



To: Port Commission Policy / Operations Committee
- *Dennis Smith*
- *Reed Geisreiter*

From: Holland MacLaurie, Port Director

Date: March 27, 2023

Subject: Review of Port District Charter Fees & Public Benefit Discount

Recommendation: *Review information relative to harbor charter fees and discounts.*

BACKGROUND

Prior to FY18, the Port District's charter fee formula was uniformly applied to all charter operations, regardless of the charter's passenger rating capacity or impact on District facilities.

In September 2017, the Port Commission amended its charter fee formula to recognize the impacts of mid-sized charters (passenger rating of greater than 6, but less than 49) and larger-sized charters (passenger rating of 49 or greater). The updated charter fee was approved as part of the FY18 fee schedule, and it applied to new or amended charter proposals only. No fee changes were implemented for pre-existing charter operations. The adopted fee schedule is below:

Small (6 Pak)	\$119 x passenger capacity / 12-month
Medium (7-48 Pak)	\$119 x 2 x passenger capacity / 12-month
Large (49+ Pak)	\$2 per passenger (base fee may apply)

The above fees are intended to be used as guidance only. Fees are set by the Port Commission and are negotiated as part of the charter approval process based on a set of criteria particular to each operator such as slip status, operating plan details, shuttle operations, vessel pak rating, etc. As a result, charter fees vary among different operators.

In June 2020, the Commission approved several charter permit modifications and reviewed the charter fee schedule after the COVID-19 pandemic and resulting shelter-in-place orders temporarily restricted charters from operating. The restrictions and subsequent closures served to highlight issues within the existing fee schedule (i.e., some mid-range charters were subject to higher fees than large charters during times of non-operation, and disparities between large charters' fee structures exist, particularly as it relates to the assessment of a base fee).

To address these differences, the Commission referred a future review of the District's charter fee schedule to the Business / Finance Committee. In addition to reviewing the charter fee schedule, the Committee is also tasked with performing an initial review of the District's public service discount, which is granted to operators in recognition of the public benefit their programs provide.

ANALYSIS

Charter Fees

There are currently 16 charter operators with a total of 29 vessels and a total combined rating of 432 passengers approved to operate in the harbor. The number of charter operators has grown approximately 60% since 2016. Subsequently, the total combined passenger rating has increased approximately 31% (from 329 to 432 passengers) for the same period.

Fees assessed for charter operations are intended to offset the impacts those operations have on harbor facilities and other users (i.e., increased utilization of docks, gates, restrooms, and other facilities, costs associated with custodial and grounds service, refuse disposal, security, etc.).

A flat rate of \$119 is utilized as the basis for calculating the small and mid-range charter fee. This fee was last adjusted in 2010, when it was increased from \$115. For large charters that were approved to operate in 2017 and beyond (Chardonnay Sailing Charters and O'Neill Yacht Charters), a \$2 per passenger fee is assessed. Additionally, Chardonnay Sailing Charters is assessed a \$2,000/month base fee, while O'Neill Yacht Charters does not operate with the same base fee provision.

For comparison purposes, charter fees for neighboring harbors are outlined below:

Harbor/Marina	Current Fee	Notes
Santa Cruz Harbor	Small: \$119 x passenger capacity / 12-month Medium: \$119 x 2 x passenger capacity / 12-month Large: \$2 per passenger (base fee may apply)	\$119 fee was last updated in 2010.
Monterey Harbor	No charter fee. Loading dock fee of \$150/month or \$40/use up to \$150 Cruise ship passenger landing fee is \$7 per person	Dive boats, sailing charters, and whale watchers load at Fisherman's Wharf. Cruise ship fee is shown for historical purposes. Monterey recently voted to end City support for cruise ships.
Moss Landing Harbor	Annual \$250 application fee plus an annual permit fee (\$250 for new operators and \$50 for established operators). Additionally, a passenger vessel fee of \$100*passenger capacity per year is assessed (payable monthly or annually).	
Pillar Point Harbor (San Mateo Harbor District)	\$2.61 per passenger fee for all charters	Rate increased from \$2.25/passenger

Public Benefit Discount

There are currently 4 operators approved to utilize the harbor under a modified rent structure in recognition of the public benefit provided by their program. The applied public benefit discount varies among operators, but ranges from 50% to 100%.

