



City of Sacramento City Council

10

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

Meeting Date: 5/17/2011

Report Type: Public Hearing

Title: Marina Fee Revision

Report ID: 2011-00394

Location: District 4

Recommendation: Conduct a public hearing and upon conclusion adjust the previously approved rates for the rental of berth slips at the Sacramento Marina from a 6% increase in Fiscal Year 2011/12 and Fiscal Year 2012/13, to a flat 3% increase.

Contact: Clair "Bud" Camper, Marina Manager, (916) 808-5712; Barbara Bonebrake, Director, (916) 808-8225, Convention, Culture & Leisure Department

Presenter: Clair "Bud" Camper, Marina Manager, (916) 808-5712, Convention, Culture and Leisure Department

Department: Convention Culture & Leisure

Division: Sacramento Marina

Dept ID: 17001411

Attachments:

- 1-Description/Analysis
- 2-Background 051711 Attachment 1
- 3-5 Year 051711 Attachment 2
- 4-Reso 051711 Attachment 3
- 5-Fee Comparison 052411 5-5-11

City Attorney Review

Approved as to Form
Kourtney Burdick
5/10/2011 1:43:10 PM

City Treasurer Review

Prior Council Financial Policy Approval or
Outside City Treasurer Scope
Russell Fehr
4/29/2011 4:07:32 PM

Approvals/Acknowledgements

Department Director or Designee: Barbara E. Bonebrake - 5/5/2011 4:34:55 PM

Assistant City Manager: Patti Bisharat - 5/10/2011 1:24:41 PM



Description/Analysis

Issue: In April 2008, a revised berth fee schedule was adopted for the Sacramento Marina that was intended to generate additional revenue. This fee schedule was designed to increase fees an average of 12% for FY2008/09 through FY2011/12, reducing to a flat 6% annual increase thereafter. This fee structure was proposed to align fees with the market and to cover operating, capital, and debt obligations.

In FY2009/10, coinciding with economic conditions in the region, the occupancy rate at the Marina began to decline significantly, resulting in a drastic revenue shortfall. Occupancy has decreased from an average of 79% in FY2008/09 to 55% for the first three quarters of FY2010/11. On June 15, 2010, Council approved a fee revision to reduce the fee structure to no increase in FY2010/11 and to a flat 6% increase in FY2011/12 and each year thereafter.

Today, occupancy at the Marina and revenue continue to decline, and staff believes that the scheduled 6% increase for FY2011/12 will further decrease occupancy and revenue.

Accordingly, staff recommends reducing the fee structure for FY2011/12 and FY2012/13 to a flat 3% increase, rounded to the nearest dollar, and to continue the approved, annual flat 6% increase thereafter, rounded to the nearest dollar.

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 value of 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: Not applicable.

Other: Not applicable.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: Due to economic conditions in the County and the region, occupancy levels at the Sacramento Marina have declined significantly. 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, which generates revenue to cover all operating costs and debt obligations. The average year-to-date occupancy level at the Marina is 55%, the current occupancy rate is 46%. The FY2011/12 proposed revenue, shown in Attachment 2, is based on an average occupancy of 54% and the proposed 3% increase in berth fees, rounded to the nearest dollar. Staff is currently working with the Department of Boating and Waterways to restructure the debt payments. The five-year

projection depicts the Marina Fund in a negative position in two years. The proposed fee increase is expected to generate \$37,000 more in FY2011/12 than the estimated revenue generated for FY2010/11. Exhibit A to the Resolution depicts the proposed, reduced fee structure.

Attachment 2 shows the Marina Fund's projected five-year revenues and expenses with the proposed fee increases.

Emerging Small Business Development (ESBD): No goods or services are being purchased.



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 comparable marinas. Accordingly, a revised berth fee schedule was adopted, which raised rates in order to generate additional revenue. This fee structure was designed to result in an average annual increase of 12%, beginning FY2008/09 through FY2011/12, and a flat 6% annual increase thereafter.

