



Special Closed & Regular Public Session of June 26, 2018

**Santa Cruz Port Commission  
MINUTES**

*Commissioners Present:*

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

**SPECIAL PUBLIC SESSION – 5:00 PM**

Chairman Smith brought the special public session to order at 5:00 PM at the Santa Cruz Harbor Office, 135 Fifth Avenue, Santa Cruz, CA 95062.

1. Oral Communication
2. Announcement of Closed Session Pursuant to Government Code (Ralph M. Brown Act) Section 54956.8, 54957.

At 5:01 PM, Chairman Smith announced the Commission will meet in closed session to discuss agenda items 3 and 4.

**SPECIAL CLOSED SESSION**

3. Conference with Real Property Negotiators  
Agency Designated Representative: M. Olin  
Negotiating Parties: 2222 East Cliff Drive (O'Neill Sea Odyssey)  
Under Negotiation: Lease
4. Public Employment
  - a) Accounting Technician
  - b) Assistant Harbormaster

**SPECIAL PUBLIC SESSION**

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

Chairman Smith announced that the Commission took no reportable action in closed session on items 3 and 4.

Chairman Smith adjourned the special open session following the closed meeting at 6:40 PM.

## **REGULAR PUBLIC SESSION – 7:00 PM**

Chairman Smith brought the regular public session to order at 7:00 PM at the Santa Cruz Harbor Public Meeting Room, 365 A Lake Avenue, Santa Cruz, CA 95062.

6. Pledge of Allegiance
7. Oral Communication

Commissioner Goddard stated that he attended the California Special District Leadership Foundation's Legislative Days in May 2018, which was an informative and valuable experience. Chairman Smith thanked Commissioner Goddard for attending on behalf of the Port District.

Vice-Chairman Reed stated that representatives from the U.S. Army Corps of Engineers (USACE), visited the Port District on June 20, 2018, to observe Port District operations and participate in an informational harbor tour. He stated that the visit was a success. Chairman Smith agreed, emphasizing the importance of maintaining a good working relationship with USACE.

## **CONSENT AGENDA**

8. Approval of Minutes
  - a) Special Public Session of May 9, 2018
  - b) Regular Public Session of May 22, 2018
9. Approval of Month-to-Month Lease for 345 Lake Avenue, Suite F & G (Tenant: Clean Oceans International)
10. Approval of Month-to-Month Lease for 333 Lake Avenue, Suite D & G (Tenant: Adventure Sports Journal)

Discussion: Commissioner Goddard stated that he will abstain from voting on item 8(b), as he did not attend the regular public session of May 22, 2018.

MOTION: Motion made by Vice-Chairman Reed, seconded by Commissioner Geisreiter to approve the consent agenda.  
- *Motion carried unanimously. Commissioner Goddard ABSTAINED from item 8(b).*

## **REGULAR AGENDA**

11. Presentation of Final Design Plans for Aldo's Seawall

Discussion: Port Director Olin introduced Dale Hendsbee of Mesiti-Miller Engineering, who presented final design plans for Aldo's Seawall Replacement Project.

Additionally, Port Director Olin introduced Erin McGinty of EcoSystems West, who is responsible for overseeing the project's permit process.

Mr. Hendsbee stated that there are no significant changes to the project design plans since his last update at the regular public session of March 27, 2018. He anticipates that a Request for Proposals (RFP) for the project will be advertised in Fall 2018, with construction anticipated to commence sometime in the June to November 2019 permitted work window.

Port Director Olin stated that pile driving associated with the project is permitted from June 15, to November 30 of each year, which gives the Port District sufficient time to advertise and receive qualified bids for the project later this year. Mr. Hendsbee stated that it is anticipated crews will begin mobilizing equipment in Spring 2019, in preparation for the pile driving work permitted to start as early as June 2019.

Mr. Hendsbee fielded a variety of questions from the Commission regarding project design, methodology, and schedule. He highlighted the following:

- Crews plan to drive approximately ninety new piles;
- Piles are bigger, heavier, and coated with an epoxy base to increase longevity and prevent corrosion (in splash zone);
- Crews plan to drive piles utilizing a pre-drill and vibration method to eliminate driving with a dynamic hammer as much as possible.

In response to a question posed by Commissioner Goddard, Mr. Hendsbee stated that he is currently working to define Port District boundary lines in the project area.

Mr. Hendsbee stated that Mesiti-Miller Engineering is working with the local firm, EcoSystems West, to obtain project permits, and confirmed that the permit process is underway.

