

STATE OF ALABAMA)
 :
COUNTY OF BALDWIN)

The City Council met in a Work Session at 4:30 p.m.,
Fairhope Municipal Complex Council Chamber,
161 North Section Street, Fairhope, Alabama 36532,
on Monday, 24 April 2017.

Present were Council President Jack Burrell, Councilmembers: Jay Robinson, Jimmy Conyers, Robert Brown, and Kevin Boone, Mayor Karin Wilson, City Attorney Marion E. Wynne, and City Clerk Lisa A. Hanks.

Council President Burrell called the meeting to order at 4:30 p.m. and stated that at the request of Building Official Erik Cortinas Agenda Item No. 1 will be removed.

The following topics were discussed:

- The first item on the agenda was the Marina Discussions by Lynn Maser and Ashley Gordon. Ms. Maser explained her project for the Economic and Community Development Department was to interview City or municipal marinas to find out how they operate. Ms. Maser stated she researched marinas around the country from Washington to Maine that were destination Cities and with water. She gave the Council a handout. (See attached handout – Marina Study). She mentioned out of the top 10 only two were leased out.

Mr. Gordon, retired Coast Guard Officer and Maritime, addressed the City Council and commented on the City marina. He stated there are three phases to look at:

1. Phase I – Infrastructure and Safety Issues and Channel needs to be navigable. The marina needs curb appeal and bathrooms need painting. There are numerous safety issues that need to be addressed, but the main one is where the boat lift and fuel tanks are located
2. Phase II – Maximize Revenue and Invest Back. Mr. Gordon mentioned marina identity; accurate A/R billing system; and market and target the marina.
3. Phase III – Create New Revenue Stream. He stated this would be at least 12 to 18 months in. Mr. Gordon commented on the possible venue on West side; and creating a self-sustaining marina budget.

Council President Burrell stated we have several options with the leases for the Marina and the Boatyard: we could keep two separate leases, combine the leases, or the City could keep one or the other or both. Councilmember Boone commented the Harbor Board has been working on getting both leases ready for bid. He said they were concerned if the boatyard could sustain itself without the marina. He said the Harbor Board has recommended for the City Council to allow a survey of the entire property.

Mr. Gordon commented the footprint is not conducive right now for a high-end marina. Council President Burrell and Councilmember Boone both commented on the fisherman that have boats in our marina; and are not currently affected at this time.

Bob Riggs, Chair of the Harbor Board, addressed the City Council and requested the City Council to listen to Mr. Gordon's recommendations. He said the Harbor Board are split with taking back the marina or leaving as is. Mr. Riggs said he would like for the City to take back the marina and then look at the boatyard. Councilmember Conyers questioned the revenue. Mr. Gordon stated he estimated with \$8.00 per foot up to 32 feet which would be over \$300,000.00 gross; a 550 percent increase.

- Discussion of the Sales Tax Holiday Ordinance was next on the agenda. Council President Burrell stated he was not in favor or renewing and thought it was not in place. City Clerk Hanks commented it was never repealed and continued each year unless repealed. She mentioned the Severe Weather Preparedness Holiday was for one year only. The consensus of the City Council was the allow for the Sales Tax Holiday. Council President Burrell requested for the ordinance to be placed on the next agenda.
- Mayor Wilson explained the need for a professional consulting service for Graphic Design and Layout. She said this would be for website design and a monthly newsletter. Mayor Wilson stated that IT Director Jeff Montgomery redid our website to a user friendly, but we need graphic design. She mentioned the monthly newsletter will have calendar events and possibly highlights like highlighting an employee.
- Councilmember Boone stated that the Personnel Board met and discussed safety issues and dress code for the summer season. He commented that Human Resource Director Pandora Heathcoe has been doing a great job with safety for the City.
- Councilmember Robinson said that the Tree Committee met and discussed Arbor Day for next year. He mentioned the Recycling Committee participating in Earth Day this past Saturday. He said the Recreation Board met last week and discussed the Volanta Master Plan.
- Councilmember Brown stated that the Pedestrian and Bicycle Committee meeting did not have a quorum; and mentioned the child that was hit at Earth Day. He said the Education Advisory Committee are still working with the County on long range plans.
- Councilmember Conyers mentioned the Fairhope Public Library won the Gold Award for excellent risk management and safety. He said the Fairhope Environmental Advisory Board has been working with the Harbor Board on being a "Clean Marina." Councilmember Conyers said he missed the Historic Preservation Committee meeting. stated that the Fairhope Environmental Advisory Board will meet this coming Friday.

