

DUE OCTOBER 1

Pursuant to Public
Resources Code § 6306

Granted Public Trust Lands Standardized Reporting Form



Fiscal/Calendar Year: 2014

Grantee Name: Crescent City Harbor District
Contact Person: Kathy Moore
Contact Phone: 707.464.6174 x23
Mailing Address: 101 Citizens Dock Road
Crescent City CA 95531

1. Funds

- a. Is a separate fund maintained for trust assets, liabilities, revenues and expenditures?
YES NO
If "No", under what fund are they accounted for? If "Yes," please list the name(s) of the fund(s)
General Fund
- b. Are separate financial statements prepared for the trust?
YES NO
If "No," in which financial statements are they included? (Name of the document(s) and the applicable page number(s)) If "Yes," describe the organization of the separate financial statement.
Crescent City Harbor District

2. Revenue

- a. What was the gross revenue received or generated from trust land or trust assets during the past fiscal year? \$1,117,302
- b. Please list all sources of revenue and the amount of revenue generated from each source (e.g. permits, rentals, percentage of lease) See Attached Report

3. Expenses

- a. What was the total expenditure of funds received or generated from trust land or assets during the past fiscal year? \$1,271,301
- b. What expenses were allocated or charged directly to the trust? Please list the source of the expenditure and the amount expended. See Attached Report
- c. Have there been any capital improvements over \$250,000 within the current fiscal year? Are any capital improvements over \$250,000 expected in the next fiscal year?
Yes, See CCHD Financial Section page 7-9 and 16-17 (attached)
- d. Describe any other disposition of trust funds or assets or any other disposition of the trust lands or trust assets themselves. Include any internal funds that were transferred to other grantees, to the management of another entity or under the management of another political subdivision of the grantee per an agreement, settlement, or Memorandum of Understanding.

4. Beginning and Ending Balance

Please list the beginning and ending balances for the tidelands trust fund(s) for this past fiscal year.

For all questions, please give the page number where the information can be found in your accompanying financial document. Please use additional pages as necessary.

Report to the California State Lands Commission For the Year 2014
April 8, 2015

The Crescent City Harbor District (District) is an independent Special District organized under Section 6000 of the California Harbors and Navigation Code. It is governed by a five person Board of Harbor Commissioners serving staggered four year terms. Elections are held every even numbered year, with two Commissioners elected on one four year cycle, and three Commissioners elected on the other four year cycle. The District has a staff of ten full time employees and five part time employees. The District is organized as an enterprise district, meaning that it must earn most of its revenue from business activities it creates and fosters on the lands the District controls. The District uses this revenue to maintain and improve the lands and structures of the District for the benefit of the public.

The District currently controls two types of land, property that is owned fee simple by the District and the State Lands granted to the District in 1963. Table One shows the Del Norte County Assessor parcel numbers of each property, and the approximate acreage in each.

Table 1. Crescent City Harbor District Property	
Parcel Number	Acreage
117-20-16	Unknown, undivided State Lands
118-020-29	9.51
117-170-11	18.58
117-180-11	4.3
117-180-21	3.04
Total	35.43 +

Figure One shows the boundaries of the District (Blue Line) and the approximate location of the high tide line (Red Line) marking the division of the District into state lands, seaward of the high tide line, and property owned fee simple, landward of the high tide line.

A number of businesses and business activities are located on District property. Table 2 shows the businesses currently operating in the District, and the type of land on which they are located. A large majority of the businesses in the District are located on State Lands. This locational outcome reflects several interesting facts about the District. First, Crescent City Harbor is primarily a recreational and commercial fishing harbor. As such, most fishing related businesses need to be located on the water. Commercial fish unloading, fueling, ice delivery, moorage, and small vessel haulout and repair facilities all require direct access to the water to service vessels. Second, even businesses that do not directly depend on being adjacent to the water, such as restaurants and shops, find it beneficial to be near the water --their patrons enjoy viewing fishing activity and the ambience of being near the water.

