INVESTIGATION INTO COSTS & ADVANTAGES OF PRIVATE MANAGEMENT OF THE COYOTE POINT MARINA THROUGH A LONG-TERM LEASE OR OPERATING AGREEMENT

Prepared for the
SAN MATEO COUNTY PARKS DEPARTMENT
Redwood City, California

By
DORNBUSCH ASSOCIATES
Berkeley, California

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TABLE OF CONTENTS

I. INTRODUCTION

A. STUDY SCOPE AND OBJECTIVES

On August 14, 2007, the 2006-07 Grand Jury recommended that the San Mateo County Board of Supervisors direct the County Manager to:

> "Instruct the Parks Department to investigate the costs and advantages of private management of the (Coyote Point) Marina through a long-term lease or operating agreement to insure that the County's investment in the Marina is preserved and enhanced."[1]

The San Mateo County Parks Department elaborated on that request and engaged Dornbusch Associates (Dornbusch) to "to determine if private marina operators may provide better management at no greater cost to the County," with the following specific items to be investigated:[2]

1. Analysis of the cost advantages of private operation of the Marina through a long-term lease or operating agreement compared to the operation of the Marina by the County.
2. Analysis of the current management structure for the Marina versus private management to determine which would provide better management and customer service.
3. General financial and operational review comparing public and privately operated public marinas in the San Francisco Bay Area and the State of California in general as it relates to determining whether private marina operators may provide better management at no greater cost.
4. The ability of a private operation to meet the capital project needs of the Marina in a timelier manner.
5. The ability of a private operation to increase Marina occupancy and the desirability of the Marina for boaters.

This report addresses the three principal types of alternative private contracting relationships to which the work scope referenced, including a long-term lease and interpreting the term "operating agreement" (used in the work scope) to possibly include two types of agreements. Therefore, the three types of contracts considered are:

- Management Contract
- Concession Contract
- Long-Term Lease

The purpose of this report is to present Dornbusch Associate's analysis and findings. However, it begins with a brief discussion of what each of the contracting approaches generally entail regarding their relative financial and operating risks and returns.

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[1] County of San Mateo, Inter-Department Correspondence, John L. Maltbie, County Manger, July 30, 2007.
[2] Dornbusch Associates Agreement of September 26, 2007.

B. LEASE, CONCESSION & MANAGEMENT CONTRACT

The analysis presented in this report of choosing between entering into a private contract to operate the Coyote Point Marina versus the County continuing to operate the Marina as a Non General Fund Enterprise Fund as it has in the past, focuses mainly the financial considerations. Such financial considerations also recognize commensurate private financial and operating risks. However, the County should also consider the advantages that private contracting can offer of simplifying the management responsibilities, reducing its own financial and operating risks, and reducing the vulnerability of the rate setting process to slip renters' pressure. Certainly, the Marina will also be concerned about losing the good will of some of its slip renters if a private operator turned out not to perform as well as the Marina. So, we investigated public agencies' experience with such private marina contractors while gathering relevant financial information.

This report refers to two types of risk – financial risk and operating risk. As used here, "financial risk" refers to the funding of capital improvements, and the risk that the enterprise's cash flow might be insufficient to service the debt and/or yield a satisfactory return on a private entity's equity that are combined to fund those improvements. "Operating risk" refers to the risks associated with lower-than-expected operating revenues and higher-than-expected operating expenses.

In very general terms, management contractors pass along all financial and operating risks to the contracting agency. However, lessees and concessionaire assume all operating risks, and some or all of the financial risks, depending on how the contract is structured. Concession contracts are generally much shorter than leases, and like management contracts, would enable the funding of future capital improvements at the low cost Department of Boating and Waterways (DBAW) public lending rate.

The choice between the three types of contracts will likely depend on the magnitude and timing of the future capital expenditures necessary to sustain the Marina's operations. The three contracting approaches are described below.

1. Management Contract

The Marina would retain the greatest amount of financial returns, but also operating risk, under a management contract. Under a management contract, the Marina would continue to be responsible for funding all operating and capital expenses, but the management firm would replace the Marina's managers with its own management team and charge a fee for its management services. The manager would incur no operating or financial risks, passing through all financial and operating costs and risks to the Marina. The Marina would necessarily monitor and audit all operating expenditures, as well as incur and service all debt.

The management fee is generally a fixed percentage of gross revenues, possibly also including an additional percentage related to increases in revenues and serving as an incentive for the manager to increase revenues and therefore net income. Management fees generally range from 3% to 6% of gross revenues, depending on the magnitude of the marina's revenues and whether an incentive fee is also provided.

The Marina might continue to set slip rates under a management contract, but a key benefit of entering into a management contract would be to transfer that responsibility to the manager. If the Marina did control slip rates, the political pressure that tends to suppress rates under public agency management will also suppress rates under a management contract. Also, in that case, there would presumably be no incentive fee, since that would effectively eliminate the manager's ability to increase revenues.

One major method for the Coyote Point Marina to raise revenues would be by increasing slip occupancy, which is currently at about 80%. While this occupancy rate is in the higher range for San Francisco Bay marinas, it is 8%–12% lower than historic occupancy rates at Coyote Point Marina. And, the occupancy rate will likely increase when Dock 29 is replaced and its currently unusable slips become usable again. Therefore, a management contract at Coyote Point would be expected to entail a management fee that is a fixed percentage of revenues, and would not include an incentive fee.

This approach would at a minimum yield day-to-day operating management responsibilities to a private contractor. A management contract would also enable the Marina to yield responsibility to the contractor for setting slip rates and for selecting and compensating staff, important keys to increasing the Marina's financial return, indeed the most important costs and revenues at Coyote Point. In fact, a management contractor might require those terms as a condition for accepting the contract, especially if the management contract were expected to lead to a long-term lease.

Of course, with the DBAW debt being used at the Marina, the manager might be constrained by DBAW's rate limitation provisions. Slip renters will often influence the public agencies' rate setting process. However, a private contractor will be constrained in setting rates exclusively by market realities.[3] Therefore, shifting Marina management to a private operator will enable the Marina to avoid the political pressures that have historically kept publicly operated marina rates lower than privately operated marinas.

Marina managers generally charge 5%-6% of gross revenues for management contracts lacking an incentive clause that, as indicated above, would be impractical for Coyote Point. Private Bay Area marina management contractors are currently charging 5% of gross revenues.[4] The management fee normally covers the private contractor's corporate overhead and avoids the problem of having to specify in the contract what corporate overhead allocations would or would not be passed through to the public agency.

Some private mangers will only assume a management contract under the condition that it be viewed as an interim contracting arrangement while they negotiate a long-term lease. The interim period might be for the purpose of the public agency making capital improvements to the

[3] If not constrained by the public agency in specifying the contract terms.

[4] Specifically, at the Martinez, Treasure Isle and Ballena Isle (Alameda) Marinas. Sources: Joann Tool, Martinez Deputy Director – Parks & Community Services, Jim Hayes, Vice President of Operations, Almar Marinas, October 26, 2007; Leslie Little, Development Services Director, City of Alameda, October 29, 2007; Dorene Soto, Manager, Business Development Division, City of Alameda, October 29, 2007.

manager's/lessee's satisfaction. Lease terms are certainly negotiable, and will be discussed below.

2. Lease

The Marina would give up the most financial returns, but also the financial and operating risks, under a lease contract. Under such a contract, the lessee and not the Marina would be responsible for funding all operating and maintenance expenses and generally all capital expenses. The capital funding provided, and the fee paid for the contracting rights, by the lessee would depend entirely on to what degree the lessee might expect to realize its target rate of return on its investments. And, that would naturally depend upon the magnitude and timing of the capital investments required, the operating returns available, and the lessee's perception of the risks that the capital costs might be higher and the returns might be lower than expected.

As noted above, the potential to increase revenues at Coyote Point is limited mostly to the power to raise slip rates and increase occupancy. Therefore, a lessee would require considerable latitude in raising slip rates. Lessees are not sensitive to the political pressures that the Marina experiences to maintain relatively low slip rates. They will certainly raise rates based on an analysis of the market to determine just how much occupancy they would be able to give up in response to higher rates, with the net effect of increasing net revenues. Lessees are able to be much more responsive to market demand than the Marina, raising or lowering rates according to their perception of what the market will bear. That pattern is clearly demonstrated by the difference between slip rates at publicly versus privately operated marinas in San Francisco Bay, and for that matter, everywhere. As of March 2007, the average slip rate at public San Francisco Bay marinas was $7.11/ft./month, while the average for private marinas was $8.21/ft./month, more than 15% higher.[5]

Prospective lessees will generally seek very long-term leases of 40-50 years, plus additional option periods. However, lessees will accept terms as short as 25 years.

The lease fees paid will depend entirely on how much net operating income will remain after realizing their target internal rate of return (IRR), commensurate with their operating and financial risks. The formulas might even vary over the lease term, depending on the magnitude and timing of the lessee's investment burden and the amount of money spent on marketing to increase occupancy.

Therefore, prospective lessees will estimate the capital costs necessary to sustain the marina operations relative to the estimated expected income stream. The higher the risk of greater-than-estimated capital costs, and/or lower-than-expected income, the higher will be their target IRR. Marina lessees' target pre-tax IRRs are generally in the range of 10% to 12%, but can be considerably higher and even somewhat lower, for higher or lower risk-gain relationships.

The more capital investment responsibility the lessee has, the lower will be the lease fee paid. In fact, until the lessee is comfortable that it could realize its target IRR, it might pay very low or even no fees for a lease contract.

[5] Based on responses from 85% of marina operators.

3. Concession Contract

Concession contracts generally look like a blend of a lease and management contract, borrowing aspects from each. Concessionaires assume all operating risks and are also generally required to invest in some or all of the capital improvements. They do that in exchange for obtaining all of the income generated by the concession enterprise(s). Indeed, some concession contracts require the concessionaire to fund all improvements and other contracts none, the amount of concessionaire investment limited by its expected ability to achieve its target IRR on that investment. Indeed, this aspect of a concession contract might make it an appropriate choice, as well as a management contract, given what appears to be the very high future capital cost expectation at Coyote Point.

Concession contracts are generally of much shorter duration than a lease, with terms often as short as only 10 years. Therefore, the marina owner has much more flexibility to engage concessionaires under more frequent fair market competitions. But by constraining the concession term, while burdening the concessionaire with operating and financial risks, the marina owner gives up the financial returns it would realize for a lease entailing similar financial and operating risks but of a longer term.

A concession contract's shorter term itself represents an operating risk, in that it allows less time for a concessionaire to recover from lower-than-expected revenues and/or higher-than-expected expenses, as might stem from the effects of bad weather, a downturn in the economy, or business interruptions from disaster (such as fire) that are not otherwise covered by insurance or financial relief by the contracting agency.

Also, for such short concession contract terms, if the investment requirements are large, the concession contract will generally have a provision in which the concessionaire is able to recover a residual (amortized) value of its investment. This can be a problematic issue, and it's generally in the marina owner's interest to either specify a recovery formula that is not open to judgment and therefore dispute, or provide a contract term that is long enough for the concessionaire to amortize all of its capital investment. Therefore, if the concessionaire is to assume responsibility for most or all capital risks and dredging costs, it's desirable for a marina concession contract to be timed to begin and end just before a dredging cycle.

As for a lease, a concession contract's terms must necessarily enable a concessionaire to achieve its target IRR. And, also as for a lease, the IRR will be commensurate with the concessionaire's perceived operating and financial risks. A concession contract will generally have less flexibility than a lease to allow a concessionaire to adjust to and compensate for risks. The shorter contract term is one such constraint.

Another important constraint might be if the concessionaire is not given complete freedom to set slip rates. As under a management contract, sometimes the contracting agency will require the concessionaire to set rates within the range charged at comparable and nearby marinas. As a result, the political pressure that tends to suppress rates under public agency management will also suppress rates under a concession contract.

If the concessionaire's only financial investments are in its personal property and working capital, the concessionaire incurs very modest financial risk, since personal property will have some salvage value and working capital is entirely recoverable. But, in such an extreme case, and where there is little operating risk, as at Coyote Point, the Marina might as well contract with a manager instead of a concessionaire and give up less of the profits. In that case, the decision would hinge mainly on the County's desire to relieve its management burden.

C. GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

The analysis presented in this report does not constitute an audit, examination, review or compilation of historical or prospective financial information conducted in accordance with Generally Accepted Auditing Standards or with standards established by the American Institute of Certified Public Accountants (AICPA).

To the best of Dornbusch's knowledge and belief, the statements of fact contained in this report, upon which the analysis and conclusions expressed are based, are true and correct. Information, estimates, and opinions furnished to Dornbusch and which underlie this analysis were obtained from sources considered reliable and believed to be true and correct. However, no representation, liability or warranty for the accuracy of such items is assumed by or imposed on Dornbusch, and such items are subject to corrections, errors, omissions and withdrawals without notice.

The analysis presented in this report is based on estimates and assumptions developed in connection with this engagement. Some assumptions, however, inevitably will not materialize, and unanticipated events and circumstances will occur; therefore, actual results achieved may vary from the estimates contained in the accompanying financial analysis.

D. SUMMARY OF CONCLUSIONS

The following summarizes our conclusions for each of the specific items to be investigated. The conclusions derive from an analysis of the Coyote Point's operations and financial performance relative to other public agencies in the San Francisco Bay Area and nationwide which operate marinas on their own and have contracted with private entities for marina operations.

1. Cost advantages of private Marina operation through a long-term lease or operating agreement compared to continued County operation of the Marina

The Marina would derive the following revenue enhancement and cost savings advantages from contracting for private management and/or operation of the Marina under a lease or concession contract. The advantages would also be available under a management contract if the Marina yielded responsibility to a management contractor for setting slip rates and selecting and compensating staff.

Revenues from higher berth rates

We expect that a private contractor would raise slip rates immediately, and after accounting for a resulting slight decrease in occupancy, would yield:

- Additional annual revenues of **$131,800,**[6] increasing with inflation each year.

