

Santa Cruz Port District
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PORT COMMISSIONERS:
Toby Goddard
Dennis Smith
Stephen Reed
Darren Gertler
Neli Cardoso

Special Closed & Regular Public Session of August 27, 2019

**Santa Cruz Port Commission
MINUTES**

Commission Members Present:

Dennis Smith	Chairman
Stephen Reed	Vice-chairman
Toby Goddard	Commissioner
Darren Gertler	Commissioner
Neli Cardoso	Commissioner

SPECIAL PUBLIC SESSION – 6:00 PM

Chairman Smith brought the special public session to order at 6:00 PM at the Santa Cruz Harbor Office Conference Room, 135 5th Avenue, Santa Cruz, CA 95062.

1. Oral Communication
2. Announcement of Closed Session Pursuant to Government Code (Ralph M. Brown Act) Section 54957.8

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

SPECIAL CLOSED SESSION

3. Conference with Real Property Negotiators
Agency Designated Representative: M. Olin
Negotiating Parties: 616 Atlantic Avenue (Aldo's Restaurant)
Under Negotiation: Lease

SPECIAL PUBLIC SESSION

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

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

Chairman Smith adjourned the special open session following the closed meeting at 6:35 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.

5. Pledge of Allegiance
6. Oral Communication

Discussion: Chairman Smith stated that the Commission took no reportable action in closed session on agenda item 3.

Audience member Bill Lee requested that the Commission review options to restore the Santa Cruz Harbor's water taxi service, noting that it is a valuable resource to the community and an integral part of the southeast harbor parking plan.

Audience member Bob Morgan expressed concern regarding the environmental impacts associated with excessive engine idling in the harbor and recommended that the Port District post signage throughout the harbor to limit excessive engine idling. Mr. Morgan expressed his belief that guests, visitors and those parking in the harbor need more education about the importance of limiting engine idling.

Port Director Olin stated she will address Mr. and Mrs. Morgan's concerns during item 22, written correspondence, unless the Commission would like to move the item up. Vice-chairman Reed recommended the meeting continue in the order of the agenda.

Audience member Thomas Whieldon stated that the Port District should consider alternative transportation services, like an electric vehicle shuttle, to supplement the recently canceled water taxi service. Mr. Whieldon stated that retaining use of the 7th and Brommer overflow lot will be beneficial to the District.

CONSENT AGENDA

7. Approval of Minutes
 - a) Special Closed and Regular Public Session of July 23, 2019
 - b) Special Public Session of July 29, 2019

Discussion: Audience member Thomas Whieldon stated that it is his opinion that the meeting minutes from July 23, 2019 (item 23), do not accurately reflect the comments made by Chairman Smith during the meeting, and distributed a hand-out. Chair Smith expressed his belief that the minutes accurately reflect the discussion.

MOTION: Motion made by Commissioner Goddard, seconded by Commissioner Gertler to approve the consent agenda.
- *Motion carried. Commissioners Smith, Reed, Goddard, and Gertler voting YES. Commissioner Cardoso voting NO.*

REGULAR AGENDA

8. Approval of Resolution 19-06 – Approving Salary Schedules and Authorizing Amendment to the Port Director’s Employment Agreement

Discussion: Port Director Olin stated that a revision to Exhibit 1 corrects the 2020 Salary Schedule to reflect that the Operating Engineers Local No. 3 (OE3) contract expires December 31, 2019.

MOTION: Motion made by Commissioner Goddard, seconded by Commissioner Cardoso to approve Resolution 19-06 – approving salary schedules, and authorizing an amendment to the Port Director’s employment agreement.
- *Motion carried unanimously.*

9. Review Draft FY19 Audit

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

Ms. Said reviewed the draft FY19 audit and reported that the District received a clean, unmodified audit in all respects for the year ending March 31, 2019. Ms. Said stated that one adjusting journal entry was required to address the District’s net Other Post Employment Benefits (OPEB) liability, in accordance with Governmental Accounting Standards Board (GASB) 75.

Ms. Said highlighted the following:

- Operating income was \$468,360, down approximately \$114,000 over the prior fiscal year. Contributing factors include:
 - 2% increase in revenue primarily related to slip rent and fuel sales;
 - 4% increase in expenses, primarily related to salaries, related employee expenses, and utilities.
- Net pension liability expense related to GASB Statement No. 68 decreased from \$4,052,992 in FY18 to \$3,990,879 in FY19.
- A prior period adjustment decreased beginning net position by approximately \$276,000 as part of GASB Statement 75 implementation.
- Increased debt in FY19 due to financing agreement with BBVA Compass Bank for \$3.35 million.
- Overall \$994,943 or 3.6% increase in net position from FY18.