- O'Neill Sea Odyssey: Modification to slip rent and charter fee structure was approved in 2007. The modification provides a percentage discount to the slip rent and charter fee, in an amount equal to the percentage of time the Team O'Neill catamaran is used for the OSO program. Commission reviews modifications on an annual basis.
- Sea Scouts: Modification to slip rent structure was approved in 1991. The modification provides a 100% discount to slip rent only (no charter fees apply).
- SC Sailing Foundation: Modification to slip rent structure was approved in 2020. The modification provided a 100% discount to slip rent only (no charter fees apply) for one year, and then reduced the discount to 50%, commencing December 2021.
- UCSC: The current modification to slip rent was approved as part of a lease agreement dated May 1, 1997. The modification provides a 50% discount to dock, rowing, and landside storage space. Slip rent for the program's 4 vessels is paid at 100% market rate (no discount applies).

The District's most recent annual report on Business Use of Slip Revenues has been updated as of March 2023, and is included as Attachment A. The report lists each business approved, whether the slip was assigned by the Port Commission or from the waiting list, and the applicable charter fees. Additionally, operators receiving the public benefit discount are also included.

Discussion Topics:

- Review the existing charter fee formulas and determine if any adjustments are warranted:
 - Does the \$119 fee used as the basis for calculating the small and mid-range charter fees need to be increased?
 - Do the discrepancies that exist between some mid-range and large charter operators warrant additional review and/or adjustment?
- Review the existing public service discount and determine if any adjustments are warranted.
- Review existing charters and impacts and consider whether the establishment of new policies or fees are warranted.
- Consider whether applications for launch ramp charter operations can be reviewed and approved by staff.
- Is additional committee review needed on any of these topics?

ATTACHMENTS: A. Annual Business Use of Slip Report (March 2023)

CHARTER / BUSINESS USE OF SLIPS ANNUAL REPORT

March 2023

CHARTER FEE

Small (6 Pak): \$119 x passenger capacity/12-month
 Medium (7-48 Pak): \$119 x 2 x passenger capacity/12-month
 Large (49+ Pak): \$2.00 /per passenger (base fee may apply)

