	\$ 512,437
Debt Issuance Costs	\$ 193,568	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ice Production/Fishery Support	\$ 17,418	\$ 6,783	\$ 3,495	\$ 5,042	\$ 2,452	\$ 18,935	\$ 19,236
Sub-total	\$ 7,084,730	\$ 7,270,695	\$ 7,331,098	\$ 8,278,842	\$ 8,487,521	\$ 7,126,649	\$ 7,589,768
Non-Operating Expenses:							
Tsunami Expense	\$ -	\$ -	\$ 27,864	\$ 17,088	\$ -	\$ -	\$ -
Interest Expense	\$ 764,057	\$ 558,591	\$ 508,936	\$ 476,817	\$ 444,310	\$ -	\$ -
Other Expense	\$ -	\$ 1,943	\$ -	\$ 74,482	\$ -	\$ -	\$ -
Sub-total	\$ 764,057	\$ 560,534	\$ 536,800	\$ 568,387	\$ 444,310	\$ -	\$ -
Total Expenditure	\$ 7,848,787	\$ 7,831,229	\$ 7,867,898	\$ 8,847,229	\$ 8,931,831	\$ 7,126,649	\$ 7,589,768
Surplus/(Deficit)	\$ 6,633,894	\$ 2,834,070	\$ 1,466,940	\$ 170,535	\$ 941,530	\$ 2,234,292	\$ 2,280,227
Net Position - Beginning Balance	\$18,136,699	\$24,770,593	\$25,416,357	\$26,883,297	\$27,053,832	\$ 27,995,362	\$ 30,229,654
Net Position - Ending Balance	\$24,770,593	\$27,604,663	\$26,883,297	\$27,053,832	\$27,995,362	\$ 30,229,654	\$ 32,509,881

Table H – Total Assets & Liabilities

Santa Cruz Port District - Assets & Liabilities (Fiscal Years 2013-14 to 2017-18)					
	FY 13-14 (Actual)	FY 14-15 (Actual)	FY 15-16 (Actual)	FY 16-17 (Actual)	FY 17-18 (Actual)
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 8,330,788	\$ 8,712,223	\$ 7,969,968	\$ 7,952,713	\$ 9,737,760
Trade Receivables	\$ 132,762	\$ 176,018	\$ 177,408	\$ 148,668	\$ 138,015
Grants Receivables	\$ 108,188	\$ 9,356	\$ 9,356	\$ 39,776	\$ 129,666
Interest Receivable	\$ 4,668	\$ -	\$ -	\$ -	\$ 32,411
Inventory	\$ -	\$ -	\$ -	\$ 4,597	\$ 7,256
CalEMA Receivable	\$ 3,331,369	\$ 2,392,054	\$ 1,328,812	\$ -	\$ 51,916
Prepaid Expenses	\$ 23,522	\$ 28,476	\$ 33,469	\$ -	\$ -
Total Current Assets	\$11,931,297	\$11,318,127	\$ 9,519,013	\$ 8,145,754	\$10,097,024
RESTRICTED ASSETS					
Cash and Cash Equivalents	\$ 3,350,140	\$ 706,444	\$ 725,384	\$ 725,685	\$ 726,601
Total Restricted Assets	\$ 3,350,140	\$ 706,444	\$ 725,384	\$ 725,685	\$ 726,601
CAPITAL ASSETS					
Nondepreciable Assets:					
Land	\$ 1,349,360	\$ 1,349,360	\$ 1,349,360	\$ 1,349,360	\$ 1,349,360
Construction in Progress	\$ 2,775,421	\$ 3,152,161	\$ 3,581,567	\$ 484,401	\$ 605,977
Depreciable Assets:					
Structures and Improvements	\$ 26,401,652	\$ 26,546,747	\$ 29,244,137	\$ 29,336,818	\$ 29,405,675
Docks	\$ 19,502,369	\$ 21,562,506	\$ 21,562,506	\$ 21,562,506	\$ 21,562,506
Equipment	\$ 6,362,594	\$ 6,518,939	\$ 6,999,115	\$ 10,977,716	\$ 10,873,439
Office Equipment	\$ 110,452	\$ 138,565	\$ 134,833	\$ 140,960	\$ 140,960
Sub-total	\$56,501,848	\$59,268,278	\$ 62,871,518	\$ 63,851,761	\$63,937,917
Less Accumulated Depreciation	\$ 23,723,951	\$ 25,329,848	\$ 26,945,428	\$ 27,203,247	\$ 28,746,000
Total Capital Assets	\$32,777,897	\$33,938,430	\$ 35,926,090	\$ 36,648,514	\$35,191,917
TOTAL ASSETS	\$48,059,334	\$45,963,001	\$ 46,170,487	\$ 45,519,953	\$46,015,542
Deferred Amount from Pension Plans	\$ 56,292	\$ -	\$ 656,139	\$ 1,129,715	\$ 1,242,383
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$48,115,626	\$45,963,001	\$ 46,826,626	\$ 46,649,668	\$47,257,925
CURRENT LIABILITIES					
Accounts Payable and Accrued Expenses	\$ 656,922	\$ 296,249	\$ 247,820	\$ 186,999	\$ 286,052
Accrued Interest	\$ 198,370	\$ 113,906	\$ 106,610	\$ 99,012	\$ 91,117
Payroll Liabilities	\$ 174,606	\$ 188,124	\$ 259,146	\$ 310,493	\$ 315,187
Line of Credit	\$ 511,629	\$ -	\$ -	\$ -	\$ -
Current Portion of Long-term Debt	\$ 3,452,851	\$ 949,245	\$ 982,015	\$ 1,015,120	\$ 1,048,837
Current Portion of Unearned Revenue	\$ 66,544	\$ 66,544	\$ 66,544	\$ 66,544	\$ 66,544
Tsunami CalEMA Advance Liability	\$ 422,550	\$ 422,550	\$ -	\$ -	\$ -
Prepaid Slip Rents	\$ 137,377	\$ 159,474	\$ 167,629	\$ 154,165	\$ 181,220
Deposits	\$ 354,392	\$ 401,429	\$ 388,002	\$ 414,913	\$ 437,363
Total Current Liabilities	\$ 5,975,241	\$ 2,597,521	\$ 2,217,766	\$ 2,247,246	\$ 2,426,320
LONG-TERM DEBT					
Long-term Debt, less current portion	\$ 16,478,578	\$ 14,963,538	\$ 13,981,522	\$ 12,965,317	\$ 11,917,360
Total Long-Term Debt	\$16,478,578	\$14,963,538	\$ 13,981,522	\$ 12,965,317	\$11,917,360
OTHER LONG-TERM LIABILITIES					
Unearned Revenue, less current portion	\$ 848,436	\$ 781,892	\$ 715,348	\$ 648,804	\$ 582,260
Net Pension Liability	\$ -	\$ -	\$ 2,745,051	\$ 3,509,957	\$ 4,052,992
Total Other Long-term Liabilities	\$ 848,436	\$ 781,892	\$ 3,460,399	\$ 4,158,761	\$ 4,635,252
TOTAL LIABILITIES	\$23,302,255	\$18,342,951	\$ 19,659,687	\$ 19,371,324	\$18,978,932
DEFERRED INFLOW OF RESOURCES					
Tsunami CalEMA deferred admin allowance	\$ 42,778	\$ 15,387	\$ 10,419		
Deferred Rent	\$ -	\$ -	\$ 56,250		
Deferred Amounts from Pension Plans	\$ -	\$ -	\$ 216,973	\$ 224,512	\$ 283,631
Sub-total	\$ 42,778	\$ 15,387	\$ 283,642	\$ 224,512	\$ 283,631
NET POSITION					
Net Investment in Capital Assets	\$ 11,931,488	\$ 17,177,211	\$ 20,180,661	\$ 21,952,729	\$ 21,576,916
Restricted for Debt Service	\$ 3,350,140	\$ 706,444	\$ 725,384	\$ 725,685	\$ 726,601
Unrestricted	\$ 9,488,965	\$ 9,721,008	\$ 5,977,252	\$ 4,375,418	\$ 5,691,845
Total Net Position	\$24,770,593	\$27,604,663	\$ 26,883,297	\$ 27,053,832	\$27,995,362
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$48,115,626	\$45,963,001	\$ 46,826,626	\$ 46,649,668	\$47,257,925

