To: Honorable Mayor and Members of the City Council

From: Parks and Waterfront Commission

Submitted by: Gordon Wozniak, Chairperson

Subject: Proposal to allocate revenues generated by the Transient Occupancy Tax in the Waterfront Area to the Marina Fund to avoid insolvency, rebuild its fund balance and to stabilize its finances

RECOMMENDATION
That Council adopt a Resolution adopting a policy that all Transient Occupancy Taxes (TOT hotel tax) generated at the Berkeley Waterfront be allocated to the City’s Marina Enterprise Fund. All other property, sales, utility users, and parking taxes, as well as business license and franchise fees, would continue to be allocated to the City’s General Fund.

POLICY COMMITTEE RECOMMENDATION
On September 23, 2021, the Budget & Finance Policy Committee took the following action: M/S/C (Harrison/Arreguin) to send the item to Council with a negative recommendation. Additionally, the committee would like to request a referral to the Budget & Finance Policy Committee to discuss and develop alternative revenue streams for the Marina Fund including a dedicated reserve.

Vote: All Ayes.

FINANCIAL IMPLICATIONS
Allocating funding from the Transient Occupancy Tax annually, generated at the Waterfront, will create a healthy Marina Fund that is able to operate, maintain, and keep safe the existing assets. The sizeable past and ongoing contributions from Waterfront-generated revenues to the City’s General Fund should be taken into consideration when assessing the financial implications.

CURRENT SITUATION AND ITS EFFECTS
The area now comprising the Berkeley Waterfront was granted to the City by the State of California in 1913, as a grant of state tidelands. In 1962, the City obtained a state loan to develop the current marina with 1,000 slips, parking lots, launch ramps, restrooms, parks, and several commercial plots for lease.

- By 1966, 15 boat dock systems were constructed.
By 1970, two restaurants, a hotel, and an office building were developed. 
By 1980, the two sailing clubs and sailing docks, the boat yard, and a third 
restaurant were developed. 
By 1991, the City landfill at the marina was capped and graded to become North 
Waterfront Park. In 1996, it was renamed Cesar Chavez Park.

The total area under City management includes the entrance to the Marina (University 
Avenue and the Bay Trail, from Frontage Road to Marina Blvd) and all the infrastructure 
and Marina waters west of Marina Blvd. In all, there are:

- 100 acres of open space and parks, 
- over 1,000 berths in the Berkeley Marina, 
- a large hotel, 4 restaurants, 
- the Adventure Playground, 
- Shorebird Nature Center, 
- the Berkeley Marine Center boat yard, 
- a two-story office building, 
- a 4-lane public launch ramp, 
- 9 restroom buildings, and 
- 11 parking lots.

The Waterfront requires the daily administration of what essentially is a “small city”.

Marina Fund

A requirement of the State Tidelands Grant is that revenue generated at the 
Waterfront be spent at the Waterfront. The Marina Enterprise Fund was set up to 
comply with this requirement for managing revenue and expenditures at the Berkeley 
Waterfront. Marina Revenues come primarily from boat slip rental fees and business 
leases, and a number of smaller sources. Community users of the open space and 
amenities at the Berkeley Waterfront such as independent fishermen, windsurfers, small 
boat users, tourists, walkers, runners, dogwalkers, and other park users do not provide 
direct income to the Marina Fund.

By FY2019, one-third of the total revenue generated annually at the Waterfront was 
being transferred to the General fund as follows:

- $10.9 Million in Total Waterfront Revenue
- $6.9 Million allocated to the Marina Fund
- $4 Million allocated to the General Fund

In addition, $0.59 Million was being transferred annually from the Marina Fund to the 
City’s internal service funds.

In FY2020, the Covid Pandemic decimated the hospitality industry and the lease portion 
of the Marina revenue. While revenues have plummeted during the pandemic, 
community use of recreation and open space at the Waterfront has soared.
Marina Fund Financial Sustainability
From FY18-20, the Marina Fund contributed ~$11 Million to the General Fund. Now, the Marina Fund needs help from the General Fund to survive this pandemic-induced fiscal crisis.

