



# **MUNICIPAL SERVICE REVIEW**

## **VENTURA PORT DISTRICT**

*Prepared By*

**Ventura Local Agency Formation Commission**

800 South Victoria Avenue  
Ventura, California 93009-1850  
Accepted November 21, 2007

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## I. EXECUTIVE SUMMARY

In creating Local Agency Formation Commissions (LAFCo) the state legislature recognized, "...that the logical formation and determination of local agency boundaries is an important factor in promoting orderly development and in balancing that development with sometimes competing state interests of discouraging urban sprawl, preserving open-space and prime agricultural lands, and efficiently extending governmental services."<sup>1</sup> One of the statutory requirements for each LAFCo is to establish spheres of influence for cities and special districts. A sphere of influence may be separate from an agency's boundary and is defined as a plan for the probable physical boundaries and service area of a local agency, as determined by LAFCo. Notwithstanding this definition the legislature has now required the LAFCo in each county in the state to, as necessary, review and update each sphere of influence on or before January 1, 2008 and every five years thereafter. In order to prepare and to update a sphere of influence, however, LAFCo must conduct a service review of the municipal services provided and prepare a written statement of its determinations with respect to each of the following:

1. Infrastructure needs or deficiencies.
2. Growth and population projections for the affected area.
3. Financing constraints and opportunities.
4. Cost avoidance opportunities.
5. Opportunities for rate restructuring.
6. Opportunities for shared facilities.
7. Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers.
8. Evaluation of management efficiencies.
9. Local accountability and governance.

This municipal service review (MSR) is for the Ventura Port District formed in 1952. The Ventura Port District is an independent special district with boundaries that match the boundaries of the City of San Buenaventura almost exactly. All of the land area within the City of San Buenaventura is within the boundary of the Ventura Port District. It is the only special district of its type in Ventura County. The District is governed by a five member Board of Port Commissioners appointed to fixed, four year, terms of office by the Mayor of the City of San Buenaventura with the approval of the City Council.

Municipal service reviews should be considered as studies, not investigative reports. LAFCos have no investigative authority. In reviewing this study, the reader is encouraged to focus on the recommended determinations contained in Section IV. The recommended determinations for the Ventura Port District reflect that the District is in compliance with all identified operational requirements and is otherwise doing a good job of providing services within the parameters of its mandates. In terms of governmental structure options it is suggested that the District and the City of

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<sup>1</sup> *CA Government Code §56000, et seq, known as the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, is the primary law governing LAFCos. All references to LAFCo law and mandates refer to this statute.*

San Buenaventura continually review opportunities for efficiencies gained by even greater collaboration, including the possibility of the District becoming a subsidiary District of the City.

## II. INTRODUCTION

The law governing Local Agency Formation Commissions (“LAFCos”) was substantially changed effective January 1, 2001. Among the changes is the requirement that LAFCos, as necessary, review and update the sphere of influence of each city and special district by January 1, 2008, and every five years thereafter. No sphere of influence can be updated, however, unless the LAFCo first conducts a municipal service review. California Government Code §56430 provides that municipal service reviews (“service reviews” or “MSRs”) consist of written determinations relating to the following nine factors:

1. Infrastructure needs or deficiencies
2. Growth and population projections for the affected area
3. Financing constraints and opportunities
4. Cost avoidance opportunities
5. Opportunities for rate restructuring
6. Opportunities for shared facilities
7. Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers
8. Evaluation of management efficiencies
9. Local accountability and governance

It is important to note that municipal service reviews are:

- The written determinations adopted by a LAFCo for the services provided by cities and special districts. LAFCo service review reports are essentially only studies with recommended determinations for each of the nine factors.
- Not applicable to counties, except for special districts governed by a county board of supervisors, not applicable to private providers of public services, such as private for profit or non-profit health care providers, and not applicable to private companies regulated by the Public Utilities Commission. This is because service reviews are based on the preparation or review and update of spheres of influence and LAFCos do not establish spheres of influence for counties or private service providers.
- Not investigations. While authorized to prepare studies relating to their role as boundary agencies, LAFCos have no investigative authority.

As required by Government Code §56430, the Governor’s Office of Planning and Research (OPR) adopted advisory guidelines for municipal service reviews. Because of the timing of the issuance of the guidelines and widely varying local circumstances, each LAFCo in the state is following its own process and procedures for meeting the sphere of influence update and related municipal service review mandate.

The Ventura LAFCo’s municipal service review process is being completed in three phases based on a work plan that has been periodically updated and is available on the Ventura LAFCo web site ([www.ventura.lafco.ca.gov](http://www.ventura.lafco.ca.gov)). The Ventura Port District’s MSR is part of the third and final phase of the Ventura LAFCo work plan. The process used to prepare all service review reports involved a four-part questionnaire that each affected agency was requested to complete. The first part collected general information about the agency (contact information, governing body, financial etc), the second

part asked for service specific data, the third part included both questions and a map relating to boundary issues and the fourth part was a signature page. The questionnaire was the basis for most of the information in the service review reports and was designed to ensure the efficient transfer of information into a database designed to serve as a base of information for future service reviews.

In addition to the LAFCO questionnaire, other primary sources of information for this MSR include:

- An August 2001 study commissioned by the City of San Buenaventura titled “Ventura Port District Study: A Service Coordination and Consolidation Analysis” prepared by Andrew S. Belknap, and referred to as the “Belknap Study” in this MSR. Copies of this study are available from the City of San Buenaventura.
- A compendium of material the Ventura Port District provided to the Ventura County Grand Jury in August 2007. This material included a study titled “Ventura Harbor Financial Viability Assessment” prepared by Williams-Kuebelbeck & Associates, Inc. in 2001, information about the various leases in Ventura Harbor and the District’s audit reports for fiscal years ended June 30, 2006 and 2005. Copies of all of this information are available from the District.

The Ventura Port District is the only special district of its type in Ventura County. The Oxnard Harbor District also operates under provisions of the state Harbors and Navigation Code, but was formed under a different section of the Code relating to harbor districts, has an elected board of harbor commissioners and is the subject of a separate MSR. Channel Islands Harbor is not a special district. It is owned and operated by the County of Ventura and functions administratively as a County department. As such it is not subject to the LAFCo municipal service review and sphere of influence review/update requirement.



### III. SERVICE REVIEW

#### A. Background

##### General

There are a total of thirteen harbor and port districts in California that were formed and operate under the provisions of the Harbors and Navigation Code,<sup>1</sup> but the functional responsibilities and governance structure of these districts vary greatly. Port and harbor districts are functionally different and not all port districts have an independent governance structure. A number of ports and small craft harbors are not special districts at all but are functionally part of a city or a county.