- Council President Burrell gave an update on the Airport Authority: FAA Grant of \$2.0 million, new construction, aviation members regarding fuel farms and possible leases, and the need for an FBO.
- Building Official Erik Cortinas addressed the City Council and said his department had 2,705 inspections from January to March with 81 percent being inside the City. Mr. Cortinas mentioned some large projects for his department: 3 Circle Church building a 1200 seat sanctuary; First Baptist Church renovation, four medical offices being built, and the Grand Hotel renovations which will take three years to complete.
- Water and Sewer Superintendent Dan McCrory addressed the City Council and said he would be reporting on awards that the City and the engineers have won for the Waste Water Treatment Plant.
- Gas Superintendent Robert Rohm addressed the City Council of the Fly Creek Seawall Project and said bids were let, will hold the mandatory pre-bid meeting; and the bids will be opened on May 9, 2017.
- Fire Chief Chris Ellis addressed the City Council regarding the number of calls for the past month. He also mentioned the Volunteer Fire Explorers going to Trussville for a competition and they came in third. Chief Ellis also commented that Firefighter Bryan Bossard won a scholarship to the Alabama Fire College.
- Planning Director Wayne Dyess addressed the City Council and stated that Buford King, the City's new planner, will begin work on May 8, 2017. He stated that his department is still working on moratorium items and the moratorium expires on July 4, 2017.
- Operations Director Richard Peterson addressed the City Council and said he had been working with BCSS on the Fish River contract; and will meet with Joey Nunnally at the County regarding culverts, close out contracts, and look at sites. Mr. Peterson commented that each department needs more people for the budget.

Council President Burrell presented the Electric Department the American Public Power "Reliability of Excellence Award." Operations Director Peterson and Assistant Electric Superintendent Joe Wolchina accepted the award for the department.

- Chief Joseph Petties addressed the City Council and mentioned each Tuesday, at the Nix Center, is Coffee with Cops. Chief Petties stated that three vehicles that were left unlocked had guns and other valuables stolen out of them. He told everyone to please take valuables out of cars and lock the doors. He said to put cell phones down while driving. Chief Petties also mentioned citizens requesting for tickets to be fixed. He said, "once the button is pushed, cannot fix ticket."
- Recreation Director Tom Kuhl addressed the City Council and mentioned 120 teams coming to Fairhope for a soccer tournament.
- Assistant Public Works Director Arthur Bosarge addressed the City Council and announce the City will begin charging fees at the beach this coming weekend.

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- Golf Director Bobby Hall addressed the City Council and said Quail Creek Golf Course is doing well and is a great asset for the City. He mentioned the numerous upcoming tournaments and fundraisers.

Councilmember Brown asked Purchasing Manager Dan Ames about the Library Project and the Quail Creek Project. Mr. Ames gave an update on each one.

There being no further business to come before the City Council, the meeting was duly adjourned at 5:35 p.m.



Jack Burrell, Council President



Lisa A. Hanks, MMC
City Clerk

Our Director of Economics & Community Development is in D.C. today working with Senator Byrne and meeting with several agencies with which she has worked before and seeking assistance from them for Fairhope. So she asked me to step in this afternoon on her behalf to introduce some of the work we've been doing on looking at our lease at the marina ending in October of this year. Sherry-Lea asked me to interview city or municipal marinas to find out how they operate.

I covered the coastline from the state of Washington to Maine; eliminated cities considerably larger than Fairhope and included cities regardless of size that were similar in nature to Fairhope. I narrowed to down to nineteen marinas. And then I started calling. I chose ten without prejudice that were most similar to Fairhope and/or were located on the 'loopers' route and catered to the same clientele Fairhope does and will in the future. These marinas represent the standard by which we will be measured.

Only two of all nineteen I called leased their marina and one is about to foreclose on their lessee. The other is an anomaly – a seasonal marina in Michigan that caters to loopers, but the city keeps a very tight rein on the two brothers who run it. Both the men I charge of overseeing those marinas echoed everyone else's advice and flat out told me we need to operate our own marina.

Interestingly, there are no leased marinas on the Gulf Coast.

This a bare bones synopsis of my report.

Bottom line everyone I spoke with, whether the marina made it into my report or not, said – MARINAS MAKE MONEY. Some of what I was told is"

- City-operated marinas have more and better control over public perception of the city by boaters – first impressions are lasting impressions
- Marinas managed by a lessee are always returned to the city in poor condition
- All the cities with which I spoke consider their marinas an amenity for their residents
- We have better and more control over our marina environment as owner-operator by having the opportunity to be pro-active
- The city has control over quality of staffing
- Marinas provide the city with revenues
- And more....

