



Special Closed & Regular Public Session of August 28, 2018

**Santa Cruz Port Commission  
MINUTES**

*Commissioners Present:*

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

**SPECIAL PUBLIC SESSION – 5:30 PM**

Chairman Smith brought the special public session to order at 5:30 PM at the Santa Cruz Harbor Office, 135 Fifth Avenue, Santa Cruz, CA 95062.

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

At 5:31 PM, Chairman Smith announced the Commission will meet in closed session to discuss agenda item 3.

**SPECIAL CLOSED SESSION**

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

**SPECIAL PUBLIC SESSION**

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

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

Chairman Smith adjourned the special open session following the closed meeting at 6:50 PM.

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

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

5. Pledge of Allegiance
6. Oral Communication (*There was no discussion on this agenda item*)

### **CONSENT AGENDA**

7. Approval of Minutes
  - a) Special Closed & Regular Public Session of July 24, 2018
8. Public Hearing to Approve Resolution #18-11, Adopting a Conflict-of-Interest Code
9. Award of Contract for Regular and On-Call Janitorial Services
10. Approval of Amendment to the Port Director's Employment Agreement

MOTION: Motion made by Commissioner Geisreiter, seconded by Vice-Chairman Reed to approve the consent agenda, items 7 – 10.  
- *Motion carried unanimously.*

### **REGULAR AGENDA**

11. Approval of Lease Assignment – 493 Lake Avenue (Johnny's)

Discussion: Port Director Olin recommended approval of a lease assignment for 493 A Lake Avenue (Johnny's Harborside). She stated that pursuant to Paragraph 14(c) of the lease agreement, a lease assignment is necessary to document the 50% transfer of ownership from Mr. Richard Kash to Mr. Daniel Agostinis, and the 25% transfer of ownership from Mr. Richard Kash to Ms. Ciera Kash.

Port Director Olin stated that Johnny's remains in good standing with the Port District, and confirmed that Mr. Kash will remain the guarantor on the lease.

Commissioner Geisreiter stated that he is supportive of the lease assignment as long as Mr. Kash remains the guarantor.

MOTION: Motion made by Commissioner Geisreiter, seconded by Commissioner Goddard to approve assignment of the lease for 493 A Lake Avenue (Johnny's Harborside Restaurant) from Richard Kash, dba Harbor Culinary Enterprises, to Daniel Agostinis, dba Harbor Culinary Enterprises and Ciera Kash, dba Harbor Culinary Enterprises.  
- *Motion carried unanimously.*

12. Approval of Business Use of Slip (B. Lee, Wizard Yachts)

Discussion: Harbormaster Marshall stated that slip renter Bill Lee is requesting that his slip, T-09, be designated as a business use slip. She stated that Mr. Lee proposes to utilize the slip for berthing vessels that are listed for sale through his brokerage business. Additionally, the slip may be used as a temporary berthing location for vessels subsequent to a sale.

Harbormaster Marshall stated that the business use designation will provide Mr. Lee with the flexibility necessary to operate his brokerage business, without being constrained by registration, size, or personal use requirements. She recommended approval.

Harbormaster Marshall fielded a variety of questions from the Commission and highlighted the following:

- Approval of Mr. Lee's business use request will generate approximately \$4,600 per year in additional revenue;
- Mr. Lee no longer retains a charter license (which was discontinued when Mr. Lee sold his 68' sailing vessel, *Merlin*, in December 2017);
- Slip T-09 can feasibly accommodate more than one vessel, depending on the size;
- Mr. Lee intends to use his slip in conjunction with his brokerage business, which will eliminate his need to sublease the slip.

There was consensus among the Commission to approve business use of slip T-09.

MOTION: Motion made by Commissioner Goddard, seconded by Vice-Chairman Reed to approve business use of slip T-09.  
- *Motion carried unanimously.*

13. Authorize Financing for Pile Replacement Project and Aldo's Seawall Project (\$3,350,000):
- a) Adoption of Resolution 18-10 – Declaring District's Intention to Reimburse Certain Expenditures from the Proceeds of Tax-Exempt Obligations
  - b) Adoption of Ordinance 18-03 – Authorization of the Form of All Financing Documents

Discussion: Port Director Olin stated that at the regular public session of June 26, 2018, the Commission directed staff to pursue financing approximately \$3,350,000, with BBVA Compass Bank, to fund the two Capital Improvement Projects (Aldo's Seawall Replacement Project and the Pile Repair and Replacement Project).

Port Director Olin stated that she and Commissioner Geisreiter have been working with BBVA to develop terms of the loan agreement, which are presented to the Commission for review and approval at tonight's meeting.

She stated that the terms of the new loan and modification to existing 2013 loans with BBVA are structured to have equivalent debt parity requirements. She highlighted the following:

- Reduction of the Port District's debt service ratio (DSR) from 1.4 to 1.25 (non-cash pension liability, like depreciation, can be removed from the DSR calculation);
- Cancellation of the \$2 million line of credit that was established under the 2013 Loan Agreements with BBVA;
- Establishment of two separate loans (one for the Aldo's Seawall Replacement Project and one for the Pile Repair and Replacement Project);
- Agreement that loans are pre-payable at any time without penalty.

Port Director Olin stated that there is a discrepancy between Ordinance 18-03, which was publicly advertised on August 22, 2018, and BBVA's term sheets. She stated that Ordinance 18-03 states a fixed rate of interest not to exceed 3.50%, while BBVA's term sheets indicate a fixed rate of interest not to exceed 3.56%. Port Director Olin stated that she is working with BBVA and is hopeful that a modification to the term sheets, determining a fixed rate of interest not to exceed 3.50%, will be approved.

Commissioner Geisreiter stated that in order to recognize BBVA's potential fixed rate adjustment, he suggested that the following language be added to section 2.iii of the motion, "so long as the rate is 3.5% or less in accordance with Ordinance 18-03, and authorizes the Port Director to sign the term sheets when a rate of 3.5% or less is confirmed with BBVA." Commissioner Goddard expressed his support for the proposed language addition.

A discussion ensued regarding stipulations of the loan agreement. Port Director Olin responded to a variety of questions posed by the Commission:

- Payments for the two loans will be made separately;
- Restricts approximately \$300,000 to \$400,000 of Port District cash to meet DSR requirements;
- Authorizes reimbursement for hard project costs up to ninety days before the date of the executed agreement (reimbursement excludes soft costs, such as engineering costs). *Note: Ninety day reimbursable period was subsequently corrected to sixty days after the meeting;*
- Funding for both projects in the FY19 CIP Budget will be reallocated at a future public meeting.

Chairman Smith thanked Port Director Olin and Commissioner Geisreiter for their time, effort and hard work with BBVA.

MOTION: Motion made by Commissioner Geisreiter, seconded by Commissioner Gertler to:

1. Adopt Resolution No. 18-10, which (i) authorizes commencement of proceedings in connection with the financing of certain project improvements, (ii) declares District's intention to reimburse certain expenditures from the proceeds of tax-exempt obligations, and appoints The Weist Law Firm to provide necessary bond counsel services in connection therewith.
  2. Adopt Ordinance 18-03, and authorize the Port Director to sign the term sheets when a rate of 3.5% or less is confirmed with BBVA, which (i) authorizes the form and execution of two separate installment sale agreements, which, in turn, provides for the execution and delivery of "Santa Cruz Port District, Series 2018A Revenue Obligations (Santa Cruz Harbor Pile Replacement Project), Bank Qualified," in an amount not to exceed \$1,750,000, and the "Santa Cruz Port District, Series 2018B Revenue Obligations (Santa Cruz Harbor Seawall Replacement Project), Bank Qualified," in an amount not to exceed \$1,600,000, (ii) amends the loan agreements dated as of September 1, 2013 (the "2013 Loan Agreements," by providing approval in the form of two separate Supplements, (iii) approves and directs execution of the corresponding Term Sheets provided by BBVA, so long as the rate is 3.5% or less in accordance with Ordinance 18-03, and authorizes the Port Director to sign the term sheets, (iv) authorizes and directs cancellation of the line of credit established under the 2013 Loan Agreements, and (v) provides for other matters properly related thereto.
- *Motion carried unanimously.*

14. Review of Draft FY18 Audited Financial Statement

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

Ms. Said reviewed the draft FY18 audit and reported that the District received a clean, unmodified audit in all respects for the year ending March 31, 2018. Ms. Said stated that that no adjusting journal entries were required as part of this year's audit, making it a very smooth process.

Ms. Said highlighted the following:

- Operating income is equal to \$583,000, an increase of \$367,000 over prior fiscal year. Contributing factors include:
  - Revenues increased 7% (primarily due to concession rent)
  - Expenses were within 1% of prior year
- \$190,000 increase in net pension liability expense related to GASB 68

- Overall \$941,000 increase in net position (3% increase over Fy17)

Commissioner Goddard questioned if there is a way to more clearly reflect the District's non-cash pension liability in the audit. Commissioner Geisreiter suggested that the non-cash pension liability be shown as separate line items on pages 15 and 17. Ms. Said agreed, and indicated she will make the change if lead auditor Karen Semingson supports the modification.

Commissioner Geisreiter asked for additional information on the reduction of approximately \$323,659 to Port District equipment. Accounting Technician Mark Eldridge stated that the Port District sold several pieces of equipment in FY18, including the dozer, backhoe, and crane, which resulted in the asset values being removed from the books.

In response to a question posed by Commissioner Goddard, Ms. Said stated that the notes included in the financial statements are standardized to ensure compliance with Governmental Accounting Standards Board (GASB) and General Accepted Accounting Principles (GAAP) requirements.

A discussion ensued regarding the Port District's net pension liability. Commissioner Goddard commented that the audit reflects on the previous fiscal year, noting that it does not project future pension costs and trends. Port Director Olin agreed and stated that projections are more typically reviewed as part of the budget process.

Port Director Olin stated that the final audit will be presented to the Commission for acceptance at the regular public session of September 25, 2018.

In response to a question posed by Commissioner Goddard, Port Director Olin stated that she is currently working to draft an investment policy to be reviewed by the Business-Finance Committee before it is presented to the full Commission for approval.

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

15. Approval of Cash / Payroll Disbursements – July 2018

Discussion: Commissioner Gertler asked for additional information on Warrant #50125 – Crime Insurance Policy. Port Director Olin stated that she will contact a representative from Lockton Insurance to obtain a complete description of the crime insurance policy.

Chairman Smith asked for additional information on Warrant #50114 – Elevator Contract Service (\$218.40 Tenant Reimbursable). Port Director Olin

confirmed that the elevator is on the premise of 2222 East Cliff Drive, and the tenant is responsible for a portion of the fee.

MOTION: Motion made by Vice-Chairman Reed, seconded by Commissioner Goddard to approve the Cash / Payroll Disbursements for July 2018, in the amount of \$938,316.15.  
- *Motion carried unanimously.*

## INFORMATION

### 16. Port Director's Report

#### Right of Entry Permit

Port Director Olin stated that State Parks issued a five-year Right of Entry Permit to the Port District, which permits Port District access to Twin Lakes State Beach for dredging operations at Santa Cruz Harbor, if needed. She noted that State Parks reduced the permit fee to \$3,550 (originally \$7,050), to acknowledge State Parks' cooperative, working relationship with the Port District. She reported that charging a permit fee is a new requirement for this State Parks' permit.

#### Extension of Temporary Hydrogen Sulfide Nuisance Prevention Protocol

Port Director Olin stated that the Monterey Bay Air Resources District (MBARD) has issued an extension of the temporary hydrogen sulfide nuisance prevention protocol for the 2018-2019 dredging season. She stated that MBARD has indicated that it is willing to consider modification of the protocol beyond the 2018-2019 dredging season, but any proposed permit modifications will require submission of fees and additional hydrogen sulfide monitoring data.

#### Verizon Wireless Cell Tower

Port Director Olin stated that Verizon Wireless has expressed that it is no longer interested in pursuing the installation of a cell tower in the area of the O-Dock restroom.

#### Port District Recruitment

Port Director Olin welcomed Kevin Melrose to his new position as Boatyard Crew at the harbor. She stated that Kevin has worked at the harbor in a variety of capacities, including dredge monitoring and parking operations.

#### California Marine Affairs and Navigation Conference (CMANC)

Port Director Olin stated that the California Marine Affairs and Navigation Conference (CMANC) will be held on September 12 - 14, 2018, in Oakland, California. She stated that she and Chairman Smith will be attending.

#### U.S. Supreme Court Janus Ruling

Port Director Olin stated that OE3's employment agreement with the Port District will be modified to ensure compliance with the U.S. Supreme Court's recent Janus Ruling. She

stated that any modifications to the employment agreement will be presented to the Commission for review and approval at a future meeting.

#### USACE Funding

Port Director Olin stated that the U.S. Army Corps of Engineers (USACE) work plan funding provided \$32,250 in excess funding to the Port District for FY18. She stated that this surplus will likely carry over to FY19 to cover costs associated with FY19 dredging operations.

17. Harbormaster's Report *(There was no discussion on this agenda item)*

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

A discussion ensued regarding the completion of Phase I of the Pile Repair and Replacement project. Commissioner Goddard suggested that staff reflect on the challenges encountered during phase I of the project, emphasizing that this will help better prepare for phase II of the project. Chairman Smith agreed. Port Director Olin stated that staff plans to involve a contract engineering firm to include certain requirements and specifications (i.e. barge size, equipment, definitions, etc.) in the request for proposals (RFP) for phase II of the project, and provide construction administration services.

19. Bi-Annual Slip Vacancy Report / Waiting List Statistics

In response to a question posed by Commissioner Goddard, Administrative Services Manager Mac Laurie confirmed that there is 250 linear feet of space available for the ABC end-tie berthing program (not 250 slips available).

