



Special Closed and Regular Public Session of July 28, 2020

**Santa Cruz Port Commission
MINUTES**

Commission Members Present:

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

SPECIAL PUBLIC SESSION – 4:30 PM

Chairman Reed brought the special public session to order at 4:30 PM at the Santa Cruz Harbor Public Meeting Room, 365A Lake Avenue, Santa Cruz, CA 95062.

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

At 5:00 PM, Chairman Reed announced the Commission will meet in closed session to discuss agenda items 3 and 4.

SPECIAL CLOSED SESSION

3. Public Employee Performance Evaluation
Title: Port Director
4. Conference with Real Property Negotiators
Agency Designated Representative: M. Olin
Negotiating Parties: 2218 East Cliff Avenue (Crow's Nest Restaurant)
Under Negotiation: Lease

SPECIAL PUBLIC SESSION

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

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

Chairman Reed adjourned the special open session following the closed meeting at 6:23 PM.

REGULAR PUBLIC SESSION – 7:00 PM

Chairman Reed convened the regular public session at 7:00 PM via teleconference at the Santa Cruz Harbor Conference Room, 135 5th Avenue, Santa Cruz, CA 95062.

6. Pledge of Allegiance
7. Oral Communication

Chairman Reed stated that the Commission took no reportable action in closed session on agenda items 3 and 4.

Administrative Services Manager MacLaurie read public comment into the record submitted by harbor concessionaire, Michael Spadafora of Java Junction, regarding his concerns about the automated concession parking lot equipment.

CONSENT AGENDA

8. Approval of Minutes
 - a) Special Closed Session of July 12, 2020
 - b) Special Closed & Regular Public Session of June 23, 2020
9. Approval of O'Neill Sea Odyssey Sublease – 2222 East Cliff Drive, Suite 234 (Tenant: Surfrider Foundation)

MOTION: Motion made by Commissioner Smith, seconded by Commissioner Geisreiter to approve the consent agenda items 8 and 9.

- *Motion carried unanimously by roll call.*

- *Reed: YES*
- *Goddard: YES*
- *Smith: YES*
- *Gertler: YES*
- *Geisreiter: YES*

REGULAR AGENDA

10. Authorize Temporary Lease Addendum for Use of Outdoor Dining Space by Johnny's Harborside, 493 Lake Avenue, Santa Cruz

Discussion: Port Director Olin stated that due to the recent closure of indoor dining throughout the state, Dan Agonstinis of Johnny's Harborside has requested to use a portion of the fishery pier for outdoor dining. Port Director Olin reviewed the following:

- The proposed 30' x 10' dining area, which will accommodate 8 tables, is located within H&H's leasehold adjacent to the public walkway.
- H&H has consented to allow temporary use of the fishery pier by Johnny's and has agreed to relocate fish storage boxes stored in the area and temporarily move vehicles to the adjacent visitor parking area.

- The temporary lease addendum is cancellable if dining operations negatively impact the resident commercial fish buyer and/or commercial fisheries activities.

In response to a question posed by Chairman Reed, Port Director Olin confirmed that the restaurant tenant is responsible for obtaining any necessary regulatory permits for the temporary outdoor dining operation.

Dan Agostinis of Johnny's Harborside expressed his appreciation to the Port Commission and Port Director for consideration of the temporary lease addendum and stated that he is committed to continuing to adhere to all state and local guidance related to COVID-19, and not negatively impacting fishery operations.

MOTION: Motion made by Commissioner Geisreiter, seconded by Commissioner Smith to authorize the Port Director to:

1. execute lease addendum document establishing a temporary outdoor dining area for Johnny's Harborside; and,
 2. approve minor modifications to designated areas as may be required to meet regulatory requirements.
- *Motion carried unanimously by roll call.*
- *Reed: YES*
 - *Goddard: YES*
 - *Smith: YES*
 - *Gertler: YES*
 - *Geisreiter: YES*

11. Approve Emergency Replacement of a Used 4WD Truck (NTE \$30,000)

Discussion: Port Director Olin stated that the District's 1997 Dodge flatbed truck requires extensive repairs. She stated that the cost of repairs is estimated to exceed the value of the truck, which is why an emergency replacement is being proposed. She noted that replacing the '97 flatbed was an unfunded Dredge Intermediate fund item in the FY21 budget.

Port Director Olin stated that staff proposes to purchase a used truck using unreserved cash in an amount not-to-exceed \$30,000. She stated that no surplus value is anticipated for the existing truck, although staff plans to repurpose the existing flatbed portion of the truck.

In response to a question posed by Commissioner Smith, Port Director Olin confirmed that the replacement truck will be used, not new, and the purchase price will not exceed \$30,000.

MOTION: Motion made by Vice-chairman Goddard, seconded by Commissioner Smith to authorize the emergency replacement of a used 4WD truck for the dredge operation in an amount not-to-exceed \$30,000.

- *Motion carried unanimously by roll call.*
- *Reed: YES*
 - *Goddard: YES*
 - *Smith: YES*
 - *Gertler: YES*

- *Geisreiter*: YES

12. Approval of Resolution 20-11 – Twin Lakes Beachfront Project Panoramic Display

Discussion: Vice-chairman Goddard stated that he requested this item be placed on tonight’s agenda. He stated that he has been working with a professional cartographer to develop an interpretive panorama of the Monterey Bay, and has begun preliminary discussions with the County of Santa Cruz for placement of the infographic near the Twin Lakes Beachfront Project.

Vice-chairman Goddard stated that the County is requesting a resolution of support from the District. A discussion ensued about the display, its location, and any Port District obligations. Vice-chairman Goddard explained that:

- the panoramic display is proposed to be located at the overlook east of the East Cliff Drive turnaround near the stairs to Twin Lakes State Beach;
- the Port District is under no financial obligation for the panoramic display;
- he will abstain from voting.

MOTION: Motion made by Commission Geisreiter, seconded by Commissioner Smith to approve Resolution 20-11 – Twin Lakes Beachfront Project Panoramic Display.

- *Motion carried by roll call with one abstention:*

- *Reed*: YES
- *Goddard*: ABSTAINED
- *Smith*: YES
- *Gertler*: YES
- *Geisreiter*: YES

13. Quarterly Review of FY21 Budget Impacts and Responses Relative to COVID-19

Discussion: Port Director Olin stated that at the regular session of April 28, 2020, the Port Commission reviewed and approved proposed FY21 budget adjustments in response to impacts related to COVID-19, which included various expense reductions and funding reallocations to be reviewed quarterly by the Port Commission.

Port Director Olin highlighted the following:

- Slip rent revenue exceeds FY21 budgeted figures and prior year’s revenue, due in part to restoring depths in previously shoaled north harbor slips (increasing occupancy)
- Launch revenue exceeds FY21 budgeted figures, due in part to increased sales of annual launch passes and demand presumably created by temporary closure of the ramp due to COVID-19
- Visitor parking revenue is down approximately \$113,000 over the prior year due to COVID-19 related closures
- RV Park revenue is down due to COVID-19 related closures

- Fuel revenue is down (fuel expenses are subsequently decreased)
- Overall, revenue has decreased by \$364,000 over the prior fiscal year, though expense reductions are helping to offset this decrease.

Port Director Olin stated that staff will continue to monitor impacts and present quarterly reports for the Commission's review.

14. Approval of Cash / Payroll Disbursements – June 2020

Discussion: Staff provided additional information on the following warrants:

- Warrant # 53534: SWPPP = Storm Water Pollution Prevention Program
- Warrant # 53538: Patrol Vessel Progress Payments are eligible for grant reimbursements prior to project completion.

MOTION: Motion made by Vice-chairman Goddard, seconded by Commissioner Smith to approve the cash and payroll disbursements for June 2020, in an amount of \$872,978.46.

- *Motion carried unanimously by roll call.*

- *Reed: YES*
- *Goddard: YES*
- *Smith: YES*
- *Gertler: YES*
- *Geisreiter: YES*

INFORMATION

15. Port Director's Report

Monterey Bay National Marine Sanctuary (MBNMS) Management Plan Review

Port Director Olin stated that she attended (virtually) the MBNMS June public meeting. She stated that MBNMS has released its Draft Management Plan for review and public comment. She stated that a unified response from all four Monterey Bay Sanctuary Harbors will be submitted.

The Commission was supportive of appointing an ad hoc committee to review the draft management plan and formulate comments for an individual response to the plan for review by the full Commission. Vice-chairman Goddard and Commissioner Gertler were appointed to the ad hoc committee.

Sediment Sampling and Analysis Plan

Port Director Olin stated that the District's Tier One Determination Request was accepted by regulators, which will result in a significant cost savings to the District. No sediment testing will be required for the 2020-21 season.

FEMA Disaster Assistance Grant

Port Director Olin stated that the District's application for the FEMA Disaster Assistance Grant will be submitted once the incident period is closed. She stated that this will help capture all COVID-19 related disaster expenses. The incident period is set to close on September 22, 2020, and will likely be extended.

East Public Pier Timber Pile Rehabilitation Project – Phase 1

Port Director Olin stated that Moffatt and Nichol performed an inspection of the east side public pier pilings in September 2019, and identified three critical piles for repair in Phase 1. She stated that a Request for Proposals will be issued, and hopefully a contract will be brought back in August for Commission approval.

Aldo's Seawall Replacement Project

Port Director Olin stated that Granite Construction has completed sinkhole remediation and drain repair work at the Aldo's site. She stated that staff is prepared to file the Notice of Completion upon satisfactory inspection, which is scheduled for tomorrow.

16. Harbormaster's Report

Harbormaster Anderson stated that he is researching procurement options for a replacement water taxi vessel and will present additional information to the Commission at the August meeting.

A brief discussion ensued regarding the specifications of the vessel and the selection of suitable manufacturers.

Vice-chairman Goddard expressed support of Harbor Patrol's ongoing training efforts with the U.S. Coast Guard.

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

Supervising Harbor Maintenance Worker, Nick Gullo stated that the Concession Lot Restroom Rehabilitation Project is underway. He stated that maintenance crews have been delayed due to unanticipated electrical and plumbing repairs but indicated that the completion date is planned for the first week of August.

Commissioner Smith commended the maintenance crew on the high-quality construction work achieved by staff.

18. 2019 Vessel Use List Review

Chairman Reed stated that as a way of encouraging partnership agreements in the harbor, he is supportive of the District creating a one-page advocacy statement regarding partnership rules for distribution.

19. O'Neill Sea Odyssey (OSO) Annual Report

Administrative Services Manager MacLaurie reviewed the annual OSO reporting response to a question posed by Vice-chairman Goddard, ASM MacLaurie stated that future reporting will be reflective of provisions of the new 99-pak charter permit.

20. Sea Scouts' Bi-Annual Report

Sea Scouts' Director, Kevin Melrose, stated that the program's new vessel, *Bosso*, recently had its failed starboard engine removed and will be rebuilt.

21. Financial Reports

- a) Comparative Seasonal Revenue Graphs
- b) Quarterly Budget Report as of June 30, 2020

- c) Quarterly Boatyard Report as of June 30, 2020
- d) Quarterly Fuel Dock Report as of June 30, 2020
- e) Quarterly Employee Count as of June 30, 2020
- f) Quarterly Concession Income Report as of June 30, 2020
- g) LAIF Statement

Commissioner Geisreiter thanked staff for a very good report. He also thanked slip holders for their resiliency and digging deep to make monthly payments and keeping slip occupancy high. He commented that the resiliency and support shown by harbor slip renters will help the Commission avoid having to make more drastic cuts. He expressed his appreciation to staff, and senior deputy harbormaster Don Kinnamon in particular, for their work to fill the slips.

Commissioner Geisreiter stated that the Quarterly Concession Income Report also highlights how COVID-19 related mitigation measures are impacting harbor restaurants. He stated that it will be important for the harbor to continue to support harbor restaurants during this difficult time.

- 22. Delinquent Account Reporting (*There was no discussion on this agenda item*)
- 23. Harbor Patrol Incident Response Report – June 2020 (*There was no discussion on this agenda item*)
- 24. Written Correspondence
 - a) Submittal from Supervisor Coonerty to Santa Cruz Board of Supervisors
 - b) Email from Michael Spadafora to Port Commission
 - c) Email from Jean Brocklebank to Port Commission

In regard to Item 24 (c), the letter from J. Brocklebank, Port Director Olin stated that the Port District removed the trash bins from the west jetty area. She stated that while beach visitors may feel free to leave their trash next to a full bin, they may be less likely to simply leave trash where there is no bin. She expressed her hope that this will cause more beach visitors to pack their trash.

- 25. Port Commission Review Calendar / Follow-Up Items

Vice-chairman Goddard expressed support for scheduling the future calendar item “Port Commission Policies and Procedures Manual Update: Human Resource Role”.

Chairman Reed adjourned the regular public session at 8:08 PM.

Stephen Reed, Chairman

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

TO: Port Commission
FROM: Port Director, Marian Olin
DATE: August 18, 2020
SUBJECT: Approval of Month-to-Month Rental Agreement for 413 Lake Avenue, Suite 104
(Tenant: Kayak Connection)

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

BACKGROUND

The Port District solicited bids for the office space located at 413 Lake Avenue, Suite 104, after the previous tenant provided notice and vacated the space in March 2020. The 239 SF space previously rented for \$1,107 per month. After one month, though a handful of parties made inquiries, staff was unable to secure a tenant at the former rental rate. The space was re-advertised at the lower monthly rate of \$875/month, and after three months, current harbor business operator, Kayak Connection, submitted an application.

Staff recommends award of the month-to-month rental agreement to Jessica and Dave Grigsby, owners of Kayak Connection and current tenant at 413 Lake Avenue, Suite 101 / 102. The highly visible location and additional space of Suite 104 will be used by Kayak Connection as a showroom to display kayak-related products for sale.

The prospective tenant is prepared to take over the premises beginning September 1, 2020, with terms as outlined below. A proposal to frame-out an existing covered door conjoining the suites has been reviewed and approved by District staff.

ANALYSIS

Terms of lease: Month-to-Month
Tenant: Kayak Connection (Jessica Grigsby)
Space: 413 Lake Avenue, Suite 104 (239 SF)
Rent: \$875/mo. (\$3.66/SF) – Adjusted annually by CPI
Use: Showroom
Insurance: \$1 million with Santa Cruz Port District named as additional insured

IMPACT ON PORT DISTRICT RESOURCES

Approval of this lease will generate approximately \$10,500 per year in concession income.

ATTACHMENTS: A. Rental Agreement – 413 Lake Avenue, Suite 104
B. Premise Map

**SANTA CRUZ PORT DISTRICT
RENTAL AGREEMENT**

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

RECITALS:

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

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

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

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

Agreement Date: September 1, 2020 Term: Month-to-Month
 Tenant: Kayak Connection (Jessica Grigsby)
 Property: 413 Lake Avenue, Suite 104
 Premises: Office Space

	<i>Fixed Minimum</i>	<i>Time Period</i>	<i>Percentage Rent</i>	<i>Based On</i>
Rent:	<u>\$875.00</u>	<u>per month</u>	<u>N/A</u>	<u>N/A</u>

Rent Payable: Monthly on: the 1st starting: September 1, 2020

Rent Adjusted: annually on: April 1 based on: SF Bay Area CPI

Deposit: \$875.00 paid: _____

Use: Showroom / display space to be used for Kayak Connection

Tenant Insurance Requirements: Casualty N/A Liability \$1 million

Notice of Rent Adjustment: 30 days Notice of Termination: 30 days

	<i>Landlord</i>	<i>Tenant</i>
Notice Addresses:	<u>Santa Cruz Port District</u>	<u>Kayak Connection</u>
	<u>Attn: Port Director</u>	<u>Jessica Grigsby</u>
	<u>135 5th Avenue</u>	<u>413 Lake Avenue, Suite 101</u>
	<u>Santa Cruz, CA 95062</u>	<u>Santa Cruz, CA 95602</u>

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

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

4. Rent.

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

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

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

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

5. Use.

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

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

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

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

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

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

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

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

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

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

7. Construction of Improvements.

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

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

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

8. Taxes and Assessments.

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

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

9. Insurance.

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

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

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

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

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

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

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

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

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

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

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

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

10. Indemnification.

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

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

11. Maintenance and Repairs.

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

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

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

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

13. Assignment and Subletting.

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

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

14. Damage or Destruction.

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

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

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

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

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

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

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

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

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

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

15. Eminent Domain.

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

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

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

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

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

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

(a) Tenant Default

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19. Subordination.

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

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

20. Landlord's Right to Reenter.

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

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

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

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

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

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

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

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

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

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

29. General.

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

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

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

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

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

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

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

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

(i) Partial Invalidity. If any term, covenant, condition, or provision of this agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired, or invalidated thereby.

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

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

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

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

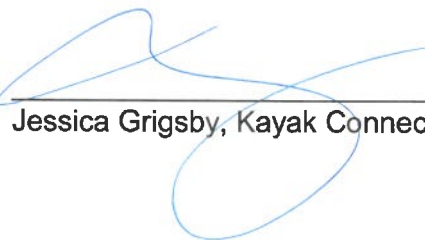
"LANDLORD"

SANTA CRUZ PORT DISTRICT
COMMISSION,
a political subdivision

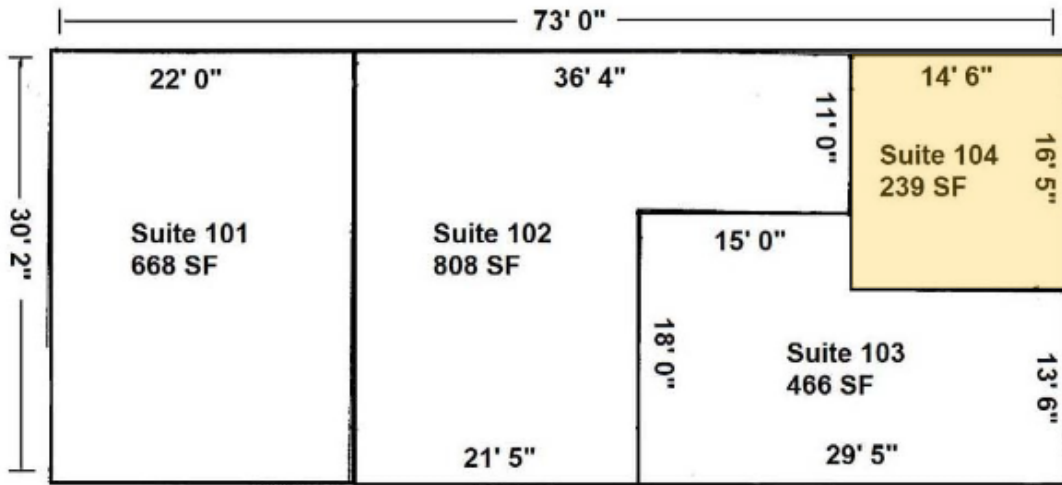
ATTEST:

By _____
Marian Olin
Port Director

"TENANT"

By  _____
Jessica Grigsby, Kayak Connection

Premise Map
413 Lake Avenue
Suite 104



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



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

TO: Port Commission
FROM: Marian Olin, Port Director
DATE: August 19, 2020
SUBJECT: Review Draft FY20 Audited Financial Statement

INFORMATION

Kim Said of the auditing firm Hutchinson and Bloodgood will participate in the August 25 meeting and present the draft audit. The draft audit is appended as Attachment A. Ms. Said's outline summarizing audit findings is appended as Attachment B.

Last year, the District's FY19 financial statements were presented as a single year due to implementation of Governmental Accounting Standards Board Statement No. 75, which required net Other Post Employment Benefits ("OPEB") liability to be included on the financial statements. This year's audit document returns to a two-year report format for the years ended March 31, 2020, and 2019.

The final audit will be presented to the Commission for acceptance at the September meeting.

ATTACHMENTS: A. DRAFT Audited Financial Statement as of March 31, 2020
B. Audit Summary by K. Said, Hutchinson & Bloodgood

SANTA CRUZ PORT DISTRICT

FINANCIAL REPORT

Years ended March 31, 2020 and 2019

DRAFT

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Santa Cruz Port District
Santa Cruz, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Santa Cruz Port District (the District), which comprise the statements of net position as of March 31, 2020 and 2019, and the related statements of revenues, expenses, and change in net position and cash flows for the years then ended, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Santa Cruz Port District as of March 31, 2020 and 2019, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of contributions – defined benefit pension plans, and the schedule of changes in the net OPEB liability and related ratios, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated **TBD**, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

TBD

SANTA CRUZ PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS Years Ended March 31, 2020 and 2019

Our discussion and analysis of the Santa Cruz Port District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended March 31, 2020. Please read in conjunction with the District's basic financial statements.

FINANCIAL HIGHLIGHTS

During FY16, the Commission adopted a Reserve Policy and an annual contribution goal to the Capital Improvement Program (CIP) fund. The Reserve Policy is 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 that the District may face that are infrequent in occurrence.

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

As of March 31, 2020, the unrestricted Reserve Fund balance was \$1,888,692. Excluding depreciation, amortization, and other non-cash expenses, this figure exceeds the Reserve Fund goal by approximately 9% based on actual FY20 annual operating expenses. The District's FY21 budget funded an additional \$127,410 contribution to the reserve fund, to bring the fund balance up to \$2,016,102; however, due to the Coronavirus pandemic ("COVID-19") and response measures adopted by the Port Commission in April 2020, the FY21 contribution to the reserve fund was eliminated, keeping the Reserve Fund balance at \$1,888,692.

The CIP fund contribution goal was set at \$500,000 annually to fund current and future infrastructure maintenance and improvements. The FY20 budget funded \$500,000 to the CIP fund.

The FY19 budget increased full-time equivalent staffing by two, from twenty-seven (27) to twenty-nine (29) positions, converting two pre-existing full-time provisional positions, the Parking Coordinator position, and a Harbor Dredge Worker position. Full-time equivalent staffing remained static in FY20 at 29.

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

SANTA CRUZ PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended March 31, 2020 and 2019

FINANCIAL HIGHLIGHTS (Continued)

The District received \$385,000 in revenue from the Corps in FY20, and \$449,000 in FY19. Variations in funding year-to-year are attributable to the Corps catching up on funding shortfalls from previous years. The MOA provides for an adjustment to the annual reimbursement amount based on the actual average expenses for the first 5 years of the MOA. It is anticipated that this will increase Corps' annual reimbursement to approximately \$524,000 annually for calendar years 2020-2024, subject to funding availability and verification of expenses.

Financing for two major projects was secured in September 2018, through BBVA Compass Bank, totaling \$3.35 million. Financing in the amount of \$1,750,000 was acquired for the Pile Removal and Replacement Project, and \$1,600,000 was acquired for Aldo's Seawall Replacement Project, and partially offset the District's overall investment in these capital improvement projects. The District's loan agreement with BBVA Compass Bank for a \$2,000,000 Line of Credit (LOC) was terminated as part of the overall financing package.

