



Regular Public Session of August 22, 2017

**Santa Cruz Port Commission
MINUTES**

Commissioners Present:

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

REGULAR PUBLIC SESSION – 7:00 PM

Chairman Goddard 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.

1. Pledge of Allegiance
2. Oral Communication

Commissioner Reed stated that the Monterey Bay National Marine Sanctuary Advisory Council is holding a meeting in Salinas on October, 20, 2017. He suggested that staff attend, if possible.

Commissioner Geisreiter stated that he attended an interesting discussion of the seafood industry at the Seymour Marine Discovery Center on August 20, 2017.

CONSENT AGENDA

3. Approval of Minutes
 - a) Special Closed Session of June 2, 2017
 - b) Special Closed Session of June 19, 2017
 - c) Special Closed & Regular Public Session of June 27, 2017
 - d) Special Public & Special Closed Session of July 10, 2017
4. Approval of Amendment to Month-to-Month Lease – 495 Lake Avenue Santa Cruz Harbor Boatyard (Tenant: H. Lighthall)
5. Approval of O'Neill Sea Odyssey Sublease – 2222 East Cliff Drive, Suite 234 (Tenant: Surfrider Foundation)
6. Approval of Sublease – 365 B Lake Avenue, Suite B (Tenant: H. Niles)

7. Approval of Declaration Designating Authorized Signers for the Port District's Checking Account at Comerica Bank
8. Approval of Amendment to Revolving Line of Credit Loan Agreement between the Port District and BBVA Compass Bank

MOTION: Motion made by Vice-Chairman Smith, seconded by Commissioner Reed to approve the consent agenda.
- *Motion carried unanimously.*

REGULAR AGENDA

12. Denial of Claim – L. Pambianco (*Item discussed out of order*)

Discussion: Port Director Olin stated that Mr. Pambianco has submitted a claim to the Port District in the amount of \$2,126.99 for damages sustained to his sailing vessel, *Heartbeat*, after colliding with a dredge cable on May 3, 2017.

Port Director Olin stated that Mr. Pambianco executed a slip license agreement on April 15, 2000, which specifically waives all claims for damages arising from collisions with dredging equipment. Port Director Olin stated that Mr. Pambianco's vessel draws nine feet and noted that Santa Cruz Harbor fairways and berthing areas have a design depth of eight feet.

Port Director Olin recommended denial of the claim.

Mr. Pambianco stated that his vessel struck the dredge cable when he was transiting within 15-20 feet of *Twin Lakes* on May 3, 2017. Mr. Pambianco stated that he submitted a claim with two intentions:

1. Reimbursement in the amount of \$2,126.99 from the Port District for damage to his sailing vessel from a collision with the dredge cable;
2. Work with the Port District to ensure the dredge anchor and pipeline assembly is properly marked and positioned.

Mr. Pambianco stated that it is his belief that the dredge equipment was not properly marked, which therefore led to the collision. He claimed that the cable was floating a minimum of five feet from the seafloor when he made contact.

Facilities Maintenance and Engineering Manager (FME) Kerkes stated that buoys are used to mark the channel, and signage on the dredge indicates that mariners should transit 50 feet from the dredge.

Chairman Goddard stated that it is the goal of the Commission to maintain the harbor and harbor entrance to design depths and in the safest condition practical.

Commissioner Reed stated that he is supportive of the staff recommendation to deny the claim. Vice-Chairman Smith and Commissioner Geisreiter agreed.

Mr. Pambianco stated that he intends to pursue recovery of the entire claimed amount through civil action.

MOTION:

Motion made by Commissioner Reed, seconded by Vice-Chairman Smith to deny the claim submitted by Lou Pambianco.

- *Motion carried. Commissioners Goddard, Geisreiter, Reed and Smith voting YES. Commissioner Gertler voting NO.*

9. Review/Approval of Draft FY17 Audited Financial Statements

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

Ms. Semingson and Ms. Said reviewed the draft FY17 audit and reported that the District received a clean audit in all respects for the year ending March 31, 2017.

Ms. Semingson highlighted the following:

- Operating income is equal to \$216,000, a decrease from \$1.3 million in prior fiscal year. Contributing factors include:
 - Revenues remained flat
 - \$135,000 increased depreciation associated with the District's new dredge, *Twin Lakes*
 - \$280,000 increase in employee costs, before retirement plan contributions
- \$191,000 increase in retirement expenses related to GASB 68.
- \$195,000 increase in professional fees associated with the dredge consulting services for *Twin Lakes* and procurement of a contract workboat and crew (*Sammy G*)
- Overall \$170,000 increase in net position (1% increase over FY 16)

In response to a question posed by Chairman Goddard, Port Director Olin stated that approximately \$57,000 of the labor cost increase was for one-time leave balance pay-outs.