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

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

a) Comparative Seasonal Revenue Graphs

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

23. Port Commission Review Calendar / Follow-Up Items

Chairman Smith requested that development of an investment policy be added to the calendar for Committee review.

Chairman Smith adjourned the regular public session at 8:00 pm

---

Dennis Smith, Chairman



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: Policy – Operations Committee  
*Chair Smith*  
*Commissioner Goddard*

Marian Olin, Port Director

Date: September 18, 2018

Subject: Consideration of Adopting a Differential Sublet Rate Between South Harbor and North Harbor

**Recommendation:** *Consider amending FY19 Fee Schedule by adopting a differential sublet rate between the south and north harbor.*

## BACKGROUND

The Port Commission's Policy – Operations Committee reviewed the sublease policy and fees at a public meeting on July 19, 2018. The staff report from the committee meeting is appended as Attachment A. It includes a brief history of the policy and fees governing subletting of slips and a survey of subletting policies and fees at other California marinas.

The committee did not recommend any changes be made to the sublet program, and agreed that sublet fees, which have remained fairly static over time, should remain the same for the south harbor. Staff was directed to present the concept of a differential sublease fee for the north harbor to the full Commission for consideration. An excerpt from the July 19 committee meeting minutes is appended as Attachment B.

## ANALYSIS

A differential sublet fee was in effect between FY96 and FY03 for the north and south harbor (15% and 25% of slip rent, respectively), but was eliminated with the FY04 budget.

The sublet fee is currently 30% of slip rent for the north and south harbor, and has been in effect since FY06. The FY19 budget anticipates \$20,400 in revenue will be generated by sublets. Sublet fees are intended to cover staff's administration of the program.

Currently, there are 16 sublets in the harbor, 4 of which are in the north harbor. Monthly revenue generated by sublets is approximately \$2,078 per month, of which approximately \$430 is generated from the north harbor.

If the Commission implements a differential sublet fee between the north and south harbor, the revenue loss will be modest.

**IMPACT TO DISTRICT RESOURCES**

If the north harbor sublet fee is reduced by one-half, from 30% of slip rent to 15%, it is expected to reduce District revenues by approximately \$1,300 in FY19, and \$2,600 in FY20.

**ATTACHMENTS**

- A. Policy Committee staff report on Sublet Fee Review, July 17, 2018
- B. Policy Committee minutes excerpt, July 19, 2018



To: Policy – Operations Committee  
*Chair Smith*  
*Commissioner Goddard*

From: Marian Olin, Port Director

Date: July 17, 2018

Subject: Sublet Fee Review

## BACKGROUND

Subletting of slips is allowed in Santa Cruz Harbor. Staff located archived agenda records dating back to September 1968, which reference “sub let rentals,” and defined a structure very similar to what exists today:

- a time limit maximum of 6 months
- an associated fee (the Commission discussed raising the fee from 10% to 20% of slip rent)

Current sublet rules require sublets be arranged by slip licensees with Harbormaster approval. Sublets are limited to a maximum of six months in any twelve-month period, though extensions may be granted. The financial obligation for the slip remains with the regular slip licensee, and a sublet fee is assessed. Sublets are governed by Port District Ordinance sections 302(c) “Use of Slips by Non-licensees” and 303 “Interim Use Permit Regulations” (Attachment A).

Fees have remained fairly static over time. In 1975, the sublet fee was increased to 25% of slip rent. The Commission considered administering all subleases and raising the surcharge to 50% of slip rent in 1977, though that proposal was rejected in 1978. A flat fee versus a percentage fee was in effect in the early-1980’s, and in 1995, a differential rate between the north harbor (15%) and south harbor (25%) sublet fee was adopted effective with the FY96 budget. After 8 years, the differential rate for the north harbor was eliminated with the FY04 budget, and the fee was again set at 25%. The sublet fee is currently 30% of slip rent. The 30% fee was approved in February 2005, as part of approval of the FY06 budget.

A review of sublet fees first appeared on the Commission’s list of follow-up items in November 2009, at the request of an audience member. In November 2015, Chair Smith also requested this item be reviewed.

## ANALYSIS

Staff surveyed fourteen harbors on their subletting fee policy and discovered that only three of the fourteen allow subletting of slips. Of the three allowing sublets, one charges 25% of slip rent; another is considering charging an additional fee; and, the third has strict limitations (see Attachment B).

Sublet fees generate only modest revenue for the District. The FY19 budget anticipates receiving \$20,400 from sublet fees. In FY18, the District realized approximately \$28,466 from sublet fees. As compared to a slip rent increase, sublet fees generated <1% of the fees generated by a 1% slip rent increase.

As noted above, fees generated by sublets are modest and intended to cover staff's administration of the program. More importantly, the program helps to ensure the integrity of the paid waiting list for slips, while providing flexibility for slip licensees to be out of their slips for up to six months out of every twelve. The program also provides boating opportunities for those who may not have a slip.

Staff does not recommend any changes to the sublet program, which is working as intended. Should the committee recommend lowering fees, the financial impact is presumed to be minimal. However, if sublet activity increases as a result of lower fees, it will require more staff administration with little or no additional revenue to offset that effort. That is dependent upon demand for sublet slips, which tends to be higher for south harbor berths year-round, and lower in the north harbor when fishing activity is slow.

An analysis of sublet fees versus the cost of recreational visitor berthing is appended as Attachment C. For longer-term stays, sublet fees are appropriately priced less than visitor berthing.

- ATTACHMENTS
- A. Port District Ordinance Sections 302(c) and 303
  - B. Marina Survey on Sublet Fees
  - C. Sublet Fee / Visitor Berthing Fee Analysis

### **SECTION 302 - Regular License Berthing Regulations**

#### (c) Use of Slips by Non-licensees

No licensee may sub-lease, sub-rent, or sub-license his slip to another person except through the Harbormaster's office and according to standard procedure set forth. The use of a slip by any boat other than the licensee must be approved by the Harbormaster.

Use of a licensee's vessel by any person other than the licensee, in the form of a charter, rental agreement, lease or any other arrangement, whereby some person other than the slip licensee is afforded the use of the licensee's slip, shall constitute a sub-lease of the slip and shall be subject to the provisions of this section. The details of such an agreement shall be notarized and filed at the Port District office.

Rented, chartered, or leased vessels may not be used as a liveaboard dwelling, except by special permit from the General Manager.

### **SECTION 302.1 - Regular Use of Vessel**

(a) The owner/licensee under any slip license agreement or addendum or modification thereto shall make continuous personal use of the vessel (vessel means the vessel as defined in the slip license agreement) on a regular basis. For purposes of these ordinances, "continuous personal use of the vessel on a regular basis" is defined to mean that the owner/licensee must personally and physically be present on the boat each time during the taking of the boat out of the slip and harbor for any length of time on at least ten separate days during any twelve month period. The owner/licensee must be able to establish such personal usage for each and every twelve month period selected by the Harbormaster.

(b) Where it is provided in any slip license agreement or in any addendum or modification thereto, that the owner/licensee shall do, or not do, any act or thing, then the individuals identified as the owner/licensee shall personally do, or not do, that act or thing. For example, in paragraph 4(h) of the slip license agreement where it is provided, among other things, that "owner shall make continuous use of the vessel on a regular basis...", the personal and physical presence of the individual or individuals identified as the owner/licensee is required on the vessel during such use in order to satisfy the requirement of "continuous use on a regular basis" as defined in paragraph 4(h) of the slip license agreement.

### **SECTION 303 - Interim Use Permit Regulations**

(a) Interim use permits may be granted for a maximum of six months in any twelve-month period. No right to continuing occupancy of a slip in the harbor or to higher waiting list priority shall result from such use. The financial obligation for the slip shall remain with the regular licensee. Reimbursement by the sub-renter to the licensee will be the responsibility of the two contracting parties. The sub-rental rate, however, shall not exceed the standard fee schedule currently used by the Port District. Individuals found to be profiting from this system will be subject to immediate slip revocation.

(b) Interim use permits will be issued by the Harbormaster on the basis of a joint agreement executed at the harbor office between regular licensee and interim permittee.

(c) Use of a slip by a boat other than the one registered must be reported to the harbor office regardless of duration of use.

Sublease Policy Survey - July 5, 2018

Facility	Public/Private?	Sublease Permitted?	Time Limit?	Fee?	Additional Notes
Berkeley Marina	Public	Yes.	30 days	No.	Slip renter may request to "sublease" slip one-time per calendar year (requires Harbormaster approval). Not a frequent occurrence.
City of Eureka Marina	Public	No.	N/A	N/A	
Crescent City Harbor	Public	No.	N/A	N/A	If slip is unoccupied for an extended period of time, harbor staff can assign transient vessels to slip (and charge associated visitor berthing fees).
Humboldt Bay Harbor	Public	No.	N/A	N/A	If slip is unoccupied for an extended period of time, harbor staff can assign transient vessels to slip (and charge associated visitor berthing fees).
Monterey Harbor	Public	No.	N/A	N/A	
Morro Bay Harbor	Public	Yes.	3 months	Sublessee - Must pay 25% of regular berthing costs Sublessor - Regular berthing fees	Upon request from a slip renter, harbor staff can arrange the sublease of slip. Harbor staff maintains a "sublease waiting list."
Moss Landing Harbor	Public	No.	N/A	N/A	
Noyo Harbor District	Public	No.	N/A	N/A	
Pillar Point Harbor	Public	No.	N/A	N/A	
Port of Redwood City	Public	No.	N/A	N/A	
San Francisco Marina	Public	No.	N/A	N/A	
Santa Barbara Harbor	Public	No.	N/A	N/A	
South Beach Marina	Public	Yes.	6 months	No.	Currently looking into charging an additional fee for subleasing.
Ventura Port District	Public	No.	N/A	N/A	If slip is unoccupied for an extended period of time, harbor staff can assign transient vessels to slip (and charge associated visitor berthing fees).

**Santa Cruz Port District  
Sublet Fee / Visitor Berthing Fee Analysis**

**Assumption: 30' south harbor single side tie slip, non-commercial vessel**

<b><u>SUBLET FEE</u></b>	<b>Length</b>		<b>Per Foot</b>	<b>Days/Mo</b>	<b>Monthly Total</b>
Recreational vessel	30	x	\$12.79	month	\$383.70
Sublet Fee @ 30%					<u>\$115.11</u>
					<b>\$498.81</b>
 <b><u>VISITOR BERTHING 15+ DAYS</u></b>					
Recreational vessels (1st 2 wks)	30	x	\$1.25	14	\$525.00
" " (2nd 2 wks)	30	x	\$2.00	16	<u>\$960.00</u>
					<b>\$1,485.00</b>
 <b><u>WINTER END-TIE MONTHLY RATE</u></b>					
Recreational vessel (1 month)	30	x	\$23.25	month	<b>\$697.50</b>

## EXCERPT FROM PORT COMMISSION POLICY COMMITTEE MEETING MINUTES – July 19, 2018

### 2. Sublet Fee Review (*Discussed Out of Order*)

Discussion: The Policy Committee reviewed the harbor's sublease fee, which is currently an additional 30% of slip rent per month.

Port Director Olin stated that staff surveyed fourteen harbors on their subletting fee policy and discovered that only three of the fourteen allow subletting of slips. Of the three allowing sublets, one charges 25% of slip rent; another is considering charging an additional fee; and, the third has strict limitations.

Port Director Olin stated that Santa Cruz Harbor permits the subletting of slips for a maximum of six months in any twelve month period, though extensions may be granted.

Port Director Olin reviewed the evolution of sublet fees, noting that fees have remained fairly static over time. She stated that fees generated by sublets are intended to cover staff's administration of the program.

Port Director Olin stated that sublets are not a big revenue generator, reporting that the Port District anticipates receiving \$20,400 from sublet fees in FY19.

A discussion ensued regarding visitor berthing end-tie rates, the winter end-tie berthing program and sublet fees. Audience members expressed support for the sublease program at Santa Cruz Harbor.

Committee-Chair Smith expressed his support for a reduced sublease fee, emphasizing that lower fees may promote increased boating opportunities for the community.

Commissioner Goddard stated that he is supportive of the sublease program, and believes that the sublease fee, which has been the same for nearly forty years, should remain intact (30% of slip rent per month). He noted that subleasing a slip is voluntary.

In response to a question posed by Committee-Chair Smith, Senior Deputy Harbormaster Anderson confirmed that a significant amount of staff time is needed to oversee the sublease program, which includes tracking, billing, parking permits, etc. Port Director Olin stated that subleesees receive one month-to-month slip renter parking permit at no cost for the duration of the sublease.

Senior Deputy Harbormaster Anderson stated that subleases are in high demand in the south harbor and the associated fee does not usually deter interested parties. He stated that he rarely fields complaints regarding the current fee.

Port Director Olin stated that there is not a high demand for subleases in the north harbor. A discussion ensued regarding the disparity in demand for subleases in the south harbor and north harbor. Senior Deputy Harbormaster Anderson noted that the demand for sublease in the north harbor usually is low during the winter months when fishing is slow.

Port Director Olin stated that the Commission could consider establishing a differential rate between the south harbor and the north harbor to determine if this would increase demand for subleases in the north harbor, noting that there was a differential in the past.

Commissioner Goddard stated that while he is supportive of the 30% sublease fee, he is willing to consider a reduced fee for the north harbor. He stated that he does not support changing the fee for the south harbor. Committee-Chair Smith agreed.

There was consensus among the Commission to maintain the current provisions of the sublease policy. The Committee supported presenting a differential sublease fee for the north harbor to the Commission at a future public meeting for consideration.



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: September 18, 2018  
SUBJECT: Acceptance of Final FY18 Audited Financial Statement

**Recommendation: Accept the FY 18 audited financial statement.**

## **BACKGROUND**

At the Port Commission meeting of August 28, 2018, Hutchinson and Bloodgood (H&B) auditor Kim Said reviewed the draft FY18 audit. H&B's opinion was unmodified, meaning it was a clean audit. Auditor Said noted that no adjusting journal entries were required as part of this year's audit, making it a very smooth process.