Among other powers and authorities, port districts may:

- “... take by grant, purchase, gift, devise or lease or otherwise acquire and hold and enjoy, and lease or dispose of, real and personal property of every kind, within or without the district, necessary to the full or convenient exercise of its powers.”
- “... acquire, purchase, takeover, construct, maintain, operate, develop, and regulate wharves, docks, warehouses, grain elevators, bunkering facilities, belt railroads, floating plants, lighterage, lands, towage facilities, and any and all other facilities, aids, or public personnel, incident to, or necessary for, the operation and development of ports, waterways, and the district.”
- “... exercise the right of eminent domain to take any property necessary to carry out any of the objects or purposes of the district.”
- “... incur indebtedness and issue bonds or other evidence of indebtedness for its purposes.
- “... do any work or make any improvement within or without the territorial limits of the district, which will aid in the development or the improvement of navigation or commerce to or within the district.”
- “... enact necessary police regulations providing for control of any waterway project of the United States, entering the district, and adopt rules and regulations concerning the construction of wharves, docks, buildings, and improvements of all types, contemplated.”<sup>2</sup>

##### Ventura County

The Ventura Port District is an independent special district that owns and operates Ventura Harbor, a multiple use recreational and commercial fishing small craft harbor. Ventura Harbor consists of approximately 152 acres of land and 122 acres of water, for a total area of 274 acres. Other than a 2.74 acre site owned by the Department of Interior National Park Service and used as the headquarters and visitor center for Channel Islands National Park, all of the area in Ventura Harbor is owned by the District.

The Ventura Port District boundary includes all of the land area within the City of San Buenaventura and some small land areas outside the City’s boundary. In addition, nearly all of the water area within the City of San Buenaventura is also within the boundary of the Ventura Port District.

<sup>1</sup> Source: *Special Districts Annual Report, 2004-2005, California State Controller*

<sup>2</sup> *CA Harbors & Navigation Code Sections 6294, 66295, 6296, 6297, 6301 and 6302*

The District was formed in 1952 by a majority vote (1,557 to 710) of the electorate in the territory of the District (almost exclusively within the City of San Buenaventura as it then existed). Upon formation the District acquired and otherwise took title to lands that now comprise Ventura Harbor. However, while the District was formed in 1952, Ventura Harbor was not completed, and operations did not commence, until June 1963, after the voters in the District approved a \$4,750,000 general obligation bond issue for dredging and construction in February 1962.

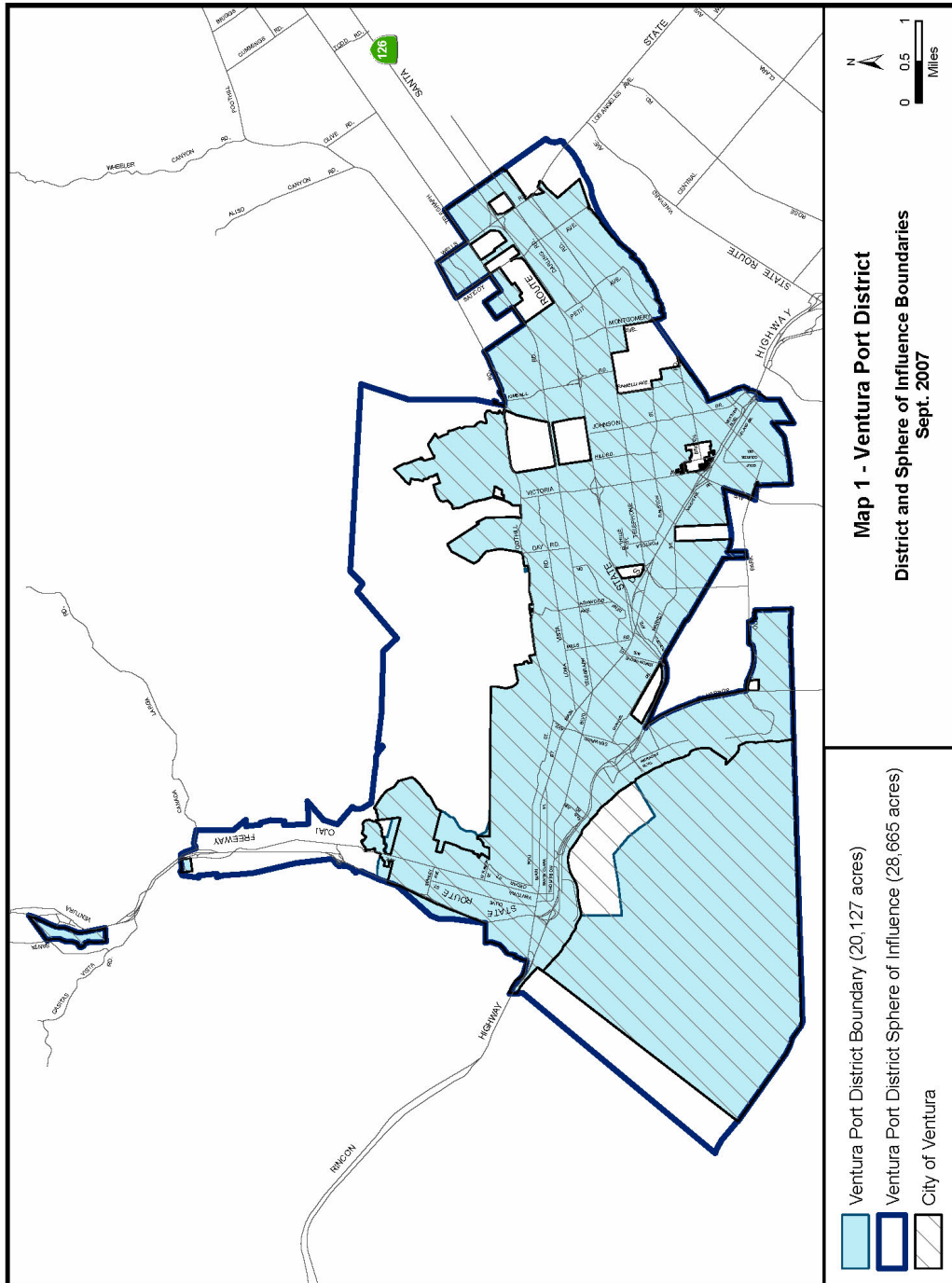
When it first opened in 1963 Ventura Harbor had 441 boat slips available for rent to the public. Additional facilities were developed during the 1960s including a yacht club, helicopter business and mobile home park. In 1969 the Harbor was substantially damaged by flooding from the Santa Clara River and further development was delayed for several years. After the passage of the California Coastal Act in 1976, development of the Harbor was again delayed until 1981 when the state Coastal Commission certified the Ventura Harbor Segment of the City of San Buenaventura's Local Coastal Program. In 1982 the District donated a 2.74 acre site to the Department of the Interior National Park Service for the development of the headquarters and visitor center for Channel Islands National Park. Since the early 1980s the majority of the Harbor has been developed. Only approximately 23 acres remains undeveloped, but development of this site for residential and commercial purposes is pending approval by the California Coastal Commission. From inception, all the development, except for public rights-of-way and the Channel Islands National Park parcel, has been through leases with the private sector with initial terms ranging from 10 to 50 years.

The Ventura Port District Public Facilities Corporation (Corporation) was formed in 1992 as a non-profit public benefit corporation. The District's Board of Port Commissioners acts as the governing board of the Corporation. The Corporation was formed for the purpose of financing and owning certain improvements on land leased from the District consisting of a portion of what is commonly referred to as "Ventura Harbor Village."

