File

AGENDA

Municipal Facilities Committee Meeting
Friday, July 28, 2006
South wing Conference Room

CALL TO ORDER

MARINA RATE STUDY

Presentation by Paul Sorenson, BST Associates

MASTER PLAN UPDATE

CSR lease negotiations
Milluzzo's
West Marine

2007 CIP

L Dock Electrical
H & I Standpipes
Dredging
Balance in D&I Fund

Municipal Facilities Committee
July 28, 2006

DISCUSSION POINTS FOR
BST'S PRESENTATION

Slide # 6 – Gross Profit

- Short-term goal – Make services self supporting. Long-term, significant net profit. (In 2006, Service Division labor and benefits total - $388,990).
- Utilities – Small increase in minimum charge for electricity would give utilities a small positive gross profit margin. (Current $3 per month, would need to increase to about $4.50 per month.)

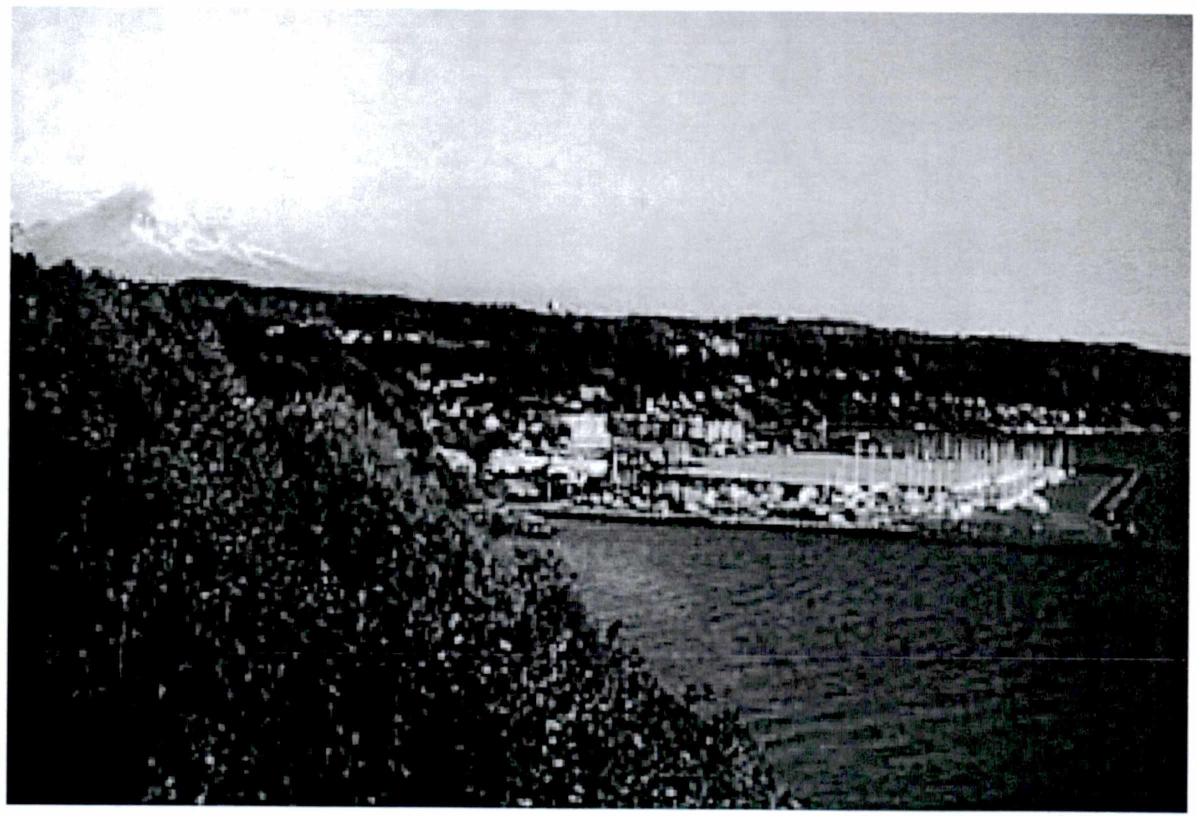
Slide # 8 – Policy Considerations

- Moorage Rates - Where do we want to be in comparison to other Marinas in our market area?
- Lease rates – connected to the value of the land. Appraisal?