The Commission suggested one modification to the draft audit, to more clearly show the non-cash pension liability which is important for the District's debt service reporting requirements. H&B agreed to make the change, and the non-cash pension liability is now shown as a separate line item on pages 15 and 17 of the audit document. A reclassification of the FY17 statements for presentation purposes is shown on page 20. The audit is appended as Attachment A.

## **ANALYSIS**

The Port District's operating revenues were approximately \$9.0 million in FY 18, approximately 6% higher than FY17. The overall increase in operating revenues is primarily attributable to increases in parking, visitor berthing, gasoline fuel sales, and tenant reimbursement of sewer, garbage and utility charges.

Operating expenses (before depreciation and amortization) were approximately 2% under budget projections, and 3% higher than the prior year.

FY 18 was the third year of implementation of Government Accounting Standards Board (GASB) 68 which requires the Port District to show a proportionate share of the California Public Employees' Retirement System (CalPERS) total net pension liability for its risk pools on the financial statements, and a proportionate share of the total pension expense. Unfunded pension liability represents the value of retirement benefits for retirees not yet retired and retired, versus assets.

The District's net pension liability increased from \$3,509,967 in 2017, to \$4,052,992 in FY18. Total pension expense recognized on the financial statements in FY18 is \$821,916, of which \$489,485 is non-cash. For the purposes of calculating the Port District's debt service ratio for BBVA Compass Bank, the non-cash liability is treated like depreciation, and added back to revenues.

Overall, the District's net position increased \$941,530 to \$27,995,362, a 3% increase over the prior year.

Staff recommends acceptance of the final FY 18 audit.

After acceptance, the final audited figures will be used to prepare the Debt Service Ratio (DSR) report for BBVA Compass Bank in accordance with our loan agreements. The DSR report will be included in the Commission's October regular meeting packet as an information item.

### **IMPACT ON PORT DISTRICT RESOURCES**

There is no cost to the Port District associated with accepting the audited financial statement.

ATTACHMENTS:   A.       Audited Financial Statement as of March 31, 2018

**SANTA CRUZ PORT DISTRICT**

**FINANCIAL REPORT**

Years ended March 31, 2018 and 2017

DRAFT

## TABLE OF CONTENTS

---

INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)	3-12
BASIC FINANCIAL STATEMENTS	
Statements of Net Position	13-14
Statements of Revenues, Expenses, and Change in Net Position	15
Statements of Cash Flows	16-17
Notes to Financial Statements	18-34
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Proportionate Share of the Net Pension Liability	35
Schedule of Contributions – Defined Benefit Pension Plans	36
Schedule of Funding Progress for Other Postemployment Healthcare Benefits	37
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 <i>GOVERNMENT AUDITING STANDARDS</i>	38-39
INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION	40
SCHEDULE OF INSURANCE COVERAGE	41

---



## **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, 2018 and 2017, 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 auditor considers 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, 2018 and 2017, 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 funding progress – other postemployment healthcare benefits, 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, 2018 and 2017

---

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 years ended March 31, 2018 and 2017. Please read in conjunction with the District's basic financial statements.

#### FINANCIAL HIGHLIGHTS

During FY16, the Port 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 Port District may face that are infrequent in occurrence.

The policy provides that the Port 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 Port 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, 2018, the unrestricted Reserve Fund balance was \$1,592,380. Excluding depreciation and amortization, this figure represents approximately 95% of the Reserve Fund goal based on FY18 annual operating expenses. The District's FY19 budget funded an additional \$180,532 contribution to the Reserve Fund, which is anticipated to meet the reserve fund's goal in FY19.

The CIP fund contribution goal was set at \$500,000 annually to fund current and future infrastructure maintenance and improvements. The FY18 budget funded \$500,000 to the CIP fund from FY17 proceeds.

The Port 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. Delays by the Corps resulted in the District being eligible for funding in the Corps' 2014 work plan once the MOA was executed. The District received revenue from the Corps of \$400,000 in FY17 and \$485,000 in FY18. The excess funding received in FY17 and 18 is attributable to the Corps catching up on funding shortfalls from previous years.

## SANTA CRUZ PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended March 31, 2018 and 2017

---

### FINANCIAL HIGHLIGHTS (Continued)

A number of factors influenced District operations and had the potential to cause revenue losses in FY18. The commercial salmon season was severely limited due to regulation and salmon fishing was generally slow. Despite the potential for losses, launch revenue increased in FY18, attributable in part to an increase in the day launch rate.

A continual series of storms and swell during January and February 2017 brought a high volume of sand into the north harbor and buried the north harbor disposal pipeline. The storm events were a declared disaster and the District is eligible for disaster assistance for three identified recovery projects through the State of California Office of Emergency Services and the Federal Emergency Management Agency for equipment-related damage and dredging of the north harbor. As many as twenty-five north harbor slips were unusable due to shallow conditions as a result of shoaling. Dredging was conducted in the north harbor between October 2017 and April 2018. The dredging activity restored adequate depths to most berths, though a handful of slips remain shallow. Dredging of the north harbor area will resume in October 2018.

Winter conditions, shoaling and high surf also contributed to a partial failure of a seawall on the harbor's west side. The seawall was constructed of steel sheet piles in 1964, and had an expected lifespan of approximately 30 years. The District has conducted frequent periodic inspections, corrosion testing and repairs to the seawall over the years. Aldo's Harbor Restaurant was constructed on top of the seawall.

Temporary repairs were performed on the seawall in November 2015, via a partnership with the District and Aldo's. The temporary repairs allowed the restaurant to continue to operate while long-term plans could be developed for a replacement seawall and restaurant building. By early June 2016, a sinkhole had formed under Aldo's Restaurant, and the restaurant and public pier were subsequently closed. Aldo's Restaurant is currently operating out of temporary "al fresco" quarters on the west side of the harbor while engineering design work and environmental permits are secured for a replacement seawall structure. Construction of the replacement seawall is anticipated to occur between June-November 2019.

A separate, secure wireless link was created during FY15 to serve a new electronic card key system the District installed to serve all of its shower rooms. The system was funded to enhance security and reduce unauthorized use of the shower rooms. The FY16 and 17 budgets included funding to expand the system to include all of the locked restroom facilities and dock gates. The project was expected to go to bid in FY18; however, delays were encountered when the system installed in FY15 was not able to be expanded. The project was redesigned to include fabrication of new dock gates. A revised plan was developed in FY19, and a contract for the electronic key system was awarded and funded. The new electronic key system will interface with the District's existing marina management software.

In July 2017, a small phase 1 project for removal and replacement of sixteen dock piles was put out to bid. A single bid was received. The bid was rejected by the Commission in July 2017, due to the high cost. A larger phase 1 project was put out to bid in early-2018, and a contract was awarded to Bellingham Marine in March 2018. The phase 1 pile replacement project commenced in June 2018, and will be completed by November 30, 2018.



## SANTA CRUZ PORT DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS Years Ended March 31, 2018 and 2017

---

#### FINANCIAL HIGHLIGHTS (Continued)

A section of the roadway and parking area near the fishery on the harbor's east side was repaved by a contract crew in FY18. Additionally, in-house crews performed sealing and pavement repairs throughout the harbor, including re-painting traffic markings where needed. Pavement repair and upkeep is an ongoing Capital Improvement Project.

Other Capital Improvement Projects completed in FY18 included re-painting Walton Lighthouse, replacing flashing at 2222 East Cliff Drive, rehabilitation of the D and J dock restrooms by in-house crews, and installation of two additional parking pay stations.

In FY13, the District adopted its first 5-Year Capital Improvement Plan (CIP). The CIP lists projects for the current year (FY18) in detail, and provides capital needs forecasts extending out through FY22. The CIP was updated in FY18 and provided funding for one new project; additional funding for seven existing projects totaling \$346,000; and an additional \$154,000 in funding to the unallocated Capital Improvement Project fund. The CIP is updated as part of each budget adoption cycle.

Funding for the CIP has been derived primarily from the operating budget. CIP projects are budgeted and reported within the Capital Improvement Fund. The vast majority of expenses within the Capital Improvement Fund are capitalized upon project completion and include force account labor where applicable. As a result, salary costs in the operating budget are decreased.

The Port District continues to operate the Santa Cruz Harbor Boatyard (SCHB), which opened for business on April 7, 2014, as a Do-It-Yourself facility. Boaters may perform their own work or hire contractors from list of registered contractors authorized to work in the yard. The Port District obtained all the necessary permits and manages and documents the work of boat owners and contractors for reporting to various regulatory agencies. The District has invested in equipment, including a 50-metric ton Marine Travelift boat hoist, supplies and training to ensure compliance with permits and best management practices for stormwater run-off and sanitary sewer discharges.

The District's loan agreement with BBVA Compass Bank for a \$2,000,000 Line of Credit (LOC) was modified in August 2017, to extend the maturity of the LOC from October 1, 2017, to August 1, 2019.

In December 2017, the Port District entered into a three-year Memorandum of Understanding (MOU) with the Harbor Employees Association and a two-year MOU with the Operating Engineers Union (Local 3) on salaries and benefits. In January 2018, the Port District entered into a three-year salary and benefit agreement with the Harbor Management Group. The MOUs and labor agreement reflect comparable labor market findings from an updated Classification and Compensation Study completed by Public Sector Personnel Consultants (PSPC) in 2017.

## SANTA CRUZ PORT DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS Years Ended March 31, 2018 and 2017

---

#### ***Fiscal Year Ended March 31, 2018***

##### **Operating Revenues**

Operating revenues were \$9,070,739; \$66,544 of which were non-cash lease revenues from O'Neill Sea Odyssey, leaving total revenues at \$9,004,195, or about 105% of budgeted revenues, and were \$576,023, or 6% higher than the prior year. Visitor-related income sources (visitor berthing fees, launch fees, parking, and RV) were \$1,185,192, approximately \$114,706, or 10% over the prior year. Parking and visitor berthing revenue increased over FY17. The increase in parking revenue is attributable, in part, to parking management and enforcement efforts. Launch revenue also increased over FY17 by about 10%, due in part to an increase to the day launch rate. Slip rent, at \$4,220,697, was \$52,103, or 1% under budget, and approximately \$45,503 higher, or 1% greater than the prior year. The 6% overall increase in operating revenues in FY18 is primarily attributable to increases in parking, visitor berthing, gasoline fuel sales, and tenant reimbursement of sewer / garbage and utility charges.

##### **Operating Expenses**

Operating expenses (before depreciation and amortization) were \$6,662,767, \$163,373, or 2% under budget (net of Capital Project budget and expenditures), and approximately \$165,764, or 3% higher than the prior year. Non-dredging expenses of \$5,428,765 were consistent with budget, and were \$191,049 or 4% over the prior year. Dredging expenses of \$1,234,002 were 9% over budget, and approximately \$25,285, or 2% lower than the prior year. This decrease is attributable to higher unanticipated costs incurred in FY17, primarily due to crew overtime, consulting services, contract dredge crew support and costs associated with bringing in a replacement workboat (*Sammy G*) and crew when the workboat *Dauntless* was out-of-service for several weeks in February 2017.

##### **Net Position**

The District's net position at March 31, 2018, is \$27,995,362. This is an increase of \$941,530 or 3% from the March 31, 2017, net position of \$27,053,832.

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

Current Assets increased \$1,951,270 in FY18, primarily due to increases in cash and grants receivable.

Deferred outflows of resources increased by \$112,668 in FY18, to \$1,242,383. This increase 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 \$655,565 in FY18, to \$7,061,572. This is due primarily to the change in the net pension liability as calculated per GASB Statement No. 68.

Long term debt obligations decreased by \$1,047,957 in FY18 to \$11,917,360. This is primarily due to principal reductions in the Port District's taxable and non-taxable bond financing with BBVA Compass Bank.

Deferred inflows of resources increased by \$59,119 in FY18, to \$283,631. This increase was due to the change in the net pension liability as calculated per GASB Statement No. 68.

## SANTA CRUZ PORT DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS Years Ended March 31, 2018 and 2017

---

#### *Fiscal Year Ended March 31, 2017*

##### **Operating Revenues**

Operating revenues were \$8,494,716; \$66,544 of which were non-cash lease revenues from O'Neill Sea Odyssey, leaving total revenues at \$8,428,172, or about 104% of budgeted revenues, and were \$136,206, or 2% higher than the prior year. Visitor-related income sources (visitor berthing fees, launch fees, parking, and RV) were \$1,070,486, approximately \$61,290, or 6% over the prior year. Parking revenue significantly increased in FY17. The increase in parking revenue is attributable, in part, to phased implementation of the Parking Management Plan and the addition of a provisional Parking Coordinator position in FY 16. Launch and visitor berthing revenue decreased from FY16. Slip rent, at \$4,175,194, was \$23,806, or 1% under budget, and approximately \$29,055, or 1% less than the prior year. The 2% overall increase in operating revenues in FY 17 is primarily attributable to increases in parking, concession and boatyard revenue.

##### **Operating Expenses**

Operating expenses (before depreciation and amortization) were \$6,497,003, \$1,130,424, or 15% under budget (net of Capital Project budget and expenditures), and approximately \$304,620, or 5% higher than the prior year. Non-dredging expenses of \$5,237,716 were consistent with budget, and were \$583,825 or 12% over than the prior year. Dredging expenses of \$1,259,287 were 19% over budget, and approximately \$229,731, or 22% higher than the prior year. This increase is attributable to crew overtime, consulting services, contract dredge crew support and costs associated with bringing in a replacement workboat (*Sammy G*) and crew when the workboat *Dauntless* was out-of-service for several weeks in February 2017.