The Ventura Port District is an "enterprise" district that manages and maintains its properties and operates Ventura Harbor. Enterprise activities are accounted for in a manner similar to a private business and means that all or most facilities and services are self-supporting through user charges or fees. The majority (88% in fiscal year 2005-2006) of the Ventura Port District's operating revenue is in the form of rent payments from lessees of the parcels of land in Ventura Harbor and tenant space in Ventura Harbor Village. The District, however, also receives a pro-rata share of property taxes levied within the District boundary, representing approximately 12% of the District's operating revenue in fiscal year 2005-2006.

Unlike nearly all other special districts in Ventura County whose service areas generally correspond to the district boundary or sphere of influence, the Ventura Port District, via the operation of Ventura Harbor, serves a much broader area and, especially because of the Channel Islands National Park visitor center, is a major tourist destination.

# Map 1 – Ventura Port District



**B. Agency Profile**

<b>Ventura Port District</b>	
<b>Contact</b>	Oscar Peña, General Manager
<b>Mailing Address</b>	1603 Anchors Way, Ventura, CA 93001
<b>Site Address</b>	1603 Anchors Way, Ventura, CA 93001
<b>Phone Number</b>	805-642-8538
<b>Fax Number</b>	805-658-2249
<b>Email</b>	opena@ventruaharbor.com
<b>Website</b>	www.venturaharbor.com
<b>Services</b>	
<b>Types of Services</b>	The District is authorized to provide all services consistent with the provisions of Harbors & Navigation Code Sections 6200 – 6372, including the powers to own property and acquire, construct, operate, develop and regulate land and facilities for the operation of ports. This includes real estate, property management, marketing and accounting services, and Harbor Patrol, maintenance and dredging programs.
<b>Governance</b>	
<b>Date Formed</b>	April 1952
<b>Port Commission</b>	Five member Port Commission appointed to fixed, four year terms by the Mayor of the City of San Buenaventura with the approval of the City Council. The Port Commission regularly meets on the fourth Wednesday of each month, starting at 7 P.M., at the District’s offices at 1603 Anchors Way, Ventura, CA.
<b>Area &amp; Size Information</b>	
<b>Area in District Boundary (approximate)<sup>1</sup></b>	20,127 acres (31.45 sq. mi.), consisting of 14,248 acres (22.26 sq. mi.) of land area and 5,883 acres (9.19 sq. mi.) of ocean
<b>Number of Assessor Parcels in District</b>	32,742
<b>Estimated Population</b>	107,490 <sup>2</sup>
<b>Staff<sup>3</sup></b>	
<b>Executive &amp; Management</b>	8
<b>Professional &amp; Support</b>	1
<b>Operations</b>	26
<b>Total Full-Time Equivalent Staff</b>	<b>35</b>

<sup>1</sup> Approximate area based on geographic information system calculations

<sup>2</sup> Source: State of California, Department of Finance Jan. 1, 2007 population estimate (E1) for the City of San Buenaventura

<sup>3</sup> Number of paid, full-time equivalent (FTE) staff

### Ventura Port District Profile *(continued)*

<b>Summary Financial Information<sup>1</sup></b>				
<b>Revenue</b>	<b>FY 2005-2006</b>		<b>FY 2004-2005</b>	
<b>Operating Revenue</b>				
Leases	\$4,100,106	56.40%	\$3,879,660	59.57%
Other <sup>2</sup>	\$1,929,189	26.54%	\$1,769,588	27.17%
<b>Total Operating Revenue</b>	<b>\$6,029,295</b>	<b>82.94%</b>	<b>\$5,649,248</b>	<b>86.74%</b>
<b>Non-Operating Revenue</b>				
Taxes	\$284,454	3.91%	\$222,635	3.42%
Interest	\$299,138	4.11%	\$184,858	2.84%
Intergovernmental	\$656,888	9.04%	\$456,484	7.01%
<b>Total Non-Operating Revenue</b>	<b>\$1,240,480</b>	<b>17.06%</b>	<b>\$863,977</b>	<b>13.26%</b>
<b>Total Operating &amp; Non-Operating Revenue</b>	<b>\$7,269,775</b>		<b>\$6,513,225</b>	
<b>Expenses</b>				
<b>Operating Expenses</b>				
Administration	\$619,999	9.38%	\$536,734	8.35%
Salaries & benefits	\$2,317,488	35.07%	\$2,257,917	35.14%
Merchant promotion	\$156,085	2.36%	\$176,396	2.74%
Professional services	\$342,857	5.19%	\$260,054	4.05%
Depreciation	\$607,479	9.19%	\$673,932	10.49%
Repairs & maintenance	\$474,655	7.18%	\$603,470	9.39%
Other	\$207,971	3.15%	\$198,335	3.09%
<b>Total Operation Expenses</b>	<b>\$4,726,534</b>	<b>71.53%</b>	<b>\$4,706,838</b>	<b>73.24%</b>
<b>Non-Operating Expenses</b>				
Interest & bond issue costs	\$1,112,419	16.83%	\$1,118,414	17.40%
Harbor dredging	\$768,840	11.63%	\$450,114	7.00%
Other	\$354	0.01%	\$151,000	2.35%
<b>Total Non-Operating Expenses</b>	<b>\$1,881,613</b>	<b>28.47%</b>	<b>\$1,719,528</b>	<b>26.76%</b>
<b>Total Operating &amp; Non-Operating Expenses</b>	<b>\$6,608,147</b>		<b>\$6,426,366</b>	
<b>Total Revenue Over Total Expenses<sup>3</sup></b>	<b>\$661,628</b>		<b>\$86,859</b>	

<sup>1</sup> Source: Ventura Port District Financial Statements for the years ended June 30, 2006 and 2005, Moreland & Associates, Inc.

<sup>2</sup> Includes slip rental, fishing, boat yard, charter, dry storage and other revenue

<sup>3</sup> Equivalent to change in net assets

### **C. Infrastructure Needs and Deficiencies**

The Ventura Port District owns significant assets, including most of the land within Ventura Harbor, the District headquarters, the Ventura Harbor Village development and appurtenant boat slips. However, except for Ventura Harbor itself and the related revetments, breakwaters and jetties, the District owns or controls only limited infrastructure, such as portions of the waterfront walkway system and some public parking areas.

Most of the basic, traditional infrastructure in Ventura Harbor, such as streets and water and sewer lines, is the responsibility of the City of San Buenaventura. For this infrastructure, the District must rely on the City both for on-going repair and maintenance and any new construction. The City and the District have acknowledged that there is an issue with less than desirable fire and paramedic response times by the City Fire Department that could be alleviated by the City constructing and staffing a new fire station in the Ventura Harbor area. The District has identified a site on District owned land for this purpose, but the City, due to its own infrastructure needs and budgetary constraints, does not at this time have sufficient funds to construct and provide for the on-going staffing of a new fire station at this location. This is considered an infrastructure deficiency of the City that impacts the District.

Maintenance of buildings and improvements at Harbor Village and throughout the Harbor is extensive due to the age of facilities. The District has implemented a five-year capital improvement plan to upgrade many of the facilities and expects to spend in excess of \$8 million pursuant to that plan by the end of the 2011-2012 fiscal year. In the last few years, the District has spent over \$2.5 million in dock renovations at Harbor Village, and in the 2007-2008 FY is slated to spend \$650,000 to expand and renovate the District Headquarters.

