



DATE: JUNE 9, 2026

FROM: WATERFRONT & COMMERCIAL REAL ESTATE

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF ANNUAL OPERATING BUDGET COVERING FISCAL YEAR 2027 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) 2027 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 2027 revenue for the Cabrillo Way Marina is \$10,432,043 with total expenses of \$4,839,649. The FY 2027 proposed net income of \$5,592,394 results in a net profit margin of 53.6 percent, an increase from the FY 2026 approved budget profit margin of 52.7 percent.

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 2027 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 2027 (Transmittal 1). An analysis of 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 769 wet slips, 375 dry boat storage stalls, and three cranes for boat hoisting. The premises also contain 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 subcontracting, insurance, maintenance, and security.

Annual revenues include, but are not limited to, wet slip rent, dry boat storage rent, guest slip fees, live-aboard 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 the monthly operating expenses incurred.

Budget Review Process – Staff recently initiated and completed a review and analysis of the past, current, and future years’ budgets and found the proposed annual budget for FY 2027 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 2027 proposed budget submission, as well as a comparison to the FY 2025 actuals and FY 2026 approved budget figures for certain key revenue and expense categories.

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TABLE 1: COMPARISON OF FY 2027 PROPOSED BUDGET KEY FIGURES TO FY 2025 ACTUALS AND THE FY 2026 APPROVED BUDGET

In \$				\$ Variances - FY 2027 vs.		% Variances - FY 2027 vs.	
	FY 24/25	FY 25/26	FY 26/27	FY 24/25	FY 25/26	FY 24/25	FY 25/26
	Actual	Approved	Proposed	Actuals	Approved	Actuals	Approved
Wet Slip Rentals	\$ 7,436,396	\$ 7,819,208	\$ 8,400,000	963,604	580,792	13.0%	7.4%
Other Revenues	\$ 1,887,734	\$ 1,951,767	\$ 2,032,043	144,309	80,276	7.6%	4.1%
(A) Total Revenues	\$ 9,324,130	\$ 9,770,975	\$ 10,432,043	1,107,913	661,068	11.9%	6.8%
Payroll	\$ 919,628	\$ 945,032	\$ 917,583	-2,045	-27,449	-0.2%	-2.9%
Office Supplies	\$ 117,191	\$ 116,674	\$ 118,724	1,533	2,050	1.3%	1.8%
Sub- Contracting Services	\$ 629,380	\$ 678,766	\$ 704,448	75,068	25,682	11.9%	3.8%
Telecommunications	\$ 40,632	\$ 66,067	\$ 64,644	24,012	-1,423	59.1%	-2.2%
Gardening & Landscaping	\$ 142,860	\$ 116,220	\$ 193,727	50,867	77,507	35.6%	66.7%
Lighting	\$ 40,000	\$ 246,773	\$ 65,134	25,134	-181,639	62.8%	-73.6%
Docks & Related	\$ 262,980	\$ 253,627	\$ 392,612	129,632	138,985	49.3%	54.8%
Grounds	\$ 10,240	\$ 200,689	\$ 130,594	120,354	-70,095	1175.3%	-34.9%
Equipment	\$ 79,477	\$ 215,449	\$ 287,393	207,916	71,944	261.6%	33.4%
Building	\$ 55,110	\$ 15,000	\$ 90,586	35,476	75,586	64.4%	503.9%
Other Expenses	\$ 1,711,346	\$ 1,767,246	\$ 1,874,204	162,858	106,958	9.5%	6.1%
(B) Total Expenses	\$ 4,008,844	\$ 4,621,543	\$ 4,839,649	830,805	218,106	20.7%	4.7%
(C) Net Income (A - B)	\$ 5,315,286	\$ 5,149,432	\$ 5,592,394	277,108	442,962	5.2%	8.6%
Net Income % (C / A)	57.0%	52.7%	53.6%				

Total revenue within the FY 2027 proposed budget is expected to be \$10,432,043, which represents a \$661,068 (6.8 percent) increase relative to the FY 2026 approved budget and an increase of \$1,107,913 (11.9 percent) relative to FY 2025 actuals. FY 2027 revenue growth is expected due to increased slip occupancy and a five percent rate increase in September 2026. There was an increase in wet slip occupancy from 86 percent in FY 2025 to 92 percent in FY 2026 due to a migration of boaters from other Southern California marinas. Cabrillo Way Marina expects this trend to continue and aims to continue to increase wet slip occupancy in FY 2026.