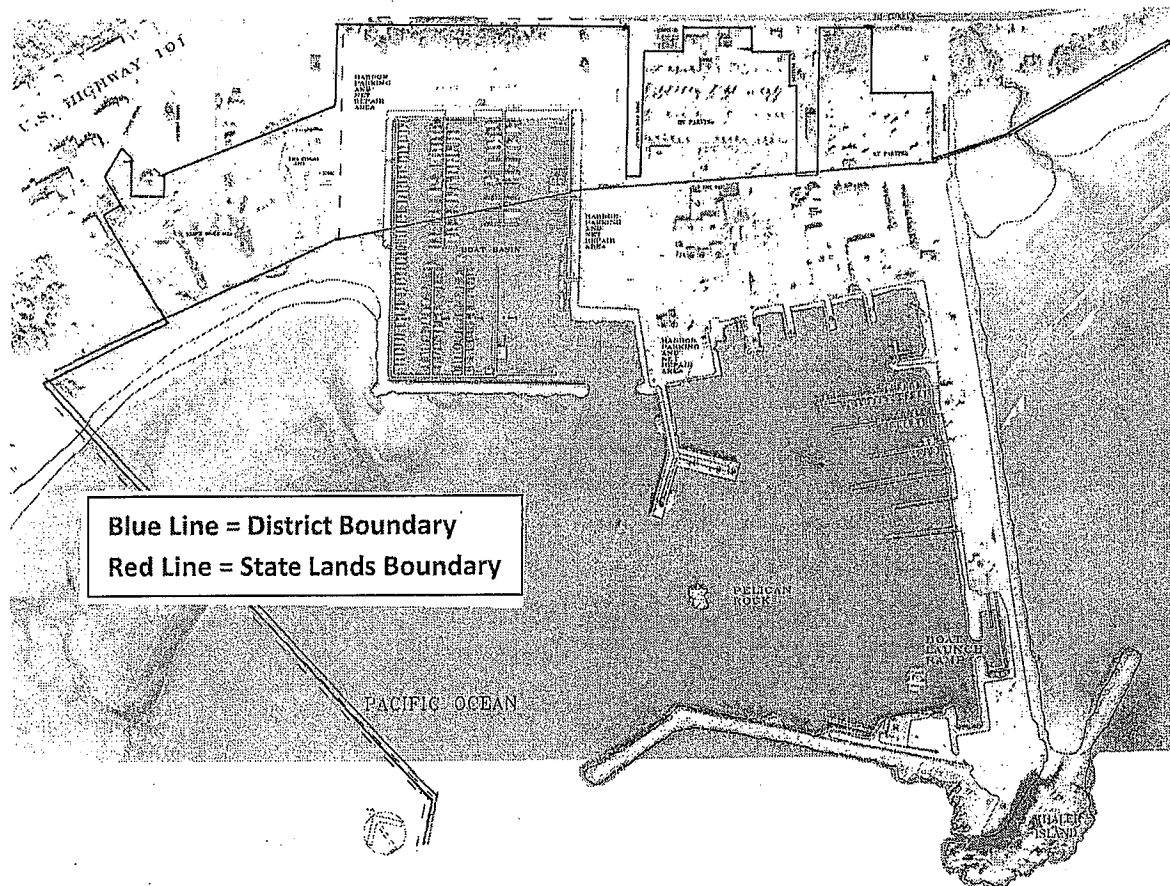


Figure 1. Crescent City Harbor District Boundary and State Land Grant Boundary.

A final reason that most business activity in the Crescent City Harbor District is located on State Lands is that the businesses located on property owned by the District make more extensive use of the land. These business activities include RV parks and dredge dewatering ponds. There are fewer of them because each one requires an extensive amount of land.

The purpose of this report is to provide a detailed statement of all revenues and expenditures relating to the District's trust lands for the respective fiscal year. Because we know where businesses are located in the District, and because these businesses have lease agreements with the District that allow us to identify each source of revenue by business, we can identify which revenues arise on State Lands and which revenues arise on non State Lands. Identifying where expenses are incurred is more difficult. The District does not break out expenses by the location where they are incurred. While some expense items would be obvious, such as repairs to the Outer Boat Basin which is located entirely on State Lands, other expense are more difficult to classify, such as repairs to the Inner Boat Basin which is located partially on State Lands and partially on property owned fee simple by the District. Other expense items, such as Office Supplies or Administrative Expense, will always be difficult to assign as they apply to the operation of the District as a whole, and not to the individual land parcels.