Slide # 10 – Covered Moorage Rates

- Marina Services Fee – Per slip charge for water, garbage, minimum electricity charge, etc. Benefit is that it is a fee vs moorage rate and can be adjusted by CM to make sure Marina is recovering these costs.

Des Moines Marina Rate Study
Review of Trends & Process



July 29, 2006

Agenda

- Introduction
- Review of Existing Trends
  - Methodology
  - Revenues
  - Gross Profit
  - Net Profit
- Cost Replacement Model for Marina Rates
  - Square Foot Model
  - Review of Competitive Marinas

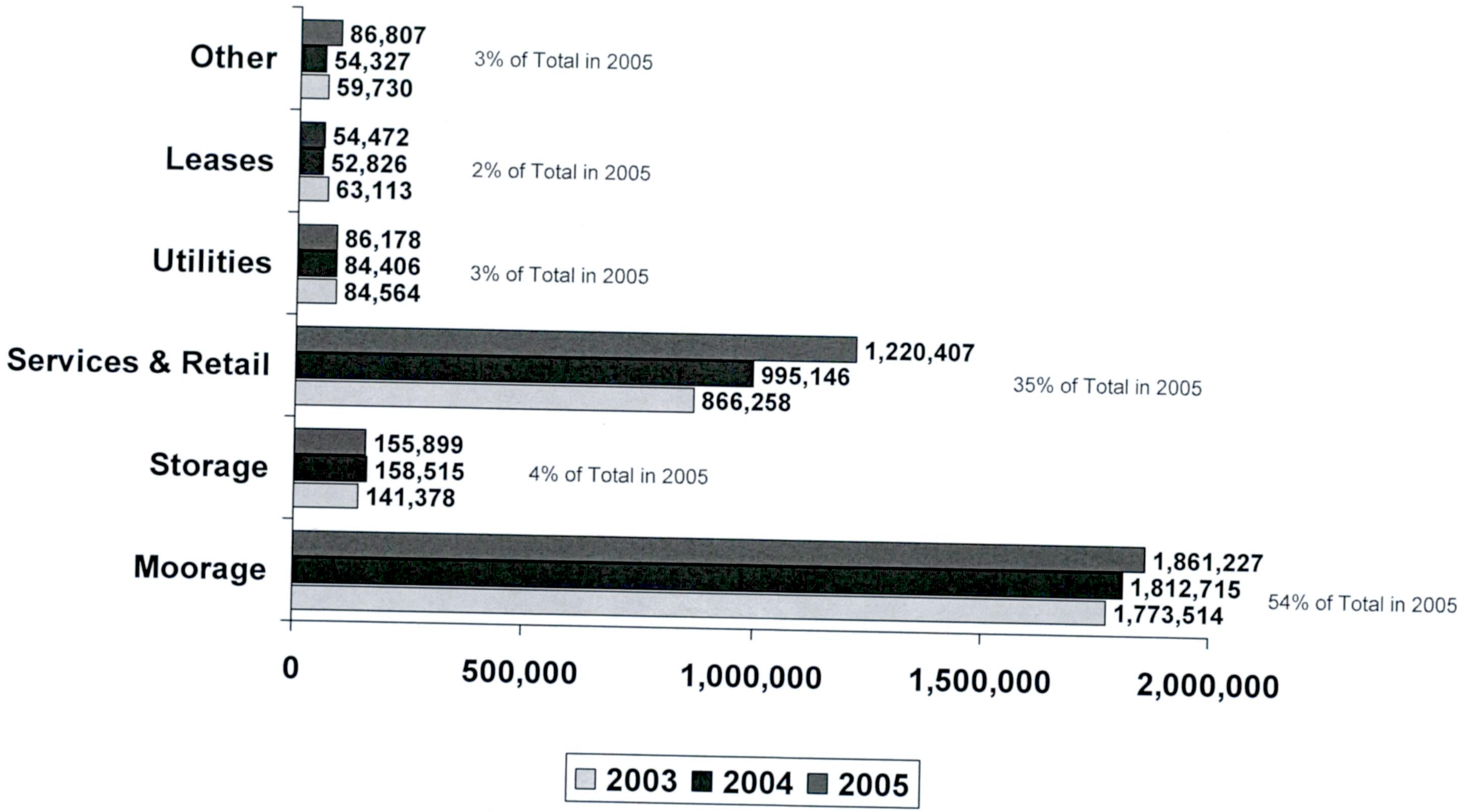
Des Moines Marina
Line of Business

- Moorage
  - Permenant Moorage
  - Winter Moorage
- Storage
  - Dry Sheds
  - Storage Yard
- Services & Retail Sales
  - Fuel
  - Propane & Fuel Products
  - Launcher
  - Guest Moorage
  - Shared Moorage
  - Redondo Parking
  - Marina Parking (Long Term)
  - Sub-Leases
  - Other Retail/Vending
  - Misc./Other Services
  - Special Events
- Utilities
  - Electricity
  - Cable TV
- Leases
- Other
  - Lockers
  - Waitlist Admin Fee
  - Waitlist Annual Fee
  - Waitlist Forfeitures
  - Late fees
  - Parking Fines
  - Non-Operating Income (interest)