Port Director Olin reported that:

- Revenues were 2% higher than FY18, and 3% over budgeted revenue.
- The decrease in slip rent revenue (<1%) is partially attributable to project activities and dredging.
- Net of non-cash expenditures, operating expenses were approximately 6% higher than FY18, and 8% underbudget. This is partially due to project-related activities funded in the CIP which reduces labor costs in the operating budget.

Port Director Olin commented that Administrative Services Manager Mac Laurie and Accounting Technician Eldridge did a terrific job on the audit this year, by taking on a greater role in the fieldwork, file sharing, and interface with the audit team.

Commissioner Goddard pointed out that Note 2 does not reference the investment policy adopted by the Commission in 2018. Auditor Said agreed that language can be added to reference the new policy.

Commissioner Goddard asked for additional information on Note 8 – Operating Leases. Ms. Said stated that while the docks themselves may not be leased, the disclosure note lists total assets that can be used for the purposes of generating revenue (including land, structures, and docks). Auditor Said agreed that language can be added to the note to clarify the future lease income does not include slip rent.

A discussion ensued regarding the Port District's net pension liability. Auditor Said reiterated that the District's unfunded accrued liability decreased slightly over the prior year.

Port Director Olin stated that the final audit will be presented to the Commission for acceptance at the regular public session of September 24, 2019.

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

10. Approval of Resolution 19-07 – Emergency Action for Repair of (3) Boatyard Marine Ways Support Piles

Discussion: Port Director Olin summarized the need for approval of the emergency action to facilitate repairs to 3 damaged piles at the Boatyard's marine ways as quickly as possible. The repairs involve jacketing the damaged piles and filling the voided area with grout. She stated that expedited repairs are needed to protect public property, safety, and the environment.

Port Director Olin stated that one pile has severe damage, with only 10% of its material remaining. The engineering firm Moffat & Nichol has confirmed that jacketing the pile is appropriate for this repair, but is recommending the damaged section be removed and a new section of timber be installed before jacketing the pile.

Port Director Olin stated that staff initially anticipated completing the repairs under the U.S Army Corps' Regional General Permit 5, but due to a looming permit expiration date of August 31, 2019, regulators have authorized the repair work under the District's current pile permit.

MOTION: Motion made by Vice-chairman Reed, seconded by Commissioner Goddard to approve Resolution 19-07, waiving the competitive bidding process and authorizing the Port Director to execute contracts up to \$100,000 for emergency work to repair support piles at the Santa Cruz Harbor Boatyard's marine ways.
- *Motion carried unanimously.*

11. Update on *Pappy* Display

Discussion: Port Director Olin requested input from the Commission on the design concept for the *Pappy* display developed by Hogan Land Services (Hogan). Port Director Olin stated that staff recommends lowering the profile for *Pappy's* display.

The Commission expressed support for the design concepts presented.

Port Director Olin stated when complete, the plans and a cost estimate will be presented to the Port Commission for review and approval.

12. Consideration of Team O'Neill LTD's Revised Charter Application

Discussion: Port Director Olin recommended approval of the proposed mixed rating charter operation for Team O'Neill LTD (O'Neill). She summarized the background information included in the staff report and highlighted the following permit conditions:

- Vessel Passenger Rating: 99-pak for private charters and 49-pak for public charters.
- Audit: Require auditable manifests that shall be segregated by private and public charters.
- Parking and Shuttle Service: Team O'Neill shall ensure private charters of 50-99 passengers utilize a shuttle or bus service.
- Addition of a Refuse and Recycling Plan.

Mark Massara of Team O'Neill extended his appreciation to staff and the Commission for their guidance during the charter application process. He

stated that representatives of Team O'Neill are supportive of the requirements set forth in the revised, mixed rating charter permit.

Commissioner Goddard expressed support for the proposed charter application, stating that the discussions had during the Policy and Operations Committee Meeting were beneficial.

A brief discussion ensued clarifying the parking requirements for private group charters of 50-99 passengers. Mr. Massara stated that private charter groups of 50-99 passengers will be required to arrange their own shuttle bus transportation or have O'Neill coordinate shuttle service for them. Vice-chairman Reed requested that Team O'Neill be required to provide an annual review of group transportation activities as part of the Business Use of Slip review process (typically in October – December). Team O'Neill was amenable to this request.

