

DUE DECEMBER 31 Pursuant to Public Resources Code § 6306

Fiscal/Calendar Year: 2024

Grantee Name: City of Martinez

Contact Person: Minh Nguyen

Mailing Address: 525 Henrietta Street, Martinez, CA 94553

1. Funds

- a. Is a separate fund maintained for trust assets, liabilities, revenues and expenditures?

YES ☐ NO ☒

If "Yes", please list the name(s) of the fund(s).

If "No", under what fund are they accounted for?

City of Martinez Marina Services Enterprise Fund

- b. Are separate financial statements prepared for the trust?

YES ☐ NO ☒

If "Yes," describe the organization of the separate financial statement.

If "No," in which financial statements are they included? (Name of the document(s) and the applicable page number(s)).

City of Martinez Marina Services Enterprise Fund

2. Revenue

- a. What was the gross revenue received or generated from trust land or trust assets during the past fiscal year?

\$129,487

- b. Please list all sources of revenue and the amount of revenue generated from each source (e.g., permits, rentals, percentage of lease, etc.).

Rent: \$74,717; Interest: \$18,974; Reimbursement: \$35,796

GRANTED PUBLIC TRUST LANDS STANDARDIZED REPORTING FORM

SLC 150 (formerly Form 12.26)

3. Expenses

- a. What was the total expenditure of funds received or generated from trust land or assets during the past fiscal year?

\$1,008,104 - Please note that the Marina Fund did not generate sufficient revenue to fully cover its total expenditures. As a result, funds from the General Fund were required to offset the deficit.

- b. What expenses were allocated or charged directly to the trust? Please list the source of the expenditure and the amount expended.

Administration: \$153,443; Interest Expense: \$230,343; CIP: \$350,314; Maintenance & Repair: \$274,004

- c. Have there been any capital improvements over \$250,000 within the current fiscal year? Are any capital improvements over \$250,000 expected in the next fiscal year?

In FY24, the City initiated two major Marina-related capital projects: the Marina Eastern Seawall Improvement Project (C8018), funded by the General Fund, and the Marina Fishing Pier Renovation Project (C8017), funded by ARPA and federal earmark funds. Both projects have expenditures exceeding \$250,000 each in FY25.

- d. Describe any other disposition of trust funds or assets or any other disposition of the trust lands or trust assets themselves. Include any internal funds that were transferred to other grantees, to the management of entity or under the management of another political subdivision of the grantee under an agreement, settlement, or memorandum of understanding.

None

4. Beginning and Ending Balance

Please list the beginning and ending balances for the tidelands trust fund(s) for this past fiscal year.

Not Applicable

CITY OF MARTINEZ - MARINA SERVICES
ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2024

ASSETS

Current Assets:

Cash and cash equivalents (Note 3)	\$2,782
Account receivable	4,819
	<hr/>
Total Current Assets	7,601
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Noncurrent Assets:

Lease receivable	202,506
Capital assets - at cost (Note 1D):	
Buildings (Note 10)	308,594
Less: accumulated depreciation	<u>(308,594)</u>
Depreciable capital assets, net	<hr/>
Land	<u>1,052,455</u>
Total Capital Assets, net	<u>1,052,455</u>
Total Assets	<u>1,262,562</u>

LIABILITIES

Current Liabilities:

Accounts payable	90,563
Unearned revenue (Note 4)	234,175
Deposits	46,867
Interest payable (Note 7)	230,343
Current portion of loans payable (Note 7)	<u>731,037</u>
Total Current Liabilities	<u>1,332,985</u>

Noncurrent Liabilities:

Advances from the City (Note 5)	184,500
Loans payable (Note 7)	<u>852,672</u>
Total Liabilities	<u>2,370,157</u>

Deferred Inflows of Resources

Related to lease receivable (Note 9)	<u>193,106</u>
Total Deferred Inflows of Resources	<u>193,106</u>

NET POSITION (DEFICIT) (Notes 1C and 2)