Ventura Harbor and the related breakwaters, jetties and revetments represent the fundamental reason the District exists and continue to be the District's main assets. The District is responsible for ensuring that the Harbor and related waterways are kept open and that the breakwaters and jetties are maintained. Dredging requirements include dredging the entrance channel, Pierpont Basin Stub Channel and inner harbor. Dredging within the Harbor requires a significant expenditure yearly. The federal government, through the U.S. Army Corps of Engineers, is a major financial participant with the District in the maintenance dredging of the Harbor and related waterways and in breakwater/jetty repair. For the last 24 years, the District has successfully obtained federal funding through the Army Corps of Engineers for entrance channel maintenance dredging, including a variety of permits. The federal budget for dredging the entrance has exceeded \$2.5 million per year over the last five years. The on-going participation by the federal government in dredging and breakwater/jetty repair is critical to the sustainability and viability of the Harbor and, therefore, the District. Without federal financial support for these purposes, there would be substantial infrastructure deficiencies.

As part of LAFCo's Service Review Questionnaire and meetings with District staff no significant infrastructure needs or deficiencies of the District were identified that are not being addressed through the District's capital improvement program.

### **D. Growth and Population**

Most special districts do not have information about the population within their boundaries or within their spheres of influence. Nor do most special districts make population projections. In addition, neither the U.S. Census nor state or regional agencies (e.g. Southern California Association of Governments, Ventura Council of Governments, Ventura County, etc.) account for or make

population projections based on special district boundaries or spheres of influence. Further, within California and especially within Ventura County there is no accepted methodology for estimating current population or making population projections. Different agencies use different projections based on different methodologies.

Notwithstanding these limitations, the Ventura Port District boundary almost exactly matches the boundary of the City of San Buenaventura and the District’s sphere of influence is currently similar to the former sphere of influence for the City. Based on Harbors and Navigation Code section 6210, any territory annexed into the City of San Buenaventura since the formation of the Ventura Port District is automatically annexed into the District. No separate LAFCO action is required. Thus, growth and population information for the City of San Buenaventura can readily be used for the District’s boundary and sphere of influence.

Various agencies, including the state Department of Finance (DOF) and the Southern California Association of Governments (SCAG) make population estimates and forecasts for Ventura County and the individual cities in the County for various purposes. These are considered as “top down” estimates and forecasts. Separately, the County and the cities in the County periodically make their own population estimates and forecasts through the Ventura Council of Governments (VCOG). These “bottom up” estimates and forecasts are usually for the purpose of allocating mandatory “fair share” housing numbers as a part of General Plan Housing Element updates.

Table 1 shows the 2000 census population information for the City of San Buenaventura and the Ventura area (the unincorporated communities of Saticoy, Montalvo and North Ventura Avenue) and the year 2000 VCOG population estimates for 2010 and 2020. For comparison, also shown are the state Department of Finance population estimate as of January 1, 2005 for the City of Ventura and the unofficial and yet to be adopted city staff population estimate for the City as of 2035.

**Table 1**  
**Population Estimates & Forecasts**

	<b>2000 Census (4-1-2000)</b>	<b>2007 Dept. of Finance Estimate (1-1-2007)</b>	<b>2010 VCOG/County Forecast</b>	<b>2020 VCOG/County Forecast</b>	<b>2035 City Forecast (preliminary)</b>
City of San Buenaventura	100,916	107,490	113,397	123,357	133,638
Ventura Area <sup>1</sup>	NA	NA	6,255	7,299	NA
<b>Total</b>	<b>100,916</b>	<b>107,490</b>	<b>119,652</b>	<b>130,696</b>	<b>133,638</b>

While the population of the City of San Buenaventura and the Ventura area is projected to continue to grow, the Ventura Port District serves a much broader area, well beyond the District’s boundary and sphere of influence. As a recreational and commercial fishing small craft harbor, the District

<sup>1</sup> *Not including the City of San Buenaventura*

competes with similar harbors in southern California, notably Channel Islands Harbor in Oxnard that is owned and operated by the County of Ventura, and Santa Barbara Harbor that is owned and operated by the City of Santa Barbara. The District considers its “market area” to be at least the Ventura and Santa Barbara County region. This region is projected to continue to experience substantial population growth. Since there are only a limited number of recreational and commercial fishing small craft harbors in the region and opportunities for expansion of such harbors are limited, it is reasonable to project that the use of these harbors as recreational facilities will increase.

## **E. Financing Constraints and Opportunities/Cost Avoidance Opportunities and Rate Restructuring**

The Ventura Port District is currently financially stable. As shown in the “Agency Profile” on page 9, the majority of the District’s revenue comes from its “enterprise” functions (leases and rentals). The District also receives a share of the 1% property tax based on pre-Proposition 13 rates of taxation as of 1976. Based on information from the Ventura County Auditor-Controller the 2005 - 2006 fiscal year apportionment rate for the Ventura Port District (the portion of the 1% property tax assigned to the District) was .0009665026. Thus, for every \$1,000 in property tax collected within the District’s boundary, the District received approximately \$0.97.

The Ventura Port District has not always been financially stable. The development of Ventura Harbor and the lease interests in the Harbor area took much longer than originally contemplated. The District’s financial viability was further affected by litigation originally filed against the District in 1984 by the developer of the Ventura Harbor Village project, but not settled until 1998. As a result of this litigation and a judgment against the District, the District was forced to declare bankruptcy under Chapter 9 of the U.S. Bankruptcy Code in 1993. By 1997 the District owed claims to unsecured creditors of approximately \$22 million and had a loan balance to the state Department of Boating and Waterways of approximately \$4 million.

Based on a business plan prepared in 1997, the District was able to emerge from bankruptcy in 1998 and to successfully restructure its \$22 million debt to unsecured creditors by settlement of \$7 million in unsecured creditor claims in bankruptcy court and the 1998 issuance of \$15 million in Certificates of Participation (COPs) with a 30 year term (due August 1, 2028) with an interest rate of 6.375%. The COPs enabled the District to satisfy unsecured creditors monetary claims against the District, restructure the debt for the Ventura Harbor Village project and the loans from the Department of Boating and Waterways, create monetary reserves and provide approximately \$1.5 million for capital improvements. In addition, the District gained ownership of the Ventura Harbor Village leasehold improvements and consolidated Ventura Harbor Village operations into the District.. Also, the District subsequently has been successful in renegotiating some of its master leases. Cumulatively these series of actions have allowed the District to create surpluses from operation of the Harbor and substantially increase the financial viability of the District during the last ten years.