GOVERNANCE

Legal Authority

The Santa Cruz Port District is governed by the California Harbors and Navigation Code. Code Section 6290-6311 outlines the District's powers, which include but are not limited to, the ability to acquire, purchase, takeover, construct, maintain, operate, develop, and regulate wharves, docks, warehouses, grain elevators, bunkering facilities, belt railroads, floating plants, lighterage, lands, towage facilities, and any and all other facilities, aids, or public personnel, incident to, or necessary for, the operation and development of ports, waterways, and the district.

In 1987, following the enactment of Senate Bill 947, the California Harbors and Navigation Code also added specific language for the Santa Cruz Port District:

“The Legislature finds and declares that this section is necessary to meet a serious danger to the public safety within the Santa Cruz Port District caused by surfriding activities within the harbor entrance area (HNC 6302.5[a]). No person shall swim or surfride, or use any watercraft or device to surfride, on ocean waters within a harbor entrance area, as prescribed by the Santa Cruz Port District by ordinance (HNC 6302.5[b]). For the purposes of this section, “surfride” includes traveling to or from a surfriding staging area and activities in the staging area which are preparatory or preliminary to, or connected with, riding the surf (HNC 6302.5[c]). Every person who violates this section is guilty of a misdemeanor, and shall be punished by a fine not to exceed five hundred dollars (HNC 6302.5[d]).”

Local Accountability & Structure

In accordance to Government Code Section 6240.5, *“The Santa Cruz Port District shall be governed by a board of port commissioners consisting of five members, elected by the district at large, each of whom shall be an elector of the district at the time of his or her nomination or appointment and during his or her entire term.”*

The first port commissioners were elected in 1950. The five present commissioners are shown below. The chairmanship rotates annually. The commissioners do not receive financial compensation for their services.