Ms. McGinty of EcoSystems West gave a presentation on the permit process, and highlighted the following:

- Project construction cannot begin until all permits are obtained;
- Permitting process generally takes four to six months;
- Regulatory agencies include the U.S. Army Corps of Engineers (USACE), California Regional Water Quality Control Board (CRWQCB), United States Fish & Wildlife Service (USFWS), National Oceanic and Atmospheric Administration (NOAA), National Marine Fisheries Service (NMFS), and California Department of Fish and Wildlife (CDFW);
- An Incidental Harassment Authorization (IHA) is required, due to the potential for pile driving work to cause underwater noise disturbances in the surrounding area.

A discussion ensued regarding the permit process, specifically the IHA and possible monitoring requirements.

Vice-Chairman Reed asked if monitoring is likely to be required outside of the harbor channel, in surrounding waters. Ms. McGinty stated that she will suggest one monitor on-site in her application, but it is possible that regulators may require more.

In response to a question posed by Commissioner Gertler, Ms. McGinty stated that the Marine Mammal Protection Act requires that an incidental take authorization be obtained for the unintentional "take" of marine mammals related to certain activities, including construction. She stated that the IHA will designate a certain number of "take," or marine mammals exposed to noise harassment resulting from the proposed pile driving work. Port Director Olin added that regulators consider pre-existing ambient noise in the harbor, which Ms. McGinty has determined to be 145 decibels, in noise harassment estimations.

In response to a question posed by Chairman Goddard, Ms. McGinty stated that she has not yet submitted an application to the Coastal Commission for a Coastal Development Permit (CDP), but noted that this project may qualify for a CDP waiver as it is restoring coastal access that was lost.

The Commission thanked Mr. Hendsbee and Ms. McGinty for their contributions.

In response to a question posed by Commissioner Geisreiter, Mauro Oliveri, proprietor of Aldo's Restaurant, stated that he has begun working on preliminary designs for the new restaurant, which will require separate building permits. The Commission thanked Mr. Oliveri for his continued support throughout this process.

12. Public Hearing to Approve Resolution 18-06, Amending the Port District Ordinance to Include Section 316 – *Vessel Insurance*

Discussion: Port Director Olin explained that a public hearing is needed to amend the Port District Ordinance to include Section 316 – Vessel Insurance.

Port Director Olin opened the hearing for public comments, and read the proposed ordinance aloud. She stated that the ordinance has been publicly advertised on three separate occasions in accordance with the Harbors and Navigation Code Section 6309.2.

Port Director Olin stated that the ordinance will be effective August 1, 2018, if approved. She stated that staff will begin outreach to slip renters and inform them that there will be a transition period. She stated that staff will provide an interim compliance report to the Commission in Fall 2019.

Commissioner Geisreiter stated that he is supportive of approving Resolution 18-06, and thanked the Policy-Operations Committee and staff for their time and hard work throughout the development of a vessel insurance policy. He also thanked stakeholders for their input.

No further comments were received, and Port Director Olin closed the public hearing.

**MOTION:** Motion made by Commissioner Geisreiter, seconded by Commissioner Goddard to approve Resolution 18-06, adopting Santa Cruz Port District Ordinance 316.  
- *Motion carried unanimously.*

13. Approval of Resolution 18-07, Authorizing a Temporary Construction Easement with Pacific Gas & Electric Company

**Discussion:** Port Director Olin stated that the Commission approved three easement agreements with Pacific Gas and Electric (PG&E), for a gas transmission pipeline replacement project at the regular public session of May 22, 2018. She stated that authorization of a temporary construction easement (TCE) for installation of a new pipeline on the harbor's west side is needed, and she recommended approval.

Port Director Olin stated that it is anticipated that construction will begin in July 2018, and will take approximately two months. She stated that the contract with PG&E has an expiration date of December 31, 2019, in the event the project is delayed or postponed.

Port Director Olin stated that the District will receive approximately \$18,941.00 from PG&E (compensation for the first month of construction, plus compensation subsequently earned on a daily basis), which is unanticipated revenue in the FY19 budget. She stated that the Commission may wish to consider allocating this unanticipated revenue into a reserve fund or a capital improvement project at a future date.

**MOTION:** Motion made by Vice-Chairman Reed, seconded by Commissioner Goddard to approve Resolution 18-07, approving the Temporary Construction Easement between the Santa Cruz Port District and Pacific Gas & Electric Company, and authorize the Port Director to execute the TCE agreement.

**Discussion:** Commissioner Goddard asked for additional information on what measures will be taken to ensure safe vehicle and pedestrian traffic in the construction area on the harbor's west side. Port Director Olin stated that there will be traffic control in the area as well as signage, emphasizing the importance of safety during construction.

