



THE PORT  
OF LOS ANGELES  
Executive Director's  
Report to the

Board of Harbor Commissioners

**DATE: MAY 28, 2025**

**FROM: WATERFRONT & COMMERCIAL REAL ESTATE**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ - APPROVAL OF ANNUAL OPERATING BUDGET COVERING FISCAL YEAR 2026 FOR CABRILLO WAY MARINA MANAGED BY WESTREC SMI OPCO, LLC UNDER AGREEMENT NO. 13-3125**

**SUMMARY:**

Staff requests approval of the annual budget for Fiscal Year (FY) 2026 for the operation of Cabrillo Way Marina (CWM) by Westrec SMI OPCO, LLC (Westrec SMI) under Agreement No. 13-3125 (Agreement). The Agreement was approved by the Board of Harbor Commissioners (Board) in 2013 for Westrec Marina Management, Inc. (Westrec) to manage CWM as a fee operator, while passing through all expenses and revenue to the City of Los Angeles Harbor Department (Harbor Department). At its meeting on November 9, 2022, the Board approved the Second Amendment to the Agreement enabling Westrec to transfer its operation, management and maintenance of CWM to a new management company, Westrec SMI, effective January 1, 2023. Westrec SMI is a subsidiary of Suntex Marina Investors, LLC (SMI), an owner, operator, manager and developer of high-quality coastal and inland marina properties located throughout the United States.

Westrec SMI's estimated FY 2026 revenue is \$9,770,975 with total expenses of \$4,621,542. FY 2026 proposed net income of \$5,149,433 results in a net profit margin of 52.7 percent, a decrease from the FY 2025 approved budget margin of 56.1%.

**RECOMMENDATION:**

It is recommended that the Board of Harbor Commissioners:

1. Find that the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve the Westrec SMI OPCO, LLC annual budget for Fiscal Year 2026 under Agreement No. 13-3125; and
3. Adopt Resolution No. \_\_\_\_\_.

SUBJECT: APPROVAL OF FY 2026 ANNUAL BUDGET FOR WESTREC SMI OPCO, LLC. UNDER AGREEMENT NO. 13-3125

**DISCUSSION:**

Proposed Action – Staff requests Board approval of CWM’s annual budget for FY 2026 (Transmittal 1). An analysis of these future operating expenses and revenues was conducted, as well as a thorough review of and comparison with past operating expenses and revenues. It was determined that the proposed annual budget is appropriate for CWM’s continued operations.

Background – CWM consists of approximately 64.14 acres of land and water in San Pedro. The premises currently consist of 692 wet slips, 375 dry boat storage stalls, and three cranes for boat hoisting with the capacity to install a fourth crane if needed. The premises also contains pump out stations, parking lots, promenades, boater facilities, and public restrooms. All improvements are owned by the Harbor Department but are operated and maintained by Westrec SMI.

Operating Expense and Revenue Summary – Annual operating expenses include, but are not limited to, a management fee equal to four percent of total revenues, staffing expenses, including salary and benefits; as well as sub-contracting, insurance, maintenance, and security.

Annual revenues include, but are not limited to, wet slip rent, dry boat storage rent, guest slip fees, live-a-board rent, coin operated laundry machine collection, storage locker fees, and vending machine income.

Under the Agreement, Westrec SMI submits monthly gross receipts and expense reports, along with financial and bank statements. These reports include the monthly revenue received and monthly operating expenses incurred.

Budget Review Process – Staff recently initiated and completed a review and analysis of the past, current, and future year’s budget and found the proposed annual budget for FY 2026 to be satisfactory. Westrec SMI provided information and documentation to support and justify the proposed budget. This review and analysis determined that the proposed expenses and revenues are in line with CWM’s operational capacity and marina needs.

The following table provides a summary of key financial metrics provided within Westrec SMI’s FY 2026 proposed budget submission, as well as a comparison to the FY 2024 actuals and FY 2025 approved budget figures for certain key revenue and expense categories.