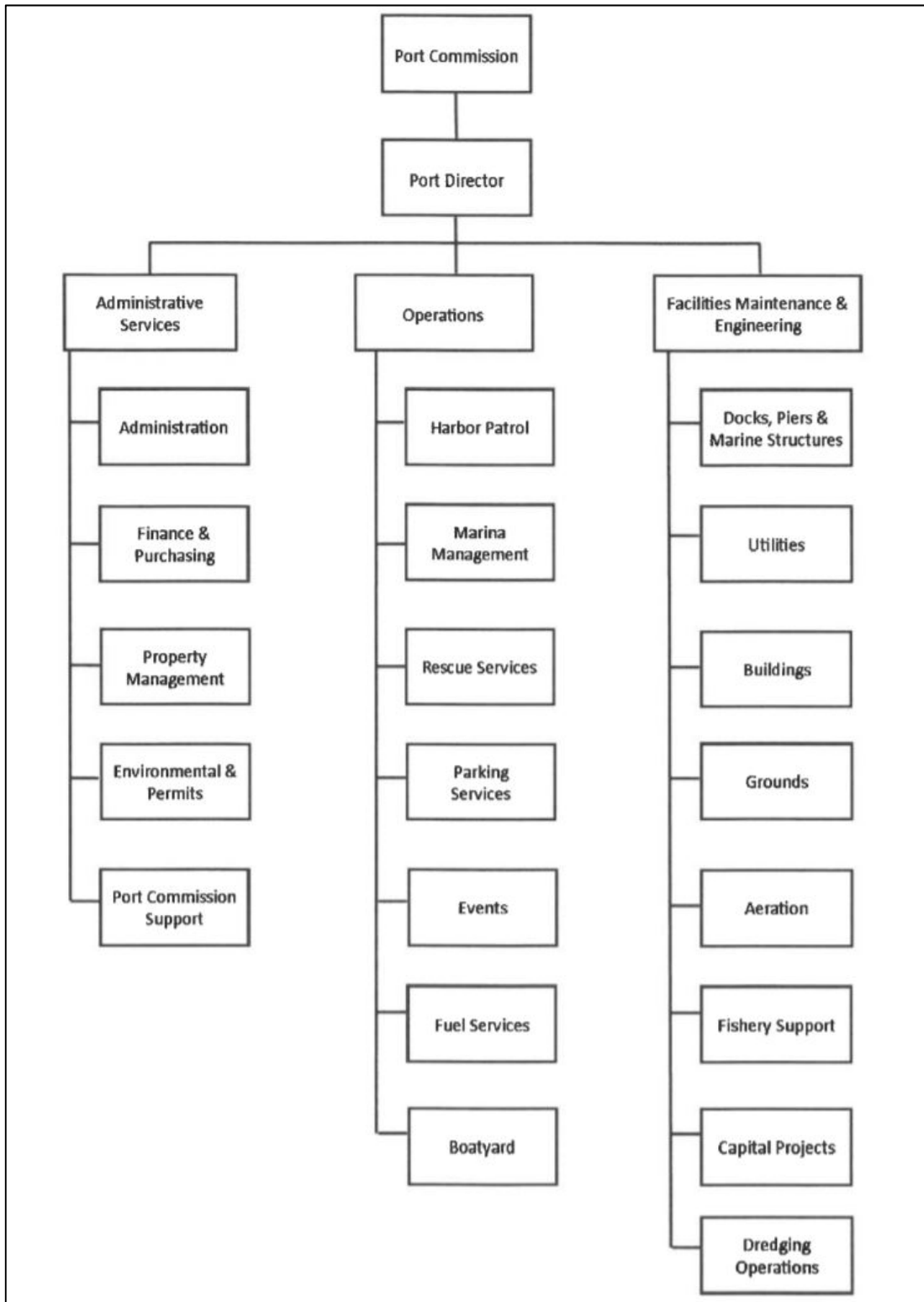
Table I – Current Commissioners

Commissioner	Term of Office	Years of Service:
Dennis Smith, Chairman	2016 - 2020	11 years (since 2008)
Stephen Reed, Vice-Chairman	2016-2020	7 years (since 2012)
Neli Cardoso	2018-2022	1 year (since 2018)
Toby Goddard	2018-2022	13 years (since 2006)
Darren Gertler	2016-2020	3 years (since 2016)

The District is maintained under the direction of Marian Olin, Port Director. The district office is staffed seven days per week, 24 hours per day. Current employees are staffed throughout three primary departments: (1) Administration, (2) Operations, and (3) Facilities Maintenance & Engineering. **Figure 6** provides a breakdown of these three departments.

Regular meetings of the commission are scheduled for 7:00 p.m. on the fourth Tuesday of each month. In addition, the commission holds special public and closed meetings 12 to 14 times per year on a variety of issues, including public meetings on planning, public bid contract awards, and budget; and, closed meetings on real estate negotiations, personnel, labor negotiations, and litigation.

Figure 6: Department and Program Structure



Management Efficiencies

As part of this service and sphere review, LAFCO staff analyzed the internal operations of the Santa Cruz Port District. The following is a summary of seven key management efficiencies currently in place.

Dredging Operations

The harbor is located in an area of the coastline where there are no natural features to support a safe and deep entrance. The harbor's proximity to the mouth of the San Lorenzo River and the associated eastward sand drift requires annual dredging of the federal channel, as does the sedimentation deposited in the upper harbor from the Arana Gulch Watershed. Santa Cruz Harbor is a federal navigation project. The Port District is responsible for the operation and maintenance of the harbor itself. Up until 1986, the federal government performed annual contract dredging of the federal channel.

In 1986, under a Cooperative Agreement between the District and the U.S. Army Corps of Engineers, funding was authorized for acquisition of a dredge system which included a dredge, a dredge tending workboat, pipeline, floating pontoons, and landslide equipment. A new agreement was executed in November 2015, and the Port District continues to operate, maintain and replace dredge system equipment and components and perform annual dredging of the federal navigation channel between November - April.

In FY 2017-18, 6 full-time employees were assigned to Dredging Operations with a budget of approximately \$1.3 million. Under the current fiscal year (FY 2019-20), staffing has remained static with 6 full-time employees assigned to this program with a budget of approximately \$1.4 million. The District conducts regular scientific studies to improve dredging operations, perform sediment testing and develop annual dredge plans. Significant dredging-related scientific studies and reports from 2005 to 2018 are available on the District's website.