MOTION: Motion made by Vice-Chairman Reed, seconded by Commissioner Goddard to approve Resolution 18-07, approving the Temporary Construction Easement between the Santa Cruz Port District and Pacific Gas & Electric Company, and authorize the Port Director to execute the TCE agreement.  
- *Motion carried unanimously.*

14. Authorization to Purchase Card Key System for Harbor Shower Rooms, Restroom Facilities, and Dock Gates (NTE \$144,720)

Discussion: Facilities Maintenance and Engineering Manager (FME) Kerkes stated that a Request for Proposals (RFP) for an electronic card key system for harbor shower rooms, restroom facilities and dock gates, was advertised commencing May 11, 2018. He stated that one bid was received from All Access Data and Security (dba MarinaWare).

FME Kerkes stated that the total proposed contract cost is \$144,719.60 (base bid of \$137,819.60, plus 5% contingency). He stated that the purchase of the system does not include labor for installation (staff anticipates that in-house maintenance crews can complete all installation work within six weeks at an approximate cost of \$45,000).

Administrative Services Manager Mac Laurie stated that staff is familiar with the quality and service provided by All Access Data and Security (AADS), as the proprietor, Erik Ruffison, is the current supplier of the District's marina management software system.

FME Kerkes requested that the Commission authorize the Port Director to execute a contract with All Access Data and Security (dba MarinaWare), to provide access control to harbor shower rooms, restroom facilities, and authorize a budget adjustment for an amount not to exceed \$189,720.

A discussion ensued regarding the proposed electronic access system. Staff fielded a variety of questions from the Commission. Responses are below:

- The project was advertised on an informal basis in accordance with the procedures set forth in the California Public Contract Code, and only one bid was received from All Access Data and Security (dba MarinaWare);
- Existing ALX Technology, (electronic card readers installed on harbor shower room facilities during Phase I), cannot be used with the proposed system, but existing electrical wire and conduits will be utilized;
- Total proposed contract cost is \$144,719.60, which includes the cost of the key fobs (staff has requested 1,200 key fobs);
- Proposed card readers are battery operated, with a minimum life of one year (staff will perform routine service checks on the card readers to ensure operability);

- Proposed system is not recommended for WiFi integration, but can be utilized for video capability in the future;
- Staff will be trained to program electronic key fobs, and the system will be integrated with the District's current marina management software (MarinaWare);
- A future committee meeting will be scheduled to discuss the implementation plan for the electronic key access.

Commissioner Goddard asked a number of questions including, what other California harbors utilize this electronic access system; what back-up system exists in the event of a power outage; and if AADS is a sole proprietorship. Administrative Services Manager Mac Laurie stated that AADS is a sole proprietorship that provides services for a variety of clientele, including the U.S. Navy and several other harbors. She stated that additional research is needed to determine if any California harbors currently utilize the proposed system. FME Kerkes explained that there is a back-up keypad system for access in the event of a power failure.

A discussion ensued about the warranty term for the proposed system. Staff did not have the information on the warranty term available at the meeting but will follow up.

Port Director Olin stated that AADS' proposal is valid for ninety days, so the Commission may table this item until the regular public session in July, if the Commission needs more detailed information on items like the warranty term prior to approval.

Chairman Smith stated that he is supportive of the purchase of a card key system for harbor shower rooms, restroom facilities and dock gates. He encouraged staff to begin outreach efforts (website, newsletter, monthly bills, etc.), two to three months before the new system is implemented. Administrative Services Manager Mac Laurie stated that there will be a committee level review of the transition plan, which will then be presented to the full Port Commission for review.

Vice-Chairman Reed stated he is supportive of authorizing the Port Director to execute a contract with AADS at tonight's meeting. Commissioner Geisreiter agreed.

MOTION: Motion made by Vice-Chairman Reed, seconded by Commissioner Gertler to authorize the Port Director to execute a contract with All Access Data and Security (dba MarinaWare) to provide access control to harbor shower rooms, restroom facilities, and dock gates; authorize a budget adjustment for an amount not to exceed \$189,720.

- *Motion carried unanimously.*

15. Review / Consideration of Capital Improvement Project Financing Options

Discussion: Port Director Olin stated that the Commission considered whether to move forward with financing two upcoming Capital Improvement Projects, the Aldo's Seawall Replacement Project and the Pile Repair and Replacement Project, at its regular public meeting of March 27, 2018. She stated that this item was continued to tonight's meeting due to lack of a quorum following a vote on this item at the March meeting.

