



Special Closed Session of February 13, 2018

**Santa Cruz Port Commission
MINUTES**

Commissioners Present:

Dennis Smith Chairman
Toby Goddard Commissioner
Reed Geisreiter Commissioner
Darren Gertler Commissioner

Commissioners Absent:

Stephen Reed Vice-Chairman

SPECIAL PUBLIC SESSION – 6:00 PM

Chairman Smith brought the special c session to order at 6:00 PM at the Santa Cruz Harbor Office, 135 Fifth Avenue, Santa Cruz, CA 95062.

1. Oral Communication
2. Announcement of Closed Session Pursuant to Government Code (Ralph M. Brown Act) Section 54956.9

At 6:01 PM, Chairman Smith announced the Commission will meet in closed session to discuss agenda item 3.

SPECIAL CLOSED SESSION

3. Conference with Legal Counsel - Potential Litigation (1 Case)

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 6:25 PM.

A handwritten signature in black ink, appearing to be "D. Smith", is written over a horizontal line.

Dennis Smith, Chairman



Special Public Budget Session of February 13, 2018

**Santa Cruz Port Commission
MINUTES**

Commissioners Present:

Dennis Smith Chairman
Toby Goddard Commissioner
Reed Geisreiter Commissioner
Darren Gertler Commissioner

Commissioners Absent:

Stephen Reed Vice-Chairman

SPECIAL PUBLIC BUDGET SESSION – 7:00 PM

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

1. Pledge of Allegiance
2. Oral Communication (*There was no discussion on this agenda item*)
3. Approval of Extended Warranty Contracts with Caterpillar (*Twin Lakes C32 and C18 engines; D6K Dozer*)

Discussion: Port Director Olin recommended approval of extended warranty contracts with Caterpillar for *Twin Lakes*' C32 and C18 engines and the District's D6K dozer. She stated that these three pieces of equipment are vital to the day-to-day dredging operation.

Port Director Olin stated that funding for the three extended warranties is an unanticipated expense in FY18 and will be paid for out of the dredge program.

In response to a question posed by Chairman Smith, Port Director Olin stated that the terms of the warranties for the C32 and C18 engines commence on the date of manufacture, so the 5,000 hour warranty term will be reduced by each of the engine's current hours usage.

Port Director Olin stated that in addition to total warranty cost, an inspection fee of \$1,888 will be charged for the C32 and C18 engines. She noted that the inspection fee includes an oil change for both pieces of equipment. The D6K Dozer warranty does not require an inspection.

Commissioner Goddard asked when the standard warranty for the C32 and C18 engines expired. Port Director Olin stated the standard warranty expired in November 2017.

In response to a question posed by Commissioner Gertler, Port Director Olin confirmed that due to operating the D6K dozer in a marine environment, certain warranty exclusions may apply.

A discussion ensued about warranty exclusions and limitations. Port Director Olin stated that the extended warranties for the C32 and C18 engines do not cover routine maintenance, or consumable products such as oil, filters, and belts. Additionally, "mechanical breakdowns," caused by regular wear and tear, are not covered.

MOTION: Motion made by Commissioner Geisreiter, seconded by Commissioner Gertler, to approve the extended warranty contracts with Caterpillar.

Commissioner Goddard stated that he is usually not supportive of purchasing warranty coverage from a company that presumably manufactures high quality equipment.

Chairman Smith stated that the purchase of the extended warranties will provide additional protection against unanticipated repairs that could potentially inhibit the dredging operation. Port Director Olin agreed, emphasizing that the warranties will reduce expenses associated with any unforeseen repairs.

MOTION: Motion made by Commissioner Geisreiter, seconded by Commissioner Gertler, to approve the extended warranty contracts with Caterpillar.
– *Motion carried. Vice-Chairman Reed ABSENT.*

4. Authorization to Purchase Used Shuttle Van (NTE \$25,000)

Discussion: Port Director Olin stated that the District's existing shuttle van is currently inoperable due to numerous electrical, mechanical and suspension issues. She stated that the cost of repairs has increased to the point where replacement is warranted.

Harbormaster Marshall stated that staff recommends purchasing a replacement van in the current fiscal year to ensure operability by the opening of salmon season, beginning in early April 2018. She stated that staff utilizes the shuttle van to transport daily launchers from the launch ramp to the 7th and Brommer overflow parking lot, and staff and equipment throughout the harbor.

