

Opening Remarks by Ted Dougherty  
Harbor Commission Chair  
Bayfield Harbor Commission  
January 9, 2023, 4:00 p. m.

Most of you did not attend the City Council meeting on December 14. There wasn't an agenda item related to the Harbor Commission other than the submission of minutes under File Reports from Committees, Commissions, and Boards. However, Bill Peterson may have rallied boat owners to attend and comment publicly on our decision to adopt a Municipally Managed Marina Model. Given this, our meeting today will be more structured than typical. I will take the time to provide a report and ask for your patience. Much of what I cover will be redundant to you and any that have attended Harbor Commission meetings over the past two years.

Max Lindsey, the City's attorney, is with us this afternoon to address questions voiced on the 14<sup>th</sup>. Matt Carrier requested a Joint meeting, but we've learned from Lindsey Council did not follow the proper procedure. Two agendas would have to be posted, and two sets of minutes taken. Therefore, this meeting will run as a regular Harbor Commission meeting, and the City Council will have the opportunity to ask questions. We will take turns with discussion topics.

Before I provide my report, I have a few housekeeping items to address:

- First, I ask that everyone joining us today be respectful of one another. You will be asked to leave if disrespectful and sophomoric behavior is displayed.
- After the City Council meeting on the 14<sup>th</sup>, I learned the chat box was used extensively. Some on the city council may have focused on reading these comments rather than listening to the discussion.
  - Public comment is important, and I welcome it.
  - Using a chat box outside public comment is the same as a verbal outburst during a public meeting and is disrespectful.
  - We cannot effectively read comments and listen to those speaking simultaneously.
  - Colleen Began stated she would print chat box comments after the council meeting, but they are not part of the public record.
  - I've asked Hoopman to disable the function. After that, the only use of the chat box should be to raise your hand to indicate you'd like to make a public comment.
  - You will be asked to leave if the chat box is used for other purposes.
- We may have several individuals wishing to make a public comment when we get to that on our agenda. So while allowing 15 minutes is typically considered customary, I'd entertain a friendly motion to extend this to 30 minutes.

Max Lindsey will present questions that arose on the 14<sup>th</sup> after my opening remarks.

Before I begin, I want to thank Commissioners for volunteering innumerable hours at the Harbor. You have made an enormous, positive impact on the bottom line for the Harbor & City. Just a few of your accomplishments:

- You agreed to increase fees at the boat ramp within DNR guidelines. However, we received angry calls and were told no one would use it. As a result of that fee increase, our revenues are about double. Thank you.
- You oversaw the breakwater improvement project, which came in under budget. Few here know the complexities we encountered when our engineers made an error on the RFP, and the winning contractor sought to leverage it. You discovered inappropriate material was going to be used. Despite the risk of legal action, you enforced compliance with the contract by accepting a small concession resulting in our receiving most of the rock at cost. The next lowest bid was a million dollars higher. Thank you for looking out for the City's best interests and saving us a million dollars or more.
- You worked with Viking to create a USCG-approved Facility Security Plan, considered the potential impacts, and listened to residents and business owners. You insisted Viking pay all initial costs because there was no assurance they'd continue with future visits. You insisted they be charged an appropriate and fair amount for each visit if they came to shore or not. We now own the equipment necessary to accommodate a future visiting cruise ship, have a contract to use, and made about \$60,000 in profit. Thank you. To those considering disbanding the Harbor Commission, this is profit we wouldn't have.
- While it took a few years and is perhaps unpopular, you established a fair commercial passenger fee for City Dock. An arrangement we'd be unable to structure in the event the Harbor Commission is dissolved. We estimate this will generate \$60,000 to \$90,000 of new revenue annually. These dollars are necessary to repair the City Dock. Thank you. I understand an HC & similar fee model are under consideration by LaPointe.
- Thank you for considering as many aspects as possible for the future management of the Apostle Islands Marina.
- Thank you for not quitting. I appreciate your dedication. I learn from each of you at every meeting, and working with you has been a pleasure.
- Lastly, I recognize Mayor Ringberg's commitment to the Harbor Commission. Billie Hoopman has saved the City countless dollars. Tom, you know I appreciate you as well.

I listened to public comments on the 14<sup>th</sup>, as are noted in the draft City Council Minutes. The word transparency was used repeatedly. However, claiming a lack of transparency does not dismiss the obligation of the City Council to do their research, pick up the phone and ask harbor commissioners questions, or ask questions at City Council meetings. Information was and will continue to be disseminated promptly.

Two years ago, the Bayfield Harbor Commission (BHC) learned that BD Marine listed the Apostle Islands Marina for sale with Simply Marinas, which, as the name indicates, specializes just in the sale of marinas. The Petersons did not share this information publicly with the Harbor Commission or the City Council, nor were they required. Instead, Shrider & I were called by different parties within a day of each other asking about it, and we reported it to the Harbor Commission the following Monday. I believe at least one member of the Harbor Commission also knew of the listing but didn't disclose it to either body.