##### **Net Position**

The District's net position at March 31, 2017, is \$27,053,832. This is an increase of \$170,535 or 1% from the March 31, 2016, net position of \$26,883,297.

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

Current Assets decreased \$1,373,259 in FY17, primarily due to final collection of the tsunami-related receivable from CalEMA.

Deferred outflows of resources increased by \$473,576 in FY17, to \$1,129,715. This increase 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 \$727,842 in FY17, to \$6,406,007. This is due primarily to the change in the net pension liability as calculated per GASB Statement No. 68.

Long term debt obligations decreased by \$1,016,205 in FY17 to \$12,965,317. This is primarily due to principal reductions in the Port District's taxable and non-taxable bond financing with BBVA Compass Bank.

Deferred inflows of resources increased by \$7,539 in FY17, to \$224,512. This increase was due to the change in the net pension liability as calculated per GASB Statement No. 68.

## SANTA CRUZ PORT DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS Years Ended March 31, 2018 and 2017

---

#### 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, 2018. 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, 2018 and 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The following summarizes net position:

	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Assets</b>			
Current and other assets	\$ 10,097,024	\$ 8,145,754	\$ 9,519,013
Capital assets net of depreciation	35,191,917	36,648,514	35,926,090
Other assets	<u>726,601</u>	<u>725,685</u>	<u>725,384</u>
Total Assets	46,015,542	45,519,953	46,170,487
<b>Deferred outflows</b>	<u>1,242,383</u>	<u>1,129,715</u>	<u>656,139</u>
	<u>\$ 47,257,925</u>	<u>\$ 46,649,668</u>	<u>\$ 46,826,626</u>
% change over prior year	1%	0%	
<b>Liabilities</b>			
Current liabilities	\$ 2,426,320	\$ 2,247,246	\$ 2,217,766
Long-term debt	11,917,360	12,965,317	13,981,522
Unearned revenue	582,260	648,804	715,348
Net pension liability	<u>4,052,992</u>	<u>3,509,957</u>	<u>2,745,051</u>
Total Liabilities	18,978,932	19,371,324	19,659,687
<b>Deferred inflows</b>	<u>283,631</u>	<u>224,512</u>	<u>283,642</u>
	<u>\$ 19,262,563</u>	<u>\$ 19,595,836</u>	<u>\$ 19,943,329</u>
% change over prior year	-2%	-2%	
<b>Net position</b>			
Net investment in capital assets	\$ 21,576,916	\$ 21,952,729	\$ 20,180,661
Restricted for debt service	726,601	725,685	725,384
Unrestricted	<u>5,691,845</u>	<u>4,375,418</u>	<u>5,977,252</u>
<b>Total net position</b>	<u>\$ 27,995,362</u>	<u>\$ 27,053,832</u>	<u>\$ 26,883,297</u>
% change over prior year	3%	1%	

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, 2018 and 2017

---

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### *Fiscal Year Ended March 31, 2018*

##### **Capital Assets**

Priorities for capital investment in FY18 focused on completing engineering design and permitting for replacement of Aldo's seawall after temporary repairs failed in June 2016 and a sinkhole formed behind the sheetpile seawall, bidding and awarding a contract for pile replacement and repair, amending the plan for an electronic key system for dock gates, restrooms and shower facilities, paving maintenance and repair, re-painting Walton Lighthouse, replacing flashing at 2222 East Cliff Drive, rehabilitating restrooms and adding two additional parking pay stations.

Investments in equipment and construction in progress related to the District's dredging operations included reconstruction of the beach valve box and completion of the fendering system on *Twin Lakes*. Other investments in equipment included acquisition of a used truck for the Facilities Department and new shuttle van for the Operations Department.

##### **Debt Administration**

The District's debt is related to facilities modernization and up-front funding for acquisition of the new dredge vessel *Twin Lakes*. The District's debt at March 31, 2018, totaled \$12,966,197. This represents a decrease of \$1,014,240 or 7%, from FY17's total debt of \$13,980,437.

## SANTA CRUZ PORT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended March 31, 2018 and 2017

---

### CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

#### *Fiscal Year Ended March 31, 2017*

##### **Capital Assets**

Priorities for capital investment in FY17 focused on acquisition of the new 16" dredge *Twin Lakes*, commencing engineering design and permitting for replacement of Aldo's seawall after temporary repairs failed in June 2016 and a sinkhole formed behind the sheetpile seawall, an unanticipated project replacing the fuel dispenser containment sumps and piping, rehabilitating restrooms (including an accessibility project at the D-Dock restroom), re-roofing the harbor office, and adding additional parking pay stations on the harbor's west side.

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

##### **Debt Administration**

The District's debt is related to facilities modernization and up-front funding for replacement of the old dredge vessel *Seabright*. The District's debt at March 31, 2017, totaled \$13,980,437. This represents a decrease of \$983,100 or 7%, from FY16's total debt of \$14,963,537.

**SANTA CRUZ PORT DISTRICT**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
Years Ended March 31, 2018 and 2017

---

**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 5<sup>th</sup> Avenue, Santa Cruz, California, 95062.

DRAFT



**SANTA CRUZ PORT DISTRICT**

STATEMENTS OF NET POSITION  
March 31, 2018 and 2017

	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 9,737,760	\$ 7,952,713
Trade receivables	138,015	148,668
Grants receivable	129,666	39,776
Interest receivable	32,411	--
Inventory	7,256	4,597
Prepaid expenses	51,916	--
	<u>10,097,024</u>	<u>8,145,754</u>
Total current assets		
<b>RESTRICTED ASSETS</b>		
Cash and cash equivalents (Note 2)	<u>726,601</u>	<u>725,685</u>
<b>CAPITAL ASSETS (Note 3)</b>		
Nondepreciable assets:		
Land	1,349,360	1,349,360
Construction in progress	605,977	484,401
Depreciable assets:		
Structures and improvements	29,405,675	29,336,818
Docks	21,562,506	21,562,506
Equipment	10,873,439	10,977,716
Office equipment	140,960	140,960
	<u>63,937,917</u>	<u>63,851,761</u>
Less accumulated depreciation	<u>28,746,000</u>	<u>27,203,247</u>
	<u>35,191,917</u>	<u>36,648,514</u>
Total Assets	46,015,542	45,519,953
Deferred amounts from pension plans (Note 7)	<u>1,242,383</u>	<u>1,129,715</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 47,257,925</u>	<u>\$ 46,649,668</u>

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

**SANTA CRUZ PORT DISTRICT**

STATEMENTS OF NET POSITION  
March 31, 2018 and 2017

	2018	2017
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 286,052	\$ 186,999
Accrued interest	91,117	99,012
Payroll liabilities	315,187	310,493
Current portion of long-term debt (Note 4)	1,048,837	1,015,120
Current portion of unearned revenue (Note 6)	66,544	66,544
Prepaid slip rents	181,220	154,165
Deposits	437,363	414,913
	<u>2,426,320</u>	<u>2,247,246</u>
Total current liabilities		
	<u>2,426,320</u>	<u>2,247,246</u>
LONG-TERM DEBT, less current portion (Note 4)	<u>11,917,360</u>	<u>12,965,317</u>
<b>OTHER LONG-TERM LIABILITIES</b>		
Unearned revenue, less current portion (Note 6)	582,260	648,804
Net pension liability (Note 7)	4,052,992	3,509,957
	<u>4,635,252</u>	<u>4,158,761</u>
Total Liabilities	<u>18,978,932</u>	<u>19,371,324</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred amounts from pension plans (Note 7)	<u>283,631</u>	<u>224,512</u>
<b>NET POSITION</b>		
Net investment in capital assets	21,576,916	21,952,729
Restricted for:		
Debt service	726,601	725,685
Unrestricted	5,691,845	4,375,418
	<u>27,995,362</u>	<u>27,053,832</u>
Total Net Position		
	<u>27,995,362</u>	<u>27,053,832</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 47,257,925</u>	<u>\$ 46,649,668</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, 2018 and 2017**

	2018	2017
Operating revenues:		
Charges for berthing and services	\$ 7,181,501	\$ 6,799,847
Rent and concessions	<u>1,889,238</u>	<u>1,694,869</u>
	<u>9,070,739</u>	<u>8,494,716</u>
Operating expenses:		
Depreciation and amortization	1,824,754	1,781,839
Dredging operations	1,234,002	1,259,287
Grounds	633,063	656,439
Administrative services	632,156	717,648
Harbor patrol	627,790	621,569
Marina management	492,804	461,217
Non-cash pension liability	489,486	298,869
Property management	403,528	429,040
Parking services	360,565	345,904
Fuel services	350,664	331,742
Docks, piers, marine structures	317,187	263,642
Buildings	259,087	238,023
Boatyard operations	221,938	239,953
Finance & purchasing	165,863	170,809
Environmental & permitting	131,817	156,750
Utilities	107,964	84,314
Rescue services	97,308	90,519
Port commission support	48,164	50,183
Aeration	44,900	42,498
Events	32,313	32,531
Capital projects	9,716	1,024
Ice production	2,452	5,042
	<u>8,487,521</u>	<u>8,278,842</u>
<b>Operating income</b>	<u>583,218</u>	<u>215,874</u>
Non-operating revenues (expenses):		
County revenues for public services	36,228	11,243
Grants	140,189	65,560
Dredging reimbursement (Note 11)	485,000	400,000
Interest income	96,293	46,245
Tsunami expense	--	(17,088)
Other income (expense)	44,912	(74,482)
Interest expense	<u>(444,310)</u>	<u>(476,817)</u>
	<u>358,312</u>	<u>(45,339)</u>
<b>Increase in net position</b>	<u>941,530</u>	<u>170,535</u>
<b>Net position, beginning</b>	<u>27,053,832</u>	<u>26,883,297</u>
<b>Net position, ending</b>	<u>\$ 27,995,362</u>	<u>\$ 27,053,832</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, 2018 and 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 9,064,353	\$ 8,414,109
Cash paid to suppliers and employees	<u>(6,124,109)</u>	<u>(6,175,006)</u>
Net cash provided by operating activities	<u>2,940,244</u>	<u>2,239,103</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
County revenues received for public services	36,228	11,243
Grant monies received	39,775	52,909
Government revenues received for dredge operations	485,000	400,000
Cash received from other nonoperating activities	<u>86,570</u>	<u>7,640</u>
Net cash provided by noncapital financing activities	<u>647,573</u>	<u>471,792</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital expenditures	(409,815)	(2,590,115)
Proceeds from grantors and governmental agencies as reimbursement for capital expenditures	10,524	1,283,536
Interest paid on long-term debt	(452,205)	(484,415)
Principal paid on long-term debt	<u>(1,014,240)</u>	<u>(983,100)</u>
Net cash used by capital and related financing activities	<u>(1,865,736)</u>	<u>(2,774,094)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received from investments	<u>63,882</u>	<u>46,245</u>
Net increase (decrease) in cash and cash equivalents	1,785,963	(16,954)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>8,678,398</u>	<u>8,695,352</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 10,464,361</u>	<u>\$ 8,678,398</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, 2018 and 2017

	2018	2017	
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating income	\$ 583,218	\$ 215,874	
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,824,754	1,781,839	
Non-cash pension liability	489,486	298,869	
(Increase) decrease in:			
Trade receivables	10,653	28,740	
Inventory	(2,659)	(4,597)	
Prepaid expenses	(51,916)	33,469	
Increase (decrease) in:			
Accounts payable and accrued expenses	103,747	(5,744)	
Deferred revenue	(66,544)	(66,544)	
Prepaid slip rents	27,055	(13,464)	
Deposits	22,450	26,911	
Deferred rent	--	(56,250)	
Net cash provided by operating activities	<u>\$ 2,940,244</u>	<u>\$ 2,239,103</u>	
<b>SUPPLEMENTAL DISCLOSURES</b>			
<b>SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>			
Capital asset additions	\$ 409,815	\$ 2,586,385	
Additions financed/included in accounts payable	--	3,730	
Cash paid to purchase capital assets	<u>\$ 409,815</u>	<u>\$ 2,590,115</u>	
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION</b>			
	Current Assets	Restricted Assets	Statements of Cash Flows Total
<b>Year ended March 31, 2018</b>			
Cash and cash equivalents, beginning	\$ 7,952,713	\$ 725,685	\$ 8,678,398
Net increase	<u>1,785,047</u>	<u>916</u>	<u>1,785,963</u>
Cash and cash equivalents, ending	<u>\$ 9,737,760</u>	<u>\$ 726,601</u>	<u>\$ 10,464,361</u>
<b>Year ended March 31, 2017</b>			
Cash and cash equivalents, beginning	\$ 7,969,968	\$ 725,384	\$ 8,695,352
Net increase (decrease)	<u>(17,255)</u>	<u>301</u>	<u>(16,954)</u>
Cash and cash equivalents, ending	<u>\$ 7,952,713</u>	<u>\$ 725,685</u>	<u>\$ 8,678,398</u>

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

## SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2018 and 2017

---

### 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, 2018 and 2017

---

### 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, 2018 and 2017, included in payroll liabilities on the Statement of Net Position, was \$67,197 and \$61,653, 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 merchandize 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, 2018 and 2017

---

### 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”.

#### **New Accounting Pronouncements:**

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

- GASB 75 - “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”, effective for periods beginning after June 15, 2017.
- 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 had only one item that qualified for reporting in this category, related to pensions as detailed in Note 7.

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 had only one item that qualified for reporting in this category, related to pensions as detailed in Note 7.

**Reclassification:** Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation with respect to the net pension liability on the Statement of Revenues, Expenses, and Changes in Net Position and Statement of Cash Flows.