Joint Administrative Agreement

Based upon a consultant's report in early 1990, it was determined that the Port District provided a single non-essential service, and therefore, a zero sphere of influence was recommended. However, LAFCO determined that before the designation of a sphere of influence was considered by the Commission, negotiations regarding a property tax redistribution plan should occur between the City of Santa Cruz, the Port District, and the County. During the course of negotiations, the three local agencies recognized that there were significant services rendered by the City and the County which supported the operations of the Port District for which the District was not solely responsible, such as police, fire, traffic control, and street maintenance.

As a result, the City, County, and District entered into a contract in 1991 whereby the District would contribute toward the cost of these support services as well as maintain current harbor general purpose services. The District's contributions would be in the form of property tax revenue that would be paid to the City and County on an annual basis at the ratio of 55% to the City and 45% to the County. In exchange, the City and County agreed to continue such municipal services and support a coterminous sphere boundary for the District. This agreement is still in place and is automatically extended on a year to year basis. Since the joint agreement, the District has been able to operate in an efficient

manner. For the past 5 years, the District has ended each fiscal year with an increase in net position.

Website Requirements

Senate Bill 929 was signed into law in September 2018 and requires all independent special districts to have and maintain a website by January 1, 2020. It outlines minimum website data requirements, including contact information, financial reports, and meeting agendas/minutes. The Santa Cruz Port District maintains a comprehensive website that exceeds the minimum requirements outlined in SB 929. In addition to having an inventory of adopted budgets, list of current board members, information regarding public meetings, and annual financial reports, the District provides visitors of the website the following items:

- Election Information
- Monthly Waiting List Reports
- Newsletter Publications
- Employment Opportunities
- Public Bidding
- Live Webcams of Launch Ramp and Harbor
- Dredging Scientific Studies & Reports
- Current Harbor-related Fees & Costs
- Inventory of all Boater and Visitor Services
- Santa Cruz Harbor Ordinances
- District History and Operational Information

This collection of in-depth information is the primary reason why the District recently earned two Certificates of Excellence from the Special District Leadership Foundation. Such achievement, and others, are discussed in more detail later in this report.

Port Commission Policies & Procedures

The Santa Cruz Port District has adopted a comprehensive manual of policies and procedures. In total, the District has 21 policies in place ranging from Conflict of Interest, Ethics Training, to Rules of Order for Commission and Committee Meetings. **Appendix 1** provides a copy of the adopted Port Commission Policies & Procedures.

Shared Facilities

The Santa Cruz Port District shares facilities and collaborates with several agencies. The City of Santa Cruz Fire and Police Departments provide emergency services to the harbor area. The District uses its harbor patrol boat to assist the United States Coast Guard and local agencies in emergency ocean rescue and law enforcement services. The District is part of a Joint Powers Authority with the California Maritime Infrastructure Authority and has MOUs with the United States Army Corps of Engineers for dredging and the City and County for tax reallocation.

Harbor Exchange



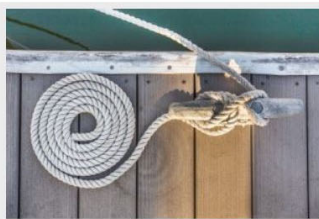
While sharing of services and facilities is not necessarily a new concept for local agencies, the Santa Cruz Port District has implemented an innovative method to share services and equipment among its harbor users. The District's Harbor Exchange is an online forum for the public to advertise boats, sublets and/or crew available or wanted within the Santa Cruz Harbor. This online tool is a unique way the public can connect and potentially develop cost-saving relationships. At present, there are 38 active posts advertising/seeking services in the Harbor Exchange forum.

Santa Cruz Harbor
Gateway to the Monterey Bay National Marine Sanctuary

Home | Port Commission | District Business | Boaters | Visitors | Boatyard | About the Harbor

Harbor Exchange

Harbor Exchange is a space created for the public to advertise boats, sublets and/or crew available or wanted at Santa Cruz Harbor.

<i>Boats</i>	<i>Sublets</i>	<i>Crew</i>
For Sale Wanted	Available Wanted	Available Wanted
		

Capital Improvement Plan

In February 2019, the District adopted its sixth 5-Year Capital Improvement Plan (CIP). **Appendix 2** provides a copy of the latest CIP Plan. The first plan was adopted in 2014. The CIP is updated as part of each budget adoption cycle. Funding for the projects are derived primarily from the operating budget. CIP projects are budgeted and reported within the Capital Improvement Fund. The vast majority of expenses within the Capital Improvement Fund are capitalized upon project completion and include force account labor where applicable.

The latest CIP lists projects for the current fiscal year (FY 2019-20) and provides capital needs forecasts extending out through 2024, as shown in Appendix 2. The CIP has been revised to include several new projects, including the Wifi System project (\$15,000 anticipated funding in FY 2020-21), the West Side Master Plan (\$75,000 anticipated funding in FY 2020-21), and the Arana Gulch Grade Control Structure Feasibility Study (\$50,000 anticipated funding in FY 2021-22).

- Wifi System Project: This project would involve design and installation of a wifi system available to harbor customers and tenants. Installation costs are presumed to be borne by a wifi vendor to be selected through a public bidding process. The

Port Commission will need to consider how to fund the ongoing monthly cost for providing wifi service.

- West Side Master Plan: This project will study the reconstruction of Aldo’s restaurant for the purposes of completing accessible public improvements along the walkway and jetty area between AA Dock and Walton Lighthouse, as envisioned in the 2008 West Jetty Walkway project. The West Side Master Plan’s goal is to seamlessly tie in access to any future replacement of the SH Revetment and Seawall.
- Arana Gulch Grade Control Structure Feasibility Study: This project would involve developing a grant proposal to fund engineering design and construction of several sediment-reduction measures in Arana Gulch, upstream of the north harbor. Work on this project commenced in FY 2010-11 with a preliminary application submitted on the Port District’s behalf.

