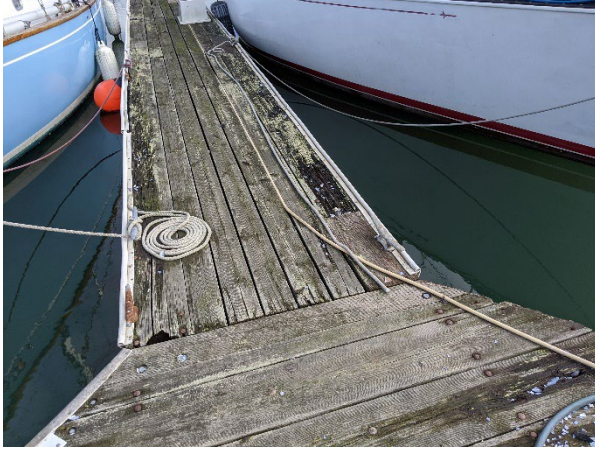

BERKELEY MARINA LOAN FEASIBILITY REPORT UPDATE



Dock D



Dock E

**City of Berkeley
\$5,500,000 Loan**

SUMMARY

The Department of Parks and Recreation, Division of Boating and Waterways (DBW) asks the Boating and Waterways Commission (Commission) to provide advice and comment on amending conditions that the Commission previously advised DBW to require for a \$5.5 million loan from the Harbors and Watercraft Revolving Fund (HWRF) to the City of Berkeley (City) for demolition and replacement of Docks D and E at Berkeley Marina. DBW previously presented this project to the Commission for advice and comment on February 14, 2020. Since then, the City has not met three of the four conditions that the Commission advised DBW to include in the loan agreement.

The subject loan would fund design and construction of new docks, concrete piles, utilities, and necessary related infrastructure for these two docks.

There are no engineering, permitting, stakeholder or public access issues associated with this project. However, the Marina Fund responsible for repaying the proposed loan has a structural deficit which the City has annually supplemented with the City's General Fund.

Since DBW made its last loan to the City for the Marina in 2005, Marina Fund expenses have outpaced revenues. Although boating-specific revenues appear to be sufficient to offset boating expenses, overall waterfront revenues are consistently below overall waterfront expenses and are not projected to improve under the current framework.

DBW seeks Commission advice and comment on this existing \$5,500,000 loan to the City of Berkeley in light of the ongoing issues described in this June 23, 2023 update to the February 14, 2020 Feasibility Report.

BACKGROUND

Loan Applicant

In 2005 the City of Berkeley, Parks Recreation and Waterfront Department (PRW) borrowed \$7 million to replace other docks. The Marina Fund is comprised of the marina, leases for hotels, restaurants, and businesses located at the waterfront, park maintenance, nature center, special events, and boating recreation and events at the marina.

On February 13, 2020, the City borrowed \$5.5 million to demolish and replace docks D and E. The Commission visited this site February 13, 2020, and the following day advised DBW to enter a loan agreement for this project with conditions. In addition to principal repayment, interest on the loan over the 30-year repayment period totals \$4.8 million.

Since then, the docks have continued to degrade. The project has not changed from the plan described in the original feasibility report, which is included as an attachment to this update. However, costs now exceed the original estimate.

Cost Estimate

Based on the April 2023 engineer's cost estimate, the estimated total project cost has increased from \$5.9 million in 2020 to \$7.9 million today. This total project cost includes construction, escalation, construction contingency, engineering, construction management, and inspection.

The City intends to pay for the project from several sources in addition to the DBW loan. The City expects to receive a \$1.6 million grant from the State Coastal Conservancy (SCC) for improvements to docks D and E. The City also has local bond funds available and has indicated it can use Marina Fund resources to complete funding.

Table 1 below shows the most recent project cost estimate and an estimate of how costs would be divided between the City and DBW. Costs to be paid from all the City sources combined, including the SCC grant, are shown in the City's share of costs.

Table 1: Berkeley Marina Project Cost Estimate		
CONSTRUCTION SCOPE	COST ESTIMATE	
	DBW	City of Berkeley
Mobilization / demobilization		\$ 363,000
Site Prep		68,000
Stormwater pollution prevention plan (SWPPP)		121,000
Demolition	388,000	
Dredge		-
Drive 18" octagonal concrete piling	800,000	
Install 10 foot marginal walkway	398,000	
Install 8 foot main walkway	1,045,000	
Install 8 foot end fingers	203,000	
Install 6 foot ADA fingers	298,000	
Install 4 foot fingers		821,000
Dock boxes		87,000
Dock lift ladder	12,000	
Install 80' aluminum gangway	148,000	
Re-install utilities	1,013,000	
Landscaping	48,000	
Repaving	10,000	
Rip rap	15,000	
Entry gate	207,000	
Signs and upland appurtenances	22,000	
Construction Subtotal	\$4,607,000	\$1,460,000
Overall Construction Subtotal	\$6,067,000	
NON-CONSTRUCTION COSTS*		
Escalation (9%)**	\$ 414,630	131,400
Construction contingency (10%)	460,700	146,000
Permit fees (3%)	-	182,010
Engineering before and during project (3%)		182,010
Construction management & inspection (5%)		303,350
Non-Construction Subtotal	\$875,330	\$944,770
TOTAL ESTIMATED COST BY PARTNER	\$5,482,330	\$2,404,770
TOTAL OVERALL PROJECT COST	\$7,887,100	
Source: City cost estimate dated 3/23/2023, and DBW analysis		
* Percentages are of the Construction Subtotal		
** Escalation at 4.5% per year for 2 years		

Project Status

Project design is currently in progress. Designs are 90% complete. If existing loan conditions are amended or removed, the City expects to complete construction by the end of January 2025.

The Marina Fund

According to the City, the area now comprising the Berkeley Waterfront was granted by the State of California to the City of Berkeley in 1913 in a grant of state tidelands. A requirement of the grant is that revenue generated at the Waterfront be spent solely for the Waterfront.

The City established the Marina Fund, an enterprise fund, to comply with this requirement. This Fund is the City's mechanism for managing revenue and expenditures at the Waterfront. An "enterprise fund," is a self-supporting government fund that generates revenue from specified activities and then reinvests that revenue into those same activities, and that generates financial statements that are separate from other activities of the operator government.

Over the years, the Marina Fund's resources have become strained as land adjacent to the marina has been developed for parks, other non-boating recreation, and special events. Marina Fund resources have been used to bear these expenses, which cities typically pay for with general funds or special assessments. Marina Fund revenues have not kept up with the added expenses, and a significant proportion of the Marina Fund's revenues support non-revenue-generating activities. This is not how enterprise funds are typically used. Generally accepted accounting principles require state and local governments to use the enterprise fund type to account for "business-type activities" – activities similar to those found in the private sector. Business-type activities include services primarily funded through user fees.

The City is undertaking a Waterfront Specific Plan process to evaluate ways to put the Waterfront on a more sustainable fiscal path. Potential alternatives to fund Waterfront needs could include new commercial development, designated General Fund, a potential Parks Tax increase, a new City or regional tax, bond measures, loans or private financing, grants, and use fees.

Recent Support from General Fund

The City's General Fund has historically been financially stable, and in recent years it has transferred funds to the Marina Fund to offset annual structural imbalances. However, these transfers are discretionary.