## SANTA CRUZ PORT DISTRICT

NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2018 and 2017

---

### 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 investment policy of the District requires that all funds not required for immediate use be invested in one of the following acceptable investment instruments:

- a) U.S. government securities and debt obligations;
- b) Certificates of deposit which are fully insured or fully collateralized to 110% of principal for government securities and 150% of principal for first mortgage collateral;
- c) California's Local Agency Investment Fund.

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, 2018.

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

	2018	2017
Restricted cash and cash equivalents for debt service:		
Money market funds / government obligations	<u>\$ 726,601</u>	<u>\$ 725,685</u>

**SANTA CRUZ PORT DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**  
 Years Ended March 31, 2018 and 2017

**NOTE 3. CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended March 31, 2018:

	March 31, 2017	Additions	Deletions and Transfers	March 31, 2018
<b>Nondepreciable assets:</b>				
Land	\$ 1,349,360	\$ --	\$ --	\$ 1,349,360
Construction in progress	484,401	121,576	--	605,977
<b>Depreciable assets:</b>				
Structures and improvements	29,336,818	68,857	--	29,405,675
Docks	21,562,506	--	--	21,562,506
Equipment	10,977,716	219,382	(323,659)	10,873,439
Office equipment	140,960	--	--	140,960
	<u>63,851,761</u>	<u>409,815</u>	<u>(323,659)</u>	<u>63,937,917</u>
Accumulated depreciation	<u>(27,203,247)</u>	<u>(1,824,754)</u>	<u>282,001</u>	<u>(28,746,000)</u>
	<u>\$ 36,648,514</u>	<u>\$ (1,414,939)</u>	<u>\$ (41,658)</u>	<u>\$ 35,191,917</u>

The following is a summary of changes in capital assets for the year ended March 31, 2017:

	March 31, 2016	Additions	Deletions and Transfers	March 31, 2017
<b>Nondepreciable assets:</b>				
Land	\$ 1,349,360	\$ --	\$ --	\$ 1,349,360
Construction in progress	3,581,567	54,855	(3,152,021)	484,401
<b>Depreciable assets:</b>				
Structures and improvements	29,244,137	92,681	--	29,336,818
Docks	21,562,506	--	--	21,562,506
Equipment	6,999,115	2,432,722	1,545,879	10,977,716
Office equipment	134,833	6,127	--	140,960
	<u>62,871,518</u>	<u>2,586,385</u>	<u>(1,606,142)</u>	<u>63,851,761</u>
Accumulated depreciation	<u>(26,945,428)</u>	<u>(1,781,839)</u>	<u>1,524,020</u>	<u>(27,203,247)</u>
	<u>\$ 35,926,090</u>	<u>\$ 804,546</u>	<u>\$ (82,122)</u>	<u>\$ 36,648,514</u>

**SANTA CRUZ PORT DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2018 and 2017

**NOTE 3. CAPITAL ASSETS (Continued)**

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.

**NOTE 4. LONG-TERM DEBT**

Long-term debt and related current portion as of March 31, 2018 and 2017, is presented below:

	March 31, 2017	Additions	Reductions	March 31, 2018
Compass Bank taxable loan	\$ 1,882,579	\$ --	\$ (188,925)	\$ 1,693,654
Compass Bank tax-exempt loan	12,005,959	--	(808,531)	11,197,428
PG&E loan	83,331	--	(12,731)	70,600
Phone system	8,568	--	(4,053)	4,515
	<u>13,980,437</u>	<u>--</u>	<u>(1,014,240)</u>	<u>12,966,197</u>
Less current portion	<u>(1,015,120)</u>	<u>(33,717)</u>	<u>--</u>	<u>(1,048,837)</u>
	<u>\$ 12,965,317</u>	<u>\$ (33,717)</u>	<u>\$ (1,014,240)</u>	<u>\$ 11,917,360</u>

Total interest incurred and charged to expense during the years ended March 31, 2018 and 2017, was \$444,310 and \$476,817, 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 borrowing agreements with BBVA Compass Bank for the taxable and tax-exempt loans and line of credit include a restrictive covenant requiring net revenues for the fiscal year to be equal to at least 1.25 times the debt service. At March 31, 2018, the District was in compliance with the covenant.

The Compass Bank taxable loan, in the amount of \$2,384,445 was part of the refinance package noted 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.

**SANTA CRUZ PORT DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
 Years Ended March 31, 2018 and 2017

**NOTE 4. LONG-TERM DEBT (Continued)**

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 payoff 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.

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 call for monthly principal payments of \$315 over a period of 60 months.

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

	Principal	Interest	Total
2019	\$ 1,048,837	\$ 417,503	\$ 1,466,340
2020	1,079,028	382,101	1,461,129
2021	1,117,541	345,468	1,463,009
2022	1,086,130	299,115	1,385,245
2023	1,118,370	261,682	1,380,052
2024-2028	5,384,339	749,430	6,133,769
2029-2031	<u>2,131,952</u>	<u>63,608</u>	<u>2,195,560</u>
	<u>\$ 12,966,197</u>	<u>\$ 2,518,907</u>	<u>\$ 15,485,104</u>

**NOTE 5. LINE OF CREDIT**

In September 2013 the District entered into a line of credit borrowing agreement with Compass Bank, with an established limit of \$4,000,000, which was reduced to \$2,000,000 during the year ended March 31, 2015, at the request of the District. The District's business assets are used as collateral to secure the line. The rate of interest is the greater of the Prime Rate Floor or the Wall Street Journal Money Rate, plus .25%. The effective rate at March 31, 2018 was 5.00%. There was no outstanding balance at March 31, 2018.

## SANTA CRUZ PORT DISTRICT

### NOTES TO FINANCIAL STATEMENTS

Years Ended March 31, 2018 and 2017

---

#### NOTE 6. 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 \$909,435 of the unearned revenue as rental income. Of the remaining \$648,804, \$66,544 is considered current and \$582,260 is considered long-term.

#### NOTE 7. 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, 2018 and 2017

---

**NOTE 7. 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 9.498% for April 2017 – June 2017 and 9.539% from July 2017 – March 2018. For the 2% @ 60 tier, the employer rate was 7.159% from April 2017 – June 2017 and 7.2% from July 2017 – March 2018. For the 2% @ 62 tier, the employer rate was 6.555% from April 2017 – June 2017 and 6.533% from July 2017 - March 2018. 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, 2018, the District reported a \$4,052,992 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, 2017, 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, 2016 rolled forward to June 30, 2017 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, 2018 and 2017 was as follows:

Proportion - March 31, 2017	0.0406%
Proportion - March 31, 2018	0.0409%
Change - Increase (Decrease)	0.0003%

**SANTA CRUZ PORT DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2018 and 2017

**NOTE 7. 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, 2018, the District recognized pension expense of \$821,916. At March 31, 2018, 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	\$ 4,924	\$ 70,550
Change in assumptions	610,993	46,589
Net differences between projected and actual earnings on plan investments	304,748	--
Change in employer's proportion	66,963	26,627
Differences between the employer's contributions and the employer's proportionate share of contributions	--	139,865
Pension contributions subsequent to measurement date	254,755	--
Total	<u>\$ 1,242,383</u>	<u>\$ 283,631</u>

The \$254,755 reported as deferred outflows of resources relates to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending March 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ending March 31,	Amount
2019	\$ 283,154
2020	315,720
2021	187,164
2022	(82,041)
	<u>\$ 703,997</u>

**SANTA CRUZ PORT DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2018 and 2017

---

**NOTE 7. 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, 2018 total pension liability was determined using the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.75%
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 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a 2014 actuarial experience study for the period 1997 to 2011. 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, 2018 and 2017

**NOTE 7. 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 (11-60 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 rounded down to the nearest one quarter of one percent.

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.

Asset class	New strategic allocation	Real return years 1-10 (a)	Real return years 11+ (b)
Global equity	47.00%	4.90%	5.38%
Fixed income	19.00%	0.80%	2.27%
Inflation assets	6.00%	0.60%	1.39%
Private equity	12.00%	6.60%	6.63%
Real estate	11.00%	2.80%	5.21%
Infrastructure and forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

**SANTA CRUZ PORT DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2018 and 2017

---

**NOTE 7. 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	\$	6,066,998
Current Discount Rate		7.15%
Net Pension Liability	\$	4,052,992
1% Increase		8.15%
Net Pension Liability	\$	2,384,955

**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, 2018, the District had no outstanding contributions payable to the pension plan required for the year ended March 31, 2018.

**NOTE 8. 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, 2018 and 2017

**NOTE 9. 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, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
Land	\$ 1,224,703	\$ 1,224,703
Structures and improvements	27,597,425	27,528,568
Docks	<u>21,526,256</u>	<u>21,526,256</u>
	50,348,384	50,279,527
Less accumulated depreciation	<u>22,710,353</u>	<u>21,361,786</u>
	<u>\$ 27,638,031</u>	<u>\$ 28,917,741</u>

Minimum future lease income to be received on non-cancelable leases as of March 31, 2018, for each of the next 5 years and in the aggregate is:

2019	\$ 667,961
2020	645,942
2021	518,568
2022	468,907
2023	271,246
Thereafter	<u>422,497</u>
	<u>\$ 2,995,121</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, 2018 and 2017, totaled approximately \$745,029 and \$627,716, respectively.

**NOTE 10. 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 employee and 20 active employees participating in the Plan.

**SANTA CRUZ PORT DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
 Years Ended March 31, 2018 and 2017

**NOTE 10. 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 (\$133 for 2018) for each participant in the PEMCHA plan.

**Annual OPEB Cost and Net OPEB Obligation**

For the fiscal year ended March 31, 2018, the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan are as follows. The Alternative Measurement Method under GASB No. 45 was used to calculate the actuarial obligation since the District has fewer than 100 plan members.

Annual required contribution (ARC)	\$ 73,100
Interest on net OPEB obligation	2,900
Adjustment to ARC	<u>(3,300)</u>
Annual OPEB cost (expense)	72,700
Actual contributions made (pay-as-you-go)	<u>--</u>
Increase in net OPEB obligation	72,700
Net OPEB Obligation - April 1, 2017	<u>77,100</u>
Net OPEB Obligation - March 31, 2018	<u><u>\$ 149,800</u></u>

Fiscal Year	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
3/31/2015	\$ 24,000	0.00%	\$ 24,000
3/31/2016	\$ 25,700	0.00%	\$ 49,600
3/31/2017	\$ 27,500	0.00%	\$ 77,100
3/31/2018	\$ 72,700	0.00%	\$ 149,800

**SANTA CRUZ PORT DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2018 and 2017

---

**NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**Funded Status**

The funded status of the plan as of April 1, 2017, the date of the latest actuarial review, was as follows:

Actuarial accrued liabilities (AAL)	\$ 417,700
Actuarial value of plan assets	--
Unfunded actuarial accrued liabilities (UAAL)	<u>\$ 417,700</u>
Funded ratio	0.00%
Covered payroll (active plan members)	<u>\$ 1,816,100</u>
UAAL as a percentage of covered payroll	23.00%

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of the benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

In the April 1, 2017 actuarial valuation, the actuarial cost method used was Entry Age Normal (EAN). Under the EAN cost method, the normal cost for each participant is determined as a level percent of payroll throughout the participant's working career. The actuarial assumptions include a 3.86 percent discount rate, a 2.75 percent per year general inflation rate, aggregate payroll increases of 3 percent, and an annual healthcare cost trend rate of 4 to 7.5 percent. The UAAL is being amortized as a level percent of payroll over a fixed, closed twenty seven year period.

## **SANTA CRUZ PORT DISTRICT**

NOTES TO FINANCIAL STATEMENTS  
Years Ended March 31, 2018 and 2017

---

### **NOTE 11. 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, 2018, the District received \$485,000 in payments from Department of the Army Corps of Engineers (Corps) for dredging operations that occurred in 2016-17. During the year ended March 31, 2017, the District received \$400,000 in payments from Department of the Army Corps of Engineers (Corps) for dredging operations that occurred in 2015-16.

### **NOTE 12. SUBSEQUENT EVENTS**

Management has evaluated its March 31, 2018 and 2017 financial statements for subsequent events through TBD, the date of issuance of the financial statements. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

DRAFT

**SANTA CRUZ PORT DISTRICT**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Last 10 Fiscal Years\***

	<u>March 31, 2018</u>	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015
Plan's proportion of the net pension liability	0.0409%	0.0406%	0.0400%
Plan's proportionate share of the net pension liability	\$ 4,052,992	\$ 3,509,957	\$ 2,745,051
Plan's covered - employee payroll**	\$ 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	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	73.31%	74.06%	78.40%
Plan's proportionate share of aggregate employer contributions	\$ 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 three 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, 2018</u>	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Actuarially determined contribution	\$ 332,430	\$ 309,357	\$ 188,042
Contributions in relation to the actuarially determined contribution	<u>(332,430)</u>	<u>(309,357)</u>	<u>(188,042)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Covered-employee payroll**	\$ 2,160,998	\$ 1,912,027	\$ 1,692,156
Contributions as a percentage of covered-employee payroll	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 three years are shown.

