

Meeting Date: 5/14/2013

Report Type: Staff/Discussion

Report ID: 2013-00413



Title: Marina Fund Status

Location: 2710 Ramp Way, District 4

Issue: Change of Marina Fund (6009) from an Enterprise Fund to a Special Revenue Fund

Recommendation: Pass a Motion 1) approving a change to the Marina Fund (6009) from an Enterprise Fund to a Special Revenue Fund effective July 1, 2013; and 2) authorizing the City Manager or his designee to make the necessary budget adjustments to implement the change effective July 1, 2013.

Contact: Rebecca Bitter, Program Manager, (916) 808-5047; Barbara E. Bonebrake, Director, (916) 808-7733, Convention, Culture and Leisure Department

Presenter: Barbara E. Bonebrake, Director, (916) 808-7733, Convention, Culture and Leisure Department

Department: Convention Culture & Leisure

Division: CCL Administration

Dept ID: 17001011

Attachments:

1-Description/Analysis

2-Resolution

City Attorney Review

Approved as to Form

Kourtney Burdick

5/8/2013 2:39:03 PM

Approvals/Acknowledgements

Department Director or Designee: Karla Rockberg - 5/8/2013 12:32:15 PM

Description/Analysis

Issue Detail: The marina occupancy rate has declined from a sustained high of 95% in Fiscal Year (FY) 2004/05 to a record low of 44% in FY2012/13. The City's marina occupancy decline is consistent with other non-coastal marinas in California; however, because of the decreased revenue and a very slow predicted recovery in the foreseeable future, the Marina fund can no longer support current operations and debt service requirements. Therefore, it is recommended that the Marina Fund be changed from an enterprise fund to a special revenue fund. This will provide the flexibility to direct all available resources net of operational expenses to debt service obligations. In addition, the City is currently working with the State Department of Boating and Waterways (DBAW) to renegotiate debt service owed to DBAW for Marina improvements as another means to address the imbalance in the fund.

Policy Considerations: The proposed action to change the Marina Fund from an enterprise fund to a special revenue fund supports the City's effort to return the Marina Fund to fiscal health and provide an appropriate accounting of fiscal resources.

Economic Impacts: None.

Environmental Considerations: The proposed action does not constitute a project under Section 15061(b)(3) of the California Environmental Quality Act guidelines.

Sustainability: The proposed action has been reviewed for consistency with the goals, policies, and targets of the City's Sustainability Master Plan (SMP).

Commission/Committee Action: Not applicable.

Rationale for Recommendation: The Marina Fund is no longer self-supporting and it is anticipated that the recovery of Marina-related revenue will be very slow for the foreseeable future. Enterprise funds are used to account for self-supporting City programs that provide services on a user-fee basis to the public; special revenue funds are used to account for activities supported by specific taxes or other revenue sources. Special revenue funds also do not have indirect costs or in-lieu fees attributed to them. The change in fund type will eliminate the burden of these costs on Marina operations, allowing all remaining available resources net of operations and a minor capital program to be directed to debt service obligations. However, this change will result in an increased cost to the General Fund of \$295,798 in FY2013/14. This cost has been included in the FY2013/14 proposed General Fund budget.

Financial Considerations: The five-year expense and revenue forecasts included in this report reflect the significant effect of the economic downturn on the boating industry. There are three forecast alternatives which illustrate the different fund and loan scenarios. Only Forecast C yields a positive fund balance.

Forecast A (as an enterprise fund with the current loan schedule) – Results in an unsustainable fund with no ability to make the loan payment from Marina-related revenue.

Marina Fund - Forecast A
Revenue and Expenditure Five-year Forecast
Dollars in Thousands

	FY2013/14 Budget	FY2014/15 Estimate	FY2015/16 Estimate	FY2016/17 Estimate	FY2017/18 Estimate
REVENUES					
Charges, Fees, and/or Services	1,070	1,188	1,188	1,188	1,386
Interest	18	18	20	22	23
Other (Fuel)	229	236	244	252	258
TOTAL REVENUES	1,316	1,443	1,452	1,462	1,667
EXPENDITURES					
Operating - Employee Services	390	399	411	423	440
Operating - Others	548	569	575	583	611
Debt Service	1,239	1,239	1,239	1,239	1,239
Capital Improvements	50	100	115	130	130
TOTAL EXPENDITURES	2,227	2,307	2,340	2,375	2,420
CURRENT SURPLUS/(DEFICIT)	(911)	(864)	(888)	(913)	(753)
Beginning Fund Balance	(528)	(1,439)	(2,303)	(3,191)	(4,104)
ENDING FUND BALANCE	(1,439)	(2,303)	(3,191)	(4,104)	(4,857)

- **Forecast B** (as a special revenue fund with the current loan schedule) – Assumes elimination of in-lieu and indirect costs, without a change in the DBAW loan structure. Results in the inability to make the loan payment from Marina-related revenue.