Net investment in capital assets	(531,254)
Unrestricted	<u>(769,447)</u>
Total Net Position	<u><u>(\$1,300,701)</u></u>

See accompanying notes to financial statements

CITY OF MARTINEZ - MARINA SERVICES
ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

OPERATING REVENUES

Rents and leases (Note 10)	\$589,294
Other revenue	<u>35,796</u>
Total Operating Revenues	<u>625,090</u>

OPERATING EXPENSES

Maintenance and repair	630,395
Administration	<u>615,961</u>
Total Operating Expenses	<u>1,246,356</u>
Operating Income (Loss)	<u>(621,266)</u>

NONOPERATING REVENUES (EXPENSES)

Interest income	18,974
Tax revenue	6,257
Interest expense	<u>(230,343)</u>
Total Nonoperating Revenues (Expense)	<u>(205,112)</u>

Change in Net Position	(826,378)
Net Position (Deficit) at Beginning of Year	<u>(474,323)</u>
Net Position (Deficit) at End of Year	<u><u>(\$1,300,701)</u></u>

See accompanying notes to financial statements

**CITY OF MARTINEZ – MARINA SERVICES
ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024**

NOTE 7 – LOANS PAYABLE

A. Current Year Transactions and Balances

	Original Issue Amount	Balance at June 30, 2023	Additions	Balance at June 30, 2024	Current Portion
Direct Borrowings:					
Loan Payable - 1973	\$450,000	\$251,136		\$251,136	\$207,358
Loan Payable - 1978	175,000	131,574		131,574	84,089
Loan Payable - 1982	300,000	323,922		323,922	142,804
Loan Payable - 1984	770,425	877,077		877,077	296,786
Total Marina Loans		\$1,583,709		\$1,583,709	\$731,037

At June 30, 2024, outstanding interest payable and penalties on unpaid balances on the loans amounted to \$230,343 and \$31,335, respectively, for a total of \$261,678.

B. Loan Payable – 1964

In January of 1960, the City entered into an agreement with the State of California, whereby a loan of \$1,300,000 was granted to the City for the construction of a Marina. In October of 1964, a Memorandum of Agreement which superseded the 1960 loan agreement was entered into.

The agreement was modified in 1964 with the following conditions:

Net income from the operations of the Marina is distributable as follows:

Pro rata reimbursement to contributors of initial development costs as described in the agreement.

80% of the annual net income to the State, until the sum of \$1,300,000 is paid; the remaining 20% to be paid to the City.

After the principal portion of the loan is repaid to the State, 80% of the annual net income shall be paid to the City; the remaining 20% shall be paid to the State until the State has been paid 3% interest per annum on the unpaid principal of the loan for each year starting with January 1, 1961. The agreement will terminate upon completion of the foregoing payments.

During the year ended June 30, 2022, City management and legal counsel reviewed the 1964 Memorandum of Agreement and determined that balance is no longer due to the State of California. As a result, the City recorded a restatement as of July 1, 2021, in the Marina Services Enterprise Fund to remove the 1964 loan balance of \$850,000 and accrued interest of \$1,942,015. Therefore, at June 30, 2024, the amount payable to the State was \$0.

**CITY OF MARTINEZ – MARINA SERVICES
ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024**

NOTE 7 – LOANS PAYABLE (Continued)

C. Loan Payable – 1973

On December 20, 1973, the City entered into another agreement with the State of California, whereby a loan of \$450,000 was granted to the City to complete the Martinez Small Craft Harbor (MSCH). At June 30, 2024, the amount payable to the State was \$251,136. The terms are as follows:

The loan is payable from the gross revenues from operations of the facilities located or erected within the MSCH Project, prior to any other expenses from such revenues.

Payments of principal and interest at 4.5% shall be payable in equal annual installments on August 1 of each year with a final payment due on August 1, 2026.