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



**SANTA CRUZ PORT DISTRICT**

**SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS**  
 Year Ended March 31, 2018

Valuation Date	Actuarial Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (Excess Assets) (a)-(b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll [(a)-(b)]/(c)
4/1/2014	\$ 227,800	\$ --	\$ 227,800	0.00%	\$ 1,525,400	14.93%
4/1/2017	\$ 417,700	\$ --	\$ 417,700	0.00%	\$ 1,816,100	23.00%

DRAFT



**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, 2018, 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.

Date TBD

DRAFT



**HUTCHINSON** and

**BLOODGOOD LLP**

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

579 Auto Center Drive  
Watsonville, CA 95076  
t 831.724.2441 f 831.761.2136  
www.hbllp.com

## **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, 2018 and 2017, 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 41 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

DRAFT

**SANTA CRUZ PORT DISTRICT**

**SCHEDULE OF INSURANCE COVERAGE**

March 31, 2018

As of March 31, 2018, the District's insurance coverage was as follows:

	<u>LIMITS</u>	<u>DEDUCTIBLE</u>
<b>UMBRELLA / BUMBERSHOOT LIABILITY</b>		
Each Occurrence, excess of \$1,000,000 primary	\$14,000,000	\$25,000
<b>PROPERTY</b>		
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)	\$43,297,310	See policy
<b>MARINA OPERATORS LEGAL LIABILITY</b>		
Each Occurrence	\$1,000,000	\$5,000
<b>BUSINESS AUTO</b>		
Liability, Combined Single Limit	\$1,000,000	None
Medical Payments	\$5,000	None
Uninsured/Underinsured Motorist	\$1,000,000	None
<b>HULL AND MACHINERY / PROTECTION AND INDEMNITY</b>		
Hull and Machinery	\$5,054,600	Per Schedule
Protection and Indemnity	\$1,000,000	\$1,000
<b>PUBLIC OFFICIALS Liability</b>		
Each Claim and in the Aggregate	\$2,000,000	\$25,000
Includes Employment Practices Liability		\$50,000
<b>UNDERGROUND STORAGE TANKS</b>		
Each Incident	\$1,000,000	\$50,000
Total Policy Aggregate Limit	\$2,000,000	
<b>GENERAL LIABILITY</b>		
General Aggregate	\$2,000,000	None
Products/Completed Operations Aggregate	\$2,000,000	None
Each Occurrence	\$1,000,000	None
<b>FLOOD</b>		
Each Incident and Aggregate (2 Properties)	\$500,000	\$1,250
	\$500,000	\$1,250

Santa Cruz Port District  
**Accounts Payable Monthly Check Register**  
August 2018

Date	No.	Vendor	Description	Amount
8/3/2018	50205	Ace Portable Services	Portable Toilet Rental (Concession Lot)	\$95.90
8/3/2018	50206	Amerigas	Fuel for Forklift	\$68.67
8/3/2018	50207	AT&T	Telephone	\$499.75
8/3/2018	50208	AT&T Mobility	Tablet Service	\$235.50
8/3/2018	50209	Bay Building Janitorial, Inc.	Janitorial Services	\$2,850.00
8/3/2018	50210	Bay Plumbing Supply, Inc.	Plumbing Tools & Supplies	\$754.65
8/3/2018	50211	Bayside Oil II, Inc.	Hazmat, Waste Oil, and Hydraulic Fluid Disposal	\$2,294.24
8/3/2018	50212	Big Creek	Lumber for Dumpster Enclosure and O-Dock Ramp	\$87.32
8/3/2018	50213	Blue Tarp Financial, Inc.	Paint Shaker	\$213.51
8/3/2018	50214	Bobby's Pit Stop, Inc.	Oil Change & Inspection of Dredge Blazer	\$362.31
8/3/2018	50215	Brass Key Locksmith, Inc.	Restroom Door Lock Lever	\$405.48
8/3/2018	50216	BRUNO, STAN	Security Deposit Refund	\$368.70
8/3/2018	50217	Comcast	Business Internet Service	\$370.55
8/3/2018	50218	County of Santa Cruz Auditor	Citation Tax (June 2018)	\$2,725.00
8/3/2018	50219	County of Santa Cruz DPW	Hazmat Disposal	\$68.00
8/3/2018	50220	County of Santa Cruz Information Services/Radio Shop	Patrol Truck Light & Siren Repair	\$600.80
8/3/2018	50221	Data Ticket, Inc.	Citation Processing (May-June 2018)	\$1,067.30
8/3/2018	50222	Downing, Noah	Key Deposit Refund	\$40.00
8/3/2018	50223	Environmental Logistics	Waste Oil Disposal	\$3,915.75
8/3/2018	50224	Fastenal Company	Dock Gate Fabrication Supplies	\$362.10
8/3/2018	50225	FedEx	Shipping	\$23.03
8/3/2018	50226	Ferguson Enterprises, Inc.	J-Dock Restroom Repair Supplies	\$1,189.67
8/3/2018	50227	First Alarm Security & Patrol, Inc.	Security Patrol	\$8,908.45
8/3/2018	50228	Grainger	FF-Dock Backflow Repair Supplies, Foot Wash Station Supplies, Tools, Dock Gate Latches, Work Gloves, Work Boots, Safety Glasses, Signage, Cleaning Supplies, Painting Supplies for 493 Lake Avenue (Johnny's)	\$3,298.44

8/3/2018	50229	HARDY, STEVE	Security Deposit Refund	\$408.72
8/3/2018	50230	Hartford Fire Insurance Company	Flood Insurance Policy	\$2,103.00
8/3/2018	50231	Home Depot Credit Services	Bird Spike Adhesive, Landscaping Tools, Anchovy Kill Supplies, Window Screens for 2222 East Cliff Drive, Pressure Washer, Circular Saw, Plumbing Supplies	\$2,613.32
8/3/2018	50232	Jeff Winham	Trash Collection	\$1,312.50
8/3/2018	50233	Jung, Chris	Expense Reimbursement (1/2 Costs for New Volleyball Nets/Equipment)	\$1,020.03
8/3/2018	50234	Kayak Connection	Key Deposit Refund	\$20.00
8/3/2018	50235	Keco Inc.	KECO Pump-a-Head (\$12,850.28 Grant Reimbursable)	\$13,411.24
8/3/2018	50236	Kelly-Moore Paint Company, Inc.	Painting Supplies for 365 Lake Avenue (Nexus)	\$968.09
8/3/2018	50237	Lloyd's Tire Service	Tires for Dredge Truck	\$672.36
8/3/2018	50238	Matheson Tri-Gas, Inc.	Welding Supplies	\$509.15
8/3/2018	50239	McMaster-Carr Supply Company	Metal Prep Brushes, Padlocks, Rust Knockout Primer	\$2,170.46
8/3/2018	50240	Microflex Corporation	Work Gloves	\$126.75
8/3/2018	50241	Mid County Auto Supply	Oil Change Supplies, Filters for <i>Twin Lakes</i> , Battery Cables, High Heat Primer, Window Squeegee	\$338.10
8/3/2018	50242	Mission Uniform Service	Uniform Cleaning	\$387.17
8/3/2018	50243	Neopost USA Inc.	Postage	\$1,057.37
8/3/2018	50244	Pacific Coast Legal Services	Process Service for FY18 Bad Debt	\$184.00
8/3/2018	50245	Pacific Gas & Electric Company	Utilities	\$30,880.15
8/3/2018	50246	Palace Art & Office Supply	Office Supplies	\$114.61
8/3/2018	50247	Peterson	Service Parts and Wear Plates for Beach Dozer	\$2,555.49
8/3/2018	50248	Riverside Lighting & Electric	Flashlights, Light Ballast for 2222 East Cliff Drive, Beakers for Boatyard and <i>Twin Lakes</i>	\$293.03
8/3/2018	50249	San Lorenzo	Fasteners and Lumber for AA-Dock Repairs	\$1,052.60
8/3/2018	50250	Santa Cruz County Environmental Health Services	Underground Storage Tank Permit	\$3,227.00
8/3/2018	50251	Santa Cruz Municipal Utilities	Utilities	\$11,266.37
8/3/2018	50252	Santa Cruz Sheriff's Office	Civil Service Fee	\$50.00
8/3/2018	50253	SC Fuels	Gasoline and Diesel for Fuel Dock	\$46,079.17
8/3/2018	50254	Staples Credit Plan	Office Supplies	\$187.98

8/3/2018	50255	Stop Co	Signage	\$327.00
8/3/2018	50256	Supply Works	Janitorial Supplies	\$2,049.80
8/3/2018	50257	The Embroidery Works	Operations Department Uniform Hats	\$442.14
8/3/2018	50258	Triton Construction	Diesel Fuel Tank Testing and Fuel Operator Service	\$300.00
8/3/2018	50259	U.S. Bank Equipment Finance	Copy Machine Lease	\$163.18
8/3/2018	50260	Valero Marketing & Supply Company	Fuel for Fleet Vehicles	\$1,764.16
8/3/2018	50261	Vicki Hawkinson	Credit Balance Refund	\$3.25
8/3/2018	50262	Wendy L. Cumming	CPA Consulting Services	\$435.00
8/3/2018	50263	West Coast Wire Rope	Wire Rope for <i>Twin Lakes</i>	\$16,908.50
8/3/2018	50264	West Marine Pro	Dredge Buoy Lights, Life Ring for <i>Twin Lakes</i> , Hazmat Disposal Funnels	\$250.54
8/20/2018	50265	Ace Portable Services	Portable Toilet Rental (Concession Lot)	\$95.90
8/20/2018	50266	Allen, Ryan	Security Deposit Refund	\$320.80
8/20/2018	50267	AmeriDyn	Microsoft Dynamics Software Support	\$300.00
8/20/2018	50268	Amsterdam	Mailing Labels	\$124.84
8/20/2018	50269	AT&T	Telephone	\$1,559.37
8/20/2018	50270	Atchison Barisone Condotti & Kovacevich	Legal Consultation	\$9,720.97
8/20/2018	50271	CIT	Telephone System Lease	\$337.76
8/20/2018	50272	Bay Plumbing Supply, Inc.	Plumbing Supplies	\$163.43
8/20/2018	50273	Bay Power Equipment, Inc.	Hydraulic Cylinders for <i>Twin Lakes'</i> Snorkel	\$7,609.63
8/20/2018	50274	Bayside Oil II, Inc.	Hazmat and Waste Oil Disposal	\$405.25
8/20/2018	50275	Bingham, Jeanette	Security Deposit Refund	\$106.60
8/20/2018	50276	Bobby's Pit Stop, Inc.	Patrol Vehicle Maintenance	\$77.12
8/20/2018	50277	Bow Wow Pet Waste Products	Pet Waste Station Bags	\$261.53
8/20/2018	50278	Burke, Williams & Sorensen, LLP	Legal Consultation	\$7,515.50
8/20/2018	50279	Cale America, Inc.	CALE Parking Machine Credit Card Fees (8 Machines)	\$832.00
8/20/2018	50280	California State Disbursement Unit	Wage Garnishment (Payroll Deduction)	\$500.00
8/20/2018	50281	Carpi Clay & Smith	Washington Representation	\$800.00
8/20/2018	50282	Colin Brown	Key Deposit Refund	\$40.00
8/20/2018	50283	Collins, Jason	Security Deposit Refund	\$378.75



8/20/2018	50284	Comcast	Business Internet Service	\$52.17
8/20/2018	50285	Complete Mailing Service	Mailing & Postage (Monthly Statement & Vessel Insurance Policy Mailout)	\$1,461.52
8/20/2018	50286	Computer Technical Specialists, Inc.	E-mail Scanning & Backup Services	\$283.50
8/20/2018	50287	County of Santa Cruz Auditor	LAFCO Assessment	\$12,417.34
8/20/2018	50288	County of Santa Cruz DPW	901 7th Avenue Lease	\$800.00
8/20/2018	50289	Crow's Nest Restaurant	1/2 Concession Lot Garbage & Compactor Lease (Tenant Reimbursable)	\$2,457.18
8/20/2018	50290	Darco Printing & Paper	Printing	\$431.80
8/20/2018	50291	Doctors on Duty	Employee Hepatitis B Inoculation Series	\$93.00
8/20/2018	50292	Dredging Supply Company, Inc.	Paint and Epoxy for <i>Twin Lakes</i>	\$735.99
8/20/2018	50293	FedEx Office	Shipping	\$122.84
8/20/2018	50294	Ferguson Enterprises, Inc.	Faucet Repair Supplies for Concession Parking Lot Restroom	\$167.10
8/20/2018	50295	First Alarm Security & Patrol, Inc.	Security Patrol	\$4,650.81
8/20/2018	50296	Peter Fuller	Key Deposit Refund	\$40.00
8/20/2018	50297	Garda CL West, Inc.	Deposit Courier Service	\$284.47
8/20/2018	50298	Gaukel, Ralph	Security Deposit Refund	\$574.31
8/20/2018	50299	Grainger	Saw Blades and Grease Gun for <i>Twin Lakes</i>	\$380.52
8/20/2018	50300	Gsolutionz	Telephone System Maintenance Agreement	\$199.99
8/20/2018	50301	Hoslscher, William	Security Deposit Refund	\$145.04
8/20/2018	50302	Hutchinson & Bloodgood LLP	Financial Audit Services	\$17,000.00
8/20/2018	50303	Juane, Joseph	Security Deposit Refund	\$379.69
8/20/2018	50304	Kelly-Moore Paint Company, Inc.	Dredge Can & Painting Supplies	\$525.82
8/20/2018	50305	King's Paint & Paper, Inc.	Paint Brushes	\$37.69
8/20/2018	50306	Loftus, Geoff	Security Deposit Refund	\$241.00
8/20/2018	50307	Marine Lien Sale Service	Lien Sale Service	\$480.00
8/20/2018	50308	Mark Larsen DBA: Viking	Harbor Office Window Cleaning	\$266.00
8/20/2018	50309	MBS Business Systems	Copy Machine Maintenance and Quarterly Printing Charges	\$1,311.82
8/20/2018	50310	McMaster-Carr Supply Company	Rust Inhibiting Primer and Saddle Clips for <i>Twin Lakes</i> , Padlocks	\$1,966.69
8/20/2018	50311	Mesiti-Miller Engineering, Inc.	Consulting Services - Aldo's Seawall Design & Engineering Services	\$6,738.50
8/20/2018	50312	Mission Uniform Service	Uniform Cleaning	\$278.21

