



REPORT TO COUNCIL

City of Sacramento 19

915 I Street, Sacramento, CA 95814-2604
www.CityofSacramento.org

Public Hearing
March 23, 2010

**Honorable Mayor and
Members of the City Council**

Title: Marina Fee Revision

Location/Council District: 2710 Ramp Way / District 4

Recommendation: Conduct a public hearing and adopt a **Resolution**; 1) reducing the previously approved fee increase for the rental of berth slips at the Sacramento Marina for Fiscal Year (FY) 2010/11 and FY 2011/12 as shown in Exhibit A to the Resolution.

Contact: Clair Camper, Marina Manager, 808-5712
Barbara Bonebrake, Director, Convention, Culture & Leisure, 808-8225

Presenters: Clair Camper, Marina Manager; Barbara Bonebrake, Director, Convention, Culture & Leisure

Department: Convention, Culture and Leisure

Division: Sacramento Marina

Organization No: 17001411

Description/Analysis

Issue: In April 2008, a survey of competing facilities found that the rates at the Sacramento Marina were significantly lower than the two nearby urban area comparable marinas. Accordingly, a revised berth fee schedule was adopted that was intended to generate additional revenue. The basis of this fee structure was a graduated linear foot charge based on increased length (and width) of the slip. This fee structure was designed to have an average increase of 12%, beginning FY 2008/09 through FY 2011/12, and a flat 6% increase thereafter. The increase ranged from a 5% increase for a 25 foot slip to a 19% increase for a 50 foot slip. This fee structure was proposed to align fees with the market and cover operating, capital and debt obligations.

After extensive analysis, staff has concluded that, due to economic conditions in the region, if rates increased up to 19% FY 2010/11 and FY 2011/12, the occupancy rate at the Marina may decline significantly, potentially resulting in a drastic revenue shortfall. At this time staff is recommending reducing the fee structure for FY 2010/11 and FY 2011/12 to a flat 8% increase, and continue the approved flat 6% increase thereafter.

Policy Considerations: The recommended action is consistent with the City's goals to achieve sustainability and enhance livability in the community as well as reflecting the values of teamwork and fiscal responsibility.

Environmental Considerations:

California Environmental Quality Act (CEQA): The proposed activity is not subject to environmental review under the California Environmental Quality Act ("CEQA"), California Code of Regulations, title 14, section 15060 because it is not a project under CEQA.

Sustainability Considerations: None

Other: Not Applicable.

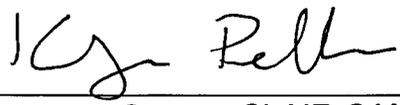
Commission/Committee Action: Marina staff has been working with the Marina Advisory Council (MAC) members since January to review the impact of the Council approved fee increases for July 2010. A formal MAC meeting was held on March 9, 2010, one committee member and 30 patrons attended the meeting and unanimously opposed any fee increase for berth rentals. All patrons were notified of the March 9th MAC meeting and the March 23rd Council meeting by mail.

Rationale for Recommendation: Due to economic conditions in the region, occupancy levels at the Sacramento Marina have declined significantly. The average of 12% fee increase was implemented each of the last two years, in July 2008 and July 2009. For the larger slip sizes, this was a 19% increase each of those years. The result has been to bring the Sacramento Marina closer to urban market rates. Exhibit A to Attachment 1 depicts a rate comparison for the current approved fee structure and the proposed modified fee structure. The proposed fee structure lessens the hardship of the fee increase for the patrons and allows the Marina to maintain the service levels necessary to operate as a viable and competitive marina.

Financial Considerations: The Marina operates as an Enterprise Fund – generated revenue covers all operating costs and debt obligations. The year to date occupancy level is 69%. The FY 2010/11 proposed revenue is based on an average occupancy of 65%. The combination of the 8% fee increase and the reduction in occupancy is estimated to generate \$36,000 more than the estimated revenue generated for FY 2009/10. Exhibit A to Attachment 1 depicts the proposed, reduced fee structure.

Exhibit B to Attachment 1 shows the projected five-year revenue and expense performance for the Marina Fund with the reduced fee schedule. The plan meets the requirements for the financial health of the Marina Fund required by the State Department of Boating and Waterways loan for the South basin renovation. If approved, the FY 2010/11 proposed budget will reflect the proposed change.

Emerging Small Business Development (ESBD): None. No goods or services are being purchased.

Respectfully Submitted by: 
for **CLAIR CAMPER**
Marina Manager
Convention, Culture and Leisure Department

Approved by: 
BARBARA E. BONEBRAKE
Director
Convention, Culture and Leisure Department

Recommendation Approved:


GUS VINA
Acting City Manager

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Attachment 1

Background

In February 2005 City Council adopted a fee structure for the Sacramento Marina that allowed a minimum annual berth fee increase of six percent or the Consumer Price Index, whichever is greater, through FY 2009/10 and a three percent annual increase thereafter. This fee structure was proposed to align fees with the market and cover operating, capital and debt obligations.