Any retained earnings arising from the operation of the MSCH Project after deductions for repayments of the State loan, operating and maintenance expenses and reserve funds provided for by the State, shall be invested in reasonably liquid assets. No transfer of such funds, other than for advance repayment of the State loan, shall be made so long as any principal or interest remains unpaid.

Whenever the retained earnings exceeds two years of MSCH Project operating and loan repayment expenses, such excess may be required by the State for advance repayment of the loan.

D. Loan Payable – 1978

On January 30, 1978, the City entered into another agreement with the State of California, whereby a loan of \$175,000 was granted to the City for construction of Marina Improvements. At June 30, 2024, the amount payable to the State was \$131,574. The terms are as follows:

The loan is payable from the gross revenues from operation of the facilities located or erected within the Project Area.

Payments of principal and interest at 4.5% in equal annual installments shall be payable on August 1 of each year with a final payment due August 1, 2029.

E. Loan Payable – 1982

On November 1, 1982, the City entered into another agreement with the State of California, whereby a loan of \$300,000 was granted to the City for the construction of new berthings and improvements to the Marina. The loan was to be based on stages of completion. At June 30, 2024, the amount payable to the State was \$323,922. The loan terms are as follows:

The loan is payable from the gross revenues originating from the operations of the Marina. These gross revenues constitute sole security for the loan.

The loan shall bear compound interest at 4.5% per annum on the unpaid balance.

Repayment of the loan shall be in equal annual installments on August 1 of each year with final payment due August 1, 2034.

**CITY OF MARTINEZ – MARINA SERVICES
ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024**

NOTE 7 – LOANS PAYABLE (Continued)

F. Loan Payable – 1984

On January 14, 1984 the City entered into another agreement with the State of California, whereby a loan of \$770,425 was granted to the City for twelve capital improvement projects at the Marina. At June 30, 2024, the amount payable to the State was \$877,077. The loan terms are as follows:

The loan is payable from the gross revenues from the operation of the facilities located within the project area.

The loan shall bear compound interest at 4.5% per annum on the unpaid balance.

Repayment of the loan shall be in equal annual installments on August 1 of each year with a final payment due on August 1, 2038.

Berthing rates may not average less than \$3.75 per foot of boat or berth length and are subject to annual adjustments based on the consumer price index.

A survey of berthing charges in the same market as the Marina shall be conducted on an annual basis.

G. Loan Non-Repayment

At June 30, 2024, the Marina Fund owed \$1,583,709 in loans to the State. The City made an interest payment of \$86,160 to the Department of Boating and Waterways in fiscal year 2024 to cover a portion of the prior years and current year interest accrued in the amount of \$72,145 on the unpaid loan balances. At June 30, 2024, interest payable on the loans amounted to \$230,343.

The above loan agreements, except for the 1964 loan which has no specified repayment terms, require the Marina to remit annual debt service payments. The City failed to make the current year principal payment of \$69,135, in addition to the non-payment of principal in the prior fiscal years in the amount of \$589,654. The City has not made total principal payments in the amount of \$658,789 since August 1, 2012. The past due amounts have been included in the current portion of the loans payable. The State has assessed a late penalty fee of 5% of the unpaid balances.

On September 26, 2014, Senate Bill 1424 (SB1424) was approved by the Governor. SB1424 grants four parcels of land at the marina with a carrying value of \$1,019,923 to the City. In addition to the grant of lands and in recognition of the deteriorated condition of the City's marina, the City was able to defer its revenue sharing agreement with the State on an annual basis, until fiscal year 2021. This made it possible for the City to retain the 10% payment to put towards corrective actions at the Marina.

As of June 30, 2024, the City is continuing its negotiations with the State to establish a new agreement regarding the Marina.

