

Memo

To: Board of Harbor Commissioners

From: Peter Grenell
General Manager

Cc: Management Team

Date: April 2, 2007

Re: PPH Tenants Meeting on March 28, 2007 at HMB Yacht Club

Approximately twenty tenants showed up for the meeting, which included PPH Citizens Advisory Committee members. Harbor Commissioners Tucker and Parravano attended.

Finance Director Schnapp began by presenting staff proposals for increases in rates and fees for the next budget year. Tenants expressed much concern about the size of the proposed increases and lack of visible value for what they pay. No recognition was made of the impact of inflation on operating costs, but rate increases should be accompanied by harbor improvements. Following is a summary of comments made:

- Numbers presented need clarification.
- Numbers presented should have a large "DRAFT" stated on it; the "Proposed" wording on the paper was not readily apparent to those present.
- In FY 2001-2, expenses rose sharply: Why?
- What other sources of revenue are there, and is the District looking at those?
- At Oyster Pt. Marina (OPM), what about putting bigger boats, for which greater demand for space exists, in the smaller 30 ft. berths? [NOTE: Following this tenants meeting, the OPM Harbor Master said that this is not feasible as fairway width is not adequate for safety reasons.]
- Lower rates at OPM for berth lengths whose rates are now above those at surrounding marinas.
- Little recognition was evidenced of the importance of the repairs to Johnson Pier to the harbor.

- Sell lemonade on the dock.
- Fishermen need a break.
- Restrooms need attention; tenants want value and services for their money.
- Why does OPM have such low occupancy?
- Keep the present level of services but don't make a 20% rate increase.
- El Granada residents dump trash at PPH: Fine them.
- There is no boat haul-out facility.
- PPH has bare bones amenities compared to other marinas.
- Information should be provided about budget and actual performance of each harbor, not just combined figures.
- Put the budget online.
- Explore possibilities for use of volunteer services.

Favorable comments were made about Harbor Master Temko and the Pillar Point Harbor Patrol, including their excellent work in keeping the harbor clean, including the women's restroom.

District staff explained the District's overall approach to the budget and rates and fees. First priority is controlling costs and reducing expenses. For example, operations and maintenance expenses at both harbors have declined over the past two years by around 14%. Further, the Harbor Commission has set a freeze on new staff hiring, saving additional money.

Balancing this is inflationary rises in costs of materials, e. g., fuel and cement. Next year's Consumer Price Index will be 3.2%; last year's was 1.7%. In addition, costs of insurance, including workers compensation insurance, and health insurance, will increase, causing a further drain on the budget.

Second priority is raising more and new revenue. The approach is to find all other sources of revenue before coming to rates and fees. For example, at PPH new or amended leases will generate more revenue. However, while the District operates as an enterprise, its harbors do many things that are non-enterprise: they do not bring in any revenue. For example, PPH maintains a 24/7 year-round search and rescue operation. School and other groups visit the harbor and need attention. Work with the Gulf of the Farallones and Monterey Bay National Marine Sanctuaries on water quality, sustainable fisheries, and public education use further staff resources with no revenue generation.

Finally, the District has a large debt service obligation to the State Department of Boating and Waterways, whose loans financed the development of PPH and OPM. The District is attempting to change its debt service terms to improve its cash flow position, but the Department has said any changes would be conditioned on some measure of rates and fees increase.

Lastly, District staff emphasized that this tenants meeting was the start of the process, that tenant comments were welcome, and that the Harbor Commission would finalize its budget in June and its rates in late May or early June. There will be two regular Commission meetings in April and May (next on April 4 in HMB), which will be further opportunities to discuss rates and fees. Another tenants meeting could be convened as well.