

STAFF REPORT*CITY OF OCEANSIDE*

DATE: December 6, 2023

TO: Mayor and City Councilmembers
President and Directors of the Harbor District Board

FROM: Public Works Department

SUBJECT: **ADOPTION OF A RESOLUTION SETTING NEW SLIP RENTAL RATES**

SYNOPSIS

Staff recommends that the City Council and the Harbor District Board of Directors adopt a resolution setting new slip rental rate fees in the Oceanside Harbor; approve the installation of utility meters for water and electricity at all slips; and approve a temporary cap of the rent paid by the Harbor to the City at \$840,000 per year, this cap will be in place for 15 years or until \$2.4 million has been collected, whichever occurs first.

BACKGROUND

In order to properly plan for the short-term future of Harbor infrastructure needs, a thorough assessment and financial analysis of Harbor infrastructure was authorized by the Harbor District Board of Directors on January 20, 2021. On that date, the Board of Directors awarded a contract to Richard Brady & Associates (Brady) to review and assess physical conditions of certain Harbor assets, including docks, gangways, gates, pilings, rip-rap, jetties, water-way depths, waterside infrastructure, utilities and other physical assets necessary for the operation of the Harbor. The Brady study includes life expectancy estimates and a detailed maintenance plan. The goal of the identified maintenance projects is to save money by avoiding increased costs of delayed maintenance, and to also allow the Harbor to safely operate with the current existing assets for a minimum of 15 years until they can be rebuilt or replaced, as needed, as part of a larger more comprehensive master planning for the Harbor. Brady utilized the services of a sub-consultant, CHM Government Services (CHM), to prepare a financial needs assessment to, in part, identify funding options for any identified physical improvements.

The Brady report estimates the cost of the 15-year Harbor Maintenance Plan at \$21.5 million (2023 dollars). Due to the preliminary nature of the evaluations and identification of the maintenance projects, an additional 30 percent contingency was added (as is common in engineering cost estimates of this type), resulting in a total cost estimate of \$28 million (2023 dollars).

The current Harbor revenue structure is not able to fund the needed \$28 million to implement the identified Maintenance Plan. The deficit over the 15-year period is approximately \$14 million (\$13.6 million – Net Present Value). Therefore, the purpose of the associated financial analysis that was prepared by CHM was to identify a menu of potential funding solutions to address this financial gap.

Throughout this process, staff was committed to ensure that Harbor stakeholders were kept apprised of the study. As a result, the Harbor and Beaches Advisory Committee (HBAC) has been continually briefed and consulted about the progress of this project and have discussed this project at four of its meetings.

On February 8, 2023, the HBAC established an Ad Hoc Committee, consisting of four members of the HBAC, to work with staff on developing a financial plan to fund the Maintenance Plan. There were seven meetings of the Ad Hoc Committee held between March and August 2023.

Following extensive discussion, research and financial analysis, staff and the Ad Hoc Committee members conceptually agreed on the following financial package comprised of three components to address the financial gap:

1. Metering Utilities (water & electricity)	\$4.9 Million
2. Cap on Lease Payments	\$2.4 Million
3. Slip Rental Rate Increases	<u>\$6.3 Million</u>
Total	\$13.6 Million

The following is a brief description of each of these three components.

Metering utilities (water and electricity)

Currently, the Harbor pays for all slip utilities in the Harbor area, including the individual consumption of water and electricity by the slip renters. The commercial spaces such as restaurants and shops pay for their individual utility usage. Under the proposed utility metering project, all slips would be metered and slip renters would be individually charged for actual water and electricity usage. Conversion to metered slips and utility charges would become effective after all meters have been installed and have become operational. Total costs for installation of metering equipment and monitoring software is estimated at \$900,000. The estimated savings of \$4.9 million over 15 years is net the \$900,000 installation cost. Costs for long-term, State-mandated calibration have been integrated into the financial model. Savings from this conversion will benefit the Harbor budget for years beyond the 15-year horizon and would help ensure a more stable financial picture in the years ahead. It's expected that the metering system would be fully operational in FY 2025-26.

Temporarily Capping the Annual Lease Amount

The Harbor District makes an annual lease (aka rent) payment to the City. The Harbor District's rent payment is based on a calculation of ten percent of gross annual revenue generated by the Harbor (e.g., revenue derived from slip fees, locker fees, commercial leases, etc.), or a minimum of \$250,000 per year, whichever is higher. The FY 23/24 payment made to the City was \$844,927. Under the recommended financing strategy, the City would agree to cap the annual rent payment from the Harbor to the General Fund at the current level of \$844,927 each year (rounded to \$840,000 for accounting purposes). The difference between the annual rent per the terms of the Lease Agreement and the \$840,000 cap will be added to a Harbor Infrastructure Assigned Account in the Harbor Fund's fund balance to be used to pay for the Maintenance Plan. This cap will only be in place for 15 years or until \$2.4 million has been collected, whichever occurs first.