The next step was to find someone locally who could independently assess our marina and give us some direction. I know Jack and Kevin have met him, and it is my pleasure to introduce Ashley Gordon to the rest you.....



Department of Economic

&

Community Development

Marina Study

March 2017

PRIMARY/COMMON ISSUES DISCUSSED WITH ALL MARINAS

Of the nineteen marinas from Washington State to Maine that were researched, ten were contacted because the town in which they are located are similar in size and/or nature to Fairhope. Two of the marinas were leased out by the city, and one of those is about to be foreclosed on. Not included in this report are marinas that were completely rebuilt after Katrina as their history and current business is skewed toward total waterfront renovations. There were no leased marinas located on the Gulf Coast.

All the marinas contacted that are city operated are self-supporting. They are also all managed by city employees, some within the Enterprise Fund system. They are all making money. Most, because they've been in business for a number of years, have reserve funds sufficient to cover ongoing maintenance and improvements to their marinas.

Some offer fuel. None had a shipyard facility and not for any particular reason. Shipyards are available nearby, sometime adjacent to the marina itself. All agree that shipyards do make money.

Some entered into 'partnerships' with entrepreneurs and each has a different way of handling those partnerships. Those who do have partnerships agreed they benefit the marina and the boaters first impression of their cities.

In every case, the harbormasters we spoke with overwhelmingly agreed that the city-owned and operated scenario is the only way to go. Those who tried leasing in years past all claimed the marina had been returned to them in worse condition than it was when the lease started and the city had to put money into before it could even consider releasing. That recognition led them to take on management themselves and it has worked out very well for all of them.

City of Alpena Marina

City-owned Marina with Management Agreement (copy included in report)

This is a seasonal marina; deep water, sells fuel, has a hoist, mechanics. Business is down because of recession and auto industry.

This is a Grant in Aid Harbor which means the marina needs permission from the state Waterways Commission to do anything.

Although this marina is different from ours, as is the weather and operating seasons, it does have a second party operating the marina.

Lessee pays the city \$25,000 a year and the lessee gets to keep the rest – whatever he makes. Don Gilmet of Parks & Rec who oversees the marina operation figures if the city operated the marina and if it were a year-round operation, it would probably break even. He admits that the lessee does not take care of the facility the way he should. The city is responsible for major maintenance issues, but when the lessee neglects the little issues, they grow to be big ones and then become the city's problem.

Mr. Gilmet said he felt we would be better off if operated the marina ourselves.

Mr. Gilmet told me about the Harbor Maintenance Fund run by the federal government. He was part of a Michigan delegation that went to D.C. to secure the monies in this fund so that it would be there when needed for dredging projects. The Corps of Engineers' dredging projects are funded out of this fund. There was a time when the money had disappeared from the fund, but the Michigan delegation got it reinstated and he assured me it was there today.

We should find out if we have been designated a harbor of safe refuge. Such designation would open us to getting money for the corps to dredge. This designation would have been done many years ago.

Dunedin Municipal Marina

An Enterprise Account operation meaning the city owns the marina but it is run as a separate business which does a better job of securing the funds for the marina's ongoing maintenance, repairs, etc. The marina is supported by its revenues from slip rentals (179).

It is staffed by 2 full-time employees and 1 part-time (weekends). Open 363 days, 8 a.m. – 5 p.m.

No fuel, no ship's store, no shipyard.

No partnerships. But they do lease docks, 17' x 43', to businesses that include dolphin sighting, fishing charter, site seeing, sailing charter, etc. The marina receives slip rental fees and 40% of their gross revenues.

The city runs summer boating camps out of the marina.

Bill Frantz, with whom I spoke, believes city operation is best because the lessee never leaves the facility in a good condition. There is no pride of ownership. The marina is an amenity of the city and when

leasing the customer base is outside of the city control resulting in higher prices and a “corporate” feeling versus the charm of the community.

The problem with city operation, without the protection of an Enterprise Account system, is getting the money back from the city’s general fund to pay for the upkeep of the facility.

Harbormaster’s opinion is we shouldn’t lease. We should take our marina back and hire the right staff. But, once we start making a profit, make sure we get the funds returned to the marina in order to maintain it properly.

City of Ft. Myers Yacht Basin

An Enterprise Fund operation which means it operates solely on revenues: 11 acres of property, 250 slips; 17 years made \$5.5M profit; city owned fuel service buys on contract profits TY \$150,000 making 50-55 cents/gallon; 30% of slips leases are live aboard for \$80,000 fees annually; dockage when docks are maintained are pure profit for a marina = \$1M this year alone.