Phase 1 of the Pile Removal and Replacement Project was completed in FY19 at a cost of approximately \$870,000. Phase 2 was completed in FY20 at a cost of approximately \$1,493,522. The contractor for Phases 1 and 2 was Bellingham Marine. The Aldo's Seawall Replacement Project was substantially complete in FY20 at a cost of \$2,144,321, with final completion of all punch list items and change orders in FY21. The contractor for the Aldo's Seawall Replacement Project was Granite Construction. Both CIP projects were completed underbudget, and all available loan financing was expended. The FY21 budget reallocated remaining CIP funding for the Pile Removal and Replacement Project to the Pier Rehabilitation Project; remaining CIP funding for the Aldo's Seawall Replacement Project continues to be reserved for remaining FY21 project costs and to fund future capital improvements associated with reconstruction of the restaurant by the lessor.

The Concession Lot Automation Project, also known as the Concession Lot Parking Access and Revenue Control System (PARCS) Project was substantially complete in FY20 with final completion in FY21. The total project cost, including design, engineering, electrical work, cabling, equipment and installation is approximately \$190,000. Though the PARCS system is capable of full automation, it was anticipated that the concession lot exit kiosk would continue to be attended by staff for the foreseeable future; however, in the interest of protecting employee and public health due to COVID-19, the lot was fully automated in May 2020.

A permanent display for the gaff-rigged felucca sailing boat named *Pappy* was completed in FY20. The vessel and plaque honoring the vessel and its former owner, Ed Larson, are displayed near the Santa Cruz Harbor office.

Acquisition and installation of a hazmat shed in the dredge yard was completed in FY20. This facility provides secure storage for hazardous materials assuring greater environmental protection.

A new kayak rack storage facility was constructed in the "X-J" channel area in FY20 at a cost of approximately \$20,000. The new facility generated approximately \$18,697 in new revenue in FY20.

Other Capital Improvement Projects completed in FY20 included pavement repairs, installation of security cameras throughout the harbor, re-roofing 493 Lake Avenue and the harbor office cupola.

SANTA CRUZ PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended March 31, 2020 and 2019

FINANCIAL HIGHLIGHTS (Continued)

Each year since FY13, the District has adopted a 5-Year Capital Improvement Plan (CIP). The CIP lists projects for the current year in detail, and provides capital needs forecasts extending out five years. The CIP was updated in FY20 to cover the period FY20-FY24 and provided funding for fourteen projects totaling \$600,538, three of which were new projects. Funding was derived from a \$500,000 FY20 contribution to the CIP, and reallocation of \$100,538 in Unallocated CIP Funds.

The CIP is updated as part of each budget adoption cycle. 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. As a result, salary costs in the operating budget are decreased.

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

In December 2017, the District entered into a three-year Memorandum of Understanding ("MOU") on salaries and benefits with the Harbor Employees Association ("HEA") ending December 31, 2020, and a two-year MOU with the Operating Engineers Union Local No. 3 ("OE3") ending December 31, 2019; and, in January 2018, the District entered into a salary and benefit agreement with the Harbor Management Group. The MOUs and labor agreements reflected comparable labor market findings from an updated Classification and Compensation Study completed by Public Sector Personnel Consultants ("PSPC") in 2017. The District entered into a one-year MOU with OE3 effective January 1, 2020, which included a 2% cost-of-living increase. The District bargained with HEA to increase salaries by one-half of one percent, bringing the cost-of-living increase effective January 1, 2020, to 2% total.

SANTA CRUZ PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS Years Ended March 31, 2020 and 2019

Fiscal Year Ended March 31, 2020

Operating Revenues

Operating revenues were \$9,813,660; \$66,544 of which were non-cash lease revenues from O'Neill Sea Odyssey, leaving total revenues at \$9,747,116, or about 106% of budgeted revenues, and were \$602,332, or approximately 6.5% higher than the prior year. Visitor-related income sources (visitor berthing fees, launch fees, parking, and RV) were \$1,227,574, \$48,527, or 4% higher than the prior year. Visitor parking aligned with budget projections, while visitor berthing, launch and recreational vehicle parking revenue exceeded budget. Launch revenue increased over FY19 by approximately 26% and was more than double budget projections due to increased demand and excellent fishing conditions. Fuel sales were \$655,675, exceeding budget projections by \$70,675 due in part to higher visitorship and launch activity. Slip rent, at \$4,497,588, exceeded budget by \$30,330, or 1%, and was approximately \$176,630 higher, or 4% greater than the prior year due to north harbor dredging efforts which restored previously unusable slips due to shoaling.

FY20 concession income of \$1,893,576 was 5% or \$93,596 higher than budget, and up 3% over FY19, which is attributable to a 4.5% CPI increase to landside lease base rents.

Boatyard revenue in FY20 was \$336,348 an increase of \$52,152 over the prior year, or approximately 16% higher, due in part to higher demand and extended vessel berthing stays.

The 6.5% overall increase in operating revenues in FY20 is primarily attributable to increases in slip rent, launch, visitor berthing, fuel sales, boatyard revenue, and tenant utility charges which were higher than budget due to County of Santa Cruz billing remittance and associated reimbursement timelines.

Operating Expenses

Operating expenses (before depreciation, amortization and non-cash pension and OPEB liability) were \$6,842,863, \$746,905, or approximately 10% under budget (net of Capital Project budget and expenditures), and approximately \$313,692, or 5% higher than the prior year adjusting for non-cash pension expense. Non-dredging expenses of \$5,471,827 were lower than budget, and \$174,838 higher, or approximately 3% more than the prior year. Though actual expenditures were under budgeted FY20 program expenses overall, dredging expenses of \$1,369,670 were \$137,488 higher than the prior year, primarily due to higher labor costs associated with maintenance personnel assisting with inner harbor dredging operations, as well as higher equipment maintenance and repair costs.

Net Position

The District's net position as of March 31, 2020, is \$29,574,948. This is an increase of \$860,637 or approximately 3% higher than the March 31, 2019, net position of \$28,714,311.

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

Current Assets decreased \$2,955,787 in FY20, attributable to a reduction in cash and cash equivalents due to CIP expenditures from cash and loan proceeds secured in September 2018.

SANTA CRUZ PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended March 31, 2020 and 2019

Fiscal Year Ended March 31, 2020 (Continued)

Net Position (continued)

Deferred outflows of resources decreased by \$14,265 in FY20, to \$938,304. This decrease is primarily related to the change in the net pension liability as calculated per GASB Statement No. 68.

The Current and Other Liabilities increased by \$89,483 in FY20, to \$7,739,390. This is due primarily to an increase in net pension liability and the current portion of long term debt.

Long term debt obligations decreased from \$13,858,644 in FY19 to \$12,563,188 in FY20, or approximately 9% as bond financing secured with BBVA Compass Bank in 2013, and other long term debt is paid down.

Deferred inflows of resources increased by \$40,037 in FY20, to \$407,922. This increase was primarily due to the change in net OPEB liability as calculated per GASB Statement No. 75.

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SANTA CRUZ PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended March 31, 2020 and 2019

Fiscal Year Ended March 31, 2019

Operating Revenues

Operating revenues were \$9,211,328; \$66,544 of which were non-cash lease revenues from O'Neill Sea Odyssey, leaving total revenues at \$9,144,784, or about 103% of budgeted revenues, and were \$140,589, or 2% higher than the prior year. Visitor-related income sources (visitor berthing fees, launch fees, parking, and RV) were \$1,179,047, \$6,145, or <1% lower than the prior year. Visitor parking decreased from FY18, while visitor berthing, launch and recreational vehicle parking revenue increased over FY18. Launch revenue increased over FY18 by about 18%, due in part to increased activity and improved segregation of launch and parking revenue. Slip rent, at \$4,320,958, was under budget by \$38,318, or <1%, and approximately \$100,261 higher, or 2% greater than the prior year.

FY19 concession income of \$1,838,345 was 5% or \$89,285 higher than budget, and down 2.7% from FY18, which is attributable to additional revenue recognized in FY18 due to reporting period end dates.

Boatyard revenue increased \$20,632, approximately 7% higher than the prior year, attributable to increases in layday and storage revenue, and vessel berthing.

Fuel sales increased over FY18 by \$33,795 overall, or 7%. FY19 experienced a decline in gasoline sales of \$32,309, and an increase in diesel sales of \$66,104.

The 2% overall increase in operating revenues in FY19 is primarily attributable to increases in slip rent, diesel sales, launch and visitor berthing.

Operating Expenses

Operating expenses (before depreciation, amortization and non-cash pension and OPEB liability) were \$6,529,171, \$597,478, or 8% under budget (net of Capital Project budget and expenditures), and approximately \$355,890, or 6% higher than the prior year adjusting for non-cash pension expense. Non-dredging expenses of \$5,296,989 were lower than budget, and \$131,776 lower, or 2% less than the prior year. This is primarily due to project-related activities funded in the CIP which reduces labor operating expense. Dredging expenses of \$1,232,182 were comparable to the prior year.

Net Position

The District's net position at March 31, 2019, is \$28,714,311. This is an increase of \$994,943 or 3.6% from the March 31, 2018, net position of \$27,719,368, after consideration of prior period adjustment related to retroactive implementation of Governmental Accounting Standards Board (GASB) Statement No. 75.

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

Current Assets increased \$3,268,199 in FY19, primarily due to increases in cash due to the loan funds secured in September 2018.

SANTA CRUZ PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended March 31, 2020 and 2019

Fiscal Year Ended March 31, 2019 (Continued)

Net Position (continued)

Deferred outflows of resources decreased by \$289,814 in FY19, to \$952,569. This decrease is primarily related to the change in the net pension liability as calculated per GASB Statement No. 68.

The Current and Other Liabilities increased by \$588,335 in FY19, to \$7,649,907. This is due primarily to an increase in current liabilities due to new debt financing acquired in September 2018, and GASB Statement No. 75, which requires net Other Post Employment Benefits (OPEB) liability to be included on the financial statements. Note: OPEB liability was previously disclosed as a note disclosure in the District's annual audit. The District's FY19 financial statements were presented as a single year due to this change. Net pension liability as calculated per GASB Statement No. 68 decreased in FY19.

Long term debt obligations increased by \$1,941,284 in FY19 to \$13,858,644, due to new taxable and non-taxable bond financing secured with BBVA Compass Bank in September 2018.

Deferred inflows of resources increased by \$84,254 in FY19, to \$367,885. This increase was due to the change in the net pension liability as calculated per GASB Statement No. 68.

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SANTA CRUZ PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS Years Ended March 31, 2020 and 2019

USING THIS ANNUAL REPORT

This annual report consists of management's discussion and analysis, the basic financial statements, and notes to the financial statements. Management's discussion and analysis provides a narrative of the District's financial performance and activities for the year ended March 31, 2020. The basic financial statements provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The basic financial statements consist of three statements:

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

SANTA CRUZ PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
 Years Ended March 31, 2020 and 2019

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The following summarizes net position:

	2020	2019	2018 *
Assets			
Current and other assets	\$ 10,409,436	\$ 13,365,223	\$ 10,097,024
Capital assets net of depreciation	37,921,137	35,257,569	35,191,917
Other assets	<u>1,016,571</u>	<u>1,015,386</u>	<u>726,601</u>
Total Assets	49,347,144	49,638,178	46,015,542
Deferred outflows	<u>938,304</u>	<u>952,569</u>	<u>1,242,383</u>
	<u>\$ 50,285,448</u>	<u>\$ 50,590,747</u>	<u>\$ 47,257,925</u>
	-1%	7%	
Liabilities			
Current liabilities	\$ 2,468,596	\$ 2,658,753	\$ 2,426,320
Long-term debt	12,563,188	13,858,644	11,917,360
Unearned revenue	449,174	515,718	582,260
Net pension liability	4,338,392	3,990,879	4,052,992
Net OPEB liability	<u>483,228</u>	<u>484,557</u>	<u>--</u>
Total Liabilities	20,302,578	21,508,551	18,978,932
Deferred inflows	<u>407,922</u>	<u>367,885</u>	<u>283,631</u>
	<u>\$ 20,710,500</u>	<u>\$ 21,876,436</u>	<u>\$ 19,262,563</u>
	-5%	14%	
Net position			
Net investment in capital assets	\$ 23,543,068	\$ 19,562,212	\$ 21,576,916
Restricted for debt service	1,016,571	1,015,386	726,601
Unrestricted	<u>5,015,309</u>	<u>8,136,713</u>	<u>5,691,845</u>
Total net position	<u>\$ 29,574,948</u>	<u>\$ 28,714,311</u>	<u>\$ 27,995,362</u>
	3%	3%	

* Not adjusted for prior period adjustment related to the OPEB liability pertaining to the retroactive implementation of GASB Statement No. 75

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

SANTA CRUZ PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended March 31, 2020 and 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION

Fiscal Year Ended March 31, 2020

Capital Assets

Priorities for capital investment in FY20 focused on awarding a construction contract for the Aldo's Seawall Replacement Project and achieving significant completion by November 30, 2019; completing Phase 2 of the Pile Removal and Replacement Project; and, developing a Request for Proposals packet, bidding and awarding a construction contract for the PARCS; constructing a display cradle for the vessel *Pappy*; and re-roofing 493 Lake Avenue and the harbor office cupola.

Debt Administration

The District's debt acquired in 2013, is related to facilities modernization and up-front funding for acquisition of the new dredge vessel *Twin Lakes*. New debt totaling \$3.35 million was acquired in FY19 to fund two capital infrastructure projects, Aldo's Seawall Replacement Project and the Pile Removal and Replacement Project. The District's debt at March 31, 2020, totaled \$13,862,351. This represents a decrease of \$1,250,744 or approximately 8%, from FY19's total debt of \$15,113,095.

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SANTA CRUZ PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended March 31, 2020 and 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Fiscal Year Ended March 31, 2019

Capital Assets

Priorities for capital investment in FY19 focused on completing permitting, plans and specifications for replacement of the seawall at Aldo's Restaurant and going out to public bid, completing Phase 1 of the Pile Removal and Replacement Project and preparing bid documents for the Phase 2 project to be completed in FY20; completing fabrication of new aluminum dock gates and necessary brow pier repairs to facilitate installation of the electronic key system for dock gates, restrooms and shower facilities; replacing damaged flooring at 345 Lake Avenue, replacing worn and damaged carpet at the harbor office and exterior painting at 493 Lake Avenue.

Investments in equipment included major overhaul of Dauntless, fabrication of a new snorkel for *Twin Lakes* (a non-depreciable asset until installation is completed for the 2019-20 dredge season), replacement of spill buckets on the underground fuel storage tanks, acquisition of a used bucket truck for the Grounds Department, unanticipated outlay for replacement of an electrical cable on O-dock, a replacement server and network cabling project at the harbor office and acquisition of a used backhoe from proceeds generated through the sale of the District's rubber-tired loader.

Debt Administration

The District's debt acquired in 2013, is related to facilities modernization and up-front funding for acquisition of the new dredge vessel *Twin Lakes*. New debt totaling \$3.35 million was acquired in FY19 to fund two capital infrastructure projects, Aldo's Seawall Replacement Project and the Pile Removal and Replacement Project. The District's debt at March 31, 2019, totaled \$15,113,095. This represents an increase of \$2,146,898 or 17%, from FY18's total debt of \$12,966,197.

SANTA CRUZ PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended March 31, 2020 and 2019

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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SANTA CRUZ PORT DISTRICTSTATEMENTS OF NET POSITION
March 31, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,070,823	\$ 13,095,489
Trade receivables	245,550	110,480
Grants receivable	--	48,639
Interest receivable	48,223	75,887
Inventory	10,263	6,944
Prepaid expenses	34,577	27,784
	<u>10,409,436</u>	<u>13,365,223</u>
RESTRICTED ASSETS		
Cash and cash equivalents (Note 2)	<u>1,016,571</u>	<u>1,015,386</u>
CAPITAL ASSETS (Note 3)		
Nondepreciable assets:		
Land	1,349,360	1,349,360
Construction in progress	3,197,517	874,128
Depreciable assets:		
Structures and improvements	29,668,008	29,477,120
Docks	24,113,526	22,600,115
Equipment	11,864,219	11,335,516
Office equipment	153,680	153,680
	<u>70,346,310</u>	<u>65,789,919</u>
Less accumulated depreciation	<u>32,425,173</u>	<u>30,532,350</u>
	<u>37,921,137</u>	<u>35,257,569</u>
	<u>49,347,144</u>	<u>49,638,178</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts from pension plans (Note 6)	927,507	948,686
Deferred amounts from OPEB plan (Note 9)	<u>10,797</u>	<u>3,883</u>
	<u>938,304</u>	<u>952,569</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 50,285,448</u>	<u>\$ 50,590,747</u>

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

SANTA CRUZ PORT DISTRICT

STATEMENTS OF NET POSITION March 31, 2020 and 2019

	2020	2019
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 169,131	\$ 395,293
Accrued interest	92,380	101,615
Payroll liabilities	210,982	219,891
Current portion of long-term debt (Note 4)	1,299,163	1,254,451
Current portion of unearned revenue (Note 5)	66,544	66,544
Prepaid slip rents	191,985	189,780
Deposits	438,411	431,179
	<u>2,468,596</u>	<u>2,658,753</u>
Total current liabilities		
	<u>2,468,596</u>	<u>2,658,753</u>
LONG-TERM DEBT, less current portion (Note 4)	<u>12,563,188</u>	<u>13,858,644</u>
OTHER LONG-TERM LIABILITIES		
Unearned revenue, less current portion (Note 5)	449,174	515,718
Net pension liability (Note 6)	4,338,392	3,990,879
Net OPEB liability (Note 9)	483,228	484,557
	<u>5,270,794</u>	<u>4,991,154</u>
Total Liabilities	<u>20,302,578</u>	<u>21,508,551</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts from pension plans (Note 6)	334,844	365,451
Deferred amounts from OPEB plan (Note 9)	73,078	2,434
	<u>407,922</u>	<u>367,885</u>
Total Deferred Inflows of Resources		
	<u>407,922</u>	<u>367,885</u>
NET POSITION		
Net investment in capital assets	23,543,068	19,562,212
Restricted for:		
Debt service	1,016,571	1,015,386
Unrestricted	5,015,309	8,136,713
	<u>29,574,948</u>	<u>28,714,311</u>
Total Net Position		
	<u>29,574,948</u>	<u>28,714,311</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 50,285,448</u>	<u>\$ 50,590,747</u>

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

SANTA CRUZ PORT DISTRICT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION Years Ended March 31, 2020 and 2019

	2020	2019
Operating revenues:		
Charges for berthing and services	\$ 7,920,084	\$ 7,372,983
Rent and concessions	1,893,576	1,838,345
	<u>9,813,660</u>	<u>9,211,328</u>
Operating expenses:		
Depreciation and amortization	1,954,934	1,830,080
Dredging operations	1,369,670	1,232,182
Administrative services	759,880	653,783
Grounds	727,772	750,251
Harbor patrol	683,549	641,569
Fuel services	536,061	413,682
Property management	480,408	474,209
Marina management	434,290	544,303
Parking services	341,396	357,156
Non-cash pension liability	338,085	313,404
Buildings	323,550	322,642
Boatyard operations	274,979	254,419
Docks, piers, marine structures	237,013	270,617
Finance & purchasing	181,208	170,690
Environmental & permitting	174,318	143,423
Rescue services	99,549	95,508
Utilities	85,665	87,508
Non-cash OPEB liability	67,186	70,313
Port commission support	52,156	45,923
Aeration	38,467	36,840
Events	30,440	30,682
Capital projects	6,812	1,022
Fishery support	5,680	2,762
	<u>9,203,068</u>	<u>8,742,968</u>
Operating income	<u>610,592</u>	<u>468,360</u>
Non-operating revenues (expenses):		
County revenues for public services	49,985	12,493
Grants	37,826	111,403
Dredging reimbursement (Note 10)	385,000	449,000
Interest income	265,810	242,056
Other income	2,809	188,516
Interest expense	(491,385)	(476,885)
	<u>250,045</u>	<u>526,583</u>
Increase in net position	<u>860,637</u>	<u>994,943</u>
Net position, beginning, as previously reported	<u>28,714,311</u>	27,995,362
Cumulative effect of change in accounting principle		<u>(275,994)</u>
Net position, beginning as restated		<u>27,719,368</u>
Net position, ending	<u>\$ 29,574,948</u>	<u>\$ 28,714,311</u>

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

SANTA CRUZ PORT DISTRICT

STATEMENTS OF CASH FLOWS

Years Ended March 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 9,621,483	\$ 9,174,697
Cash paid to suppliers and employees	<u>(7,092,831)</u>	<u>(6,353,981)</u>
Net cash provided by operating activities	<u>2,528,652</u>	<u>2,820,716</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County revenues received for public services	49,985	12,493
Grant monies received	86,465	166,751
Government revenues received for dredge operations	385,000	449,000
Cash received from other nonoperating activities	<u>69,177</u>	<u>188,516</u>
Net cash provided by noncapital financing activities	<u>590,627</u>	<u>816,760</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital expenditures	(4,684,870)	(1,895,732)
Proceeds from grantors and governmental agencies as reimbursement for capital expenditures	--	25,679
Interest paid on long-term debt	(500,620)	(466,387)
Proceeds from long-term debt	--	3,350,000
Principal paid on long-term debt	<u>(1,250,744)</u>	<u>(1,203,102)</u>
Net cash used by capital and related financing activities	<u>(6,436,234)</u>	<u>(189,542)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	<u>293,474</u>	<u>198,580</u>
Net increase (decrease) in cash and cash equivalents	<u>(3,023,481)</u>	<u>3,646,514</u>
CASH AND CASH EQUIVALENTS, BEGINNING	<u>14,110,875</u>	<u>10,464,361</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 11,087,394</u>	<u>\$ 14,110,875</u>

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

SANTA CRUZ PORT DISTRICT

STATEMENT OF CASH FLOWS

Years Ended March 31, 2020 and 2019

	2020	2019	
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 610,592	\$ 468,360	
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,954,934	1,830,080	
Non-cash pension liability	338,085	313,404	
Non-cash OPEB liability	67,186	70,313	
(Increase) decrease in:			
Trade receivables	(135,070)	27,535	
Inventory	(3,319)	312	
Prepaid expenses	(6,793)	24,132	
Deferred outflows from OPEB plan	(4,785)	(3,200)	
Increase (decrease) in:			
Accounts payable and accrued expenses	(235,071)	153,946	
Deferred revenue	(66,544)	(66,542)	
Prepaid slip rents	2,205	8,560	
Deposits	7,232	(6,184)	
Net cash provided by operating activities	<u>\$ 2,528,652</u>	<u>\$ 2,820,716</u>	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION			
	Current Assets	Restricted Assets	Statements of Cash Flows Total
Year ended March 31, 2020			
Cash and cash equivalents, beginning	\$ 13,095,489	\$ 1,015,386	\$ 14,110,875
Net increase (decrease)	<u>(3,024,666)</u>	<u>1,185</u>	<u>(3,023,481)</u>
Cash and cash equivalents, ending	<u>\$ 10,070,823</u>	<u>\$ 1,016,571</u>	<u>\$ 11,087,394</u>
Year ended March 31, 2019			
Cash and cash equivalents, beginning	\$ 9,737,760	\$ 726,601	\$ 10,464,361
Net increase	<u>3,357,729</u>	<u>288,785</u>	<u>3,646,514</u>
Cash and cash equivalents, ending	<u>\$ 13,095,489</u>	<u>\$ 1,015,386</u>	<u>\$ 14,110,875</u>

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Years Ended March 31, 2020 and 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Years Ended March 31, 2020 and 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Liability for Compensated Absences: The District is required to recognize a liability for employees' rights to receive compensation for future absences. This obligation consists of the vested portion of leave balances, including vacation and compensatory time off, which are payable upon retirement. The liability for compensated absences at March 31, 2020 and 2019, included in payroll liabilities on the Statement of Net Position, was \$112,141 and \$118,568, respectively.