In October 2001, Williams-Kuebelbeck & Associates (WK&A) updated the 1997 Ventura Harbor business plan. The approach taken in this report was to review the financial condition of the District and the corrective measures recommended in 1997. Based upon this update, WK&A concluded that many of the recommendations made in the 1997 business plan to remedy the bankruptcy and to



increase the financial viability of the District had been followed. This updated business plan further stated:

“The District has achieved a dramatic financial turnaround in the last five years. The management provided by the Board of Port Commissioners and District staff has been excellent. The final step, development of Parcels 15, 16 and 18 is of vital importance to assuring the District’s financial viability over the next twenty years.”<sup>1</sup>

The long term financial viability of the District remains tied to new and increased operating revenue from the rent payments from lessees of the parcels of land in Ventura Harbor. Although the District operates as an enterprise, the tax revenues remain an important source of funds to provide public services throughout the Harbor. The District’s payments of interest and principal on both the 1998 COPs and the state Department of Boating and Waterways loans increase dramatically beginning in 2012. The timely development to what is referred to as parcels 15, 16 and 18, a block of approximately 21 acres of land and 3.7 acres of water at the end of Schooner Drive, is critical for enhancing the District’s long term financial viability. After considerable reviews and redesigns over the last seven years, the City of San Buenaventura has approved a mixed use development proposal for the parcels 15, 16 and 18 area. This project is now awaiting approval by the California Coastal Commission. If approved and developed in the next few years, and barring any unforeseen circumstances, the District should be able to enhance its long term financial viability.

Another aspect of the District’s financing opportunities and constraints relates to the District’s dredging obligations. The District has a legal obligation to keep the channel open into the Harbor and the adjoining Ventura Keys development. In 1979, the District was involved in a lawsuit referred to as the “Marinos Action.” The channels leading from the Keys to the open ocean are subject to shoaling, creating maintenance difficulties. The plaintiffs obtained a judgment for specific performance requiring certain maintenance work between the Keys and the open ocean. This judgment is known as the “Ellison Judgment.” The judgment requires the District to budget, establish and maintain a \$3 million reserve account for the purpose of maintenance dredging and /or sand bypassing. The District is in compliance with this requirement and has maintained the channel and the Harbor entrance to a safe and navigable level. However, the U.S. Army Corps of Engineers, based on Congressional authorizations and appropriations, currently performs and funds the maintenance dredging of the Harbor entrance channel and sandtrap area. Should federal funding not be available for this purpose, however, it would constitute a significant financial constraint for the District.

The District contracts for management support services that require specialized expertise, such as audit and legal services, and otherwise seeks to reduce executive and management staff overhead by contracting as appropriate. The District has hired the same auditor and dredging consultant as the City of San Buenaventura in order to avoid costs. To help to minimize insurance costs the District is a member of the California Joint Powers Insurance Association, a joint powers authority that provides pooled insurance coverage to member agencies.

In 2001, the City of San Buenaventura initiated a study (the Belknap Study<sup>2</sup>) to assess the feasibility of reorganization or partnerships between the City and the District to improve and consolidate overall

<sup>1</sup> *Ventura Harbor Financial Viability Assessment, October 17, 2001, Page 3*

<sup>2</sup> *For the complete citation for this study, see page 4 of this MSR*

policy development, implementation and service delivery. Potential outcomes ranged from doing nothing to reorganizing the District to operate as a subsidiary special district of the City. This study identified several parallel services and operations provided by the District and the City and included a priority listing of areas where collaboration would potentially yield service improvements and/or efficiencies, as follows:

#### High Priority Areas

- Crime prevention programs, especially those aimed at business crime prevention
- Harbor Patrol dispatch functions
- Land-use planning services
- Median landscaping in the Harbor area
- Treasury and investment functions, including debt management
- Legal services
- Marketing and special events
- Dock maintenance at Marina Park

#### Second Priority Areas

- Coastal project management including dredging, sand replenishment, and improvement or property protection projects in the immediate coastal zone and associated permitting
- Construction project engineering and management
- Harbor Patrol emergency medical and rescue responses
- Legislative advocacy and analysis at the State and Federal level
- Real property management.

The City received and filed the Belknap Study in December 2001 and, shortly thereafter, the City and the District successfully implemented some of the recommendations by entering into reciprocal service agreements to benefit both entities. In the 2004-2005 fiscal year the District entered into a joint service agreement with the City for the operation of a fire boat within the Harbor. The agreement requires that the District own and operate the fire boat for use by the Fire Department. In turn, the Fire Department provides firefighters in the event of a fire in the Harbor, Keys development, and the City Pier. The District and the City should continue exploring the cost avoidance and/or efficiency opportunities noted in the Belknap Study.

The District periodically adjusts its fees and the rates charged as contracts are renewed, as leases expire or as possible within the constraints of the competitive environment of Harbor and real estate operations. The District also conducts public hearings as a requirement prior to any proposed slip rate increases for the private marina operators in the Harbor. No specific further opportunities for rate restructuring were noted.

## **F. Government Structure Options/Opportunities for Shared Facilities**

Maintaining the current government structure (i.e. the status quo) is always an option and, except for the possible annexation of territory, is generally the preferred option. In the context of this service review and LAFCo terminology, other government structure options include:

- Annexation or detachment of territory (increasing or decreasing the amount of territory within an agency's boundaries).
- Consolidations (the uniting or joining of two or more special districts into a single new special district).
- Mergers (the extinguishment of a special district by combining the special district with a city).
- Establishment of subsidiary districts (a special district continues to exist as a legal entity, but a city council is designated as the ex officio board of directors of the special district), and
- Dissolutions (the extinguishment of a special district and the cessation of all the special district's powers).

Each of these non-status quo structural changes is considered a change of organization or a reorganization if combined with other structural changes (e.g. an annexation and a detachment), and each generally requires approval by LAFCo. However, based on provisions of the Harbors and Navigation Code for Port Districts, any territory annexed into the City of San Buenaventura is automatically annexed into the District, without any separate LAFCo action being necessary. (Harbors and Navigation Code Section 6210) This "automatic" annexation is unique to the Ventura Port District among all the other special districts in Ventura County. The result has been that the District's boundaries almost exactly match the City or San Buenaventura's boundaries. The only differences are some small land areas that are outside the City boundary, but that were included in the District at the time of formation, and some off-shore water areas that were in the City but that were not included in the District boundary when the District was formed. This "automatic" annexation provision has also meant that the District itself has not separately pursued any annexations or detachments since its formation; however, given the nature of the District's activities, there has been no reason to do so.

Consolidation of the Ventura Port District with another special district is not a viable option as no similar special district exists in Ventura County. As noted, even though the Oxnard Harbor District was also formed and functions pursuant to provisions of the Harbors and Navigations Code, it is functionally different than the Ventura Port District.

Because of the close alignment of boundaries, the commonality of many functions and the fact that other similar small craft harbors are governed directly by a city or a county, the governmental structure of the Ventura Port District has been a recurring topic of discussion. Under current law the District could theoretically be merged with City of San Buenaventura or dissolved. For a merger to occur the law now requires that a city and a district boundary overlap by at least 70%. The Ventura Port District boundary, as noted, almost exactly matches the City of San Buenaventura boundary, so a merger would be possible. The effect of a merger would in this instance be the same as a dissolution. The District would cease to exist as a special district and all assets, functions and governance would be assumed by the City of San Buenaventura along with all debts and liabilities. Unless negotiated with the County, the District's property tax revenue, currently an essential part of the District's funding, would be lost as a separate revenue source and disbursed among the other taxing agencies that receive a portion of the 1% property tax. Given the District's history, liabilities and concerns about its financial viability, plus the potential loss of property tax revenue now going to the District, there has been no incentive for the City to pursue a merger or dissolution. Also, the District and the many businesses it serves strived to maintain independence and, at least in 2001 when the City was

considering the Belknap Study, several tenants in the Harbor opposed having the City become more directly involved in the District's governance and the Harbor's operation.