Marina Fund - Forecast B

	FY2013/14	FY2014/15	FY2015/16	FY2016/17	FY2017/18
	Budget	Estimate	Estimate	Estimate	Estimate
REVENUES					
Charges, Fees, and/or Services	1,070	1,188	1,188	1,188	1,386
Interest	18	18	20	22	23
Other (Fuel)	229	237	244	252	258
TOTAL REVENUES	1,316	1,443	1,452	1,462	1,667
EXPENDITURES					
Operating - Employee Services	390	399	411	423	440
Operating - Others	252	265	270	276	282
Debt Service	1,239	1,239	1,239	1,239	1,239
Capital Improvements	50	100	115	130	130
TOTAL EXPENDITURES	1,932	2,003	2,035	2,069	2,092
CURRENT SURPLUS/(DEFICIT)	(616)	(560)	(583)	(607)	(425)
Beginning Fund Balance	(528)	(1,144)	(1,704)	(2,287)	(2,894)
ENDING FUND BALANCE	(1,144)	(1,704)	(2,287)	(2,894)	(3,319)

- **Forecast C** (as a special revenue fund and DBAW accepting the City's loan restructure proposal) – Includes the elimination of in-lieu and indirect costs and the DBAW approval of the City's October 2012 loan restructuring plan, which is based on the City's ability to pay from the annual Marina-related revenue after minimal operating and capital costs. Fund stabilization would take approximately seven to eight years and then full loan payments could begin.

Marina Fund - Forecast C

	FY2013/14 Budget	FY2014/15 Estimate	FY2015/16 Estimate	FY2016/17 Estimate	FY2017/18 Estimate
REVENUES					
Charges, Fees, and/or Services	1,070	1,188	1,188	1,188	1,386
Interest	18	18	20	22	23
Other (Fuel)	229	237	244	252	258
TOTAL REVENUES	1,316	1,443	1,452	1,462	1,667
EXPENDITURES					
Operating - Employee Services	390	399	411	423	440
Operating - Others	252	265	270	276	282
Debt Service	790	666	655	632	794
Capital Improvements	50	100	115	130	130
TOTAL EXPENDITURES	1,482	1,430	1,451	1,461	1,646
CURRENT SURPLUS/(DEFICIT)	(166)	13	1	1	21
Beginning Fund Balance	297	131	144	145	146
ENDING FUND BALANCE	131	144	145	146	167

All three versions acknowledge that the Marina's operating expenses have been reduced to the minimal level necessary to support basic operations and capital programs. In addition, all forecasts assume the occupancy rate will be 45% in FY2013/14, 50% in FY2014/15 to FY2016/17, and 55% in FY2017/18. Due to the lack of demand, the forecasts have no berth fee increases through FY2016/17 and then, as the boating economy recovers, a six percent increase in FY2017/18. The City's goal is to provide stable rates in response to the low demand as the economy recovers, at which time, rate increases would resume.

As Forecast C shows, should DBAW accept the City's proposed loan restructure, the fund will be able to retain a minimal, but positive, fund balance.

Emerging Small Business Development (ESBD): Not applicable.



RESOLUTION NO. 2013-

Adopted by the Sacramento City Council

APPROVE CHANGING THE MARINA FUND FROM AN ENTERPRISE FUND TO A SPECIAL REVENUE FUND

BACKGROUND

- A. The Sacramento Marina is a full-service seven-day-a-week operation that includes 475 berths, a fuel dock, security gates, and parking. Revenues from berth rentals and fuel sales, which are deposited into the Marina Fund, are intended to offset the cost of operation, debt service, and capital improvements.

- B. The Marina occupancy rate has declined from a sustained high of 95% in FY2004/05 to a record low of 44% in FY2012/13. As a result, the City's Marina Fund can no longer support current operations and debt service requirements. Therefore, it is recommended that the Marina Fund be changed from an enterprise fund to a special revenue fund. Enterprise funds are used to account for self-supporting City programs that provide services on a user-fee basis to the public; special revenue funds are used to account for activities supported by specific taxes or other revenue sources. Special revenue funds do not have indirect costs or in-lieu fees attributed to them. The change in the Marina Fund's fund type will eliminate the burden of these costs on Marina operations, allowing all remaining available resources net of operations and a minor capital program to be directed to debt service obligations.

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

- Section 1. The change of the the Marina Fund (6009) from an enterprise fund to a special revenue fund effective July 1, 2013, is approved.

- Section 2. The City Manager or his designee is authorized to make the necessary budget adjustments to implement the Marina Fund's change in fund type.