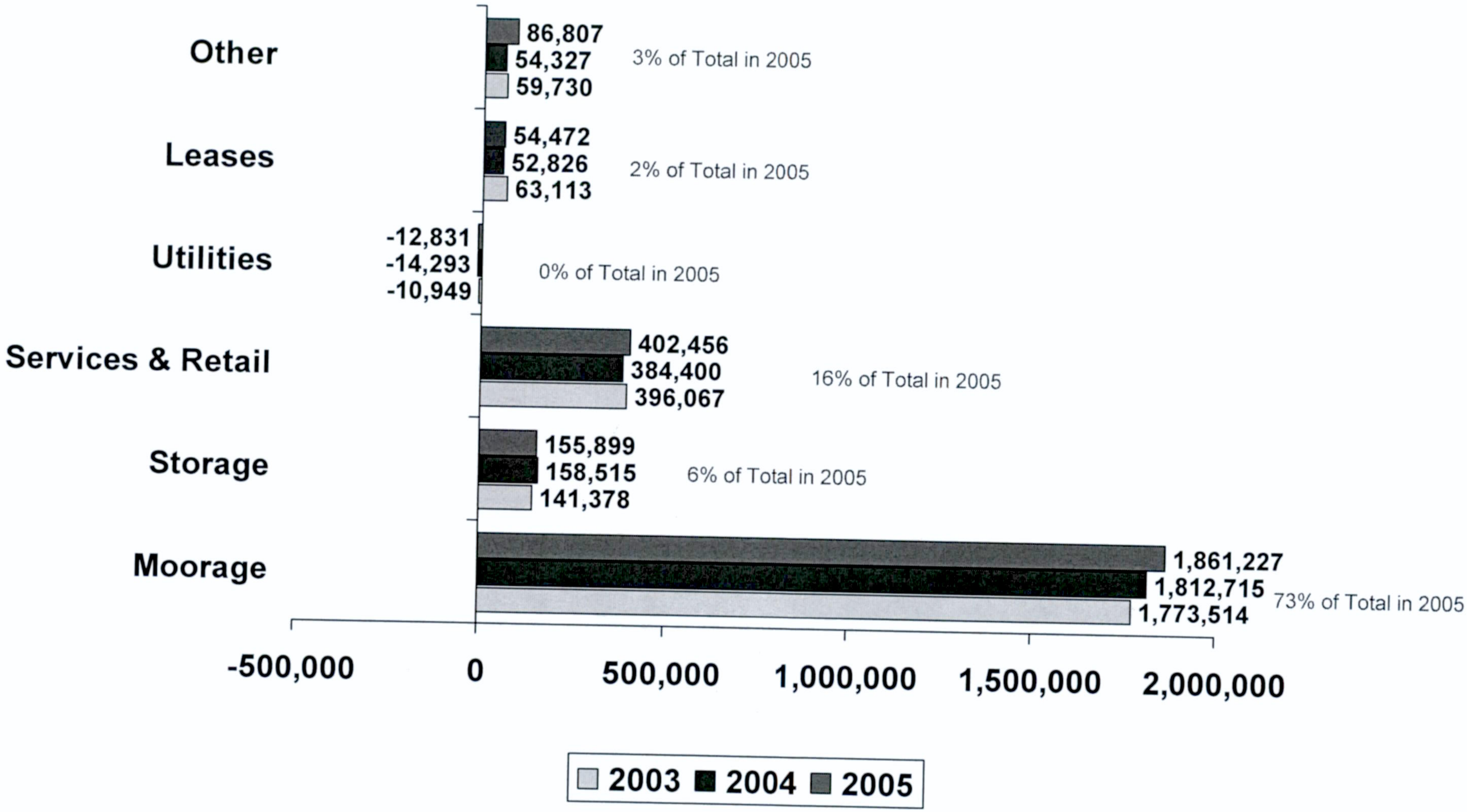
Des Moines Marina Methodology

- Revenues
- Gross profit
  - Revenues less cost of goods sold
  - Applies to fuel, retail goods (propane, fuel etc) and utilities (electrical, cable TV)
- Net profit
  - Gross profit less other costs:
    - Direct labor allocation
    - Indirect labor allocation (by % of gross profit)
    - Expense allocation (by % of gross profit)
    - Interfund transfer allocation (by % of gross profit)
    - Indirect labor allocation (by %gross profit)