Own the ship’s store and all sales.

Open 363 days a year, 7 a.m. to 10 p.m. Staffing is 8, 4 of whom are dock hands; sell lots of fuel and require one dockhand to be on fuel dock when customer is fueling; dockhands do not fuel, if customer spills fuel in water, customer cleans it up – takes liability away from city.

Mr. Dodson, the interim dockmaster, is a proponent of city operated because it takes better care of the facility than a lessee; city more interested in making money for city than lease. Pitfall is when you have a councilman who doesn’t understand the marina business and makes decision based on his lack of understanding and wants to sell the marina not realizing the money it brings to the city.

One of the problems with city-owned operation is city doesn’t return funds to marina for repairs, maintenance, etc. The marina had to take out a \$1M loan, paid for by marina but guaranteed by city, because city didn’t have the \$5M the marina had given it in profits.

The marina operation doesn’t have partnerships with entrepreneurial businesses. However, they do lease space to dinner cruise boat (300 capacity); a beauty salon that leases both parking and a slip offering manicures, massages, hair with 5 stylists; and a yacht brokerage business.

They have plans on expanding the marina within the next 12 months with more docks and office space; they will lease the current ship’s store space and office out to a waterfront dining enterprise.

Looper business is increasing.

Marinas of Greenwich

Greenwich owns and operates 4 marinas. They are open 5-7 days a week seasonally with 1.5 staff members per marina which doesn’t include the parks and rec employees at the office doing the paperwork. They provide docks, water, electric, winter storage, pump out and ramp. No boatyard, no fuel, no ice, no services.

They do not have partnerships with any other business entities but, since they are on a federal channel they are required to have public access so some charter boats are allowed and there is a sailing school at one of the marinas.

They once tried contracting with small food stations and that went sour. The city loses all control over what and in what condition. And the city has no recourse with such vendors.

Owning the marina and any operation in it allows the city to operate as it sees fit.

Fuel docks create complications:

- Spill issues and liability

- Staffing

- Can't allow customers to pump because spills are still marina's liability

- Missing fuel issues

Any outside vendors hired to do work on a boat in the marina are required to have a vendor's permit and to carry insurance with the city named as an insured

Greenwich has no incentive to make money; marinas are a service offered residents; budget is the same whether they make money or lose money.

Brian Dodson, with whom I spoke, recommends we own and operate our marina. The Marinas of Greenwich are managed under Parks & Rec.

City of LaCrosse Marina

This was an interesting interview. Steve Carlyon, the gentleman with whom I spoke, is retired career department of defense with significant boating background. Right off the bat his recommendations are as follow:

- Audit Wall's books – we can do this at our discretion and at our cost

- Get Wall's tax filings

- Try to understand our market

Strongly recommends we own and operate. They have tried, with several of their facilities, to lease and have experimented with different types.

See if the Marriott would be interested in leasing the marina from us.

Elements to consider in a lease:

- Flat fee + 1.5% gross sales on EVERYTHING. That 1/5% offsets major improvements the city must make. So, \$44,000 base lease plus 1.5% which comes right off lessee's tax return.

- Repairs under \$5000 the lessee is responsible for; over \$5000 the city covers.

Require lessee to carry indemnification insurance against city

Lessee does all work on marina; goes through the city; gets reimbursed – gives city better handle on repairs and makes sure they get done

Anything we do goes through negotiation and term sheet

For large projects (like we are facing) some marinas contract the amount at the city's bond rate and then lessee does work; lessee gets a better rate for money spent

City gets to use necessary facilities for free – we want to run a sailing class then we get required boat slip(s) for free; if we want to sponsor an event at the beach we get it for free, etc.

Despite all his information, he did tell me the city is moving to foreclose on lessee and taking the marina back and managing it with minimal services – fuel and ships store.

New Smyrna Beach Marina

This marina has 43 slips with 36 annual leases, 5 live aboards and 7 open for transients.

Staff requirements are 1 FT, 3 PT and a request for a floater to cover when part-timers go on vacation.

The marina has Enterprise Account with City. It makes money and the city actually leaves the marina money alone. That way they can make repairs and maintain the marina without having to beg funds from the city.

The marina has made use of a number of grants to help fund improvements: Clean Vessel Act grants, , grants for dock improvements and grants for marina upgrades. Their new pump out facility was partially funded by the Clean Vessel Act which resulted in New Smyrna Marina having to pay only a couple thousand dollars. There are a number of grants available to municipalities for marina upgrades – all federal. Check with the manager of our waterways to get granting opportunities.

