



Regular Public Session of August 25, 2020

**Santa Cruz Port Commission
MINUTES**

Commission Members Present (Via teleconference):

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

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 Lake Avenue, Santa Cruz, CA 95062.

1. Pledge of Allegiance
2. Oral Communication

CONSENT AGENDA

3. Approval of Minutes
 - a) Special Closed & Regular Public Session of July 28, 2020
4. Approval of Month-to-Month Lease – 413 Lake Avenue, Suite 104
(Tenant: Kayak Connection)

MOTION: Motion made by Vice-chairman Goddard, seconded by Commissioner Geisreiter to approve the consent agenda.
- *Motion carried unanimously.*

REGULAR AGENDA

5. Review Draft FY20 Audited Financial Statement

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

Ms. Said reviewed the draft FY20 audit and reported that the District received a clean, unmodified opinion in all respects for the audit year ending March 31, 2020. Ms. Said stated that two adjusting journal entries were required to address the District's Governmental Accounting Standards Board (GASB) 68 pension liability and GASB 75 Other Post Employment Benefits (OPEB)

liability. The actuarial reports for these journal entries were prepared by Bartel Associates, LLC.

Ms. Said highlighted the following:

- Operating income was \$610k, up approximately \$142k over the prior fiscal year. Contributing factors include:
 - 7% increase in revenue primarily related to slip rent and fuel sales;
 - 6% increase in expenses, primarily related to salaries, other post-employment benefits, and fuel purchased for resale.
- Overall decrease in non-operating revenue from prior year. Contributing factors include:
 - Decreased USACE dredging reimbursement (no additional shortfall funding from previous years was received in FY20)
 - Prior year included a one-time payment for permanent and temporary construction easement for a PG&E project.
- Net cash flow decreased \$3 million in the current year. Contributing factors include:
 - Cash received from operations was \$2.5 million.
 - Cash used for capital expenditures was \$4.6 million (Aldo's Seawall Replacement Project and Pile Repair and Replacement Project)
 - Cash used to paydown long-term debt was \$1.2 million.
- Increased construction-in-progress in current year primarily related to Aldo's Seawall Replacement Project.

Auditor Said reported that the Port District did not adopt any new accounting policies in FY20. Additionally, she reported that a note on potential COVID-19 related impacts is included under Note 11. She stated that the pandemic has the potential to generate a material financial impact in FY21.

Port Director Olin reported that:

- 6.5% increase in operating revenue from prior year, and 6% higher than FY20 budgeted revenue.
- 5% increase in operating expenses from prior year, and 10% under FY20 budgeted projections.
- Health expense was higher than budget, primarily due to employee turnover and higher cost health plan choices. She reported this may be a factor in the current budget year as well. She reported the current budget methodology needs to be adjusted with the FY22 budget.

- Dredging expenses were \$137,488 higher than prior year, primarily due to higher labor costs associated with maintenance personnel assisting with inner harbor dredging operations.
- Overall, the District's net position increased \$860,637, a 3% increase over the prior year.

A brief discussion ensued regarding the following:

- Page 6: Confirm 4.5% CPI increase to landside lease base rents is correct.
- Page 25: Consider removing comment regarding the 2015 acquisition of the 16,000 square foot vacated right-of-way property along Brommer Street Extension.
- Page 38: Consider including the CZU Lightning Complex Fire as a subsequent event under Note 11 if the event may significantly impact District finances.
- Page 31: Add clarifying statement to Note 8 – Operating Leases, to make clear the docks are available for slip licensing.

Port Director Olin stated that the following comments will be taken into consideration and any necessary corrections will be made prior to presentation of the final audit at the regular public session of September 22, 2020.

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

6. Approval of Side Letter of Agreement as an Amendment to Memoranda of Understandings between Santa Cruz Port District and Bargaining Groups

Discussion: Port Director Olin recommended approval of the side letters of agreement, which extend existing terms of the MOU's between the Port District and Bargaining Groups through December 31, 2021, with no increases to wages or benefits. Port Director Olin expressed appreciation toward District staff for providing high levels of service over the past year and continuing to do so during the COVID-19 public health crisis.

MOTION: Motion made by Vice-chairman Goddard, seconded by Commissioner Geisreiter to 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.
- *Motion carried unanimously by roll call.*
- *Reed: YES*

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

7. Award of Contract for East Public Pier Timber Pile Rehabilitation Project, Phase 1

Discussion: Port Director Olin stated that a request for proposals for Phase 1 of the East Public Pier Timber Pile Rehabilitation Project was advertised for bids on Thursday, August 20, 2020. Two (2) bids were received for the project, and the lowest bidder to submit a complete and valid bid was Bellingham Marine Industries, Inc., in the amount of \$95,878.

Port Director Olin stated that though the bid amount is high, preliminary discussions with Bellingham indicate that it may be possible to achieve savings in equipment mobilization and other elements anticipated in the bid. Port Director Olin stated that project funding is available through a combination of Capital Improvement Funds (\$90,868 from Pier Rehabilitation Fund and \$20,310 from Unallocated CIP Reserve Fund).

In response to a question posed by Commissioner Geisreiter, Port Director Olin stated that while it is possible economy of scale could be achieved if additional piles were included in this phase of work, due to permit allowances, only the three most critical piles are slated for repair. She added that the District has not always been successful in driving down the per pile cost with larger projects.