In April 2008, a survey of competing facilities found that the rates at the Sacramento Marina were significantly lower than the two nearby urban area comparable marinas. Accordingly, a revised berth fee schedule was adopted that was intended to generate additional revenue. The basis of this fee structure was a graduated linear foot charge based on increased length (and width) of the slip. This fee structure was designed to have an average increase of 12%, beginning FY 2008/09 through FY 2011/12, and a flat 6% increase thereafter. The increase ranged from a 5% increase for a 25 foot slip to a 19% increase for a 50 foot slip. This fee structure was proposed to align fees with the market and cover operating, capital and debt obligations.

In 2010, after extensive analysis, staff has concluded that if the current fee structure of a 12% average increase in berth rental fees for FY 2010/11 and FY 2011/12 may result in the occupancy rate at the Marina declining significantly, resulting in a drastic revenue shortfall. Staff is recommending modifying the fee structure for FY 2010/11 and FY 2011/12 to a flat 8% increase, and continuing the approved flat 6% increase thereafter.

Attached is a table comparing the current fee structure and the modified proposed fee structure (Exhibit A). The table illustrates there will be a slight increase in FY 2010/11 rates for the 25 foot uncovered, 25 foot covered, and 28 covered slips of \$1.25, \$8.33, and \$4.81 per month, respectively. Similarly, for the same slip sizes in FY 2011/12, there will be a slight increase in the monthly rate of \$2.61, \$17.75, and \$10.32, respectively. Conversely, the rates for the 30 foot, 35 foot, 40 foot, 45 foot, and 50 foot slips sizes will all benefit from a lower monthly rate. The savings averages to \$41.56 per month for these larger slip sizes.

Exhibit A further shows the comparison to the two local urban marinas. The comparison shows that seven of the eight slip sizes at the Sacramento Marina have lower rates than the other two local marinas.

Exhibit B shows the projected five-year revenue and expense performance for the Marina Fund with the proposed fee schedule. The plan meets the requirements for the financial health of the Marina Fund required by the State Department of Boating and Waterways loan for the South Basin renovation.

RATE COMPARISON FOR SACRAMENTO MARINA

	FY 2009/10 Current	Scheduled % Increase by Slip Size FY 2010/11 and FY 2011/12*	Proposed % Increase by Slip Size FY 2010/11 and FY 2011/12	FY 2010/11 Approved (12% average)	FY 2010/11 Proposed (8% across)	FY 2011/12 Approved (12% average)	FY 2011/12 Proposed (8% across)	Riverbank Marina 2009	River View Marina 2009
25' uncovered									
Linear Rate	\$ 9.68	7.50%	8.00%	\$ 10.41	\$ 10.45	\$ 11.19	\$ 11.29	24' uncovered	
Monthly Rate	\$ 241.81			\$ 260.15	\$ 261.36	\$ 279.66	\$ 282.27	\$ 340.00	N/A
25' covered									
Linear Rate	\$ 11.11	5.00%	8.00%	\$ 11.67	\$ 12.00	\$ 12.25	\$ 12.96	24' covered	
Monthly Rate	\$ 277.55			\$ 291.64	\$ 299.97	\$ 306.22	\$ 323.97	\$ 370.00	N/A
28' covered									
Linear Rate	\$ 11.46	6.50%	8.00%	\$ 12.20	\$ 12.38	\$ 13.00	\$ 13.37	27' covered	28' covered
Monthly Rate	\$ 320.76			\$ 341.74	\$ 346.55	\$ 363.95	\$ 374.27	\$ 455.00	\$ 392.00
30' covered									
Linear Rate	\$ 12.63	12.00%	8.00%	\$ 14.15	\$ 13.64	\$ 15.84	\$ 14.73	30' covered	32' covered
Monthly Rate	\$ 378.83			\$ 424.37	\$ 409.21	\$ 475.29	\$ 441.95	\$ 530.00	\$ 480.00
35' covered									
Linear Rate	\$ 12.98	13.50%	8.00%	\$ 14.73	\$ 14.02	\$ 16.72	\$ 15.14	35' uncovered	36' covered
Monthly Rate	\$ 454.10			\$ 515.63	\$ 490.64	\$ 585.24	\$ 529.90	\$ 655.00	\$ 504.00
40' covered									
Linear Rate	\$ 13.44	15.50%	8.00%	\$ 15.52	\$ 14.52	\$ 17.93	\$ 15.68	40' covered	40' covered
Monthly Rate	\$ 537.28			\$ 620.93	\$ 580.61	\$ 717.17	\$ 627.06	\$ 865.00	\$ 560.00
45' covered									
Linear Rate	\$ 13.59	16.00%	8.00%	\$ 15.76	\$ 14.68	\$ 18.29	\$ 15.85		44' covered
Monthly Rate	\$ 611.58			\$ 709.40	\$ 660.47	\$ 822.90	\$ 713.31	N/A	\$ 704.00
50' covered									
Linear Rate	\$ 14.26	19.00%	8.00%	\$ 16.97	\$ 15.40	\$ 20.19	\$ 16.63	50' uncovered	
Monthly Rate	\$ 713.01			\$ 848.47	\$ 770.04	\$ 1,009.68	\$ 831.64	\$ 995.00	N/A