In 2010, after extensive analysis, staff concluded that due to the economic downturn, 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. Council approved a fee revision to reduce the fee structure for no increase in FY2010/11 and a flat 6% increase beginning in FY 2011/12 and each Fiscal Year thereafter.

Today, occupancy at the Marina and revenues continue to decline, and staff believes that the scheduled 6% increase for FY2011/12 will further decrease occupancy and revenue. Staff recommends reducing the fee structure for FY2011/12 and FY 2012/13 to a flat 3% increase, rounded to the nearest dollar, and to continue the approved, annual flat 6% increase thereafter, rounded to the nearest dollar.

Marina staff held a meeting on May 10, 2011 with interested patrons. All patrons were notified by mail of the proposed revised fee structure and Public Hearing date of May 17th.

Exhibit A to the Resolution compares the current fee structure and the modified proposed fee structure.

Attachment 2 shows the Marina's projected five-year revenues and expenses, based on the proposed fee schedule. Additionally, the Marina has a debt obligation of approximately \$560,000 to the State's Department of Boating and Waterways (DBAW), scheduled to begin in Fiscal Year 2011/12. This debt obligation is related to the South Basin renovation. There is a clause in the agreement which allows the debt payments to be deferred a year, and staff has been in contact with DBAW to execute this payment deferral as well as restructuring the debt payments. The restructuring of the debt payment schedule will aid in achieving a healthier fund balance in future years.

Marina Fund Five-Year Fund Balance

Attachment 2

| (in \$ 000s) | 2011-12 Estimate | 2012-13 Estimate | 2013-14 Estimate | 2014-15 Estimate | 2015-16 Estimate |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| (Summary) | | | | | |
| BEGIN FUND BALANCE | 525 | 478 | 19 | (308) | (595) |
| REVENUES | | | | | |
| Berth Rentals | 1,283 | 1,469 | 1,687 | 1,926 | 2,187 |
| Interest | 23 | 24 | 25 | 28 | 32 |
| Utilities | 32 | 32 | 32 | 32 | 32 |
| Real Property Rental | - | - | - | - | - |
| Gas and Oil Sales | 324 | 324 | 324 | 324 | 324 |
| Miscellaneous | 49 | 49 | 49 | 49 | 49 |
| TOTAL REVENUES | 1,711 | 1,898 | 2,117 | 2,359 | 2,624 |
| EXPENDITURES | | | | | |
| Employee Services | 389 | 396 | 404 | 425 | 446 |
| Services & Supplies | 714 | 746 | 775 | 806 | 840 |
| Operating Transfer Out/(In) | - | - | - | - | - |
| Subtotal--Operations | 1,103 | 1,142 | 1,179 | 1,231 | 1,286 |
| Debt Service - Marina Expansion | 465 | 465 | 465 | 465 | 465 |
| Debt Service - South Basin* | - | 560 | 560 | 560 | 560 |
| Debt Service - South Basin BofA Loan | 140 | 140 | 140 | 140 | 140 |
| Capital Improvement Projects | 50 | 50 | 100 | 250 | 255 |
| COI of \$1.5m BofA loan | | | | | |
| Other | - | - | - | - | - |
| TOTAL EXPENDITURES | 1,758 | 2,357 | 2,444 | 2,646 | 2,706 |
| CURRENT SURPLUS/(DEFICIT) | (47) | (459) | (327) | (287) | (82) |
| Other Fund Sources/(Uses) | - | - | - | - | - |
| ENDING FUND BALANCE | 478 | 19 | (308) | (595) | (677) |
| Debt Coverage Ratio (1.25 minimum) | 1.87 | 1.06 | 0.82 | 0.70 | 0.64 |



RESOLUTION NO. 2011-

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, to align fees with the market, and to cover operating, capital and debt obligations. This fee structure was designed to increase berthing fees an average of 12% annually, beginning FY2008/09 through FY2011/12, with a flat 6% annual increase thereafter.
- C. In June 2010, it was determined that a 12% average increase for FY2010/11 and FY2011/12 would cause the occupancy rate at the Marina to decline significantly, resulting in a revenue shortfall. A revised berth fee schedule was adopted, by Resolution 2010-341, which modified the fee structure, resulting in no fee increase in FY2010/11 and a flat 6% annual increase beginning in FY2011/12 and each fiscal year thereafter.
- D. Today, occupancy and revenue continue to decline. The scheduled 6% increase for FY2011/12 will further decrease occupancy and revenue.