Harbormaster Marshall stated that funding for a replacement shuttle van is an unanticipated expense in FY18. She stated that the existing van will be surplus (value is less than \$5,000), to help offset costs.

In response to a question posed by Commissioner Gertler, Harbormaster Marshall stated that staff intends to purchase a van with a transport capacity

of eight passengers, which does not require the vehicle operator to possess a Class B driver's license.

A discussion ensued regarding vehicle maintenance records. Commissioner Goddard suggested that staff maintain a consolidated record of current vehicles with their corresponding maintenance schedules. Chairman Smith agreed, emphasizing that an up-to-date vehicle maintenance schedule may help reduce unanticipated expenses as a result of unforeseen maintenance or repair issues. Port Director Olin commented that the Facilities Department maintains records of all vehicle maintenance.

MOTION: Motion made by Commissioner Goddard, seconded by Commissioner Geisreiter, to authorize the purchase of a used shuttle van for the Operations Department, in an amount not-to-exceed \$25,000.
- *Motion carried. Vice-Chairman Reed ABSENT.*

5. Review of Draft FY19 Budget and 5 Year Capital Improvement Plan (FY19 – FY23)

Discussion: Port Director Olin presented the FY19 Draft Budget and highlighted the following:

- FY18 revenue increased by approximately \$255,000 over FY17, primarily due to increased revenue in the following categories:
 - Fuel Revenue
 - Tenant Utilities and Concession Rents
 - Visitor berthing
- Revenues exceed budget by approximately \$190,000.
- Expenses are projected to be approximately \$138,000 below budget due to the following:
 - Overall expense savings
 - Savings in Administrative programs' labor costs
 - Includes higher personnel costs for new labor agreements and salary schedules (4th quarter FY18)
- On a cash basis, projected income, exceeds \$1,500,000 (prior to FY18 adjustments)

Port Director Olin stated that the budget approach for FY19 will focus on the following:

- Meet Reserve Policy goals and objectives
- Fund major infrastructure projects (Aldo's seawall replacement and Pile Replacement Phase I Project)
- Develop spending and operating plan for FY19 to maintain services; fund approved labor contracts
- Fund necessary Capital Improvement Projects to meet needs of operation, harbor users and tenants; address deferred maintenance

- Increase funding for Dredge Program repair and maintenance (*Twin Lakes, Dauntless, Squirt* and other equipment)
- Conservative revenue projections and ensure cost recovery where practicable
- Maintain flexibility to allow response to changing and competing priorities

Port Director Olin reviewed the FY19 Salary and Benefit Costs and highlighted the following:

- Converts two existing provisional employees to full-time equivalent (FTE) status, increasing FTE count from 27 in FY18 to 29 in FY19;
- Customer Service Representative is budgeted in the Administration Department, but labor has been allocated to Operations Department (Marina Management);
- Contract landscaping service was eliminated in FY18. Landscaping and grounds services are currently being performed in-house, increasing Personnel Services expense and reducing Services & Supplies expense.

Port Director Olin reviewed the FY19 Dredge Operations budget. She stated that a \$378,258 contribution from anticipated FY18 proceeds to the Dredge Intermediate Fund will help fund the following highlighted expenditures:

- \$172,000 for *Twin Lakes* (fabrication of new snorkel)
- \$277,000 for major overhaul of *Dauntless* (haul, sandblast, paint, zincs, A-frame fabrication, replace flooring / decking, and fendering system; Skagit winch replacement)
- \$10,000 to replace check valve on *Squirt*
- \$75,000 in ancillary equipment (anchors, pipe and valves)

Port Director Olin reviewed projected FY18 revenues and expenses for the boatyard. She stated that though the boatyard is projected to be profitable in FY18, some boatyard expenditures are captured in other programs.

Port Director Olin reviewed projected FY18 revenues and expenses for the fuel service operation. She stated that the fuel service operation is on track for a modest profit in FY18.