8/20/2018	50313	National Vessel Documentation Center	<i>Twin Lakes</i> Documentation Renewal	\$26.00
8/20/2018	50314	Operating Engineers Local Union No. 3	OE3 Dues (Payroll Deduction)	\$378.00
8/20/2018	50315	Pacific Gas & Electric Company	Utilities	\$10,705.20
8/20/2018	50316	Palace Art & Office Supply	Office Supplies	\$320.28
8/20/2018	50317	Peterson	Beach Dozer Cover Plate	\$307.51
8/20/2018	50318	Rasmussen Equipment Company	<i>Dauntless</i> Winch System	\$66,405.00
8/20/2018	50319	Riverside Lighting & Electric	Electric Parts for AA-Dock	\$319.47
8/20/2018	50320	Ruhne, Carl	Security Deposit Refund & 1/2 Model of <i>Twin Lakes</i>	\$574.00
8/20/2018	50321	Ryan Stephenson	Expense Reimbursement (Water Sample Shipping)	\$49.49
8/20/2018	50322	Santa Cruz Municipal Utilities	Utilities	\$7,521.77
8/20/2018	50323	Santa Cruz Records Management, Inc.	Document Shredding	\$13.50
8/20/2018	50324	Sciutto, George	Security Deposit Refund	\$232.30
8/20/2018	50325	Shepard, Jay	Security Deposit Refund	\$507.00
8/20/2018	50326	Supply Works	Janitorial Supplies	\$133.48
8/20/2018	50327	Svendsen's Boat Works	Strap Paper	\$410.13
8/20/2018	50328	The UPS Store	Shipping	\$310.30
8/20/2018	50329	UNUM Life Insurance Co. of America	Life, LTD & AD&D Insurance	\$1,141.60
8/20/2018	50330	US Relay	Monthly Webcam Service (2 Cameras)	\$484.00
8/20/2018	50331	Van Horn, Caitlin	Security Deposit Refund	\$1,276.95
8/20/2018	50332	Vel-Com	Harbor Office Network Cable Rewiring Project	\$15,878.50
8/20/2018	50333	Verizon Wireless	Cell Phone & Tablet Service	\$313.58
8/20/2018	50334	Warehouse Direct Interiors, Inc.	Harbor Office Carpet Replacement	\$8,576.00
8/20/2018	50335	West Marine Pro	Boatyard Retail Items	\$352.33
8/20/2018	50336	West Marine Pro	Scrub Pads and Light Bulbs for <i>Almar</i>	\$44.09
8/20/2018	50337	Wraight, Peter	Security Deposit Refund	\$657.40
8/30/2018	50338	Employee #192	8/1/18-8/15/18 Payroll Check Replacement	\$210.22
8/5/2018	4885-4907	Various Employees	7/16/18-7/31/18 Payroll Checks	\$22,554.85
8/20/2018	4908-4929	Various Employees	8/1/18-8/15/18 Payroll Checks	\$22,822.20
8/1/2018	EFT	Merchant Services	CALE Parking Machine Credit Card Fees (8 Machines)	\$2,406.62

8/1/2018	EFT	Merchant Services	Boatyard Credit Card Fees	\$283.24
8/1/2018	EFT	Merchant Services	Online Billpay Credit Card Fees	\$145.64
8/1/2018	EFT	ChargeltPro	Harbor Office Credit Card Fees	\$1,394.71
8/3/2018	EFT	Transaction Express	Online Billpay ACH Fees	\$301.64
8/3/2018	EFT	PAYCHEX	Payroll Service Fees	\$414.09
8/3/2018	EFT	ElectronicPayments	Fuel Dock Credit Card Fees	\$673.90
8/5/2018	EFT	Various Employees	7/16/18-7/31/18 Direct Deposit	\$46,360.81
8/5/2018	EFT	PAYCHEX	7/16/18-7/31/18 Payroll Taxes	\$30,184.81
8/6/2018	EFT	Empower Retirement	457 Savings Plan (Payroll Deduction)	\$2,424.71
8/7/2018	EFT	CalPERS	Retirement (Partial Payroll Deduction)	\$6,821.34
8/7/2018	EFT	CalPERS	Retirement (Partial Payroll Deduction)	\$6,328.30
8/7/2018	EFT	CalPERS	Retirement (Partial Payroll Deduction)	\$565.56
8/9/2018	EFT	CalPERS	7/1/18-7/31/18 Retirement Adjustment	\$640.33
8/7/2018	EFT	CalPERS	Health Insurance Premiums	\$32,047.06
8/9/2018	EFT	Citi Cards	Pipe and Flanges for <i>Squirt</i>	\$3,147.85
8/9/2018	EFT	Comerica Cardmember Services	Latch Protectors, LED Light Bulbs for Dredge, Office Supplies & Furniture, Employment Advertising, Port Commission Meeting Refreshments, Epinephrine (EPI) Pens	\$6,575.50
8/9/2018	EFT	PAYCHEX	Payroll Service Fees	\$191.23
8/9/2018	EFT	Comerica Bank	Bank Service Charges	\$1,367.73
8/9/2018	EFT	ChargeltPro	Harbor Office Credit Card Gateway Fee	\$15.00
8/10/2018	EFT	PAYCHEX	Paychex Time & Labor Online Fees	\$277.00
8/20/2018	EFT	CalPERS	Retirement (Partial Payroll Deduction)	\$6,501.51
8/20/2018	EFT	CalPERS	Retirement (Partial Payroll Deduction)	\$357.40
8/20/2018	EFT	CalPERS	Retirement (Partial Payroll Deduction)	\$6,837.43
8/20/2018	EFT	CalPERS	Unfunded Accrued Liability	\$446.33
8/20/2018	EFT	CalPERS	Unfunded Accrued Liability	\$296.54
8/20/2018	EFT	CalPERS	Unfunded Accrued Liability	\$18,668.40
8/20/2018	EFT	CalPERS	CalPERS Administration Fee	\$200.00

8/20/2018	EFT	Empower Retirement	457 Savings Plan (Payroll Deduction)	\$2,526.63
8/20/2018	EFT	Various Employees	8/1/18-8/15/18 Direct Deposit	\$49,354.87
8/20/2018	EFT	PAYCHEX	8/1/18-8/15/18 Payroll Taxes	\$30,181.57
<b>Total August 2018 Disbursements</b>				<b>\$682,592.70</b>



**Harbormaster's Report**  
 Regular Public Session of September 25, 2018

**Boatyard Report:**

Service	Aug 18'	July 18'	June 18'
Haul outs	18	23	15
Hang in straps	11	8	7
Haul from water onto trailer	0	0	0
Splash	19	14	18
To/From Trailer	5	1	1
Crane Ops	2	0	0
Masts	0	0	0
Trailer Boats (No Lift)	0	2	0
Pressure Wash	1	3	N/A

In preparation for the 2018-19 dredging season, *Almar* was serviced twice in the Boatyard during the month of August.

There was one emergency vessel haul out during the month of August. A vessel was scheduled to be surveyed but had severe rudder damage, which required an emergency haul out.

The Boatyard slips have been utilized to accommodate displaced vessels related to the pile repair and replacement project.

**Harbor Activities/Events/News:**

Kevin Melrose was promoted to Boatyard Crew effective August 21, 2018. Since 2016, Kevin has worked for the Port District in a variety of capacities, including dredge monitoring and parking operations.

The Crow's Nest beach barbeques have concluded for the summer. The events were well-attended.

Harbor Patrol is licensed for epinephrine (EPI) administration for both adults and juveniles in the event of an anaphylaxis medical emergency. It took staff approximately one year to obtain this license, and Harbor Patrol has an agreement with Santa Cruz County to only administer the drug while at sea.

Santa Cruz Yacht Club hosted several regattas during the month of August, including the 26<sup>th</sup> Annual Day on the Bay Regatta. The event took place on Sunday, August 12, 2018, and was a success. All proceeds benefitted Big Brothers Big Sisters of Santa Cruz County.

**Training/Conferences:**

During the past month, harbor staff participated in the following training:

Firearms Range Qualification

Harbor Patrol successfully completed their quarterly firearms range qualification.

Heaving Line Training

Harbor Patrol participated in heaving line training. Training included tow lines, double bridal and heaving line delivery.

Glock Armorer Course

One Deputy Harbormaster successfully completed a Glock Armorer course.

Fentanyl Danger Training

Harbor Patrol participated in a fentanyl danger video training, which provided safety recommendations for first responders.

**Fuel Prices**

Unleaded	\$4.29
Commercial Unleaded	\$4.08
Diesel	\$3.79
Commercial Diesel	\$3.69



---

**Facilities and Engineering Manager's Report**  
Public Meeting of September 25, 2018

**Dredge Operations**

Dauntless

Crews installed the fendering system, anchor landing wooden planks, Skagit winch, and replaced the cooler lines on *Dauntless*. It is anticipated that *Dauntless* will be splashed the week of September 17, 2018.

Snorkel

*Twin Lakes* snorkel fabrication is moving forward and expected to be complete by the end of September.

Squirt

Crews prepared *Squirt* for the upcoming dredge season. Crews installed a high flow hydraulic pump and completed several repairs to the cutter head, which were recommended by Ancil Taylor, the Port District's dredge consultant. It is anticipated that *Squirt* will be splashed the week of September 24, 2018.

**Maintenance**

Grounds

Crews have cleaned and mulched the north harbor, pressure scrubbed the maintenance yard, and cleaned all dumpster corrals.

Pump-A-Head Installation

Crews removed the old pumpout system at the fuel dock and replaced it with a new Keco Pump-A-Head. Additionally, crews removed the old galvanized piping and replaced it with new Sch 80 piping. Funding for the new pumpout was obtained through the Division of Boating and Waterways Clean Vessel Act (CVA) Grant.

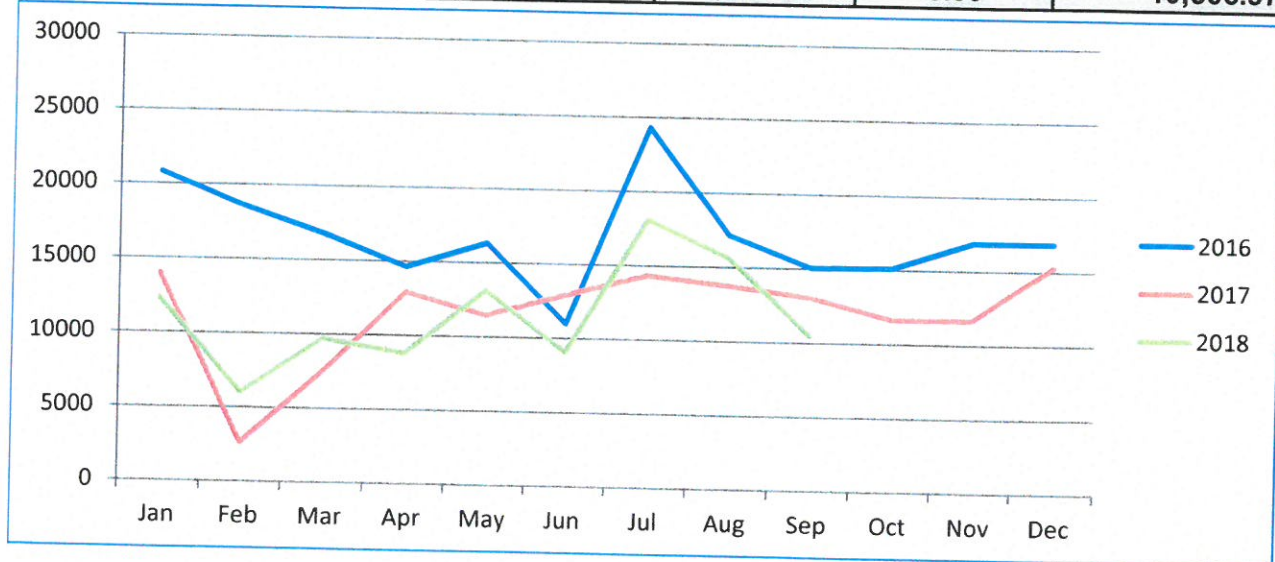
J-Dock Finger Restoration

Crews have successfully restored the south-east finger of J-Dock, which was damaged during 2017-18 dredging operations.

Santa Cruz Port District  
**60 DAY DELINQUENT ACCOUNTS**

The following accounts have balances 60 days delinquent as of September 17, 2018.

