

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 1, 2010

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: BUDGET MEMO 36 : MARINA OPERATING COSTS AND FEES

This is in response to a question from Councilman Krupicka and Councilman Smedberg regarding the City of Alexandria Marina; specifically discussing the facility's operating costs, revenue generation, and fee structure.

The City operates one of the few fully public marinas in the region. Operating a facility that encompasses tourists, pedestrian traffic, restaurants, and commercial traffic results in additional operational cost considerations not experienced at most private or concessionaire operated facilities. Furthermore, by combining this unique operational focus with the relatively small number of slips and somewhat outdated infrastructure, the City's marina is not currently in a position to operate as a full cost recovery facility. However, the City has purposefully implemented a revenue maximization fee strategy that provides competitive pricing (fees fall in the middle of area ranges) and seeks to keep most of the available slips full. This strategy results in both a maximization of revenues and a "full marina" appearance that is desirable to marina visitors. If the City's fees were increased to the top of the area range, it is anticipated that many users would move to other facilities with more up-to-date infrastructure and service offerings, which would lead to a decrease in the overall revenue to the City.

A fee survey is completed each year to determine Alexandria's position compared to other marinas. The City of Alexandria Marina has two primary advantages in the metropolitan marina market; the marina's waterfront urban business and its historic district location. Disadvantages comprise an aging infrastructure that does not meet the operating requirements of newer boats. These distinctions are weighed when preparing recommended rates for docking. Alexandria has been able to maintain a mid-tier rate for docking prices between Gaylord and National Harbor on the high end and marinas further away from the D.C. core region on the lower end. RPCA strives to maintain pricing that ensures all docking locations are full, and thus maximizing revenue generation at the facility. This strategy means that a higher number of slips are allocated to annual lease holders and a lower number to transient users.

As part of the current Waterfront planning process, the marine engineering and consulting team of Moffat and Nichol prepared a Marina Market Assessment. In this report they identified 26 marinas serving the Metropolitan Washington area with a slip capacity of 3,759. Most of these marinas are private or concessionaire operated and getting these entities to disclose operating

costs is difficult. Alexandria offers 77 docking locations for pleasure boat leaseholders, transient boaters and commercial vessels. In the previous fiscal year marina operating revenues from all sources were \$314,402 with expenditures of \$378,521. Other related costs outside this scope include: marina capital improvement projects, security, utilities, piling and seawall repair and dredging. The City's CIP contains approximately \$52,000 each year for capital maintenance at the marina, and \$3.1 million every five years for dredging work at the marina. These CIP costs do not include periodic major capital costs of replacing pier and marina decking, lighting, and other major capital costs.

Alexandria's marina is seen as unique in the region with its focus on tourists, pedestrian traffic, restaurants and commercial vessels, and therefore has operational cost considerations not seen at other area marinas. The more people using boardwalks, piers, seating platforms and other external areas, the higher the level of resources needed to clean decking and walkways, pick-up and remove trash, repair rope railings, sand and paint railings, scrape gum and repair lights.

Over the past five years new facilities and waterside attractions have been developed and/or renovated in Washington D.C., Maryland, and Virginia; these sites have become direct competition for the City of Alexandria marina. Specifically, the National Park Service has three marinas in the metropolitan market; National Harbor and Gaylord Marina's have opened across the river in Maryland, a new marina is opening across from Nationals Park and the Georgetown wall has large demand for day visitors. The newer facilities have presented opportunities for new services by commercial vessels operating from the Alexandria Marina. Moffat and Nichol recommended in their report that a more detailed financial analysis be done of the Marina as part of future waterfront planning.