To immediately avoid the eminent insolvency of the Marina Fund, the TOT tax generated in the Waterfront should be allocated to the Marina Fund.

Waterfront Capital Fund
The estimated $87.5 M - $131 M in future infrastructure costs are too large to be solved by stabilizing the Marina operations budget. To fund such large capital costs, a Reserve Fund needs to be created with new revenues developed as a result of the BMASP process that is underway.

Commission
At a regular meeting on March 10, 2021, the Parks and Waterfront Commission M/S/C to send this action to Council for consideration: (McGrath/Kamen/U). Ayes: Cox; Diehm; Kamen; Kawczynska; Landoni; McGrath; Skjerping; Srioudom; Wozniak; Noes: None; Absent: None; Leave of Absence: None.

ENVIRONMENTAL SUSTAINABILITY
No environmental impacts or opportunities were identified as a result of this recommendation.

RATIONALE FOR RECOMMENDATION
See body of report

ALTERNATIVE ACTIONS CONSIDERED
None

CITY MANAGER
The City Manager recommends referring the contents of this commission report to the budget process because this action will potentially impact revenue available to the General Fund. The Marina Fund revenue losses associated with Covid-19 are projected to exceed $3.6M from FY20-23 in comparison to FY 19 and a potential funding source to offset actual and projected revenue losses is the American Rescue Plan. Additionally, City Council may want to explore other long-term revenue sources to stabilize the Marina Fund, as discussed during February 16, 2021 work session presentation on the Berkeley Marina Area Specific Plan.

CONTACT PERSON
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Gordon Wozniak, Chairperson, (510) 654-4103
Allocate Transient Occupancy Tax (TOT) generated at the Waterfront back to the Marina Fund

Attachments
1: Resolution
RESOLUTION NO. ##,###-N.S.

ALLOCATE REVENUES GENERATED BY THE TRANSIENT OCCUPANCY TAX IN THE WATERFRONT AREA TO THE MARINA FUND TO AVOID INSOLVENCY, REBUILD ITS FUND BALANCE, AND STABILIZE ITS FINANCES

WHEREAS, the Parks and Waterfront Commission reviews the policies, projects, programs, planning efforts, activities, funding and the physical condition of parks, pools, camps, recreation centers, the Marina, and public greenery, and advises the City Council on these matters; and

WHEREAS, a requirement of the State Tidelands Grant is that revenue generated in the Waterfront be spent at the Waterfront; and

WHEREAS, in FY2019, one-third of the total revenue ($10.9 million) generated annually at the Waterfront was transferred to the General Fund (GF) and an additional $0.58 million was transferred to the City’s Internal Service Funds; and

WHEREAS, in FY2020, Waterfront revenues have plummeted due the shutdown of the hospitality industry by the Covid Pandemic; and

WHEREAS, the Marina Fund is projected to be insolvent in FY2022 and beyond; and

WHEREAS, over the last three years, the revenues generated in the Waterfront Area contributed ~$11 million to the City’s General Fund; and

WHEREAS, Transient Occupancy Tax (TOT) was generated annually at the Waterfront during pre-pandemic times; and

WHEREAS, by allocating the TOT revenue generated at the Waterfront to the Marina fund, it could be made solvent; and

WHEREAS the Marina Fund is facing an unprecedented financial crisis, with more than $100M of unfunded capital need and an annual structural deficit of $1 million.

NOW THEREFORE, BE IT RESOLVED that the Council of the City of Berkeley hereby adopts a policy that all Transient Occupancy Taxes (TOT hotel tax) generated at the Berkeley Waterfront be allocated to the City’s Marina Enterprise Fund. All other property, sales, utility users, and parking taxes, as well as business license and franchise fees, would continue to be allocated to the City’s General Fund.

NOW THEREFORE, BE IT FURTHER RESOLVED that all other property, sales, utility users, and parking taxes, as well as business license and franchise fees, would continue to be allocated to the General Fund.