A discussion ensued about the District's depreciation schedule and the impacts associated with the purchase of the new dredge, *Twin Lakes*. Commissioner Geisreiter asked if the \$130,000 depreciation amount is normalized for the year. Ms. Semingson stated that the depreciation amount will increase for the current fiscal year. Commissioner Geisreiter stated that staff and the Commission should anticipate a substantial increase for the current fiscal year (approximately three times the current amount).

Port Director Olin stated that the \$83,000 overage associated with employee health and dental insurance is a result of FY17 budgeted levels which is not repeated for the current fiscal year.

Chairman Goddard questioned whether the Port District's debt services ratio (DSR) requirement is included in the FY17 audit document. Port Director Olin stated that the DSR is based on final audit figures. She reported it will be presented in October, after acceptance of the final audit in September.

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

10. Consideration of 10-Pak Charter Request – F. Roberts

Discussion: Port Director Olin introduced Mr. Forrest Roberts of California Classic Sail.

Port Director Olin stated that Mr. Roberts has operated a 6-pak charter business, California Classic Sail, out of his slip on F-dock since 2013. She stated that Mr. Roberts is requesting Commission approval to increase his charter passenger rating from a 6 pak to a 10 pak.

Port Director Olin stated that the Policy / Operations Committee met at a special public session on Wednesday, August 16, 2017, to review and discuss the harbor's charter policy. She stated that the Committee developed a recommendation that new mid-sized charters (passenger rating of greater than 6, but less than 49) pay a mid-sized charter fee (current charter fee (\$119) x 2 x passenger rating). Port Director Olin stated that the new fee recognizes the impacts of mid-sized charters.

Port Director Olin stated that staff anticipates bringing a revised fee schedule before the Commission at its regular public session in September for approval. She stated that no fee changes are recommended for existing charter operations.

Port Director Olin stated that Mr. Roberts was present at the committee meeting and understands that the new mid-sized charter fee will apply to his operation ($\$119 \times 2 = \$238 \times 10 \text{ pak} = \$2,380/\text{year}$).

Mr. Roberts thanked the Commission for their consideration and stated that he has purchased an 80-year-old Navy training vessel for his 10-pak charter. He stated that his charter operation will not significantly impact visitor parking, as he usually operates during off-peak times.

Commissioner Gertler asked if Mr. Roberts intends to utilize two vessels for his charter. Mr. Roberts stated that, if approved, he will only have one vessel operating a 10-pak charter out of his slip, F13.

Chairman Goddard stated that he is supportive of Mr. Roberts' request.

MOTION: Motion made by Commissioner Reed, seconded by Commissioner Geisreiter to approve 10-pak charter operation for Forrest Roberts of California Classic Sail charter in slip F13.
- *Motion carried unanimously.*

11. Approval of Surplus of LiftAll and Lorain Crane

Discussion: Facilities Maintenance and Engineering Manager (FME) Kerkes stated that the District's Lorain rough terrain crane (Lorain crane) and the Caterpillar D5GXL Track Type Tractor are surplus property and requests that the Commission authorize the Port Director to dispose of them in accordance to Port Commission policies.

FME Kerkes stated that the equipment has been surveyed, and appraised values are estimated at \$6,000 to \$9,000 for the Lorain crane and \$15,000 to \$18,000 for the D5GXL Dozer.

Port Director Olin stated that the D5GXL Dozer was previously authorized for sale by the Port Commission on April 17, 2013, but the equipment was retained.

MOTION: Motion made by Vice-Chairman Smith, seconded by Commissioner Gertler to declare various Port District vehicles and equipment as surplus property and authorize the Port Director to dispose of surplus vehicles through auction, sale, trade-in, donation to charitable organization(s), or disposal in accordance with Port Commission policies.
- *Motion carried unanimously.*

13. Approval of Cash / Payroll Disbursements – June & July 2017

Discussion: Port Director Olin reported that a correction to the cash / payroll disbursements should be made to reflect that warrant #48000 is payment for a sanitary sewage discharge testing, and not stormwater testing.

Vice-Chairman Smith asked for additional information on Warrant #47839 – Plumbing Supplies, W-Dock Water Piping Supplies, and Vacuum Breakers. Port Director Olin stated that additional information about this warrant will be obtained.

Vice-Chairman Smith asked for additional information on Warrant #48069 – Repair Work for Claim Settlement. Port Director Olin stated that the District's TravelLift unintentionally hit and caused damage to a vessel in the Boatyard, and the District provided reimbursement for the associated damages.

Vice-Chairman Smith asked for additional information on Warrant # 48082 – 2007 F150 Patrol Truck Brakes, Brake Pads and Rotors. Port Director Olin stated that she will follow-up with Harbormaster Marshall for more information.

MOTION: Motion made by Vice-Chairman Smith, seconded by Commissioner Reed to approve the Cash / Payroll Disbursements for June and July 2017, in the amount of \$1,323,413.53.
- *Motion carried unanimously.*

INFORMATION

14. Port Director's Report.

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 13 - 15, 2017, in Santa Cruz, California. She invited Commissioners to attend.