Salary and benefits savings

- Assuming a staff reduction to the three highest ranking positions, a private operator might be expected to achieve **$215,600 per year** in staff reduction savings plus benefits savings on remaining staff.

- Assuming a staff reduction to the three highest ranking positions, plus the lowest ranking position, a private operator might be expected to achieve **$141,100 per year** in staff reduction savings plus benefits savings on remaining staff.

Cost of Capital

DBAW has not historically loaned its funds at the public rate if the public agency contracts with a private entity to operate the marina under a long-term lease, even though the debt might be adequately serviced from lease fees.

- Therefore, a management or concession contract might be the most practical private contracting alternative, if the Marina's future debt burden will be very great, as indeed it appears.

Private Contracting Fees

- Management contractors would bear no financial risk, and be expected seek an estimated fee of 5% of revenues to manage the Coyote Point Marina.

- Therefore, a management contractor would charge an estimated fee of **$64,100 per year**, based on FY 2006-07 revenues, while yielding the additional revenues that might be expected from higher slip fees and lower operating costs.

- A concessionaire would be expected to seek an estimated return of 7%-8% of revenues, and applying the higher rate, the concessionaire's fee would have amounted to **$102,500 per year**, based on FY 2006-07 revenues, the additional return being compensation for assuming the operating risks, and while yielding the additional revenues that might be expected from higher slip fees and lower operating costs.

Net Financial Benefit of a Private Contract

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[6] 13% of FY2006-07 Marina Berth Rentals of $1,013,896 = $131,806. The yield from raising the rental fee will likely be higher when the new Dock 29 is completed and more usable slips become available.

- **Therefore, either a private management contractor or concessionaire would be expected to generate annual cost savings and revenues of $272,900 to $347,400 compared with their annual fee of $64,100 to $102,500, for a management contractor or concessionaire, respectively.[7]**

- Under a management contract, the difference between the higher financial returns and management fee would flow to the County. Under a concession contract, the difference would go to the concessionaire, in return for assuming the operating risk.

- The fees that a lessee or concessionaire might pay for the rights and privileges to engage in a contract for the Marina would be the cash remaining after such a lessee or concessionaire realized its target rate of return on its investment

- A long-term lease would become a reasonable option, once the capital costs were funded with low-cost DBAW debt and/or the expected higher cash flow would be sufficient to service the lessee's higher private cost of capital and target return.

Choice between Continued Marina Management and Private Contract

The Marina should first:

- Consider how much it would be willing and able to raise slip rates to the levels that a private contractor would likely seek and how much it would be willing and able to reduce the Marina's operating costs compared to the cost savings expected for a private operator.

In estimating the costs savings, the Marina should consider how much of the Marina's overhead expenses would still be incurred if it were unable to allocate those expenses to the Marina enterprise.

Next, the Marina should:

- Estimate its future capital improvement and repair costs, and determine whether the cost to service the necessary debt to fund those costs would more likely be covered under continued County management or through a private contract.

Then, if it appeared that private contracting of the Marina's operations would be to the Marina's financial advantage, the Marina might test the market by inviting proposals for whichever contracting approach appeared most attractive.

For either continued County operation, a management contract or concession contract, the Marina would bear the funding burden, and incur the low DBAW public agency interest rate

[7] First year additional revenues of $131,800 would flow directly to the Marina's income. First year savings were estimated at $141,100 to $215,600. The management or concession fees would rise with revenues, which might increase faster than the savings in expenses. However, any convergence would not be fast enough to alter the conclusion.

(currently at 4.5%). A lessee, however, would incur a much higher interest rate (approximately double the DBAW public interest rate).

Until future dock replacement costs are estimated, it would not be possible to compare specific loan requirements, and therefore interest costs for the alternatives, or relate the principal and interest costs to the financial advantages of private contracting. However, the Marina consultant's "Boating Trends" report indicates that the future capital costs will be very high to support the necessary future dock replacements and/or repairs. Even if some replacements might be delayed somewhat, the expected costs will be very high even over the next ten years. And therefore, the choice of Marina versus private operation, and indeed the choice of private contracting approach, will be very sensitive to the Marina's expected debt service costs.

If the County was inclined to enter into a private contract, the County might first test the market for a long-term lease by soliciting proposals. If prospective lessees were reluctant to assume the Marina's entire debt burden, or enough of the burden to offer the Marina attractive lease terms, the Marina could still achieve the financial advantages offered by a private operator by engaging a management or concession contractor.

2. Marina versus private management with respect to quality of management and customer service

We concluded that the Coyote Point Marina is being managed reasonably well. Certainly, the Harbor Master's training and experience *on paper* do not meet the breadth and level of qualifications usually specified for Harbor Masters. However, we also considered performance as a better indicator of management quality and service delivery.

Given the age and condition of the Marina facilities, based upon interviews and an inspection, we judge the Marina to be adequately maintained and replacements to have been generally made in a reasonably timely manner. Of the facilities that are clearly in need of upgrading, the budgets that have been allocated for such work appear adequate.

Slip renters have expressed their satisfaction with management, both in their responses to formal questionnaires, responses to our interviews, and as manifest by high slip occupancy relative to the number of usable slips.

We conclude that a private operator would be expected to manage the Marina at least as well as the Marina, and depending on the choice of private operator, possibly better, even with fewer staff.

Based upon our investigations for this study, as well as in previous studies, including interviews with representatives of public agencies that have contracted with private entities to manage their marinas, particularly in the San Francisco Bay Area, we believe that there are at least two private operators that would bid for a management contract or lease to operate the Coyote Point Marina who would be able to match or increase Marina service quality and revenues.

3. General financial and operational comparison of publicly and privately operated public marinas as related to whether private marina operators may provide better management at no greater cost.

Recent experience demonstrates that private contractors are often able to successfully and satisfactorily manage publicly owned marinas, including Bay Area marinas, which were previously managed by public agencies. We found a number of cases where both public agencies and boaters expressed their satisfaction with private management.

Private contracts generally yield at least equivalent, and often higher revenues, to the public agency.

Private entities yield better financial results mainly by managing the marina with fewer staff and by increasing slip rates, two things which public agencies have generally not been able to do as effectively. However, reduced marina staff does not necessarily result in reduced service or satisfaction. In fact, staff reduction has often been achieved while also improving service and expressions of agency and boater satisfaction.

Satisfaction with private management service is not high in every case. However, careful contractor selection, considered and clear specification of contract terms, and effective contract monitoring would probably have avoided such problems. They are important contributing factors to public agency and boater satisfaction with private contractor's performance.

Management contracts are the preferred short-term contracting vehicle, especially during major marina redevelopments, sometimes with the expectation of being converted into long-term leases when the construction has been completed.

Concession contracts are not generally used, but might be an option to facilitate an arrangement where the private contractor and public agency share funding of the capital improvements.

4. Ability of a private operation to meet the capital project needs of the Marina in a timelier manner.

Private operators are generally *able* to anticipate, plan, secure funding and contract for capital projects faster than a public agency. Moreover, in our judgment, prime candidates to lease the Coyote Point Marina would have the ability to meet the Marina's capital projects needs, by accessing DBAW loans, loans from other financial institutions, and/or their own equity capital.

However, whether they *would* meet the Marina's capital project needs will depend upon the net cash flow that would be available to them under a long-term lease. A lessee or concessionaire will only fund a capital investment when it is reasonably sure that it will be able to obtain a return that justifies the cost.

The prospects for a lessee or concessionaire to meet those needs can be tested by soliciting proposals with a prospectus that clearly indicates the magnitude and timing of the improvement and replacement costs.

Dock 29 is an example of this issue. Marina representatives, slip renters, and even marina management expressed dissatisfaction that Dock 29 has not been replaced sooner. However, a private manager would evaluate the trade-off between the cost of the investment and the prospective returns. In our judgment, a private lessee or concessionaire would not have sought to replace Dock 29 any sooner than the Marina is moving to replace it. Even in its currently dilapidated condition, it still has most of its slips in rentable condition and occupied. The ten unusable slips represent an annual revenue loss of about $49,000 per year. But, replacement of the entire dock will cost over $81,000 in annual interest, even at the low DBAW public interest rate. Therefore, it would not make financial sense even for the Marina to replace the dock until 16 of its slips becomes unusable. Projecting its continuing deterioration, the Marina appears to be implementing the Dock 29 replacement about as quickly as a private operator.

However, private lessees and concessionaires will respond differently to capital needs toward the end of their contract when returns are limited by the remaining term. Therefore, it is useful for the contract to require annual deposits into a capital reserve account that would accumulate toward the capital needs at the contract's end.

5. Ability of a private operation to increase Marina occupancy and enhance the desirability of the Marina for boaters.

Public agencies are generally reporting very satisfactory results from their management contracts and leases. Such agencies include Bay Area municipalities, who have contracted with likely competitors for the Coyote Point contract. They report much more efficient marina operations, noticeable cost savings, and therefore higher financial returns from both and no disruption in service during the transition to private management. Understandable public agency perception is that lessees can be somewhat slow in performing dredging and making capital improvements. But, private operators might not be much slower than public agencies, though perhaps for different reasons. (See the discussion about Dock 29 in this section and below.)

The most critical issue the marina will face is its future capital needs. Although the marina has been historically operating with evident financial success, very significant future replacements will be critical to the Marina's continued operation. A consulting firm estimates that two additional docks need immediate replacement, and many of the remaining docks will need to be replaced within ten years. That, as well as periodic dredging requirements, will place a very large financial burden on the Marina's capacity to sustain its operations and yield a net cash flow to service the debt needed to fund those capital replacements.

A private contractor would be able to meet those capital project needs as well as the Marina, if the Marina would borrow the funds needed for the projects, and use the income from the Marina (under a management contract) or from a lease or concessionaire to service the debt. If the County required a lessee or concessionaire to borrow the funds, the lessee's or concessionaire's cost of capital would be much higher than the County's. Although, such entities would be expected to raise greater revenues through higher slip rental fees, and achieve significant operating cost savings, a management contract would be a better private contracting approach under that condition.

II. MARINA MANAGEMENT & OPERATIONS

A. CURRENT REVENUES, EXPENSES, AND NET OPERATING INCOME

The following table presents Dornbusch's summary of the Marina's revenues, expenses and derivation of net operating income for Fiscal Year ending June 30, 2007. It is derived from the County's "CR02" report dated September 25, 2007, and does not include cash flows considered to be unrepresentative of operating revenues or expenses, such as loans, rental income from county buildings, interest income from cash balances, depreciation, or debt service. We attempted to organize the table in standard accounting format for marinas as closely as the CR02 report would allow. The table's notes explain the interpretations applied when extracting and consolidating the line item entries from the "CR02" report into the summary.[8] [9] (See Appendix A.)

[8] Derived from conversations with Gary A. Lockman and David L. Moore (Superintendents of Parks) and Sara Medina, Administrative Services Manager, September 26 & October 17, 2007, and with Jesse Gilley, Harbormaster & Ranger IV-E, October 2, 2007.

[9] The Coyote Point Marina's labor cost is summarized in the County's July 2007 to Jun 2008 "Allocated Snapshot Report." The total projected salaries in the Snapshot Report of $308,196 is exactly equal to the figure for "Regular Hour – Permanent Position" (line item #4111) in the County's annual cash flow statement for "Revised 2006-07." The Snapshot Report indicates that total salaries, employment taxes and benefits are $451,434. However, the cash flow report indicates that the labor cost total is somewhat higher, as indicated in the Income Statement I derived for 2006-07 from that report. When including Holiday Pay, Overtime, and the indicated expenditures on FICA, Health Insurance & Benefits, Retirement & County Annuity, Unemployment & various other worker benefits, the total comes to about $484,000, about 7.2% more.

Coyote Point Marina
Income Statement
Fiscal Year 2006-07

	Fiscal Year 2006-07 (1)			
Operating Revenues	Thousand Dollars		% of Revenues	% Basis
Marina Berth Rentals	1,013.9			
Fuel Sales (2)	109.5			
Boat Launch Fees (3)	2.0			
Rents & Concessions	6.8			
Other Sales & Misc. Income	17.6			
Total Revenues			**1,149.8**	
Cost of Goods Sold				
Fuel (4)	90.1			*82.3% of Fuel Sales*
Other Sales (5)	6.9			
Total Cost of Goods Sold			**97.0**	
Gross Income			**1,052.8**	91.6% of Total Revenues
Operating Expenses				
Salaries - Permanent Staff	278.9			
Sick Leave, Holiday, Vacation	44.4			
Comp. & Overtime	0.2			
Total Salaries		323.5		
FICA	19.6			
Health Insurance & Benefits	66.8			
Retirement & County Annuity	69.1			
Unemployment & Other Benefits	9.5			
Total Benefits		165.0		*51.0% of Salaries*
Total Salaries & Benefits			**488.5**	42.5% of Total Revenues
Repairs, Maint. & Supplies (6)	15.5			
O&M and Nighttime Security (7)	18.0			
Structure Maint. & Utilities (8)	151.0			
Total R&M			**184.5**	16.0% of Total Revenues
Security (9)	100.7			
Insurance	41.4			
County Services & Overhead (10)	8.4			
Sewage Treatment & Recycling	2.3			
Transp., Collections & Copying	14.8			
Miscellaneous	17.5			
Total Other Expenses			**185.1**	16.1% of Total Revenues
Net Operating Income/Cash Flow			**194.7**	16.9% of Total Revenues

(1) Derived from County report "CR02 Actuals + CYREV {SYS} {3980B, Coyote Point Marina}," 9/25/2007. Presents the "Revised 2006-07 figures, but also including 2006-07 fuel sales, assuming system operational. Does not include cash flow items unrepresentative of Net Operating Revenues or Expenses, such as Loans, Rental Income from County Buildings, Interest Income, Depreciation, or Long Term Debt Service.