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

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

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

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

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

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

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2020 and 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

- GASB 87 - “Leases”, effective for periods beginning after December 15, 2019.

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

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

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

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Years Ended March 31, 2020 and 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (continued):

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

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

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

NOTE 2. CASH AND CASH EQUIVALENTS

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

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

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS
 Years Ended March 31, 2020 and 2019

NOTE 2. CASH AND CASH EQUIVALENTS (Continued)

The District has adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Under this statement, disclosures of these risks are required for uninsured and unregistered investments and deposits collateralized with securities held by the broker or pledging financial institution’s trust department or agent, but not in the District’s name. The District did not hold any investments or deposits falling into this category of risk (generally known as Category 3) at March 31, 2020.

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

	2020	2019
Restricted cash and cash equivalents for debt service:		
Money market funds / government obligations	<u>\$ 1,016,571</u>	<u>\$ 1,015,386</u>

NOTE 3. CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended March 31, 2020:

	March 31, 2019	Additions	Deletions and Transfers	March 31, 2020
Nondepreciable assets:				
Land	\$ 1,349,360	\$ --	\$ --	\$ 1,349,360
Construction in progress	874,128	2,486,957	(163,568)	3,197,517
Depreciable assets:				
Structures and improvements	29,477,120	190,888	--	29,668,008
Docks	22,600,115	1,513,411	--	24,113,526
Equipment	11,335,516	667,182	(138,479)	11,864,219
Office equipment	153,680	--	--	153,680
	<u>65,789,919</u>	<u>4,858,438</u>	<u>(302,047)</u>	<u>70,346,310</u>
Accumulated depreciation	<u>(30,532,350)</u>	<u>(1,954,934)</u>	<u>62,111</u>	<u>(32,425,173)</u>
	<u>\$ 35,257,569</u>	<u>\$ 2,903,504</u>	<u>\$ (239,936)</u>	<u>\$ 37,921,137</u>

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2020 and 2019

NOTE 3. CAPITAL ASSETS (Continued)

The following is a summary of changes in capital assets for the year ended March 31, 2019:

	March 31, 2018	Additions	Deletions and Transfers	March 31, 2019
Nondepreciable assets:				
Land	\$ 1,349,360	\$ --	\$ --	\$ 1,349,360
Construction in progress	605,977	332,046	(63,895)	874,128
Depreciable assets:				
Structures and improvements	29,405,675	71,445	--	29,477,120
Docks	21,562,506	1,020,833	16,776	22,600,115
Equipment	10,873,439	505,807	(43,730)	11,335,516
Office equipment	140,960	12,720	--	153,680
	<u>63,937,917</u>	<u>1,942,851</u>	<u>(90,849)</u>	<u>65,789,919</u>
Accumulated depreciation	<u>(28,746,000)</u>	<u>(1,830,080)</u>	<u>43,730</u>	<u>(30,532,350)</u>
	<u>\$ 35,191,917</u>	<u>\$ 112,771</u>	<u>\$ (47,119)</u>	<u>\$ 35,257,569</u>

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

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Years Ended March 31, 2020 and 2019

NOTE 4. LONG-TERM DEBT

Long-term debt and related current portion as of March 31, 2020 and 2019, is presented below:

	March 31, 2019	Additions	Reductions	March 31, 2020
Compass Bank taxable loan	\$ 1,496,468	\$ --	\$ (205,006)	\$ 1,291,462
Compass Bank tax-exempt loan	10,363,719	--	(859,671)	9,504,048
PG&E loan	56,711	--	(13,888)	42,823
Phone system	457	--	(457)	--
2018A Revenue Obligation	1,551,693	--	(83,787)	1,467,906
2018B Revenue Obligation	1,697,164	--	(91,641)	1,605,523
	<u>15,166,212</u>	<u>--</u>	<u>(1,254,450)</u>	<u>13,911,762</u>
Less revenue obligation issuance cost:	(53,117)	--	3,706	(49,411)
Less current portion	<u>(1,254,451)</u>	<u>(44,712)</u>	<u>--</u>	<u>(1,299,163)</u>
	<u>\$ 13,858,644</u>	<u>\$ (44,712)</u>	<u>\$ (1,250,744)</u>	<u>\$ 12,563,188</u>

Total interest incurred and charged to expense during the years ended March 31, 2020 and 2019, was \$491,385 and \$476,885, respectively.

During the fiscal year ended March 31, 2014, 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 Compass Bank taxable loan, in the amount of \$2,384,445 was part of the refinance package noted above. Proceeds of the loan were used to payoff the existing Series 2004C revenue bonds, as well as to provide funding to payoff the OE3 pension liability. Terms of the note call for semi-annual principal and interest payments in May and November, ranging from \$114,000 to \$229,000, with an average payment of \$140,000, including interest at 4.74% per annum. Final payment on the loan is due November 1, 2026.

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

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Years Ended March 31, 2020 and 2019

NOTE 4. LONG-TERM DEBT (Continued)

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

Phone system - In September 2014 the District entered into a capital lease agreement with AVAYA Financial Services, in the amount of \$18,866, for new phone systems. Terms of the lease called for monthly principal payments of \$315 over a period of 60 months. The loan was paid in full during the year ended March 31, 2020.

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

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

The borrowing agreements with BBVA Compass Bank for the taxable and tax-exempt loans and the 2018A and 2018B revenue obligations include a restrictive covenant requiring net revenues for the fiscal year to be equal to at least 1.25 times the debt service. At March 31, 2020, the District was in compliance with the covenant.

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

	Principal	Interest	Total
2021	\$ 1,299,163	\$ 436,548	\$ 1,735,711
2022	1,274,163	379,976	1,654,139
2023	1,313,042	358,490	1,671,532
2024	1,349,388	307,749	1,657,137
2025	1,394,754	258,178	1,652,932
2026-2030	6,341,516	681,906	7,023,422
2031-2035	<u>939,736</u>	<u>111,756</u>	<u>1,051,492</u>
	<u>\$ 13,911,762</u>	<u>\$ 2,534,603</u>	<u>\$ 16,446,365</u>

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS

Years Ended March 31, 2020 and 2019

NOTE 5. UNEARNED REVENUE

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

The tenant's total contribution to the project was \$1,558,239. That amount was established as unearned revenue and will be amortized to concession rental income over the term of the lease. Since inception of the lease agreement the District has recognized \$1,042,521 of the unearned revenue as rental income. Of the remaining \$515,718, \$66,544 is considered current and \$449,174 is considered long-term.

NOTE 6. PENSION PLANS

Deferred Compensation Plan (457(a)):

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

Defined Benefit Pension Plan (CalPERS):

General Information:

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

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

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service.

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2020 and 2019

NOTE 6. PENSION PLANS (Continued)

Defined Benefit Pension Plan (CalPERS) (Continued):

General Information (Continued)

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

The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS’ Board of Administration. The required employer contribution rate for the 2.5% @ 55 tier was 10.022% for April 2019 – June 2019 and 10.823% from July 2019 – March 2020. For the 2% @ 60 tier, the employer rate was 7.634% from April 2019 – June 2019 and 8.081% from July 2019 – March 2020. For the 2% @ 62 tier, the employer rate was 6.842% from April 2019 – June 2019 and 6.985% from July 2019 - March 2020. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

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

As of March 31, 2020, the District reported a \$4,338,392 net pension liability for its proportionate share of the net pension liability of the Plan.

The net pension liability of the Plan is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District’s proportionate share of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District’s proportionate share of the net pension liability for the Plan as of March 31, 2020 was as follows:

Proportion - March 31, 2019	0.0414%
Proportion - March 31, 2020	0.0423%
Change - Increase (Decrease)	0.0009%

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2020 and 2019

NOTE 6. PENSION PLANS (Continued)

Defined Benefit Pension Plan (CalPERS) (Continued):

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

For the year ended March 31, 2020, the District recognized pension expense of \$804,029. At March 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between actual and expected experience	\$ 301,320	\$ 23,346
Change in assumptions	206,875	73,335
Net differences between projected and actual earnings on plan investments	--	75,849
Change in employer's proportion	58,649	45,026
Differences between the employer's contributions and the employer's proportionate share of contributions	--	117,288
Pension contributions subsequent to measurement date	360,663	--
Total	<u>\$ 927,507</u>	<u>\$ 334,844</u>

The \$360,663 reported as deferred outflows of resources relates to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending March 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will increase (decrease) recognized pension expense as follows:

Year ending March 31,	Amount
2021	\$ 249,252
2022	(69,064)
2023	36,485
2024	15,327
	<u>\$ 232,000</u>

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2020 and 2019

NOTE 6. PENSION PLANS (Continued)

Defined Benefit Pension Plan (CalPERS) (Continued):

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

Actuarial Assumptions: The March 31, 2020 total pension liability was determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary Increase	Varies by entry age and service.
Mortality	The probabilities of mortality are derived using CalPERS' membership data for all funds. The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report.
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2018 valuation were based on the results of a 2018 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2020 and 2019

NOTE 6. PENSION PLANS (Continued)

Defined Benefit Pension Plan (CalPERS) (Continued):

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset class</u>	<u>Assumed asset allocation</u>	<u>Real return years 1-10 (a)</u>	<u>Real return years 11+ (b)</u>
Global equity	50.00%	4.80%	5.98%
Fixed income	28.00%	1.00%	2.62%
Inflation assets	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real estate	13.00%	3.75%	4.94%
Liquidity	1.00%	0.00%	-0.92%

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

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

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2020 and 2019

NOTE 6. PENSION PLANS (Continued)

Defined Benefit Pension Plan (CalPERS) (Continued):

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability, calculated using the discount rate, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease		6.15%
Net Pension Liability	\$	6,517,362
Current Discount Rate		7.15%
Net Pension Liability	\$	4,338,392
1% Increase		8.15%
Net Pension Liability	\$	2,539,806

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

Payable to the Pension Plan: At March 31, 2020, the District had no outstanding contributions payable to the pension plan required for the year ended March 31, 2020.

NOTE 7. RISK MANAGEMENT

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

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS
 Years Ended March 31, 2020 and 2019

NOTE 8. OPERATING LEASES

The District is the lessor of land and improvements under operating leases expiring in various years through 2032. Following is a summary of property held for lease at March 31:

	2020	2019
Land	\$ 1,224,703	\$ 1,224,703
Structures and improvements	27,859,758	27,668,870
Docks	<u>24,077,276</u>	<u>22,563,865</u>
	53,161,737	51,457,438
Less accumulated depreciation and amortization	<u>25,479,044</u>	<u>24,070,170</u>
	<u>\$ 27,682,693</u>	<u>\$ 27,387,268</u>

Minimum future lease income to be received on non-cancelable rent and concession leases as of March 31, 2020, for each of the next 5 years and in the aggregate is:

2021	\$ 786,279
2022	738,915
2023	485,179
2024	300,341
2025	178,277
Thereafter	<u>272,865</u>
	<u>\$ 2,761,856</u>

Minimum future lease income does not include contingent rentals that may be received under certain leases based on the volume of business conducted by the lessee. Contingent rental income on non-cancelable leases for the years ended March 31, 2020 and 2019, totaled approximately \$683,971 and \$609,267, respectively.

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Public Employees’ Medical and Hospital Care Act (PEMHCA)

The District administers a multiple-employer defined benefit healthcare plan (the Plan). The Plan provides medical healthcare insurance for eligible retirees and their spouses through the California Public Employees’ Retirement System (CalPERS) Health Benefits Program under the Public Employees’ Medical and Hospital Care Act (PEMHCA). No dental, vision, or life insurance benefits are provided by the Plan. Currently there are 2 retired employees and 25 active employees participating in the Plan.

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2020 and 2019

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

Funding Policy: There is no statutory requirement for the District to pre-fund its OPEB obligation. The District has currently chosen to pay Plan benefits on a pay-as-you-go basis and does not maintain a trust fund for its OPEB obligation. The District’s fixed dollar benefit contribution cannot be less than the PEMHCA minimum for PEMHCA actives and retirees. The District accrued these benefits at the monthly statutory rate (\$139 for 2020) for each participant in the PEMCHA plan. The total amount paid directly by the District to CalPERS for the District’s health premium contributions under PEMHCA for retiree medical health care plan postemployment benefits for the fiscal year was \$753. Including the implicit rate subsidy of \$4,785 and administrative expenses of \$37, the District’s total contributions to the plan for the year ended March 31, 2020, were \$5,575.

Total OPEB liability: The District’s total OPEB liability was measured as of March 31, 2019 and was determined by an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2019. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions

Valuation Date	April 1, 2019
Measurement Date	March 31, 2019
Contribution Policy	No pre-funding
Actuarial assumptions:	
Discount rate	3.79% at March 31, 2019 (Bond buyer 20-bond index)
General inflation	2.75% annually
Mortality, retirement, disability and termination	CalPERS 1997-2011 experience study
Mortality improvement	Post-retirement mortality projected fully generational with Scale MP-2019
Medical trend	Non-medicare: 7.5% for 2021, decreasing to an ultimate rate of 4.0% in 2076 Medicare: 6.3% for 2021, decreasing to an ultimate rate of 4.0% for 2076
PEMHCA minimum increase	4.25% annually
Participation at retirement	Actives: 30% initially, increasing to 50% in 2034 Retirees: 100% if covered

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2020 and 2019

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

Discount Rate

The discount rate used to measure the total OPEB liability was 3.79%. This rate is equal to the municipal bond twenty-year bond index rate as the District’s OPEB plan does not have any fiduciary net position.

Changes in the Total OPEB Liability: The changes in the Total OPEB liability are as follows:

Balance at 3/31/19 (3/31/18 measurement date)	<u>\$ 484,557</u>
Changes in the year:	
Service cost	54,348
Interest	20,887
Actual vs. expected experience	(78,459)
Assumption changes	5,778
Benefit payments	<u>(3,883)</u>
Net changes	<u>(1,329)</u>
Balance at 3/31/20 (3/31/19 measurement date)	<u>\$ 483,228</u>

Change of Assumptions

The discount rate changed from 3.89% for the measurement period ended March 31, 2018, to 3.79% for the measurement period ended March 31, 2019 as a result of the change in the municipal bond 20-year high grade rate index.

Change of Benefit Terms

There were no changes of benefit terms.

Subsequent Events

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

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

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

1% Decrease	2.79%
Total OPEB Liability	\$ 579,589
Current Discount Rate	3.79%
Total OPEB Liability	\$ 483,228
1% Increase	4.79%
Total OPEB Liability	\$ 407,641

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS
 Years Ended March 31, 2020 and 2019

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

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

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

1% Decrease		6.25%
Total OPEB Liability	\$	396,879
Current Trend		7.25%
Total OPEB Liability	\$	483,228
1% Increase		8.25%
Total OPEB Liability	\$	597,621

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: For the year ended March 31, 2020, the District recognized OPEB expense of \$67,186. At March 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ --	\$ 70,915
Change in assumptions	5,222	2,163
OPEB contributions made subsequent to the measurement date	<u>5,575</u>	<u>--</u>
Total	<u>\$ 10,797</u>	<u>\$ 73,078</u>

The OPEB contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending March 31, 2021.

Payable to the OPEB Plan: At March 31, 2020, the District had no outstanding amount of contributions to the OPEB plan required for the year ended March 31, 2020.

SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2020 and 2019

NOTE 10. DREDGING REIMBURSEMENT

In November, 2015, the District entered into an agreement with the Department of the Army Corps of Engineers (Corps) to reimburse the District for a portion of expected dredging costs, only if funds are specifically appropriated for that purpose. The agreement terminates on April 1, 2025. Due to the uncertainty of the availability of funds, revenue will be recorded when the funds are ultimately received. During the year ended March 31, 2020, the District received \$385,000 in payments from Department of the Army Corps of Engineers for dredging operations that occurred in 2018-19. During the year ended March 31, 2019, the District received \$449,000 in payments from Department of the Army Corps of Engineers for dredging operations that occurred in 2017-18.

NOTE 11. SUBSEQUENT EVENTS

Management has evaluated its March 31, 2020 and 2019 financial statements for subsequent events through **TBD**, the date of issuance of the financial statements. As a result of the spreads of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the District. The financial impact is unknown at this time.

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SANTA CRUZ PORT DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last 10 Fiscal Years*

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

Notes to Schedule:

Changes in Benefit Terms:

None

Change in Assumptions:

None

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

** - For the year ending on the measurement date

SANTA CRUZ PORT DISTRICT

SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLANS

Last 10 Fiscal Years*

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

Notes to Schedule:

Changes in Benefit Terms:

None

Change in Assumptions:

None

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

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

SANTA CRUZ PORT DISTRICT

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

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
Measurement date	March 31, 2019	June 30, 2018
Total OPEB liability:		
Service cost	\$ 54,348	\$ 53,126
Interest on total OPEB liability	20,887	18,141
Actual vs. expected experience	(78,459)	
Changes in assumptions	5,778	(2,705)
Benefit payments, including refunds and the implied subsidy benefit payments	(3,883)	(1,705)
Net change in total OPEB liability	(1,329)	66,857
Total OPEB liability - beginning of the year	484,557	417,700
Total OPEB liability - end of the year (a)	<u>483,228</u>	<u>484,557</u>
Plan fiduciary net position:		
Contributions - employer	--	--
Net investment income	--	--
Administrative expenses	--	--
Benefit payments, including refunds and the implied subsidy benefit payments	--	--
Net change in plan fiduciary net position	--	--
Plan fiduciary net position - beginning of the year	--	--
Plan fiduciary net position - end of the year (b)	--	--
Net OPEB Liability - Ending (a)-(b)	<u>\$ 483,228</u>	<u>\$ 484,557</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
Covered - employee payroll**	\$ 2,411,907	\$ 2,127,435
Net OPEB liability as a percentage of covered - employee payroll	20.04%	22.78%

Notes to Schedule:

Changes in Benefit Terms:

None

Change in Assumptions:

The discount rate changed from 3.89% for the measurement period ended March 31, 2018, to 3.79% for the measurement period ended March 31, 2019 as a result of the change in the municipal bond 20-year high grade rate index.

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

** - For the year ending on the measurement date



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Santa Cruz Port District
Santa Cruz, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Santa Cruz Port District (the District), as of and for the year ended March 31, 2020, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated **TBD**.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

TBD

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HUTCHINSON and

BLOODGOOD LLP

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INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Board of Commissioners
Santa Cruz Port District
Santa Cruz, California

Our report on our audit of the basic financial statements of the Santa Cruz Port District as of and for the years ended March 31, 2020 and 2019, appears on pages 1-2. The audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Insurance Coverage on page 45 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and, accordingly, we express no opinion on it.

TBD

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SANTA CRUZ PORT DISTRICT

SCHEDULE OF INSURANCE COVERAGE

March 31, 2020

As of March 31, 2020, the District's insurance coverage was as follows:

	LIMITS	DEDUCTIBLE
UMBRELLA / BUMBERSHOOT LIABILITY	\$14,000,000	\$25,000
Each Occurrence, excess of \$1,000,000 primary		
PROPERTY		
Building , Business Personal Property, Business Income, Contractor's Equipment, Piers, Wharves, and Docks (Loss Limits and Deductibles are given as total, subject to sublimit described in policy)	\$24,525,661	See policy
MARINA OPERATORS LEGAL LIABILITY		
Each Occurrence	\$1,000,000	\$5,000
BUSINESS AUTO		
Liability, Combined Single Limit	\$1,000,000	\$1,000
Medical Payments	\$5,000	None
Uninsured/Underinsured Motorist	\$1,000,000	None
HULL AND MACHINERY / PROTECTION AND INDEMNITY		
Hull and Machinery	\$5,240,600	Per Schedule
Protection and Indemnity	\$1,000,000	\$1,000
PUBLIC OFFICIALS Liability		
Each Claim and in the Aggregate	\$2,000,000	\$25,000
Includes Employment Practices Liability		\$50,000
UNDERGROUND STORAGE TANKS		
Each Incident	\$1,000,000	\$25,000
Total Policy Aggregate Limit	\$2,000,000	
GENERAL LIABILITY		
General Aggregate	\$2,000,000	None
Products/Completed Operations Aggregate	\$1,000,000	None
Each Occurrence	\$1,000,000	None
FLOOD		
Each Incident and Aggregate (2 Properties)	\$500,000	\$1,250
	\$500,000	\$1,250

Significant Current Year Items

FINANCIAL STATEMENT SUMMARY:

- Operating Income - \$610K, up \$142k from prior year.
 - Revenues were up 7% from prior year
 - Primarily related to slip rent and fuel sales.
 - Expenses were up 6% from prior year
 - Primarily related to salaries, pension expense, fuel costs, and depreciation
- Overall decrease in non-operating revenue from prior year
 - Decreased USACE dredging reimbursement
 - Prior year included a one time PG&E easement.
- Net cash flow decreased \$3million in the current year
 - Cash received from operations was \$2.5million.
 - Cash used for capital expenditures was \$4.6million.
 - Cash used to paydown of long-term debt was \$1.2million.

Journal Entries

- Two journal entries made related to GASB 68's pension liability and GASB 75's OPEB liability.

OTHER ITEMS:

- Increased construction in progress in current year primarily related to Aldo's Seawall.

REQUIRED COMMUNICATIONS:

- No new Accounting Policies Adopted
- Significant Accounting Policies – disclosed in Note 1
- Significant Accounting Estimates – Depreciation allowance and net pension and OPEB liabilities
 - Reliance on outside expert Bartel & Associates for pension and OPEB liability calculation
- No significant difficulties encountered during the audit



TO: Port Commission

FROM: Marian Olin, Port Director

DATE: August 18, 2020

SUBJECT: Approval of Side Letters of Agreement as an Amendment to Memoranda of Understandings between Santa Cruz Port District and Bargaining Groups

Recommendation: *Approve Side Letters of Agreement effective January 1, 2021, through December 31, 2021, as an amendment to the Memoranda of Understandings (“MOU’s”) between Santa Cruz Port District and:*

- a) Harbor Employees’ Association;*
- b) Operating Engineers Local No. 3.*

BACKGROUND

MOU’s between Santa Cruz Port District (“District”) and the Harbor Employees’ Association and Operating Engineers Local No. 3 (“Bargaining Groups”) expire on December 31, 2020. Port District counsel Tim Davis and I met with each Bargaining Group on July 23, 2020, and engaged in negotiations against the backdrop of an economic crisis caused by the Coronavirus pandemic (“COVID-19”) and associated shelter-in-place orders issued by the State of California and County of Santa Cruz. COVID-19 response measures have caused revenue declines across numerous Port District budgetary programs, and have created financial uncertainty and hardship for the District, its concession-operated businesses, and many of its users.

In response to this public health crisis, the District proposed a one-year extension of existing MOU’s through December 31, 2021, with no increases to wages or benefits. The proposals were accepted by the Bargaining Groups.