A total of 40 capital improvement projects were identified in the adopted Capital Improvement Plan and are categorized in six sections: (1) Docks, Piers & Marine Structures, (2) Buildings, (3) Landslide Infrastructure, (4) Utility Systems, (5) Planning Projects & Studies, and (6) Other/Miscellaneous. **Table J** showcases the anticipated costs for the capital improvement projects by category.

Table J: Capital Improvement Projects (FY 2019-20 to FY 2023-24)

	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	Total
Docks, Piers, & Marine Structures	\$125,000	\$ 40,000	\$ 40,000	\$ 55,000	\$ 95,000	\$ 355,000
Buildings	\$115,000	\$197,000	\$ 87,000	\$257,000	\$200,000	\$ 856,000
Landslide Infrastructure	\$130,538	\$115,000	\$ 95,000	\$ 75,000	\$ 65,000	\$ 480,538
Utility Systems	\$100,000	\$220,000	\$315,000	\$270,000	\$350,000	\$ 1,255,000
Planning Projects & Studies	\$ 85,000	\$ 75,000	\$ 50,000	\$ -	\$250,000	\$ 460,000
Other/Miscellaneous	\$ 45,000	\$134,900	\$ -	\$ -	\$ -	\$ 179,900
Projected CIP Funding Totals	\$600,538	\$781,900	\$587,000	\$657,000	\$960,000	\$3,586,438

Awards & Recognitions

The Santa Cruz Port District strives to provide harbor-related services in an efficient and effective manner. Due to the District’s efforts at the staff and commission-level, the Santa Cruz Port District has been recognized by the Special District Leadership Foundation and California’s Clean Marina Program.

Transparency Certificate of Excellence

The Santa Cruz Port District recently received its second District Transparency Certificate of Excellence from the Special District Leadership Foundation (SDLF) in recognition of its ongoing efforts to promote transparency and good governance. The SDLF is an independent, non-profit organization created to promote transparency in the operations and governance of special districts. To receive the award, a special district must complete essential governance transparency requirements, including meeting legal requirements such as conducting ethics training for all board members, properly conducting open and public meetings, and filing financial transactions and compensation reports to the State

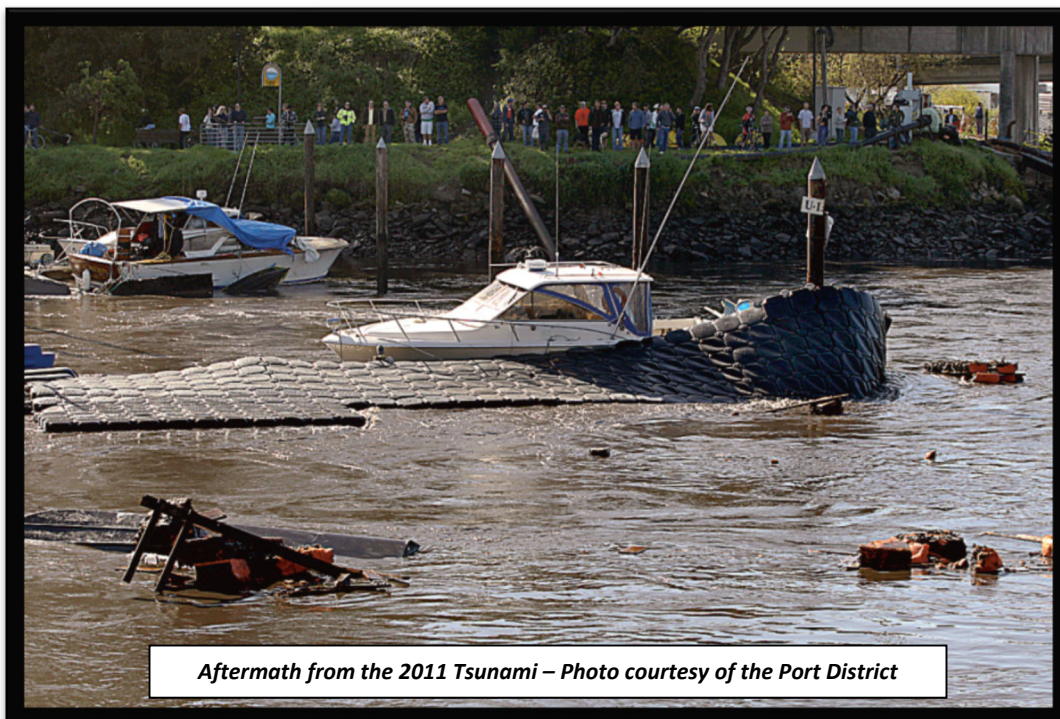
Controller in a timely manner. In addition to meeting legal requirements, achieving a certificate demonstrates that the Santa Cruz Port District has met additional transparency, website and outreach requirements.

Certified Clean Marina

Clean Marina is a voluntary compliance program, supported by the Association of Marina Industries and available across the United States, that stresses environmental and managerial best management practices that exceed regulatory requirements. A facility must meet all legal regulatory requirements and a percentage of voluntary best management practices to become a certified Clean Marina. A typical Clean Marina program will have components that cover marina siting and design considerations, marina management, emergency planning, petroleum control, sewage and gray water, waste containment and disposal, storm water management, habitat and species protection and boater education. Since 2007, Santa Cruz Harbor has been designated as a Certified Clean Facility and currently maintains its status as a Certified Clean Marina.