According to the City's Annual Comprehensive Financial Report for fiscal year 2022 (ending June 30, 2022), the City's General Fund balance was \$148 million, including \$75 million in unassigned funds. The General Fund has typically seen five to twenty million dollars (\$5-\$20 million) in operating surpluses since 2018. However, in fiscal year 2022, the General Fund faced a \$25 million deficit as a result of the COVID pandemic and having to address critical funding needs. The City addressed that imbalance by using one-time federal American Rescue Plan funds. The City also transferred American Rescue Plan funds to the Marina Fund in 2022 (amount of \$1.45 million) and 2023 (amount of \$1.1 million) to address operating deficits in that fund.

Because this practice is discretionary and not guaranteed for future years, DBW's financial analysis cannot assume the City will continue to provide General Fund resources to the Marina Fund. According to City staff, General Fund transfers and other one-time solutions have been providing similar support to the Marina Fund for the last several years. The City is not legally obligated to do this, and if other budgetary priorities were to become higher, the Marina Fund could fall further into deficit, putting loan repayments and marina maintenance in jeopardy. Condition Four (4) in the existing loan agreement states:

-
- The Berkeley City Council shall adopt a resolution accepting the loan funds. The language of the resolution shall acknowledge the Marina Fund does not currently meet the income/expense ratio required by DBW and is not forecasted to do so, and the language of the resolution must further state that in the event the Marina Fund cannot fulfill its repayment obligation for this loan in any fiscal year, the City shall supplement that year's repayment from any legally available source, for every year until the loan is fully repaid. This condition may be withdrawn if and when the City demonstrates meeting the required income/expense ratio and debt service coverage ratio for five consecutive years.

This condition has been met. However, the available source that would be used to repay the loan has not been disclosed.

The City's overall finances are strong. The City's bond rating of AA+ from Standard and Poor's and Aa1 from Moody's are both one notch lower than these agencies' highest respective ratings.

DBW Lending Requirements

Harbors and Navigation Code section 71.4 requires DBW to follow policies and standards in making loans. DBW has long observed two key basic standards in making loans:

- 1) the repayment source's income/expense ratio must be at least 1.2; and
- 2) its debt service coverage ratio must be at least 1.25.

These ratios and their applicability to this project are discussed below.

Existing Conditions to the Loan

In February 2020, the Commission advised DBW to include the four conditions listed below in the original loan agreement. Three of the four conditions have not been met. All four conditions are still part of the agreement and must be met before loan funding can be disbursed. The conditions, and the status of the City's compliance with each of them, are as follows:

- 1) No later than March 31, 2021, the City Council must receive an audited report on the status of the Marina Fund at a regular City Council meeting. This report must confirm that the Marina Fund achieved a 1.25 debt service coverage ratio (DSCR) in the fiscal year ending June 30, 2020. This process must be repeated each subsequent March 31, confirming a 1.25 DSCR for the prior fiscal year, until construction has begun.

Status: This condition was not satisfied. Current financials indicate the Marina Fund's actual and forecasted DSCR are below 1.25.

- 2) Before construction loan funding will be made available, and no later than March 31, 2022, the City Council must receive an audited report on the status of the Marina Fund at a regular City Council meeting. This report must confirm that the Marina Fund's ratio of operating income to operating expenses in the fiscal year ending June 30, 2021 was at or above the projected ratio shown in Tables 3 and 3A of this report. This process must be repeated each subsequent March 31, confirming the income/expense ratio for the prior fiscal year met or exceeded the projections in this report, until construction has begun.

Status: This condition was not satisfied. Current financials indicate the Marina Fund's actual and forecasted income expense ratios are below the projections from the original feasibility report.

- 3) Before construction loan funding will be made available, and no later than December 31, 2021, the City must send DBW confirmation that all project permits have been obtained.

Status: This condition was not satisfied. The City is currently in the latter stages of completing environmental compliance and is in the early stages of permitting.

- 4) The Berkeley City Council shall adopt a resolution accepting the loan funds. The language of the resolution shall acknowledge the Marina Fund does not currently meet the income/expense ratio required by DBW and is not forecasted to do so, and the language of the resolution must further state that in the event the Marina Fund cannot fulfill its repayment obligation for this loan in any fiscal year, the City shall supplement that year's repayment from any legally available source, for every year until the loan is fully repaid. This condition may be withdrawn if and when the City demonstrates meeting the required income/expense ratio and debt service coverage ratio for five consecutive years.

Status: This condition was satisfied as the City completed the resolution. However, the five-year period for withdrawing this condition has not begun because the City has not yet met the required financial ratios and is unlikely to do so with the current cost structure.

ECONOMIC ANALYSIS

Three factors used to determine the economic feasibility of lending public funds include the following:

- 1) The borrower demonstrates that adequate capital is available to finance the project to completion;
- 2) The borrower demonstrates that revenues will be sufficient to operate and maintain the project area, including the repayment of any debt; and
- 3) The borrower proposes adequate collateral for the loan.

Factors one (1) and three (3) are not currently at issue. It appears that if the loan funds are made available, the City may finance the project to completion. The borrower has proposed adequate collateral for the loan if the State chooses to take over the marina, which all would prefer to avoid. Factor two (2) relating to adequacy of revenues to repay the loan is the focus of the remainder of this report.

In March 2023, City staff provided City Council an updated Marina Fund revenue and expenditure forecast.¹ Revenue and expenditure forecasts in the following sections of this report are based on that forecast.

¹ Public records respecting Berkeley Marina's finances are somewhat complex. Each year the City's Annual Comprehensive Financial Report (ACFR) includes an analysis of the City's "Marina Operations Fund," which is different from but related to the Marina Fund discussed throughout this report.

Assumptions

The City's March 2023 financial report includes forecasts for operating revenues and expenditures through the middle of 2027. To complete DBW's financial analysis for the duration of the payment period, DBW forecasted revenues and expenses through 2044. DBW began this analysis using assumptions for long-term revenue and expense growth adopted directly from the City's own assumptions.

The City recognizes the shortfall in the fund and proposed additional fee and discount changes for approval at the May 23, 2023 City Council meeting, including increases to slip fees, dry storage fees, liveaboard fees, and boat launch ramp fees. Table 4 below assumes these fee increases will be implemented. However, the increased fees still do not result in the Marina Fund meeting DBW's typical lending requirements.

Revenue

The City's original forecast was that in 2026 Marina Fund revenues would be \$7 million annually.

During review of the City's financial forecasts, DBW determined it is possible the City may have been overly conservative in its estimates of the increases to berth rental fees after construction of the new docks. Table 4 includes assumptions not made by the City. The City did not include increased revenue from higher occupancy at the new docks, which DBW estimates would increase occupancy of the entire marina by slightly more than 6%, rather than the 2.5% the City is projecting (assuming if the new docks achieve 90% occupancy shortly after construction, which DBW considers likely since they will be new and high quality).

In this scenario, revenues generated from Docks D and E would increase by almost \$20,000 per month, as shown in Table 2, or nearly \$238,000 annually. Estimated total annual revenue from Docks D and E would be \$429,000 annually (before slip-specific fees and discounts are considered), \$87,000 more than the debt service for this \$5.5 million loan of \$342,000 annually. If these docks are not replaced, DBW assumes revenue for Docks D and E will eventually decline to \$0 when the docks reach the end of their useful lives in the near future.