Slip Rental Rate Increases

Following much discussion and evaluation of a variety of alternatives, staff and the Ad Hoc Committee members agreed to the new slip rental rates as shown below and included in the attached resolution. It's important to note that these rates are not intended to bring slip rates up to "market rate," but rather are intended to generate enough revenue to help fill the previously-described financial gap. The HBAC unanimously supported the new rates at its October 25, 2023 meeting.

Slip Length	Current Rate per Foot per Month	New Rate per Foot per Month*
26'	\$16.00	\$18.95
34'	\$17.50	\$18.95
43'	\$17.50	\$20.50
51'	\$17.50	\$24.50
End-Ties	\$17.50	Depending on the size of boat

* Rates account for 6.5% CPI adjustment effective January 1, 2024.

If approved, the new rates would become effective on January 1, 2024. Inflationary adjustments will be automatically calculated and applied on a biennial basis without the need for any further City Council or Harbor Board of Directors actions. The San Diego Region Consumer Price Index (CPI) values will be used for these adjustments. The first CPI adjustment, after the new rates have been implemented in January 2024, will be made on January 1, 2026, per the terms of the attached resolution.

Furthermore, there would be an additional \$1 (one dollar) per foot per month increase added to all non-commercial slip rental rates effective January 1, 2027. This increase is

to help support the long-term maintenance needs of the Harbor. This additional one dollar will be added to the rates in effect at the end of 2026.

A prioritization and implementation schedule for the capital improvements and maintenance projects will be developed and implemented by the Harbor staff based on technical information and experts' recommendations, in consultation with the HBAC on an annual basis, or more frequently if needed.

FISCAL IMPACT

The proposed financial package is forecasted to generate approximately \$13.6 million (in net present value) in revenues and savings for infrastructure maintenance:

Description	
Metering Utilities (Water & Electricity)	\$4.9 Million Savings
Cap on Rent Payments	\$2.4 Million Revenue
Slip Rental Rate Increases	\$6.3 Million Revenue
Total	\$13.6 Million

The proposed financial package will reduce revenues to the City's general fund by \$2.4 million over the next 15 years, or until \$2.4 million has been collected, whichever occurs first.

INSURANCE REQUIREMENTS

Does not apply.

COMMISSION OR COMMITTEE REPORT

On October 25, 2023, the HBAC unanimously approved the financial package, including the new rates, and recommended that the Harbor District Board of Directors approve the financial package including the new rates.

CITY ATTORNEY'S ANALYSIS

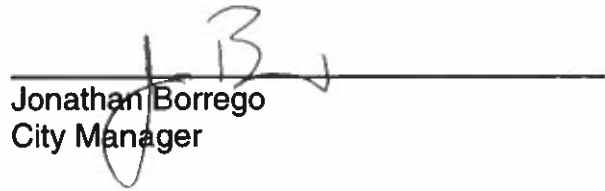
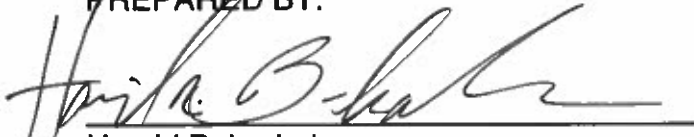
The report and the attached resolution have been reviewed by the City Attorney and approved as to form.

RECOMMENDATION

Staff recommends that the City Council and the Harbor District Board of Directors adopt a resolution setting new slip rental rate fees in the Oceanside Harbor; approve the installation of utility meters for water and electricity at all slips; and approve a temporary cap of the rent paid by the Harbor to the City at \$840,000 per year, this cap will be in place for 15 years or until \$2.4 million has been collected, whichever occurs first.