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TABLE 1: COMPARISON OF FY 2026 PROPOSED BUDGET KEY FIGURES TO FY 2024 ACTUALS AND THE FY 2025 APPROVED BUDGET

In \$	FY 2024 Actuals	FY 2025 Approved	FY 2026 Proposed	\$ Variances - FY 2026 vs.		% Variances - FY 2026 vs.	
				FY 2024 Actuals	FY 2025 Approved	FY 2024 Actuals	FY 2025 Approved
Wet Slip Rentals	7,233,202	7,331,443	7,819,208	586,006	487,765	8.1%	6.7%
Dry Storage	1,266,203	1,317,184	1,378,114	111,911	60,930	8.8%	4.6%
Other Revenues	485,563	548,047	573,653	88,090	25,606	18.1%	4.7%
<b>(A) Total Revenues</b>	<b>8,984,968</b>	<b>9,196,674</b>	<b>9,770,975</b>	786,007	574,301	8.7%	6.2%
Payroll	803,715	919,628	945,032	141,317	25,404	17.6%	2.8%
Office Supplies	165,565	111,540	116,674	-48,891	5,134	-29.5%	4.6%
Sub-contracting Services	548,131	654,580	678,766	130,635	24,186	23.8%	3.7%
Telecommunications	80,358	40,632	66,067	-14,291	25,435	-17.8%	62.6%
Gardening & Landscaping	137,714	142,860	116,220	-21,494	-26,640	-15.6%	-18.6%
Lighting	48,193	40,000	246,773	198,580	206,773	412.1%	516.9%
Docks and related	158,355	262,980	253,627	95,272	-9,353	60.2%	-3.6%
Grounds	6,600	73,090	200,689	194,089	127,599	2940.7%	174.6%
Other Expenses	1,795,335	1,790,823	1,997,695	202,360	206,872	11.3%	11.6%
<b>(B) Total Expenses</b>	<b>3,743,966</b>	<b>4,036,133</b>	<b>4,621,542</b>	877,576	585,409	23.4%	14.5%
<b>(C) Net Income (A - B)</b>	5,241,002	5,160,541	5,149,433	-91,569	-11,108	-1.7%	-0.2%
<i>Net Income Ratio % (C / A)</i>	<b>58.3%</b>	<b>56.1%</b>	<b>52.7%</b>				

Total revenue within the FY 2026 proposed budget is expected to be \$9,770,975 which represents a \$574,301 (6.2 percent) increase relative to the FY 2025 approved budget and an increase of \$786,007 (8.7 percent) relative to FY 2024 actuals. FY 2026 revenue growth is expected to occur due to increased slip occupancy and a five percent rate increase in September 2025. There was a decrease in wet slip occupancy from 88 percent in 2024 to 86 percent in FY 2025. Cabrillo Way Marina expects to increase wet slip occupancy back to 88 percent in FY 2026 by improving digital marketing, a plan that has proven to be successful with similar Marinas.

Total expenses within the FY 2026 proposed budget are expected to be \$4,621,542 which represents a \$585,409 (14.5 percent) increase relative to the FY 2025 approved budget and an increase of \$877,576 (23.4 percent) relative to FY 2024 actuals. The increase in total expenses from 2025 is primarily due to proposed paint and roof repairs, LED lighting replacement, and payroll benefits.

Grounds expenses of \$200,689 represent a \$127,599 (174.6 percent) increase from FY 2025 approved budget of \$73,090. The total expense includes an expected cost of \$74,000 for tree trimming of the entire grounds as well as approximately \$100,000 for

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teak wood upkeep and repair of benches and railings that includes replacing foam framing with wood. These maintenance costs are not regular annual costs but are necessary every five years to keep the Marina in good condition.

Lighting expenses of \$246,773 represent a \$206,773 (516.9 percent) increase from FY 2025 approved budget of \$40,000. This includes regular upkeep and maintenance of the light poles and gate overhang lighting throughout the marina. There are a total of 397 fixtures that will be converted to LED, which will provide improved energy efficiency with a three year payback in energy usage. Approximately \$200,000 is budgeted specifically to replace broken lights with LED lights.