Port Director Olin stated that preliminary financing proposals were solicited from BBVA Compass Bank, the bank currently servicing the District's long-term debt, and Weist Law, a local firm that served as bond counsel for the 2013 debt refinance proceeding.

Port Director Olin stated that BBVA has updated the previously provided term sheets and amortization schedules to reflect market pricing as of June 15, 2018. The loan proposal remains within BBVA's pre-approved timeline window. Additionally, the Weist Law Firm has provided an analysis of the financing options available to the Port District (Weist previously provided only general rates and terms).

Port Director Olin stated that Cameron Weist of Weist Law Firm is in attendance at tonight's meeting.

Port Director Olin stated that the financing proposals present various rate and term options for consideration by the Commission. A discussion ensued regarding the financing proposals.

Commissioner Goddard stated that he is supportive of utilizing a combination of cash and financing for the two upcoming projects.

Chairman Smith stated that considering partial financing may be beneficial, but expressed concern about financing the entire project amount. Chairman Smith stated that there may be future infrastructure projects that require financing, so he believes the District should keep its loan options open for future use.

Commissioner Geisreiter stated that he is supportive of exploring the financing option with BBVA Compass Bank, because of the attractive interest rate (3.38%) that is being offered. He stated that the Port District should secure a low fixed rate for long-term financing now and use the cash reserves for unanticipated expenditures in the future. Chairman Smith expressed concern about the Port District's historical debt ratio, noting that this is the lowest amount of debt that the District has carried in many years.

Vice-Chairman Reed stated that he is supportive of utilizing a combination of cash and financing for these upcoming projects. Vice-Chairman Reed stated that financing long-term assets ensures that future rate payers participate in



funding the infrastructure projects that directly benefit them. Commissioner Goddard agreed.

A discussion ensued about how much of the project costs should be financed.

Port Director Olin expressed her belief that financing \$3,350,000 may represent only a percentage of total expenditures, as project costs will likely be higher than anticipated. Commissioner Goddard agreed.

Mr. Weist stated that it may be beneficial to the District to maintain cash reserves, as financial rating agencies often look favorably upon an organization's cash reserves, which can raise credit ratings.

Vice-Chairman Reed stated that he does not want to miss the opportunity to take advantage of BBVA's attractive interest rate offer for long-term financing. Commissioner Goddard agreed, and highlighted the following:

- Long-term financing ensures that future rate payers participate in funding for infrastructure projects;
- Long-term financing maintains the Port District's good credit rating by not depleting cash reserves;
- The Port District can shoulder the approximate annual payment of \$300,000.

Commissioner Goddard stated that he is in favor of financing \$3,350,000, emphasizing that actual project costs will most likely be higher than anticipated. Any project costs (outside the estimated 3,350,000), will be funded utilizing the District's cash reserves.

Commissioner Geisreiter stated that he is supportive of financing \$3,350,000, with BBVA, noting that the District's current debt covenants and debt service ratio requirements are filed with BBVA, which makes reporting easier. He stated that if the Commission decides to finance with BBVA, Mr. Weist will continue to serve as the District's bond counsel. Chairman Smith and Commissioner Goddard agreed.

Commissioner Geisreiter suggested staff conduct further research with BBVA as it seems unlikely that there is no pre-payment penalty provision.

There was consensus among the Commission to finance approximately \$3,350,000, with BBVA Compass Bank, to fund the two upcoming projects (Aldo's Seawall Replacement Project and the Pile Repair and Replacement Project).

The Commission appointed Commissioner Geisreiter to assist Port Director Olin throughout negotiations with BBVA.

16. Development of *Pappy* Park

Chairman Smith requested that this item be tabled until next month's regular public session, to provide additional time for the ad hoc committee to meet and further review the direction of the project.

There was consensus among the Commission to discuss this item at next month's regular public session.

17. Approval of Cash / Payroll Disbursements – May 2018

Discussion: Vice-Chairman Reed asked for additional information on Warrant #49781–Automobile Insurance Policy. Port Director Olin stated that additional expense is incurred when a new vehicle is purchased and added to the District's automobile insurance policy.

MOTION: Motion made by Commissioner Goddard, seconded by Vice-Chairman Reed to approve the Cash / Payroll Disbursements for May 2018, in the amount of \$720,114.28.

- *Motion carried unanimously.*

## INFORMATION

18. Port Director's Report

### U.S. Army Corps of Engineers (USACE) Meeting

Port Director Olin stated that she and Chairman Smith and Vice-Chairman Reed had the opportunity to meet with representatives from the U.S. Army Corps of Engineers (USACE), at Santa Cruz Harbor on June 20, 2018. She stated that USACE's representatives were familiar with Santa Cruz Harbor and impressed with the District's dredging operation.

