

*Located at the Santa Cruz Small Craft Harbor*

*P.O. Box 2711 Santa Cruz, Ca. 95063*

*www.fohg.org*

*info@fohg.org*

**November 2008 Election - Santa Cruz Port District Commissioner**

**Candidates Questionnaire**

**A. Candidate's responses are listed in alphabetical order by last name.**

1. Bill Lee
2. Jeffrey L. Martin
3. Ronald Merrall
4. Dennis "Denny" Smith

**B. Questions submitted to the candidates:**

1. Describe your qualifications (max. 200 words).
2. How many monthly Port Commission meetings have you attended in the past 18 months?
3. What are the top 2 problems facing the harbor and how do you propose to resolve them? ( max. 275 words)
4. What aspects of the Port District's operations and infrastructure most need improvement? (max. 275 words)
5. With Port District revenues declining due to new fishing restrictions and the economic slowdown, how do you propose to contain operating costs and increase revenues? (max. 275 words)
6. What can be done to ensure the future economic viability of current harbor business tenants providing marine related services? (max. 275 words)

**C. Links to Candidate Information at Santa Cruz County Elections Department**

**Website**

1. Candidate Contact Information: <http://www.votescount.com/nov08/contact.htm>
2. Candidate Statements: <http://www.votescount.com/nov08/6211-Port.pdf>

**Candidate Name: Bill Lee**

**1. Describe your qualifications (max. 200 words).**

I have lived in the Santa Cruz Area for 40 years and am married with a daughter.

I have Mechanical Engineering degree from Cal Poly, San Luis Obispo.

I am a life long boater and actively in the boating business.

I was a Port Commissioner from 1984 to 1994 and served as chairman three times. I was elected to the Commission again in 2004 and have since served as chairman.

**2. How many monthly Port Commission meetings have you attended in the past 18 months?**

I have attended all but two regular meetings. I have attended many special meetings and committee meetings.

**3. What are the top 2 problems facing the harbor and how do you propose to resolve them? ( max. 275 words)**

Santa Cruz Harbor is unusual in that it is adversely affected by two drainage basins. 300,000 cubic yards of material come down the San Lorenzo river every year and a good amount of it ends up in our harbor entrance. Another 5,000 – 10,000 cubic yards per year come down from Arana Gulch and shoals the North Harbor, with some working its way throughout the harbor.

Problem #1 is maintaining a safe and adequate Federal Entrance Channel and Problem #2 is maintaining adequate inner harbor depths.

The original agreement with the Army Corps of Engineers in 1958 is unusual relative to other harbors and provides for a local cost share in maintaining the depths of the federal channel. We are actively and aggressively renegotiating this cost share and hopefully we will be getting more financial help from the Federal Government in maintaining the Federal Channel

Reducing erosion and runoff can reduce North Harbor Shoaling and for that reason. Santa Cruz Harbor was instrumental in forming the Arana Gulch Watershed Alliance. I was involved in the very early stages back in 1994. This group has since raised and spent over a million dollars on habitat restoration and erosion reduction in the Arana Gulch area. This work has been very effective and is ongoing. However that material which is not stopped before entering the harbor must be removed. This has been frightfully expensive, in some cases up to \$100 per cubic yard. Excellent progress is being made on lower cost approaches.

Santa Cruz Harbor has much more material removal expense than most harbors and it is a major budget impact.

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**Candidate Name: Bill Lee**

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**4. What aspects of the Port District's operations and infrastructure most need improvement? (max. 275 words)**

Dock maintenance is ongoing. We get a lot of swell action in the harbor that accelerates dock wear. Both for safety and to avoid higher costs later, we need to give this full attention.

**5. With Port District revenues declining due to new fishing restrictions and the economic slowdown, how do you propose to contain operating costs and increase revenues? (max. 275 words)**

The harbor has done a terrific job of bringing in new revenues. We should be on the continuous hunt for new revenue sources.