Table 2. Businesses and Business Activity Located on District Property

On State Lands	On Fee Simple Property
Abalone International	Harbor RV Anchorage
Chart Room	Bayside RV Park
Outer Boat Basin	Spotty's Car Wash
South Beach Outfitters	Englund Marine
Beacon Burger	Dredge dewatering ponds
Bistro Gardens	Inner Boat Basin (portion)
Kim's Hair Studio	
Alber Seafoods	
Pacific Choice (EF Building)	
Wild Planet Sfds (Carvalho)	
Fashion Blacksmith	
C Renner Fuel Dock	
Crescent City Ice	
Caito Fisheries	
Pacific Choice -unloading	
Nor Cal Seafood	
LCZ Unloaders	
Next Seafood	
Inner Boat Basin (portion)	

To construct a breakout of revenue and expense by type of land, we made a judgment call regarding the percentage of each revenue or expense category that should be attributed to each type of land. Columns two and three of Table 3 show the assigned percentages for each revenue and expense category. Column one shows the dollar values for each category from the current, provisional end of financial year profit and loss statement for the District.¹ The percentages in columns two and three are applied to the dollar quantities in Column one to calculate the dollar amount of revenues and expenses attributed to each type of land in columns three and four of Table 3.

¹ The current profit and loss statement for June 30, 2014 (the end of the District's most recent financial year) is included as an Appendix to this report.

TABLE 3.	Jul '13 - Jun 14	% State	% not State	\$ State	\$ not State
Income					
Inner Boat Basin	247339	50%	50%	123670	123670
Outer Boat Basin	15894	100%		15894	
Launching, Travelift, etc	141425	100%		141425	
Miscellaneous Income	24377	90%	10%	21939	2438
Rents & Concessions	595683	85%	15%	506331	89352
Wharfage	19617	100%		19617	
Property Txes	339325	85%	15%	288426	50899
Total Revenue	\$1,383,660			\$1,117,302	\$266,358
Expense					
Advertising	7554	90%	10%	6799	755
Audit	6435	90%	10%	5792	644
Bad Debts	18940	100%		18940	
Depreciation	96563	100%		96563	
Fringe Benefits	222507	90%	10%	200256	22251
Fuel, Oil and Grease	14708	90%	10%	13237	1471
Insurance	127294	100%		127294	
Legal	21844	90%	10%	19660	2184
Office and Administrative	18126	90%	10%	16313	1813
Operating Supplies	23895	90%	10%	21506	2390
Other	10468	90%	10%	9421	1047
Outside Services					
Payroll Expenses	521064	90%	10%	468958	52106
Payroll Taxes	47029	90%	10%	42326	4703
R & M Materials	74513	90%	10%	67062	7451
R & M - Services					
Travel	13731	100%		13731	
Utilities and Telephone	143444	100%		143444	
Total Program Expense	\$1,368,115			\$1,271,301	\$96,814
Operating Revenue (Deficit)	\$15,545				

Summary and Conclusions

This report presents preliminary financial information for the fiscal year 2013/14 for the Crescent City Harbor District. The District suffered substantial damage from tsunamis in both 2006 and 2011.