Account Number	Current Month	30 Day Balance	60 Day Balance	90 Day Balance	Total Balance
57506	584.42	614.55	549.97	0.00	1,748.94
55885	450.68	447.19	457.30	0.00	1,355.17
44246	434.50	431.17	384.75	0.00	1,250.42
47438	513.34	509.31	72.99	0.00	1,095.64
48004	392.56	449.53	124.11	0.00	966.20
47602	146.92	66.02	438.18	0.00	651.12
3094	258.12	256.76	117.68	0.00	632.56
57636	192.94	191.57	165.19	0.00	549.70
55583	28.76	28.76	461.82	0.00	519.34
57056	256.77	254.86	6.77	0.00	518.40
48712	144.96	143.97	144.96	0.00	433.89
56546	0.00	347.41	2.66	0.00	350.07
56311	81.38	80.92	55.46	0.00	217.76
57612	81.38	80.92	55.46	0.00	217.76
<b>Total:</b>	<b>3,566.73</b>	<b>3,902.94</b>	<b>3,037.30</b>	<b>0.00</b>	<b>10,506.97</b>

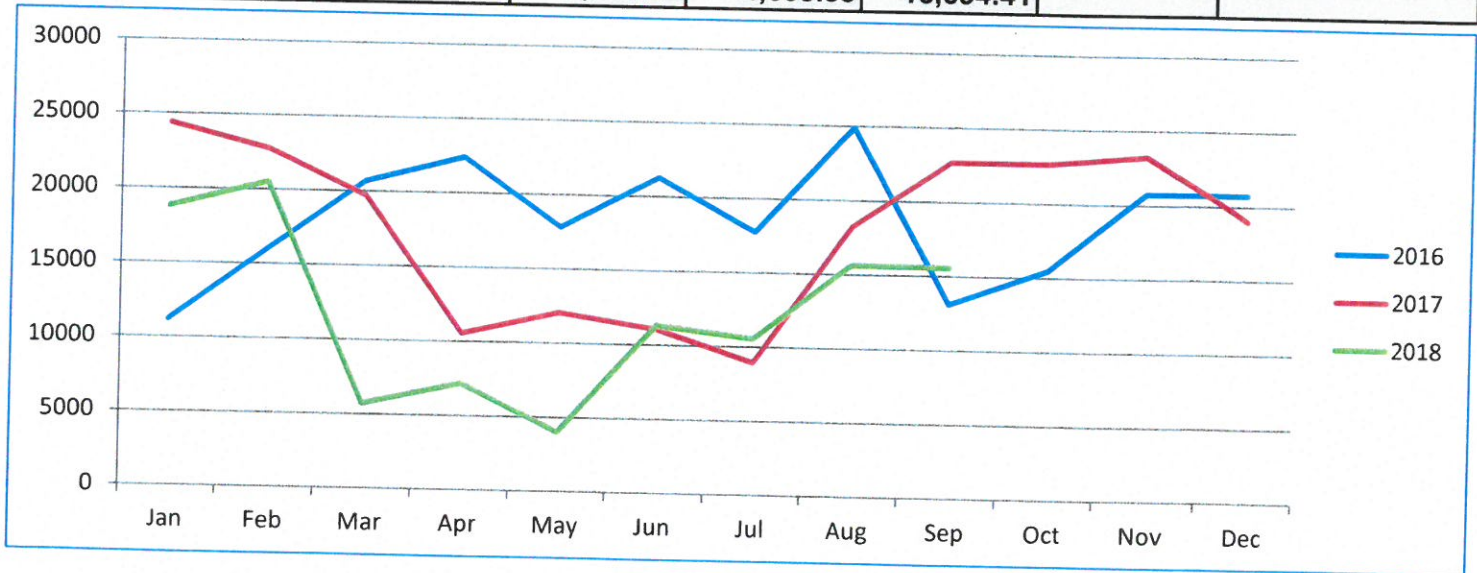




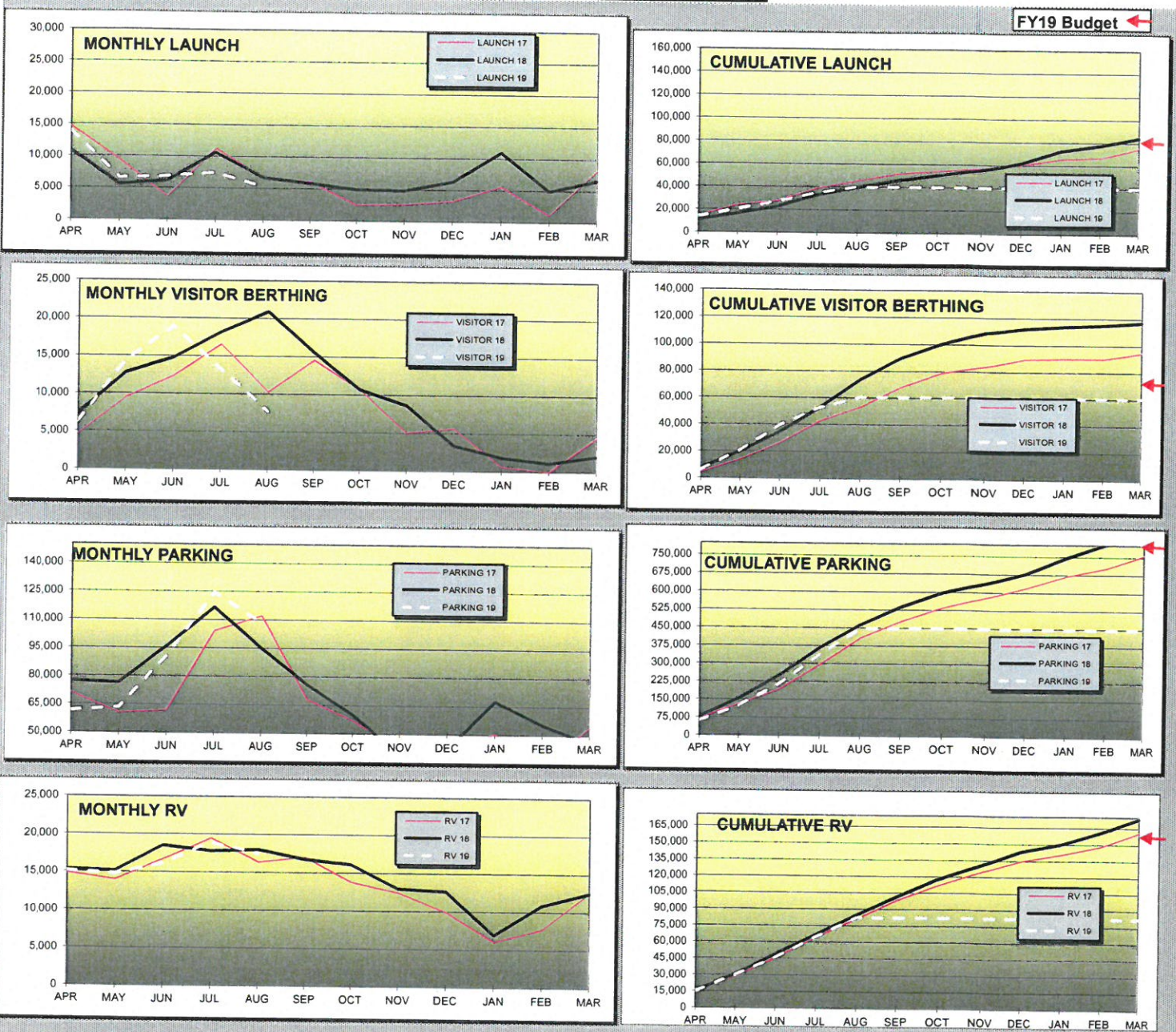
Santa Cruz Port District  
**90+ DAY DELINQUENT ACCOUNTS**

The following accounts have balances 90 days delinquent or greater as of September 17, 2018.

Account Number	Current Month	30 Day Balance	60 Day Balance	90+ Day Balance	Total Balance	Commercial Slip	Action
2210	1,284.91	1,292.71	1,287.75	581.50	4,446.87	X	Payment Plan
2862	670.04	672.85	667.59	294.05	2,304.53		Revoke 9/20
14099	0.00	522.55	503.42	822.05	1,848.02		Revoked/Liened
45545	36.98	0.00	344.64	1,266.24	1,647.86		Bad Debt
56083	372.85	404.74	370.03	375.71	1,523.33		Revoke 9/30
3131	260.54	258.63	256.71	229.80	1,005.68		Revoke 9/30
56218	0.00	414.93	411.73	61.70	888.36		Bad Debt
56783	30.85	0.00	672.50	96.15	799.50		Bad Debt
56994	27.78	27.78	27.78	476.20	559.54		Bad Debt
2617	28.13	28.13	28.13	432.33	516.72		Bad Debt
57023	0.00	25.45	25.45	3.10	54.00		Bad Debt
<b>TOTAL:</b>	<b>2,712.08</b>	<b>3,647.77</b>	<b>4,595.73</b>	<b>4,638.83</b>	<b>15,594.41</b>		



## SEASONAL INCOME





**TO:** Port District Commission  
**FROM:** Latisha Marshall, Harbormaster  
**DATE:** September 10, 2018  
**SUBJECT:** Crime/Incident/Citation Report August 2018

***Crime Reports, Assists Outside Department and Incident Reports:***

- 8/1/18 Harbor Patrol took an accident report after a sailing vessel unintentionally collided with another vessel berthed at the end-tie of D-Dock. Both vessels sustained minor damage. No injuries were reported.
- 8/4/18 Harbor Patrol cited a subject for an outstanding warrant in the area of the fuel dock.
- 8/15/18 Harbor Patrol took an incident report after a disturbance was reported at the Boatyard. The case was forwarded to the District Attorney's Office for review.
- 8/22/18 Harbor Patrol took a stolen property report after a subject reported that his bicycle was stolen from the rack in the concession parking lot. No suspect information is available.
- 8/23/18 Harbor Patrol took an accident report after a vehicle unintentionally side-swiped a bicyclist at the round-a-bout on East Cliff Drive and 5<sup>th</sup> Avenue. No injuries were reported. The vehicle and the bicycle sustained minor damage.
- 8/24/18 Harbor Patrol arrested a subject for public intoxication in the area of Seabright Avenue and Murray Street. The subject was transported to the County's sobering center without further incident.
- 8/31/18 Harbor Patrol took an accident report after *Almar* unintentionally collided with a tender berthed at the end-tie of Q-Dock. No injuries were reported. There was no visible damage to the tender.

***Search/Rescue/Recovery:***

- 8/3/18 Harbor Patrol responded to a report of a vessel in distress in the area of Black's Point. Once on scene, it was determined that the vessel operator was able to right the vessel and was no longer in need of assistance. Harbor Patrol returned to the harbor without further incident.
- 8/9/18 Harbor Patrol responded to a report of a vessel in distress approximately ½ mile outside of the harbor entrance. Once on scene, Harbor Patrol discovered that the catamaran sustained a broken mast. The vessel was towed back to the harbor without further incident. No injuries were reported.

- 8/16/18 Harbor Patrol responded to a report of a paddleboard adrift in the area of West Cliff Drive and John Street. Once on scene, it was determined that the drifting material was debris from a vessel that had run aground earlier in the month.
- 8/22/18 Harbor Patrol responded to a report of a cliff rescue in the area of the Santa Cruz Lighthouse. Harbor Patrol remained on scene while landside first responders rescued the subject. No injuries were reported.

**August Parking Citations: 417**



**BIG BROTHERS BIG SISTERS**  
of Santa Cruz County

1500 41st Avenue, Suite 250  
Capitola, CA 95010

August 24, 2018

(831) 464-8691 Phone  
(831) 464-8693 Fax

postmaster@santacruzmentor.org  
www.santacruzmentor.org

Santa Cruz Port Commission  
135 5th Avenue  
Santa Cruz, CA 95062

Dear Commissioners,

On behalf of the Board of Directors and staff of Big Brothers Big Sisters of Santa Cruz County, as well as the families we serve, I want to express our appreciation for the support provided by your staff during the 2018 Day on the Monterey Bay Regatta. We are grateful for their contributions before and during the event to ensure that all ran smoothly. This regatta, sponsored by the Santa Cruz Yacht Club, raised critical funds for the agency. I am pleased to share that Big Brothers Big Sisters raised over \$65,000 to support our mentoring services to youth in Santa Cruz County.

Children with only one parent in the home are far more likely to drop out of school, to become pregnant while in their teens and to become involved in criminal behavior. The presence of a caring mentor can make all the difference in the world. The mentoring relationships created through the agency have a dramatic impact upon the children, leading to improved self esteem, a significant decrease in drug and alcohol use, improved school performance and significantly lower involvement with the juvenile justice system.

The Day on the Monterey Bay Regatta seems to bring out the best in all its participants. I am very impressed by the boating community's generosity in making the event a success. We appreciate the Santa Cruz Port District's support of the event, and of Big Brothers Big Sisters of Santa Cruz County.

Very Sincerely,

Marie L. Cubillas  
Executive Director

# Port Commission Review Calendar 2018-19

## 2018

### January-March

- ✓ Committee assignments for 2018
- ✓ Sea Scouts' bi-annual report
- ✓ Slip vacancy bi-annual report / waiting list statistics
- ✓ FY 19 Budget
- ✓ Review 5-year CIP
- ✓ Ethics Training Update
- ✓ Form 700 Filing (due by 03/31 each year)

### April-June

- ✓ Intero lease exp. 5/31/18 (no option)
- ✓ Dredge Report 2017-18
- ✓ 2017 Vessel Use List Review

### July-September

- ✓ Review of O'Neill Sea Odyssey slip rent reduction / charter fee. PC action of 07/07
- \_\_\_ Sea Scouts' bi-annual report
- ✓ Slip vacancy bi-annual report / waiting list statistics
- ✓ Review / amend conflict of interest code

### October-December

- \_\_\_ Annual review of business use of slips
- \_\_\_ Ethics training (Dec 2018)
- \_\_\_ Port Commission officers for 2019
- \_\_\_ Update on Murray Street Bridge Project
- \_\_\_ Biennial Update to Conflict of Interest Code

### Committee Review Items (timeline not specified)

- \_\_\_ Development of a draft investment policy (Business-Finance Committee)

## 2019

### January-March

- \_\_\_ Committee assignments for 2019
- \_\_\_ Sea Scouts' bi-annual report
- \_\_\_ Slip vacancy bi-annual report / waiting list statistics
- \_\_\_ FY 20 Budget
- \_\_\_ Review 5-year CIP
- \_\_\_ Ethics Training Update
- \_\_\_ Form 700 Filing (due by 03/31 each year)
- \_\_\_ Bi-annual Anti-Harassment/Anti-Discrimination Training

### April-June

- \_\_\_ Dredge Report 2018-19
- \_\_\_ Vessel Use List Review

### July-September

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

### October-December

- \_\_\_ Annual review of business use of slips
- \_\_\_ Port Commission officers for 2020
- \_\_\_ Nexus Wealth Advisors lease exp. 11/30/19 (2) 3 year options

### Future Calendar

- ABC End-Tie review after Murray Street Bridge Retrofit
- March 2020 Marc Kraft PY&S sublease extension (2 years)

Updated 09/18/18  
Progress/CommissionReviewCalendar-2018.doc

#### Key

- \_\_\_ Pending
- In process
- ✓ Done