The most recent ACFR available, for the fiscal year ending June 30, 2022, reflected a \$1,200,000 net gain for the Marina Operations Fund (MOF). However, according to City staff, there are two key differences between the MOF figures and the figures for the Marina Fund. First, the MOF uses accrual-based accounting while the budget office uses a cash-based system for Marina Fund reports. And second, the operating revenues reflected in the MOF include the Marina Fund plus two Marina-oriented grant funds; when the grant funds are received or spent, they are recorded in the MOF account, but not the Marina Fund account.

Table 2: Revenue Comparison Between New and Old Docks D and E							
Slip size	Estimated monthly slip rent per linear foot as of 2026, after assumed increases ¹	Existing, D and E at 42% capacity			Improved, forecast at 90% capacity		
		Available	Rented	Monthly revenue	Available	Rented	Monthly revenue
32	\$11.30	23	4	\$1,446	0	0	\$0
36	\$11.30	23	18	\$7,322	0	0	\$0
40	\$11.97	42	15	\$7,179	60	54	\$25,845
46	\$11.97				19	18	\$9,907
Monthly revenue totals:				\$15,947			\$35,752
Increase in monthly revenue of Docks D and E after replacement:							\$19,805
Increase in annual revenue of Docks D and E after replacement:							\$237,665
Est. overall marina monthly revenue, 2026 levels, before Docks D and E replaced:							\$311,266
Est. overall marina monthly revenue, 2026 levels, after Docks D and E replaced:							\$331,071
Percentage increase in marina monthly revenue after Docks D and E replaced:							6.4%

Source: City of Berkeley data and DBW analysis

¹: Computed using May 16, 2023 published slip rates and increasing by 3% in 2024, 3% in 2025, and 3% in 2026.

Note: This analysis does not factor in berth fee adjustments for factors like being upwind, downwind, or single berths.

We assume the total amount of these special fees will not change significantly after construction.

Based on the projections shown in Table 2, DBW's financial analysis assumes slip revenues for the entire marina will increase approximately 6.4% in the year following construction of the new docks, then at the same pace as the rest of the marina in subsequent years.

Therefore, DBW forecasts Marina Fund revenues of approximately \$7.3 million in 2026 the first full year after construction of the new docks, rather than the City's forecast of \$7 million (assuming the City raises slip fees now and if occupancy rates for the new slips meet DBW's expectations).

Berthing Fees

As shown in Table 3, Berkeley Marina's current slip fees are competitive, and for smaller vessels, they are lower than surrounding marinas. With current inflation levels, the City's proposed fee increases of 3% annually each year from 2024 to 2026 are necessary, and with similar market pressures on the other marinas, DBW believes Berkeley will remain competitive as other marinas institute commensurate fee changes over time.

Table 3: Marina Berthing Fees Comparison					
	30'	40'	50'	60'	as of
Berkeley	\$ 310	\$ 438	\$ 581	\$ 740	4/19/2023
Alameda	\$ 304	\$ 440	\$ 650	\$ 840	4/19/2023
Richmond	\$ 311	\$ 494	\$ 691	\$ 842	4/19/2023
South Beach Harbor	\$ 441	\$ 765	\$ 1,034	\$ 1,338	4/19/2023

Sources: DBW research and analysis

Berkeley Marina's slip rental rates are based on the length in feet of the slip. Currently, Docks D and E combined include capacity for 88 slips of various sizes from 32 feet to 40 feet, with additional end ties that can accommodate various lengths. Many of these slips are unrentable due to disrepair. As of April 2023, only 37 slips are currently occupied on Docks D and E. Upon completion of the project, there will be 79 slips on these docks, of sizes from 40 feet to 46 feet. Because of their improved quality, the new slips are much more likely to be rented.

The slip occupancy rate for the entire Marina is currently 84%. However, the occupancy rate for Docks D and E is only 42% (37 of 88) if unrentable slips are counted as vacant. Occupancy of Docks D and E is expected to immediately increase when construction is complete.

Waterfront Leases

Lease revenue is provided by Waterfront tenants including Doubletree Hotel, Skates on the Bay and Hana Japan restaurants, Berkeley Marine Center, the Bait Shop, and office tenants at 125-127 University, Berkeley Yacht Club and other non-profit tenants. Waterfront lease revenue comprises about one third of all Marina Fund revenue.

Other Revenue Sources

Other Marina Fund revenue sources include live-aboard fees, dry storage, charter boat fees, fines and penalties, launch ramp fees, and other minor but regular sources. The Marina also collects revenue from several ongoing recreational programs, including special event parking and playground service and nature center fees.

The Waterfront District also occasionally receives grants, such as from the State Coastal Conservancy and American Rescue Plan funds. However, there is no guarantee such third-party revenue augmentations will be available in future years. Accordingly, DBW's financial analysis does not include a forecast for future grants received.

Expenses

Operational: The City estimates that in 2026 Marina Fund operational expenses, not including debt service, will be \$7.6 million. This includes \$350,000 in capital improvements, which the City believes will be a necessary annual expense at this level from the Marina Fund for the foreseeable future to keep the Marina functioning. DBW estimates expenses will be \$7.7 million; DBW's estimate includes the maintenance reserve that the loan agreement requires, which is 2% of annual revenue, and which is not clearly identified as already withheld in its Marina Fund financial statement.

Personnel expenditures for the Marina include salaries and benefits for staff. Non-personnel expenses include a broad array of activities including park landscape services, building maintenance, refuse fees, and security.

Debt Service: DBW estimates that the annual debt service for the proposed \$5.5 million loan will be approximately \$342,000. The interest rate will be 4.5%, compounded continuously. The final payment on a prior DBW loan is expected to be due on August 1, 2044. Total debt service each year including both this loan and a prior DBW loan to the Marina will be \$828,000.

Together, using DBW's adjusted forecast, operating expenses and debt service are projected to be \$8.6 million in 2026, which is \$1.2 million more than operating revenues. A breakdown of projected revenues and expenses is shown in Tables 4 and 4a.

Collateral

Collateral for the proposed loan is in the form of a Security Agreement and a recorded Collateral Assignment of Rents and Leases on Marina revenue. The offered collateral, which lets DBW “take over” marina operations, is sufficient for DBW’s collateral requirements.

FINANCIAL ANALYSIS

Income Expense Ratio

Since 2009, in consultation with and upon recommendation of the Boating and Waterways Commission, it has been DBW’s practice to require a 1.2:1 income to expense ratio. Income/expense ratio is operating revenue divided by operating expenses. In 2020, the Commission advised DBW to waive this requirement if the conditions noted earlier were met. To date, those conditions have not been met.

According to Tables 4 and 4a, which reflect proposed fee increases, this project would have an income/expense ratio of 0.95 in 2026, the first year after construction is complete. This ratio stays throughout the loan repayment period, based on the assumption that total operating revenues and expenses will grow at approximately the same rate (which the City’s original projects included).

Because the income expense ratio is below 1.2, it does not meet the Commission’s minimum requirement. See Tables 4 and 4a.