Operator	Pak Rating	Slips Originating From		Annual Revenue Calculation		Discounts		Annual Adjusted Revenue		Comments	
		Commission	Waiting List	Slip Rent	Charter Fee	Public Benefit	Other	Slip Rent (less discounts)	Charter Fee (less discounts)		
Barbarossa Fishing (Payton, J.)	6			n/a	714	0	0	0	714	PC approval April 2022, commenced May 2022 (Launch Ramp Operation)	
Big Anchovy Sportfishing (E. Andreassen)	5			n/a	714	0	0	0	714	Launch Ramp Operation. 5-pak vessel, but assessed minimum 6-pak charter fee.	
California Classic Sail (Roberts, F)	6		1	9,162	714	0	0	9,162	714	Reduced pak rating from 12-pak to 6-pak (Dec 2020)	
Chardonnay (Beauregard, J.)	49	1		14,659	39,660	0	0	14,659	37,660	Minimum base charter fee \$2,000 per month, annual fee varies (\$2 per passenger)	
Chartle Charters (Stoops, J.)	6		1	5,659	714	0	0	5,484	714		
Go Fish Santa Cruz Charters (Thomas, J.)	6	1		5,666	714	0	0	5,666	714		
Lighthall Yacht Charters (Lighthall, S.)	12	2		14,354	1,428	0	0	14,354	1,428	2 slips, 2 6-pak charter vessels	
Monterey Bay Charters (Dolan, T.)	6		1	6,658	714	0	0	6,658	714		
Nomad Sailing Charters (Thom, B.)	6		1	10,994	714	0	0	10,994	714		
O'Neill Yacht Charters (O'Neill, T.)	49-99	1		16,877	20,524	0	0	16,877	20,524	Annual fee varies (\$2 per passenger)	
Pacific Yachting & Sailing (Beauregard, J.)	72	11		67,755	8,568	0	0	67,755	8,568	11 slips, 12 small 6-pak charter vessels (PC approval April 2019)	
Santa Cruz Coastal Charters (Armstrong, R.)	6		1	5,825	714	0	0	5,825	714		
Sea Spirit (Stoops, J.)	30		1	7,989	7,140	0	0	7,989	7,140		
Seabright Sportfishing (Collins, J.)	6		1	2,355	714	0	0	2,355	714	PC approval March 2022, commenced April 2022	
Stagnaro Charters - Legacy (Stagnaro, K.)	46	1		10,994	5,474	0	0	10,994	5,474	Stagnaro Fishing - Slip awarded prior to creation of wait list	
Stagnaro Charters - Velocity (Stagnaro, K.)	65	1		11,911	7,735	0	0	11,911	7,735		
Waypoint Sport Fishing (Olsen, B.)	6		1	8,359	714	0	0	8,359	714		
<i>No operators are paying the Waiting List Bypass Fee in 2022.</i>						2022	\$0	\$0	\$199,043	\$95,669	
						2021	\$0	\$0	\$184,593	\$54,728	

BUSINESS USE OF SLIP

Annual Business Use Fee Formula is Equal to 1.5 x slip rent

Operator	Pak Rating	Slips Originating From		Annual Revenue Calculation		Discounts		Annual Adjusted Revenue		Comments
		Commission	Waiting List	Slip Rent	Bus. Use Fee	Public Benefit	Other	Slip Rent (less discounts)	Charter Fee (less discounts)	
Kayak Connection (Grigsby, J.)	N/A	1		4,723	2,362	0	0	4,723	2,362	U-Dock Float
Pegasus Racing (Kahn, P.)	N/A		1	10,994	5,497	0	0	10,994	5,497	
Vessel Assist (Ash, M.)	N/A	1		4,838	2,419	0	0	4,838	2,419	
West Marine (Repass, R.)	N/A		1	6,658	3,329	0	0	6,658	3,329	
Wizard Yachts (Lee, B.)	N/A		1	9,986	4,993	0	0	9,986	4,993	
						2022		\$37,200	\$18,600	
						2021		\$36,198	\$18,099	

NON-CHARTER / NON-BUSINESS USE DISCOUNTED SLIPS ANNUAL REPORT

March 2023

DISCOUNTED SLIPS

Programs receiving public benefit discounts

Operator	Pak Rating	Slips Originating From		Annual Revenue Calculation		Discounts		Annual Adjusted Revenue		Comments	
		Commission	Waiting List	Slip Rent	Charter Fee	Public Benefit	Other	Slip Rent (less discounts)	Charter Fee (less discounts)		
O'Neill Sea Odyssey	49	1		2,010	0	100%	0	0	0		
Santa Cruz Sailing Foundation	N/A	1		6,451	0	50%	0	0	3,226	Benefit discount reduced from 100% to 50% on 12/1/21. PC action October 2020.	
Sea Scouts	N/A	1		11,146	0	100%	0	0	0	Annual slip rent revenue NH Wide 45' rate @ 60'	
UCSC Community Center	N/A	4		16,977	23,320	50%	0	16,977	11,660	50% discount applied to "Annual Base Rent" only, not slips.	
						2022	\$17,597	\$0	\$16,977	\$14,886	
						2021	\$21,990	\$0	\$16,448	\$11,190	