Based on the financial information, we summarize the District's results for operations on State Lands and non State Lands for 2013/14 as,

Table 4. Summary Results for 2011/12 Preliminary Financial Information

	Total	State Lands	Not State Lands
Revenue	1,383,660	1,117,302	266,358
Expense	1,368,115	1,271,301	96,814
Net Revenue (Deficit)	15,545	(153,999)	169,544

This report prepared by,
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ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

During the 2014 fiscal year the Crescent City Harbor District (henceforth "District") emerged from a long and difficult period of physical and financial stress. The period of concentrated physical stress began in January of 2006 when a series of strong winter storms badly damaged portions of the District's infrastructure. The damage from these storms led to a Federal disaster declaration DR-1628 for thirty California counties, including Del Norte County. In November of 2006, tsunami waves generated by an earthquake near the Kuril Islands severely damaged the docks and pilings in the District's inner boat basin, leading to a California state disaster declaration 2006-12; the District's damage recovery claims were ultimately consolidated as DSR 2107. After extensive investigation and consultation with the California Office of Emergency Services (Cal OES) regarding the damage from the 2006 tsunami, the District's engineering team determined that all docks and pilings in the inner boat basin should be replaced. In January of 2008, another series of winter storms caused additional erosion and damage to District infrastructure, leading to another California state disaster declaration DR 2008-01. Finally, on March 11, 2011 tsunami waves generated by the earthquake near Tohoku Japan struck the inner boat basin. Where the 2006 tsunami had damaged the boat basin's floating docks, the 2011 tsunami destroyed the floating docks. Damage at the Crescent City Harbor District and other West Coast harbors led to a Federal disaster declaration DR-1968 for the 2011 tsunami event.

This series of physical disasters caused enormous financial stress for the District. Damage to the inner boat basin from the 2006 and 2011 tsunamis substantially reduced the District's revenue from slip rentals. In addition, the District faced expenses for the initial clean up after each disaster, and incurred increased maintenance cost to repair and to continue to operate the damaged facilities; both of these needs increased the District's annual expenses. This squeeze on annual operating surplus made funding long term repairs to the District's damaged infrastructure extremely difficult. While the 2006 winter storms and the 2011 tsunami waves were federally declared disasters, the 2006 tsunami waves and 2008 winter storms were only California state-level declared disasters. The difference is critical: in a Federal disaster, the Federal Emergency Management Agency (FEMA) funds 75% of the cost of repairs, Cal OES funds 18.75% of the cost, and the local agency must fund 6.25% of the repair cost. In a state only disaster declaration, the state of California funds 75% of the repair cost, while the local agency must fund 25% of the repair cost. It is much more difficult for a small entity, such as the District, to fund repairs when there is no Federal assistance. The following table shows the cost of responding to each of these disasters (preliminary figures noted in bold type below). Please note that these repair costs were incurred through June 30, 2014. They are not final costs as construction continued into FY 2014-2015.

EVENT	Total Repair Cost	FEMA	Cal OES	CCHD
2006 Storms (Federal)	\$ 2,133,011	\$ 1,599,691	\$ 399,990	\$ 133,330
2006 Tsunami (State)	22,618,419		16,961,564	5,656,855
2008 Storms (State)	917,264		687,948	229,316
2011 Tsunami (Federal)	21,836,699	16,377,524	4,094,381	1,364,794
TOTALS	\$ 47,505,393	\$ 17,977,215	\$ 22,143,883	\$ 7,384,295

With a typical annual budget of about \$1,200,000, funding the approximately \$7,400,000 required as the District's share of repairs to its infrastructure was a daunting task.

The District explored multiple grant opportunities to fund its share of the reconstruction cost. Eventually, in partnership with the County of Del Norte, the District successfully obtained a Community Development Block Grant from the California Department of Housing and Community Development (CDBG) of approximately \$4,800,000. With additional grant opportunities exhausted, the District obtained a long term loan from the United States Department of Agriculture Rural Development (USDA-RD) for up to \$5,400,000. The USDA-RD loan was intended to fund the District's share of disaster repairs, any operating losses incurred during the period when repairs were underway, and any additional capital investment that may be necessary to improve the District's future opportunities.