Debt Service Coverage Ratio

The debt service coverage ratio (DSCR) is a measure of an entity’s capacity to not only maintain operations, but also to afford debt. DSCR is the net operating income divided by total debt service. The minimum DSCR established by the Commission at its May 2009 meeting was 1.25 for public marina loans. The DSCR for this loan is negative.

Because the DSCR is below 1.25, it does not meet the Commission’s minimum requirement. See Tables 4 and 4a.

Alternative analysis: Separating Boating Activities from Non-Boating Activities

During DBW’s preparation of this report, the City gave DBW a list of current year Marina Fund expenses and estimated the percentage of each expense category that is related to boating operations at the Marina. Based on DBW’s analysis, operating expenses specific to boating represent about 45% of all operating expenses coming out of the Marina Fund this year. Other operating expenses go to various activities like park maintenance, building maintenance, and non-boating-related personnel expenses.

After receiving this data, DBW conducted a second financial analysis that excluded all non-boating revenue (such as waterfront leases and special event fees) and all non-boating expenses. The results of this analysis are shown in Tables 5 and 5a. Using this approach, the income/expense ratio is above 1.2 throughout the loan payback period, and the DSCR goes above 1.25 in 2025 and continues to increase throughout the payback period.

While this analysis is more encouraging, it also highlights the magnitude of the City’s reliance on the Marina Fund to support non-boating activities. The boating/non-boating expense breakdown the City shared was an informal report prepared at DBW’s request, which the City Council has not had an opportunity to review and potentially shift non-boating expenses to strengthen the

Marina Fund. See summary of expense breakdown in Table 6. Classifications of the expenses are imprecise since some are not strictly boating or non-boating. For example, some City staff work on both boating and non-boating activities, while some staff work on site at the Marina and others elsewhere, so personnel expenses and their related overhead can only be allocated between boating and non-boating activities by using estimated workloads.

Alternative to Meeting DBW's Usual Financial Requirements

Based on the expense breakdown the City reported to DBW and with DBW staff's historic experience with marinas and borrowers across the state, DBW believes Berkeley Marina generates more than sufficient revenue from boating activities to cover the projected debt service for this loan. However, because the City uses a significant proportion of Marina Fund resources for non-boating activities throughout the waterfront, there would be a perpetual and sustained liability on the Marina Fund and potential liability on the City's General Fund or other applicable special funds. As DBW has seen in previous loans that had developed similar imbalances, this could degrade investments in marina maintenance and operations, which may cause the marina loan repayments to be subject to delinquent status.

In the recent past, DBW required another public marina borrower whose repayment sources financial ratios were below DBW's usual minimum standards to establish an escrow account holding sufficient funds to reasonably protect DBW from the consequences of having to take over the marina if the loan defaults. DBW believes that approach would be suitable here, in recognition of both the need for this project to proceed and the need to protect boater dollars from the risk of default on the loan.

CONCLUSION

DBW's analysis indicates that this project is feasible from engineering, permitting, stakeholder, and public access perspectives. However, the Marina Fund responsible for repaying this loan cannot sustain repayment as currently structured. Further, the City has not restructured revenues and expenses to ensure the Fund is sustainable for the term of this loan.

ADVICE AND COMMENT

City staff has requested DBW waive conditions 1, 2, and 3, and make loan funds available now based on the City's current bond rating and general fund balance. However, per the City, Berkeley's General Fund cannot be obligated to repay a 30-year loan. State regulations require DBW to evaluate a borrowers ability to repay the loan based on available financial data, before entering a loan agreement. The condition of the Marina Fund cannot be disregarded.

DBW seeks Commission's advice and comment on the potential alternatives for addressing the current challenges associated with this loan. Prior to loan disbursement:

- A. Formalize a City financial process whereby a subaccount within the Marina Fund is established solely for the purpose of repaying all outstanding DBW loans. This subaccount must be fully funded with \$2 million. Funding within the subaccount must only be used by the City for DBW loan repayments and the subaccount must be fully refreshed within 30 days of each loan payment. The subaccount must be fully funded each fiscal year before Marina Fund revenues are used for any other purpose. The subaccount shall remain fully funded until either this loan is fully repaid or until the City demonstrates to DBW for twelve (12) consecutive months that the Marina Fund has

achieved the income/expense ratio and the debt service coverage ratio that DBW normally requires. The City agrees to maintain these ratios in the Marina Fund for the life of the loan. In the event of default, the subaccount may be utilized by DBW for loan payments and to cure any deficiencies in maintenance or operation.

- B. Formalize a City financial process whereby non-boating-related waterfront expenses will be paid from a specified source other than the Marina Fund, or establish an alternate revenue source (or sources) within the Marina Fund, not to include boating related revenues, to off-set all non-boating-related expenses. Loan funds would be made available after this process is implemented and once the City demonstrates to DBW for twelve (12) consecutive months that the Marina Fund has achieved the income/expense ratio and the debt service coverage ratio that DBW normally require. The City agrees to maintain these ratios in the Marina Fund for the life of the loan. **Note:** The Loan agreement will not be extended beyond the funding availability, which currently expires June 30, 2026. To meet this deadline, the conditions noted above must be met, and loan funding requested no later than February 1, 2026.
- C. As a substitute for meeting the loan ratio conditions DBW normally requires, no later than March 31, 2024, the City shall establish an escrow account funded with \$2 million in City funds. The funds in this account shall be held in reserve to ensure payment of debt service on both the DBW loan currently in repayment and this new loan. The escrow account shall remain fully funded until either the loan is fully repaid or when the City demonstrates to DBW for twelve (12) consecutive months that the Marina Fund has achieved the income/expense ratio and the debt service coverage ratio that DBW normally requires. The City agrees to maintain these ratios in the Marina Fund for the life of the loan.
- D. As a substitute for meeting the loan ratio conditions DBW normally requires, no later than March 31, 2024, the City shall obtain a surety bond naming DBW as its beneficiary. The City shall bear all expenses and other obligations associated with obtaining and maintaining the surety bond. The surety bond shall be in the amount of the outstanding principal and shall remain fully funded until either the loan is fully repaid or until the City demonstrates to DBW for twelve (12) consecutive months that the Marina Fund has achieved the income/expense ratio and the debt service coverage ratio that DBW normally requires. The City agrees to maintain these ratios in the Marina Fund for the life of the loan.
- E. Cancel existing loan due to the City's inability to meet previous conditions.

Before any alternative listed above can be incorporated into the loan agreement, City staff must seek approval from the City Council. City staff has expressed a desire to give the Council multiple alternatives from the above list to consider. All of the alternatives above would protect State interests, and providing flexibility would help the City identify an effective solution that it would be likely to implement.