For everything we do, we should not spend a penny more than it costs to do it right. For any big savings, we have to do less, which has it's own consequences.

I have participated in many budget sessions. It is tough. We have to maintain the facility and do so with a high level of safety. While there are some areas things can be cut, we have to make sure we don't inadvertently cut revenues in the process. It is unacceptable to "cut" in ways that defer needed maintenance and repairs to a future budget and slip renter. Every year, we should leave the harbor in as good or better condition than we started.

**6. What can be done to ensure the future economic viability of current harbor business tenants providing marine related services? (max. 275 words)**

1) Keep events coming. Whether it is outrigger canoe races, sailboat regattas, beach BBQs, visiting boats, or fishing tournaments, activity is good. This is where new bonus money comes from. The Port District Commission does not organize or sponsor these events directly but has a major role in enabling Santa Cruz Harbor as a top quality destination. To maximize this, we need good infrastructure and a friendly, welcoming attitude. We need policies that make it easy for events. When an event has difficult features, we need to figure out how to work with them and not send them elsewhere.

2) Recognize and address vacancy factor early. Right now we have vacancy in North Harbor 20, 25 and 30 foot slips. We have vacancy factor in North Harbor dry storage and kayak storage. The current economic slowdown and fishing restrictions could increase these vacancies and cause vacancy factor with our marine related tenants. Lost income from slips, spaces and buildings, can add up to big numbers. The answers to vacancy factor are not easy but should be given high priority. The cost is very real.

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**Candidate Name: Jeffrey L. Martin**

**1. Describe your qualifications (max. 200 words).**

I have been a registered civil engineer for thirteen years with experience in water resources, hydraulic engineering, coastal structures and soil conservation. I have four years of experience as an engineer in Santa Cruz and have dealt with the City of Santa Cruz, Santa Cruz County and the California Coastal Commission on numerous projects. I am an experienced blue water sailor, I live aboard in the harbor and I scuba dive in the harbor to perform boat maintenance. I want to promote the harbor and the businesses located there, including the local fishing industry, as an asset to the community and a tourist destination.

**2. How many monthly Port Commission meetings have you attended in the past 18 months?**

Four.

**3. What are the top 2 problems facing the harbor and how do you propose to resolve them? ( max. 275 words)**

Dredging in general and facilities maintenance. Spiraling dredging expenses have forced the harbor to continually increase user fees and neglect other maintenance needs. Disposal of dredged material is exorbitantly expensive (trucking to landfills) and disruptive to Port District residents and tourists (discharge on the beach). While the recent upper harbor dredging was funded entirely by FEMA, future sedimentation of the upper harbor threatens to reduce slip revenues and it is likely that slip renters and harbor based businesses will have to absorb the cost of dredging to recover lost slips. I believe the harbor needs to seek long term, environmentally sensitive and more cost effective alternatives to the present dredging operations. I am currently developing a detailed proposal to capture sediment laden high water events and divert them before the sediment reaches the harbor. This solution has the potential to divert approximately 90% of the sediment from Arana Gulch at a very low operational expense. While it will not eliminate the need for occasional dredging, it will greatly reduce the frequency of those operations and significantly reduce costs. Those funds can then be redirected to the repair and maintenance of docks, restrooms and rental properties. This proposal will also dramatically reduce the Port District's exposure to the sudden unpredictable expenses of upper harbor maintenance that heavy winter rains now represent.