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 modify the fee structure for the Sacramento Marina berth slip rates for FY2011/12 and FY2012/13 to as shown in Exhibit A.
- Section 2. Beginning FY 2013/14, the City Manager, or the City Manager's designee, is authorized to annually increase the Sacramento Marina berth slip rates by six percent, as shown in Exhibit A.
- Section 3. Exhibit A is part of this Resolution.



SACRAMENTO MARINA BERTH FEE SCHEDULE

| | Current Fees | FY2011/12 Scheduled Fee | FY2011/12 Proposed Fee | FY2012/13 Scheduled Fee | FY2012/13 Proposed Fee | FY2013/14 Scheduled Fee | FY2013/14 Proposed Fee | FY2014/15 Scheduled Fee | FY2014/15 Proposed Fee | FY2015/16 Scheduled Fee | FY2015/16 Proposed Fee |
|----------------------|--------------|-------------------------|------------------------|-------------------------|------------------------|-------------------------|------------------------|-------------------------|------------------------|-------------------------|------------------------|
| 25' uncovered | \$ 241.81 | \$ 256.32 | \$ 249.00 | \$ 271.70 | \$ 256.00 | \$ 288.00 | \$ 271.00 | \$ 305.28 | \$ 287.00 | \$ 323.60 | \$ 304.00 |
| | | | | | | | | | | | \$ - |
| 25' covered | \$ 277.55 | \$ 294.20 | \$ 286.00 | \$ 311.86 | \$ 295.00 | \$ 330.57 | \$ 313.00 | \$ 350.40 | \$ 332.00 | \$ 371.42 | \$ 352.00 |
| | | | | | | | | | | | \$ - |
| 28' covered | \$ 320.76 | \$ 340.01 | \$ 330.00 | \$ 360.41 | \$ 340.00 | \$ 382.03 | \$ 360.00 | \$ 404.95 | \$ 382.00 | \$ 429.25 | \$ 405.00 |
| | | | | | | | | | | | \$ - |
| 30' covered | \$ 378.83 | \$ 401.56 | \$ 390.00 | \$ 425.65 | \$ 402.00 | \$ 451.19 | \$ 426.00 | \$ 478.26 | \$ 452.00 | \$ 506.96 | \$ 479.00 |
| | | | | | | | | | | | \$ - |
| 35' covered | \$ 454.10 | \$ 481.35 | \$ 468.00 | \$ 510.23 | \$ 482.00 | \$ 540.84 | \$ 511.00 | \$ 573.29 | \$ 542.00 | \$ 607.69 | \$ 575.00 |
| | | | | | | | | | | | \$ - |
| 40' covered | \$ 537.28 | \$ 569.52 | \$ 553.00 | \$ 603.69 | \$ 570.00 | \$ 639.91 | \$ 604.00 | \$ 678.30 | \$ 640.00 | \$ 719.00 | \$ 678.00 |
| | | | | | | | | | | | \$ - |
| 45' covered | \$ 611.58 | \$ 648.27 | \$ 630.00 | \$ 687.17 | \$ 649.00 | \$ 728.40 | \$ 688.00 | \$ 772.11 | \$ 729.00 | \$ 818.43 | \$ 773.00 |
| | | | | | | | | | | | \$ - |
| 50' covered | \$ 713.01 | \$ 755.79 | \$ 734.00 | \$ 801.14 | \$ 756.00 | \$ 849.21 | \$ 801.00 | \$ 900.16 | \$ 849.00 | \$ 954.17 | \$ 900.00 |

Scheduled rates reflect annual adjustments based on approved City Council action in June 2010