

Dana Point Boaters Association
Email Letter To: Brad Gross, February 02, 2010
From: Kevin Hendra Re: Slip Rates

Brad

I wanted to begin the discussion about slip fees this year. This may sound somewhat familiar, but I think we are being charged too much; let me know if you have heard this before.

We are a municipal marina, not a private one. This has been so in East Basin since 2001, and West since 2005 I believe. What being a municipal marina means to myself and the other Directors here at DPBA is that the profit layer formerly built into our slip rates prior to the County takeover of the waterside should no longer exist. Unfortunately for us boaters, it appears that this change in cost structure was never recognized by way of a commensurate reduction of our slip fees. In fact, 108 financials continue to show substantial "profits" year after year from the waterside operations (and overall within the Harbor).

The distinction between municipal and private is an important one, we believe, since municipalities do not exist to profit from the citizenry that they represent, while private companies do exist to make a profit. Municipalities do need to recapture their operating and capital costs, though. Although I am no expert on governmental accounting, it seems that similar to any association, a municipality that is operating responsibly would be charging fees based on the costs it incurs to provide services, as well as funding a reserve for future capital improvements. Reserve studies are often done for these types of associations that detail the useful lives of capital items, years remaining, replacement costs and relative funding for such replacements.

Based on our understanding of the current Operating Agreement, we know that the Harbor waterside is not being operated and billed out as described above. What exists is market driven contract that seeks to secure the highest possible rent for slips. A CPI adjustment and market survey are disclosed each year, with every fourth year being the market value adjustment year. We know that last year the County agreed not to make any market value adjustment, and while that was a nod in the right direction, we feel not enough to rectify the current state of our slip fees. I am attaching our brief survey of the municipal marinas from Santa Barbara to San Diego that we could identify for your perusal. We have included only municipal marinas as they are the "comparables" that apply to us, contrary to previous surveys provided by your department that reflect many private marinas that offer amenities like Wi Fi (that we recently discussed), pools, and a profit motive. You likely saw a similar survey last year from Mr. Heyman, and we understand you will likely again this year.

What the survey reflects is a gross overstatement of the rent charged in Dana Point Harbor East as compared to the other three municipal marinas surveyed. Long Beach being the closest and most similar is, for example, 31% and 36% less costly in the 30' and 35' slip sizes, and allow for a larger overhang such that cost savings are actually greater for boats beyond the customary 3'6" overhang in DPH. As you know, Long Beach operates on a cost plus basis for determining its slip fees, although we cannot say that that in itself is the cause for the large discrepancy in rates between the two Harbors. Note also that Alamitos Bay operates within the Long Beach marina system and is about to undergo a rebuild of its slips, similar to the state DPH finds itself in.

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I have requested full financials from Lisa for the Harbor operations for the past three fiscal years, breaking out the land and waterside, but we all know that the fact is the waterside has been operating at a significant profit since the County took over. We current boaters should not have to bear the full brunt of the rebuild of our Harbor, and we should be charged fees consistent with what other municipal marinas charge their customers. Reserves are one thing, but there is no continuing justification for the current rent structure.

We look forward to discussing this further, and intend to copy others upstream after you have had a chance to digest this information.

Thanks
Kevin Hendra
Treasurer, DPBA