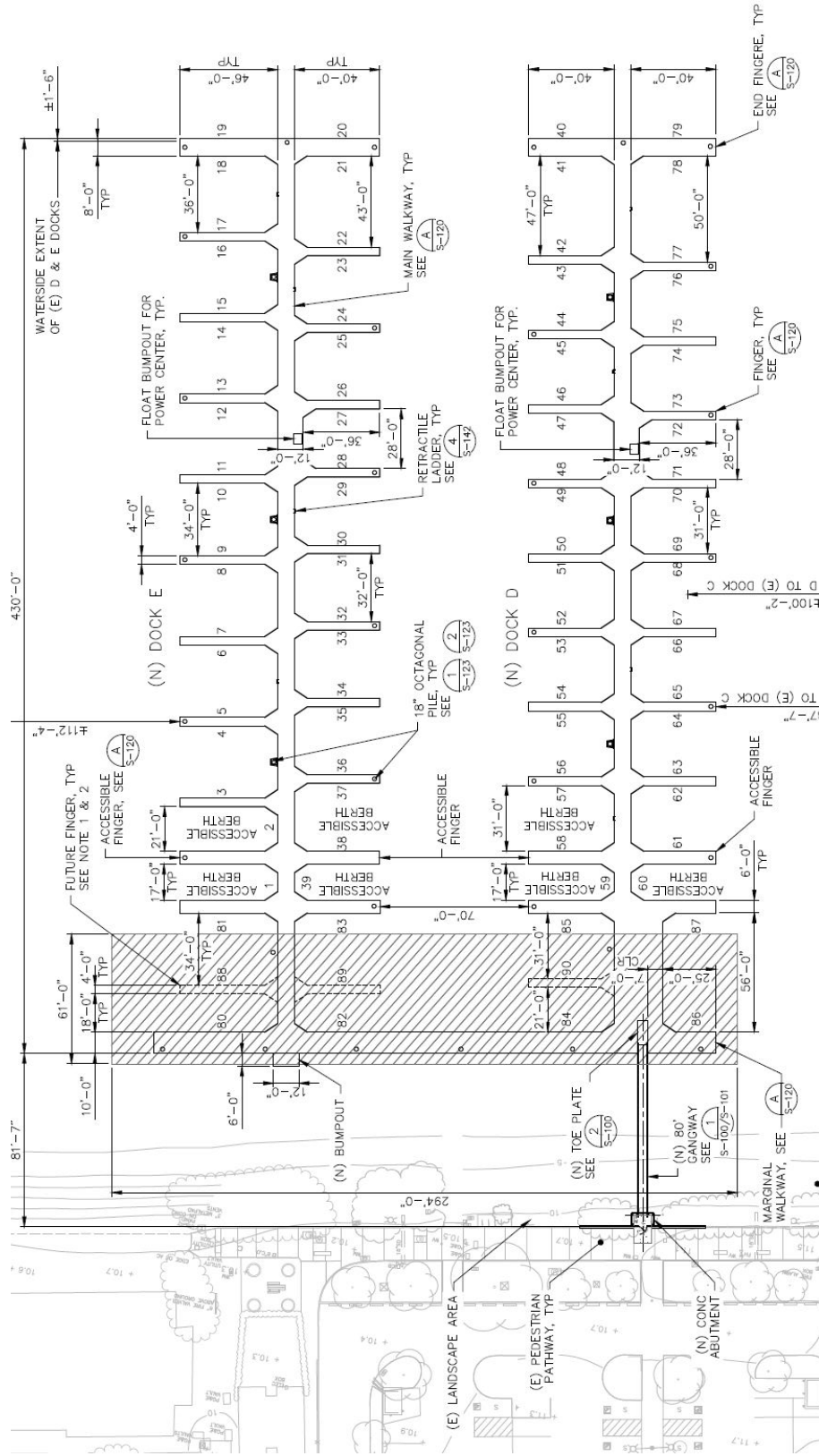
Recommendation

DBW recommends that the loan be approved to move forward using any solution from alternatives A, B, C, and D listed above.

COMMISSION ADVICE AND COMMENT

DBW seeks Commission advice and comment on this existing \$5,500,000 loan to the City of Berkeley in light of the ongoing issues described in this June 23, 2023 update to the February 14, 2020 Feasibility Report.

Figure 1: Site plan, from 60% designs



Source: City of Berkeley

Table 4: Marina Fund Financial Forecasts Adjusted by DBW Projections, FY 2024 through FY 2030

TABLE 4: BERKELEY MARINA MARINA FUND FINANCIAL FORECASTS ADJUSTED BY DBW PROJECTIONS FY 2024 THROUGH FY 2030 (Figures in Thousands)							
	2024-2027: City forecasts with DBW adjustments				2028-2030: DBW projections based on City forecasts		
	2024	2025	2026	2027	2028	2029	2030
WATERFRONT OPERATING REVENUE							
Berth rentals, Docks D and E after construction (1a)			429	440	451	462	474
Berth rentals, All other Docks, after construction (1a)			3,626	3,716	3,803	3,904	4,002
Total berth rentals (1)	3,593	3,700	4,055	4,156	4,260	4,366	4,476
Live Aboard Fees (2)	269	276	283	283	290	297	305
Dry Storage (3)	196	201	206	211	217	222	228
Launch Ramp (4)	98	100	103	105	108	111	113
Charter Boat Fees	84	86	88	91	93	96	98
Locker Rentals	22	22	23	24	25	25	26
Sewer Service / Marina	4	4	4	0	0	0	0
Fines & Penalties	64	64	64	64	66	67	69
Miscellaneous	31	32	32	34	35	36	37
EV Charging Stations	3	3	4	4	4	4	4
Waterfront Leases (5)	2,214	2,303	2,395	2,419	2,443	2,468	2,492
Special Event / Filming Fees	25	25	25	25	26	26	27
Playground Service Fees	35	35	35	40	41	42	43
Nature Center Fees	15	15	15	20	21	21	22
Marina Benches / Trees	2	2	1	1	1	1	1
Donations	1	1	1	1	1	1	1
Subtotal Operating Revenue	6,656	6,870	7,334	7,479	7,629	7,784	7,941
ADDITIONAL INCOME							
Interest (interest invest pool)	8	0	0	0	0	0	0
Other Fees	0	0	0	0	0	0	0
Subtotal: Additional Revenue	8	0	0	0	0	0	0
TOTAL REVENUES	6,664	6,870	7,334	7,479	7,629	7,784	7,941
EXPENSES							
Personnel (6)	4,135	4,218	4,302	4,388	4,476	4,565	4,657
Non Personnel (6)	2,796	2,601	2,681	2,764	2,819	2,876	2,933
Capital Improvements	350	350	350	350	359	368	377
Minor maintenance	250	250	250	250	256	263	269
DBW maint reserve (2% of annual revenue) (7)	133	137	147	150	154	158	162
Subtotal Operating Expenses:	7,654	7,556	7,730	7,902	8,064	8,229	8,398
NET OPERATING INCOME	(991)	(687)	(396)	(424)	(435)	(446)	(457)
Less: DBW debt service (\$5,500,000 loan, 4.5% interest rate, 30 year repayment term)	342	342	342	342	342	342	342
Less: Additional debt service, prior DBW loan (8)	486	486	486	486	486	486	486
Total Debt Service	828	828	828	828	828	828	828
NET INCOME	(1,819)	(1,515)	(1,224)	(1,252)	(1,263)	(1,274)	(1,285)
Income/Expense Ratio (min. 1.2:1 req'd)	0.87	0.91	0.95	0.95	0.95	0.95	0.95
Debt Service Coverage Ratio (min. 1.25 req'd)	-1.20	-0.83	-0.48	-0.51	-0.53	-0.54	-0.55
Notes:							
1 Revenue from Docks D and E includes expected berthing fee increases of 3% in 2024, 2025, and 2026.							
2 Revenue from Docks D and E is currently 4.87% of overall berth revenues. Those revenues are removed from this line starting in 2026, when new Docks D and E open.							
3 Berth rental fees are assumed to increase 3% each year in 2024, 2025, and 2026. DBW forecasts an additional 6.1% increase in 2026 when new Docks D and E open. Then 2.5% increases per year thereafter.							
4 Liveaboard fees are estimated to increase 10% in 2024, then increase 2.5% per year thereafter.							
5 Dry storage fees are estimated to increase 80% in 2024. Then 2.5% per year thereafter.							
6 Launch ramp fees are estimated to increase 15% in 2024. Then 2.5% per year thereafter.							
7 Lease revenue is projected to increase by 4% per year in 2024, 2025, and 2026, then 1% per year thereafter.							
8 Personnel and non-personnel expenses are projected to increase 2% per year from 2028 forward.							
9 Reserve for maintenance set at 2% of revenue per ordinary DBW requirements.							
10 Prior DBW loan of \$7,863,471 at 4.5% interest rate. Repayment expected to be complete in approximately August 2044.							

