

Consultant's Summary

Let me begin by saying what a pleasure it was being selected to help the City of Bayfield on this marina project. I have had the opportunity to meet a lot of new people, tour the city, discuss issues regarding the marina with many individuals and foremost gather lots of data. What follows is my summary of what has been gathered and how it may affect the City's decision going forward on how to manage the municipal marina.

I think one of the most important factors to point out in the beginning is that marinas are hospitality businesses, dealing with boaters with lots of discretionary income and they expect high quality services. To accomplish this, the right employees must be hired who have the skills to produce such results. This underlying theme will be present in many of the sections that follow. As was present when I met with the Harbor Commission (HC) and did the SWOT analysis it became apparent that finding employees and especially the right manager is both a weakness and threat. My first recommendation for the HC is to understand this issue of hospitality and overcome the obstacles to find the perfect manager if they are to take over operation of the marina.

Next on my list of findings is the competition and capacity of the marinas in the area. As will be depicted in the report, marinas in the area are at near capacity and have little room for expansion. It has also been found that the rates charged in the area are very close to the same across all marinas and this makes it such that one doesn't have much pull over another to gain new customers. Growth across the board is limited. The only way income can be grown is by rate increases rather than expansion. There is always the possibility that someone or some corporation will come along and find a location to build a new marina which will of course affect all existing in the area. My second recommendation is for the HC to keep a close eye on area marina rates, look for ways to find new income sources and perhaps hire an expert firm in marina design to see if there are ways to expand the facility.

In the way of current marina problems as discovered, I want to point out two major concerns. The marina fuel tanks are underground and quite old. The insurance premium the City pays to cover them is growing significantly year by year. It is time to seriously consider removing the tanks and going with new above ground double wall units. Beyond their age if in fact they are found to be leaking the costs of clean up will grow significantly. The second issue to be pointed out is the movement of boat cradles to and from the summer storage area. The way it's currently done is labor intensive, potentially unsafe and costly. Recommendations three and four are for the HC to address very soon the underground tanks and look at new ways to handle cradle storage perhaps as I have described in a later section.

During my visit I became aware of a couple opportunities the City should look at in the near future. First was the L.E. Building and slip, it has a number of possibilities. The building property could be repurposed to provide additional boat storage, dockage, or serve as a new marina office, boater's lounge, or club house. Another area that was discussed during my visit was the fact City Hall is aging and might be considered in time to be repurposed for marina operations or replaced. If replaced, the property under it along with a larger area behind might make way for a heated boat storage building. This would be a great source of new income as its

demand would be high and finally would solve the cradle storage issues. Recommendation five, keep these two land areas front and center going forward. This would be a great source of new income as its demand would be high and finally would solve the cradle storage issues. Recommendation five, keep these two land areas front and center going forward.

Next on the list and probably the most significant outcome of the study is whether the marina, if operated by the City, will make money. After all the data regarding current income from dockage and storage plus adding in calculated fuel sales is totaled will it exceed the necessary expenses the City will incur to operate it. As will be shown in **Exhibit 6**, an extensive list of expenses, some provided by the HC and City Clerk along with others from my experience running a marina 27 years is indicated. There is a detailed section of the report as to what I feel are the required employees, their wages, and the associated benefits coming from the City Clerk to operate the marina and those costs are shown under personnel expense. The insurance premiums and current debt costs are also added and again the data was provided by the City Clerk. In addition, within the report there is a discussion as to what upfront capital investments must be made to operate the marina and that corresponding debt is included in the fixed expense column. With all expenses calculated and compared to potential income the financial impact is very favorable toward the city taking over operation of the marina. Currently the City receives about \$173K from the lessee and pays its debt and insurance obligations from that revenue. It leaves a net to the City of approximately \$103,757. If the City operates it the net is \$201K with all insurance and debt paid as noted in the income vs. expense summary. With the data received along with my past experience I truly believe this is doable. Recommendation six, the most difficult, HC must take a hard look as to whether they have what it takes to put the right actions in place with external help where needed and take on the City's operation of the marina in 2024.

In addition to the net income possible with City operation there are a couple of other areas which should be added to the overall management of the marina. They are City Dock and City Launch Ramp. Taking those revenues along with the ramp debt it increases the net income for the marina and eliminates city hall employees from managing them. Again, the right manager must be employed and these duties spelled out. Recommendation seven, the HC should consider this option immediately upon taking over operation of the marina.

In closing, the decision for the City to take over operation of the marina could be quite easy based upon the income it will incur. It will take a lot of upfront work on the part of the HC to maintain a successful marina. I feel some form of external assistance will be needed. From what I heard the choices are, new lessee, sell the marina or City operation. Selling is off the table, leasing is the safe easy out but less income and the City operation will take work but reap the income benefits. HC, the decision is now in your hands.

Thank you for this opportunity to offer my help and my hope is the findings will assist the City make a responsible decision regarding the future of the marina. Respectively,

Jon N. Kukuk

Jon Kukuk, Consultant