ANALYSIS

The side letter terms extend from January 1, 2021, through December 31, 2021. There will be no wage or benefit increases during the term of the side letters. Previously adopted salary grades for each job classification will continue to be as set forth in MOU’s for the 2020 calendar year.

The side letter between Operating Engineers’ Local No. 3 and the District delays conducting a previously agreed to classification and compensation study and bargaining over its implementation in a successor MOU, to 2021.

Staff recommends approval of Resolution 20-12 authorizing the side letters appended to the resolution as Exhibits 1 and 2.

It should be noted that no wage or benefit increases are proposed for the Harbor Management Group or the Port Director in 2021. The previously approved salary pay rates and ranges for these positions were set forth by resolution and will remain static.

IMPACT TO DISTRICT RESOURCES

There is no impact to District resources from approval of Resolution 20-12, authorizing side letters with Operating Engineers Local No. 3 and the Harbor Employees' Association.

ATTACHMENTS: A. Resolution 20-12

Santa Cruz Port District
Resolution 20-12
August 25, 2020

ON THE MOTION OF _____

SECONDED BY _____

A resolution of the Santa Cruz Port District Commission approving Side Letters of Agreement between Santa Cruz Port District and the Harbor Employees' Association and Operating Engineers Local No. 3 ("Bargaining Groups").

WHEREAS, pursuant to the provisions of the Meyers-Milias-Brown Act, the Port District and Bargaining Groups have met and conferred in good faith concerning the terms and conditions of Side Letters of Agreements appended as Exhibits 1 and 2; and

WHEREAS, negotiations with Bargaining Groups were conducted under the backdrop of an economic crisis caused by the Coronavirus pandemic ("COVID-19") and associated shelter-in-place Orders issued by the State of California and the County of Santa Cruz, which have resulted in revenue declines and financial uncertainty for the Port District and many of its concession-operated businesses and users; and

WHEREAS, based on this financial uncertainty and hardship, the Port District and Bargaining Groups have reached agreement on a one-year extension of existing Memoranda of Agreements through December 31, 2021, with no increases to wages or benefits.

WHEREAS, all of the salary pay rates and ranges have previously been approved by Resolution.

NOW, THEREFORE, BE IT RESOLVED, that the Santa Cruz Port District Commission does hereby adopt the Side Letters of Agreement (Exhibits 1 and 2).

PASSED AND ADOPTED by the Santa Cruz Port Commission, this 25th day of August, 2020, by the following vote:

AYES _____

NOES _____

ABSENT _____

APPROVED BY:

Stephen Reed, Chairman
Santa Cruz Port Commission

**Side Letter Agreement
Between
Santa Cruz Port District and Harbor Employees' Association
August 25, 2020**

Pursuant to the provisions of the Meyers-Milias-Brown Act ("MMBA"), this Side Letter of Agreement ("Side Letter") is entered into on August 25, 2020, between the Santa Cruz Port District ("Port District") and the Harbor Employees' Association ("HEA"), as an amendment to the Memorandum of Understanding effective January 1, 2018, through December 31, 2020 ("MOU").

It is understood and agreed that the specific provisions contained in this Side Letter shall supersede any previous agreements, whether oral and written, regarding the matters contained herein. Except as provided herein, all wages, hours and other terms and conditions of employment presently enjoyed by HEA in the MOU shall remain in full force and effect.

The Port District and HEA have met and conferred in good faith in accordance with the MMBA, concerning the terms and conditions of this Side Letter and its implementation and agree to the following amendments to the MOU.

Article 1 – Introduction

The agreement period for this Side Letter shall be in effect from January 1, 2021, through December 31, 2021.

Article 10.1 – Salaries (and as amended by side letter effective January 1, 2020, and Resolution 19-12)

There will be no general salary increase during the term of this Side Letter. Salary grades for each job classification will continue to be as set forth in MOU Appendix 3 for the period January 1, 2020, through December 31, 2020.

This Side Letter does not reduce employee salaries or benefits such as health or leave benefits.

APPROVED BY:

HARBOR EMPLOYEES' ASSOCIATION

Date: 8/13/2020

By: 

Don Kinnamon


Nicholas Guller


Mark Eldridge

SANTA CRUZ PORT DISTRICT

Date: 8/13/20

By: 

Timothy Davis, Counsel


Marian Olin, Port Director

AUTHORIZED BY:

Date: _____

By: _____

Stephen Reed, Chairman
Santa Cruz Port Commission

**Side Letter Agreement
Between
Santa Cruz Port District and Operating Engineers Local No. 3
August 25, 2020**

Pursuant to the provisions of the Meyers-Milias-Brown Act ("MMBA"), this Side Letter of Agreement ("Side Letter") is entered into on August 25, 2020, between the Santa Cruz Port District ("Port District") and the Operating Engineers Local No. 3 (the "Union"), as an amendment to the Memorandum of Understanding effective January 1, 2020, through December 31, 2020 ("MOU").

It is understood and agreed that the specific provisions contained in this Side Letter shall supersede any previous agreements, whether oral and written, regarding the matters contained herein. Except as provided herein, all wages, hours and other terms and conditions of employment presently enjoyed by the Union in the MOU shall remain in full force and effect.

The Port District and the Union have met and conferred in good faith in accordance with the MMBA, concerning the terms and conditions of this Side Letter and its implementation and agree to the following amendments to the MOU.

Article 1 – Introduction

The agreement period for this Side Letter shall be in effect from January 1, 2021, through December 31, 2021.

Article 11.1 – Salaries

There will be no general salary increase during the term of this Side Letter. Salary grades for each job classification will continue to be as set forth in the MOU Appendix 1 for the period January 1, 2020, through December 31, 2020. The Port District will not conduct a class and compensation study in 2020, but shall complete an update of the classification and compensation study and bargain over its implementation in successor MOU negotiations with OE3 in 2021.

This Side Letter does not reduce employee salaries or benefits such as health or leave benefits.

APPROVED BY:

OPERATING ENGINEERS LOCAL NO. 3


Date: 8/11/20

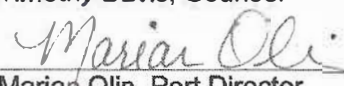
By: 
Joshua Wagoner


Michael Moore, Union Rep.

SANTA CRUZ PORT DISTRICT

Date: 8-18-20

By: 
Timothy Davis, Counsel


Marian Olin, Port Director

AUTHORIZED BY:

Date: _____

By: _____
Stephen Reed, Chairman
Santa Cruz Port Commission



TO: Port Commission

FROM: Marian Olin, Port Director

DATE: August 21, 2020

SUBJECT: Award of Contract for the East Public Pier Timber Pile Rehabilitation Project (F009) – Phase 1

Recommendation: *Authorize the Port Director to execute the contract documents with Bellingham Marine Industries, Inc.; authorize a not-to-exceed amount of \$111,178 for construction from the Capital Improvement Fund in the amount of the contract, plus a 5% contingency.*

BACKGROUND

The engineering firm Moffat and Nichol (“M&N”) inspected the east public pier timber support piles in September 2019. M&N’s report recommended immediate repair of 3 timber support piles, and repair of 7 piles within 4 years. The 5-Year Capital Improvement Plan for FY21-25, adopted with the FY21 budget in February 2020, included funding to complete the recommended priority repairs.

The project was advertised in accordance with the procedures contained in the California Public Contract Code. Bids were opened on Thursday, August 20, 2020. Two bids were received. The low bidder for the project, Bellingham Marine Industries, Inc., submitted a base bid of \$95,878. Power Engineering submitted a bid in the amount of \$186,566 (See Attachment A – Bid Summary).

ANALYSIS

Bellingham Marine began business in 1928, and has been constructing dock systems for over 50 years. Bellingham holds current valid California licensing as Class A, General Engineering Contractor, Class C-16, Fire Protection Contractor, and Class C-10, Electrical, and a Hazardous Substances Removal Certification. Staff is very familiar with Bellingham’s work. Bellingham accomplished numerous tsunami recovery projects for the Port District, and Phases 1 and 2 of the Pile Removal and Replacement Project (“Pile Replacement Project”). Phase 2 of the Pile Replacement Project included a change order to repair three piles supporting the boatyard marine ways, utilizing a pile jacket and cementitious grout product like the system specified for the East Public Pier Timber Pile Rehabilitation Project (“Pier Rehab Project”). Staff has checked the bidder’s proposal and is satisfied that the contractor can fulfill the bid requirements.

Preliminary discussions with Bellingham about the bid amount indicate that it may be possible to achieve savings in equipment mobilization and other elements anticipated in the bid. Though staff anticipates this project will be completed under the bid amount, adding a modest contingency amount is recommended.

Construction Budget

The figures below represent the estimated construction budget:

Moffat & Nichol Repair Plan Contract	\$ 10,300
Contract Amount – Bellingham Marine Bid	\$ 95,878
Contingencies (approx. 5%)	5,000
Total Construction Budget	\$ 111,178

IMPACT ON PORT DISTRICT RESOURCES

As noted in the staff report included in the agenda packet, the FY21 budget provided funding to bring the Pier Rehab Project fund balance to \$117,868. However, all new CIP funding in the FY21 budget was eliminated due to COVID-19 response measures enacted in April 2020. Though this action reduced remaining funding for the Pier Rehab Project to approximately \$90,868, the Commission identified this project as a priority to be funded from the Unallocated CIP Reserve Fund, which currently has a balance of approximately \$509,949.

Staff recommends the Commission authorize funding for the project to come from Capital Improvement Fund as follows:

Pier Rehabilitation Fund (F009)	\$ 90,868
Unallocated CIP Reserve Fund (F099)	20,310
Total Funding Allocation	\$ 111,178

This allocation will bring the remaining balance in the Unallocated CIP Reserve Fund to approximately \$489,639.

ATTACHMENTS: A. Bid Summary

BID SUMMARY

EAST PUBLIC PIER TIMBER PILE REHABILITATION PROJECT, PHASE 1, 2020

Bids Opened:

20-Aug-20

BID ITEM:	BELLINGHAM MARINE		POWER ENGINEERING	
	UNIT PRICE	EXTENSION	UNIT PRICE	EXTENSION
BID ITEMS				
Mobilization	9,588.00	9,588.00	45,330.00	45,330.00
Water Quality BMP's	14,382.00	14,382.00	24,215.00	24,215.00
Permits / Environmental Compliance	4,794.00	4,794.00	30,598.00	30,598.00
Pile Repair / Sleeving	67,114.00	67,114.00	86,243.00	86,423.00
		\$ 95,878.00		\$ 186,566.00



TO: Port Commission
FROM: Marian Olin, Port Director
DATE: August 18, 2020
SUBJECT: Award Contract for the East Public Pier Timber Pile Rehabilitation Project, Phase 1

Recommendation: *Award a contract for the for the East Public Pier Timber Rehabilitation Project based on the plans by Moffatt & Nichol dated August 6, 2020; authorize the Port Director to execute the contract; authorize a not-to-exceed amount for construction; and approve an appropriation from the Unallocated CIP Fund (F099) to the Pier Rehabilitation Fund (F009) in an amount adequate to fund the contract plus a contingency allowance.*

BACKGROUND

The Santa Cruz Harbor East Public Pier Timber Pile Rehabilitation Project was advertised for bids informally in compliance with the Public Contract Code. Notice was sent to plan rooms and 15 contractors qualified to perform the work, and advance notice of the upcoming project was posted on the Port District's website.

The project will involve repair of three (3) timber support piles utilizing a fiberglass pile jacket encasing grout as depicted in the plans by Moffatt & Nichol ("M&N") dated 8/6/20, appended as Attachment A.

In a pile condition assessment report prepared by M&N in October 2019 (Attachment B), 10 piles were identified as needing repair as recommended below:

- Priority 1 (within 12 months): 3 piles, C1, 10S, F2
- Priority 2 (within 24 months): 4 piles, C10, D2, 1W, and D4
- Priority 3 (within 4 years): 3 piles, 2E, 3W and 6E

ANALYSIS

Bids will be opened on Thursday, August 20, 2020, at 4:00 PM in the Port District offices. Staff will review the bids for consistency with the proposal requirements, including proper bonding and completion of all forms and questionnaires. Staff will check references and qualifications, determine the lowest responsive bidder, then make the final bid summary available, and determine the contract amount and any needed appropriation. Results of the bid opening and a recommendation for the award of contract will be brought to the meeting for review and approval.

If no bids are received, or if bids are too high, staff may recommend delaying this project to the next year's permitted work window (June 15 – November 30, 2021), or consider using in house crews to complete the work.

The Port District has permits from all regulatory agencies for the Pile Removal and Replacement project. The permits allow for pile repair and include an unspecified pile allowance which can be utilized to complete this work. Six piles remain in the allowance, though future pile replacement and repair will likely be completed under a new US Army Corps of Engineers' Regional General Permit, which is in the application stages.

IMPACT ON PORT DISTRICT RESOURCES

The FY21-25 five-year CIP adopted with the FY21 budget included a phased pier rehabilitation project in accordance with the recommended repair schedule included in M&N's pile assessment report, with 3 piles slated for repair in FY21; 4 piles in FY22, and 3 in FY23. \$27,000 in new CIP funding was allocated to the project with the FY21 budget to bring the total available funding for the Pier Rehabilitation Project to \$117,868. However, all new CIP funding in the FY21 budget was eliminated due to COVID-19 response measures enacted in April 2020. Though this action reduced available funding for the Pier Rehabilitation Project to approximately \$90,868, the Commission's action identified this project as a priority to be funded from the Unallocated CIP Fund, which currently has a balance of approximately \$509,949.

Pier Rehabilitation Project

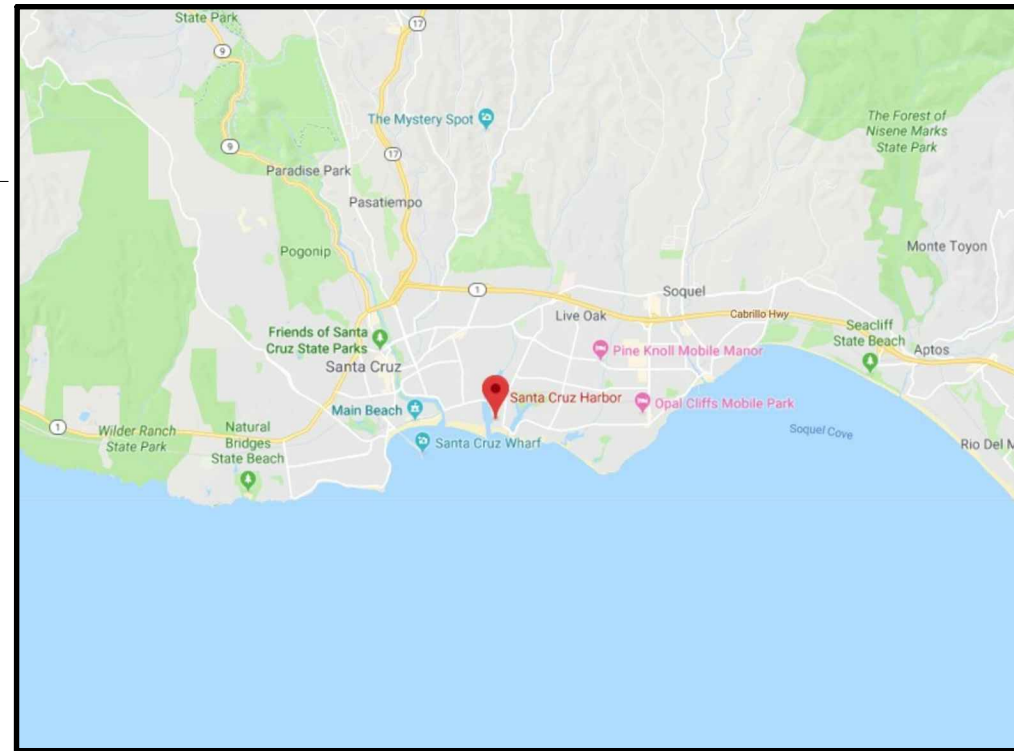
Current Fund Balance	\$ 90,868
Expenditures – Moffatt & Nichol Repair Plan Contract	<u>10,300</u>
Remaining Funding Available	\$ 80,568

While it is hoped that this level of funding will be adequate for this relatively small prevailing wage project, mobilization, temporary displacement of rip rap, shoring, biological monitoring, and silt curtain placement and removal may increase costs to a level that will require a transfer from the Unallocated CIP to cover any shortfall.

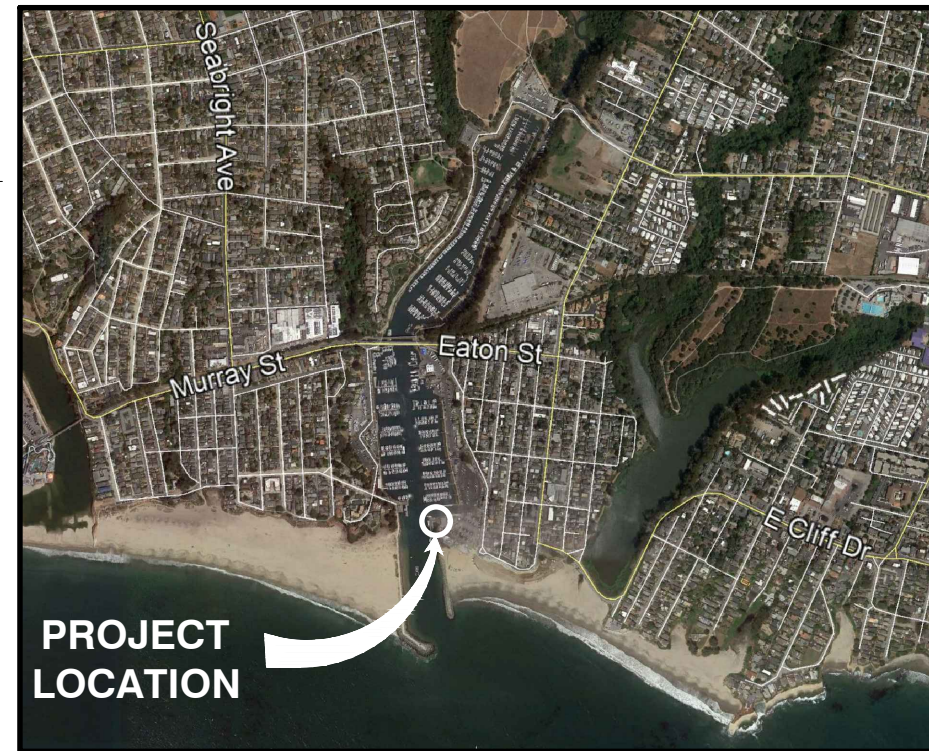
- ATTACHMENTS:
- A. Santa Cruz Harbor East Public Pier Timber Pile Rehabilitation Project Plans by Moffatt & Nichol
 - B. Moffatt & Nichol Harbor Deck Pile Inspection dated October 18, 2019

SANTA CRUZ HARBOR EAST PUBLIC PIER TIMBER PILE REHABILITATION PROJECT

SANTA CRUZ PORT DISTRICT SANTA CRUZ HARBOR, CALIFORNIA



VICINITY MAP
SCALE: NTS



PROJECT
LOCATION

LOCATION PLAN
SCALE: NTS

SHEET NO.	DRAWING NO.	SHEET TITLE
1	G-001	TITLE SHEET
2	G-002	GENERAL NOTES
3	S-001	PILE PLAN
4	S-002	PILE REPAIR DETAILS



Mark	Description	Date	Appr

SANTA CRUZ HARBOR EAST PUBLIC PIER TIMBER PILES REHABILITATION PROJECT SANTA CRUZ PORT DISTRICT SANTA CRUZ HARBOR, CALIFORNIA	TITLE SHEET
--	-------------

2105 N. California Blvd, Suite 500 Walnut Creek, California 94596	metfitt & nichel
Designed by: BP	Drawn by: AC
Checked by: JU	Reviewed by: REVR
Date: 08/06/2020	M&N Project No: 1976-06
Submitted by: MOFATT & NICHOL	Drawing code:
Submitted by: MOFATT & NICHOL	Drawing Scale:
Submitted by: MOFATT & NICHOL	Plot scale:



Sheet Reference No. G-001
INDEX: 1 OF 4

GENERAL

- EXISTING SITE FEATURES BASED ON SITE VISIT CONDUCTED BY MOFFATT & NICHOL SEPTEMBER 2019.
- PROJECT VERTICAL DATUM IS MEAN LOWER LOW WATER. TIDAL RANGE AT SANTA CRUZ HARBOR IS AS FOLLOWING:

WATER LEVEL	ELEVATION (FT)
MEAN HIGHER HIGH WATER (MHHW)	5.34
MEAN HIGH WATER (MHW)	4.64
MEAN TIDE LEVEL (MTL)	2.87
MEAN LOW WATER (MLW)	1.09
MEAN LOWER LOW WATER (MLLW)	0.00

- ALL WORK SHALL BE PERFORMED AT LOW TIDE DURING DAYLIGHT HOURS.
- PROTECT ALL EXISTING SITE FEATURES NOT CALLED OUT TO BE DEMOLISHED. REPAIR ANY DAMAGE DONE TO EXISTING FEATURES TO REMAIN.
- DIMENSIONS NOTED AS PLUS OR MINUS (\pm) OR "REF" INDICATE UNVERIFIED DIMENSIONS AND ARE APPROXIMATE. THEY ARE TO BE FIELD VERIFIED BY THE CONTRACTOR.
- VERIFY ALL LEVELS, DIMENSIONS, AND EXISTING CONDITIONS IN THE FIELD BEFORE PROCEEDING. NOTIFY OWNER OF ANY DISCREPANCIES OR FIELD CHANGES PRIOR TO INSTALLATION OR FABRICATION. IN CASE OF DISCREPANCIES BETWEEN THE EXISTING CONDITIONS AND THE DRAWINGS THE CONTRACTOR SHALL OBTAIN WRITTEN DIRECTION FROM OWNER BEFORE PROCEEDING. NOTED DIMENSIONS TAKE PRECEDENCE OVER SCALED DIMENSIONS - DO NOT SCALE DRAWINGS.
- ALL BMPs SHALL BE IN PLACE PRIOR TO THE COMMENCEMENT OF CONSTRUCTION AS WELL AS AT THE END OF EACH WORK DAY.
- PROVIDE CATCHMENT TO PREVENT ANY MATERIAL FROM FALLING INTO THE WATER DURING DEMOLITION AND CONSTRUCTION. ALL CAUGHT MATERIAL SHALL BE REMOVED IMMEDIATELY OR BY THE END OF THE WORK DAY.
- PROVIDE SILT CURTAINS TO CONTAIN SEDIMENT DISTURBANCE WITHIN REPAIR AREA.
- FOREIGN MATERIALS (E.G. DEMOLITION DEBRIS, WOOD PRESERVATIVES, OTHER CHEMICALS, ETC.) SHALL BE PREVENTED FROM ENTERING THE HARBOR AND COASTAL WATERS.
- MAINTAIN GOOD CONSTRUCTION SITE HOUSEKEEPING: KEEP ALL MATERIALS COVERED AND OUT OF RAIN, PLACE TRASH RECEPTACLES ON SITE AND DISPOSE OF WASTE PROPERLY. COVER TRASH RECEPTACLES IN WET WEATHER.
- INSPECT PROJECT AREA AT COMPLETION OF WORK TO ENSURE NO DEBRIS, TRASH, OR CONSTRUCTION MATERIALS ARE LEFT AT THE SITE OR IN ADJACENT COASTAL WATERS.
- REMOVAL ACTIVITIES ARE PROHIBITED OUTSIDE OF THE LIMITS OF THE DESIGNATED CONSTRUCTION AND DEMOLITION.
- ALL ADVERSELY AFFECTED ACCESS POINTS SHALL BE RESTORED TO THEIR PRE-CONSTRUCTION CONDITION OR BETTER WITHIN 3 DAYS OF COMPLETION OF CONSTRUCTION.
- EQUIPMENT WASHING, FUELING, AND/OR SERVICING SHALL NOT TAKE PLACE ON THE BEACH, DOCK, OR PIER. WORK VEHICLES WILL BE MAINTAINED AND WASHED IN CONFINED AREAS DESIGNED TO CONTROL RUNOFF AND LOCATED MORE THAN 100 FEET AWAY FROM THE MEAN HIGH TIDE LINE.
- ENSURE THAT WORK CREWS ARE BRIEFED TO OBSERVE APPROPRIATE PRECAUTIONS AND REPORT ANY SPILLS.
- WHERE REFERENCE IS MADE TO STANDARD SPECIFICATIONS, REFERENCE SHALL MEAN STATE OF CALIFORNIA, DEPARTMENT OF TRANSPORTATION (CALTRANS) STANDARD SPECIFICATIONS, LATEST EDITION EXCLUDING MEASUREMENT AND PAYMENT ITEMS.