Twin Lakes Beachfront Project Update

Port Director Olin stated that the County's Twin Lakes Beachfront Improvement Project will resume construction along East Cliff Drive on September 18, 2017. She stated that staff has scheduled a harbor business roundtable meeting on September 6, 2017, to discuss the project schedule and potential impacts.

Port Director Olin stated that she is working with the County to ensure the success of the District's dredge operation throughout construction.

Hydrogen Sulfide (H₂S) Emissions

Port Director Olin stated that Twin Lakes Beachfront Improvement Project will run concurrently with the District's dredge operation. She stated that the County's construction will impact the District's ability to accurately monitor H₂S emissions throughout the season. Port Director Olin stated that she is seeking a variance from the Monterey Bay Air Resources Board, waiving the requirement to monitor for hydrogen sulfide (H₂S) emissions during the 2017-18 dredge season because of an inability to control H₂S emissions

associated with the County's Twin Lakes Beachfront Improvement Project. She stated that the variance request is pending.

Dredge Sampling & Analysis Plan Testing

Port Director Olin stated that the Environmental Protection Agency (EPA) requires the District to test for 60 PCB congeners in its dredge sampling and analysis plan. She stated that the test results refuted the Central Coast Long-Term Environmental Assessment (C-Clean) report's assumption that the harbor is major contributor to PCB congeners in the Monterey Bay.

Port District Recruitment

Port Director Olin introduced and welcomed three employees to their new positions at the harbor:

- Holland Mac Laurie, *Administrative Services Manager*
- Chris Sengezer, *Dredge Supervisor*
- Emma Olin, *Administrative Assistant*

15. Harbormaster's Report

On behalf of Harbormaster Marshall, Port Director Olin reported that two law enforcement training simulation trailers will be parked near X-1 dock for 10 days or less. Commissioner Reed suggested that staff provide a notice of the training if activities will be conducted in the harbor area.

Port Director Olin stated that the Division of Boating and Waterways (DBW) has denied the District's request for grant funding for a new patrol vessel. Vice-chairman Smith suggested that staff look into what can be done to help sustain the service life of *Almar*.

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

Facilities Maintenance & Engineering Manager (FME) Kerkes welcomed Chris Sengezer into his new role as the District's Dredge Supervisor. FME Kerkes expressed his support for Dredge Supervisor Sengezer.

In response to a question posed by Vice-chairman Smith, FME Kerkes stated that the District intends to seek proposals for a replacement snorkel for *Twin Lakes*.

Vice-Chairman Smith asked for an update on *Twin Lakes'* listing bow issue. FME Kerkes stated that DSC's warranty does not cover the customized walkway, which is believed to be the issue, but crews are researching how to permanently address the issue.

17. 2017-18 Dredge Season Schedule

Vice-chairman Smith asked for an update on north harbor dredging operations. Facilities Maintenance & Engineering Manager (FME) Kerkes stated that north harbor dredging

remains on schedule to commence October 2, 2017. He stated that crews will begin removing portions of J- Dock to facilitate the process during the first week of September.

18. O'Neill Sea Odyssey Annual Report

Administrative Assistant Mac Laurie stated that O'Neill Sea Odyssey (OSO) has submitted its annual report, which reflects usage as 61% charter and 39% OSO. She stated that there has been an increase in charter use, and therefore a decrease in the discount percentage for OSO.

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

20. Review of Financial Reports

a) Quarterly Budget Report as of June 30, 2017

In response to a question posed by Chairman Goddard, Port Director Olin stated that the District invoices landside tenants for annual sewer charges for the prior year, noting that the County is slow to distribute annual statements.

21. Crime / Incident / Citation Report – June and July 2017.

Vice-chairman Smith asked for additional information regarding the incident on June 24, 2017, when two unknown subjects broke into and camped in a vessel in the north harbor dry storage lot. Vice-chairman Smith recommended that deputies continue to monitor the dry storage areas diligently.

22. Written Correspondence *(There was no discussion on this agenda item)*

- a) Email from C. Bertuca to Port Director Olin
- b) Email from Port Director Olin to C. Bertuca
- c) Letter from Port Director Olin to W. Ross, U.S. Secretary of Commerce
- d) Letter from M. Pastick to Port Commission
- e) Letter from C. Muhly to Harbormaster Marshall

23. Port Commission Review Calendar / Follow-Up Items

Chairman Goddard requested that the City of Santa Cruz Active Transportation Plan (requestor: Kem Akol) be removed from the Committee Review Items on the Port Commission Review Calendar, as it was addressed at the Commission's regular public session of May 23, 2017.

Chairman Goddard adjourned the regular public session at 9:14 pm.



Toby Goddard, Chairman