(2) #2441 line item entry from CR02 report.
(3) #2317 line item entry from CR02 report. $3.00 per boat launching fee
(4) #5999 line item entry from CR02 report.
(5) #5969 line item from CR02 report.
(6) Includes contract and custodial services.
(7) #4161 "Extra Help Hours" Includes mostly charges for O&M and nighttime security, as well as wages for temporary personnel who do not receive health or retirement benefits.
(8) #8133 "IFT - Project Labor/Cost Reimbursement" is for County Park staff services, such as for building maintenance, and utilities (electricity and water). Charges for staff salaries and are not fully loaded.
(9) #5858 "Other Professional Contract Services" for the security guard at the entry gate.
(10) #6821 "A-87 Expense" is an allocation of the County's overhead expense, such as (presumably) for human resources, legal, accounting, and financial services, such as payroll and processing deposits, and allocated according to the number of people served in each County department.

Repair and maintenance expenses are included in three separate line item entries in order to enable an easy comparison of the summary table presented with the County's "CR02" report, and because the line items evidently also include other expenditures, such as especially for security and an allocation of utility expenses.

Currently, the fuel dock has a leak and might not be functional in the near future. However, the FY 2006-07 report is considered representative of fuel sales when the fuel dock is operational.

The charge for Building Maintenance & Utilities is a charge to the Marina for Park staff building maintenance services and also an allocation for utilities (electricity and water). Costs for electricity average approximately $25,000 per year. Water and sewer charges are not metered separately and therefore are not charged to the Marina. The charges for Park staff are somewhat undervalued, since they do not include employee taxes or benefits.

- In general, we conclude that the Marina is being operated effectively and profitably.

The principal cost components are addressed below.

B. HARBOR MASTER

The August 14, 2007 Grand Jury report was particularly critical of the change in the Marina's highest ranking administrative personnel, citing substitution of the "Harbor Master" position with a "Park Ranger 4 with no job-specific training or experience in running the Marina," but acknowledged that one of the other three full-time staff "meets the qualifications of an assistant Harbor Master."[10] Dornbusch reviewed the Marina's administrative staff's qualifications, based on the positions' job descriptions and interviews with those holding those positions.

The Grand Jury's observation is correct that the marina manager is not a trained or certified Harbor Master. We do not consider this to be a particularly important shortcoming, if it even is one. To our understanding, no Harbor Master at Coyote Point Marina has ever been trained or

[10] Grand Jury report, "Summary of Coyote Point Marina: A Valuable Asset Deserving Effective Management," undated, but (based on the County Manager's related correspondence) presumably prepared in 2007.

certified as a Harbor Master.[11] Moreover, surveys and interviews with long-time slip renters generally indicated that marina users are very satisfied with the Marina's administration, particularly the Assistant Harbor Master, who also provides Harbor Master services.

Survey respondents gave the management team almost exclusively "excellent" or "good" grades for courtesy, knowledge, helpfulness, availability, and response to requests for services and information.[12] None of the survey respondents gave management a "poor" grade for management-related services in 2007, although a few gave "fair" grades for staff availability and "follow-up." One survey respondent in 2006 gave a "poor" grade for the helpfulness of verbal information. Personal interviews mainly with long-time renters and members of the Yacht Club generally confirmed the survey results.

However, some of the above qualifications normally expected in a Harbor Master were not evaluated in the surveys, and Dornbusch sought information about those aspects of the marina manager's and management team's relevant training and capabilities, particularly in public safety, rescue, and security. (See Appendix A for a list and description of a Harbor Master's important qualifications and services.) The information obtained indicated that the Marina manager, and/or other members of the management team, also have the requisite public safety, rescue, and security skills, including a number of relevant certifications. Therefore, although the management team's certifications do not include certification from a Harbor Master academy, the team reports having appropriate and adequate training and certifications in public safety, rescue, and security.

At such time as the current Harbor Master vacates his position, it might make sense to consolidate the position of Harbor Master and Assistant Harbor Master into a single position, thereby saving the salary and overhead for the two highest-ranking positions. A lessee, concessionaire, or contract manager would be expected to staff only one Harbor Master position, not two.

C. OPERATING PERSONNEL - SALARIES

When comparing the Marina's most recent staffing costs to what might be realized by a lessee, concessionaire or manager, this analysis began with a review of the marina enterprise cash flow and "Allocated Snapshot Report."

Marina staffing is portrayed in the "Allocated Snapshot Report" (and summarized in the Marina's financial report CR02 in line item #4111) as including five full-time staff. They currently include the following positions and base annual salaries (before benefits):

Park Ranger IV-E	$75,300
Assistant Harbor Master	$66,456
Park Ranger II	$58,032
Park Ranger II	$58,032

[11] Communication with Gary Lockman, Superintendent, San Mateo County Department of Parks, November 14, 2007.
[12] Coyote Point Marina, Satisfaction Survey Results, 2005, 2006, and 2007.

Fiscal Office Specialist $50,376

The Park Ranger IV-E serves as Harbor Master. The Assistant Harbor Master, and the two Park Ranger IIs are located at the Marina. In addition, the Marina is charged for a full-time Fiscal Office Specialist, who performs those functions in Redwood City, not at the Marina.

According to County and Marina staff, the Fiscal Office Specialist is responsible for the Marina's accounts payable, personnel matters, and slip renter contracting. Although other County staff, who are not included in the "Allocated Snapshot Report," have additional Marina-related responsibilities, all of the additional services provided by County staff are either included in the salary expense indicated in the Snapshot report (and line item #4111) or are otherwise charged to the Marina in other expense line items.[13] So, the Coyote Point Marina operates about 73 slips per employee.

This organizational level is typical for a publicly operated marina of similar sizes. In fact, employee productivity (revenue/employee), at about $230,000/employee, is quite good relative to other public marinas, both in the Bay Area and nationwide. Of course, staff size will vary somewhat with marina size, search and rescue requirements, the larger marinas requiring more maintenance and other services, but yielding some operating efficiencies, and coastal marinas tending to assume somewhat more search and rescue burden.

For example, the San Mateo County Harbor District operates its Pillar Point Marina (369 berths) and Oyster Point Marina (600 berths) with six staff (61 slips/employee) and seven staff (86 slips/employee), respectively, as follows:

Harbor Master
Assistant Harbor Master
Lead Maintenance Specialist
Two Deputy Harbor Masters
Harbor Worker (only at Pillar Point)
Accountant Technician/Administrative Assistant

The reason that Pillar Point requires more staff, though has fewer berths, is that it provides 24 hours/day-7 days/week search and rescue, while Oyster Point requires much less search and rescue service and does not offer it round the clock, since Coast Guard presence on the Bay is greater and offers faster response than on the coast.[14]

The City of Berkeley operates its marina of 1,100 slips with 16 staff, or about 69 slips per employee. The City of Antioch operates 312 slips with 3.5 full-time equivalents, or 89 slips per full-time employee.

[13] The Fiscal Office Specialist is responsible for accounts receivables, deposits, and marina mailings. A part-time staff person fills in occasionally when needed for phone duty at the Marina. One Park Superintendent approves O&M, signs off on purchases and has overall management responsibility. And another Park Superintendent is responsible for capital projects. The Administrative Services Manager prepares and monitors the annual budget. The Parks Director sets priorities, approves the budget and represents the Marina to decision makers.

[14] Peter Grenell, SMCHD General Manager, email of October 29, 2007.

The City of San Leandro operates its marina of 462 slips with three full-time staff including a marina manager (harbormaster) and two maintenance workers. The marina also employees two part-time staff including: a secretary (20 hrs/wk) and a maintenance assistant (16 hrs/wk). The San Leandro Police Department provides limited security patrols.[15] Therefore, the San Leandro Marina's 3.9 FTE yields a slips-per-employee ratio of about 118.

Therefore, compared with the other publicly operated marinas in the Bay Area, Coyote Point is about as staff-efficient as the others, except *it would appear* for San Leandro, which is about 60% more staff-efficient than Coyote Point.

However, San Leandro probably does not offer a good comparison, since it is likely operating its marina with a lean staff. The reason is that during the past four years, the San Leandro Marina lost nearly 25% of its tenants due, at least in part, to a very aggressive program to raise slip rental rates. The City began rate increases in 2000 to try to compensate for not having increased rental rates for nine years. From 2000 to 2003 rates were increased by an average of 10% per year, during which slip occupancy rates declined to 71%. From 2003 to 2007, slip occupancy has continued to decline to a current level of 50%. The San Leandro Marina is currently operating at about break even, with annual revenues and operating costs both running at about $1 million per year. But, future expected and necessary dredging costs for both the harbor channel and the marina slip area will be costly, estimated at about $2 million every 4-5 years, or about $400,000 per year. Consequently, it is not surprising that San Leandro is operating at such a high slip to employee ratio.

Regardless of how the various responsibilities are assigned among the five full-time Coyote Point Marina staff, and charged to the Marina account, Dornbusch's experience indicates that Coyote Point Marina staffing can be reduced through reorganization. Such reorganization would be expected for private management under any of the three contracting approaches.

The reorganization might be achieved by combining staff responsibilities in a number of ways. One might be to engage only a single Harbor Master, instead of a Harbor Master and Assistant Harbor Master. Another might be by combining one of the Ranger II positions with the Fiscal Office Specialist into a single full-time position, preferably located at the Marina. This second option may be difficult to achieve under current County and Civil Service restrictions for job classifications and union representation but might be easier for a private contractor to achieve. Reducing staff from five full-time equivalents to three full-time equivalents might be possible. A specific management reorganization plan is beyond the scope of this effort. However, our professional opinion is that:

- A lessee, concessionaire or contract manager would very likely operate the Marina with not more than four full-time staff or equivalents, instead of the Marina's five, and possibly only three, while also accessing occasional part-time maintenance staff currently employed and charged.

[15] Delmarie Snodgrass, Marina Manager, November 2, 2007.

The Coyote Point Marina's labor cost is summarized in the County's July 2007 to June 2008 "Allocated Snapshot Report." The total projected salaries in the Snapshot Report of $308,196 is exactly equal to the figure for "Regular Hour – Permanent Position" (line item #4111) in the Marina's annual cash flow statement for "Revised 2006-07." The Snapshot Report indicates that total salaries, employment taxes and benefits are $451,434. However, the cash flow report indicates that the labor cost total is somewhat higher, as indicated in the Income Statement I derived for 2006-07 from that report.

When including Holiday Pay, Overtime, and the indicated expenditures on FICA, Health Insurance & Benefits, Retirement & County Annuity, Unemployment & various other worker benefits, the FY 2006/07 report indicates a total of about $484,000, and about 7.2% more than indicated in the "Allocated Snapshot Report." Dornbusch judged the more comprehensive financial report to offer a better representation of the Marina's actual staff overhead costs.

- Assuming only the lowest salary position were eliminated, the resulting savings would be approximately $50,400 in annual salary, plus $25,700 in taxes and benefits, for a total saving of $76,100 per year.[16] [17]

- If the two lowest salary positions were eliminated, the savings would be a total of about $163,700 in annual salaries, taxes and benefits.

- So, assuming the Marina was able to eliminate only one of the positions, and a private contractor would eliminate the second, or consolidate two positions into one, the contractor's relative savings would be the marginal savings of $87,600 per year for the second position.

- If the Marina was able to eliminate even the two lowest ranking positions, a private contractor would not be expected to improve very much on that and would achieve little or no savings from a staff reduction.

Staff reductions under all forms of private contracts are common. Even under a management contract, under which the private contractor is reimbursed according to a fixed percentage of gross revenues, and therefore has the least incentive to reduce staffing costs, managers have produced much lower marina staff costs.[18]

D. OPERATING PERSONNEL - BENEFITS

Staff compensation savings for a private contractor would be even greater, since private contractors would not offer retirement benefits and would spend much less on health and other benefits for its employees. A private lessee, concessionaire or contract manager would expect to

[16] Staff benefits were 51.0% of salaries in 2006-07.
[17] The County's "Snapshot" report indicated employee overhead and benefits of 48.3%, and totaling $74,725 for the position, but omitted some allocations included in the full financial report.
[18] The Martinez Marina is typical. Joann Tool reported that the City's staffing costs were much higher than under the current management contract in an email to David Dornbusch of October 22, 2007.

incur only about 25% of additional costs for employee taxes and benefits instead of the Marina's evidently very high 51.0%.

- Assuming the same salaries as for the Marina's three highest ranking positions, totaling about $199,500, a private contractor would be expected to save employee overhead on the three employees of about $51,900 per year.[19] [20]

- Assuming the same salaries as for the Marina's three highest ranking positions, plus the lowest ranking position, totaling about $241,700, a private contractor would be expected to save employee overhead on those four employees of about $65,000 per year.[21]

We would not expect a reorganization, either under Marina or private management to be particularly painful to the current Marina employees, since they could be (and presumably would be) reabsorbed back into County employment, or possibly even hired by the private contractor to continue to work at the marina. However, unless and until openings became available at the County through attrition, the reabsorption would represent a cost of the transition to private contracting. We could not estimate what that cost, if any, might be.

E. MAINTENANCE

Given its age, the Marina is being reasonably well maintained. The Marina tenants rate the facilities as generally being in good condition. The docks, however, are reported to having deteriorated somewhat over the past two years, although the utilities and other facilities have either been improved somewhat or been sustained with about an equal mix of "good" or "excellent" ratings, but with some "fair" and even a few "poor" reports.

The support facilities, including especially the restrooms and showers, have been reported to be in worse condition, with a large number of "fair" ratings by Marina slip renters. Dornbusch's inspections confirmed those reports, also noting some deterioration of roads, as well as the restrooms, and especially the showers. Portions of Dock 29 have collapsed and are unusable, and the dock is due for replacement. Some deterioration of nearby docks was also evident, but repairs appear to be able to sustain them, such that additional replacements will not be necessary in the immediate future. Marina staff suggests that the next dock replacement might be due in another 8-10 years. However, we will leave that for the Marina's consulting engineers to determine.