PERMITS

- ALL WORK SHALL BE PERFORMED IN ACCORDANCE WITH APPLICABLE REGULATORY WORK WINDOWS AND PERMIT CONDITIONS PER PERMITS FROM THE FOLLOWING AGENCIES:
 - US ARMY CORPS OF ENGINEERS
 - REGIONAL WATER QUALITY CONTROL BOARD
 - CALIFORNIA COASTAL COMMISSION
 - CALIFORNIA ENVIRONMENTAL QUALITY ACT - CATEGORICAL EXEMPTION

PILE REPAIR

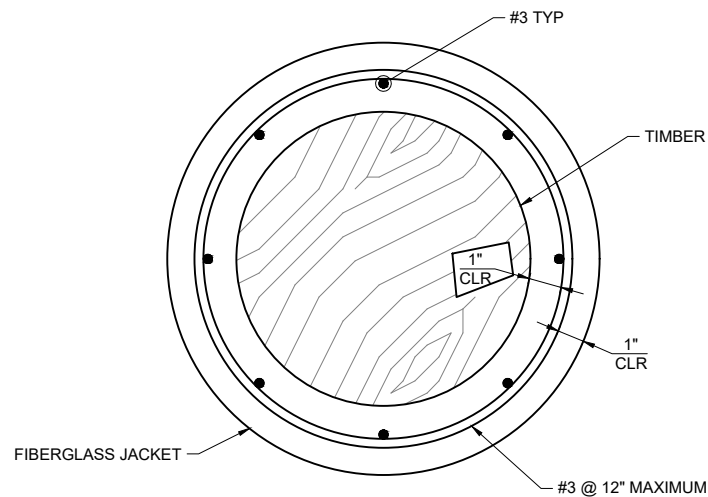
- TIMBER PILINGS INDICATED SHALL BE REPAIRED WITH A STRUCTURAL REPAIR: FIBERGLASS JACKET ENCASING A STEEL REINFORCED EPOXY GROUT FILL, SIMPSON FX-70 SYSTEM OR APPROVED EQUAL.
- FIBERGLASS JACKET AND GROUT PORT SHALL BE INSTALLED PER MANUFACTURERS SPECIFICATIONS.
- MONITOR PRESSURE-INJECTION OR GRAVITY-FEED GROUT APPLICATION TO ENSURE MATERIAL DOES NOT LEAK INTO WATER.
- EXCESS GROUT THROUGH PORTS SHALL BE COLLECTED AND REMOVED FROM WATER.

HARDWARE

- ALL STEEL PLATES, ANGLES, BOLTS, LAG BOLTS, NUTS AND WASHERS SHALL BE HOT DIP GALVANIZED. BOLTS SHALL HAVE FLAT WASHERS AT THE NUT AND HEAD.
- BOLTS SHALL CONFORM TO ASTM A307A.

REINFORCEMENT

- REINFORCEMENT SHALL BE HOT DIP GALVANIZED WELDED WIRE FABRIC 4x4 - W4.0xW4.0 OR #3 REINFORCEMENT AS SHOWN:



ABBREVIATIONS

APPROX APPROXIMATE
TYP TYPICAL



Date	Appr	Mark

SANTA CRUZ HARBOR EAST PUBLIC PIER
TIMBER PILES REHABILITATION PROJECT
SANTA CRUZ PORT DISTRICT
SANTA CRUZ HARBOR, CALIFORNIA

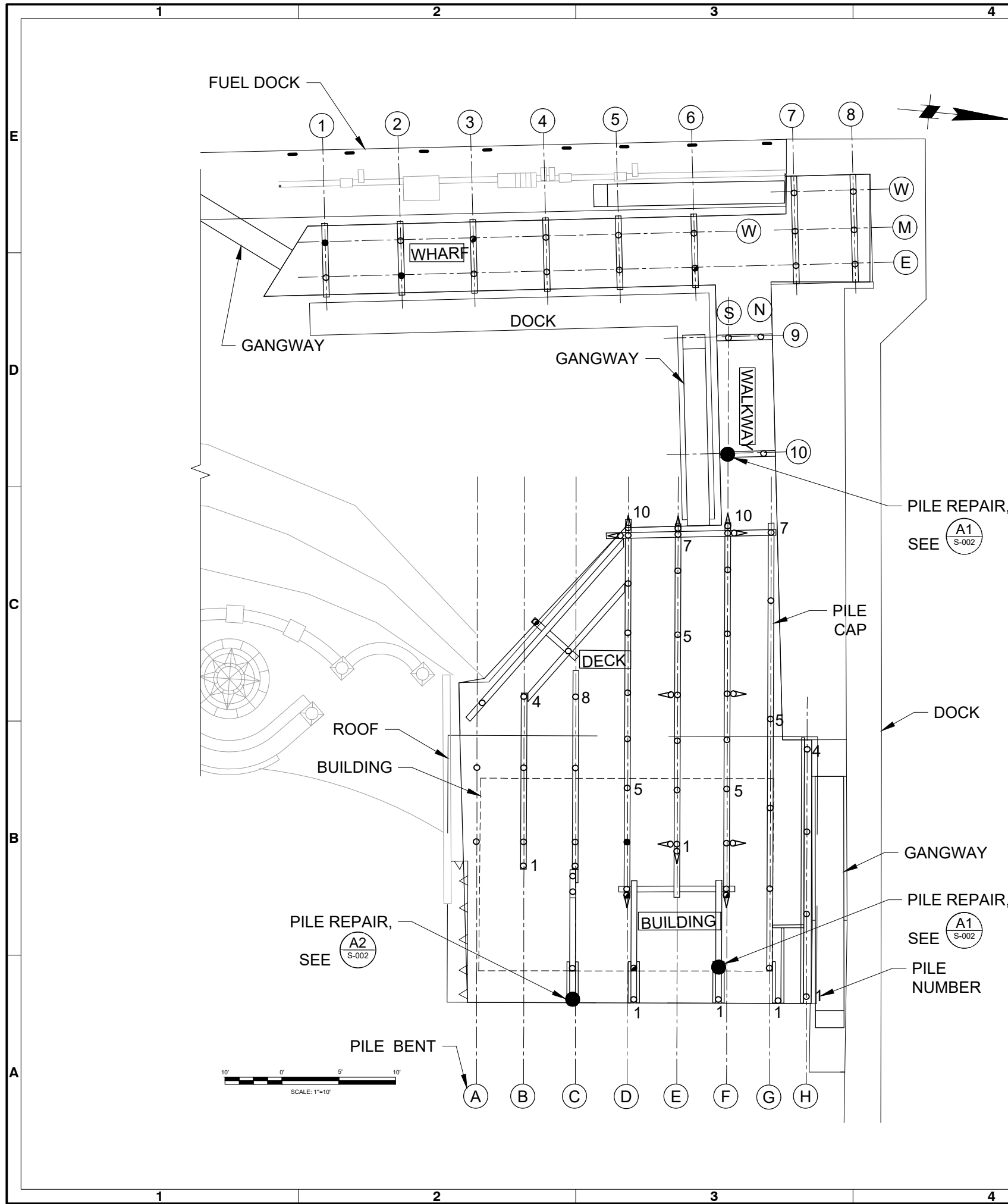
NOTE SHEET

Date: 08/06/2020	MAN Project No: 8976-06	Drawing Code:	Drawing Scale:	Post scale:
Designed by: BP	Drawn by: AC	Reviewed by: REVR	Submitted by: MOFFATT & NICHOL	
2185 N. California Blvd, Suite 500 Walnut Creek, California 94596	moffatt & nichol			



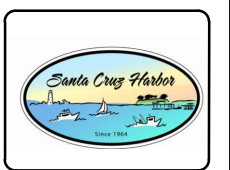
Sheet Reference No.
G-002
INDEX: 2 OF 4

File: G:\MC\0876-06 SCYH Market Deck Drawings\4_CADD\A\chive\897606G-002 : Plotted: 8/7/2020 4:15 PM by CANEPA, ALLISON ; Saved: 8/7/2020 3:34 PM by ACANEPA



- LEGEND:**
- PILE REPAIR
 - VERTICAL PILE
 - ◐ BATTER (SLANT) PILE

- NOTES:**
1. PLAN IS INTENDED TO PROVIDE A BASIC LAYOUT OF THE PIER DECK STRUCTURE. IT IS BASED ON DRAWINGS PROVIDED AND MAY NOT ACCURATELY DEPICT ACTUAL DIMENSIONS AND LAYOUT OF STRUCTURAL COMPONENTS. FIELD VERIFICATION OF AS-BUILT CONDITIONS IS RECOMMENDED.
 2. ALL FEATURES SHOWN ON THIS DRAWING ARE EXISTING UNLESS OTHERWISE NOTED.
 3. PHOTOS FROM MOFFATT & NICHOL INSPECTION IN SEPTEMBER 2019 PROVIDED FOR REFERENCE ONLY. VERIFY LOCATION OF REPAIR BEFORE WORK BEGINS.



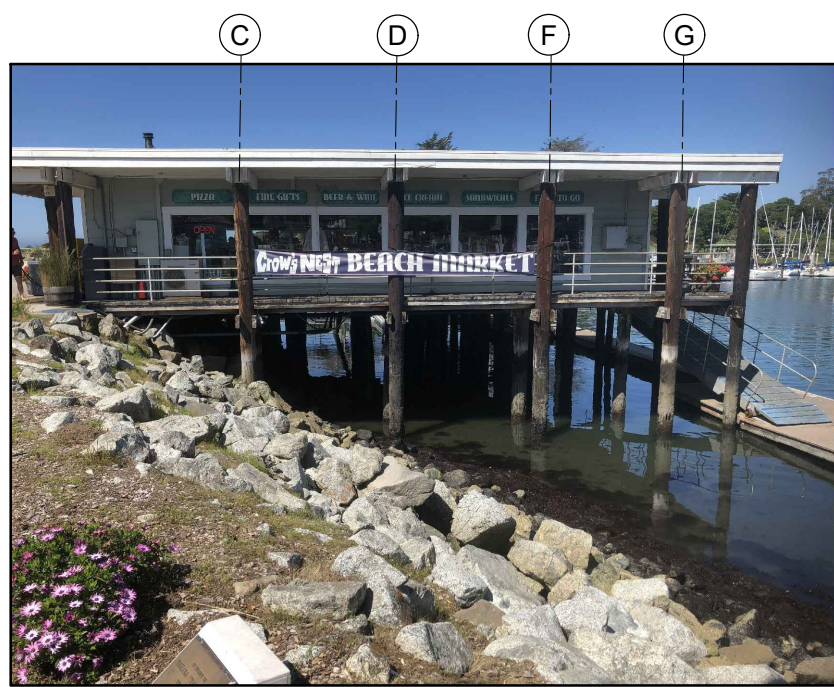
Rev.	Date	Description

SANTA CRUZ HARBOR EAST PUBLIC PIER
 TIMBER PILES REHABILITATION PROJECT
 SANTA CRUZ PORT DISTRICT
 SANTA CRUZ HARBOR, CALIFORNIA

PILE PLAN



PILE C1 (-0.4 TIDE)
 NO SCALE

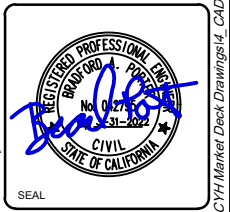


MARKET DECK STRUCTURE - EAST SIDE
 NO SCALE

Designed by: BP	Drawn by: AC	Reviewed by: REV/R	Submitted by: MOFFATT & NICHOL
Date: 08/06/2020	M&N Project No. 8976-06	Drawing code:	Drawing Scale: Post scale:

2185 N. California Blvd, Suite 500
 Walnut Creek, California 94596

moffatt & nichol



Sheet Reference No.
S-001
 INDEX: 3 OF 4

PILE	DEPTH	DISTANCE TO DEFECT CENTER	REINFORCEMENT LENGTH	JACKET LENGTH
	A	B	C	D
C1	0	2	4	5
F2	8	1	3	14
10S	10	10	4	16

NOTES:

- MECHANICALLY (WATER BLAST / WIRE BRUSH) REMOVE GREASE, RUST, MARINE GROWTH, LOOSE AND UNSOUND WOOD, AND OTHER BOND INHIBITING MATERIALS.
- PROVIDE PATH FOR WATER TO ESCAPE AS GROUT DISPLACES IT FROM BELOW. LEAVE NO POCKETS, CUT A GROOVE OR DRILL HOLE AT TOP OF INTERIOR VOIDS.
- INSTALL FIBERGLASS JACKET AROUND PILE PER MANUFACTURERS RECOMMENDATION WITH REINFORCEMENT IN ANNULUS. GROUT SOLID.
- REPAIR MATERIALS FOR SIMPSON FX-70 SYSTEM SHOWN. PROVIDE DRAWINGS AND DATA SHEET FOR APPROVAL IF ALTERNATIVE SYSTEM USED.

PILE PROCEDURE AT C1

- REMOVE ROCK AROUND PILE AND STUB
- FRESH HEAD PILE ABOVE
- PLACE STEEL SUPPORT SCREW JACK WITH 6,000 CAPACITY MIN. BETWEEN PILE STUB IN BOTTOM AND TIGHTEN SNUG
- PLACE JACKET AND GROUT AS DESCRIBED ABOVE



Rev.	Date	By	Description

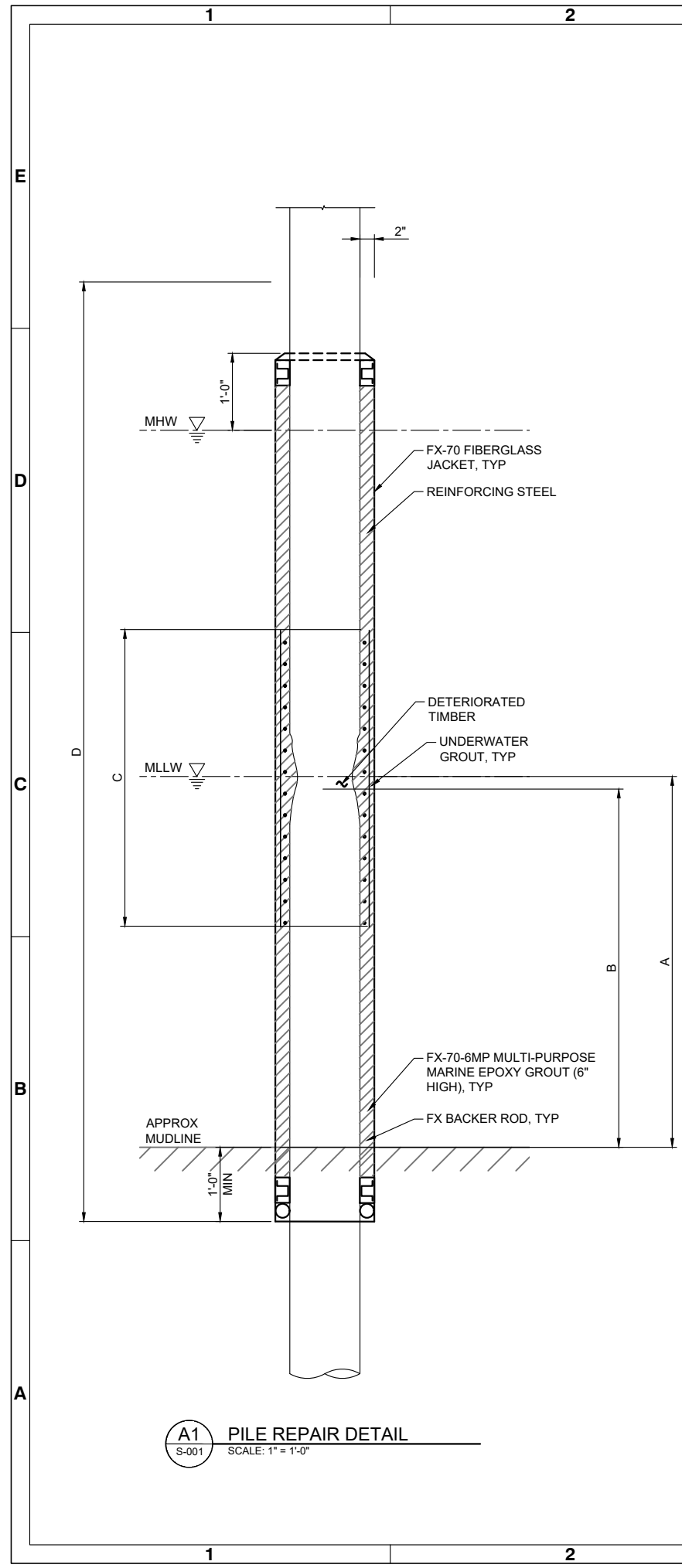
SANTA CRUZ HARBOR EAST PUBLIC PIER
 TIMBER PILES REHABILITATION PROJECT
 SANTA CRUZ PORT DISTRICT
 SANTA CRUZ HARBOR, CALIFORNIA

PILE REPAIR DETAILS

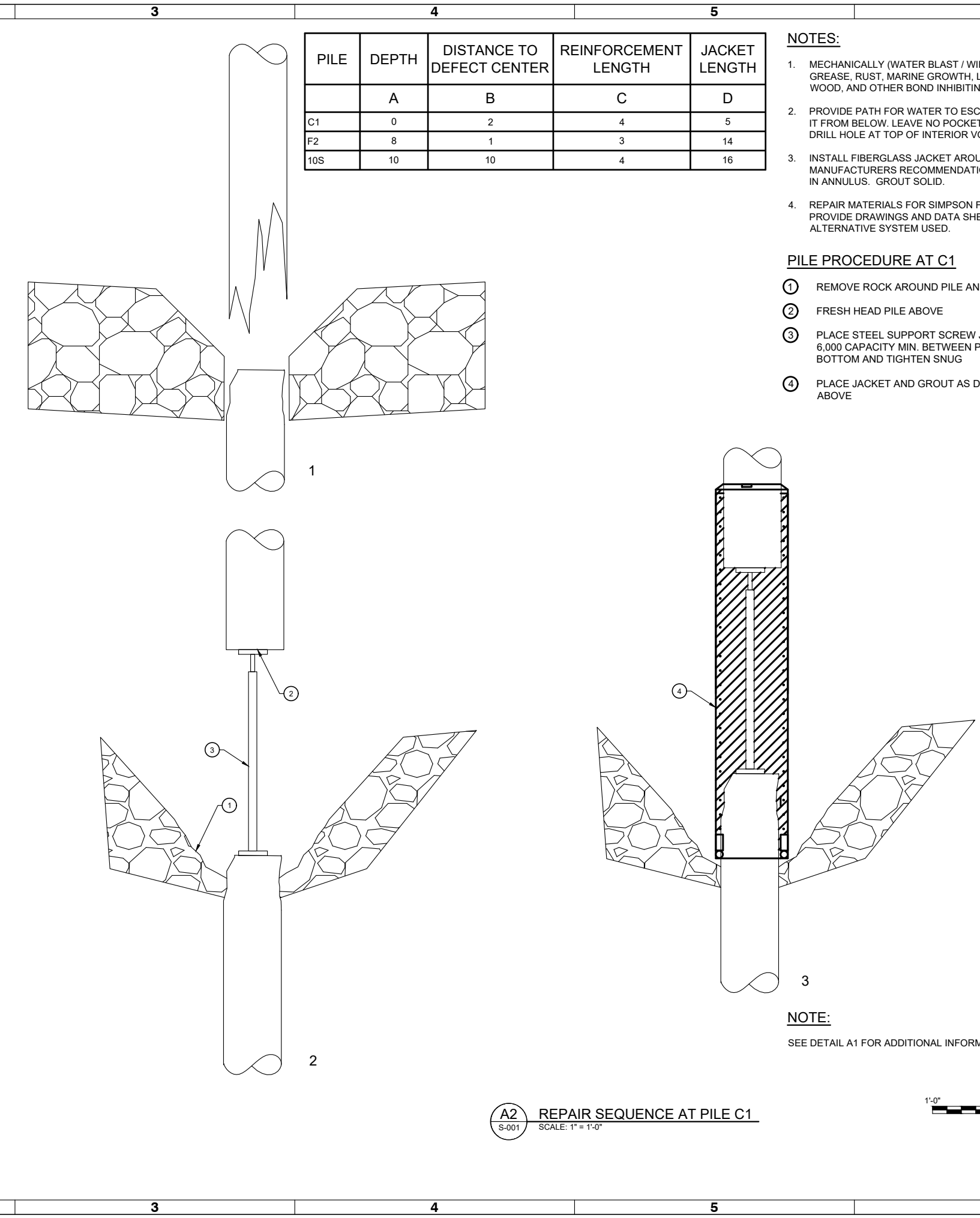
Designed by: BP	Date: 08/06/2020	MAN Project No: 8976-06	Drawing code: 	Drawing Scale:
Dwn by: AC		JJ		
Reviewed by: REV/R				
Submitted by: MOFFATT & NICHOL				



Sheet Reference No.
S-002
 INDEX: 4 OF 4



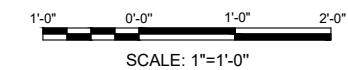
A1 PILE REPAIR DETAIL
 S-001 SCALE: 1" = 1'-0"



A2 REPAIR SEQUENCE AT PILE C1
 S-001 SCALE: 1" = 1'-0"

NOTE:

SEE DETAIL A1 FOR ADDITIONAL INFORMATION



Memorandum

To: Marian Olin, Port Director
Santa Cruz Port District

From: Brad Porter, PE

Date: October 18, 2019 (revised Aug 6, 2020)

Subject: Crow's Nest Market and Deck Piles Assessment

Project: Santa Cruz Yacht Harbor Deck Pile Inspection (MN # 9676-05)

CC:

1.0 SUMMARY

The purpose of this memo is to describe the results and findings from our condition assessment of the timber piles that support the Crow's Nest Market and surrounding timber deck in Santa Cruz Yacht Harbor (photo below). An above and below water inspection was performed on September 19, 2019. Almost all of the timber piles—73 out of 85 total—are in good condition, 6 piles have severe deterioration. Recommendations include immediate repair of 3 of the piles and repair of 7 piles within 4 years.



