



Parks and Waterfront Commission

CONSENT CALENDAR  
March 26, 2019

To: Honorable Mayor and Members of the City Council  
From: Parks and Waterfront Commission  
Submitted by: Erin Diehm, Chair, Parks and Waterfront Commission  
Subject: Transitioning cost of 4th of July Festival from the City's Marina Fund to the City's General Fund

RECOMMENDATION

Adopt a resolution referring to the City Manager to transition the cost of the annual 4<sup>th</sup> of July Festival from its current funding source, the City's Marina Enterprise Fund, to the City's General Fund.

BACKGROUND

The 4<sup>th</sup> of July Festival is a Berkeley tradition, in its 23<sup>rd</sup> year, attracting 60,000 visitors annually. It creates an ideal opportunity for residents to spend time out of doors to celebrate this national holiday in the company of their fellow diverse community members. It offers family-friendly alcohol-free activities in the daytime followed by a spectacular firework show in the evening. However, due to its reliance on the Marina Enterprise Fund for annual funding, the livelihood and longevity of the festival are at risk. The goal of this Resolution is to address existing concerns and find a workable long-term funding solution so that the Berkeley community may continue to enjoy this important national holiday event.

The City's Marina Enterprise Fund was set up decades ago in compliance with state requirements for lands held in The Public Trust and is separate from the City's General Fund. There are just two sources of revenue for the Marina Fund: berth rentals and leaseholds. The revenue is then expected to cover all expenses incurred at the marina, including routine operations, staffing, periodic capital improvements, and special events. Altogether, the special events cost the Marina Fund approximately \$725K per year, including \$525K for Adventure Playground and the Shorebird Nature Center, \$150K for the 4<sup>th</sup> of July Festival and \$50K for the Kite Festival.

The Marina Fund and the infrastructure it supports is facing a crisis. Unfortunately, a "sinking fund" to cover the cost of expected capital improvements was never established. The annual set aside should have been \$1-2M per year. Without a sinking fund in place, the marina's infrastructure -- docks, pilings, electrical systems, parking lots, and more -- has experienced decades of deferred maintenance and much of it has

reached its end of life. In an unfortunate turn of events, the dilapidated state of the infrastructure then encourages some slipholders to leave the marina, reducing revenue even further. It is a vicious cycle. Staff projects that the Marina Fund will reach insolvency in 2021.

Given the crisis facing the Enterprise Marina Fund, financial solutions (large and small, immediate and long-term) must be identified and pursued. One such solution is to remove the cost of the 4<sup>th</sup> of July Festival from the Marina Fund and transition it to the City's General Fund, a savings of approximately \$150K per year for marina operations.

The change would bring several benefits. First, most marinas don't pay for recreational events. Transitioning the cost will better align the fiscal responsibilities of Berkeley's marina with those of other cities. Second, transferring the cost does not require a years-long planning process and, it is hoped, could happen relatively quickly during the next budget cycle. The savings could then be used to help fund critical repairs at the marina. Third, and perhaps most important, transitioning the cost of the 4<sup>th</sup> of July Festival will ensure the longevity of this family-friendly beloved Berkeley tradition. It can continue to be held on July 4<sup>th</sup>, when community members are more likely to have a work holiday and thus are able to bring children to the daytime events, giving them the opportunity to enjoy fresh air and sunshine on this recognized national holiday.

#### FINANCIAL IMPLICATIONS

Staff time to review and incorporate the changes into next budget cycle. Annual allocation of \$150,000 from City's General Fund.

#### ENVIRONMENTAL SUSTAINABILITY

No negative impact and consistent with City standards.

#### CITY MANAGER

The City Manager recommends evenly splitting the 2019 4<sup>th</sup> of July event costs between the general fund and the Marina fund, and closely analyzing the revenues and expenditures to appropriately plan for future years.

The Marina Fund's structural deficit currently exceeds \$1 million per year, and is projected to exhaust all reserves in 2020, and would need approximately \$950,000 to maintain existing Waterfront operations through the next budget cycle. For further information, see the following Off Agenda Memos to Council: April 12, 2018 Marina Fund Update<sup>1</sup>; June 27, 2018 – Marina Memo (w Attachment)<sup>2</sup>; and December 13, 2018 – Marina Update<sup>3</sup>.

---

<sup>1</sup> April 12, 2018 – Marina Fund Update. URL: [https://www.cityofberkeley.info/uploadedFiles/Clerk/Level\\_3\\_-\\_General/Marina%20Fund%20Update%20041218.pdf](https://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_General/Marina%20Fund%20Update%20041218.pdf)

<sup>2</sup> June 27, 2018 – Marina Memo (w Attachment). URL: [https://www.cityofberkeley.info/uploadedFiles/Clerk/Level\\_3\\_-\\_General/COBmarina%20info%20with%20attachment.pdf](https://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_General/COBmarina%20info%20with%20attachment.pdf)

<sup>3</sup> December 13, 2018 – Marina Update. URL: [https://www.cityofberkeley.info/uploadedFiles/Clerk/Level\\_3\\_-\\_General/Marina%20Fund%20Update%20121318.pdf](https://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_General/Marina%20Fund%20Update%20121318.pdf)

CONTACT PERSON

Erin Diehm, Chairperson, Parks and Waterfront Commission, 510-666-0662

Attachments:

1. Resolution

RESOLUTION NO. ##,###-N.S.

TRANSITIONING COST OF ANNUAL 4th OF JULY FESTIVAL  
FROM THE CITY'S MARINA ENTERPRISE FUND TO THE CITY'S GENERAL FUND

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, the 4th of July Festival is a Berkeley tradition, in its 23rd year, attracting 60,000 visitors annually; and

WHEREAS, the 4th of July Festival creates an ideal opportunity for residents to spend time out of doors in the company of their fellow diverse community members; and

WHEREAS, the 4th of July Festival offers family-friendly alcohol-free daytime activities, including live music, arts and crafts booths, children's activities, food vendors, free boat rides with the Dragon Boat club, and access to Adventure Playground, followed by a spectacular evening fireworks show on the water; and

WHEREAS, the 4th of July Festival held at the Berkeley Marina benefits the larger Berkeley community, and is offered as a free-of-charge event; and

WHEREAS, the 4th of July celebration is funded by the City's Marina Enterprise Fund, and not the City's General Fund; and

WHEREAS, according to recent records, the Marina Fund's cost for sponsoring the event is approximately \$155,000, which covers traffic control, staffing, refuse, portable toilets, the fireworks display, and cleanup efforts; and

WHEREAS the Marina Enterprise Fund is facing an unprecedented financial crisis, with more than \$100M of unfunded capital need, an annual structural deficit of \$800K, and, perhaps most alarmingly, a projected insolvency in 2021.

NOW THEREFORE, BE IT RESOLVED that the Council of the City of Berkeley hereby refers to the City Manager to use the City's General Fund to cover the cost of the majority of the 4th of July Festival, beginning in 2019 and continuing each year.

BE IT FURTHER RESOLVED that the Festival shall continue to be held at the Berkeley Marina on July 4th and continue to include a daytime festival and evening fireworks.