Staff note: Table 4 is identical to Table 4a on the next page for the years it covers. DBW is providing this version of the table for ease of readability.

Table 4a: Marina Fund Financial Forecasts Adjusted by DBW Projections, FY 2021 through FY 2044

	2021 actuals from City		2022-2044: City forecasts with DBW adjustments										2022-2044: DBW projections based on City forecasts											
	2021	2022	2023	2024	2025	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	
WATERFRONT OPERATING REVENUE																								
Berth rentals, all other docks, after construction (2)	3,444	3,493	3,488	3,593	3,700	4,055	4,166	4,368	4,476	4,588	4,702	4,820	4,940	5,064	5,190	5,320	5,453	5,589	5,729	5,872	6,019	6,170	6,324	6,484
Total berth rental fees (3)	286	287	244	283	276	283	290	297	305	312	320	328	336	345	353	362	371	381	390	400	410	420	431	441
Dry Storage (5)	106	95	89	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88
Launch Ramp (6)	121	95	85	88	100	103	105	108	111	113	116	119	122	125	128	131	134	137	140	143	146	149	152	155
Charter Boat Fees	67	98	89	84	88	88	91	93	96	98	100	103	106	109	111	114	116	119	122	125	129	132	135	138
Locker Rentals	21	25	21	22	22	23	24	25	26	26	27	28	29	29	30	31	31	32	33	34	35	36	37	37
Marina	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4
Fees & Penalties	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64
Miscellaneous	105	30	36	31	32	32	34	35	36	37	38	39	40	41	42	44	45	46	47	48	49	50	52	54
EV Charging Stations	2	4	3	3	3	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4
Waterfront Leases (7)	1,186	1,694	2,105	2,214	2,303	2,395	2,419	2,443	2,468	2,492	2,517	2,542	2,568	2,593	2,619	2,646	2,672	2,699	2,726	2,753	2,781	2,808	2,836	2,865
Special Event/Filming Fees	0	0	2	25	25	25	25	28	28	27	28	28	29	30	30	31	32	33	34	34	35	36	37	38
Playground/Service Fees	0	0	19	35	35	35	40	41	42	43	44	45	46	48	49	50	51	52	54	55	57	59	61	61
Nature Center Fees	0	0	7	15	15	15	20	21	21	22	22	23	23	24	25	26	26	27	28	28	29	30	30	30
Marina Berthing Fees	0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Docks	0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Subtotal Operating Revenue	5,376	5,776	6,239	6,656	6,870	7,334	7,479	7,629	7,784	7,941	8,102	8,267	8,436	8,608	8,784	8,965	9,149	9,338	9,531	9,728	9,930	10,136	10,348	10,564
ADDITIONAL INCOME																								
Interest (Interest Invest pool)	1	3	108	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Fees	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal: Additional Revenue	1	3	108	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL REVENUES	5,377	5,779	6,407	6,664	6,870	7,334	7,479	7,629	7,784	7,941	8,102	8,267	8,436	8,608	8,784	8,965	9,149	9,338	9,531	9,728	9,930	10,136	10,348	10,564
EXPENSES																								
Personnel (8)	9,221	9,352	9,365	4,105	4,216	4,302	4,389	4,476	4,565	4,657	4,750	4,845	4,942	5,040	5,141	5,244	5,349	5,456	5,565	5,676	5,790	5,906	6,024	6,144
Materials	1,342	2,138	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186	2,186
Capital Improvements	345	2,038	3,395	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Minor maintenance	173	167	376	250	250	250	256	263	269	276	283	290	297	305	312	320	328	336	345	353	362	371	381	390
DBW main reserve (2% of annual revenue) (9)	108	116	123	133	137	147	150	154	159	162	165	170	174	179	183	188	192	197	202	207	212	218	223	229
Subtotal Operating Expenses:	5,689	7,783	10,981	7,654	7,556	7,730	7,902	8,064	8,229	8,398	8,570	8,745	8,924	9,107	9,294	9,484	9,679	9,877	10,080	10,286	10,497	10,712	10,932	11,156
NET OPERATING INCOME	(312)	(1,006)	(4,574)	(931)	(687)	(396)	(424)	(435)	(446)	(457)	(468)	(478)	(489)	(499)	(510)	(520)	(530)	(540)	(549)	(558)	(567)	(576)	(584)	(592)
Less: DBW debt service (\$5,500,000 loan, 4.5% interest rate, 30 year repayment term)	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488
Less: Additional debt service, prior DBW loan (10)	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488
Total Debt Service	(976)	(976)	(976)	(976)	(976)	(976)	(976)	(976)	(976)	(976)	(976)	(976)	(976)	(976)	(976)	(976)	(976)	(976)	(976)	(976)	(976)	(976)	(976)	(976)
NET INCOME	(704)	(2,002)	(5,060)	(1,819)	(1,569)	(1,234)	(1,252)	(1,263)	(1,274)	(1,285)	(1,296)	(1,306)	(1,317)	(1,327)	(1,338)	(1,348)	(1,358)	(1,368)	(1,377)	(1,386)	(1,395)	(1,404)	(1,412)	(1,420)
Income/Expense Ratio (min. 1.21 req'd)	0.95	0.74	0.58	0.87	0.91	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95
Debt Service Coverage Ratio (min. 1.25 req'd)	-0.84	-4.11	-5.41	-1.29	-0.93	-0.94	-0.93	-0.93	-0.93	-0.93	-0.93	-0.93	-0.93	-0.93	-0.93	-0.93	-0.93	-0.93	-0.93	-0.93	-0.93	-0.93	-0.93	-0.93
Notes:																								
1 Revenue from Docks D and E includes expected berthing fee increases of 3% in 2024, 2025, and 2026.																								
2 Revenue from Docks D and E is currently 4.57% of overall berth revenues. These revenues are removed from this line starting in 2026, when new Docks D and E open.																								
3 Berth rental fees are assumed to increase 3% each year in 2024, 2025, and 2026. DBW forecasts an additional 6% increase in 2026 when new Docks D and E open.																								
4 Liveaboard fees are estimated to increase 10% in 2024, then increase 2.5% per year thereafter.																								
5 Dry storage fees are assumed to increase 5% in 2024, then increase 2.5% per year thereafter.																								
6 Launch Ramp fees are assumed to increase 5% in 2024, then increase 2.5% per year thereafter.																								
7 Lease revenue is projected to increase by 4% per year in 2024, 2025, and 2026, then 1% per year thereafter.																								
8 Personnel and non-personnel expenses are projected to increase 2% per year from 2023 forward.																								
9 Reserve for maintenance set at 2% of revenue per ordinary DBW requirements.																								
10 Prior DBW loan of \$7,863,471 at 4.5% interest rate. Repayment expected to be complete in approximately August 2044.																								