* Scheduled rates reflect annual adjustments based on approved City Council action in April 2008.

**Marina Fund
5-year Fund Balance
Revenue Expense Summary
as of March 8, 2010**

(In \$ 000's)	2008-09 Actual	2009-10 Approved	2009-10 Projected	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate	2014-15 Estimate	2015-16 Estimate
(Summary)									
BEGIN FUND BALANCE	766	875	875	794	390	144	100	210	453
REVENUES									
Berth Rentals	1,540	1,810	1,552	1,588	1,794	2,098	2,283	2,514	2,665
Interest	18	18	18	18	23	24	25	28	32
Utilities	30	30	33	32	32	32	32	32	32
Real Property Rental	-	-	-	-	-	-	-	-	-
Gas and Oil Sales	113	250	242	324	324	324	324	324	324
Miscellaneous	47	49	58	49	49	49	49	49	49
TOTAL REVENUES	1,748	2,156	1,903	2,011	2,222	2,527	2,713	2,947	3,102
EXPENDITURES									
Employee Services	361	497	384	381	389	396	404	425	446
Services & Supplies	473	734	795	739	765	809	834	865	888
Operating Transfer Out/(In)	-	-	-	-	-	-	-	-	-
Subtotal--Operations	834	1,231	1,179	1,120	1,154	1,205	1,239	1,289	1,334
Debt Service - Marina Expansion	465	465	465	465	465	465	465	465	465
Debt Service - South Basin	-	-	-	560	560	560	560	560	560
Debt Service - South Basin BofA Loan	140	140	140	140	140	140	140	140	140
Capital Improvement Projects	200	200	200	130	150	200	200	250	255
COI of \$1.5m B of A loan	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	1,639	2,036	1,984	2,415	2,469	2,570	2,604	2,704	2,754
CURRENT SURPLUS/(DEFICIT)	109	120	(81)	(404)	(247)	(43)	109	243	349
Other Fund Sources/(Uses)	-	-	-	-	-	-	-	-	-
ENDING FUND BALANCE	875	995	794	390	144	100	210	453	801
Debt Coverage Ratio (1.25 minimum)	2.78	2.98	2.64	1.45	1.25	1.26	1.35	1.60	1.91

Attachment 2

RESOLUTION NO. 2010-

Adopted by the Sacramento City Council

SACRAMENTO MARINA BERTH FEE MODIFICATION

BACKGROUND

- A. The Sacramento Marina operates as an Enterprise Fund with revenue generated primarily from berth rentals and fuel sales.
- B. In April 2008, a revised berth fee schedule was adopted, by Resolution 2008-224, that was intended to generate additional revenue. The basis of this fee structure was based on a graduated linear foot charge based on increased length (and width) of the slip. This fee structure was designed to have an average increase of 12%, beginning FY 2008/09 through FY 2011/12, and a flat 6% increase thereafter. This fee structure was proposed to align fees with the market and cover operating, capital and debt obligations.
- C. After extensive analysis, it is determined that a 12% average increase is implemented for FY 2010/11 and FY 2011/12, the occupancy rate at the Marina will decline significantly, resulting in a drastic revenue shortfall. The proposed fee revision modifies the fee structure for FY 2010/11 and FY 2011/12 to a flat 8% increase, and continuing the approved flat 6% increase thereafter.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The City Manager, or the City Manager's designee, is authorized to increase the berth slip rates for FY 2010/11 and FY 2011/12 by eight percent, as illustrated in Exhibit A.
- Section 2. Beginning FY 2012/13, the City Manager, or the City Manager's designee, is authorized to annually increase the berth slip rates by six percent, as illustrated in Exhibit A.
- Section 3. Exhibit A is part of this Resolution.