The Marina's maintenance is performed by one Park Ranger II who is assisted by two additional staff as well as part-time assistance, as needed for a total of approximately 1.75 Full Time Equivalents for maintenance. One of the staff also performs office work, and so is not available full-time exclusively for maintenance. The Park Ranger II performing most maintenance duties has requisite experience and qualifications. He and other marina staff, according to reports by

[19] $105,100 of County employment taxes and benefits for the three highest ranking employees, less $49,900 in private contractor taxes and benefits for the same three salary levels.
[20] This estimate is conservatively low, since two of the highest ranking positions might be consolidated into one.
[21] $127,400 of County employment taxes and benefits for the three higest ranking employees, less $60,400 in private contractor taxes and benefits for the same three salary levels.

Marina tenants, have been very responsive to repair requests and generally very successful in maintaining the Marina's facilities.

A lessee, concessionaire or contract manager might be expected to maintain the Marina with two full-time staff, plus part-time assistance engaged as needed, especially if they operated other marinas in the Bay from which they could draw part-time assistance.

Regardless, if the Marina elects to contract with a private lessee or concessionaire, it will be very important to negotiate contract terms that insure adequate Marina maintenance into the future. Of course, it's in the private contractor's interest to maintain the Marina, since slip rates and renter satisfaction depend on it. However, such contracts ultimately run out. Such contractors will lose those incentives toward the end of the contract, at which time the assets will revert to the County or become the responsibility of a future lessee or concessionaire. Either way, the Marina will inherit the financial burden of remediating any deferred maintenance.[22]

Local private entities are generally spending 2% to 3% of gross revenues on cyclic and routine annual maintenance.

Since the Marina office was vacated, marina maintenance has been done on site or at the adjacent Coyote Point Park Maintenance Section Shop. However, for liability reasons, it is unlikely that a private lessee or concessionaire would also be able to access the County Park maintenance facility. And, therefore, a lessee or concessionaire would presumably expect to incur an additional capital cost to develop its own maintenance shop. However, if the Marina contracted with a private manager, depending on the nature of the agreement and insurance coverage, it is possible that Marina maintenance could continue to use the County's Coyote Park facilities.

Therefore, a lessee or concessionaire would likely incur the cost of adding a maintenance facility and equipping it with utilities.

F. COUNTY OVERHEAD

The County charges the Marina an allocation of its overhead. However, the above table indicates that the charge represented only about 0.7% of revenues in FY 2006-07.

A private contractor's overhead would be covered within its management fee or target return. Although the County overhead would theoretically be saved under a private contract, the County would presumably incur some costs to administer the contract.

Therefore, we assumed the County's overhead costs would be about equal for either private or continued County operation.

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[22] If a future lessee or concessionaire has to remediate the deferred maintenance, they will pay the County a lower lease or concession fee.

G. OTHER OPERATING COSTS

Private contractors, who operate multiple marinas, are able to achieve lower service and supply costs than single operators. For example, insurance risk can be spread among a number of properties. And, such entities are able to negotiate better purchasing deals at lower prices. However, the County presumably also obtains some savings due to its operating scale, such as in lower insurance premiums and other service benefits. And, purchases do not represent a particularly significant portion of a marina's operating costs. To be conservative, we have disregarded such savings.

H. OPERATING PROFIT

According to our summary of the Marina's income statement, its most recently reported operating profit was 16.9% of total revenues. That's low even relative to other publicly operated marinas, for which the reported median was 32.3% for port authorities and 37.0% for municipal marinas.[23] The disparity is not surprising, given the Marina's high labor and benefit costs.

[23] International Marina Institute, Financial & Operating Benchmark Study for Marina Operators, 1999.

III. PRIVATE TARGET RETURNS

A. FINANCIAL RISK

1. Replacements & Improvements

Presently, there is a significant mismatch between the Marina's estimates of the Marina's capital replacements and improvements needs and estimates presented by its consulting contractor in a recently concluded report which evaluated the Marina's docks for their reconfiguration potential. The Marina projected its future capital projects through FY 2016/17 as follows:

	Marina Capital Expenditures[24]
FY 2006-07	$831,867
FY 2007-08	$2,061,000
FY 2008-09	$69,500
FY 2009-10	$105,000
FY 2010-11	$32,000
FY 2011-12	$127,000
FY 2012-13	$70,000
FY 2013-14	$21,500
FY 2014-15	$15,000
FY 2015-16	$50,000
FY 2016-17 & Beyond	$760,000

The high costs in FY 2006-07 and 2007-08 are mainly for the Dock 29 replacement, maintenance dredging, and upgrading the center restroom and launch ramp restroom. Thereafter, and until FY 2016-17, the Marina projects rather modest capital costs, averaging only about $61,000 per year through FY 2015/16, then increasing to an estimated one-time expenditure of $760,000 in, or sometime after, FY 2016/17, mainly for another maintenance dredging cycle.

The Marina's projection of the dredging cycle presumably derives from the Harbor Master's judgment; he estimated dredging cycles of 8-10 years. He also suggested the next dock replacement might be needed at about the same time, but the only dock replacement cost indicated in the Marina's 10-year projection is for Dock 29.

Indeed, the County's consultant, that recently conducted a visual inspection of the condition of the Marina's docks, as part of a dock reconfiguration and demand trend analysis, projected the capital improvement needs as being much greater and immediate. The consultant concluded that the following dock replacement schedule would be necessary for the Coyote Point Marina:[25]

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[24] Parks Department, Coyote Point Marina, Marina Capital Projects 10-Year Plan FY 07/08, September 27, 2007. See Appendix B.

[25] Coyote Point Conceptual Plan, for San Mateo County, Trans Systems, October 26, 2007, p. 31.

Docks 27, 28, & 29	Immediate Replacement
Docks 20, 21, 22, 23, 26 Fuel Dock	Replacement Within 5 Years
Docks 10, 11, 12, 13, 24, 25 & Guest Dock	Replacement Within 10 Years

However, the consultant qualified its dock replacement projections as being only approximate estimates, pending a more thorough engineering review and consideration of how a vigilant repair and maintenance program might extend the expected lives of the docks.

Even allowing for a more protracted dock replacement schedule, the Marina would need to assume a much greater and more immediate capital and/or maintenance funding burden than indicated in the Marina's current estimates.

Construction projects generally cost private contractors less than they cost public entities, sometimes significantly less. There are a number of reasons for this.

First, public agencies will generally incur significant costs for their own staff time devoted to various reviews and approvals, and associated staff meetings, memoranda and reports. Private entities are generally more efficient in processing entitlements and contracting for design and construction of such projects, although the public agency will still have some responsibilities for obtaining permits and approvals even when a lessee or concessionaire is running the marina.

Public entities will also often pay more for engineering design, in some cases because private developers are able to induce consultants to do some things for free or to package the design with the purchase price of the project, such as for utility pedestals.

And, contractors will often price their contracts to public agencies higher than they do to private developers, sometimes higher by 10% or even more, to accommodate the additional time they know they will have to devote to public process.

We did not evaluate the Marina's contracting process or history, so we were not able to draw specific conclusions about these issues. However, in general, we believe the following:

- A public agency might expect to spend 20% to 25% or more on capital construction over what a private lessee, concessionaire, or management contractor might expect to spend.

That higher public agency cost will be more than offset by the interest cost on debt if the private entity must borrow at its private interest rate to fund the improvements.

Due to the uncertainty about the magnitude and timing of future capital costs, it was not possible for this report to compare the dollar value of the Marina's expected capital or debt service costs to a private entity's. That comparison should be made soon. It will be critical to:

- Determine whether the cost to service the debt necessary to fund the Marina's future improvement costs would more likely be covered under continued County management or through a private contract.

2. Cost of Capital - Interest on Debt

The Marina's cost of capital is the interest it pays on loans, either made directly to the Marina, presumably by the California Department of Boating and Waterways (DBAW), or indirectly from other funding sources. Not all Marina improvements, and certainly not operating deficits (if any) can be funded by DBAW loans. So, for this analysis, the Marina's future cost of capital is regarded as being equal to the DBAW interest rate.

Lessees would have to fund capital improvements entirely themselves. Current practice is that DBAW would not fund the improvements at the public interest rate, only at the private rate, if a lessee operated the marina. Although, some prospective lessees might be able to borrow from other sources at a comparable or even lower rate, the rate would not be much lower than the DBAW private rate, and usually higher. So, the DBAW loan rate represents a reasonable private capital cost for comparison with Marina capital cost.

A contract manager would certainly fund none of the improvements, merely administering the Marina's funding of such capital improvements. In that case, the Marina would fund the improvements and incur the interest cost, presumably at the DBAW public rate, which is currently at 4.5%.

A concessionaire might negotiate a contract in which it shares the capital improvement costs with the Marina, therefore paying a higher concession fee to the Marina in exchange for the Marina's assuming the financial risk and using its credit to access low cost DBAW loans. Indeed, the most cost-effective approach would be to enter into a concession contract, and for the Marina to fund all capital improvements using its access to low cost DBAW loans, and service its debt from the concession fees.

The relative cost of borrowing is as follows:

- The Marina's cost of capital on DBAW loans is currently 4.5%.

- A private marina lessee's cost of capital on DBAW loans is set at the prime lending rate plus 1.0 percentage point. (As of November 6, 2007, the prime lending rate was 7.5%. Therefore, the DBAW rate would presumably be 8.5%.)

Clearly, the difference in capital cost is very significant, and the spread can be even greater for some private borrowers. Under a lease, the cost of capital would be nearly double, or possibly more than double the DBAW interest rate on debt. Most of the capital improvements would be funded with debt, so the effective composite cost of capital would be reasonably estimated at the private DBAW rate of prime plus one percentage point.[26]

[26] Both public and private entities are sometimes able to pay only interest on a loan for a short period of time. The purpose is to reduce the debt service cost during interim periods when cash flow is low, often due to high capital investment. However, not reducing the principal means not reducing the annual interest cost, and the lender has to eventually pay off the principal at some future time. So, the deferral is only temporary fix and is of no long-term importance.

Except for infrastructure, DBAW will not lend at the public agency interest rate for public agency marina facilities that are operated by a private entity under a lease.

3. Return on Equity

Private entities will certainly fund their working capital and personal property, and might fund some or all of the improvements from equity funds. For whatever equity they do invest, they expect to receive a target internal rate return of return (IRR) on that investment, which will always be higher than the interest cost on their debt, and will be commensurate with a combination of the enterprise's operating and financial risk. Marina lessees will generally seek IRRs of 10% to 12%, depending on the nature and degree of the operating and financial risks.

So, private investors will generally apply a blended cost of capital, representing a combination of the interest rate on debt and the target IRR on equity, depending on the relative proportions of debt and equity comprising the capital investment. However, if DBAW provides loans for most or all of the required improvements, the DBAW rate might be the main contributor to the blended rate.

Therefore, a private lessee's or concessionaire's blended rate will be even higher than its cost of debt. How much higher will depend on how much equity and how much debt are used respectively to fund improvements. The key point is that:

- For a private lessee or concessionaire to offer the Marina a better financial deal than the Marina is able to realize by operating the Marina on its own, a lessee or concessionaire must make up the difference between the Marina's and its own higher cost of capital - comprised of its rate of interest on debt and its target rate of return on equity.

B. OPERATING RISK

If the lessee or concessionaire has very low capital improvement responsibilities, their target return will derive mainly from operating risk, not financial risk, and be based mainly on a percent of revenues instead of invested capital. A lessee's or concessionaire's operating risk will be higher than for a management contractor, since a management contractor would simply pass along all revenues and costs to the Marina who bears the risk of lower revenues and/or higher expenses. A lessee or concessionaire will bear those risks instead.

As noted above, marina managers generally charge 5%-6% of gross revenues for management contracts that lack an incentive clause that would be impractical for Coyote Point.

- Private Bay Area marina management contractors are currently charging 5% of gross revenues.[27]

[27] Specifically, at the Martinez, Treasure Isle and Ballena Isle (Alameda) Marinas. Sources: Joann Tool, Martinez Deputy Director – Parks & Community Services, Jim Hayes, Vice President of Operations, Almar Marinas, October 26, 2007; Leslie Little, Development Services Director, City of Alameda, October 29, 2007; Dorene Soto, Manager, Business Development Division, City of Alameda, October 29, 2007.

The management fee would be expected to cover the private contractor's corporate overhead and therefore avoids the problem of having to specify in the contract which particular corporate overhead allocations would or would not be passed through to the public agency.

- If a lessee or concessionaire had to provide little or no capital investment, their target return exclusively on the basis of their operating risk, and their small working capital and personal property investment, would be on the order of 7%-8% of revenues.[28]

C. TIMING OF CAPITAL REPLACEMENTS

Marina staff, slip renters, and even marina management expressed some criticism that the Dock 29 replacement was taking so long. Although the delay might be for a different reason, it actually makes financial sense. Perhaps a private contractor would be able to replace the dock faster. However, a private contractor would not want to.