With all funding in place, the District began reconstruction of the inner boat basin in May 2012. Repairs to other damaged areas were also ongoing. By the time the reconstructed inner boat basin was dedicated on March 22, 2014, essentially all the physical damage from the four natural disasters had been repaired, including the following major infrastructure projects:

- Reconstruction of the breakwater protecting the inner boat basin.
- Dredging material deposited by the 2011 tsunami from of the inner boat basin.
- New, tsunami resistant, docks, pilings, and gangways throughout the inner boat basin.
- Dredging of the outer boat basin, Citizens Dock area, and fish dock areas of the harbor.
- Upgrade rock slope protection in the inner boat basin to resist a 50 year tsunami event.
- Repair supports at entrance to Citizens Dock.
- Replace destroyed administrative dock (completed by December 31, 2014).
- Replace floating docks at Travelift facility (completed by December 31, 2014).
- Replacement of damaged fender pilings at Citizens Dock.
- Repair rock slope protection at various locations in the outer boat basin and launch ramp areas.

The District set a new design standard with the reconstruction of the inner boat basin. To the best knowledge of the design engineers, contractors, and regulatory agencies, the District's inner boat basin represents the first marina in the United States built to resist waves resulting from a fifty-year tsunami event.

During the reconstruction of the inner boat basin, the District was fortunate to obtain additional grant funds for the following projects, which improve the look and function of the harbor as a facility for visitors to the area (by boat and by land):

- From the California State Coastal Conservancy:
 - Design of promenades, coastal trail, signage, and wind shelters throughout the harbor (design grant: \$685,000).
 - Construction of the inner boat basin promenade, phase one of the coastal trail, improved signage and wind shelters near the inner boat basin (construction grant: \$2,350,000).

- From the California State Wildlife Conservation Board:
 - Design of a proposed multi-agency visitor center in the Harbor District (design grant: \$283,500).
 - Construction of a new combination restroom, enclosed fish cleaning station, shower and laundry facility adjacent to the inner boat basin (construction grant: \$527,000).

Also during the reconstruction period the District made several capital improvements designed to improve its financial future:

- Installation of high mast LED lighting around the inner boat basin.
- Purchase of the remaining lease from a failed abalone farm on harbor property.
- Purchase and renovation of the building formerly housing a bait shop/lunch stand into a modern, full service restaurant.
- Closure of the wastewater treatment plant operated by the District, and sale of the assets to the City of Crescent City.

With the completion of the reconstruction and improvement projects the District has made significant progress towards implementation of several of the goals outlined in the *2005 Crescent City Harbor Master Plan¹ (Master Plan)*. These goals are summarized on pages 5 and 6 of the *Master Plan*. They are repeated below (in italics) with the District's progress to date.

1. *Reconfigure the Inner Boat Basin to refurbish docks, expand the number of slips, and improve use access in this core are of the harbor.* Multiple configurations of the floating docks in the Inner Boat Basin were considered during the reconstruction planning process. After extensive analysis, relatively few changes to the original configuration were incorporated in the new Inner Boat Basin. These few changes, however, greatly improve the efficient use of existing space in the Inner Boat Basin, allowing the District to accommodate both more large and more small vessels than in

¹ The *2005 Crescent City Harbor Master Plan* was approved by the Harbor Commission in January, 2006. This is also the month when the first major natural disaster affected the District. Responding to the series of natural disasters significantly slowed implementation of the Master Plan.