**4. What aspects of the Port District's operations and infrastructure most need improvement? (max. 275 words)**

The dredging of the upper harbor in particular is predictable only in the sense that it must be done periodically. How often and in what volume are currently unanswerable questions as was demonstrated by the winter of '05-'06 when 30,000 cubic yards were deposited in approximately 90 days. Solving this problem is the single most important step the harbor can make to control operational costs and maintain the availability of

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numerous slips which directly affects revenues. Currently, FEMA has 1 million dollars in grant money that is potentially available to the Port District for dealing with this problem. That funding will require a well thought out grant application including engineered plans documenting what will be done. Current proposals (which have not yet been engineered) include enlarging the existing sediment catch basin near Harbor High School. The problem with using the grant in this manner is that it only addresses a portion of the watershed and will still require annual excavation and trucking of the captured material (if not landfill disposal as well). Creating a diversion structure at the north end of the harbor and directing the occasional heavy rainfall event directly to the ocean protects the harbor from sediment within the entire Arana Gulch drainage at a very low cost. The cost of such a project could well be within the million dollar range of the available grant and result in a permanent solution that makes dredging of the upper harbor a very rare necessity. The list of docks, pilings, restrooms, showers, fish cleaning stations and rental properties that could benefit from the funds not spent dredging is long and growing daily.

**5. With Port District revenues declining due to new fishing restrictions and the economic slowdown, how do you propose to contain operating costs and increase revenues? (max. 275 words)**

Containing costs depends largely on dredging. Careful oversight of expenditures is necessary for any agency faced with declining revenues. Reversing that trend in the face of restricted fishing will require bringing more travelers to harbor businesses. While beautification projects have the potential to bring people to the harbor, local residents enjoying the outdoors may not patronize harbor businesses. Promoting harbor businesses through cooperative advertisements, additional signage on travel routes, more free parking and keeping the harbor area as attractive as possible will help harbor businesses and harbor revenues. Revisiting the JAA funding agreement between the Port District, City and County is reasonable. I believe that rather than dissolution of the agreement or attempting to charge the City and County for dredging expenses the correct approach is to demonstrate that the Port District provides a measureable level of general services to the community that would otherwise be direct costs they would have to absorb. Annually approved contributions for rescue services do not begin to cover harbor rescue operations. The harbor is used by many local residents to bike, walk dogs and enjoy the outdoors, like city parks, which are maintained by taxes. The beatification of the west jetty will be funded by private donations to the public benefit of many local residents which would not happen without Port District leadership. Most directly, the Port District provides law enforcement that offsets demands on City and County staff. This cost alone must be \$100,000 annually. Having the City and County recognize the Port District's contribution of general services to the community through a palatable level of direct revenue sharing is ultimately more important than the specific dollar amount.

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**Candidate Name: Jeffrey L. Martin**

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**6. What can be done to ensure the future economic viability of current harbor business tenants providing marine related services? (max. 275 words)**

Because of the structure of leases to businesses located in the harbor the Port District is a partner in each of those businesses as opposed to a mere landlord. In difficult times such as the present slowing of economic growth the Port District must be prepared to suffer reduced incomes alongside their business partners. The recent reductions in fixed monthly and percent of gross based rental fees allowed to Aquarius Boat Works and Bayside marine are a proper recognition of this relationship. However, the ability to make that kind of investment in the future of those businesses depends upon the Port District itself being in a strong financial position. Unfortunately, the Port District is not in a strong financial position and is vulnerable to reduced revenues and unpredictable costs associated with dredging. Taking control of those operational costs is the key to most difficulties faced by the Port District. One thing that can be done to strengthen the financial position of the harbor would be to pay down some of the debt they are servicing. For 2008 the annual debt service amounts to over 19% of the total annual budget. Paying down this debt is only a possibility if funds are available. Without addressing the cost of dredging of the upper harbor in a significantly different way it is difficult to imagine where those funds will come from.

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**Candidate Name: Ronald Merrall**

**1. Describe your qualifications (max. 200 words).**

Boat owner and Santa Cruz slip renter since 1990. Port Commissioner since 1995, serving 3 times as Chairman. Strong supporter of reasonable fiscal management of our resources, while seeking new revenue sources and reducing expenses where feasible. I also was deeply involved in improving our air and water quality protocols.....via negotiations with regional Air and Water Quality Control Boards.

**2. How many monthly Port Commission meetings have you attended in the past 18 months?**

30 – 35 Regular and Special meetings.