SACRAMENTO MARINA BERTH FEE MODIFICATION SCHEDULE

	FY 2009/10 Current	Scheduled % Increase by Slip Size FY 2010/11 and FY 2011/12*	Proposed % Increase by Slip Size FY 2010/11 and FY 2011/12	FY 2010/11 Approved (12% average)	FY 2010/11 Proposed (8% across)	FY 2011/12 Approved (12% average)	FY 2011/12 Proposed (8% across)	FY 2012/13 Approved (6% across)	FY 2012/13 Proposed (6% across)	FY 2013/14 Approved (6% across)	FY 2013/14 Proposed (6% across)	FY 2014/15 Approved (6% across)	FY 2014/15 Proposed (6% across)
25' uncovered													
Linear Rate	\$ 9.68	7.50%	8.00%	\$ 10.41	\$ 10.45	\$ 11.19	\$ 11.29	\$ 11.86	\$ 11.97	\$ 12.57	\$ 12.69	\$ 13.32	\$ 13.45
Monthly Rate	\$ 241.81			\$ 260.15	\$ 261.36	\$ 279.66	\$ 282.27	\$ 296.44	\$ 299.20	\$ 314.23	\$ 317.16	\$ 333.08	\$ 336.19
25' covered													
Linear Rate	\$ 11.11	5.00%	8.00%	\$ 11.67	\$ 12.00	\$ 12.25	\$ 12.96	\$ 12.98	\$ 13.74	\$ 13.76	\$ 14.56	\$ 14.59	\$ 15.43
Monthly Rate	\$ 277.55			\$ 291.64	\$ 299.97	\$ 306.22	\$ 323.97	\$ 324.59	\$ 343.41	\$ 344.07	\$ 364.01	\$ 364.71	\$ 385.85
28' covered													
Linear Rate	\$ 11.46	6.50%	8.00%	\$ 12.20	\$ 12.38	\$ 13.00	\$ 13.37	\$ 13.78	\$ 14.17	\$ 14.60	\$ 15.02	\$ 15.48	\$ 15.92
Monthly Rate	\$ 320.76			\$ 341.74	\$ 346.55	\$ 363.95	\$ 374.27	\$ 385.79	\$ 396.73	\$ 408.93	\$ 420.53	\$ 433.47	\$ 445.77
30' covered													
Linear Rate	\$ 12.63	12.00%	8.00%	\$ 14.15	\$ 13.64	\$ 15.84	\$ 14.73	\$ 16.79	\$ 15.62	\$ 17.80	\$ 16.55	\$ 18.87	\$ 17.55
Monthly Rate	\$ 378.83			\$ 424.37	\$ 409.21	\$ 475.29	\$ 441.95	\$ 503.81	\$ 468.47	\$ 534.04	\$ 496.57	\$ 566.08	\$ 526.37
35' covered													
Linear Rate	\$ 12.98	13.50%	8.00%	\$ 14.73	\$ 14.02	\$ 16.72	\$ 15.14	\$ 17.72	\$ 16.05	\$ 18.79	\$ 17.01	\$ 19.92	\$ 18.03
Monthly Rate	\$ 454.10			\$ 515.63	\$ 490.64	\$ 585.24	\$ 529.90	\$ 620.36	\$ 561.69	\$ 657.58	\$ 595.39	\$ 697.03	\$ 631.11
40' covered													
Linear Rate	\$ 13.44	15.50%	8.00%	\$ 15.52	\$ 14.52	\$ 17.93	\$ 15.68	\$ 19.01	\$ 16.62	\$ 20.15	\$ 17.61	\$ 21.35	\$ 18.67
Monthly Rate	\$ 537.28			\$ 620.93	\$ 580.61	\$ 717.17	\$ 627.06	\$ 760.20	\$ 664.68	\$ 805.81	\$ 704.56	\$ 854.16	\$ 746.83
45' covered													
Linear Rate	\$ 13.59	16.00%	8.00%	\$ 15.76	\$ 14.68	\$ 18.29	\$ 15.85	\$ 19.38	\$ 16.80	\$ 20.55	\$ 17.81	\$ 21.78	\$ 18.88
Monthly Rate	\$ 611.58			\$ 709.40	\$ 660.47	\$ 822.90	\$ 713.31	\$ 872.28	\$ 756.11	\$ 924.61	\$ 801.48	\$ 980.09	\$ 849.57
50' covered													
Linear Rate	\$ 14.26	19.00%	8.00%	\$ 16.97	\$ 15.40	\$ 20.19	\$ 16.63	\$ 21.41	\$ 17.63	\$ 22.69	\$ 18.69	\$ 24.05	\$ 19.81
Monthly Rate	\$ 713.01			\$ 848.47	\$ 770.04	\$ 1,009.68	\$ 831.64	\$ 1,070.26	\$ 881.54	\$ 1,134.48	\$ 934.43	\$ 1,202.54	\$ 990.50

* Scheduled rates reflect annual adjustments based on approved City Council action in April 2008.