MOTION: Motion made by Commissioner Geisreiter, seconded by Vice-chairman Goddard to 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.

- *Motion carried unanimously by roll call.*

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

8. Monterey Bay National Marine Sanctuary Management Plan Review

Discussion: Port Director Olin stated that at the meeting of July 28, 2020, Chairman Reed appointed Vice-Chairman Goddard and Commissioner Gertler to serve on an ad hoc committee to review the Monterey Bay National Marine Sanctuary Draft Management Plan document and draft comments for Port Commission review.

The Commission expressed support for the draft letter, with the following inclusions:

- Change the word “use” to “uses” on page one, paragraph three of the letter.
- Send a copy of the letter to Congressman Panetta, California Marine Affairs and Navigation Conference (C-MANC), and Santa Cruz County Board of Supervisors.

MOTION: Motion made by Commissioner Smith, seconded by Vice-Chairman Goddard to approve the submission of Santa Cruz Port Commission’s comments on the Monterey Bay National Marine Sanctuary’s Draft Management Plan, including the recommended revision.

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

9. Approval of Cash / Payroll Disbursements – July 2020 (*There was no discussion on this agenda item*)

MOTION: Motion made by Commissioner Smith, seconded by Vice-Chairman Goddard to approve the cash and payroll disbursements for July 2020 in an amount of \$1,327,486.96.

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

INFORMATION

10. Port Director’s Report

Concession Parking Lot Pay Stations

Port Director Olin stated that Administrative Assistant Ghisletta designed and ordered instructional decals for the new concession parking lot equipment which has significantly improved the user interface with the pay-on-foot stations and exit terminal.

Port Commission Policies / Procedures Manual

Port Director Olin stated that a Policy and Operations Committee meeting has been scheduled for Thursday, September 10, 2020, at 2:00 PM to discuss adding a new section

to the Port Commission Policy / Procedures manual to define the Commission's primary roles and responsibilities in human resources. Committee Members are Vice-chairman Goddard and Commissioner Geisreiter.

Litigation Settlement

Port Director Olin stated that ADA remediation work required in the concession parking lot as part of a claim settlement has been completed. The Port District is deemed to be in compliance with the settlement agreement.

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 eligible COVID-19 related disaster expenses. The incident period is set to close on September 22, 2020, will likely be extended.

Waterboard Permit – Dredge

Port Director Olin stated that Administrative Services Manager MacLaurie worked with the Waterboard to obtain a one-year extension to the District's 10-year 401 Water Quality Certification for annual maintenance dredging, through April 30, 2022.

Aldo's Restaurant

Port Director Olin stated that the Administrative Service Manager MacLaurie worked with the California Coastal Commission to obtain an extension to the District's current Coastal Development Permit for the Aldo's Seawall Replacement Project, pushing back the deadline for submission of project plans to December 31, 2022.

H&H Fresh Fish Walk-in Freezer Repair

H&H Fresh Fish repaired the walk-in freezer at a cost of \$10,459. Repair and replacement of fishery equipment is a tenant responsibility under the lease.

11. Harbormaster's Report

Harbormaster Anderson stated that he plans to present more detailed information on the replacement status of the water taxi at the regular September meeting. He stated that while researching vessel replacement options, staff has discovered that manufacturers of suitable crafts are extremely limited and freight/shipping costs are higher than expected.

Harbormaster Anderson stated that the District has received its first reimbursement from the State of California Department of Natural Resources for costs associated with the new patrol vessel. In response to a question posed by Vice-chairman Goddard, Harbormaster Anderson stated that Moose Boats, Inc. has started fabrication of smaller components and systems for the new patrol vessel; however, major metalwork will likely begin in late-fall as space becomes available at their facility. Once major metalwork starts, construction is expected to take 6-8 months.

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

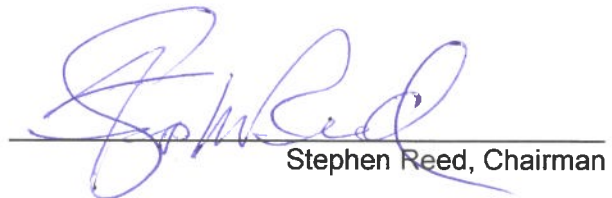
FME Kerkes stated that arrangements have been made with the tenant at 333 Lake Avenue, to begin needed repairs on the north side of the building in November.

FME Kerkes stated that crews are preparing to splash *Squirt* on Thursday, August 27, 2020.

FME Kerkes stated that crews are making are scheduled to organize, recycle, and dispose of unused items in the dredge storage yard at 7th and Brommer.

13. Financial Reports (*There was no discussion on this agenda item*)
 - a) Comparative Seasonal Revenue Graphs
14. Delinquent Account Reporting (*There was no discussion on this agenda item*)
15. Harbor Patrol Incident Response Report – July 2020 (*There was no discussion on this agenda item*)
16. Written Correspondence (*There was no discussion on this agenda item*)
 - a) Letter to Congressman Panetta, from Chairman Reed
17. Port Commission Review Calendar / Follow-Up Items (*There was no discussion on this agenda item*)

Chairman Reed adjourned the regular public session at 8:00 PM.



Stephen Reed, Chairman