CRESCENT CITY HARBOR DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	<u>Business-type Activities</u>	
	<u>Harbor District</u>	<u>Totals</u>
ASSETS		
<u>Current Assets:</u>		
Cash and investments (Note 2)		
Available for operations	\$ 2,396,872	\$ 2,396,872
Restricted	204,257	204,257
Receivables (net of allowance for uncollectable)		
Accounts receivable	368,995	368,995
Taxes receivable	-	-
Grants receivable	5,298,017	5,298,017
Inventory of materials and supplies	15,049	15,049
loans receivable	15,650	15,650
Prepaid interest	192,947	192,947
Total Current Assets	<u>8,491,787</u>	<u>8,491,787</u>
Capital Assets (Note 3)		
Land	441,126	441,126
Buildings	4,353,526	4,353,526
Harbor plant and equipment	521,834	521,834
Infrastructure	56,619,292	56,619,292
Accumulated Depreciation	<u>(6,282,788)</u>	<u>(6,282,788)</u>
	55,652,990	55,652,990
Construction in Progress	452,690	452,690
Net capital assets	56,105,680	56,105,680
Other non-current assets	35,000	35,000
Total Noncurrent Assets	<u>56,140,680</u>	<u>56,140,680</u>
Total Assets	<u>\$ 64,632,467</u>	<u>\$ 64,632,467</u>
<u>LIABILITIES</u>		
<u>Current Liabilities:</u>		
Accounts payable	\$ 141,597	\$ 141,597
Contract retentions	2,280,708	2,280,708
Customer deposits	153,404	153,404
Unearned revenue	3,052,857	3,052,857
Interest payable	1,536	1,536
Current portion of compensated absences	8,427	8,427
Current Portion of long-term debt	45,397	45,397
Other current liabilities	572	572
Total Current Liabilities	<u>5,684,498</u>	<u>5,684,498</u>
<u>Noncurrent Liabilities:</u>		
Long-term debt	4,375,242	4,375,242
Accrued compensated absences	8,427	8,427
Total Liabilities	<u>10,068,167</u>	<u>10,068,167</u>
<u>Net Position</u>		
Net invested in capital assets	51,720,041	51,720,041
Restricted for capital projects	600	600
Unrestricted	2,843,659	2,843,659
Total Net Position	<u>54,564,300</u>	<u>54,564,300</u>
Total Liabilities and Net Position	<u>\$ 64,632,467</u>	<u>\$ 64,632,467</u>

See Independent Auditor's Report
The accompanying notes are an integral part of these financial statements.

**CRESCENT CITY HARBOR DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 PROPRIETARY FUND TYPES
 For the Fiscal Year Ended June 30, 2014**

	<u>Business-type Activities</u>	
	<u>Harbor District</u>	<u>Totals</u>
OPERATING REVENUES:		
Inner-boat basin slip rentals	\$ 247,339	\$ 247,339
Outer-boat basin slip rentals	15,894	15,894
Harbor services	-	-
Launching, day use fees, travel lift, transient and other services	141,425	141,425
Rents and concessions	595,683	595,683
Other miscellaneous income	24,377	24,377
Wharfage	19,617	19,617
Total revenues	<u>1,044,335</u>	<u>1,044,335</u>
EXPENSES:		
Advertising	7,554	7,554
Audit	6,435	6,435
Bad Debts	18,940	18,940
Depreciation	96,563	96,563
Fringe Benefits	222,507	222,507
Fuel, Oil and Grease	14,708	14,708
Insurance	127,294	127,294
Legal	21,844	21,844
Office and Administrative	18,126	18,126
Operating Supplies	23,895	23,895
Other	10,468	10,468
Outside Services	51,654	51,654
Payroll Expenses	521,064	521,064
Payroll Taxes	47,029	47,029
Repairs and Maintenance - Materials	74,513	74,513
Repairs and Maintenance - Services	33,531	33,531
Travel	13,731	13,731
Utilities and Telephone	143,444	143,444
Total program expenses	<u>1,453,300</u>	<u>1,453,300</u>
Operating revenue (deficit)	<u>(408,965)</u>	<u>(408,965)</u>
NON-OPERATING REVENUES AND (EXPENSES)		
Grants and other revenue	17,035,950	17,035,950
Property taxes and assessments income net of administration fees	339,325	339,325
Interest income	3,765	3,765
Interest expense	(181,946)	(181,946)
Other revenue (expense)	27,705	27,705
Total other revenue (expense)	<u>17,224,799</u>	<u>17,224,799</u>
NET REVENUE (DEFICIT)	16,815,834	16,815,834
NET POSITION, BEGINNING OF YEAR as previously stated	37,718,892	37,718,892
Prior Period Adjustment	29,574	29,574
NET POSITION, BEGINNING OF YEAR as restated	<u>37,748,466</u>	<u>37,748,466</u>
NET POSITION, END OF YEAR	<u>54,564,300</u>	<u>54,564,300</u>

See Independent Auditor's Report
 The accompanying notes are an integral part of these financial statements