**3. What are the top 2 problems facing the harbor and how do you propose to resolve them? ( max. 275 words)**

Our number problem lies with the Arana Gulch sediment runoff into our North Harbor. This means that each winter we receive between 10 and 15 thousand cubic yards of runoff containing both sand and fine-grain material. So, the problem then becomes one of disposal. If the area being dredged contains less than 50% sand we are currently required to truck this upland at a cost of \$90 - \$100 per cu. yd.....that's over \$1,000,000 each year.

Solution – Most importantly, we must continue to press the Monterey Bay National Marine Sanctuary board, and other permitting agencies, to allow us to dispose of this material offshore using the same dredge system we use for disposing of 80% sand material. This method cost about \$10/cu. yd., saving about \$850,000 each year.

The other major problem facing us is also a matter of fiscal management. As you know, the Santa Cruz Port District has been essentially completely self-sufficient since 1995 when we no longer receive any tax money from the City or County. In 1991 the Port District entered into a Joint Administrative Agreement with the City and County which called for the PD to give up all Special District Tax revenue. This is no longer a satisfactory arrangement, especially considering the rising cost of maintaining the Harbor entrance and a myriad of significant environmental requirements enacted since 1991. We must continue to negotiate with the City and County to share with us the “tax money” (\$650,000).

**4. What aspects of the Port District's operations and infrastructure most need improvement? (max. 275 words)**

We have replaced several docks in the last 10 years, and have planned dock replacement/refurbishing for several sections of the harbor over the next couple years. As far as Operations is concerned, we are about at the leanest we can be, and still provide the kind of service and security you rightfully expect.

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**5. With Port District revenues declining due to new fishing restrictions and the economic slowdown, how do you propose to contain operating costs and increase revenues? (max. 275 words)**

The current local, state, national, and international economic situation (lost revenue) certainly has put a tremendous burden on us to offset it by containing costs. Locally, this is exacerbated by the decline of the fishing industry restrictions. Please see number 3. above for some of the answers. Reducing expenses to the level that we are no longer providing a high quality harbor facility, is not in anyone's best interest. So, this will take some serious "soul-searching" to solve.

**6. What can be done to ensure the future economic viability of current harbor business tenants providing marine related services? (max. 275 words)**

We have renegotiated a few Tenant leases in the past few months. Every time we do this, it costs us several thousand dollars of revenue. It's very difficult to make up that amount of revenue. As the economy continues to erode, I'm sure there will be other Tenants asking for relief. We will have to take them one at a time.... and there probably will be some "fallout" as a result.

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**Candidate Name: Dennis “Denny” Smith**

**1. Describe your qualifications (max. 200 words).**

After 32 years in public service I retired from the Santa Cruz County Sheriff's Office in 2004. I was promoted through the ranks and spent my last 14 years working as a manager (Lieutenant). While in this position I was responsible for developing and administering multi million dollar budgets throughout the agency. My primary emphasis of fiscal management was fiscal responsibility both to the Sheriff's Office and community. I developed a variety of cost effective programs within the agency that gave a broader base of opportunity to those employed by the Sheriff's Office.

I worked closely with a multitude of allied agencies to include city, state and federal agencies giving me a broad base of experience and understanding in this arena.

As a slip renter for 17 years and one who has been in attendance at Port Commission meetings for nearly four years I have a very strong working knowledge of the districts operations and needs. This coupled with my prior management experience will allow me to be most effective in curtailing escalating cost while setting long range goals to keep cost within reason.

**2. How many monthly Port Commission meetings have you attended in the past 18 months?**

I have attended the last 18 monthly public session meetings as well as five special public meetings.

**3. What are the top 2 problems facing the harbor and how do you propose to resolve them? ( max. 275 words)**

1. Declining revenues.

With the current economic downturn the district is losing tens of thousands of dollars not only in slip rents but in lost revenues from businesses that are unable to pay their contracted rent/lease rates. To date total losses exceed \$100,000 which equates to 3% of slip rents.