Commission Cardoso expressed support for Team O'Neill's mixed rating charter application.

Chairman Smith stated that the revised charter application provides a reasonable compromise to address concerns relative to parking congestion in the southeast harbor.

MOTION: Motion made by Commissioner Goddard, seconded by Vice-chairman Reed to approve a mixed rating charter operation to replace Team O'Neill's 49-pak charter operation and include a provision to audit group transportation activities on an annual basis.
- *Motion carried unanimously.*

13. Approval of Electronic Key Access for Dry Storage Customers

Discussion: Harbormaster Marshall summarized information in the staff report and recommended approval of electronic key access for 7th Avenue and North Harbor Dry Storage customers. She stated that access to all gates and restrooms will be permitted, but access to showers facilities will be restricted.

A brief discussion ensued regarding other types of user groups that could potentially request electronic key access in the future.

MOTION: Motion made by Commissioner Goddard, seconded by Commissioner Cardoso to adopt the recommendations of the Policy and Operations Committee regarding electronic key access for dry storage customers.
- *Motion carried unanimously.*

14. Award Contract for Roofing 493 Lake Avenue (NTE \$50,000)

Discussion: Facilities Maintenance Engineering Manager (FME) Kerkes states that the building at 493 Lake Avenue had a full maintenance inspection performed two years ago and the roof was identified as a high priority repair item.

FME Kerkes stated that Knox Roofing submitted the lowest bid in the amount of \$31,335.

In response to questions posed by Chairman Smith, FME Kerkes confirmed that Johnny's Harborside Restaurant will remain open during the roofing project and that the buildings gutters and drip edge are in good condition and will be reused as part of this project.

Port Director Olin stated that staff recommends authorizing an award amount not-to-exceed the \$50,000 budgeted for this roofing project to address any potential unforeseen issues that may arise once work begins since there is a history of termite infestation in the building. Any funds remaining following the completion of the project will remain in the Building Restoration fund.

MOTION: Motion made by Commissioner Goddard, seconded by Vice-chairman Reed to authorize the Port Director to execute a contract with Knox Roofing to reroofing the building at 493 Lake Avenue, in an amount not to exceed \$50,000.00.
- *Motion carried unanimously.*

15. Approval of Cash / Payroll Disbursements – June 2019 and July 2019

MOTION: Motion made by Commissioner Gertler, seconded by Commissioner Cardoso to approve cash/payroll disbursements for June 2019 in the amount of \$580,571.06 and July 2019 in the amount of \$1,236,797.47.
- *Motion carried unanimously.*

INFORMATION

16. Port Director's Report

Patrol Vessel

Port Director Olin stated that the Port District will enter into a grant agreement with the State of California to receive funding for a replacement patrol vessel. The Department of Resources will administer the grant and retain a 2% administrative fee, bringing the total reimbursement to \$519,400. Port Director Olin stated that a Policy and Operations Committee meeting is scheduled for Thursday, August 29, 2019, at 2:30 PM, to discuss options for replacing the patrol vessel.

Aldo's Seawall Project

Activity is currently limited activity on-site as the sheet piles are being coated at an off-site location. Holiday testing was performed on the coating. The weld seam was a problem area and required an additional coating to meet specifications, which has pushed back delivery

by one week to approximately September 6 - 8, 2019. Granite Construction is constructing a temporary trestle to support the heavy machinery needed to drive the piles.

Pile Repair and Replacement Project

Port Director Olin stated that Bellingham Marine will be on-site in mid-September to begin mobilizing for Phase 2 of the project.

LAFCO

Port Director Olin stated that LACFO adopted the 2019 Santa Cruz Port District Service and Sphere of Influence Review at their August 7, 2019 meeting. She stated that no changes were proposed as part of the review. Additionally, she stated that the candidate that the Port District cast their vote for, Ed Banks, was elected as the Special District Alternate for LAFCO.

Eastside Public Pier Pile Inspection

Port Director Olin stated the Port District will execute a contract with Moffat & Nichol for a dive inspection of the piles at the east side public pier. She stated the inspection results may inform a future capital improvement plan project.

Big Brothers Big Sisters Regatta

Port Director Olin stated that she attended the 27th Annual Day on the Monterey Bay Regatta event at the Santa Cruz Yacht Club. Port Director Olin stated that over the years this fundraiser has collectively raised \$1 million in support of Big Brother Big Sister (BBBS) of Santa Cruz County.