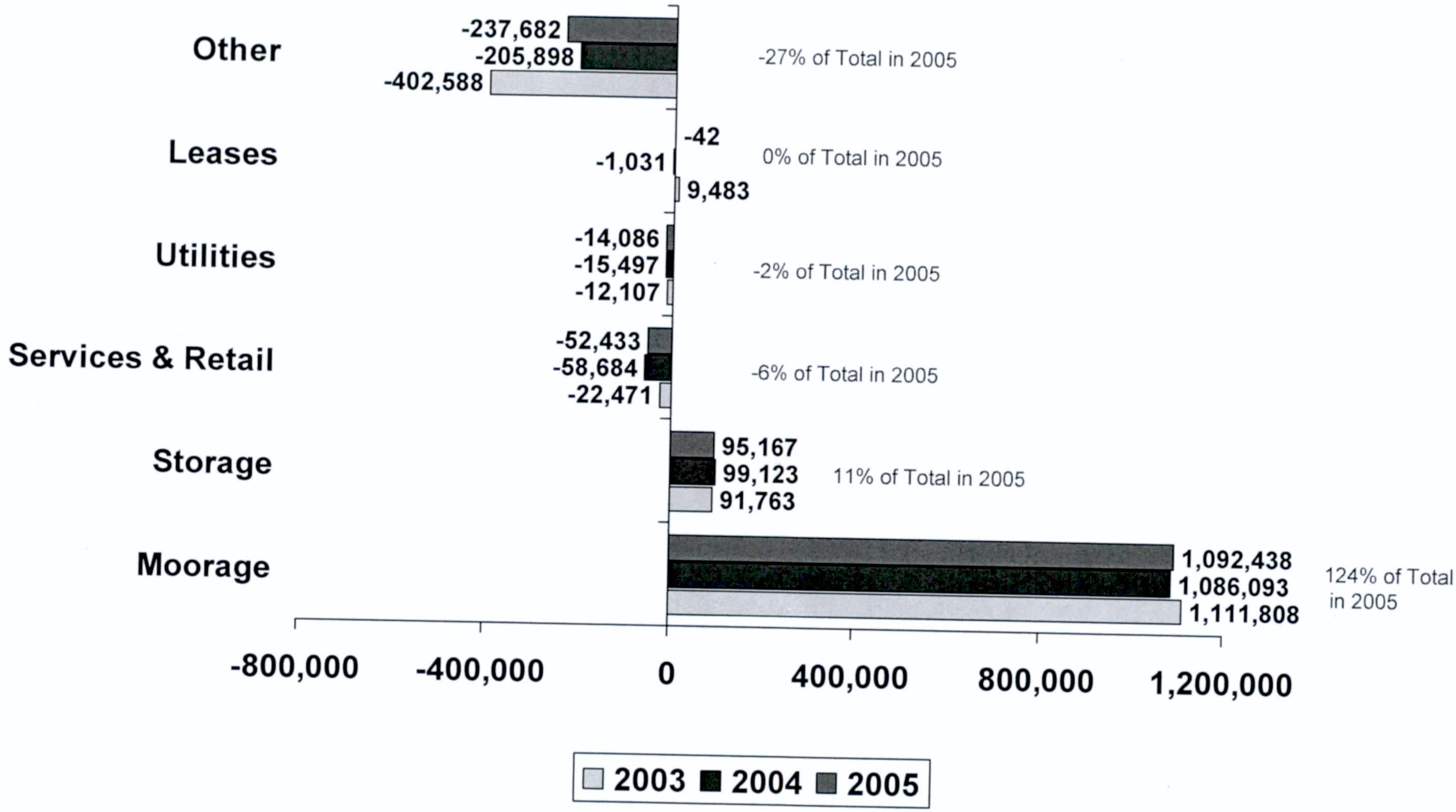
Des Moines Marina Revenues



Des Moines Marina Gross Profit



Des Moines Marina Net Profit



Des Moines Marina Considerations