Port Director Olin reviewed recommended FY19 Capital Improvement Projects (CIP) funding:

- Piling Replacement Program - \$554,400
- Dock Upgrades Project - \$50,000
- West Side Seawall Reconstruction - \$1,600,000
- Minor Building Restoration Projects - \$80,000

- Restroom Building Rehabilitation - \$25,000
- Harbor Roads and Parking Lots Pavement Management - \$58,000
- Parking Pay Stations - \$30,000
- *Pappy Park* - \$20,000
- Sanitary Sewer Lift Station Upgrades - \$150,000
- Aeration System Upgrades - \$10,000
- Boatyard Sump Pump Replacement (Stormwater System Upgrades) - \$36,000
- 7th and Brommer Master Plan - \$10,000

Port Director Olin stated that the total proposed CIP budget for FY19 is \$2,668,400. She stated that the CIP list is extensive and staff does not anticipate completing every project within this budget year.

A discussion ensued about the seawall replacement project. Port Director Olin stated that Dale Hendsbee of Mesiti-Miller Engineering will present at the March 2018 Commission Meeting, on the Aldo's Seawall Replacement Project.

Port Director Olin stated that there are three new projects funded in FY19:

- Stormwater system upgrades
- *Pappy park*

Port Director Olin added that some funding is also set aside in FY19 for the District's cost share for future grant-funded patrol boat replacement.

Slip renter Ed Ekers stated that he is supportive of funding the *Pappy Park* Project in the FY19 CIP, and hopes that the project is completed in a timely manner. Chairman Smith expressed his support for this project, and stated that staff and the Commission will review the potential park locations. The Commission expressed support for *Pappy Park*.

The Commission reviewed and discussed the proposed FY19 CIP budget.

Commissioner Goddard questioned Harbormaster Marshall as to whether the harbor currently has 24/7 coverage by a Deputy Harbormaster. Harbormaster Marshall stated that First Alarm security is utilized from 12 AM to 6 AM, every night. Commissioner Goddard recommended that the statement about the 24/7 coverage be amended in the draft budget.

Port Director Olin stated that the draft FY19 budget does not include a proposed slip rent increase. Port Director Olin stated that a 1% increase to slip fees equates to approximately \$42,000 in additional revenue. She noted that this figure does not include dry storage slip rent in the calculation, or

other impacted fees, which increases the calculation to approximately \$47,000.

A discussion ensued about the implementation of a slip fee increase.

Slip renter Richard Bartlett stated that the Port District is financially stable and expressed his opinion that a slip rent increase should not be imposed. He thanked Port Director Olin for her hard work on the FY19 budget.

Commissioner Goddard stated that imposing a slip rent increase will ensure the District keeps pace with CPI and provides funding for maintenance and infrastructure needs. He stated that the harbor always needs maintenance on infrastructure and this increase will help offset those expenditures. He suggested that a 2.5% slip rent increase be applied in FY19.

Commissioner Geisreiter expressed his support for a slip rent increase, noting that the increased revenue will help offset costs associated with future CIP needs. He pointed out that projected CIP needs appear to be on the order of \$1,000,000 per year, versus \$500,000. Commissioner Geisreiter expressed his belief that a 2.5% CPI increase may be too high, and suggested that the Commission consider a 2% slip rent increase.

Chairman Smith stated that he is supportive of a 2% slip rent increase, noting that a small increase in slip rent is necessary to offset future costs and prevent rate shock in future years.

Commissioner Gertler stated that he is supportive of a 1% slip rent increase, noting that the Port District is fiscally stable.

Commissioner Goddard commented that a 2% slip rent increase appears to reflect a compromise position among the Commission. Further discussion ensued, and there was consensus to direct staff to include a 2% slip rent increase in the FY19 draft budget.

Port Director Olin stated that the final budget will be presented for approval at the Commission's February 27, 2018, meeting.

MOTION: Motion made by Commissioner Gertler, seconded by Commissioner Goddard to accept the draft budget and incorporate a 2% slip rent increase for final review and action at the regular public session on February 27, 2018.
– *Motion carried. Vice-Chairman Reed ABSENT.*

6. FY16 and FY17 Debt Service Coverage Ratio (Corrected)

Discussion: Port Director Olin stated that the F16 and F17 corrected debt service coverage ratio (DSR), is included to reflect reimbursement received from the US Army Corps of Engineers and grant funding.

Chairman Smith adjourned the special public budget session at approximately 8:44 pm.



Dennis Smith, Chairman