Changes in the governmental structure to the District could be made by special state legislation to change the Harbors and Navigation Code to provide for the District to become a subsidiary district of the City. The current law requiring the appointment of five Harbor Commissioners would need to be changed to allow for direct governance by the City Council. Should this change in law be made, other statutory requirements that are pre-requisites to forming a subsidiary district would be met, including the requirement that the District and City boundaries overlap by at least 70% and that 70% of the registered voters of the City reside in the District. As a subsidiary district the City Council would be the District governing board and functions could be integrated with city functions, but the District would remain a separate legal entity as a special district. Thus, property tax revenue to the District would remain intact and the City, as a municipal corporation, would not assume the District's assets or liabilities. The Camarillo Sanitary District, governed by the City Council of the City of Camarillo, and Waterworks District No. 8, governed by the City Council of the City of Simi Valley, are examples of other subsidiary districts in Ventura County. Similar analogies could be drawn about city councils governing legally separate redevelopment agencies, even though redevelopment agencies are not special districts.

When the Ventura Port District was originally formed, and pursuant to the basic provisions of the Harbors and Navigation Code, two members of the District board were appointed by the Ventura County Board of Supervisors, two members were appointed by the City of San Buenaventura City Council and the fifth member of the District board was appointed jointly by the Board of Supervisors and five members of the City Council. In 1968, because of the overlap of boundaries with the City, the commonality of functions, concerns about the taxing authority of the District and about the Board of Supervisors directly controlling Channel Islands Harbor, the City sought special legislation for the City Council to appoint all five members of the Ventura Port District's board of port commissioners. During this process (January 1969) the Ventura LAFCO Executive Officer provided a letter report to the Ventura County Board of Supervisors discussing the then proposed special legislation by the City and recommending that a better alternative would be to change the Harbors and Navigation Code to allow the District to become a subsidiary District of the City. However, neither the City nor the County pursued this alternative and the special legislation creating the current governance structure was adopted.

Since 1969 the government structure of the Ventura Port District has been a topic of public discussion both formally and informally. In 1981 the District appointed an advisory committee that issued a report discussing:

- “What organization is recommended for the operation of the Port District?”
- “Should the Commissioners be elected by the citizens of the District rather than appointed by the City Council?”
- “Since the Ventura City Council has the authority to appoint Commissioners, should they also have the authority to remove them prior to their expiration of the prescribed terms?”

This report reviewed five government structure alternatives, including having the District being taken over by the County, and concluded that there should be no change in governance.

Subsequently, the City of San Buenaventura City Council has publicly discussed the District's governmental structure on numerous occasions. Concerns ranged from not having the ability to remove port commissioners after they are appointed, except for cause, to the District not being mindful of the City's land use plans and policies as the District was entering into development deals for Harbor leases.

The 2001 Belknap Study briefly discussed a possible dissolution of the District, with the City becoming a successor agency and referenced a City Attorney memorandum on this topic dated March 24, 1997. The Belknap Study did not, however, analyze seeking a change in law to allow the District to become a subsidiary district of the City, except to note that, "There may be other governance structures that provide for more direct involvement of the Council."<sup>1</sup> In this regard, City Attorney Opinion No. 2001-03, dated June 14, 2001, was cited. The Belknap Study concluded, however, that:

- "There may not be a need to consolidate governing bodies if the Port Commission and the City Council can improve communications"<sup>2</sup> and,
- "There is a need for local decision making capability at the Harbor, especially in regards to commercial real estate business arrangements."<sup>3</sup>

When the Belknap Study was transmitted to the City of San Buenaventura City Council, the City's Administrative Services Director reported that the key findings and recommendations of the study were:

"A. Interagency Relationships

- Communications can and should be improved. Enhanced communication between the City and district would allow for increased effectiveness in the coordination of services, implementation of policies and planning between the City and District.
- Dissolution of the District is not recommended because: communications can be improved with less drastic measures;
- The main activity of the District—ownership and operation of Harbor Village—is not a function readily compatible with City operations, nor would the City bring additional value to this area.
- The Harbor needs a local decision-making capability for business reasons, largely but not exclusively related to Harbor Village.

B. Financial and Budget

- The District's fiscal stability is dependent on new development and continued positive cash flow from the Harbor Village to fund operations.
- A complete capital plan needs to be developed and an appropriate funding program established. Lack of capital or access to capital is the largest long-term fiscal issue for the District.
- The District's business plan should be updated to reflect changes since 1998. This is currently underway. The City should be involved in this effort.

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<sup>1</sup> *Belknap Study page 15 (see page 4 of this MSR for the complete citation for this study)*