It is possible that a private contractor might have been faster to perform the steps necessary to identify an improvement need, process the internal and agency approvals necessary to authorize it, pursue the funding, and implement design and construction. But Dock 29, even in its current advanced dilapidated condition, still has most of its slips in rentable condition and occupied. Only 10 of Dock 29's slips are currently unusable, representing less than 2% of the total slips in the Marina.[29] So, even if all of the Dock 29 slips could have rented, those additional, but foregone, revenues represent less than about $49,500 per year.[30] But, the dock replacement would have cost the Marina over $81,000 in annual interest to fund the improvement necessary to yield those revenues.[31] Therefore, replacing Dock 29 before a total of 16 slips become unusable would yield a net annual loss to the Marina for the replacement.[32]

However, the same point made above regarding maintenance holds for capital replacements. It might make financial sense to defer such replacements for a short period, but they must be made before the deteriorated structure becomes a safety risk or a financial burden. If the County elects to contract with a private lessee or concessionaire, it will be important to negotiate contract terms that insure adequate future capital replacements, as it does for Marina maintenance. As noted above, it's in the private contractor's interest to make such replacements in a timely manner, at least until the contract is approaching its end. At that point, contractors will lose the incentive to make expensive improvements. But, since the assets will revert to the Marina, or become the

[28] The additional 2-3 percentage points (in addition to the 5% management fee) would reflect the risk of realizing lower-than-expected revenues and/or higher-than-expected operating costs, for which a lessee or concessionaire would bear the risk, unlike a management contractor.
[29] The Marina has either 565 or 580 slips, depending on whether end ties and side ties are counted.
[30] Jesse Gilley, Harbormaster, reported 10 unoccupiable slips on October 15, 2007. 10 slips x 47.5 ft. per slip x $8.69 per ft. per mo. x 12 mo. per yr. Jesse Gilley, Harbor Master, reported 10 unoccupiable slips on October 15, 2007.
[31] DBAW's interest rate of 4.5% on the $1,800,000 replacement cost.
[32] $81,000/year in interest on $1.8 million loan/12 mo. per yr./$8.69 per foot per month in slip rental /47.5 ft. per slip.

responsibility of a future lessee or concessionaire, the Marina needs to provide for their appropriate replacements.[33]

One approach commonly used is to require private contractors to contribute each year into a reserve account for future capital replacements, in addition to maintenance expenditures, and the fee they pay for the contracting rights and privileges. The reserves are then used to fund the improvements directly and/or support the service on debt used to fund the improvements. Such reserves are often an additional 2% to 3% of gross revenues.

But, given what appear to be very expensive dock replacements needed in the relative near future, such a small reserve would be insufficient to come close to funding those improvements.

[33] If a future lessee or concessionaire has to fund the replacements, they will pay the County a lower lease or concession fee.

IV. REVENUE SOURCES

A. SLIP REVENUES

1. Slip Rental Rates

Public marinas almost uniformly charge lower slip rental rates, and raise those rates slower, than privately operated marinas.[34] As of March 2007, the average Coyote Point slip rate averaged $7.12 per foot, almost exactly the average for public Bay Area marinas of $7.11 per foot.[35] The average private marina rate was more than a dollar and 15.3% higher, at $8.21 per foot.[36]

Slip rental rates would certainly be raised almost immediately by a private lessee, concessionaire, and (if the Marina would allow) even by a management contractor. Raising the Coyote Point slip rate to the Bay Area private marina average would yield an immediate increase in revenues of over 15% - that is, however, assuming no slip renters would leave as a result of a rate increase. Therefore, we applied an assumed revenue increase of 13% to the current slip configuration and occupancy. Indeed, potential occupancy will be higher when Dock 29 is replaced. And, the rate might conceivably be raised even more, possibly to $9.00/foot.[37] Even higher revenues might be raised by applying a more aggressive differential rate formula than is presently applied, possibly reflecting relative access to San Francisco Bay, upwind versus downwind locations, and when installed, cable television service, and improved electrical service capacity (which is presently inadequate to serve the larger and newer boats).

Certainly, some renters might leave if the rates were raised. But, all of the net revenue increase goes to the bottom line. So, as long as the resulting decrease in slip occupancy was less than 15%, the impact on net operating income would be positive. However, actual revenue impact outcomes are uncertain and will be based on a number of external factors, including but not limited to the economy and competing rates at nearby marinas.

Some slip renters indicated that they would likely leave if rates were raised. However, it is not clear how many actually would leave. Rates at nearby Oyster Point are higher than at Coyote Point, at $7.52 per foot, despite the fact that Oyster Point is generally considered of lower quality than Coyote Point, even lacking fuel service. The Coyote Point slip renters might not perceive being able to access less expensive and suitable quality options elsewhere. And ultimately, private operators are very adept at judging just how high they are able to raise rates to maximize revenues and therefore net income.

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[34] Public marinas slip rate increases tend to barely keep pace with inflation. Bay Area marina examples are Pillar Point, Oyster Point, and Antioch marinas, as reported by Peter Grenell, SMCHD General Manager, October 29, 2007, and by Larry Nash, Secretary at the Antioch Marina, October 26, 2007. However, not all public marinas raise rates slower than at private marinas. The Berkeley Marina raised berth fees by 12% in FY06. It projects raising fees by 14% in FY07 (possibly more), and projects annual rate increases of 5% in FY08, FY09 and in FY10.

[35] The Coyote Point slip rates vary by slip length, from $6.33/ft. for 24 ft. slips to $8.72/ft. for 50 ft. slips.

[36] Berth Rates for San Francisco Bay Area Marinas, March 2007.

[37] "Considering access, location, and amenities, the Coyote Point Marina should be able to demand a *$9.00/foot/month* rate after the dock system is reconfigured, and other amenities added." Source: Coyote Point Conceptual Plan, for San Mateo County, by Trans Systems, October 26, 2007, p. 3.

Lessees and management contractors have raised slip rental rate at other Bay Area marinas with minimal negative reaction or effect.

- Given the experience at other marinas, and particularly Bay Area marinas, we expect that a private contractor could raise slip rates to yield 13%-15% more revenues, and therefore net cash flow.

For example, Marinas International, the lessee at the Emeryville City Marina, raised rates in 1999 by 10%-12% upon taking over the contract. Don Gussler, Emeryville City Marina Harbor Master reported a few complaints about the rate increase and that occupancy dropped initially. However, the tenants are evidently satisfied with the rates and quality of services, since current slip occupancy at the Emeryville City Marina is reported at 98%.[38]

Almar Marinas, the lessee at Treasure Isle and Ballena Isle Marinas raised rates around 5% at both marinas upon taking over the contract, and has raised rates by approximately 5% each year since. Some complaints did occur regarding the rate increases, but the effects on occupancy were reportedly not significant.[39]

Joann Tool reported that at the Martinez Marina, even though the private manager imposed a large increase in slip rates, the City received no complaints about the increase, and occupancy has been sustained.[40]

Pacific Marina Development (PMD) raised slip rates by about 30% when it assumed the Marina Bay Yacht Harbor lease in Richmond. At the time, the City of Richmond reported slip occupancy at 50%, based on 751 slips. After the rate increase, PMD reported occupancy reaching as high as 90%, and is now 85%, but based on 840 berths. So, the number of occupied slips has actually risen from about 375 to over 700. The average slip rental rate is currently about $8.60/foot.[41]

PMD, possibly together with Almar Marinas (for management), and Marinas International would be likely candidates to bid for a Coyote Point lease and/or management contract.

2. Slip Redevelopment

The average age of the docks at Coyote Point is approximately 20 to 25 years with some being older and at the end of their serviceable lifetime. Also, the mix of slip sizes appears not to closely match current San Francisco Bay boating demographics. The Marina engaged Trans

[38] Don Gussler, Emeryville City Marina Harbormaster, October 24, 2007. Pacific Marina Development, Inc., the lessee of the Marina del Rey Hotel Marina, raised rates by approximately 20% upon taking over the operations, and expects to raise rates annually by 3%-5%, according to Tom Hogan, lessee Principal, October 24, 2007.

[39] Jim Hayes, Vice President of Operations, Almar Marinas, October 26, 2007, Leslie Little, Development Services Director, City of Alameda, October 29, 2007, and Dorene Soto, Manager, Business Development Division, City of Alameda, October 29, 2007.

[40] The Martinez Marina slip rate in March 2005 was $5.38/foot, and in March 2007, it was $7.32/foot, representing a 36% increase in only two years.

[41] Tom Hogan, PMD, email of November 14, 2007.

Systems to explore whether it would be feasible to reconfigure the Marina to meet changing demographics and thereby meet public demand and increase revenues. The County also asked Trans Systems to study variable slip rental rates, charging more for larger slips than smaller slips, evidently recognizing that a variable rate would better reflect the larger areas of the larger slips.

The Trans Systems study estimated that once Dock 29 were replaced, applying the existing dock configuration, *at current slip rates*, the Marina could yield annual berth rental revenues of $1.36 million *at full occupanc*y, or about 17.2% more than the Marina's expected FY 2007-08 berth rental revenues of $1.16 million at 80% occupancy.[42] Trans Systems judged the annual revenue increase to be available from the additional occupancy expected to result from the Dock 29 replacement at approximately $54,000.

Trans Systems considered various berth layouts up to and including the total replacement of all docks. However, the trade-off is evidently that larger slips would replace the smaller replaced slips, and the number of larger slips might be limited by the available area in the Marina and need to provide for sufficiently large fairways. For this decrease in the total number of slips, the revenue from adding larger berths would not offset the loss or revenue from the elimination of smaller berths. Interestingly, Trans Systems concluded that the most lucrative alternative (Plan A) was for the *existing* slip configuration at either the current berth rates or their proposed increased rates.

Applying what Trans Systems felt would be higher available slip rates for the current slip configuration, it estimated that the Marina might yield annual revenues of $1.56 million *at full occupancy*, about $200,000 or 14.7% more per year for the existing configuration, *also at full occupancy*.[43] (Note that the Trans Systems estimate of the 14.7% potential increase in revenues is somewhat higher than the 13% assumed in the figures presented in the conclusions to this report.)

- **Therefore, Trans Systems indicated that reconfiguring the Marina only to meet identified trends is evidently not worthwhile. Additional revenues would be available only from an increase in slip rates and/or occupancy.[44] However as part of a long-term replacement plan, it would make sense to target the potential market demographics while maximizing revenue potential.**

- **Moreover, due to the high cost of dock replacement, it would not make financial sense to replace any of the docks before the end of their useful lives. Repair rather than replacement should be the first option from a financial standpoint.**

A prospective lessee, concessionaire, or management contractor would certainly consider such potentials in the future and will likely draw similar conclusions.

[42] Coyote Point Conceptual Plan, for San Mateo County, by Trans Systems, October 26, 2007, p. 14.
[43] Ibid. p. 13.
[44] Although Trans Systems concluded that reconfiguration to convert smaller slips to larger slips would not be cost-effective, reconfiguration to change single loaded slips to double loaded slips would presumably be cost-effective.

B. ADDITIONAL REVENUE SOURCES

At best, marinas rarely do better than break even if they rely exclusively on slip rental fees. Profitability generally depends on obtaining revenue from additional sources, such as dry stack storage, and operation of, or leases for, landside enterprises, such as restaurants, boat sales, chandleries, commercial offices and even lodging enterprises. Evidently, there is little available land for such additional enterprises. So, even if a lessee or concessionaire wished to engage in or contract for such enterprises, space would be a limitation.

However, some additional enterprises require very little space and would enhance the attractiveness of the Marina, such as especially a boat broker/dealer, chandlery, and restaurant. A lessee or concessionaire would likely be more aggressive than the Marina in attempting to attract such enterprises. However, poor accessibility would make the success of a new restaurant problematic.

C. LEASE OR CONCESSION FEES

Lease fees paid to the public agency will vary considerably, depending entirely on the respective marina's expected net operating revenues and the cost and timing of capital improvements and replacements requirements. Under favorable cost-revenue relationships, long-term (25-50 year) marina leases in the Bay Area are yielding 15% of gross revenues (San Leandro and Emeryville), 20% of revenues (Richmond and Oakland). Lease fees in Southern California are often even higher, given the higher slip rates available and comparable construction costs. However, where costly capital improvements are necessary, *and are funded by the private contractor*, lease fees are much lower.

As mentioned elsewhere in this report, it is our opinion that the Marina ought to fund improvements with DBAW debt, and service that debt directly from cash flows received from the private contractor. That would be automatic under a management contract, and generally also for a concession contract. But under a lease, the Marina would need to be careful to manage its debt exposure risk by writing the contract to be sure to secure any outstanding loans with sufficient lease fees. Future loans would be the lessee's responsibility, and DBAW would likely only fund them at its private loan rate.

V. CONTRACTING RESTRICTIONS

It appears that the County's contracting requirements regarding employee benefits are only that contractors are to provide *equal* benefits, such that contractors may not discriminate "in the provision of employee benefits between an employee with a domestic partner and an employee with a spouse." None of the provisions require that lessee, concessionaire or manager would be obligated to provide benefits equal to those provided by the County for its employees. Moreover, the provisions are silent regarding the nature or level of benefits that a concessionaire or contracted manager would be required to provide its employees.[45]

Moreover, the County's contracting provisions appear to be silent about a prospective concessionaire's or manager's requirements regarding employee wages, including prevailing wages. A service contract might specify such wages, but presumably a contractor would be able negotiate what those wages might be, if they are to be specified in the contract.

The San Mateo County Ordinance Code, Chapter 2.51, contains a number of provisions relevant to the county's leasing of County Property. In particular, it states that:

> The Board of Supervisors may lease for a term not exceeding 99 years any real property belonging to the County and not needed for County purposes during the term of the proposed lease. (Reference 2.51.020 Term of Lease, Ord. 4324, 08/15/06)
>
> The Board of Supervisors must accept the highest bid submitted for said leasing or else reject all bids. (Reference 2.51.060 Acceptance of Highest Bid Required, Ord. 4324, 08/15/06)

The lease term would not be an important restriction, but the requirement that the real property not be needed for County purposes might, depending upon the legal interpretation of whether the Marina might or might not be deemed necessary for County purposes.

Requiring that the award go to the highest bidder would also not be particularly restrictive, as long as the lessee's financial and operating obligations and restrictions (especially regarding rate setting) are clearly specified and bidders' proposed percentage lease fees are compared according to a commonly assumed annual revenue base, not the bidders' revenue estimates which might vary considerably.

[45] County Ordinance, Chapter 2.93 County Contracts--Non-Discrimination in Benefits. Corroborated by Matthew Chidester and Steve Alms, San Mateo County Real Property Division, October 28 & 29, 2007.