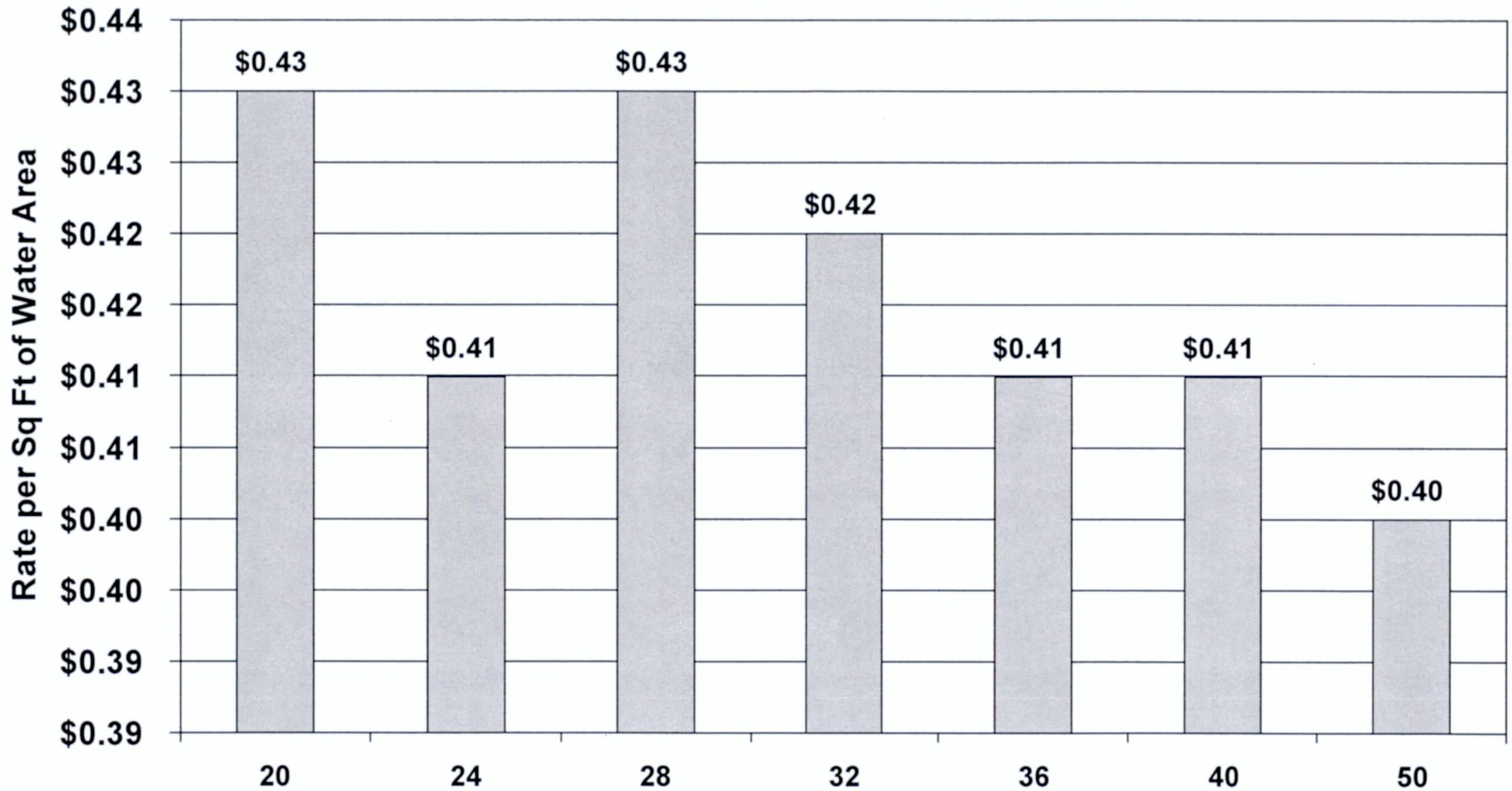
- Marina rates
  - Square footage rates
  - Open & Covered
  - Review of competitive marinas
- Lease rates
  - Policy for setting rates
- Interfund transfer