<sup>2</sup> *Belknap Study, page 7*

<sup>3</sup> *Belknap Study, page 63*

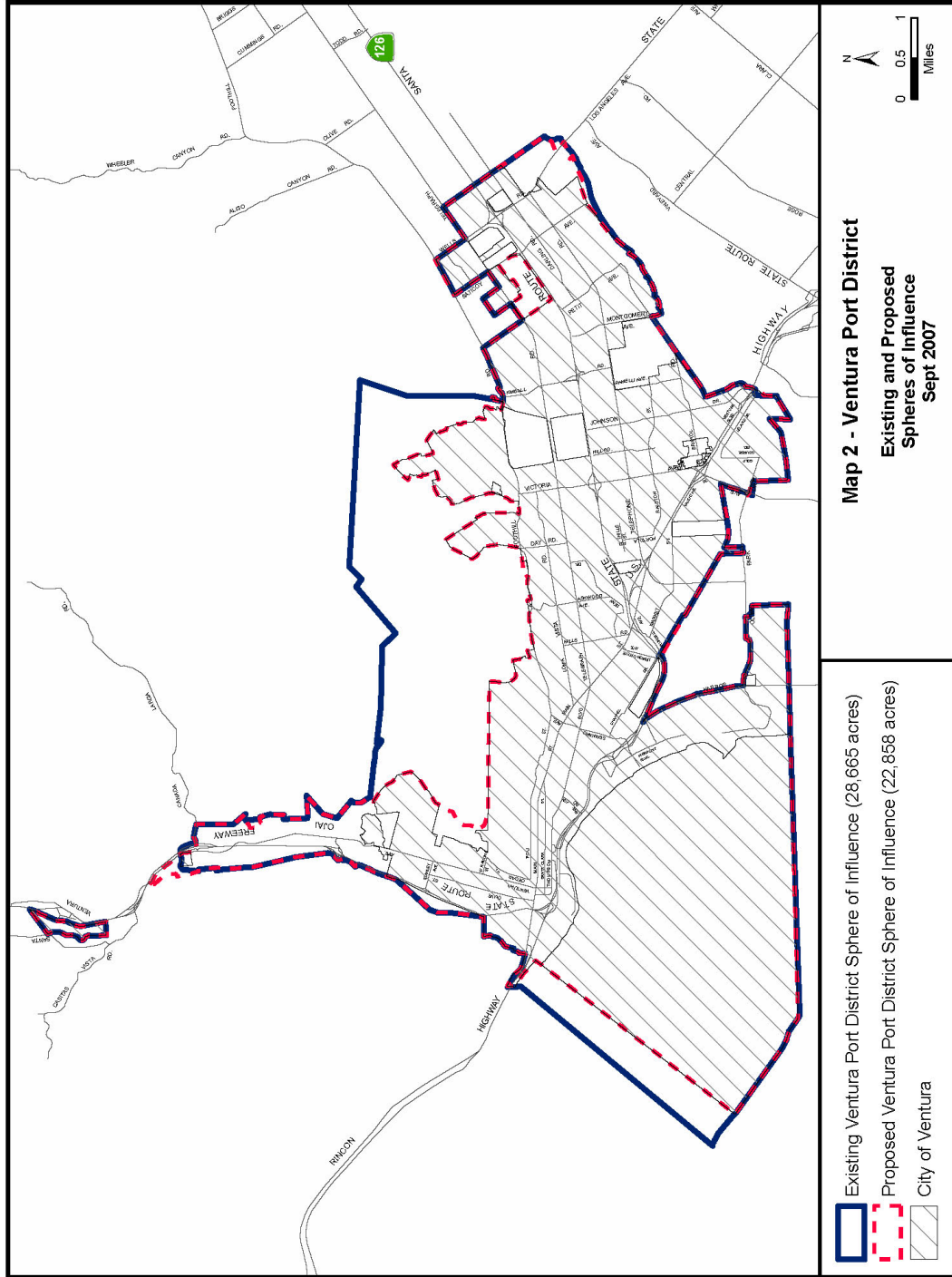
- Until the long-range fiscal situation is clarified via decisions on new development, completion of a capital improvement plan and updating of the business plan expenditure growth needs to be carefully controlled.
- C. Services
- The types of services provided by the City and District are similar in many respects with the exception of Ventura Harbor Village operations. Therefore, there are several areas in which coordination or consolidation could improve service or yield cost savings. These should be (and have been) explored on a case-by-case basis by City and District staff working together.
  - Identified areas for priority analysis include: Harbor Patrol – especially dispatch functions, emergency response and crime prevention activities; treasury and debt management services; some landscaping maintenance in the Harbor area; routine legal services; some dock maintenance activities; marketing and special events; land-use planning; coastal zone permitting and project management; construction engineering and management; legislative advocacy, real property management.”

Given this considerable history, it is probable that the governance structure of the District will continue to be discussed and debated in the future. From a purely LAFCO perspective, the Ventura Port District and the City of San Buenaventura should consider collaborating to examine both the benefits and detriments of the District becoming a subsidiary District of the City. At this point in time, however, neither the District nor the City has expressed an interest in changing the District’s governmental structure.

### **Sphere of Influence**

Because of the unique provision that territory annexed into the City of San Buenaventura is automatically annexed into the Ventura Port District, it is clear from earlier actions that LAFCO intended the District’s sphere of influence to be the same as the sphere of influence for the City of San Buenaventura. This is so even though, as noted, the District serves a much wider area than the City for its commercial and recreational purposes. However, due to prior mapping errors by LAFCO, and the recent update of the City of San Buenaventura’s sphere of influence this is not the case. Map 2 reflects the District’s existing sphere of influence and what the District’s sphere would be if aligned with the City of San Buenaventura’s current sphere of influence. Following action on the determinations recommended by this MSR, the Ventura LAFCO should update the Ventura Port District’s sphere of influence to match the recently updated sphere of influence for the City of San Buenaventura.

### Map 2 – Ventura Port District Proposed Sphere of Influence



## **G. Evaluation of Management Efficiencies**

The Ventura Port District has a stable, professional management structure with approximately 23% of employees being classed as either executive or management. The District has two employee bargaining units but only approximately 23% of the employees are represented. No recent labor issues or disputes were noted.

The District annually adopts a budget, contracts for an annual audit of its financial statements and is otherwise fully in conformance with all financial reporting requirements. The District's most recent audit was for fiscal year 2005 - 2006, and was unqualified.

In addition to its public functions the District, it maintains departments in property management, marina management and marketing. These departments are key elements in maximizing revenues and promoting the Harbor as a tourist destination, and contribute to the success of the District's enterprise operations.

The District has adopted financial policies that are reviewed annually, including a policy about unrestricted reserves/contingency fund and has a five-year capital improvement plan in place.

The District represents it has up-to-date, legally compliant personnel and training policies.

The District is subject to claims and litigation from outside parties that occur as a part of the ordinary operations, but no pending or potential litigation was noted that would materially affect the District's financial condition.

The District General Manager and legal counsel routinely provide an orientation for newly appointed Port Commissioners.

The District was subject to a report by the Ventura County Grand Jury in 2006 - 2007 relating to port safety in the District. The Grand Jury report focused on the law enforcement aspects of the District's Harbor Patrol and specific concerns that safety and security on Ventura Harbor is not optimal. The District provided a detailed response to the Grand Jury in August 2007. As a part of its response the District indicated that of the six recommendations made by the Grand Jury, two had been implemented, one had been implemented in part, one will be implemented, and two will not be implemented for valid reasons.

## **H. Local Accountability and Governance**

The Ventura Port District is governed by a five member Port Commission. The Port Commissioners must be taxpayers within the District and must have resided within the District for at least one year. Pursuant to special provisions of the Harbors and Navigation Code (Section 6242.1) Port Commissioners are appointed at-large to four-year terms of office by the Mayor of the City of San Buenaventura with approval of the City Council. Once appointed, Port Commissioners may be removed by the City Council only after a public hearing and only "for cause." The appointment of Port Commissioners to fixed terms of office, with very limited ability to remove a Commissioner



once appointed, means that, by definition, the Ventura Port District is classified as an “independent” special district.

Information about the current Port Commission is shown in Table 2.

**Table 2**  
**VENTURA PORT DISTRICT**  
**COMMISSIONERS AND TERMS OF OFFICE**

COMMISSION MEMBER	TITLE	FIRST APPOINTED	EXPIRATION OF TERM
Keith Turner	Chairman	June 2005	June 1, 2009
Robert J. Bravo	Vice Chairman	May 2003	June 1, 2011
Nicholas Deitch	Secretary	June 2005	June 1, 2009
Monty Clark	Commissioner	May 1996	March 12, 2008
Edward McCombs	Commissioner	June 2002	June 1, 2010

The Port Commission hold regular meetings on the 4<sup>th</sup> Wednesday of each month at the District offices at 1603 Anchors Way, Ventura, CA. The District meetings are publicly noticed in compliance with the Brown Act and the meeting location and facilities are in compliance with the Americans with Disabilities Act. By law, Port Commissioners serve without salary or compensation, but they may be reimbursed for expenses incurred that are directly related to the operation of the District.

The District indicates that Commissioners and senior staff receive regular reviews of the requirements of the Brown Act, the rules and regulations of the Fair Political Practices Commission and the provisions of the Public Records Act. Commissioners and senior staff have completed the mandatory ethics training required by AB-1234 passed in 2005 (Government Code Section 53234 *et seq*).