VI. BAY AREA PUBLIC AGENCIES' PRIVATE CONTRACTING

Martinez: Joann Tool reported that by converting the Martinez Marina from City operation to a management contract (Almar Management), the marina is "operated much more efficiently with noticeable cost savings," the private manager is "delivering acceptable services," and "net revenue to the City has more than tripled." She continued that, "we do not have the complaints that we once received from the renters. As a matter of fact, we hear compliments . . . something that was not frequent . . . when the City ran the marina." [46]

Ms. Tool reported that when Martinez changed from City to private operation, City personnel were absorbed back into City positions. And, "there was no disruption in service during the transition from City to (private) marina operator."[47] San Mateo County might reabsorb any marina staff that were not hired by a private contractor, in a similar fashion as when the current Coyote Point Harbor Master was transferred to the Marina from another County position.

Emeryville: Rachel Legree, Emeryville Public Works Department, reported that the City is generally pleased with the marina's management and operation and that the working relationship with Marinas International, their lessee, is "healthy." [48]

Maurice Kaufman, Director of Public Works, for the City of Emeryville stated the City has a "very good working relationship" with the lessee (Marinas International) and that "financially the City is in a better situation compared when (the City) operated the marina." In fact, Mr. Kaufman said that ". . . the City was finding it a challenge to break even in its operation of the marina." He said that ". . . we have received very few complaints about the lessee's operation, including few complaints over rate increases." He said his experience is that "it is in the lessee's interest to be as responsive as possible to slip tenants, otherwise they will loose revenues. So far (he said he believed) the lessee has been quite responsive to the needs of slip renters." As to marina maintenance, Mr. Kaufman stated that ". . . generally the lessee has maintained the property quite well and there are no significant maintenance issues at this time." Regarding capital improvements, Mr. Kaufman indicated that ". . . getting the lessee to start scheduled capital improvements specified in the lease has been somewhat of an issue, but has not become a significant problem, and the lessee has generally been responsible" in making the required improvements.[49]

Alameda: The lessee at Ballena Isle (504 slips) as at Treasure Isle (109 slips, in San Francisco) currently pays no percentage rent, only a minimum rent.

At Ballena Isle, the current minimum annual rent is $33,700 and will escalate in Year 6 (2013) to $60,000. In Years 10-15 (2017-2022), the lessee will pay percentage rent equal to 7.5% of gross

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[46] Joann Tool, Martinez Deputy Director – Parks & Community Services, email to David Dornbusch of October 22, 2007.
[47] Ibid.
[48] Rachel Legree, Emeryville Public Works Department, interview on October 29, 2007.
[49] Telephone conversation October 29, 2007.

revenues, assuming completion of the marina's reconstruction in 2017. In Years 16-21 (2023-2028), the percentage rent will escalate to 10.0% of gross revenues, and rent in Years 21-25 (2029-2033) is yet to be determined (through negotiation or appraisal).[50] The reason for the changes in the lease rate formula is that upon taking over the contract in 2000, the lessee inherited a marina that was in very poor condition. The old lease did not require the lessee to make capital improvements and was vague on annual maintenance requirements. The City wanted a lease in which the lessee would fund reconstruction of the marina and would specify maintenance requirements.[51]

A representative of the City of Alameda believes that Almar Marinas has done a good job managing the Ballena Isle Marina. Although occupancy is down, they acknowledge that the operation was hindered from the start by the very poor condition of the marina's slips and infrastructure.[52]

The City of Alameda also leases two other marinas (Alameda Marina and Fortman Marina) to private contractors.[53] However, the City is not pleased with those contracts, because neither requires specific expenditures for capital improvements or maintenance. The City feels this omission has caused both marinas to deteriorate.

Benicia: However, not all public agencies have had as good an experience with their marina lessees as Martinez, Emeryville, or Alameda. Rob Sousa, Director of Finance for the City of Benicia reported the following experience with the current Benicia Marina lessee, Benicia Harbor Corporation. Mr. Sousa said that ". . . the City is generally happy with the revenues the City receives from the lease." And, "the lessee is fairly responsive to tenants needs and that few complaints have occurred over annual rate increases." However, he also indicated that ". . . getting the lessee to perform routine maintenance has been problematic. The lessee initially got way behind on their maintenance responsibilities, particularly regarding slip maintenance and bathroom maintenance." The problem stems from the fact that the lease does not specify maintenance or capital expenditure requirements. Disagreements between the City and lessee go to arbitration, which has been necessary twice during the past four years.[54]

San Leandro: The City of San Leandro considered but rejected a proposal from Pacific Marina Development to lease its marina for 30 years, plus options. Most of the proposed terms appeared favorable, with PMD offering to pay 15% of revenues to the City, fund a portion of an estimated $8 million in dock reconfiguration and redevelopment costs, and service the principal and interest on the City's current DBAW loans (costing an estimated $300,000 per year). However,

[50] Almar LP is the lessee, and Almar Management operates the marinas under a management contract with Almar LP, at both Treasure Isle and Ballena Isle. Ballena Isle is a 25-year lease, with a 25-year renewal option. Treasure Isle is a year-to-year lease, which the Almar LP expects to be converted into a long-term lease when the Treasure Island property transfer from U.S. Navy to City of San Francisco ownership has been completed.
[51] Jim Hayes, Vice President of Operations, Almar Marinas, October 26, 2007.

[52] Leslie Little, Development Services Director, City of Alameda, October 29, 2007.
[53] Leslie Little, Development Services Director, October 30, 2007.
[54] Telephone conversation, October 31, 2007.

the deal was not concluded, mainly because PMD would have required the City to pay all dredging expenses. The City is hoping to use other waterfront development income to support the marina's financial needs.

Oakland: Pacific Marina Development and Almar Management, in partnership, entered into a 50-year lease with the Port of Oakland to manage and operate the Oakland Marinas (500 slips) in May 2004. For its management, Almar receives a management fee of 5% of gross revenues and Oakland Marinas LP reimburses Almar Management for marina related administrative expenses, costs to print brochures, stationary costs, etc.

Beginning in the 25th month of the contract (2007), the partnership pays the Port 20% of gross receipts from marina berth rentals plus 5% of gross receipts from fuel and retail sales. Minimum rent for the first 24 months is $612,000, thereafter set at $25,000 per month, with CPI adjustments.

The lessee also paid slightly less than $5.4 million up front to enable the Port to pay off its outstanding DBAW loan used to build the marina. In addition, the lessee paid the Port two years of the minimum rent ($624,000) up front.

Beginning in the 6th year of the lease (2010), the lessee is required to pay 5% of annual gross into a capital reserve fund. The lessee is required to periodically submit a 5-year "renovation and replacement plan" which outlines planned capital expenditures. This plan is reviewed and approved by the Port.[55] The contract does not specify a percentage or dollar amount that the lessee is required to spend annually on maintenance. Instead the lease defines standards to which the lessee must maintain the property, and the Port has authority to conduct inspections to ensure that the property meets those standards. The lessee is responsible for paying all dredging expenses within its leased area.

Robert Jones, of the Port's Real Estate Division, indicated that the Port and slip renters are generally pleased with the lessee's performance. He also commented that when the Port operated the marina it was generally losing money, while the lessee has operated and maintained the marina much more efficiently and profitably. The lessee raised rates by about 5% during the first year of taking over the contract and has since raised rates by approximately 5% each year. Mr. Jones mentioned that although 75% to 80% of the original tenants have moved out, they have been replaced with new tenants willing to pay the higher rental prices.

Richmond: Pacific Marina Development operates the Marina Bay Yacht Harbor under a long-term lease with the City of Richmond. PMD pays the City 20% of gross revenues per year and maintains a reserve equal to 2% of gross revenues per year, which is used for capital and maintenance (including dredging) expenses. Lease revenues are currently servicing the DBW loan that funded the construction of the slips and are also paying for dredging.

[55] Robert Jones, Port of Oakland, Commercial Real Estate Division, October 25, 2007.

When the City Parks and Recreation Department operated the marina, occupancy rates were around 50%, and the marina lost around $500,000 a year.[56]

After Pacific Marina Development assumed the lease, occupancy has increased to its current level of around 90%, despite Pacific Marina Development having raised rates by around 30% when it assumed the lease.[57] Pacific Marina Development reported that there were very few complaints regarding the rate increase and occupancy has not declined significantly as a result.[58] The Acting Deputy Port Director agrees, and believes that given the lack of complaints that he has heard compared to when the City operated the marina, the lessee is presumably meeting the needs of slip owners.[59]

Redwood City: The Port of Redwood City has two marinas, Redwood Landing Marina (40 slips) and Redwood City Yacht Harbor (185 slips).

Redwood Landing Marina is operated under a long-term lease with the Garrett Marina Group, who, for the past two years, has contracted with the Spinnaker Sailing School to manage the marina day-to-day.[60] The lessee currently pays the City a minimum annual rent of $17,760 plus a percentage rent of 5% of gross revenues. Minimum rent is subject to CPI adjustments every five years. The lessee makes all of the capital improvements at the marina and performs the maintenance. However, the lease does not require a capital reserve or specify a particular maintenance expenditure requirement, and the Port has not been satisfied with the lessee's maintenance. However, the Port reports significant improvement in the quality of service since the Spinnaker Sailing School started managing the marina. There have been no complaints about the lessee's slip rates, and that the rates charged are in line with those charged at Redwood City Yacht Harbor, which are set by the Port of Redwood City.

The Redwood City Yacht Harbor is operated under a "limited" management contract with the Spinnaker Sailing School, who has managed the marina since the mid 1990's. However, the contract is limited in the sense that the manager does not have any power to set slip rental rates, which are set by the Redwood City Port Commission.[61] The manager is also not responsible for supervising capital improvements, performing maintenance, or for incurring any major operating expenses, other than those associated with day-to-day communications with current and prospective slip renters. Capital improvements and maintenance are entirely the Port's responsibilities. Since significant improvements were recently made to the docks, the Port employs one part time maintenance person to maintain and service the docks. The manager receives a flat fee of $3,600 per month ($43,200/year) and the Port reviews and adjusts the management fee every 2-years.

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[56] Norman Chan, Acting Deputy Port Director for the Port of Richmond, October 23, 2997.
[57] Ibid.
[58] Tom Hogan, Pacific Marina Development, October 25, 2007.
[59] Chan, October 23, 2997.
[60] Mike Giari, Executive Director, Port of Redwood City, November 1, 2007.
[61] Bob Diamond, Program Director, Spinnaker Sailing School, November 1, 2007.

Vallejo: Mike Feenan reported that the City was not able to finalize a lease agreement with Pacific Marina Development/Almar. The main problem was not being able to negotiate terms that would enable the City to shift its current debt burden to the lessee and not have to service that debt without income from the marina. The City has solicited proposals from private marina managers for a management contract, and both Pacific Marina Development/Almar and Marinas International have responded to the City's invitation to propose.[62]

The remaining Bay Area marinas are either publicly owned and operated or privately owned and operated, and were not reviewed.

[62] Email of October 1, 2007.

VII. NET COST & REVENUE ADVANTAGES

The following summarizes the potential net cost savings and revenue enhancement advantages the Marina might expect to derive from engaging a private entity to manage the Marina operations. The estimates apply to lease or concession operation of the Marina, and also to a management contractor, assuming the Marina would yield responsibility for setting slip rates and selecting and compensating staff to a management contractor.

Revenues from higher berth rates

We expect that a private contractor would raise slip rates immediately, and after accounting for a resulting slight decrease in occupancy, would yield 13%-15% greater rental revenues and therefore net cash flow. Applying the more conservative estimate of 13% to the FY 2006-07 slip revenues, and before considering future raises, this would yield:

- **Additional annual revenues of $131,800.**[63]

Salary savings from reduced staff

We believe that the Marina could achieve higher maintenance efficiency by capitalizing on the proximity of its Marina and Park maintenance staff and facilities. However, we did not attempt to estimate the available savings from such a combination except to support our judgment that at least one FTE, and possibly two FTEs, could and would be eliminated under private management.

If the Marina were to make two staff reductions on its own, there would be no savings from private operation or management. However, a private operator would achieve the following salary, employee taxes, and benefits savings (assuming the County benefits rate of 51.0% of salaries), depending on whether the County eliminated one or no positions on its own:

- $76,100 per year, if the Marina eliminated no positions on its own, and a private operator eliminated only the lowest salary position.

- $87,600 per year, if the Marina eliminated the lowest salary position, and a private operator eliminated the second lowest, or a private contractor achieved a similar reduction by consolidating two positions into one.

- $163,700 per year, if the Marina eliminated no positions on its own, and a private operator eliminated the two lowest salary positions.

Staff benefit savings

A private contractor's additional savings by providing no pensions, and lower health and other employee benefits would be an additional:

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[63] 13% of FY2006-07 Marina Berth Rentals of $1,013,896 = $131,806. The yield from raising the rental fee will potentially be higher when the new Dock 29 is completed and more usable slips become available.

- $51,900 per year, assuming a staff reduction to the three highest ranking positions.[64] This is equivalent to the third scenario above, and is therefore in addition to $163,700 per year.

- Therefore, assuming a staff reduction to the three highest ranking positions, a private operator might be expected to achieve **$215,600 per year** in staff reduction savings plus benefits savings on remaining staff.

- $65,000 per year, assuming a staff reduction to the three highest-ranking positions, plus the lowest ranking position. This is equivalent to the first scenario identified above, and is therefore in addition to $76,100/year.

- Therefore, assuming a staff reduction to the three highest ranking positions, plus the lowest ranking position, a private operator might be expected to achieve **$141,100 per year** in staff reduction savings plus benefits savings on remaining staff.

Savings from lower cost of supplies and services

Although such savings are real, they are relatively small. To be conservative, we disregarded these savings.

Private vs. Marina overhead

The County charged overhead of only 0.7% of revenues to the Marina in FY 2006-07. Although a private contractor's overhead would be covered within its management fee or target return, the Marina would presumably incur some overhead to administer a private contract. We assumed the costs would be about equal.

Cost of Capital

Private capital is more expensive than public. Private equity will be invested in marinas with the expectation of a 10%-12% internal rate of return. Private debt will cost up to or more than twice as much as public debt, such as in comparison with the DBAW loan interest rate, which currently cost public agencies 4.5%. Private DBAW loans are at prime plus one percentage point.