Challenges and Opportunities

The Santa Cruz Port District is significantly affected by changes in State laws and regulations from time to time that can add complexities and costs. For example, changes in California's Clean Water Act's list of impaired water bodies, maintained by the State Water Resources Control Board, may result in development of Total Maximum Daily Load (TMDL) requirements. TMDL's are intended to improve and restore impaired water bodies. Regulations related to fishing and other ocean resources can also affect commercial and recreational fishing, with potential impacts to District activities. Sea level rise, predicted as a result of climate change, may force the District to make expensive adaptations. In 2015, the California Legislature passed AB 691 requiring trustees of granted public lands to assess the impacts of sea level rise on these lands and to provide this assessment to the State Lands Commission by July 1, 2019.



Aftermath from the 2011 Tsunami – Photo courtesy of the Port District

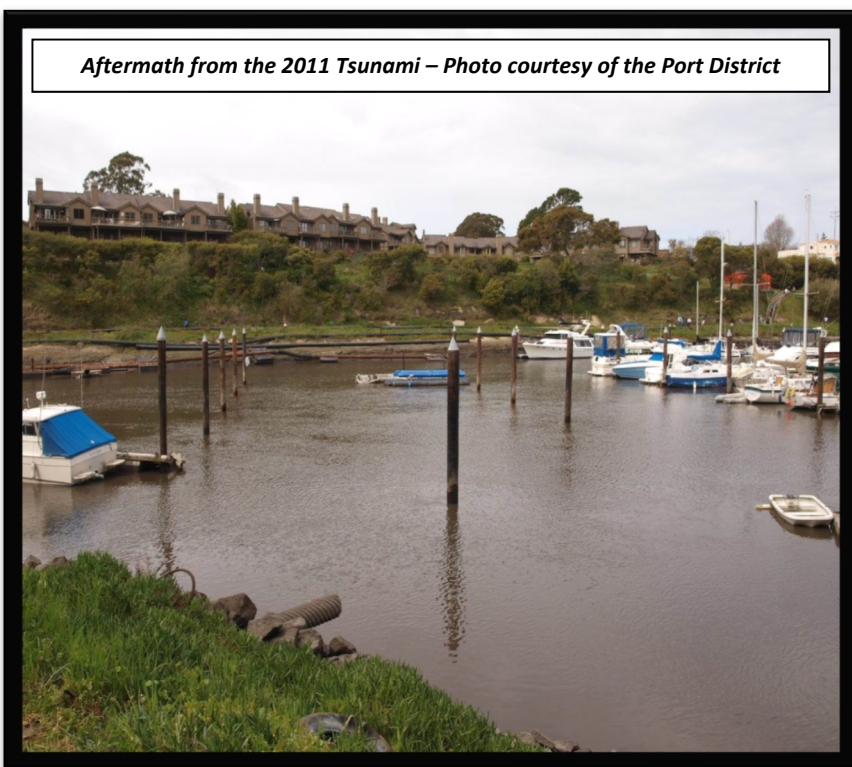
Another challenge that the District has faced and may experience again is the aftermath of natural disasters. On March 11, 2011, a tsunami destroyed the District's "U" dock and severely damaged docks throughout the harbor. The destruction of the tsunami resulted in a Major Disaster Declaration by former President Obama. The estimated repair cost of all tsunami-related damage to the District was approximately \$19.7 million. State and federal government grant funding covered approximately 94% of the total tsunami-related costs. The final recovery project related to the tsunami disaster, replacing the south harbor electrical service at an approximate cost of \$2.6 million, was completed in April 2015.

Heavy storms can also be a cause for concern. In 2015, El Niño-driven storms affected operations and delayed scheduled dredging. More recently, a continual series of storms and swell during January and February 2017 brought a high volume of sand into the north harbor and buried the north harbor disposal pipeline. The storm events were also declared disasters and the District was eligible for disaster assistance for three identified recovery projects through the State of California Office of Emergency Services and the Federal Emergency Management Agency for equipment-related damage and dredging of the north harbor. As many as twenty-five north harbor slips were unusable due to shallow conditions as a result of shoaling. Dredging was conducted in the north harbor between October 2017 and April 2019. The dredging activity restored adequate depths to most berths, though a handful of slips remain shallow.

During these types of events, the District should continue to consider partnering with neighboring agencies and businesses to address unpredictable yet inevitable natural disasters. Historically, the District has collaborated with agencies and organizations within the Harbor to repair seawalls and other infrastructure. In 2015, the District partnered with Aldo's Harbor Restaurant to address needed repairs to a failing seawall. This collaboration allowed the restaurant to continue operating in temporary quarters on the

harbor's west side while a long-term plan was developed to replace the seawall.

Construction of the replacement seawall is anticipated to occur between June-November 2019. Such partnerships should be considered as an ongoing management practice going forward.



District Summary

Santa Cruz Port District

Santa Cruz Port District	
Formation	California Harbors and Navigation Code, section 6000 et seq.
Board of Directors	Five members, elected at-large to four-year terms
Port Director	Marian Olin
Employees	29 Full-Time Employees
Facilities	Appx. 1,200 wet berths; 275 dry-stored vessels; visitor berthing; and launching
District Area	27.9 square miles
Sphere of Influence	Coterminous with District (i.e. no Sphere beyond existing District's Jurisdiction)
FY 2019-20 Budget	<p>Total Revenue = \$9,900,000</p> <p>Total Expenditure = \$7,600,000</p> <p>Projected Net Position (Beginning Balance) = \$30,200,000</p>
Contact Information	<p>Mailing Address: 135 5th Avenue, Santa Cruz CA 95062</p> <p>Phone Number: (831) 475-6161</p> <p>Email Address: scpd@santacruzharbor.org</p> <p>Website: www.santacruzharbor.org</p>
Public Meetings	Meetings are typically held on the fourth Tuesday of each month at 7:00 p.m.
Mission Statement	The primary mission of the Santa Cruz Port Commission is to ensure that Santa Cruz Harbor is a viable operational and financial entity, providing a full array of boating and marine related opportunities for the public.