The District maintains a current, informative web site ([www.venturaharbor.com](http://www.venturaharbor.com)). It includes substantial information about the District, including the District’s history. Copies of public notices and the agendas and minutes of the meetings of the Port Commission are available for approximately the last eighteen months. The agendas include links to full copies of written reports and, as such, the District’s budget and annual audit are available. Recently the District upgraded its web site to provide more information about the mission, responsibilities and enforcement duties of the Harbor patrol, as recommended by the Grand Jury. As a part of future upgrades it is suggested that the District include a search function so that viewers may find information from the Port Commission agenda archives more easily.



## IV. DETERMINATIONS

*Determinations are based on data provided by the District and information from other publicly available sources.*

### **Ventura Port District**

- **Infrastructure needs or deficiencies**

1. The Ventura Port District owns significant assets, including most of the land within Ventura Harbor, the District headquarters, the Ventura Harbor Village development and appurtenant boat slips. However, except for Ventura Harbor itself and the related revetments, breakwaters and jetties, the District owns or controls only limited infrastructure, such as portions of the waterfront walkway system and some public parking areas. Maintenance of buildings and improvements at Harbor Village and throughout the Harbor is extensive due to the age of facilities. The District has implemented a five-year capital improvement plan to upgrade many of the facilities. No deficiencies in the District controlled infrastructure were noted that are not being addressed through the District's capital improvement plan.
2. The on-going participation by the federal government in dredging and breakwater/jetty repair is critical to the sustainability and viability of the Harbor and, therefore, the District. Without federal financial support for these purposes, there would be substantial infrastructure deficiencies.

- **Growth and population projections for the affected area**

1. Based on population projections for the City of San Buenaventura, there will be on-going and expanding population growth within the boundary and sphere of influence of the Ventura Port District.
2. The Ventura Port District's service area extends well beyond its boundary and could be considered to include at least Ventura and Santa Barbara counties. Based on growth in this region it is reasonable to project that the recreational use of Ventura Harbor and related facilities will increase.

- **Financing constraints and opportunities**

1. The Ventura Port District is currently financially stable.
2. The Ventura Port District is an "enterprise" district that receives the majority of its revenue from property leases and rentals. The District does, however, receive a share of the property tax revenue collected within its boundaries and this revenue is important to the District's continued financial viability.
3. The Ventura Port District has outstanding debt resulting from \$15 million in Certificates of Participation issued in 1998 and due in 2028, and from loans from the state Department of Boating and Waterways. Principal and interest payments on both the Certifications of Participation and the state loans increase significantly in 2012.
4. Timely development of what are referred to as parcels, 15, 16 and 18, a block of approximately 21 acres of land and 3.7 acres of water at the end of Schooner Drive in Ventura Harbor, is important to the District's ability to maintain and enhance its long term financial viability.

- **Cost avoidance opportunities**

1. The Ventura Port District contracts for support services that require specialized expertise, such as audit, legal and consulting services relating to dredging and lobbying services.

Currently the District contracts with the same firm used by the City of San Buenaventura for audit and dredging services. Previous studies have recommended that there be further collaboration between the District and the City for other cost avoidance opportunities.

2. The Ventura Port District and the City of San Buenaventura should review the priority areas for collaboration, service improvements and efficiencies noted by prior studies by the City and should continue exploring all cost avoidance and efficiency opportunities on a continuing basis.

- **Opportunities for rate restructuring**

1. The Ventura Port District periodically adjusts its fees and the rates charged as contracts are renewed, as leases expire or as possible within the constraints of the competitive environment of Harbor and real estate operations. The District also holds public meetings for consideration of slip rate increases by its privately operated marinas. No further opportunities for rate restructuring were noted.

- **Opportunities for shared facilities**

1. The Ventura Port District owns and operates public facilities, such as walkways, public spaces and parking lots. To the extent opportunities for shared facilities exist such opportunities are primarily with the City of San Buenaventura. Recently the District and the City entered into a joint service agreement with the City for the operation of a fire boat within the Harbor.

- **Government structure options, including advantages and disadvantages of the consolidation or reorganization of service providers**

1. The governmental structure of the Ventura Port District has been the topic of on-going reviews and discussion since at least the late 1960s when the City of San Buenaventura sponsored special legislation relating to the appointment of the Board of Port Commissioners. Due to the substantial overlap of the boundaries of the District and the City, the commonality of many operational functions and the fact that a number of other small craft harbors are directly controlled by cities or counties, such reviews and discussions can be expected to continue in the future.
2. Consolidation of the Ventura Port District with another special district is not a viable option as no similar special district exists in Ventura County. Dissolution of the District or merging the District with the City of San Buenaventura are not practical governmental structure options, given the District's liabilities and the fact that the District's property tax revenue would not be retained after a dissolution or merger. The District cannot become a subsidiary district of the City of San Buenaventura without a change in the Harbors and Navigation Code relating to the selection of the Board of Port Commissioners.
3. Because the boundaries of the Ventura Port District and the City of San Buenaventura are almost coterminous, and therefore the residents, voters and taxpayers are virtually the same, special legislation could be considered to enable the District to become a subsidiary District of the City. At this point in time, however, neither the District nor the City has expressed an interest in changing the District's governmental structure. Both the District and the City would need to further examine both the benefits and detriments of the District becoming a subsidiary district of the City before seeking such a change.

- **Evaluation of management efficiencies**

1. The Ventura Port District has a stable, professional management structure. Approximately 23% of the employees are classified as either executive or management. The District has two employee bargaining units with approximately 23% of the employees being represented. No recent labor issues or disputes were noted.

2. The Ventura Port District annually adopts an operating and capital improvement budget, contracts for an annual audit of its financial statements and is otherwise fully in conformance with all financial reporting requirements. The District's most recent audit was for fiscal year 2005 - 2006, and was unqualified.
  3. The Ventura Port District has adopted financial policies that are reviewed annually, including a policy about unrestricted reserves/contingency funds.
  4. The Ventura Port District represents it has up-to-date, legally compliant personnel and training policies.
  5. The Ventura Port District is subject to claims and litigation from outside parties that occur as a part of the ordinary operations, but no pending or potential litigation was noted that would materially affect the District's financial condition.
- **Local accountability and governance**
    1. The Ventura Port District meets regularly and provides public notice of its meetings. Meeting facilities are in compliance with the Americans with Disabilities Act.
    2. The Ventura Port District indicates that Commissioners and senior staff receive regular reviews of the requirements of the Brown Act, the rules and regulations of the Fair Political Practices Commission and the provisions of the Public Records Act. Commissioners and senior staff have completed the mandatory ethics training required by AB-1234 passed in 2005 (Government Code Section 53234 *et seq*).
    3. The Ventura Port District maintains a current, informative web site. It includes substantial information about the District, including the District's history. Copies of public notices and the agendas and minutes of the meetings of the Port Commission are available for approximately the last eighteen months. The agendas include links to full copies of written reports and, as such, the District's budget and annual audit are available. As a part of future upgrades to the District's web site it is suggested that the District include a search function so that viewers may find information from the Port Commission agenda archives more easily.