Under a management contract, the private manager will simply assist the public agency to access low cost DBAW loans, thereby obtaining capital on behalf of the Marina at the same low cost as the Marina would pay under Marina management. Therefore, under a management contract, the Marina's cost of capital would be the same as the Marina's low DBAW interest rate.

A key issue in choosing between a management contract, lease or concession contract would be the amount of capital needed, and therefore the expected debt service cost. The Coyote Point Marina's near term capital costs are reasonably low, less than $2.0 million for Dock 29.

[64] Or a private contractor achieving a similar reduction by consolidating two positions into one.

However, additional future dock replacement needs will make future capital costs very high. Prospective lessees might not be interested in funding very high capital costs at even the DBAW private rate.

DBAW has not historically loaned its funds at the public rate, if the public agency contracts with a private entity to operate the marina under a long-term lease, even though the debt might be adequately serviced from lease fees.

- **Therefore, a management or concession contract would be the most practical private contracting alternative, if (as it appears) the Marina's future debt burden will be very great, as indeed it does.**

Private Contracting Fees

- Management contractors would bear no financial risk, and be expected seek an estimated fee of 5% of revenues to manage the Coyote Point Marina.

- Therefore, a management contractor would be expected to charge an initial fee of **$64,100 per year** (based on FY 2006-07 revenues plus the additional expected revenues from higher slip fees (of $131,800 per year, as noted above), thereafter rising each year with higher annual revenues.

- All other operating costs would be the same or similar under a private management contractor or under continuing public management and need not be itemized in this comparative analysis.

Assuming that the Marina would fund the capital improvements through DBAW loans, concessionaires would still incur a small financial risk associated with their investment in working capital and personal property, and all operating risk of lower-than-expected operating revenues and higher-than-expected operating costs. For that, they would be expected to seek an additional 2-3 percentage points, and therefore:

- A concessionaire would be expected to seek an estimated return of 7%-8% of revenues.

- Applying the higher rate, the concessionaire's fee would have amounted to **$102,500 per year** (based on FY 2006-07 revenues plus the additional revenues expected from higher slip fees of $131,900, as noted above).

- All other operating costs would be the same or similar under a private concessionaire or under continuing public management and need not be itemized in this comparative analysis.

Net Financial Benefit of a Private Contract

- **Therefore, a private management contractor or concessionaire would be expected to generate more annual cost savings and revenues, of $272,900 to $347,400, than their**

annual fee of $64,100 to $102,500, for a management contractor or concessionaire, respectively.[65]

- Under a management contract, the difference between the higher financial returns and management fee would flow to the County. Under a concession contract, some of the difference would go to the concessionaire, in return for assuming the operating risk.

If a lessee or concessionaire would be required to assume financial risk, either would seek an additional pre-tax return of 10%-12% on its investment as compensation for that risk. Any fees that a lessee or concessionaire might pay for the rights and privileges to engage in a contract for the Marina would be the cash remaining after such a lessee or concessionaire realized its target rate of return on its investment.

Without knowing the future capital costs required to sustain the Marina's operations, or therefore what the debt and/or equity exposure might be, it is not possible to compare the relative cost of capital for a lease, concession, or management contract with the continued public operation. However, given the expected high cost to replace the docks in the relatively near future, it appears that debt service will be a critical cost.

Therefore, a management contract or concession contract appears to be the most cost-effective approach – the choice depending on the Marina's relative desire to retain or yield the operating risk.

A long-term lease would become a reasonable option once the capital costs were funded with low-cost DBAW debt and/or the expected higher cash flow would be sufficient to service the lessee's higher private cost of capital.

Choice between Continued Marina Management and Private Contract

The Marina should first consider how much it might be willing to raise slip rates to the levels that a private contractor would likely seek and how much it might be willing and able to reduce the Marina's operating costs compared to the cost savings expected for a private operator. In estimating the costs savings, the Marina should also consider how much of the Marina's overhead expenses would still be incurred if it were unable to allocate those expenses to the Marina enterprise.

Then, if it appeared that private contracting of the Marina's operations would be to the Marina's financial advantage, the Marina might test the market by inviting proposals for whichever contracting approach appeared attractive.

A critical aspect of the comparison between continued Marina and private operation will involve the interest cost on the debt necessary to fund the Marina's future capital costs required to sustain

[65] First year additional revenues of $131,800 would flow directly to the Marina's income. First year savings were estimated at $141,100 to $215,600. The management or concession fees would rise with revenues, which might increase faster than the savings in expenses. However, any convergence would not be fast enough to alter the conclusion.

the Marina's operations. For either Marina operation, a management contract or concession contract, the Marina would bear the funding burden, and at the low DBAW public agency interest rate (currently at 4.5%). A lessee, however, would incur a much higher interest rate (approximately double the DBAW public interest rate).

Until the dock replacement costs are estimated, it would not be possible to compare specific interest cost numbers for the alternatives, or relate the interest cost to the other financial advantages of private contracting. However, the Marina consultant's report indicates that all of the docks will need to be replaced within the next ten years. Even if some replacements could be delayed somewhat, the expected costs will be very high, and therefore the choice of Marina versus private contracting, and indeed the private contracting approach, will be very sensitive to the difference between the alternative interest costs.

If the County was inclined to enter into a private contract, the County might first test the market for a long-term lease by soliciting proposals. If prospective lessees were reluctant to assume the Marina's entire debt burden, or enough of the burden to offer the Marina attractive lease terms, the Marina could still achieve the financial advantages offered by a private operator by engaging a management or concession contractor.

APPENDIX A – HARBOR MASTER QUALIFICATIONS

A Harbor Master's most important qualifications include:

1. Being familiar with, and ability to enforce, marina and harbor rules and regulations.
2. Having training in first aid, water rescue, and emergency evacuations. Maintaining certification as first responder and CPR.
3. Having basic knowledge of carpentry, painting, electrical repair, plumbing and small engine repair.
4. Having ability to deal effectively and cordially with persons using the marina.
5. Having ability to effectively manage marina administrative and maintenance personnel.
6. Possibly being trained and certified by a Harbor Master academy, as well as in appropriate police officer and maritime security courses.

Depending upon the Harbor Master's back-up staff support, additional services might include:

7. Patrol marina facilities and waterways, observe water traffic conditions and boater conduct, enforce Federal, State, and County rules, regulations and laws.
8. Aid people in need of water rescue, medical attention, and emergency evaluation.
9. Aid vessels in distress and recover boats adrift.
10. Administer and assign responsibilities for enforcing polices regarding the use of piers, slips and mooring spaces in accordance with regulations.
11. Prepare reports, correspondence, budgets and supervises payroll.
12. Meet with agency supervisors and inter-government bodies, citizen groups, and stakeholders; make recommendations to agency supervisors concerning operating and maintenance of marina as appropriate and required.
13. Supervise collection of slip rental, ramp, and transient slip fees.
14. Provide instruction and guidance to marina staff to insure consistent administration of specified policies, rules and fees in his absence.
15. Establish communication with elected agency supervisors and officials and staff, marina advisory committees (if any), and police department, as required, to resolve potential or existing problems.
16. Supervise maintenance of marina facilities and structures.
17. Supervise maintenance and operation of marina boats, automotive vehicles and specialized tools and equipment.
18. Supervise performance of staff regarding day-to-day operations, maintenance, and security/safety functions.
19. Prepare periodic preventative maintenance plans for marina structures and equipment for review by supervisory staff at the supervising agency. Manage implementation of approved preventative maintenance plan.
20. Monitor work performed by contractors (including pier and dock structures, electrical and fresh water systems), review applications and plans or drawings, if required, and provide liaison between contractor and the supervising agency.

CR02 Actuals + CYREV {SYS} {3980B, Coyote Point Marina}

Object	Line Name	Actual Only 2001-02	Actual Only 2002-03	Actual Only 2003-04	Actual 2004-05	Actual 2005-06	Actual 2006-07	Revised 2006-07	Recommend Budget 2007-08
3980B	Coyote Point Marina								
1521	Interest Earned	69,803	65,492	45,408	28,950	41,597	39,922	20,000	20,000
1556	County Land/Buildings Rental	23,460	25,034	23,117	18,650	19,670	15,105	21,000	21,000
1558	Service Machine Concession:		737						
1559	Other Rents & Concessions	9,669	8,859	8,345	6,222	8,251	6,787	6,500	6,500
1500	Use of Money and Property	102,932	100,122	76,870	53,822	69,518	61,813	47,500	47,500
1785	State Aid-Parks Acquis & Dev			10,009					
1788	State Aid - Other Constructior								1,947,500
1600	Intergovernmental Revenues			10,009					1,947,500
2063	Returned Check Charges	100			50				
2311	Marina Berth Rentals	1,047,498	1,080,402	1,003,332	1,053,661	1,057,702	1,013,896	1,125,217	1,164,845
2314	Reservation Fees			75	241				
2316	Miscellaneous Park Sales	3,366	3,291	1,538	2,168	1,588	1,723	500	500
2317	Park Entry Fees		1,162	2,279	1,431	1,818	1,977	1,500	1,500
2318	Annual Pass Sales				60		8,720		
2321	Other Park & Recreation Fee:	6	2,000	6,277	4,516	4,160	6,300	2,000	2,000
2437	Water Sales	526	570	612	437	312	326		
2438	Water Service Charges	790	690	730	594	584	579	1,100	1,100
2441	Other Sales				12,271	97,138	109,513		

CR02 Actuals + CYREV {SYS} {3980B, Coyote Point Marina}

Object	Line Name	Actual Only 2001-02	Actual Only 2002-03	Actual Only 2003-04	Actual 2004-05	Actual 2005-06	Actual 2006-07	Revised 2006-07	Recommend Budget 2007-08
2000	Charges for Services	1,052,286	1,088,115	1,014,842	1,075,429	1,163,302	1,143,033	1,130,317	1,169,945
2632	Sale of Surplus & Salvage			582					
2637	Food Sales - Other	2,067	716	663	216	230		500	500
2644	Compensation Insurance Ref			3,152					
2646	Gifts & Donations	3,200							
2647	Miscellaneous Reimburseme	140	409	45		236		200	200
2648	Insurance Recoveries & Refu	1,358							
2658	All Other Miscellaneous Reve	1,435	7,385	319	274			500	500
2600	Miscellaneous Revenue	8,199	8,509	4,760	490	466		1,200	1,200
2731	Operating Tsfr In				9				
2700	Other Financing Sources				9				
TOTREV	Total Revenue	1,163,417	1,196,747	1,106,482	1,129,749	1,233,285	1,204,846	1,179,017	3,166,145
333	Fund Balance	1,697,747	1,923,412	2,119,271	1,339,076	1,457,224	1,381,569	1,261,577	291,712
TOTSRC	TOTAL SOURCES	2,861,164	3,120,159	3,225,753	2,468,825	2,690,509	2,586,415	2,440,594	3,457,857
4111	Regular Hour - Perm Position	214,689	224,234	241,288	221,269	264,957	278,855	308,196	323,828
4112	Regular Hours-Night Shift Difl			47	82				
4119	Other Special Pay - Perm Po:							4,306	4,306
4131	Employee Sick Leave	3,096	2,442	9,080	3,748	5,306	4,126		
4133	Vacation Pay	19,679	22,201	20,736	25,333	20,617	18,420		
4134	Holiday Pay	15,051	16,880	20,804	16,831	17,595	21,860	3,987	3,987

CR02 Actuals + CYREV {SYS} {3980B, Coyote Point Marina}

Object	Line Name	Actual Only 2001-02	Actual Only 2002-03	Actual Only 2003-04	Actual 2004-05	Actual 2005-06	Actual 2006-07	Revised 2006-07	Recommend Budget 2007-08
4135	Compensatory Time Used	4,391	3,681	30	2,750	931	146		
4136	Jury Duty Paid Leave	180							
4161	Extra Help Hours - Reg Pay	32,583	29,720	41,321	42,533	46,019	17,973	49,323	49,323
4162	Extra Help Hours - Night Shift						638		
4171	Overtime - Straight Pay	38	(13)						
4172	Overtime - 1 1/2 Time Pay	578	245	737	(112)		129	500	500
4311	FICA	15,796	16,522	17,689	16,144	18,901	19,639	19,104	20,076
4312	Medicare Contribution	4,167	4,296	4,736	4,475	5,079	4,884	4,464	4,696
4321	County Retirement Contributi	25,487	26,707	47,762	49,283	62,666	67,412	64,512	67,104
4322	County Annuity Contribution	5,432	4,237	1,273	1,445	1,589	1,713	1,517	1,517
4411	Aetna Health Plan	13,629	12,900	16,824	10,662	21,434	22,439	19,419	19,302
4412	Kaiser Health Plan	7,904	8,879	15,016	21,698	24,461	25,665	16,570	18,522
4413	County Health Plan	3,002	3,635	3,917	4,412	4,868	5,182	5,210	5,545
4415	Medicare Health Insurance	408							
4422	County Dental Plan	5,961	5,277	5,493	4,918	5,789	6,187	4,580	4,440
4423	Delta Dental Plan		6						
4431	Vision Insurance Plan	1,082	957	1,000	889	1,017	1,084	900	900
4441	Life Insurance Plan	556	501	452	392	443	475	420	420
4442	Long Term Disability Insuranc	640	739	842	736	824	828	600	600
4451	Unemployment Insurance	290	299	331	757	889	856	2,304	2,412
4511	Workers Comp Insurance Co	10,491	12,463	14,917	13,754	16,369	3,244	2,844	3,008
4512	Workers Comp Experience C						5,364	5,367	22,751
4629	Benefit Adjustments							5,000	5,000
4649	Other Benefits-Adjustments				(20)	(21)	(28)	14,154	14,154
4711	JL Salary Memo	161	4,383	1,370	1,195		24		