Table 5: Marina Fund Financial Forecasts Adjusted by DBW Projections, FY 2024 through FY 2030, With Boating Activities Highlighted and Summarized

TABLE 5: BERKELEY MARINA MARINA FUND FINANCIAL FORECASTS ADJUSTED BY DBW PROJECTIONS FY 2024 THROUGH FY 2030, WITH BOATING ACTIVITIES HIGHLIGHTED AND SUMMARIZED (Figures in Thousands)							
	2024-2027: City forecasts with DBW adjustments				2028-2030: DBW projections based on City forecasts		
	2024	2025	2026	2027	2028	2029	2030
WATERFRONT OPERATING REVENUE							
Berth rentals, Docks D and E after construction (1)			429	440	451	462	474
Berth rentals, All other Docks, after construction (2)			3,626	3,716	3,809	3,904	4,002
Total berth rentals (3)	3,593	3,700	4,055	4,156	4,260	4,366	4,476
Live Aboard Fees (4)	269	276	283	283	290	297	305
Dry Storage (5)	196	201	206	211	217	222	228
Launch Ramp (6)	98	100	103	105	108	111	113
Charter Boat Fees	84	86	88	91	93	96	98
Locker Rentals	22	22	23	24	25	25	26
Sewer Service / Marina	4	4	4	0	0	0	0
Fines & Penalties	64	64	64	64	66	67	69
Miscellaneous	31	32	32	34	35	36	37
EV Charging Stations	3	3	4	4	4	4	4
Waterfront Leases (7)	2,214	2,303	2,395	2,419	2,443	2,468	2,492
Special Event / Filming Fees	25	25	25	25	26	26	27
Playground Service Fees	35	35	35	40	41	42	43
Nature Center Fees	15	15	15	20	21	21	22
Marina Benches / Trees	2	2	1	1	1	1	1
Donations	1	1	1	1	1	1	1
Subtotal Operating Revenue:	6,656	6,870	7,334	7,479	7,629	7,784	7,941
Subtotal Operating Revenue, Boating Activities Only (8):	4,364	4,489	4,862	4,973	5,097	5,224	5,355
ADDITIONAL INCOME							
Interest (interest invest pool)	8	0	0	0	0	0	0
Other Fees	0	0	0	0	0	0	0
Subtotal: Additional Revenue	8	0	0	0	0	0	0
TOTAL REVENUES	6,664	6,870	7,334	7,479	7,629	7,784	7,941
EXPENSES							
Personnel (9)	4,135	4,218	4,302	4,388	4,476	4,565	4,657
Non Personnel (9)	2,786	2,601	2,681	2,764	2,819	2,876	2,933
Capital Improvements	350	350	350	350	359	368	377
Minor maintenance	250	250	250	250	256	263	269
DBW maint reserve (2% of annual revenue) (10)	133	137	147	150	154	158	162
Subtotal Operating Expenses:	7,654	7,556	7,730	7,902	8,064	8,229	8,398
Subtotal Operating Expenses, Boating Activities Only (11):	3,406	3,363	3,440	3,517	3,589	3,662	3,737
(44.5% of all operating expenses; see Table 6)							
NET OPERATING INCOME, BOATING ACTIVITIES ONLY:	957	1,126	1,422	1,456	1,508	1,562	1,618
Less: DBW debt service (\$5,500,000 loan, 4.5% interest rate, 30 year repayment term)	342	342	342	342	342	342	342
Less: Additional debt service, prior DBW loan (12)	486	486	486	486	486	486	486
Total Debt Service	828	828	828	828	828	828	828
NET INCOME	129	298	594	628	680	734	790
Income/Expense Ratio, Boating Activities Only (min. 1.2:1 req'd)	1.28	1.33	1.41	1.41	1.42	1.43	1.43
Debt Service Coverage Ratio, Boating Activities Only (min. 1.25 req'd)	1.16	1.36	1.72	1.76	1.82	1.89	1.95
Notes:							
1 Revenue from Docks D and E includes expected berthing fee increases of 3% in 2024, 2025, and 2026.							
2 Revenue from Docks D and E is currently 4.87% of overall berth revenues. Those revenues are removed from this line starting in 2026, when new Docks D and E open.							
3 Berth rental fees are assumed to increase 3% each year in 2024, 2025, and 2026. DBW forecasts an additional 6.1% increase in 2026 when new Docks D and E open. Then 2.5% increases per year thereafter.							
4 Liveaboard fees are estimated to increase 10% in 2024, then increase 2.5% per year thereafter.							
5 Dry storage fees are estimated to increase 80% in 2024. Then 2.5% per year thereafter.							
6 Launch ramp fees are estimated to increase 15% in 2024. Then 2.5% per year thereafter.							
7 Lease revenue is projected to increase by 4% per year in 2024, 2025, and 2026, then 1% per year thereafter.							
8 Includes the following listed revenue categories: Berth rentals, live aboard fees, dry storage, launch ramp, charter boat fees, locker rentals, sewer service / marina, fines and penalties, miscellaneous, and EV charging stations.							
9 Personnel and non-personnel expenses are projected to increase 2% per year from 2028 forward.							
10 Reserve for maintenance set at 2% of revenue per ordinary DBW requirements.							
11 Computed as a percentage of overall marina expenses, based on the analysis in Table 6.							
12 Prior DBW loan of \$7,863,471 at 4.5% interest rate. Repayment expected to be complete in approximately August 2044.							

Staff note: Table 5 is identical to Table 5a on the next page for the years it covers. DBW is providing this version of the table for ease of readability.

Table 5a: Marina Fund Financial Forecasts Adjusted by DBW Projections, FY 2021 through FY 2044, With Boating Activities Highlighted and Summarized