### U.S. Army Corps of Engineers Work Plan

Port Director Olin stated that the U.S. Army Corps of Engineers' FY 18 Work Plan was published and will reimburse the Port District approximately \$487,000 for dredging expenses. She stated that the District requested \$449,000, and was awarded an additional \$38,000 for FY 18.

### 2018-19 Tier One Determination Request

Port Director Olin stated that the Port District has submitted a Tier One Determination Request to regulators (in lieu of a Sampling and Analysis Plan), because no additional sediment testing is required in the inner-harbor areas to be dredged in the 2018-2019 season.

### Coastal Development Permit (CDP) Application

Port Director Olin stated that staff has submitted a Coastal Development Permit (CDP) application requesting authorization of annual maintenance dredging operations at Santa Cruz Harbor for the next ten years. She stated that the Coastal Commission will review this item at a public hearing on July 12, 2018, in Scotts Valley.

Pacific Gas & Electric (PG&E) Permanent Easement LD 2311-01-28540

Port Director Olin stated that the Port District has received approximately \$94,271, from PG&E for the new permanent easement LD 2311-01-28540 (approved at the regular public session of May 22, 2018), for a new landside pipeline in the northwest harbor.

Funding for Damage from 2016-17 Storms

Port Director Olin stated that the Port District has received \$47,247 in funding from state and federal agencies for damages related to the 2016-2017 winter storms for two small projects. A third, large project makes approximately 30% of the north harbor dredging effort eligible for disaster assistance.

Santa Cruz County American Red Cross, "Humanitarian Adult Hero"

Port Director Olin stated that the Santa Cruz Chapter of the American Red Cross honored Jessica Berg as "Humanitarian - Adult Hero" at the Heroes Breakfast hosted on June 15, 2018. Jessica was honored for her response which helped to save the lives of two people after their vehicle entered the water from the harbor's launch ramp and became submerged. Jessica was working at the Crow's Nest at the time and witnessed the incident. The Port Commission previously honored Jessica and her coworker Adrian Alt in January 2017, for their heroic actions.

19. Harbormaster's Report

In response to a question posed by Commissioner Goddard, Harbormaster Marshall stated that lifeguard services are provided daily, from approximately 11 AM to 6 PM (weather dependent), at Harbor Beach. She stated that lifeguards are required to check in with Harbor Patrol prior to closing the lifeguard tower.

20. Facilities Maintenance & Engineering Manager's (FME) Report

FME Kerkes stated that crews successfully moved *Twin Lakes* to her off-season mooring in the north harbor. He stated that the move was completed in approximately three hours and went smoothly.

FME Kerkes stated that the Skagit Winch is expected to arrive in approximately two weeks, and snorkel fabrication is scheduled to begin on July 2, 2018.

In response to a question posed by Commissioner Goddard, FME Kerkes explained that the brow piers in the southeast harbor need to be replaced before the new aluminum dock gates can be installed. Chairman Smith thanked crews for their hard work on the dock gate installation.

21. 2017-18 Dredging Season Report

FME Kerkes stated that the District's dredge consultant, Ancil Taylor of Callan Marine, visited the harbor to inspect the density meter on *Twin Lakes*. Dredging Supervisor Sengezer stated that Mr. Taylor identified and repaired an issue on the density meter and also recalibrated the meter during his visit.

Port Director Olin stated that density meter may not be as accurate a method of measuring volume on a square foot basis, so staff is currently looking into using a different methodology for calculating production next season.

Commissioner Goddard commented that it is good that the Port District did not field any odor complaints or other complaints about dredging during the 2017-18 season.

Commissioner Goddard commented that the entrance soundings showed good depths consistently this past season. Dredging Supervisor Sengezer stated that the crew is more familiar with the new dredge *Twin Lakes*.

22. 2017 Use List Review

Chairman Smith stated that a Policy-Operations committee meeting will be scheduled next month to review the District's current vessel use policy and determine if a change is necessary.

23. Review of Delinquent Accounts *(There was no discussion on this agenda item)*

24. Review of Financial Reports *(There was no discussion on this agenda item)*

a) Comparative Seasonal Revenue Graphs

25. Crime / Incident / Citation Report – May 2018. *(There was no discussion on this agenda item)*

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

a) Letter from M. Kuhn to Santa Cruz Port District

b) Letter from M. Routh to Santa Cruz Port District

c) Letter from Port Director Olin to M. Routh

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

Chairman Smith adjourned the regular public session at 9:24 pm.



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Dennis Smith, Chairman