CR02 Actuals + CYREV {SYS} {3980B, Coyote Point Marina}

Object	Line Name	Actual Only 2001-02	Actual Only 2002-03	Actual Only 2003-04	Actual 2004-05	Actual 2005-06	Actual 2006-07	Revised 2006-07	Recommend Budget 2007-08
4726	JL Combined Benefits Memo	55	1,310	684	94		12		
4731	JL Salary & Ben Offset Memc	(217)	(5,693)	(2,054)	(1,289)		(36)		
4000	Salaries and Benefits	385,129	396,808	464,296	441,978	519,734	507,093	533,277	572,391
5123	Uniform Allowance	318	211			788	2,571	2,600	2,600
5124	Safety Equipment	1,552	1,195	1,027	2,588	770	83	2,000	2,000
5165	Medical/Dental Supplies			492			199	500	500
5188	Misc Other Expenses	79,353	80,756	689	452	468	242	2,000	2,000
5191	Outside Printing & Copy Svc	3,992	2,501	2,194	779	1,199	1,365	3,500	3,500
5193	General Office Supplies	2,476	2,245	1,444	1,114	2,430	1,521	2,500	2,500
5195	Subscriptions & Periodicals				5,337	7,273	8,751	1,500	1,500
5197	Postage & Mailing Expense	4,306	5,295	2,795	1,135	1,033	1,122	4,400	4,400
5199	Other Office Expense	10,669	12,350	11,022	5,646	1,389	1,002	8,000	8,000
5211	Computer Supplies	100	1,117		27	4,212	54	9,366	9,366
5234	Office Furniture & Equipment	432	253		141	820		1,500	1,500
5331	County Memberships	1,300	1,300	250	275	275		500	500
5428	Misc Repairs & Maintenance	9,699	4,390	13,944	4,291	6,278	5,295	6,000	6,000
5431	Lumber & Carpentry Expense	1,862	848	2,231	358	677	372	3,000	3,000
5437	Metal & Plastic Products				41				
5438	Plumbing & Piping Expense	1,314	1,238	463	5,253	622	80	2,500	2,500
5439	Paint, Solvents & Chemicals	982	228	820	733	1,619	7	1,500	1,500
5443	Signage Expense	2,227	563	377	1,508	1,133	661	1,500	1,500
5445	General Electrical Expense	3,204	2,191	825	94	216	3,524	2,500	2,500
5446	HVAC & Refrigeration Syst E:	70							
5449	Motor, Pump & Generator Ma	428	1,239	429	262		1,233	1,000	1,000

CR02 Actuals + CYREV {SYS} {3980B, Coyote Point Marina}

Object	Line Name	Actual Only 2001-02	Actual Only 2002-03	Actual Only 2003-04	Actual 2004-05	Actual 2005-06	Actual 2006-07	Revised 2006-07	Recommend Budget 2007-08
5455	Other General Maintenance E							1,000	1,000
5457	Landscape/Garden Expense	854	1,454	2,660	1,023	1,186	1,163	4,000	4,000
5458	Parking Lot Maintenance	1,309	210	2,181	2,233	147		10,000	10,000
5459	Misc Other Maintenance Expe	4,114	493	2,955	3,954	10,198	2,297	2,000	2,000
5472	Contract Plumbing Service							1,000	1,000
5473	Contract Electrical Service			1,332				1,000	1,000
5484	Miscellaneous Custodial Expe	2,072	1,525	891	1,273	1,369	1,566	1,600	1,600
5631	Electric & Gas Utilities				25,000				
5632	Heating & Emergency Fuels	1,417	1,972	1,873	1,146				
5633	Sewage Treatment & Dispose	1,291	2,920	997	2,229	811	733	2,000	2,000
5634	Scavenger & Recycling Servi	443	90	718	1,081	1,453	293	3,000	3,000
5635	Water Service	1,676	2,029	2,449	2,480	2,781	15	2,500	2,500
5713	Airfare & Vehicle Rental	140							
5714	Employee Mileage Reimburse	1,271	454	616	227				
5717	Other Transportation Expense								7,126
5721	Meetings & Conference Expe	1,907	600	2,616		103	68	1,500	1,500
5722	Misc Employee Exp Reimburs	273	2	4				500	500
5724	Other Business Travel Expen				146				
5731	Dept Employee Training Expe				90				
5733	Train & Educ Materials/Suppl	298	1,315	867	262	407		1,200	1,200
5814	Contract Office Support Svcs							2,691	2,691
5833	Contract Security Services					725			
5858	Other Professional Contract S	110,728	130,389	120,345	64,558	70,375	100,691	89,500	89,500
5872	In-House Admin & Acctg Serv					1,551			
5958	Other Engineering Expense		4,980						

CR02 Actuals + CYREV {SYS} {3980B, Coyote Point Marina}

Object	Line Name	Actual Only 2001-02	Actual Only 2002-03	Actual Only 2003-04	Actual 2004-05	Actual 2005-06	Actual 2006-07	Revised 2006-07	Recommend Budget 2007-08
5963	Other Marina Operating Expe	45,798	41,307	75,873		2,467	100		
5969	Other Special Dept Expense	2,506	33,108	17,520	19,848	13,504	6,939	67,338	67,338
5999	Other Purchases for Reissue	282	289	428	17,211	88,486	90,125		
5000	Services and Supplies	300,662	341,055	273,327	172,795	226,765	232,072	247,195	254,321
6265	Misc Other Contributions			25,000	18	(18)			
6322	Retirement of Long Term Det	198,177	198,177		133,746	139,765	108,990	161,177	161,177
6332	Interest on Long Term Debt			70,190	64,431	58,412	52,121		
6711	Radio Service Charges			4,139				3,000	3,000
6712	Telephone Service Charges	2,999	3,184	2,608	2,690	3,462	2,338	3,446	2,334
6713	Automation Services-ISD	443	462	440	460	352	8,458	1,200	410
6717	Motor Vehicle Mileage Charg	3,772	4,336	4,092	3,416	4,654	3,021	3,591	3,591
6718	Revenue Collection Charges							2,000	2,000
6722	Copy Center Charges	1,924	2,000	1,752	1,683	1,120	1,025	2,500	2,500
6723	Airport/Marine Liability Insura				6,820	6,820	6,820	6,820	24,994
6724	Auto Liability Insurance		1,190						
6725	General Liability Insurance	13,050	13,050	22,305	15,485	15,816	18,311	18,311	18,311
6727	Official Bond Insurance	34	34	115	121	121	121	121	121
6728	County Property Insurance	18,738	15,046	15,046	15,046	15,046	16,174	16,174	
6733	Human Resources Services						134	134	134
6738	Countywide Security Services	144	145	145	145	150	156	156	169
6812	Depreciation Expense			7,003	4,046	2,676	2,676		
6815	Depreciation - Structures			211,412	233,904	233,904	233,904		
6821	A-87 Expense	12,679	15,756	15,774	14,087	3,528	8,052	8,057	8,057
6000	Other Charges	251,961	253,380	380,021	496,097	485,807	462,300	226,687	226,798

CR02 Actuals + CYREV {SYS} {3980B, Coyote Point Marina}

Object	Line Name	Actual Only 2001-02	Actual Only 2002-03	Actual Only 2003-04	Actual 2004-05	Actual 2005-06	Actual 2006-07	Revised 2006-07	Recommend Budget 2007-08
7211	Fixed Assets-Structure/Impro				27,185	59,023			
7311	Fixed Assets - Equipment		9,646	17,116					
7000	Fixed Assets		9,646	17,116	27,185	59,023			
7546	Capital Projects-Operating Tr			1,102,381	0		614,609	995,000	2,061,000
7500	Other Financing Uses			1,102,381	0		614,609	995,000	2,061,000
GRSAPP	Gross Appropriations	937,752	1,000,889	2,237,140	1,138,055	1,291,329	1,816,074	2,002,159	3,114,510
8133	IFT - Project Labor/Cost Rein			105,900	110,127	137,604	150,982	146,723	146,723
8000	Intrafund Transfers			105,900	110,127	137,604	150,982	146,723	146,723
NETAPP	Net Appropriations	937,752	1,000,889	2,343,040	1,248,182	1,428,933	1,967,056	2,148,882	3,261,233
8611	Appropriation for Contingency	50,000	300,000						
8612	Departmental Reserves			300,000					
8500	Contingencies/Dept Reserves	50,000	300,000	300,000					
8821	General Reserves (Non-Gen	1,873,412	1,819,271	582,712	1,220,643	1,261,577	619,359	291,712	196,624
8700	Non-General Fund Reserves	1,873,412	1,819,271	582,712	1,220,643	1,261,577	619,359	291,712	196,624
TOTREQ	TOTAL REQUIREMENTS	2,861,164	3,120,160	3,225,752	2,468,825	2,690,510	2,586,415	2,440,594	3,457,857
NETCC	NET COUNTY COST	0	0	(0)	(0)	0	0		

CR02 Actuals + CYREV {SYS} {3980B, Coyote Point Marina}

Object	Line Name	Actual Only 2001-02	Actual Only 2002-03	Actual Only 2003-04	Actual 2004-05	Actual 2005-06	Actual 2006-07	Revised 2006-07	Recommend Budget 2007-08
SALRES	Salary Resolution	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
FTE	Funded FTE	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00

Parks Department - Coyote Point Marina
Marina Capital Projects 10-Year Plan FY 07/08

Project Name	Priority	Accuracy	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17 & Beyond	Division Project #
Temporary Harbormaster Office - 5969	1													04-0484
Demo Permits and Plans			$5,000											
Construction/Demo		V		$108,000										
Maintenance Dredging - 7546	1													04-0486
Planning/Engineering/Permitting		V	$105,000									$50,000		04-0487
Construction		F	$633,867										$250,000	04-0488
Middle Berm Patching/Striping/Repairs	1													02-0203
Planning/Engineering/Permitting		-												
Construction		V	$5,000											
Fuel Dock Removal - 7546	1													02-0198
Planning/Engineering/Permitting		G	$3,000											
Construction		G		$18,000										
Marina Software Connectivity/Upgrade - 5211	1													04-0500
Planning/Engineering/Permitting		-												
Construction		V		$7,500										
Replacement of Dock 29	1													02-0199 *
Planning/Engineering/Permitting		G		$200,000										
Construction		F		$1,630,000										
Center Restroom ADA and Fixture Upgrade	1													04-0493
Planning/Engineering/Permitting		V		$5,000										
Construction		V		$80,000										
Launch Ramp Restroom	1													06-0530 *
Planning/Engineering/Permitting		G		$5,000										
Construction		F		$112,500										
Marina Docks Concept Plan	1													04-0493
Planning/Engineering/Permitting		V		$24,000										
Construction		V												
Marina Management Review	1													06-0530 *
Planning/Engineering/Permitting		G		$35,000										
Construction		F												
New Card Key System to Work with Park Entry	1													06-0532
Planning/Engineering/Permitting		G		$1,000										
Construction		F		$15,000										
Yacht Club Dock Bollards	2													04-0497
Planning/Engineering/Permitting		G		$5,000										
Construction		F			$35,000									
Recycling Stations	2													02-0194 *
Planning/Engineering/Permitting		G			$2,000									
Construction		V			$27,500									
Boater Restroom Sleeve Repair 700'	2													04-0497
Planning/Engineering/Permitting		G			$5,000									
Construction		F				$50,000								
Replace Floatation at Docks 24 and 25	2													02-0200
Planning/Engineering/Permitting		G				$5,000								
Construction		V					$32,000							
Kayak/Rowing Shell Dock	3													02-0198 *
Planning/Engineering/Permitting		F				$5,000								
Construction		F				$45,000								

1 of 2

Dornbusch Associates

Parks Department - Coyote Point Marina
Marina Capital Projects 10-Year Plan FY 07/08

Project Name	Priority	Accuracy	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17 & Beyond	Division Project #
Southwest Sidewalk Repair	3													02-0205
Planning/Engineering/Permitting		G						$5,000						
Construction		G						$20,000						
Repave Roadway to Shop and Office	3													02-0204
Planning/Engineering/Permitting		G						$5,000						
Construction		G							$70,000					
Repave Sidewalk at/around Anchor Park	3													02-0206
Planning/Engineering/Permitting		G						$5,000						
Construction		G						$32,000						
Accessibility Improvements to Courtesy Dock	4													02-0201 *
Planning/Engineering/Permitting		P						$15,000						
Construction		P						$45,000						
Separate Utility Metering	4													04-0490
Planning/Engineering/Permitting		G								$1,500				
Construction		F									$15,000			
Middle Berm Engineering Study	4													04-0496
Planning/Engineering/Permitting		G											$50,000	
Construction		-												
Landscape Improvements and Repair	4													02-0207
Planning/Engineering/Permitting		G												
Construction		G								$20,000				
Middle Berm Paving / Storm Water Management	4													02-0203
Planning/Engineering/Permitting		F											$5,000	
Construction		P											$250,000	
Temporary Dry Boat Stroage Yard	4													04-0475
Planning/Engineering/Permitting		G											$5,000	
Construction		G											$45,000	
Marina Master Plan Update	4													02-0397
Planning/Engineering/Permitting		G											$55,000	
Construction		-												
Harbormaster Office Renovation/Construction	4													04-0492
Planning/Engineering/Permitting		G											$100,000	
Construction		G												
Annual Estimated Totals			$751,867	$2,246,000	$69,500	$105,000	$32,000	$127,000	$70,000	$21,500	$15,000	$50,000	$760,000	

Priority - 1 Highest, 2-Second Highest, 3-Third Highest
Accuracy - Accuracy of Estimate V-Very Good, G-Good, F-Fair, P-Poor

Ten Year Approximate Total **$4,247,867**

* = Grant or Loan

Know Pending Capital Needs

Dock 28, 27, 24, 25 replacements 5-15 Years	$4,000,000	Grant/Loan/Marina Fund
Marina Harbormaster Office Replacement	$800,000	Grant/Loan/Marina Fund
Launch Ramp Replacement	$1,500,000	Grant - DBW
Revised Marina Master Plan	$100,000	Marina Fund