

# *City of Brisbane*

## *Agenda Report*

To: Mayor and City Council

From: Stuart Schillinger, Administrative Services Director

Subject: Options for rate increases to pay for dredging of the City Marina

Date: February 5, 2015

### **Purpose:**

Ensure that the City provides a high quality boating experience for marina users.

### **Recommendation:**

Direct staff to bring back a resolution to increase the rates charged for marina slips in order to pay for the necessary dredging for boats to be able to use the marina during low tide.

### **Background:**

The last dredging project the City did was approximately 15 years ago. In order to keep the waterways open it is anticipated that dredging should occur every 12 or so years.

During the budget deliberations for the 2014/15 budget the City Council directed staff to perform a survey to determine what was needed to keep the marina usable. This survey has been performed and it was determined the cost of the necessary dredging was between \$3.5 and \$3.8 million.

The marina slip fees currently take in approximately \$1.4 million a year.

### **Discussion:**

Since it is anticipated that the marina will need to be dredged in another 12 -15 years staff does not recommending borrowing money for more than 12 years. This ensures that the people who benefit from the project pay for it as they use it. A 12-year \$3.8 million bond issue will have issuance costs of approximately \$116,000. Since this is a construction project we will also be able to capitalize interest during the construction period (approximately 2 years). Therefore the annual cost of the bond payment is approximately \$450,000 a year. This is about 30% of the current annual revenue.

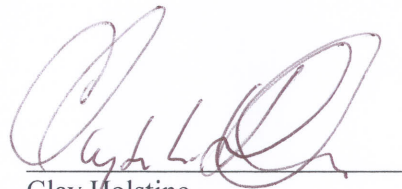
Staff recognized that a 30% increase in the first year would be difficult for the City to implement. Therefore, they looked at a scenario where this could be imposed over a 3 year period. This is the reason why the bond issue anticipates using capitalized interest. This allows the bond issue itself to pay for the interest in the first two years and not make a principal payment until the third year. This would mean there would need to be a 15% rate increase in the first year and then increasing to the 30% by the third year.

The Facility Subcommittee thought the 15% rate increase in the first year was too high given the fact that no benefit from the project would be seen until after the first segment of the dredging was completed. They recommended that the increase be 10% in the first year 10%, in the second, and then the last 10% in the third. In order to do this the City would need to make the capitalized interest payment from another source other than the bond issue. The two sources are either the Marina Fund or the General Fund. Staff does not anticipate there will be enough funds in the Marina Fund to cover this cost. The dredging project itself will cause a dislocation of boats and therefore reduced revenue coming in to the fund. Marina staff anticipates this will be about 15% during the period of the dredging. This equates to a minimum of \$200,000 which will need to come from the reserves. If the 15% decrease happens for the entire two year period instead of just the 12 months of dredging it could be as high as \$400,000. This will reduce the cash balance of the fund below the amount Council policy has set for the fund balance. The \$174,000 in capitalized interest can be paid for from the General Fund. This can be paid back when funds are available from the Marina slip fees.

Ultimately a thirty percent increase will place the City slightly below the average of all Bay area marinas as shown in the chart put together by the City's Harbor Master. (Attachment A)

**Measure of Success**

A marina which can be used during all tidal levels.



Clay Holstine  
City Manager



### 2013 Berthing Rate Survey

Marina	\$/LF
McAvoy Yacht Harbor	\$4.98
Pt. San Pablo Yacht Harbor	\$5.75
New Bridge Marina	\$6.03
Martinez Marina	\$6.22
Richmond Yacht Club	\$6.31
<b>Brisbane Marina</b>	<b>\$6.32</b>
Pittsburg Marina	\$6.38
Antioch Marina	\$6.50
Spud Point Marina	\$6.55
Moss Landing Harbor District	\$6.60
Redwood Landing Marina	\$6.70
<b>Brisbane Marina +15%</b>	<b>\$7.27</b>
Redwood City Municipal Marina	\$7.34
Lowrie Yacht Harbor	\$7.50
Coyote Point Marina	\$7.73
Bair Island Marina	\$7.76
Oyster Cove Marina	\$7.85
Vallejo Municipal Marina	\$7.89
Oyster Point Marina	\$7.90
Alameda Marina	\$7.90
Monterey Marina	\$7.95
Median (w/out South Beach)	\$7.95
Median	\$8.00
Fortman Marina	\$8.04
<b>Brisbane Marina +30%</b>	<b>\$8.22</b>
Average (w/out South Beach)	\$8.28
San Leandro Marina	\$8.30
Average	\$8.40
Pillar Point Harbor	\$8.48
Discovery Bay Yacht Harbor	\$8.73
Loch Lomond Marina	\$8.75
Marina Bay Yacht harbor	\$8.79
Brickyard Cove Marina	\$9.13
West Point Harbor	\$9.25
Delta Marina Yacht Harbor	\$9.48
Emery Cove Yacht Harbor	\$9.65
Treasure Island Yacht Harbor	\$9.85
Ballena Isle	\$10.14
Grand Marina	\$10.17
Emeryville Marina	\$10.31
Berkeley Marina	\$10.42
Pier 39 Marina	\$10.81
Richardson Bay Marina	\$11.00
Santa Cruz Harbor	\$11.49
Marina Village Yacht Harbor	\$11.90
South Beach Harbor	\$12.99

# 2013 Berthing Rate Survey - \$/LF