Photograph 1- Market and Deck at Santa Cruz Yacht Harbor, East Side



1.1 Scope and Purpose

The scope of work was to perform an assessment of the pile condition above water and underwater to identify any defects that affect the structural support to the building and deck. The framing configuration of the deck was observed and mapped during the above water investigation to determine the load path to the piles. Determination of the load path was used to identify piles with defects that are critical to the support of the deck structure. Piles that need repair or replacement were to be identified to ensure continued support of the deck and building. A report was to be prepared of our findings for review/comment.

2.0 CONDITION ASSESMENT

2.1 Description of Deck Structure

The configuration of the deck structure is irregular with various extensions that connect the shore, building, fuel dock and boat ramp docks as shown on Figure 1. Overall, the deck structure is constructed of timber elements similar to a typical pier. The structure is comprised of the horizontal deck structure supported by piles. The piles are aligned in rows (“bents”) oriented east and west beneath the building deck and tied together at the top with a “cap” beam. Smaller “stringer” beams span in the north to south direction between the cap beams. The pile bents on the west wharf are oriented east west. Timber deck planks are supported by the stringers that provide the deck surface on the open deck and support the bldg. from below.

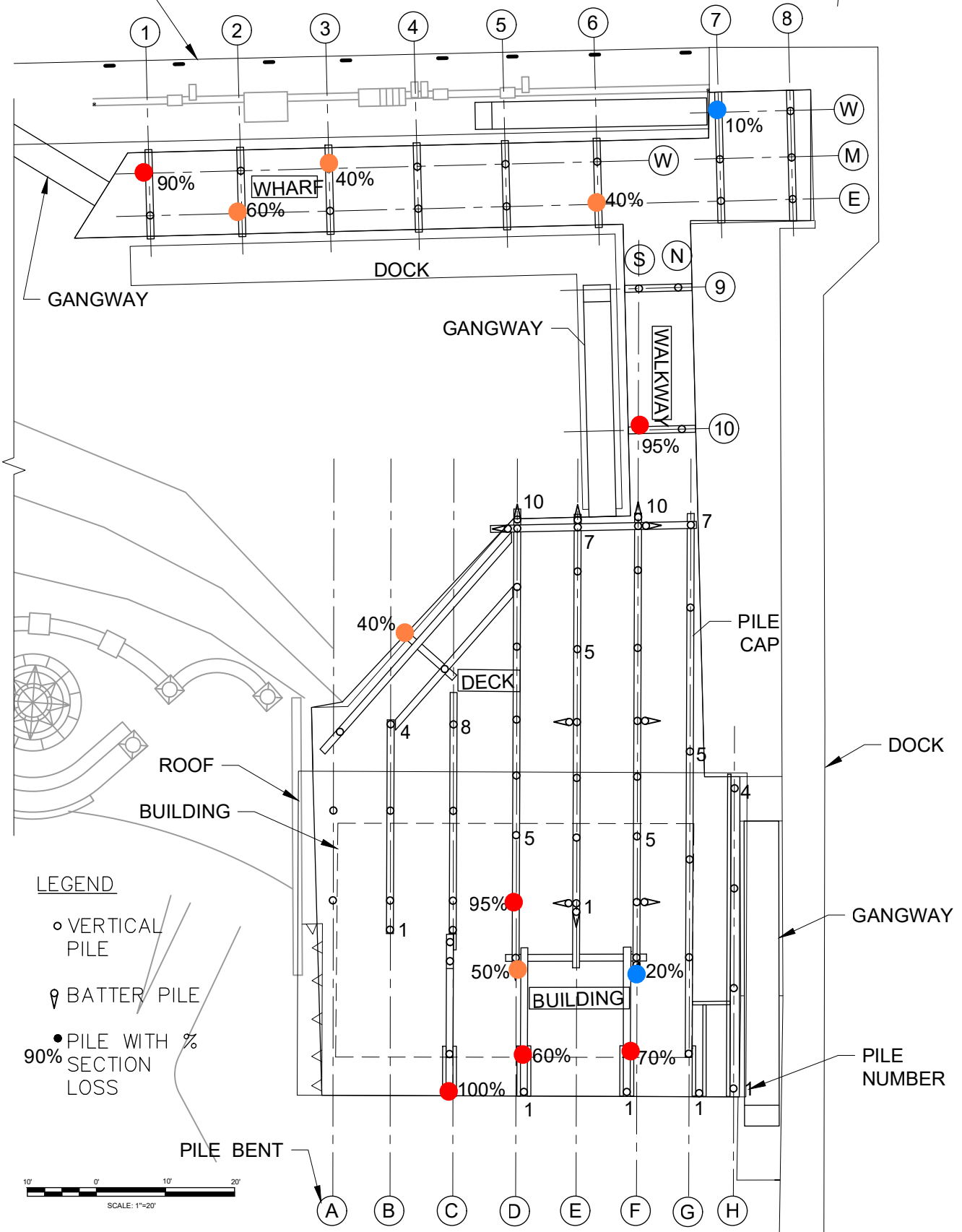
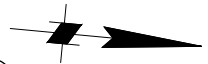
No drawings were available of the original construction. Based upon our investigation of the structure it appears that the deck was added on to over time, particularly on the east and north sides of the building. Beneath the building there are a number of slanted (batter) piles along bents D, E and F that would provide lateral stability to the structure. This suggests that the deck structure may have been used to accommodate the berthing of larger vessels at one time. The narrow walkway and wharf have no batter piles, and this suggests these may have been added later, perhaps at the time of the fuel dock to connect it to the shore.

To identify the piles, the pile bents beneath the building deck are identified with letters and the piles are numbered from the east side along the bent. The pile bents on the narrower Wharf on the west and walkway on the northwest are numbered and the piles along the bent are identified as either east and west (E W) or north and south (N S) as there are generally only 2 piles per bent.

2.2 Pile Inspection

The above and under water pile inspection was performed from September 19, 2019, led by Brad Porter, PE. The dive was performed using surface supplied air to the diver, with continuous voice communication with the diver to record the divers’ observations. A summary of the results of the inspection are presented below in Table 1 and on Figure 2. The majority (86%) of the piles showed no damage or had minor checking. Six of the piles had pile damage rated as severe (greater than 50% section loss) and six additional piles had damage rated as major (25-50% section loss) or moderate (up to 25% section loss). Examples of these pile conditions are shown in Photograph 2, (additional photographs are shown in the attached).

FUEL DOCK



OCT 2019



SANTA CRUZ HARBOR PILE CONDITION ASSESSMENT

FIGURE 1

MARKET DECK



Location	Severe	Major	Moder.	Minor	Good
B1					1
B2					1
B3					1
B4					1
C1	1				
C2					1
C3					1
C4					1
C5					1
C6					1
C7					1
C8					1
C9					1
C10		1			
D1					1
D2	1				
D3		1			
D3B					1
D4	1				
D5					1
D6					1
D7					1
D8					1
D9					1
D10					1
D10BW					1
D10BS					1
E1					1
E1BS					1
E1BE					1
E2					1
E3					1
E4					1
E4BS					1
E5					1
E6					1
E7					1
E7B					1
F1					1
F2	1				
F3					1
F3B			1		
F4					1
F4B					1

Location	Severe	Major	Moder.	Minor	Good
F5					1
F6					1
F7					1
F7BN					1
F8					1
F9					1
F10					1
F10BW					1
F10BN					1
G1					1
G2					1
G3					1
G4					1
G5					1
G6					1
G7					1
H1					1
H2					1
H3					1
H4					1
1E					1
1W	1				
2E		1			
2W					1
3W		1			
3E					1
4W					1
4E					1
5W					1
5E					1
6W					1
6E		1			
7W			1		
7M					1
7E					1
8W					1
8M					1
8E					1
9N					1
9S					1
10N					1
10S	1				
Total	6	5	2	0	72
%	7%	6%	2%	0%	85%

Table 1- Pile Condition Summary



2-Typical Good (Pile D10)



3-Critical (10S)



4-Critical (C1)

Photographs 2-4- Pile Condition



3.0 ANALYSIS

Information on the design loads for the building and deck were not available. Based upon field measurements and typical loads for this type of the structure the loads imposed on the piles were estimated to be:

Dead load	20 lb/sf
Live load	100 lb/sf
Total Area of Deck	6,200 SF
Total Bearing Piles	75
Average Max Load Per Pile	9,900 lb (5 tons approx.)

Although the depth of embedment of the piles is not known, timber piles are typically driven to enough depth to provide 20-30 tons of capacity within the soil and the timber material has at least 30 tons of bearing capacity. On average the maximum load that would be imposed upon each pile is approximately 15-25% of its capacity, varying by the tributary area of the individual pile supports. The piles are lightly loaded and have reserve capacity that allows for some amount of deterioration. In the case that a pile has deteriorated to the point that it has insufficient capacity (failed), the framing of the deck structure distributes loads to adjacent members. When this occurs, there is deflection (“sagging”) in the structure near the location of the failed member.

There are 6 piles that are in severe condition (less than 50% of their remaining material) due to deterioration from infestation by marine organisms. Pile 1C is the most critical; it is 100% hollowed out at the base (Photograph 4). It supports the walkway on the outside of the market. Pile 10S is 95% hollowed out and supports the walkway and is on a narrow cap with only 2 piles and supports stringers with a long span to bent 9. The other 4 piles, although in severe condition, are not as critical due to their location and adjacent members that provide redundant support.

There are 6 piles that have major (25-50% loss) or moderate (up to 25% loss) damage. Three of these piles are on narrow caps with only 2 piles. These 3 are a higher priority to repair than the remaining 3 piles.



4.0 FINDINGS AND RECOMMENDATIONS

Based upon the above we recommend the following:

1. Perform jacket repairs (see Figure 2) to these piles in priority order:

Priority 1-Within 12 months: C1, 10S, F2. 3 piles

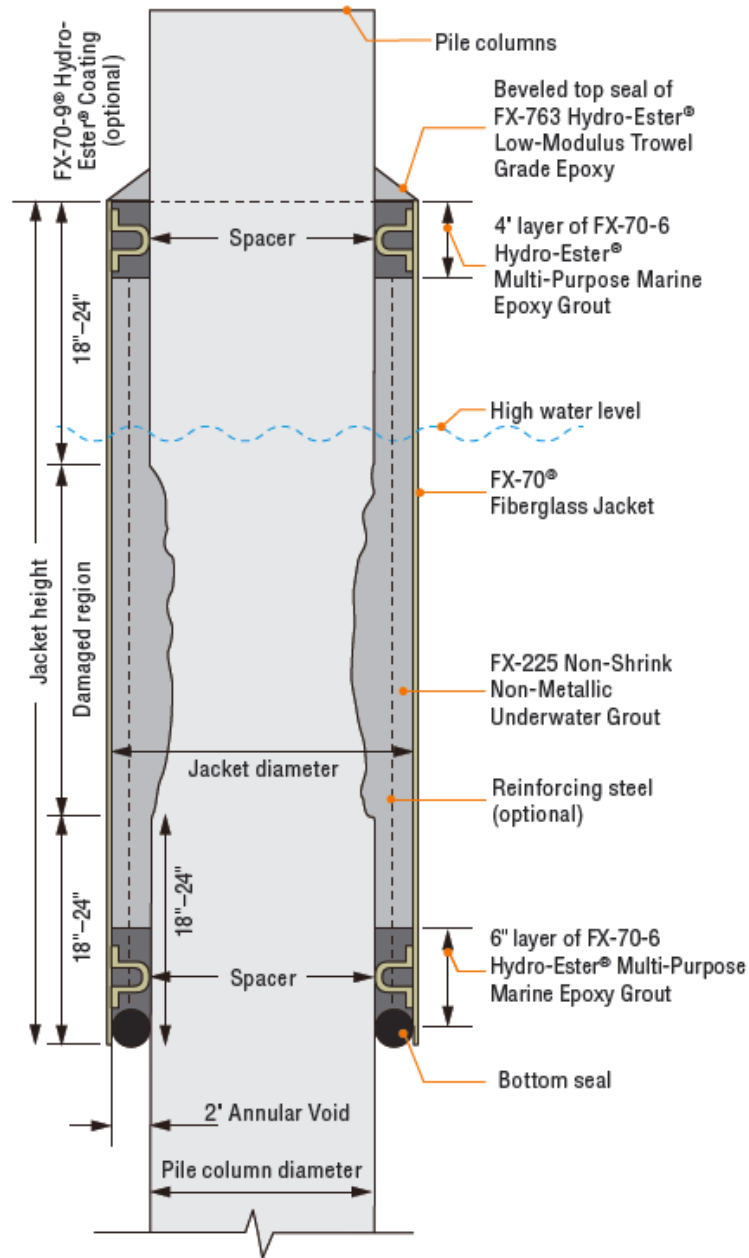
Priority 2-Within 24 months: C10, D2, 1W, D4. 4 piles

Priority 3-Within 4 years: 2E, 3W, 6E 3 piles

2. Until repairs are performed, the deck may remain in its current use. Monitor the areas of the damaged piles for any sign of sagging and notify engineer or similar qualified personnel if observed to perform an assessment of the condition.



Section Loss > 25%



Section Loss > 25%

Figure 2 - Fiberglass Jacket Repair Concept

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831.475.9558 Fax
www.santacruzharbor.org



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

TO: Port Commission
FROM: Marian Olin, Port Director
DATE: August 18, 2020
SUBJECT: Monterey Bay National Marine Sanctuary Management Plan Review

Recommendation: Review / approve submission of Santa Cruz Port Commission's comments on the Monterey Bay National Marine Sanctuary's Draft Management Plan

BACKGROUND

The Monterey Bay National Marine Sanctuary is seeking comments on a revision of its 2008 management plan.

At the August 28 meeting, Chairman Reed appointed Vice-Chairman Goddard and Commissioner Gertler to serve on an ad hoc committee to review plan documents and draft comments for Port Commission review. The ad hoc committee and Port Director met on August 13, 2020, and reached consensus on comments reflected in the draft letter appended as Attachment A.

ANALYSIS

The comments primarily address harbor-related issues contained in the Draft Management Plan.

IMPACT ON PORT DISTRICT RESOURCES

There is no impact on Port District resources associated with submitting comments on the draft management plan document.

ATTACHMENT: A. Santa Cruz Port Commission Draft Letter Commenting on MBNMS's Draft Management Plan

August 26, 2020

Superintendent Paul Michel
Monterey Bay National Marine Sanctuary
99 Pacific Street, Building 455A
Monterey, CA 93940

SUBJECT: Monterey Bay National Marine Sanctuary Management Plan Review

Dear Superintendent Michel:

I am writing on behalf of the Santa Cruz Port Commission to transmit the comments of the Santa Cruz Port District (“SCPD”) on the draft Management Plan and proposed regulation changes. SCPD appreciates the opportunity to review and comment on the June 2020 Draft Management Plan for the Monterey Bay National Marine Sanctuary (“MBNMS”). The plan and its supporting documentation provided valuable insight into current and future issues and concerns of MBNMS.

In 1992, MBNMS was “...*established for the purpose of resource protection, research, education, and public use*” (National Marine Sanctuaries, June 2020). SCPD shares mutual interests and common goals with MBNMS, and is proud to be the Gateway to the Monterey Bay National Marine Sanctuary. SCPD supports conservation and management of sanctuary resources in a manner that achieves balance in meeting all of MBNMS’s stated missions, including enhancing and supporting opportunities for public use now and in the future.

SCPD supports the proposal to add a new definition for “beneficial use of dredged material” at 15 CFR 922.131 and to amend 15 CFR 922.132(f) to clarify that beneficial use of clean and suitable dredged material is not disposal of dredged material. SCPD appreciates recognition by MBNMS that its longstanding beach replenishment / sand bypassing activities accomplished through maintenance dredging operations restores habitats by stabilizing beach profiles and returning clean sand and watershed material into the Santa Cruz littoral cell longshore transport system. Regular sediment testing has shown SCPD’s dredged material to be clean and suitable for aquatic disposal and this added flexibility will help achieve other objectives of MBNMS’s issue-based action plans.

For over two decades, SCPD has advocated for changing the view of dredged material as a waste product to a perspective that values sediment as a natural resource serving

multiple beneficial purposes. SCPD is gratified to see this thinking finally reflected in the draft Management Plan and accompanying change to the MBNMS regulations.

Climate Change Acton Plan: As noted in the Federal Register Notice and Proposed Rule, beneficial reuse of clean and suitable dredged material for habitat restoration purposes “...would provide an additional effective and sustainable option to address sites in MBNMS where shoreline habitat and resources are increasingly impacted by erosion due to shoreline structures, coastal armoring, seal level rise, and documented, increased storm activity” (Federal Register, 2020). This flexibility and partnership between SCPD and MBNMS on placement of clean and suitable dredged material can help to achieve stated objectives of coastal resilience and climate adaptation.

Coastal Erosion and Sediment Management Action Plan: SCPD supports Activity 4.1 under Strategy CESM-4 “Implement site-specific beach nourishment programs,” which expresses MBNMS’s commitment to continue to coordinate with local harbors and cities on use of clean sand for beach nourishment as opportunities arise.

However, SCPD takes exception to an unfounded statement included under the subheading “Dredge Disposal in MBNMS Waters”:

“... dredged material disposal may affect water quality and can bury or alter habitat, bathymetry, and physical processes.”

Santa Cruz Port District has completed three peer-reviewed dredging demonstration projects and two separate three-year baseline monitoring studies of Giant Kelp. These peer-reviewed scientific studies and other reports are available on SCPD’s website at <https://www.santacruzharbor.org/dredging-scientific-studies-reports/>. Reports include:

- Kelp Monitoring, Habitat Assessment and Aerial Photography Analysis, Final Report 2008-10, Sandoval and Associates, January 2011
- Three Year Baseline Monitoring of Giant Kelp Final Report, Sandoval and Associates Consulting Services, LLC, February 2016
- Dredging Demonstration Project #3 – The Dynamics of Fine-Grain Sediment Dredged from Santa Cruz Harbor, by United States Geological Survey, May 2011
- Dredging Demonstration Project #2, Fall 2005 Inner Santa Cruz Harbor Dredge Disposal Monitoring Program, Sea Engineering, Inc., 2005
- Dredging Demonstration Project #1, Monitoring of Dredged Upper Santa Cruz Harbor Mixed Sand and Mud Sediment Released into the Nearshore Area of Santa Cruz, California, Watt and Greene, 2001

- The Role of Mud in Regional Productivity and Species Diversity, John Oliver, Moss Landing Marine Lab and Sea Engineering, Inc., January 2008

SCPD suggests this statement be amended to clarify it is intended to address material not deemed suitable for aquatic disposal, and not clean sediment approved for ocean disposal according to EPA standards.

Additionally, page 64 of the Draft Management Plan states, “*MBNMS authorizes the Army Corp permit for the Santa Cruz Port District to place dredged material at the federally approved nearshore beach area at Harbor Beach and Twin Lakes State Beach, and the offshore disposal site.*” Historically, MBNMS has authorized the Coastal permits issued for SCPD’s dredging operations. MBNMS has not authorized SCPD’s permits issued by the US Army Corps of Engineers (“USACE”). SCPD requests clarification on MBNMS’ authority over permits issued by the USACE.

Marine Debris Action Plan: SCPD is collaborating with MBNMS to prevent vessel groundings and sinkings whenever possible, and is cooperating with efforts to collect lost fishing gear by providing temporary storage areas at the harbor for temporary storage of gear. SCPD suggests it be listed as a potential partner in this effort to reduce marine debris.

Water Quality Protection Program Action Plan: SCPD appreciates MBNMS’s recognition of its efforts to reduce water pollution, and is proud of Santa Cruz Harbor’s designation as a California Certified Clean Marina.

Wildlife Disturbance Action Plan: SCPD supports MBNMS efforts to prevent and reduce wildlife entanglements. Regulation by agencies tasked with fisheries management, as well as promoting the use of well-marked, traceable gear that meets current wildlife protection standards and enforcement are excellent means of protecting resources while safeguarding sustainable public use in support of a vibrant and productive fishery.

There are a few minor corrections to the MBNMS Draft Management Plan document noted below:

- Page 22: Correct height of sea surface tilt in the Pacific Ocean from east to west to one meter (not one mile)
- Page 64: SCPD dredges through April 30 (not April 1)
- Page 70: Correct entity name is Santa Cruz Port District (not “Harbor District”)

Lastly, the Federal Register Notice and Proposed Rule (Federal Register, 2020) states, “*The beneficial use of dredged material at sites within the sanctuary, such as Surfer’s*

Beach, would require: ... additional rigorous testing and screening of the material to ensure that the material is both clean and suitable for habitat restoration; additional review of the proposed project under NEPA and other applicable statutes....” What kind of testing might be proposed above and beyond what is already required under existing Clean Water Act / USACE / EPA standards for dredged material and why?

The Santa Cruz Port Commission looks forward to MBNMS’s responses to its comments, and congratulates Sanctuary staff on completing this first step in the sanctuary management review process.

Sincerely,

Stephen Reed
Chairman, Santa Cruz Port District Commission

References

Federal Register, Vol 85. No 129. (2020, July 6). Federal Register Notice and Proposed Rule. National Marine Sanctuaries, M. (June 2020). *Monterey Bay National Marine Sanctuary Draft Management Plan*. Office of National Marine Sanctuaries, National Oceanic and Atmospheric Administration.