BD Marine holds a non-transferrable lease until December 31, 2023, to manage the Apostle Islands Marina, which the City of Bayfield owns. Based on two years of meeting with Bill Peterson, we understand that he desires to remain to assist in transferring his ownership of BD Marine to a buyer concurrent with a new long-term lease from the City.

When I refer to the Apostle Islands Marina, I refer only to City-owned and leased property and essential services, specifically:

- Seasonal Slip Rental
- Spring Launch & Fall Haul & Winterization
- Winter storage
- Fuel sales & pump-outs (for which the HC presently receives no revenue yet must maintain all related infrastructure)

If the Commission had decided to continue with the same lease management model, we would have pursued it through an RFP. Thus, and this is important, an RFP would not have included services such as marine mechanical repair, a retail shop, or chandlery, because the City of Bayfield does not own real estate to provide such services.

Consider the process four years ago before I joined the Harbor Commission compared to our work. Four years ago, the Commission gave notice of closed session meetings for a year before renewing the lease.

On August 15, 2018, Jim Bryan, Harbor Chair, stated, "There is nobody more versed than the Commission. They have spent a great time studying the issues. The goal has always been to maximize the revenue to the City and keep a great marina. Nobody took this lightly. "Jim Bryan agreed to recuse himself from the present process because of his close friendship with Bill Peterson.

Four years ago, no analysis deliverable was provided, nor was a process made public. At that time, the Harbor Commission did not send letters updating boaters and taxpayers on Harbor Commission's progress, yet we've done all these things.

So why did boaters rally to object to our conclusion before supporting material was made public? Why did I receive a call from Rick Olivo requesting an interview? Olivo told me Bill Peterson called him pitching the story, and he said Peterson shared some pretty negative things. Don't I want the opportunity to defend myself?

Simply Marina's sponsored a presentation by Jim Frye, CMM Westrec Marinas & President Emeritus of the Association of Marina Industries, entitled "Does your Marina Meet National Industry Benchmarks." It is 38 pages online that explain how marinas are valued. Simply Marinas is the firm with which BD Marine listed their business. Two quick methods are described to establish a ballpark or estimate of value; Cap Rate or Multiple of EBITDA. The Harbor Commission Financials are public. Using broad strokes, the Apostle Island Marina, meaning only the services I previously explained, grosses \$580,000, of which the Harbor Commission receives \$180,000. From \$180,000 we must cover the cost of all maintenance, infrastructure improvements, and debt service. If our debt service is \$80,000, and we gross \$180,000 then our profit is \$100,000. Thus, \$400,000 may be applied to either formula Frye explains and discounted based on the lease length if any. A twenty-year lease would provide a higher multiple, ten-year half as much, and a lease at termination, none. There are many factors to consider, and opinions will vary greatly; thus, I will not draw a monetary conclusion on what BD Marine is worth with a lease v. without. However, I will state a lease has considerable value. The City should not enter into a lease only for it to transfer for the profit of a private party. Please refer to Shrider's letter included in this packet.

While the BHC is not required to make this announcement over a year in advance, we anticipated doing so would provide for a smooth transition. Unfortunately, some have sought to derail this thoughtful planning. Four years ago, the Harbor Commission put themselves behind the eight ball because they delayed doing the hard work. As a result, they had no choice but to renew the lease.

Some on City Council have indicated they will not agree to assume debt necessary to purchase the essential equipment to run the marina; by that, I mean equipment to launch, haul, store, & fuel & pump out. Let's assume a \$250,000 note for ten years at 6%. Debt service is about \$33,000 per year. But, conservative estimates, which do not include economies of scale, indicate a 100% net increase or an additional \$100,000 per year (Debt service is already deducted). Please be ready to explain to taxpayers why you favor renewing a lease, only for the equity of it to be sold for private profit. Please be prepared to explain why you favor not owning essential equipment.

I've heard statements that we'll fire essential employees of BD Marine, which will kill an already declining local economy. The Harbor Master will hire a crew, and as was repeatedly shared during public comment on the 14<sup>th</sup>, there is great demand for mechanical services. The void will be filled, and boaters will have a choice of mechanical proprietors. The need isn't going anywhere. Beyond that, as you should expect it to be, my primary concern is the employees of the City of Bayfield. The argument that mechanical & retail services must be conjoined with slip rental is dispelled as a fallacy if you study The Summary of WI Municipal Marinas. Most marinas are either under the management of a Harbor Master or a Marina Manager. Only four are under Contracted Management. – Mayor Ringberg to discuss.

We're all doing our best. So please work with us, not against us. We're not "tyrants" and don't need emails after each city meeting critiquing our performance. Thank you.