**CITY OF MARTINEZ – MARINA SERVICES
ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024**

NOTE 7 – LOANS PAYABLE (Continued)

H. Debt Service Transactions

For the Year Ending June 30	Direct borrowing:	
	Principal	Interest
2025	\$731,037	\$127,799
2026	75,498	38,368
2027	78,880	34,970
2028	59,060	31,421
2029	61,688	28,763
2030 - 2034	306,513	102,584
2035 - 2039	271,033	35,606
Total	\$1,583,709	\$399,511

CITY OF MARTINEZ – MARINA SERVICES
ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 9 – LEASES

With the passage of Senate Bill 1424 (SB1424) on September 26, 2014, all of the Marina revenue is derived from the use of public trust lands. The Marina entered into a management agreement with Almar Management, Inc. on July 20, 2005 to manage and operate the Martinez Marina. The current agreement commenced on July 20, 2005 and continued to December 31, 2005 at which date the Agreement continues unless terminated by either party with at a 60 day written notice. Revenue received per this Agreement is rents and other income from the marina, less expenditures at the marina under the management of Almar Management, Inc. Total rents and income earned Almar during the year ended June 30, 2024 was \$514,577 and total expenses paid to Almar during the year ended June 30, 2024 was \$803,925.

The Marina from time to time engages in lease arrangements allowing the right for others to use various owned land and buildings for the public benefit. The borrowing rate for the leases are implicit in the lease agreements, and therefore, the Marina has applied the incremental borrowing rate of the City for all leases. As of June 30, 2024, the Marina's leases receivable and related deferred inflows of resources consisted of the following:

Lessor	Original Lease Date	Expiration Date Including Options	Annual Revenue as of June 30, 2024	Lease Receivable Balance at June 30, 2024	Deferred Inflow of Resources at June 30, 2024
<i>Business-Type Activities</i>					
Marina Services Enterprise Fund					
Eagle Marine	8/1/1997	12/31/2027	\$55,173	\$202,506	\$193,106
Totals			<u>\$55,173</u>	<u>\$202,506</u>	<u>\$193,106</u>

The Marina entered into a lease agreement with Eagle Marine for the Marina Boat Yard facility. The original lease term expired on July 31, 2017, and a subsequent lease extension was established. The lease was further extended and is now set to expire on December 31, 2024. Under the original lease, payments were based on either a percentage of gross receipts or a minimum monthly rent, whichever was greater. The minimum annual rent was \$51,000 per year until July 31, 2017. With the lease extension through December 31, 2027, a fixed annual rent of \$54,600 was established. Beginning January 1, 2024, the annual rent increased to \$57,330, effective through the current lease term. Lease payments received for the year ended June 30, 2024, totaled \$55,173 including interest.

The Marina also entered into an operating lease with the Martinez Yacht Club. The current lease term expires on December 31, 2024. Lease payments are \$918 per month. Lease payments were \$918 per month through December 31, 2023, and increased to \$945 per month beginning January 1, 2024. The Marina has determined that this lease does not fall within the City's threshold under GASB 87, *Leases*, and therefore, has not capitalized the lease.

**CITY OF MARTINEZ – MARINA SERVICES
ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2024**

NOTE 9 – LEASES (Continued)

The Marina entered into a lease agreement with Southern Pacific Transportation Company for the use of public trust lands. The current lease expires June 30, 2052. The Marina received the full payment and recognizes \$8,364 annually as lease revenue. The balance remains as unearned revenue. The lease payment for the year ended June 30, 2024 was \$8,364. The Marina has determined that this lease does not fall within the City's threshold under GASB 87, *Leases*, and therefore, has not capitalized the lease. The following table is a summary of total rent and lease revenue for the Marina for the year ended June 30, 2024:

Revenue from SB1424 public trust lands:	
Almar Management, Inc.	\$514,577
Eagle Marine	54,198
Martinez Yacht Club	12,155
Subtotal	<u>580,930</u>
Revenue from other public trust lands:	
Southern Pacific Transportation	<u>8,364</u>
Subtotal	<u>8,364</u>
Total rents and leases revenue	<u>\$589,294</u>

NOTE 10 – SUBSEQUENT EVENT

Effective August 21, 2024, Almar Marina Management terminated its marina management contract with the City. In January 2025, F3 Marina assumed management of the Martinez Marina on behalf of the City.