Santa Cruz Port District
Accounts Payable Monthly Check Register
 July 2020

Date	No.	Vendor	Description	Amount
7/9/2020	53634	Employee #24	Vacation Payout	\$ 1,218.30
7/10/2020	53635	Ace Portable Services	Portable Toilet Rental, Boatyard Handwashing Station	\$ 382.78
7/10/2020	53636	Agnew, John	Quarterly Uniform Allowance	\$ 190.00
7/10/2020	53637	Bayside Oil II, Inc.	Boatyard Hazardous Waste Disposal	\$ 1,145.00
7/10/2020	53638	Beaulieu, James	Security Deposit Refund	\$ 339.60
7/10/2020	53639	Employee #2	Vacation Payout, Uniform Allowance	\$ 2,384.30
7/10/2020	53640	Blewett, Piers	Security Deposit Refund	\$ 241.88
7/10/2020	53641	Bobby's Pit Stop, Inc.	Patrol Truck Repair	\$ 497.28
7/10/2020	53642	Burke, Williams & Sorensen, LLP	Legal Consultation - Labor Negotiations	\$ 292.50
7/10/2020	53643	Carpi & Clay	Washington Representation	\$ 800.00
7/10/2020	53644	Citi Cards	Breakroom Supplies, Janitorial Supplies, Fleet Fuel	\$ 501.89
7/10/2020	53645	Computer Technical Specialists, Inc.	E-mail Scanning, Server Backup	\$ 731.65
7/10/2020	53646	County of Santa Cruz Auditor	Citation Tax (March - May)	\$ 3,090.00
7/10/2020	53647	County of Santa Cruz DPW	Hazardous Waste Disposal	\$ 45.00
7/10/2020	53648	David Hill	Quarterly Uniform Allowance	\$ 190.00
7/10/2020	53649	Don Kinnamon	Quarterly Uniform Allowance	\$ 190.00
7/10/2020	53650	Elevator Service Company	Elevator Service (\$223.60 Tenant Reimbursable)	\$ 430.00
7/10/2020	53651	Fastenal Company	Lag Screws, Washer	\$ 130.16
7/10/2020	53652	First Alarm Security & Patrol, Inc.	Security Patrol	\$ 146.16
7/10/2020	53653	Fuller, Peter	Security Deposit Refund	\$ 1,200.60
7/10/2020	53654	Garda CL West, Inc.	Deposit Courier Service	\$ 266.85
7/10/2020	53655	Ghisletta, Renee	Mileage Expense Reimbursement	\$ 68.66
7/10/2020	53656	Gottlieb, Landon	Quarterly Uniform Allowance	\$ 190.00
7/10/2020	53657	Government Finance Officers Association	Annual Membership	\$ 160.00
7/10/2020	53658	Grainger	Sign Mount	\$ 117.41
7/10/2020	53659	Gsolutionz	Telephone System Supplier Monthly IT Support (June - July) & Annual Equipment Support Services	\$ 628.64
7/10/2020	53660	HD Supply Facilities Maintenance, Ltd.	Concession Lot Restroom Toilets, Sinks, Water Heater	\$ 6,380.23
7/10/2020	53661	Home Depot Credit Services	Plywood, Corner Guard, Brush, Paint, Canopies, Wall Outlet, Cleaning Supplies, Hoses, Grinder, Wire Wheels, Roof Edge, Steel Sheet, Hole Saws Tile Blades, Adhesives	\$ 1,375.38
7/10/2020	53662	Horizon Water and Environment, LLC	Consulting Services: Regional General Permit Application	\$ 3,147.15
7/10/2020	53663	Huber, Maureen	Key Deposit Refund	\$ 20.00
7/10/2020	53664	Jordan Rank	Quarterly Uniform Allowance	\$ 190.00
7/10/2020	53665	Jorgensen, Siegel, McClure & Flegel, LLP	Legal Consultation	\$ 646.25

Santa Cruz Port District
Accounts Payable Monthly Check Register
 July 2020

Date	No.	Vendor	Description	Amount
7/10/2020	53666	Kelly-Moore Paint Company, Inc.	Parking Lot Striping Paint	\$ 47.10
7/10/2020	53667	Kevin King	Quarterly Uniform Allowance	\$ 190.00
7/10/2020	53668	Manning, Chuck	Security Deposit Refund	\$ 352.20
7/10/2020	53669	McDowell, Jeffery	Security Deposit Refund	\$ 113.70
7/10/2020	53670	Mehuron, Ron	Security Deposit Refund	\$ 375.10
7/10/2020	53671	Mid County Auto Supply	Patrol Vessel Cleaning Supplies	\$ 66.79
7/10/2020	53672	Mission Uniform Service	Uniform Service	\$ 154.63
7/10/2020	53673	MSC Industrial Supply Co.	Hand Sanitizer	\$ 129.86
7/10/2020	53674	National Vessel Documentation Center	<i>Twin Lakes</i> Vessel Documentation Renewal	\$ 84.00
7/10/2020	53675	Nicholas Henning	Refuse Collection	\$ 2,900.00
7/10/2020	53676	Ost, Janis	Security Deposit Refund	\$ 384.40
7/10/2020	53677	Palace Art & Office Supply	Office Supplies	\$ 195.90
7/10/2020	53678	Peace Officers Research Association of California	Association Dues (Employee Payroll Deduction)	\$ 380.00
7/10/2020	53679	PORAC Legal Defense Fund	Association Dues (Employee Payroll Deduction)	\$ 124.00
7/10/2020	53680	Santa Cruz County Environmental Health Service	Annual Fuel Underground Storage Tank Permit	\$ 3,380.00
7/10/2020	53681	SC Fuels	Fuel Dock Gas & Diesel	\$ 33,704.18
7/10/2020	53682	Scheidt & Bachmann	Concession Lot Equipment Gate Arm, Door Lock	\$ 341.82
7/10/2020	53683	Santa Cruz Municipal Utilities	Utilities	\$ 1,603.94
7/10/2020	53684	Seals, Robert	Security Deposit Refund	\$ 51.43
7/10/2020	53685	Sean Rothwell	Quarterly Uniform Allowance, Employee Recognition Expense Reimbursement	\$ 420.78
7/10/2020	53686	Smith, Garth	Security Deposit Refund	\$ 80.00
7/10/2020	53687	Superior Alarm Company	Quarterly Alarm Monitoring - 493 Lake Avenue	\$ 207.00
7/10/2020	53688	Svensden's Boat Works	Boatyard Retail Items, Boatyard Rental Equipment	\$ 309.90
7/10/2020	53689	The Home Depot Pro Institutional	Janitorial Supplies	\$ 1,010.48
7/10/2020	53690	The Skylight Place, Inc.	413 Lake Avenue, Suite 104 Window Replacement	\$ 788.17
7/10/2020	53691	US Relay	Webcam Service	\$ 484.00
7/10/2020	53692	Verizon Wireless	Cell Phone & Tablet Service	\$ 314.57
7/10/2020	53693	West Marine Pro	<i>Almar</i> Antenna Mount	\$ 9.57
7/10/2020	53694	Zanevchik, Roman	Security Deposit Refund	\$ 113.70
7/10/2020	53695	County of Santa Cruz Auditor	Annual LAFCO Assessment	\$ 11,518.86
7/24/2020	53696	Allied Administrators for Delta Dental	Dental Insurance	\$ 2,881.76
7/24/2020	53697	Allied Universal	Security Patrol	\$ 730.80
7/24/2020	53698	AT&T	Telephone	\$ 2,963.65
7/24/2020	53699	Atchison Barisone Condotti & Kovacevich	Legal Consultation - Litigation, General Matters, COVID-19	\$ 9,139.36

Santa Cruz Port District
Accounts Payable Monthly Check Register
July 2020

Date	No.	Vendor	Description	Amount
7/24/2020	53700	CIT	Telephone System Lease	\$ 323.09
7/24/2020	53701	Bay Building Janitorial, Inc.	Janitorial Services	\$ 5,292.00
7/24/2020	53702	Bay Plumbing Supply, Inc.	Shop Towels, Pipe Fittings, Lift Station Coupling & Plug	\$ 470.07
7/24/2020	53703	Bay Power Equipment, Inc.	<i>Twin Lakes</i> Chopper Cylinders	\$ 8,745.63
	53704	VOID		
7/24/2020	53705	Comcast	Business Cable & Internet, Concession Lot Internet	\$ 335.50
7/24/2020	53706	Comerica Cardmember Services	Amazon Prime Business Membership, Late Fees & Interest	\$ 272.42
7/24/2020	53707	Compass Bank	Tax Exempt Loan Principal & Interest	\$ 590,058.45
7/24/2020	53708	Crow's Nest Restaurant	1/2 Concession Lot Garbage (May-June) (Tenant Reimbursable)	\$ 3,453.52
7/24/2020	53709	Crystal Springs Water Co.	Boatyard Drinking Water	\$ 37.50
7/24/2020	53710	Data Ticket, Inc.	Citation Processing (June)	\$ 352.78
7/24/2020	53711	ERIKS North America, Inc.	Pipe & Flanges	\$ 21,887.78
7/24/2020	53712	Fastenal Company	Breakroom Supplies, Wire Wheels, Grinding Wheels	\$ 730.78
7/24/2020	53713	Ferguson Enterprises, Inc.	Lift Station Gasket, Pipe Primer	\$ 72.28
7/24/2020	53714	Fresno Pipe & Supply	Pipeline Flanges	\$ 551.14
7/24/2020	53715	Garda CL West, Inc.	Deposit Courier Service	\$ 54.74
7/24/2020	53716	Grainger	<i>Twin Lakes</i> Pump Seal Ring, Breakroom Supplies, Deodorizer, Paint Rollers, Paint Brushes, <i>Twin Lakes</i> Ball Valves & Check Valves, Hammers, Chisel, Wrench, Wrenches, Parking Meter Batteries, Aerosol Duster, Disposable Gloves	\$ 1,665.38
7/24/2020	53717	HD Supply Facilities Maintenance, Ltd.	Faucets	\$ 1,133.87
7/24/2020	53718	Kelly-Moore Paint Company, Inc.	Dredge Primer, Paint Remover, Supplies	\$ 2,798.88
7/24/2020	53719	Latreille, John	Security Deposit Refund	\$ 205.00
7/24/2020	53720	Lawson	Portable Work Light	\$ 115.62
7/24/2020	53721	Marina Ware	Quarterly Software & Electronic Key Access Support	\$ 1,700.00
7/24/2020	53722	McMaster-Carr Supply Company	<i>Twin Lakes</i> Service Water Suction Strainer, Service Water Pump Parts, Screws, Valves, Crane Fuel Cap, Gasket & Adapters	\$ 841.74
	53723	VOID		
7/24/2020	53724	Mid County Auto Supply	Wire Brush, Dredge Trailer U-Bolt Kits, Maintenance Vehicle Brake Hose Bolt, Maintenance Vehicle Brake Fluid, CALE Batteries & Charger, Tow Hitch Ball, Maintenance Vehicle Radiator & Flush Kit	\$ 879.48
7/24/2020	53725	Mission Uniform Service	Uniform Service	\$ 165.43
7/24/2020	53726	Operating Engineers Local Union No. 3	Union Dues (Employee Payroll Deduction)	\$ 325.00
7/24/2020	53727	Pacific Gas & Electric Company	Utilities	\$ 22,737.73
7/24/2020	53728	Palace Art & Office Supply	Office Supplies	\$ 67.04

Santa Cruz Port District
Accounts Payable Monthly Check Register
July 2020

Date	No.	Vendor	Description	Amount
7/24/2020	53729	Peterson	Dozer Maintenance & Repair	\$ 16,848.95
7/24/2020	53730	Praxair Distribution Inc.	Welding Gas	\$ 157.33
7/24/2020	53731	ROI Safety Services	Annual California Environmental Reporting System / Certified Unified Program Agency Training	\$ 309.47
7/24/2020	53732	Rowe Machinery	Squirt Shaft & Sprocket	\$ 1,575.00
7/24/2020	53733	San Lorenzo	Screws	\$ 29.40
7/24/2020	53734	SC Fuels	Fuel Dock Gas & Diesel, Twin Lakes Lubricant	\$ 34,027.63
7/24/2020	53735	Santa Cruz Municipal Utilities	Utilities	\$ 22,922.40
7/24/2020	53736	Shrive, Peter	Credit Balance Refund	\$ 82.14
7/24/2020	53737	Staples Credit Plan	Office Supplies	\$ 91.72
7/24/2020	53738	Summit Uniforms	Deputy Harbormaster Body Armor	\$ 872.91
7/24/2020	53739	Svendsen's Boat Works	Twin Lakes Anodes, Boatyard Retail Items	\$ 3,562.07
7/24/2020	53740	UNUM Life Insurance Co. of America	LTD/Life/AD&D Insurance	\$ 1,241.86
7/24/2020	53741	West Marine Pro	Choker Rigging, Masking Tape, Boat Hooks	\$ 285.48
7/31/2020	53742	Compass Bank	Tax Exempt Loan Principle & Interest	\$ 143,808.00
7/31/2020	53743	WEX Bank	Fleet Fuel	\$ 2,708.47
7/31/2020	53744	Valero Marketing & Supply Company	Fleet Fuel	\$ 15.87
7/3/2020	Various	Various Employees	6/16/20-6/30/20 Payroll	\$ 7,588.95
7/20/2020	Various	Various Employees	7/1/20-7/15/20 Payroll	\$ 8,650.20
7/1/2020	EFT	Comerica Commercial Card Services	Life Jacket Loaner Station Hangers, Wireless Gate Openers for Concession Lot, GoToMeeting Subscription, Concession Lot Restroom Tile, Workplace App Subscription, Buoy Filler Foam, Printer Toner, 413 Lake Avenue Blinds, Cork Boards, Dozer Glass Replacement, Fire Hose, Siphon Nozzles, Terex Tire Repair, Storm Water Pollution Prevention Program Sample Testing Shipping & Supplies, Drill Chuck & Key, Trailer Hitch, Suspension Pads, Disposable Face Masks, Squirt Grid Floor Sand Blasting, Parking Machine Test Transactions, Breakaway Bolts for Parking Gate Arms, Active 911 Subscription	\$ 7,812.06
7/1/2020	EFT	Merchant Services	Online Billpay Credit Card Fees	\$ 295.28
7/1/2020	EFT	Merchant Services	Parking Machine Credit Card Fees	\$ 5,391.18
7/1/2020	EFT	Merchant Services	Boatyard Credit Card Fees	\$ 322.51
7/1/2020	EFT	Gravity Payments	Front Desk Credit Card Fees	\$ 2,427.73
7/1/2020	EFT	ElectronicPayments	Fuel Dock Credit Card Fees	\$ 763.39
7/1/2020	EFT	Transaction Express	Online Billpay ACH Fees	\$ 420.49
7/3/2020	EFT	Windcave, Inc.	Concession Lot Credit Card Fees	\$ 1,014.06
7/3/2020	EFT	Empower Retirement	457 Contributions (Payroll Deduction)	\$ 2,123.75
7/3/2020	EFT	PAYCHEX	Payroll Service Fees	\$ 419.27
7/3/2020	EFT	PAYCHEX	6/16/20-6/30/20 Payroll Direct Deposit	\$ 62,500.81

Santa Cruz Port District
Accounts Payable Monthly Check Register
July 2020

Date	No.	Vendor	Description	Amount
7/3/2020	EFT	PAYCHEX	6/16/20-6/30/20 Payroll Taxes	\$ 30,666.79
7/6/2020	EFT	CalPERS	Health Insurance	\$ 36,886.96
7/6/2020	EFT	CalPERS	Retirement Contributions (Employee & Employer)	\$ 526.82
7/6/2020	EFT	CalPERS	Retirement Contributions (Employee & Employer)	\$ 7,409.88
7/6/2020	EFT	CalPERS	Retirement Contributions (Employee & Employer)	\$ 6,018.10
7/7/2020	EFT	Comerica Commercial Card Services	Caution Tape, Patrol Vehicle Supplies, Office Space Advertising, Recruitment Advertising, Infographics UV Protectant Spray, Tour Station Graphics, Embroidered Hats for Resale, GoToMeeting Subscription, Roof Flashing, Backhoe Tires, Workplace App Subscription, Concession Lot Parking Machine Flags & Signs, American Flags, Deposit Courier Service, HEPA Air Purifiers, Hex Lag Bolts, Face Coverings, <i>Squirt</i> Engine Maintenance Kit, Gearcase Assembly Tool, Cutter Shaft Cutlass Bearing, Magnets, Change Machine Parts, <i>Squirt</i> Anodes, CO2 Cartridges, Credit Card Reader Cleaning Cards, Pressure Washer Repair Parts, Printer Ink, Storm Water Pollution Prevention Program Sample Shipping & Supplies, Boatyard Retail Items	\$ 10,240.02
7/9/2020	EFT	Comerica Bank-Cost Center	Service Fees	\$ 582.68
7/10/2020	EFT	PAYCHEX	Time & Attendance Fees	\$ 109.25
7/10/2020	EFT	California Department of Tax and Fee Administration	April - May 2020 Sales Tax Return	\$ 7,481.00
7/10/2020	EFT	California Department of Tax and Fee Administration	Underground Storage Tank Maintenance Fee	\$ 1,427.00
7/10/2020	EFT	Gravity Payments	Front Desk Credit Card Gateway Fee	\$ 17.52
7/20/2020	EFT	Empower Retirement	457 Contributions (Payroll Deduction)	\$ 2,548.56
7/20/2020	EFT	PAYCHEX	Payroll Service Fees	\$ 447.83
7/20/2020	EFT	PAYCHEX	7/1/20-7/15/20 Payroll Direct Deposits	\$ 53,812.44
7/20/2020	EFT	PAYCHEX	7/1/20-7/15/20 Payroll Taxes	\$ 29,523.62
7/23/2020	EFT	CalPERS	Retirement Contributions (Employee & Employer)	\$ 7,936.52
7/23/2020	EFT	CalPERS	Retirement Contributions (Employee & Employer)	\$ 6,498.99
7/23/2020	EFT	CalPERS	Retirement Contributions (Employee & Employer)	\$ 551.74
7/23/2020	EFT	CalPERS	Unfunded Accrued Liability	\$ 25,304.62
7/23/2020	EFT	CalPERS	Unfunded Accrued Liability	\$ 2,541.93
7/23/2020	EFT	CalPERS	Unfunded Accrued Liability	\$ 524.14
Total July 2020 Disbursements				\$ 1,327,486.96



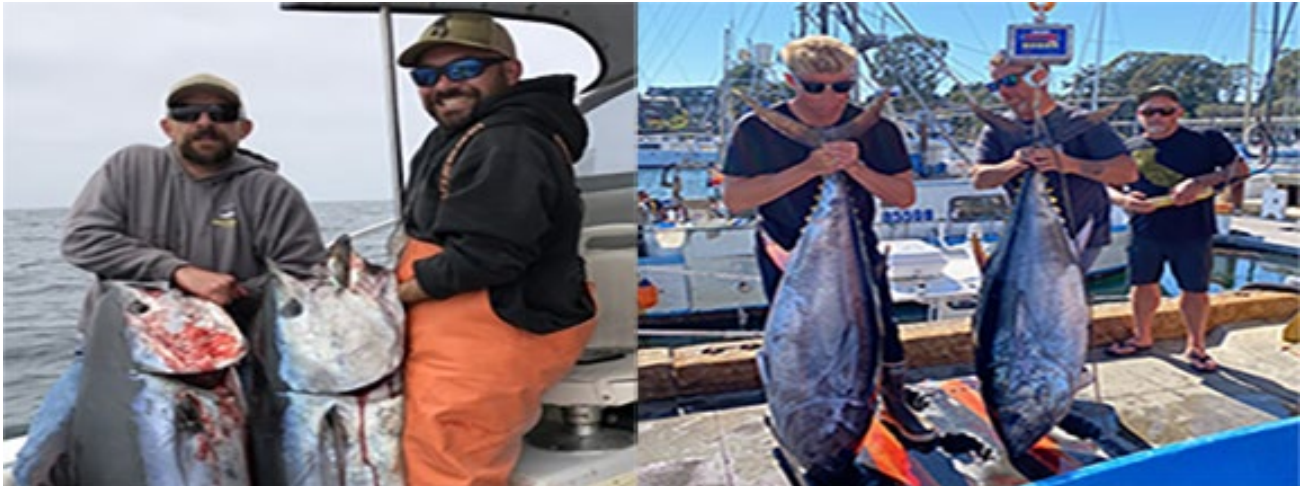
TO: Port Commission
FROM: Blake Anderson, Harbormaster
DATE: August 14, 2020
SUBJECT: Harbormaster's Report

Perishable Skills Training

Deputy Harbormaster staff participated in a law enforcement perishable skills training. The in-house training was provided by POST-certified staff and included handcuffing, defensive tactics, officer safety, searching, vehicle stops, and dispatch communication.

Bluefin Tuna

In late July, Bluefin tuna in the 100-150lb range started to show up in local waters. There were reports of fish as close as 3 miles from Santa Cruz! While Bluefin tuna can be found in our area in the late summer and fall months when the currents push warm water up the coast, the size of these particular fish is considered rare. It's been roughly 20 years since fish of this grade were seen and taken near Santa Cruz. It takes skill, the right equipment, and a good amount of luck to land these fish.



Derelict and Abandoned Vessel Removal

Randazzo Enterprises Inc. will be on-site August 26, 2020, to demolish and remove eight derelict and abandoned vessels from the harbor. Staff has been preparing the vessels by removing masts, fuel/oil, and other hazardous materials beforehand. The removal project, which will take place at the boatyard, is funded through the CA Division of Boating and Waterways SAVE grant program.

Patrol Boat Grant Reimbursement

The District submitted the first reimbursement package to the State of California, Department of Natural Resources for costs associated with the new patrol vessel. The first installment was paid to Moose Boats Inc on June 3, 2020, in the amount of \$147,001.67. A reimbursement check is expected

in mid-to-late September.

US Olympic Sailing Team

The US Sailing Team – Men’s 49er Squad trained for three weeks in July in the waters off Santa Cruz to prepare for the Tokyo 2021 Summer Olympics. The sailing conditions in the host venue, Enoshima, Japan, are very similar to the Monterey Bay, so the team was able to get a feel for the conditions and equipment while training here in Santa Cruz.



Harbor Security Upgrades

As part of the FY21 Capital Improvement Program, five new security cameras were purchased to complement the ten cameras already in service. Two cameras have been installed by maintenance staff; one at the fisheries hoist and one at the V-Dock restroom area. Additional cameras will be placed on the X2 restrooms, the G2 restrooms, and on the *Pappy* display.



Boat Yard Recruitment (Part-Time)

The District is currently recruiting for a part-time boatyard worker position. Duties include; assisting with hauls and splashes, general facility clean-up and maintenance, and assisting with operating storm water catchment systems. Interested applicants can visit the District’s website for more information. The application filing period is open until the position is filled.

Fisheries Report

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

July 2020 – Total Port Landings (Including Resident Buyer):

Species	Weight (lbs.)	Ex-Vessel (per lbs.)	Approx. Value
Chinook Salmon	12,931.84	\$6.00	\$77,591.04
CA Halibut	9,920.55	\$4.50	\$44,642.48
Pacific Mackerel	458.38	\$2.00	\$916.76
Lingcod	222.05	\$3.00	\$666.15
Rockfish (blackgill)	467.55	\$3.00	\$1,402.65
Rockfish (vermillion)	115.25	\$3.00	\$345.75
Jacksmelt	3,092.40	\$1.00	\$3,092.40
Petrals Sole	35.95	\$3.00	\$107.85
Sablefish (Blackcod)	2,980.85	\$2.75	\$8,197.34
Starry Flounder	30.15	\$2.00	\$60.30
Total Ex-Vessel:			\$137,022.72

Species also landed* - Rockfish (various species), Northern Anchovy, Kingfish, Pacific Pompano, Arrowtooth Flounder, Pacific Herring, Pacific Whiting, Jack Mackerel, Queenfish, Pacific Sanddab, Pacific Sardine, White Seabass, Thornyhead Shortspine, Bluefin Tuna

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

July 2020 – Resident Buyer Landings:

Species	Weight (lbs.)	Ex-Vessel (per lbs.)	Approx. Value
Chinook Salmon	9,031.44	\$6.00	\$54,188.64
CA Halibut	5,579.41	\$4.50	\$25,107.34
Sablefish (Blackcod)	1,061.85	\$2.75	\$2,920.09
Petrals Sole	16.45	\$3.00	\$49.35
Rockfish	302.90	\$3.00	\$908.70
Pacific Mackerel	260.73	\$2.00	\$521.46
Lingcod	138.60	\$3.00	\$415.80
White Seabass	15.80	\$6.00	\$94.80
Sanddabs	4.75	\$3.00	\$7.75
Starry Flounder	17.35	\$2.00	\$34.70
Total Ex-Vessel:			\$84,248.63

Santa Cruz Port District

Facilities and Engineering Manager's Report

Public Meeting of August 22, 2020

Dredging

Dauntless

Crews have completed painting and a majority of end-of-season repairs on *Dauntless*. Crews are waiting on a new pin and bushing set for the upper sheave on the A-frame, which is scheduled to arrive in the first week of September.