SPHERE OF INFLUENCE

Sphere History

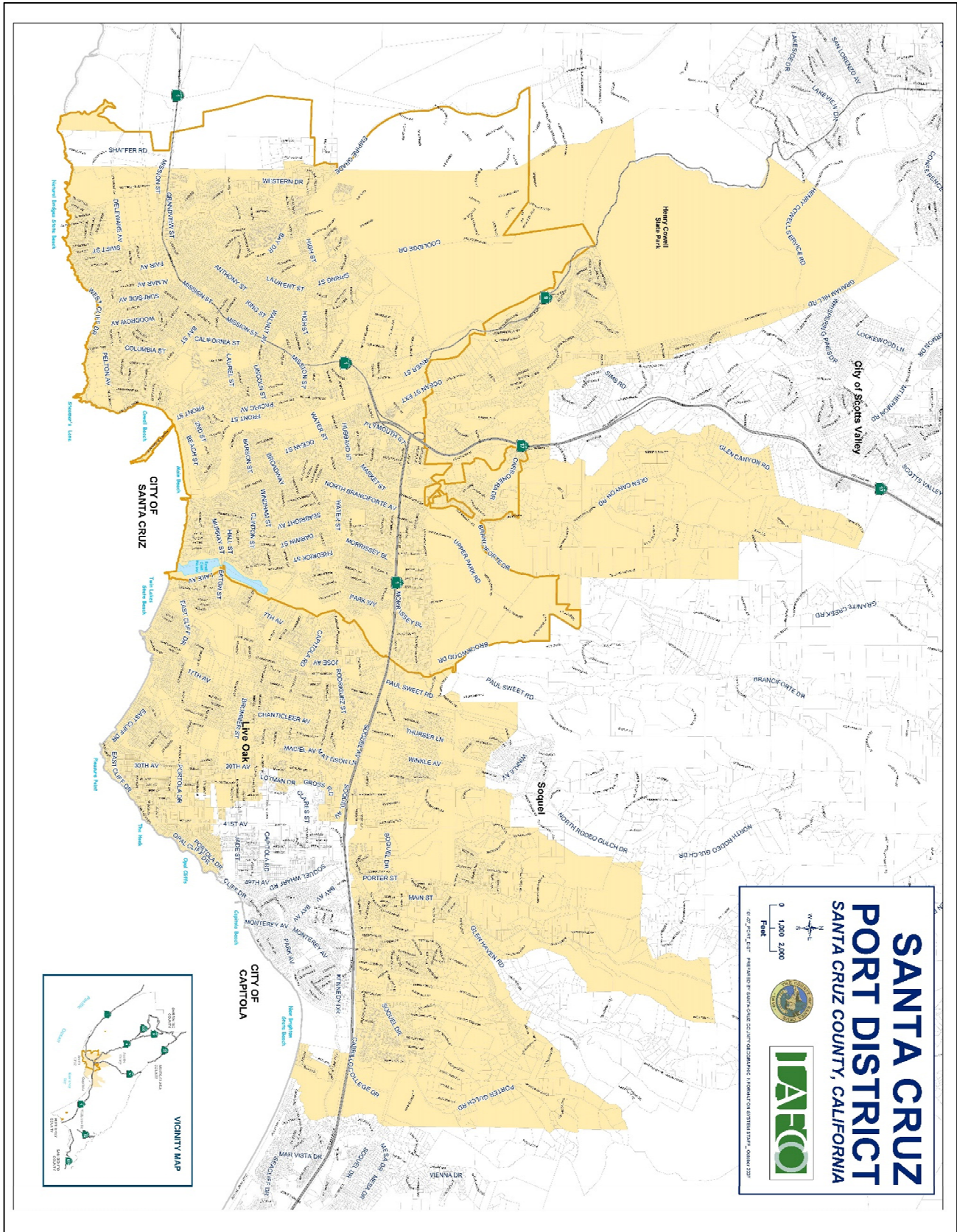
LAFCO originally adopted a coterminous sphere of influence for the District in 1988. The sphere boundary was then reaffirmed in 1992, following a consultant's report which recommended a zero-sphere boundary. Prior to Commission consideration, an agreement among the County, City of Santa Cruz, and the District resulted in all three parties supporting a coterminous sphere boundary with the notion that the District would become a full enterprise district by no longer receiving property tax revenue. The Commission supported the joint agreement and adopted a coterminous sphere boundary. For the past 27 years, the sphere boundary has remained unchanged. LAFCO staff, along with the District, is not recommending any changes to the sphere of influence at this time.

Cortese-Knox-Hertzberg Act

City and special district spheres of influence define the probable physical boundaries and service area of a local agency, as determined by the Commission (Government Code Section 56076). The law requires that spheres be updated at least once every five years either concurrently or subsequently to the preparation of Municipal Service Reviews. Spheres are determined and amended solely at the discretion of the Commission. In determining the sphere of influence for each local agency, the Commission is required by Government Code Section 56425(e) to consider certain factors, including:

- The present and planned uses in the area, including agricultural and open-space lands;
- The present and probable need for public facilities and services in the area;
- The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide;
- The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency; and
- For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

District Sphere Map



SERVICE AND SPHERE REVIEW DETERMINATIONS

The following service and sphere review determinations fulfill the requirements outlined in the Cortese-Knox-Hertzberg Act. The District was instrumental in addressing the determinations by responding to a survey sent by LAFCO in May 2019. **Appendix 3** provides a copy of the District's survey response.