While I cannot change current economic trends, the district needs to subsidize struggling business for the short term to insure that they can remain viable while continuing to provide services to the boating community. This can be accomplished through short term reduced rents/leases. These lease adjustments can be adjusted as the economy strengthens.

Renegotiated leases and rental agreements should include clauses that would allow the district to recoup the lost revenues from those businesses as the economy improves.

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2. Failing infrastructure.

The district continues to have a failing infrastructure to include not only docks, but buildings and other structures as well. To minimize the negative fiscal impacts of the failing infrastructure I would propose thorough routine scheduled inspections of all district facilities. This approach would immediately identify problems and potential problems areas to minimize the cost of repairs. Current practice is to respond and conduct repairs only after something that has failed adding substantial cost to repairs that could otherwise be avoided.

**4. What aspects of the Port District’s operations and infrastructure most need improvement? (max. 275 words)**

As I have previously stated an overall performance audit needs to be conducted to truly understand the short comings and strong points of the District operations.

The district has essentially been under the same management team for nearly 35 years with no outside review of its overall performance. While the district management team may see the operation as good and without fault, an audit team will identify areas that need improvement.

Operationally the district needs to have a long term business and budget plan based on lean revenues sources. Hard, real and difficult choices will need to be made by the commission to enact such a bold move. This approach will require the existing district management team to comprehensively look at every aspect of the district’s operations.

Dock replacement and repair can be identified as the most significant infrastructure component needing improvement.

The vast majority of docks in the harbor are in need of repair or replacement. The district is currently rebuilding the north harbor docks which are in the greatest need of repair. This has been a long slow and costly project that is funded through loans from the Department of Boating and Waterways. Loan interest will add to the cost of dock replacements.

If docks were given proper, timely, routine and thorough inspection; less costly repairs could be made. This approach would be a substantial improvement to current practices of waiting for failure before repairing.

**5. With Port District revenues declining due to new fishing restrictions and the economic slowdown, how do you propose to contain operating costs and increase revenues? (max. 275 words)**

To best contain operational cost the district should conduct an overall independent performance and financial audit of the district. Such an audit would allow the district to prioritize objectives, maximize performance, identify excess spending and develop a

**Candidate Name: Dennis “Denny” Smith**

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long range viable business plan.

The district needs to implement purchasing practices that are consistent with municipal and county governments. This would include competitive bidding not only for major projects, but to a level that insures the district is optimizing its reduced revenues.

The district has increased slip rates or business lease rates to cover cost while not considering new revenue sources. District slip rates are the second highest of 45 marina and harbors in the San Francisco Bay area to include Monterey (16) and Moss Landing (41). These increases have greatly contributed to the slip vacancies in the North Harbor.

As part of an overall performance audit new sources of revenue could be identified. This could include charging for services and parking that are otherwise free to the public.

While not a means of new revenue the district should implement a policy to be reimbursed by entities who conduct special events at the harbor that require the use of district personnel. Historically personnel and services have been provided free of charge. These events could include the summer beach BBQ's, sailing, fishing or boating events throughout the year.

This is a common practice throughout municipal and county governments.

Most importantly because new revenue sources are limited, cost containment should become the primary cost saving goal for the district.

**6. What can be done to ensure the future economic viability of current harbor business tenants providing marine related services? (max. 275 words)**

This is a difficult question to answer given the current economic down turn.

The vast majority of tenants providing marine related services are dependant on what most boaters might call discretionary dollars. I, as with other boaters, have reigned in spending on boating until such time that the economy improves.

Can the district afford to reduce lease/rent rates for the long term? No.

As a suggestion the district needs to work with the marine related tenants to aggressively promote those businesses in hopes of bringing in new clients to those businesses.

Ensuring future economic viability to marine related tenants will require constant review, considerable effort and time to accomplish during these difficult financial times.

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