Equipment expenses of \$215,449 represent a \$135,972 (171.1 percent) increase from FY 2025 approved budget of \$79,477. This expense includes HVAC maintenance, plumbing, electrical and repairs to the buildings, restrooms and upland facilities. Also included are repairs to tractor, hoist and crane at the Dry Storage with an estimated total of \$89,000.

Net income within the FY 2026 proposed budget is expected to be \$5,149,433, which represents a \$11,108 (0.2 percent) decrease relative to the FY 2025 approved budget and a \$91,569 (1.7 percent) decrease relative to FY 2024 actuals.

Financial Performance Metrics/Operating Expense Percentage Ratio – The marina industry standard for operating expense percentage ratios, which includes both public and privately-owned marinas, is typically 56 percent of revenues received with a net income margin of 44 percent, excluding rent payments to municipal landlords. Although this standard is used as a general performance metric, actual performance of individual marinas will vary based on many factors including local market conditions, proximity to open water, land-to-water ratio, configuration, slip size mix, age, amenities, and physical condition. In the CWM context, the marina is negatively affected by a general oversupply of slips in the market area, a high land-to-water ratio, and slip mix favoring larger vessels. CWM is positively affected by its proximity to open water, age, and physical condition. Westrec SMI's 52.7 percent net income margin for the FY 2026 proposed budget is slightly below industry standards for net income margin for FY 2026 mainly due to the large expenses planned for maintenance and repair of facilities, fixtures and equipment.

Current Operator Compensation – On a monthly basis, Westrec SMI deducts its four percent management fee as an operating expense from total revenues.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval of the annual budget for FY 2026 for the operation of CWM by Westrec SMI, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

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**FINANCIAL IMPACT:**

Approval of Westrec SMI’s FY 2026 annual budget is an administrative activity under the terms of the Agreement. Westrec SMI submits to the Harbor Department the revenues it collects as the operator of CWM, net of expenses. The Harbor Department records gross revenues reported by Westrec SMI as land rentals within Account 422005 (Land Rentals), while operating expenses incurred by Westrec SMI are recorded as tenant credits within Account 450015 (Credits for Tenant Services).

Based upon FY 2024 actuals, the Harbor Department realized net receipts of \$5,241,002. Based upon the FY 2025 approved budget and the FY 2026 proposed budget, the Harbor Department anticipates net receipts of \$5,160,541 and \$5,149,433, respectively. Historical and projected financial information has been summarized below:

TABLE 2: HISTORICAL AND PROJECTED FINANCIAL SUMMARY						
In \$	FY 2021 Actuals	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Actuals	FY 2025 Approved	FY 2026 Proposed
(A) Total Revenues	6,802,544	7,994,448	8,558,224	8,984,968	9,196,674	9,770,975
(B) Total Expenses	3,066,177	3,441,747	3,599,761	3,743,966	4,036,133	4,621,542
(C) Net Income (A - B)	\$3,736,367	\$4,552,701	4,958,463	5,241,002	5,160,541	5,149,433
Net Income Growth %	27.9%	21.8%	8.9%	5.7%	(1.5%)	(0.2%)
Expense Ratio % (B / A)	45.1%	43.1%	42.1%	41.7%	43.9%	47.3%
Net Income Ratio % (C / A)	54.9%	56.9%	57.9%	58.3%	56.1%	52.7%

**CITY ATTORNEY:**

The Office of the City Attorney has reviewed this Board Report and has no legal issues at this time.

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LLC. UNDER AGREEMENT NO. 13-3125

**TRANSMITTAL:**

1. CWM FY 2026 Budget

FIS Approval:   
CA Approval: 

*Michael J. Galvin*  
MICHAEL J. GALVIN  
Director of Waterfront & Commercial Real Estate

*Michael DiBernardo*  
MICHAEL DiBERNARDO  
Deputy Executive Director

APPROVED:

*Erica M. Calhoun*  
EUGENE D. SEROKA  
Executive Director

ES:MD:MG:ER:HP:ES  
Author: Elizabeth Solorio and Howie Phan