Service Provision Determinations

Government Code Section 56430 requires LAFCO to conduct a municipal service review before, or in conjunction with, an action to establish or update a sphere of influence. Written statements of determination must be prepared with respect to each of the following:

1. Growth and population projections for the affected area.

State law limits the square miles of the Santa Cruz Port District such that it does not include the entire County and there can only be one municipal corporation in the District – in this case, the City of Santa Cruz (Harbors and Navigation Code Section 6210).

The Santa Cruz Port District encompasses 27.9 square miles including the City of Santa Cruz and surrounding unincorporated territory. Most of the District's population resides within the City of Santa Cruz. The population growth trend for the area is less than 1% per year over the past decade. However, the District serves a larger regional area that includes the San Francisco Bay area and the San Joaquin Valley. The Santa Cruz Harbor facilities are open to all California residents. There is a high demand for small craft harbor space and there will be a continued need for the services and facilities offered by the District. Any population growth may impact demand for slips, parking, and office space.

2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

The Santa Cruz Port District's service and sphere boundaries contain unincorporated territory. However, these areas are not designated as disadvantaged unincorporated communities.

3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.

The Santa Cruz Port District adequately provides harbor services and facilities in Santa Cruz County, and services a population beyond the District's jurisdictional boundary. The District has indicated that parking is limited and can reach capacity during times of high demand. Wet berthing is also limited and there is a waiting list for slips. However, the District does not anticipate a significant increase in demand in the foreseeable future.

The District also does not anticipate changes in state regulations within the next five years. However, it is anticipated that new regulations may be introduced to address

sea level rise in the foreseeable future. If enacted, such regulations may involve significant facility and/or infrastructure updates in the future to address localized flooding of parking areas.

4. Financial ability of agencies to provide services.

The Santa Cruz Port District operates with revenues exceeding expenditures. As of March 31, 2018, the District is operating with a net position of approximately \$28 million and current assets of approximately \$46 million. The District is funded through service charges, fees, grants and loans. The District does not receive any tax revenue. The District has financed capital improvements through loans from the State and Revenue Bonds.

5. Status of, and opportunities for, shared facilities.

The Santa Cruz Port District provides emergency ocean rescue and law enforcement services when requested to assist the United States Coast Guard, local marine rescue agencies, and law enforcement agencies within Santa Cruz County. The District is part of a Joint Powers Authority with the California Maritime Infrastructure Authority and has MOUs with the United States Army Corps of Engineers for dredging and the City and County for tax reallocation. Additionally, the District has an active joint administrative agreement with the City of Santa Cruz and County under which the District redirects its property taxes towards the cost of municipal services provided by the two local agencies, including police, fire, traffic control, and street maintenance. This agreement is automatically extended on an annual basis.

The District has expressed interest in exploring other collaborative efforts, including identifying opportunities for shared parking facilities in order to alleviate service demand during peak season.

6. Accountability for community service needs, including governmental structure and operational efficiencies.

The Santa Cruz Port District is governed by a five-member board, which is elected by District voters, and operates according to the California Harbors and Navigation Code §6200 et seq. The District negotiates for financing and improvement of the harbor facilities and is responsible for harbor operations and management.

7. Any other matter related to effective or efficient service delivery, as required by commission policy.

No additional local LAFCO policies are specifically relevant to this service and sphere review.

Sphere of Influence Determinations

Government Code Section 56425 requires LAFCO to periodically review and update spheres of influence in concert with conducting municipal service reviews. Spheres are used as regional planning tools to discourage urban sprawl and encourage orderly growth. Written statements of determination must be prepared with respect to each of the following:

1. The present and planned land uses in the area, including agricultural and open-space lands.

State law limits the square miles of the Santa Cruz Port District such that it does not include the entire County and there can only be one municipal corporation in the District (Harbors and Navigation Code Section 6210). The District's boundary contains the City of Santa Cruz and an area of unincorporated land. This area includes a wide range of land uses, including but not limited to, agriculture, community commercial, parks and open space, and residential.

2. The present and probable need for public facilities and services in the area.

The Santa Cruz Port District experiences an ongoing need for harbor services, which is demonstrated by the current wait list for harbor slips. The longest approximate wait time ranges from 1 year for a 20-foot slip up to 22 years for a 40-foot slip. All slip assignments are based on chronological precedence of requests. Only one size slip may be requested. The District provides a monthly waiting list report which can be accessed on their website.

3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

The Santa Cruz Port District has consistently demonstrated a capacity to provide harbor services to the large population it serves. A strong local demand for harbor services is effectively constrained by the spatial limitations of the harbor's physical site.

4. The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

There are no District-relevant social or economic communities of interest in the area served. Staff's analysis does highlight that the Harbor also accommodates non-profit foundations, such as the O'Neill Sea Odyssey, Save Our Shores, Coastal Watershed Council, and Arana Gulch Watershed Alliance.

5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to subdivision (g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

The Santa Cruz Port District does not provide services related to sewers, municipal and industrial water, or structural fire protection. Therefore, this determination is not applicable.

APPENDICES

Appendix 1: Port Commission Policies/Procedures

Appendix 2: Five-Year Capital Improvement Plan (FY 20-24)

Appendix 3: District's LAFCO Survey Responses