No shipyard and no fuel.

Don't allow commercial businesses on the facility.

Harbormaster firmly believes marinas will make money. Those with Enterprise Accounts with their cities all make money.

Requires long-term leases to carry \$300,000 liability insurance on boats and requires proof of insurance before tying up.

Fees: daily \$1.25/ft; weekly \$7.50/t; monthly (off season only) \$17.50/ft includes everything; annual \$10.30/ft (\$11.33 on floating dock) for whichever is greater – length of boat or length of dock; live aboard flat \$125.

Newport, RI Marina

Newport represents a slightly different take on city-owned marinas. They have several properties servicing transients and long-term users.

Newport has taken advantage of Fish & Wildlife grants which then require that there be no overnight transient docking.

Newport at one time had leased out a pier but then decided to develop it with a Maritime Center.

Newport Yacht Club leases property from the City and is adjacent to the city facilities. This lease requires the yacht club to do all exterior maintenance from large projects (sea wall) to small (painting) even requiring the amount of money to be spent each year doing so.

Newport is a destination harbor.

It is supported by way of an Enterprise Fund which somewhat protects the marina from the city just taking the revenues in and not giving back. The city still can use the funds however but generally for something that also benefits the marina like road repair. The city recently relieved the fund of \$100,000 to repair roads. The shuttle services and buses from cruise ships use the roads. The marina also benefits from \$6 pp being paid by the cruise lines which represents about 1/3rd of their revenues.

There are no partnerships but a harbor shuttle service and ferries are well established and all they pay are licensing fees.

No fuel. No ships store. No shipyard. Private industry surround the marina handles that.

It is important to get the right people to staff the marina when city owned and operated. People need to know what's going on in town, who the players are, and understand the marina business. People who are vested in their town.

This harbor master, Tim Mills, is always in favor of owner operator.

Panama City Marina & St. Andrews Marina

Panama City owns two marinas. St. Andrews is more of a commercial business with 4-5 employees while the City Marina has 9.

Both are open 363 days/year 7 days/week with operating hours 7 a.m.-5 p.m., 6 p.m. on the weekends.

Both are totally self-sufficient and remain 80-85% full.

They have their own ships stores.

No shipyard in either marina.

Panama City Marina has a \$3M fund established out of their revenues which the city did not touch until a developer wanted to develop that spot. They City started tapping the fund to pay for lawyers, etc. and the development itself is still up in the air.

They sell fuel.

5. In addition, this marina research effort uncovered several grants that are available to marinas for various reasons. Descriptions of these grants can be found in this report as located on their websites.

They have a boat launch.

There is a company that leases a slip from which it runs a tour business. The city does not participate in this business.

The City Marina was once leased out and the condition in which it was returned to the city at the lease end was so bad that the city decided it would never lease its facility again. The same with the ships store which was once a leased operation. The ships store does require considerable man hours.

St. Augustine Municipal Marina

This is an Enterprise Fund operated marina which means the City owns the marina but it is separate business; hire and fire own employees; operates as a hospitality business; allows marina to turn a profit; turns over about \$80,000 a year to city – so this marina operates differently from most

The marina is open 24 hours with 14 on staff; AS A CITY MARINA YOU CANNOT CLOSE ANY HOUR AND DAY OF THE YEAR

The marina operates totally on its own revenues – the purest form of tax relief for the citizens of the city

They lease out the ship's store at a flat monthly rate by the square foot

They lease space to 5 other businesses all involved in boating: pirate ship day/night trips; schooner charters; parasail company; eco tours with kayaks, small catamarans, etc. Marina does not participate in these businesses and receives no percentage of their business but benefits from them being there as customer doesn't know the difference between city ownership and private business on the property.

No shipyard. No courtesy car to city but within one block of 60 restaurants and shopping.

The amenities include private showers and baths operated with key card (like hotels) and coin op laundry – all facilities are AC which is an exception.

They sell fuel BUT purchase it through a state contract; sells competitively which allows them to have a healthy margin. (Selling competitively actually helps the neighboring marinas. A good problem to have.)

PITFALLS OF CITY OWNED MARINA: speed is very slow in accomplishing anything; marinas struggle because of budget – city willing to take the money the marina earns but very hesitant to give it back to improve, repair, etc.

ADVANTAGES OF CITY OWNED MARINA: deep pockets behind you; don't have to turn a profit; breakeven is okay

RECOMMENDATION: don't lease your marina

Do not operate it under parks and rec