Squirt

The new suction hose has been installed, and *Squirt* will be splashed by September 14, 2020.

North Harbor Dredge Mobilization

North harbor mobilization will begin on September 14, 2020. Crews will bring *Squirt* to the turning basin and install the 10" pipe to it. The plan is to start digging the turning basin first and then work north up the X-J channel. Maintenance crews will disconnect any fingers that will be in the way of dredging.

Maintenance

333 Lake Avenue

The building at 333 Lake Avenue was painted and new signage was installed at Bayside Marine. On the north side of the building, significant rot was found and is scheduled to be repaired during the last week of August.

Harbor Security Upgrades – Video Cameras

Five additional security cameras are currently being installed at the following locations:

- (1) V-Dock Restroom
- (1) X2-Dock Restroom
- (1) G2-Dock Restroom
- (1) Fisheries Hoist
- (1) *Pappy* Display

Concession Lot Restroom Rehabilitation Project

The concession lot public restroom interior work has been completed. Staff will paint the exterior of the building and replace the wooden shingle roofing with composite shingle roofing in September.

Miscellaneous

The 2007 F-150 Harbor Patrol truck sold at auction for \$3,050.00.

The McElroy Fusion machine did not meet the District's auction reserve price, so staff will relist it for auction.

Staff purchased a used, 2013 F250 flatbed 4WD with only 57,000 on the odometer in the amount of \$26,000.

New flooring is scheduled to be installed next month at 413 Lake Avenue, Suite 101 & 102 (Tenant: Kayak Connection).

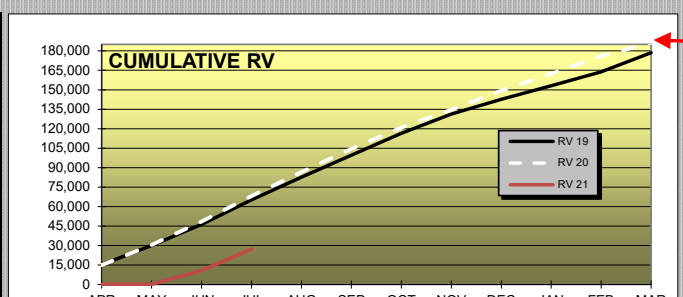
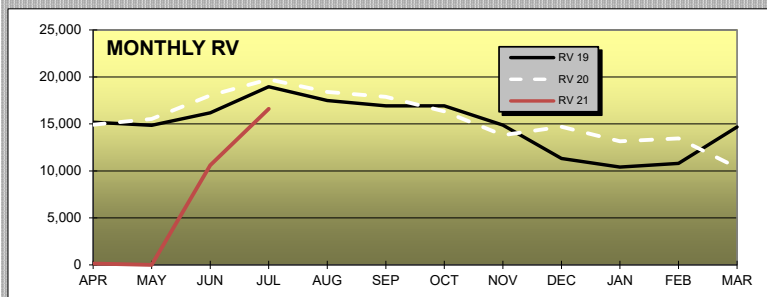
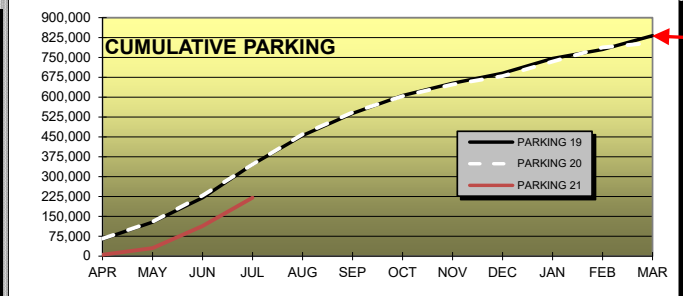
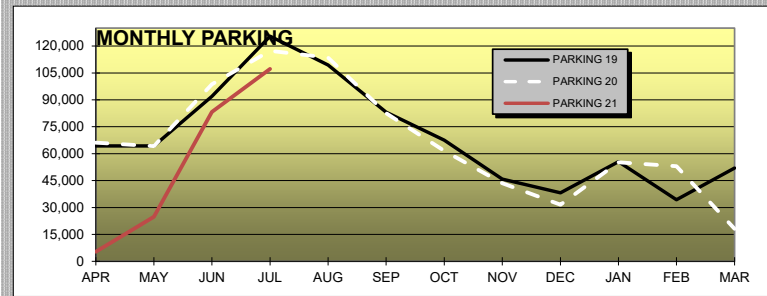
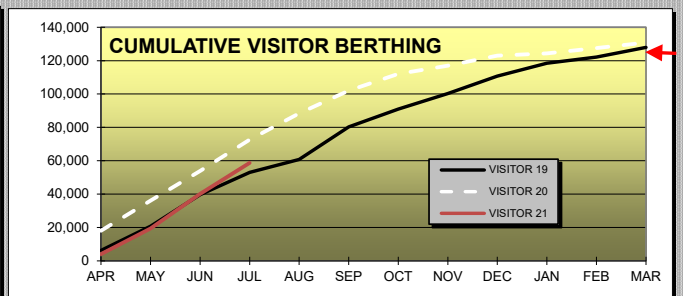
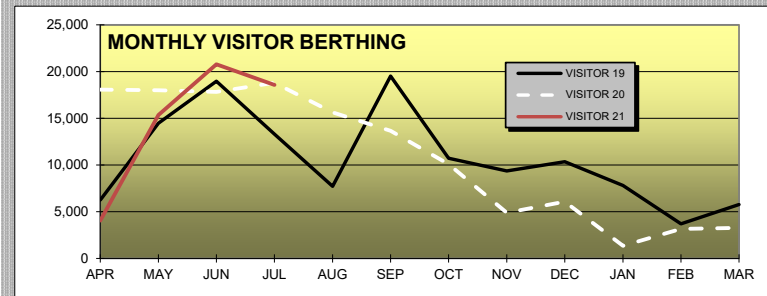
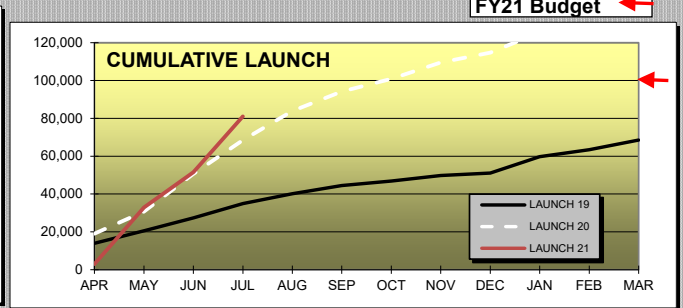
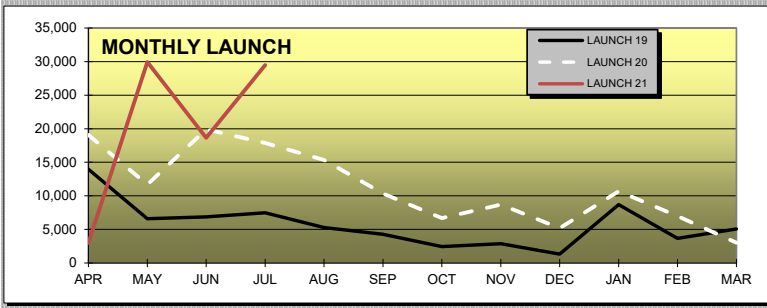
Southeast harbor ramps will be delivered next month. Upon arrival, staff will schedule a date to start installing them.

Training

The Maintenance and Dredge departments are scheduled for confined space training. The training will be held at the maintenance building and hands-on instruction will also take place in the lift stations and on the dredge.

The Dredge department is scheduled for a plastic pipe fusion training class in early-September.

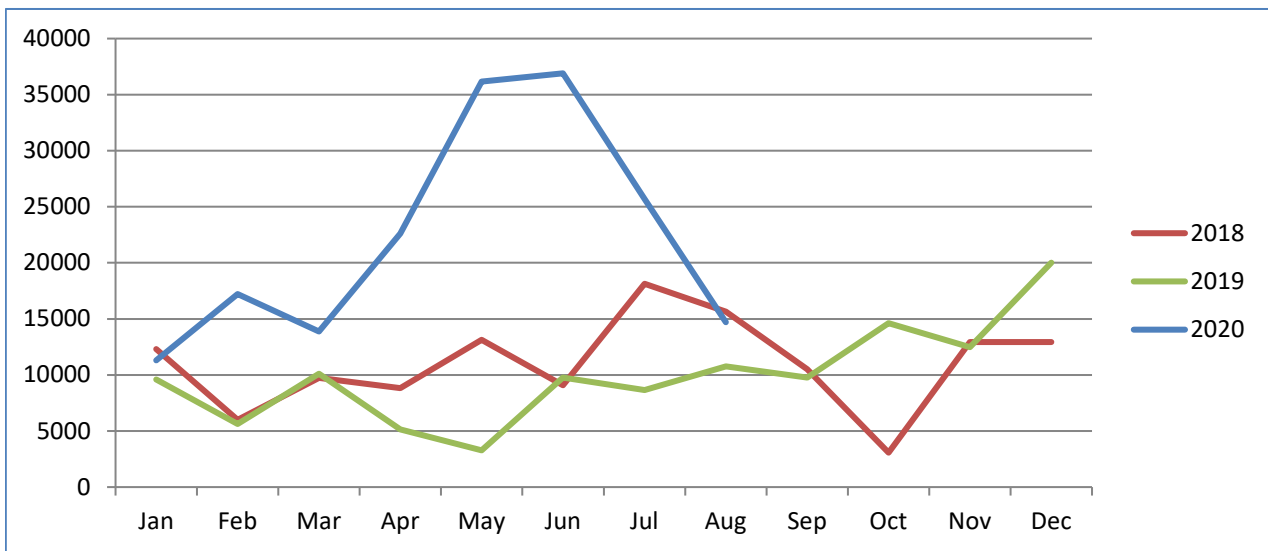
SEASONAL INCOME



Santa Cruz Port District
60 DAY DELINQUENT ACCOUNTS

The following accounts have balances 60 days delinquent as of July 20, 2020

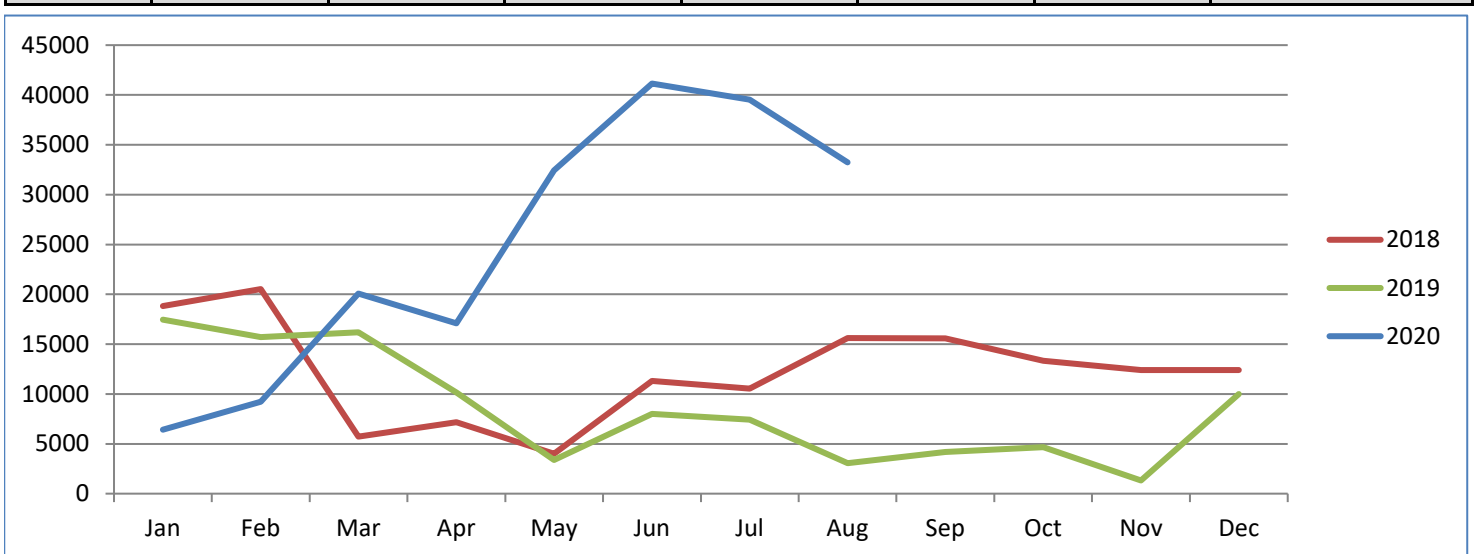
Account Number	Current Month	30 Day Balance	60 Day Balance	90 Day Balance	Total Balance
57018	807.58	770.00	740.00	0.00	2,317.58
11159	765.41	733.88	49.44	0.00	1,548.73
56433	487.00	454.43	454.43	0.00	1,395.86
56308	585.29	589.85	63.77	0.00	1,238.91
58191	447.91	381.30	381.30	0.00	1,210.51
2723	566.95	566.95	52.48	0.00	1,186.38
48720	416.30	436.30	235.65	0.00	1,088.25
55776	393.16	362.88	270.56	0.00	1,026.60
45787	445.75	416.30	118.18	0.00	980.23
57887	294.96	265.54	264.59	0.00	825.09
57671	221.34	193.12	193.12	0.00	607.58
58054	151.02	123.96	123.92	0.00	398.90
3574	151.01	123.96	122.56	0.00	397.53
56995	150.12	123.96	15.11	0.00	289.19
58500	58.27	58.27	29.12	0.00	145.66
58111	25.25	0.00	30.00	0.00	55.25
Total:	5,967.32	5,600.70	3,144.23	0.00	14,712.25



Santa Cruz Port District
90+ DAY DELINQUENT ACCOUNTS

The following accounts have balances 90 days delinquent or greater as of August 18, 2020

Account Number	Current Month	30 Day Balance	60 Day Balance	90+ Day Balance	Total Balance	Commercial Slip	Action
4076	1,313.36	1,313.36	1,393.36	1,274.97	5,295.05		Payment Plan
47487	887.38	831.48	857.48	1,651.42	4,227.76		Payment Plan
57413	695.69	695.69	695.69	1,590.71	3,677.78		Payment Plan
57751	464.13	416.30	381.30	2,037.99	3,299.72		Revoke
56464	505.27	520.27	505.27	1,631.69	3,162.50		Payment Plan
1057	617.33	537.60	572.60	792.98	2,520.51	X	Revoke
55293	406.72	406.72	406.72	864.84	2,085.00		Payment Plan
58126	451.70	416.30	416.30	416.30	1,700.60		Revoke
56511	416.30	416.30	416.30	423.30	1,672.20		Payment Plan
48956	416.30	416.30	416.30	207.69	1,456.59		Payment Plan
56146	31.24	-	-	934.95	966.19		Bad Debt
57328	-	123.96	123.96	523.50	771.42		Bad Debt
58312	29.94	-	557.80	35.00	622.74		Revoke
58302	102.04	61.97	61.97	284.37	510.35		Revoke
58547	28.59	-	-	431.14	459.73		Bad Debt
58374	89.54	61.97	61.97	209.90	423.38		Revoke
58287	84.73	58.27	58.27	58.27	259.54		Revoke
55153	25.80	-	-	96.50	122.30		Bad Debt
TOTAL:	6,566.06	6,276.49	6,925.29	13,465.52	33,233.36		





TO: Port Commission
FROM: Sean Rothwell, Assistant Harbormaster
DATE: August 15, 2020
SUBJECT: Harbor Patrol Incident Response Report – July 2020

Search and Rescue, Patrol Boat Response

- 7-1-20 Harbor Patrol responded to a report of two people that had fallen into the water in the area of Panther Beach. One victim was retrieved by Cal Fire. An exhaustive search was conducted by Harbor Patrol, U.S. Coast Guard, Santa Cruz County Sheriff, Cal Fire, and State Parks, but the second victim was not located. Harbor Patrol returned to the harbor without incident.
- 7-4-20 Harbor Patrol responded to a report of a swimmer in distress in the area of 26th Avenue. Harbor Patrol assisted the subject on board the *Almar* patrol boat and transported him to the harbor where he was then transported to Dominican Hospital by ambulance.
- 7-4-20 Harbor Patrol responded to a report of a swimmer in distress in the area of 21st Avenue. Upon arrival, rescue swimmers and Harbor Patrol assisted the subject on board the *Almar* patrol boat and transported him to the harbor where he was treated by paramedics.
- 7-5-20 Harbor Patrol responded to a report of a swimmer caught in a rip current in the area of Its Beach. Prior to arrival, the swimmer self-rescued. Harbor Patrol returned to the harbor without incident.
- 7-5-20 Harbor Patrol responded to a report of a vehicle that had driven off the cliff in the area of Davenport. Prior to arrival, Cal Fire determined vehicle did not leave land and canceled all water units. Harbor Patrol returned to the harbor without incident.
- 7-19-20 Harbor Patrol responded to a report of a capsized kayak in the area of Seabright Beach. Harbor Patrol assisted two subjects and the kayak onboard the *Almar* patrol vessel and returned them to the Santa Cruz Municipal Wharf. No injuries reported.
- 7-20-19 Harbor Patrol responded to a report of a possible missing kayaker in the area of Cowell's Beach. Prior to arrival, the kayaker was located on the beach and the call was canceled. Harbor Patrol returned to the harbor without incident.
- 7-25-20 Harbor Patrol responded to a report of a water rescue in the area of Main Beach after a kayaker fell and was unable to self-rescue and re-enter his kayak. Harbor Patrol assisted the subject and kayak on board the *Almar* patrol vessel and returned her to the Santa Cruz Municipal Wharf. No injuries reported. Harbor Patrol returned to the harbor without incident.

- 7-27-20 Harbor Patrol responded to a report of a kayaker in distress in the area of Seabright Beach. Upon arrival, State Park Lifeguards were assisting the two subjects back to the beach. Harbor Patrol returned to the harbor without incident.
- 7-28-20 Harbor Patrol responded to a vessel in distress in the area of Twin Lakes Beach. Harbor Patrol performed a stern tow and brought the vessel and passengers safely to the harbor. No injuries were reported.

Crime Reports, Assist Outside Department, and Incident Reports

- 7-4-20 Harbor Patrol took an incident report after a commercial vessel damaged AA-dock while berthed during a large swell event. Upon seeing the swell forecast, staff contacted the owner in an effort to relocate the vessel, but he was out of town. The dock sustained moderate damage as a result. Maintenance staff performed repairs and the vessel owner was invoiced for the cost of recovery. No injuries were reported.
- 7-9-20 Harbor Patrol took an incident report after a bicyclist crashed on the Arana Gulch bicycle trail. Harbor Patrol tended to the subject until paramedics and Central Fire arrived on scene.
- 7-10-20 Harbor Patrol executed a traffic stop on Murry Street Bridge for reckless driving. Harbor Patrol detained the driver until Santa Cruz Police responded and took the driver into custody on suspicion of DUI.
- 7-10-20 Harbor Patrol took an incident report after an elderly subject fell while being assisted off the *Chardonnay II* on FF-dock. The victim was transported to Dominican Hospital by family members.
- 7-16-20 Harbor Patrol took an incident report after a 6-year-old male crashed his bicycle while riding with his father in the area of G-dock. Harbor Patrol administered first aid until paramedics arrived on scene. Minor injuries were reported.
- 7-26-20 Harbor Patrol took an incident report after a female subject fell off her paddleboard in the area of the J-dock culvert and sustained an arm injury. Medical attention was declined. Subject was transported to Dominican Hospital by a family member.
- 7-27-20 Harbor Patrol took a vessel accident report after a vessel moored on V1-dock end-tie was struck by a vessel underway in the main channel. Both parties agreed to settle the matter privately. Minor damage reported.

July Parking Citation: 371

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



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

July 31, 2020

The Honorable Jimmy Panetta
US House of Representatives
212 Cannon House Office Building
Washington, DC 20515-0520

SUBJECT: House Energy and Water Appropriations Bill

Dear Congressman Panetta:

I am writing to thank you for your advocacy and leadership in securing additional operations and maintenance funding in the fiscal year 2021 (FY21) House Energy and Water Appropriations bill. We understand that the bill provided for \$3.84 billion in funding, an increase of \$48 million above the FY20 enacted level. We believe this is favorable for Santa Cruz Harbor's efforts to continue to secure work plan funding from the U.S. Army Corps of Engineers which reimburses approximately 35% of the cost of maintaining depths in the Santa Cruz Harbor federal navigation channel.

Thank you for making Santa Cruz Harbor one of your top appropriations requests, and for your ongoing support of Santa Cruz Harbor.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen Reed". The signature is written in a cursive, flowing style.

Stephen Reed
Chairman, Santa Cruz Port District Commission

Port Commission Review Calendar 2020-21

2020

January-March

- ✓ Committee assignments for 2020
- ✓ Sea Scouts' biannual report
- ✓ Slip vacancy biannual report / waiting list statistics
- ✓ FY 21 Budget
- ✓ Review 5-year CIP
- ✓ Review of NH sublet fee structure (exp. 3/31/20)
- ✓ Ethics Training Update
- ✓ Form 700 Filing (due by 03/31 each year)

April-June

- ✓ Dredge Report 2019-20
- ✓ Annual Vessel Use List Review
- ✓ Biennial Update to Conflict of Interest Code
- ✓ Crow's Nest lease exp. 04/30/20 (Suite 130)
2 (5) year options to extend

July-September

- Vessel Insurance Policy Review
- Review of O'Neill Sea Odyssey slip rent reduction / charter fee. PC action of 07/07
- Sea Scouts' biannual report
- Slip vacancy biannual report / waiting list statistics

October-December

- Annual review of business use of slips
- Port Commission officers for 2021

Committee Review Items *(timeline not specified)*

- Vessel Insurance Policy Enforcement (Policy Committee)
- Port Commission Policies and Procedures Manual Update: Human Resources Role

Key

- Pending
- In process
- ✓ Done

2021

January-March

- Committee assignments for 2021
- Sea Scouts' biannual report
- Slip vacancy biannual report / waiting list statistics
- FY 22 Budget
- Review 5-year CIP
- Ethics Training Update
- Form 700 Filing (due by 03/31 each year)
- Biennial Anti-Harassment/Anti-Discrimination Training

April-June

- Dredge Report 2021-22
- Annual Vessel Use List Review

July-September

- Review of O'Neill Sea Odyssey slip rent reduction / charter fee. PC action of 07/07
- Sea Scouts' biannual report
- Slip vacancy biannual report / waiting list statistics
- Johnny's Harborside Restaurant lease exp. 8/15/2021 *(no option to extend)*

October-December

- Annual review of business use of slips
- Port Commission officers for 2022

Future Calendar

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