	2021 actuals from City											2022-2027 City forecasts with DBW adjustments											2028-2044 DBW projections based on City forecasts										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044									
WATERFRONT OPERATING REVENUE																																	
Berth rentals, Docks D and E, after construction (1)	3,444	3,493	3,488	3,593	3,700	4,029	4,410	4,511	4,632	4,714	4,895	4,988	5,100	5,230	5,378	5,545	5,733	5,944	6,178	6,436	6,718	7,025	7,357	7,715	8,099								
Berth rentals, All other Docks, after construction (2)	286	287	278	278	283	280	287	290	297	305	312	320	328	336	345	353	362	371	381	390	400	410	420	431	441								
Low Aboard Fees (3)	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10								
Dry Dock (4)	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12								
Charter Boat Fees	67	88	89	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88								
Locker Rentals	21	25	21	22	22	23	24	25	25	26	26	27	28	29	29	30	31	31	32	33	34	35	36	37	37								
Sever Service / Marina	64	67	58	64	64	64	64	64	67	69	71	72	74	76	78	80	82	84	86	88	90	93	96	97	97								
Fines & Penalties	105	31	31	31	32	32	34	35	36	37	38	39	40	41	42	44	45	46	47	48	49	50	51	52	52								
Miscellaneous	195	31	31	31	32	32	34	35	36	37	38	39	40	41	42	44	45	46	47	48	49	50	51	52	52								
Subtotal Operating Revenue:	4,190	4,135	4,364	4,489	4,862	4,973	5,097	5,224	5,355	5,489	5,628	5,767	5,911	6,059	6,210	6,365	6,524	6,688	6,855	7,026	7,202	7,382	7,564	7,750									
Subtotal Operating Revenue, Boating Activities Only (8):	4,190	4,135	4,364	4,489	4,862	4,973	5,097	5,224	5,355	5,489	5,628	5,767	5,911	6,059	6,210	6,365	6,524	6,688	6,855	7,026	7,202	7,382	7,564	7,750									
ADDITIONAL INCOME																																	
Non-interest invest pool	1	9	108	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0								
Other Fees	1	9	108	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0								
Subtotal: Additional Revenue	5,377	5,787	5,407	6,664	6,870	7,334	7,479	7,629	7,784	7,941	8,102	8,267	8,436	8,608	8,784	8,965	9,149	9,338	9,531	9,728	9,930	10,136	10,348	10,564									
EXPENSES																																	
Personnel (9)	3,221	3,262	3,886	4,135	4,218	4,302	4,388	4,476	4,565	4,657	4,750	4,845	4,942	5,040	5,141	5,244	5,349	5,456	5,565	5,676	5,790	5,906	6,024	6,144									
Non-Personnel (9)	1,842	2,120	2,706	2,786	2,801	2,784	2,819	2,876	2,933	2,992	3,052	3,113	3,175	3,238	3,303	3,369	3,437	3,505	3,576	3,647	3,720	3,794	3,870	3,947									
Capital Improvements	145	145	145	145	145	145	145	145	145	145	145	145	145	145	145	145	145	145	145	145	145	145	145	145									
DBW Debt Service	167	167	167	167	167	167	167	167	167	167	167	167	167	167	167	167	167	167	167	167	167	167	167	167									
DBW main reserve (2% of annual revenue) (10)	108	108	108	108	108	108	108	108	108	108	108	108	108	108	108	108	108	108	108	108	108	108	108	108									
Subtotal Operating Expenses:	5,689	7,783	10,801	7,654	7,656	7,730	7,902	8,064	8,228	8,398	8,570	8,745	8,924	9,107	9,294	9,484	9,679	9,877	10,080	10,286	10,497	10,712	10,932	11,156									
Subtotal Operating Expenses, Boating Activities Only (11):	2,531	3,463	4,887	3,406	3,363	3,440	3,517	3,589	3,662	3,737	3,814	3,892	3,971	4,053	4,136	4,221	4,307	4,395	4,485	4,577	4,671	4,767	4,865	4,965									
(14.5% of all operating expenses; see Table 6)	1,659	730	(752)	957	1,126	1,422	1,456	1,508	1,562	1,618	1,675	1,734	1,795	1,858	1,923	1,990	2,058	2,129	2,202	2,277	2,355	2,435	2,517	2,602									
NET OPERATING INCOME, BOATING ACTIVITIES ONLY:	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488									
Less: DBW debt service (\$5,500,000 loan, 4.5% interest rate, 30 year repayment term)	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488									
Less: Additional debt service prior DBW loan (12)	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488	488									
Total Debt Service	976	976	976	976	976	976	976	976	976	976	976	976	976	976	976	976	976	976	976	976	976	976	976	976									
NET INCOME	1,173	244	(1,238)	129	298	594	628	680	734	790	847	906	967	1,030	1,095	1,162	1,230	1,301	1,374	1,449	1,527	2,093	2,175	2,260									
Income/Expense Ratio, Boating Activities Only (min. 1.21 req'd)	1.66	1.21	0.85	1.28	1.33	1.41	1.41	1.42	1.43	1.43	1.44	1.45	1.45	1.46	1.46	1.47	1.48	1.49	1.50	1.51	1.52	1.52	1.52	1.52									
Debt Service Coverage Ratio, Boating Activities Only (min. 1.25 req'd)	3.41	1.50	-1.55	1.16	1.36	1.72	1.76	1.82	1.89	1.95	2.02	2.09	2.17	2.24	2.32	2.40	2.49	2.57	2.66	2.75	2.84	2.92	2.99	3.06									

Notes:

- Revenue from Docks D and E includes expected berthing fee increases of 3% in 2024, 2025, and 2026.
- Revenue from Docks D and E is currently 4.87% of overall berth revenues. Those revenues are removed from this line starting in 2026, when new Docks D and E open.
- Berth rental fees are assumed to increase 3% each year in 2024, 2025, and 2026. DBW forecasts an additional 6% increase in 2026 when new Docks D and E open.
- Lowboard fees are estimated to increase 10% in 2024, then increase 2.5% per year thereafter.
- Dry Dock fees are estimated to increase 5% in 2024, then increase 2.5% per year thereafter.
- Charter Boat Fees are estimated to increase 10% in 2024, then increase 2.5% per year thereafter.
- Lease revenues are projected to increase by 4% per year in 2024, 2025, and 2026; then 1% per year thereafter.
- Includes the following listed revenue categories: Berth rentals, live aboard fees, dry storage, launch ramp, charter boat fees, locker rentals, sewer service / marina, fines and penalties, miscellaneous, and EV charging stations.
- Personnel and non-personnel expenses are projected to increase 2% per year from 2023 forward.
- Reserve for maintenance see at 2% of revenue per ordinary DBW requirements.
- Compares as a percentage of total marina expenses, based on the analysis in Table 6.
- DBW debt service is based on a 4.5% interest rate. Repayment expected to be complete in approximately August 2044.

Table 6: Percentage of Marina Fund Expenses Attributable to Boating

Table 6: Percentage of Marina Fund Expenses Attributable to Boating			
Expense Category	City estimate for Fiscal Year 2023	Percentage City estimates is related to boating	Estimated boating-related expenses
Building Maintenance	\$912,524	40%	\$365,010
Landscape Services	757,125	0%	-
Recreation	552,979	0%	-
Refuse Fees	236,200	51%	119,400
Security	243,430	45%	109,544
Marina Services	1,858,722		-
Utilities	375,000	52%	195,840
Other	1,483,722	75%	1,112,792
Waterfront Management	577,114	49%	280,557
Public Works Salary and Hazmat Handling	126,128	90%	113,515
Capital (+carryover)	631,864	44%	278,020
Minor maintenance	250,000	38%	93,750
Subtotal	\$6,146,086	43%	\$2,668,427
Parks, Recreation & Waterfront Department Administration	573,818	50%	287,595
Indirect Costs	456,077	50%	228,584
Other Internal Services	200,358	50%	100,219
TOTAL	\$7,376,339		\$3,284,825
Percentage of 2023 Marina Fund expenses related to boating:			44.5%

Source: City of Berkeley estimates as of May 2023 and DBW analysis

Note: City expenses for FY2023 in this Table are significantly lower than the estimate shown in Tables 4-5a. The differences are mainly a result of capital expenses being significantly lower in this estimate.