Water Taxi

Port Director Olin stated that there will be a Policy and Operations Committee Meeting scheduled for the end of September to discuss the water taxi status and review regulations and interim solutions.

Engine Idling

Port Director Olin stated that in response to emails from a member of the public expressing concerns about engine idling in the harbor, she is prepared to address operational actions staff has taken, and new measures proposed, during the discussion of written correspondence on the agenda.

17. Harbormaster's Report

Harbormaster Marshall stated that baitfish have been observed in the harbor and that staff continues to perform regular checks, and dissolved oxygen levels remain good; however, aerators are in place in the event oxygen levels dip too low levels, which can signify the onset of a mass fish die-off.

Harbormaster Marshall reported that the California Commercial Crab Fleet received \$25 million in disaster relief funds.

Harbormaster Marshall stated that the Port District has withdrawn its grant application from the Division of Boating and Waterways for the funding request of a replacement marine search and rescue patrol vessel.

Harbormaster Marshall stated that there are 260 slip renters that have yet to comply with the Port District Vessel Insurance Policy. Harbormaster Marshall requested that as part of the vessel insurance review that will take place at next month's meeting, the Commission provide guidance on how to address non-compliant slip renters.

In response to a question posed by Chairman Smith, Harbormaster Marshall stated that it is her observation that the commercial fishing landings have been healthy this year.

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

FME Kerkes stated that crews are nearly done with the scheduled maintenance work on *Dauntless* and *Squirt*. FME Kerkes stated that crews plan to mobilize north harbor dredging in mid-September, for an October 1 start date.

FME Kerkes confirmed that crews are scheduled to put the *Twin Lakes* snorkel back on this week and that the hull has been pressure washed and coated.

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

20. Review of Financial Reports

- a) Comparative Seasonal Revenue Graphs
- b) Employee Count as of June 30, 2019
- c) Quarterly Budget Report as of June 30, 2019
- d) Quarterly Boatyard Report
- e) Quarterly Fuel Sales Report

In response to a question posed by Chairman Smith, Harbormaster Marshall stated that berthing arrangements at the Boatyard for the Department of Fish and Wildlife's vessel *Steelhead* are still pending.

21. Crime/Incident/Citation Report – July 2019

Harbormaster Marshall made the following corrections to the crime report:

- 7.8.19 - The motor was not returned to the owner.
- 7.17.19 - Juvenile was transported to Dominican Hospital by ambulance.

Commissioner Goddard commended Harbor Patrol for their water rescue efforts on July 17, 2019.

22. Written Correspondence

- a) Letter to Port Commission from Scott Harriman
- b) E-mail to Port Commission from Andy Kreyche
- c) E-mail exchange between Robert and Valerie Morgan and Commissioner Cardoso

In regard to Item 22 (c), Port Director Olin stated that the Port District will do the following to limit unnecessary idling within the harbor:

- Post a sign at the fuel dock asking vessel operators to turn off their engines
- Remind staff to limit unnecessary engine idling when practicable
- Include information relative to limiting engine idling in a future newsletter
- Continue to remind delivery trucks and buses to limit engine idling

Port Director Olin highlighted the Port District's commitment to the environment noting significant investments in equipment featuring newer generation engines that reduce diesel emissions have been made, including engines on the dredge *Twin Lakes*, new engines on the inner-harbor dredge *Squirt* and the workboat *Dauntless*, and a new Caterpillar dozer outfitted with the latest low emission engine technology.

Audience members expressed support for additional signage throughout the harbor and implementation of additional mitigation measures, including adding a no engine idling provision to the RV Parking Space Agreement Form. Port Director Olin stated that signage at the fuel dock will be sufficient for now, and added that staff will continue outreach efforts to limit unnecessary engine idling.

Chairman Smith expressed appreciation for the concern on this topic and stated he is supportive of the Port Director's suggested corrective measures on the matter.

Commissioner Cardoso expressed support for making the topic of engine idling an action item at an upcoming meeting. She stated that a previous request to place this item on the agenda was unsuccessful. Commissioner Goddard clarified that the primary role of the Commission is to determine District policy, and not interfere with operational day-to-day, staff-level matters. He stated that it is his opinion that items which merge into harbor operations are not appropriate for deliberation by the full Commission.

Chairman Smith stated that Commissioner Cardoso may consult with the Port Director regarding her concerns with the placement of items on the agenda. He asked Commissioner Cardoso to refrain from making personal accusations relative to this matter.

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

Chairman Smith adjourned the regular public session at 8:27 PM.



Dennis Smith, Chairman