PREPARED BY:

SUBMITTED BY:



Hamid Bahadori
Public Works Director

Jonathan Borrego
City Manager

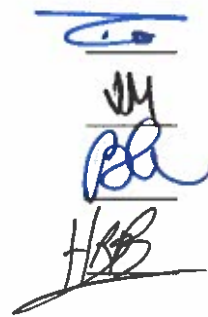
REVIEWED BY:

Rob O'Brien, Deputy City Manager

Jill Moya, Financial Services Director

Brian Thomas, City Engineer

FOR Joe Ravitch, Harbor Division Manager



ATTACHMENTS:

1. Resolution

RESOLUTION NO. _____

A RESOLUTION OF THE OCEANSIDE HARBOR DISTRICT BOARD OF DIRECTORS REPEALING RESOLUTION NO. 11-R0407-2 AND ANY AMENDMENTS THERETO AND ESTABLISHING A NEW MASTER RENT AND FEE RESOLUTION

WHEREAS, the Oceanside Harbor District Board of Directors has reviewed rents and fees assessed for various activities and services provided in the District; and

WHEREAS, the Board desires to adjust certain rents and assessed fees as established in Harbor Resolution No. 11-R0407-2 ("Master Fee Resolution") in order to maintain a balance with a market competitive fee-based marina operation with a financially sound operational organization.

NOW, THEREFORE, BE IT RESOLVED by the Oceanside Harbor District Board of Directors that Harbor Resolution No. 11-R0407-2 and any amendments thereto are hereby repealed and the following schedule of slip rents and fees imposed by the Oceanside Harbor District shall constitute the District's Master Fee Resolution.

A. GENERAL PROVISIONS.

1. Rent for Berthing. Effective January 1, 2024 berthing rents (due and payable on the first day of each month) shall be at the rate per linear foot of the vessel's hull length or the slip length, whichever is greater, at the following rate:

a. Slip Length 26' - \$18.95 per foot per month

Slip Length 34' - \$18.95 per foot per month

Slip Length 43' - \$20.50 per foot per month

Slip Length 51' - \$24.50 per foot per month.

End-Ties will depend on the size of the vessel.

An additional \$1 (one dollar) per foot increase added to all slip rental rates effective January 1, 2027.

1 b. Commercial Fishing Vessels shall be assessed a rental fee at the
2 rate of \$10.50 per foot per month provided that they are berthed at
3 docks U through X, inclusive.

4 2. Upon approval of the Harbor District, slip permittees who sell their vessel
5 have the privilege of transferring their slip along with that vessel to the
6 new owner(s). A fee of \$20.00 per linear foot of the vessel or slip,
7 whichever is greater, shall be charged to the buyer prior to any slip transfer
8 except as otherwise provided in Resolution 86-03 or any amendments
9 thereto. A transfer fee of \$100.00 per linear foot of the vessel or slip,
10 whichever is larger, shall be charged to the lien holder of a repossessed
11 vessel prior to any slip transfer. A slip renter who sells their vessel and
12 wishes to retain their slip may do so provided they purchase another vessel
13 within ninety days.

14 B. FEE SCHEDULE.

15 1. Permanent Vessel Slips. To be placed on the waiting list for a permanent
16 slip in Oceanside Harbor, a \$90.00 non-refundable fee must be paid to the
17 Harbor District. This is a calendar year waiting list, renewable each year in
18 January with a \$90.00 fee to retain your position on the list. If the
19 applicant wishes to be placed on more than one list, they must pay a fee for
20 each list they wish to be on.

21 2. Liveaboard Status.

22 a. To be placed and remain on the liveaboard waiting list, applicant
23 must be a current, permanent slip renter and remit a \$100.00 non-
24 refundable one-time fee. Permittee's vessel must meet criteria to
25 liveaboard as defined in Harbor Resolution No. 86-13. Slip
26 reassignment may be required to accept liveaboard status. Failure
27 to accept relocation will cause removal from the waiting list.

1 b. In addition to the regular slip rental fees, an individual with
2 liveaboard status shall pay an additional rental fee of \$4.30 per
3 foot charge.

4 3. Transient Vessel Rates.

5 a. Any transient vessel which requires a double space, such as multi-
6 hull craft, shall be required to pay the existing transient rate for
7 two slips.

8 Between April 1 and September 30, transient vessel daily rate
9 shall be \$1.60 per linear foot.

10 Between October 1 and March 31, transient vessel daily rate shall
11 be \$1.10 per linear foot.

12 b. The following areas are hereby designated as transient mooring
13 facilities:

14 I) Jolly Roger (JR) Dock

15 II) Oceanside Broiler Dock

16 III) Transient (TR) Dock

17 IV) Coast Guard Dock

18 c. District reserves the right to use temporarily unoccupied slips
19 other than those set forth above for transient vessels if needed, to
20 accommodate visiting vessels. However, the owners of transient
21 vessels shall agree to move their vessel to another slip or to the
22 transient dock any time the permanent renter returns to their slip.