Total expenses within the FY 2027 proposed budget are expected to be \$4,839,649, which represents a \$218,106 (4.7 percent) increase relative to the FY 2026 approved budget and an increase of \$830,805 (20.7 percent) relative to FY 2025 actuals. The increase in total expenses from FY 2026 is primarily due to an increase in costs for gardening and landscaping, proposed dock repairs, and required maintenance for buildings and restrooms.

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Gardening and Landscaping expenses of \$193,727 represent a \$77,507 (66.7 percent) increase from the FY 2026 approved budget of \$116,220. This line item covers regular landscape maintenance, replacing straw waddle, sprinkler repairs, and plant replacement every quarter. The increase is due to increased efforts to reduce some areas of difficult-to-maintain vegetation to mulch or decomposed granite to decrease the required maintenance in the future.

Docks and Related expenses of \$392,612 represent a \$138,985 (54.8 percent) increase from the FY 2026 approved budget of \$253,627. The increase from the prior FY is due to the purchase and replacement of dock hoses throughout the marina, replacement of existing 100 amp receptacles with 30/50 amp receptacles, replacement of two plastic guards on each dock gate, and required repairs to boat slips.

Grounds expenses of \$130,594 represent a \$70,095 (34.9 percent) decrease from the FY 2026 approved budget of \$200,689. During FY 2026, CWM included a proposal to substantially renew the promenade wooden railings and benches, which is why we see a reduction of \$70,095 from last FY.

Building expenses of \$90,586 represent a \$75,586 (503.9 percent) increase from the FY 2026 approved budget of \$15,000. This increase covers repairs and painting for each building, and replacement of rusted metal restroom stalls and showers due to safety concerns.

Net income within the FY 2027 proposed budget is expected to be \$5,592,394, which represents a \$442,962 (8.6 percent) increase relative to the FY 2026 approved budget and a \$277,108 (5.2 percent) increase relative to FY 2025 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 50 to 55 percent of revenues received with a net income margin of 45 to 55 percent, excluding rent payments to municipal landlords. Although this standard is used as a general performance metric, the 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 and a high land-to-water ratio. CWM is positively affected by its proximity to open water, age, physical condition, and slip mix, favoring larger vessels. Westrec SMI's 53.6 percent net income margin for the FY 2027 proposed budget is within industry standards. Westrec SMI's 46.4 percent operating expense ratio is on the lower, more efficient end of the industry standard.

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

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ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of the annual budget for FY 2027 for the operation of CWM, 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.

FINANCIAL IMPACT:

Approval of Westrec SMI's FY 2027 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 2025 actuals, the Harbor Department realized net receipts of \$5,315,286. Based upon the FY 2026 approved budget and the FY 2027 proposed budget, the Harbor Department anticipates net receipts of \$5,149,432 and \$5,592,394, respectively. Historical and projected financial information has been summarized below:

TABLE 2: WESTREC HISTORICAL AND PROJECTED FINANCIAL SUMMARY

In \$	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27
	Actual	Actual	Actual	Actual	Actual	Approved	Proposed
(A) Total Revenues	\$ 6,802,544	\$ 7,994,448	\$ 8,558,224	\$ 8,984,968	\$ 9,324,130	\$ 9,770,975	\$ 10,432,043
(B) Total Expenses	\$ 3,066,177	\$ 3,441,747	\$ 3,599,762	\$ 3,743,966	\$ 4,008,844	\$ 4,621,543	\$ 4,839,649
(C) Net Income (A - B)	\$ 3,736,367	\$ 4,552,701	\$ 4,958,462	\$ 5,241,002	\$ 5,315,286	\$ 5,149,432	\$ 5,592,394
Income Growth %	<u>27.9%</u>	<u>21.8%</u>	<u>8.9%</u>	<u>5.7%</u>	<u>1.4%</u>	<u>-3.1%</u>	<u>8.6%</u>
Expense % (B / A)	<u>45.1%</u>	<u>43.1%</u>	<u>42.1%</u>	<u>41.7%</u>	<u>43.0%</u>	<u>47.3%</u>	<u>46.4%</u>
Net Income % (C / A)	<u>54.9%</u>	<u>56.9%</u>	<u>57.9%</u>	<u>58.3%</u>	<u>57.0%</u>	<u>52.7%</u>	<u>53.6%</u>

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CITY ATTORNEY:

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

TRANSMITTAL:

1. CWM FY 2027 Budget

FIS Approval: *JS*
CA Approval: *JK*

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