- Master plan
  - Permanent moorage
  - Guest Moorage
  - Launcher
  - Dry sheds
  - Leases
    - Commercial
    - Boat yard

Square Foot Rate Basis

- Converting to SF moorage will be for the purpose of INCREASING EQUITY within the marina.
  - Smaller boats pay higher SF rates than longer boats when a flat lineal rate is applied
  - Square foot rates mean the lineal rate increases as the boat length increases
- The market conditions are tighter for longer boats than for shorter boats
  - Smaller boats are negatively impacted by lack of fishing opportunities
  - Tighter market means that higher rates can be charged
- The SF rate structure is simple, straightforward, and easy to implement.

Des Moines Marina Existing Covered Rates



Cost Replacement Approach

- O&M/G&A
  - Direct operating and maintenance expenses
  - General administrative allocations
  - Adjust to next year based upon historical cost trends.
- Cost replacement values
  - Annualize based on asset value and longevity of assets.
  - Adjust to next year based upon construction cost index.
- Contingency Reserve (established as a % of asset value)
- Total cost to recover (add above three components)
- Divide by square feet of moorage space and by 12 to obtain $/SqFt/month
- Recommend a phase in process to allow tenants to adjust.

Cost Replacement Rate Model

- **<u>((A+B)*(1+C))+(D*(1+E))+F)/G/</u>12 = MONTHLY MOORAGE/Sq Ft**
  - A= **Direct Operating & Maintenance Expenses**
  - B= **G&A Overhead**
  - C= **O&M Cost Trend**
  - D= **Capital Replacement Cost (Annual)**
  - E= **Capital Cost Index**
  - F= **Contingency Reserve (1% of asset value)**
  - G= **Total Square Feet of Billable Moorage**

Des Moines Marina Interfund Transfer

- Historical
  - 2003 = $687,000
  - 2004 = $490,000
  - 2005 = $550,000
- New Estimate
  - $413,000
    - Direct labor allocation = $250,000
    - Unallocated = $163,000

Next Steps

- Meet with tenant rate committee
  - Present rate process,
  - Establish rate structure and
  - Establish rates
- Finish Master Plan
  - Assess financial implications of master plan improvements