23 4. Hotel Passes. A flat rate of \$26.00 shall be charged for each hotel pass
24 period regardless of vessel or slip size.

25 5. Key Deposits. There will be a \$35.00 deposit for each dock or restroom
26 key issued. This deposit will be refunded upon return of said key and key
27 deposit receipt. If receipt and key are not returned, deposit will be
28 forfeited.

6. Dinghy Rack and Storage Locker Fees.

- a. Dinghy racks for Slip Permittees: \$5.00 per month
- b. Dinghy racks for Non-Slip Permittees: \$78.00 per six-month period
- c. Storage lockers: \$20.00 per month (rented to slip permittees only)

7. Delinquent Fees. Rental fees (including fees for slips, liveaboard permits, lockers and dinghy racks) are due on the first day of each month. If rental fees are not received on or before the fifteenth (15th) of each month, a late charge equal to ten percent (10%) of the amount due shall be added to the outstanding balance; payable by permittee to compensate the District for additional administrative, regulatory, clerical and investigative costs incurred by the District for the delinquency.

8. Subleasing. With prior approval of the Harbor District, slip permittees may sublease their slips for limited periods when their vessels are temporarily away from their slips. Slip permittees will pay \$50.00 for each three-month period or fraction thereof. If a slip permittee does not receive approval from the Harbor District prior to allowing another to occupy their slip, the sublease fee charged to the slip permittee will be doubled.

9. Lifeguards and Maintenance Services.

a. **Non-Emergency Services:** For the purposes of this section, the term “non-emergency” shall refer to any situation which is not life-threatening. Fees for non-emergency services performed by either Maintenance or Lifeguard personnel will be charged on an hourly basis. The minimum charge will be one hour of labor plus cost of materials.

b. The charges for labor are as follows:

I) Maintenance labor is \$35.00 per person, per hour.

II) Lifeguard labor is \$50.00 per person, per hour.

c. The charges for equipment are as follows:

1 I) Harbor District Vessels: \$100.00 per hour/one hour
2 minimum

3 II) Harbor District Vehicles: \$33.00 per hour/one hour
4 minimum

5 III) Miscellaneous Equipment (pumps, power tools, etc.): \$10.00
6 per hour/one hour minimum

7 10. Vessel Inspections. A fee of \$12.00 will be charged for each vessel
8 inspection performed.

9 11. Impounded Items. The following storage fees will be charged for each
10 impounded item:

11 a. Vessels: storage fees equal to transient vessel fees

12 b. Dinghies and sabots: storage fees of \$5.00 per day

13 c. Miscellaneous items: storage fee of \$2.00 per day

14 12. Miscellaneous Fees.

15 a. A fee of \$30.00 will be charged for any account which has a
16 check returned by the bank.

17 b. Any permittee desiring to change slips after their first slip change,
18 which is free, shall be charged a fee of \$50.00.

19 c. Any transient boater desiring to use a Harbor District-owned
20 electrical plug adapter shall pay a \$100.00 deposit. This deposit
21 will be refunded upon return of the adapter in good working
22 condition and the receipt.

23 d. Water at Boat Wash Rack – RV Dump Station: \$0.25 for five
24 minutes.

25 13. Date and Formula for Implementation.

26 The Master Fee Schedule shall be effective January 1, 2024. Slip rents,
27 transient slip rents and liveaboard slip fees will be adjusted, based upon
28 the San Diego Area Consumer Price Index, every other year thereafter,
beginning January, 2026.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

The adjustment shall be for the period subsequent to the previous adjustment. Slip rents shall not be decreased. Any fee adjustment shall be rounded to the nearest tenth of a dollar. In such case as the overall slip occupancy falls below 90%, no slip rate adjustment shall be effective until 90% occupancy is attained.

The District will reserve the right to make future adjustments as appropriate.


PASSED AND ADOPTED by the City Council of the City of Oceanside, California, this _____ day of _____, 2023, by the following vote:

- AYES:
- NAYS:
- ABSENT:
- ABSTAIN:

President, Harbor Board of Directors

ATTEST:

Harbor District Board Secretary

APPROVED AS TO FORM:


Harbor District Board Attorney

A RESOLUTION OF THE OCEANSIDE HARBOR DISTRICT BOARD OF DIRECTORS REPEALING RESOLUTION NO. _____ AND ANY AMENDMENTS THERETO AND ESTABLISHING A NEW MASTER RENT AND FEE RESOLUTION