



TOWN COUNCIL
Work Session – Harbor Stakeholder Meeting
Cape Charles Civic Center
August 27, 2020
6:30 PM

At approximately 6:30 p.m. Mayor William “Smitty” Dize, having established a quorum, called to order the Work Session/Harbor Stakeholder Meeting of the Town Council. In addition to Mayor Dize, in attendance were Vice Mayor Bennett, Councilmen Bannon, Buchholz, Follmer and Grossman, and Councilwoman Holloway. Also, in attendance were Town Manager John Hozey, Capital Projects Manager Bob Panek, Harbor Master Charlie Farlow, Community Relations Manager Jennifer Lewis, Town Clerk Libby Hume and Police Officers Tom Lynch and Will Garrett. There were 14 members of the public physically in attendance, and 13 viewers on Facebook Live.

WORK SESSION ORDER OF BUSINESS/DISCUSSION:

A. *Open Discussion Regarding Potential Privatization of the Town Harbor:*

Town Manager John Hozey gave an overview of the topic explaining that the Town would not be giving up ownership or control of the harbor. The Town would still prepare and control the budget for the harbor, but it would be administered by a third party who would be paid a fee for their services. They would take over some of the expenses and have the ability to better market the facility. Council had not made a decision yet and staff was still in discussions with the bidder. The meeting this evening was to obtain input from the citizens of the Town and harbor stakeholders. (Please see attached.)

Prior to opening the floor for discussion, John Hozey introduced Officers Tom Lynch and Will Garrett.

Town Clerk Libby Hume read comments submitted by Jim Granger.

There was much discussion regarding the following: i) concern regarding the benefits to the citizens of Cape Charles and watermen using the Town Harbor; ii) the financial viability of the Harbor; iii) whether the situation could be improved using the current staff or was there dissatisfaction with the current staff; iv) possibly increasing the Harbor’s budget to help improve some of the areas which would also increase revenue; v) The proposal stated that the bidder would assume the cost of personnel, marketing and some other expenses, but the Town would continue to pay for other expenses such as maintenance and capital improvements. Some attendees were uncertain as to how the Town could net more revenue when still paying for these items. It appeared that the only savings to the Town was the cost of staffing; vi) How would the Town’s ability to apply for grants for improvements to the Harbor facilities be impacted by having a private management company? vii) Would there be a possible conflict of interest with having the Cape Charles Yacht Center manage the Harbor with their adjacent facility at the harbor? viii) the occupancy rate and that 30% of the existing dockage had to be reserved for transient boaters; and ix) The agreement with the Department of Game and Inland Fisheries (DGIF) which prevented charging for the boat ramp. Mayor Dize interjected that the current agreement with the DGIF would expire this October.

Mr. JB Turner, one of the principals for the Cape Charles Yacht Center (CCYC), introduced himself and went on to state the following: i) They wanted to create a brand for the whole town, making the Harbor somewhere special for people cruising up and down the East Coast. A place where people could find dockage, fuel, and other amenities. Their goal was to make Cape Charles a major destination point on the East Coast; ii) They also ran a larger shipyard, Front Street Shipyard, in Belfast, ME and that facility also helped to promote Cape Charles to its customers; iii) They understood that they would lose money for the first couple of years and were okay with

that; iv) Their initial plans were to place most of the transient boaters at the Cape Charles docks and keep the CCYC docks for ships needing repairs. It made sense for logistical efficiency to have one voice answering the phone directing boat traffic to the correct location; and v) He had worked in this business a long time and loved being outside and working on boats. Nicole Jacques, the other principal of CCYC, worked on marketing. As a team, they were able to put Front Street Shipyard on the map and hoped to put Cape Charles on the map as well.

Discussion continued regarding: i) marketing and creating a brand, websites, promotional materials, boat shows and newsletters; ii) Would the current discount for residents and watermen continue with the change in management? Mr. Turner responded that the discount would continue for several years; ii) The Town of Cape Charles had already garnered national recognition and had an increasing population centering on tourism. People enjoyed the small-town life. The Town had two assets – the only public beach on the Eastern Shore which was beautiful with shallow water for families to enjoy, and the Town Harbor which was also well known and well recognized as there were about 20 marinas within a day's travel. The Town is a major draw for boaters and some clubs have been coming to the Town for decades and reserved their slips a year in advance; iii) How will this change affect the taxpayers of the Town? iv) More slips were needed for smaller boats; iv) Could the management agreement be short-term for one or two years to see the benefits of this type of arrangement? John Hozey responded that the agreement would be for a three-year term but either party could terminate the contract with 60 days' notice; v) There was an advantage to have a long-term contract in the future after we gained some experience that could benefit both organizations; vi)

The Harbor was a great asset for the Town and should remain that way; and vii) It would be good to see the impact on meals and sales taxes from transient boaters. Councilwoman Holloway responded that Cape Charles Main Street conducted a zip code study three times per year to determine where visitors were coming from. Currently the study was mostly done for the retail businesses but would be expanded to include restaurants and the Harbor.

Council comments were as follows: i) Councilman Grossman stated that he liked the proposal but was still evaluating the benefits. CCYC was a professional organization with marketing skills to help promote the Town. The Harbor and dockage could grow under their management; ii) Councilman Buchholz stated that when he was first elected to Council, he asked for the dockage numbers to be added to the monthly financial report. The revenue decreased quite a bit for the first three years but were beginning to improve. The Harbor was not full continually throughout the summer and there was room to grow. The Town was growing but the Harbor revenue continued to decrease; iii) Vice Mayor Bennett stated that the Harbor Fund was an enterprise fund which was supposed to be self-sufficient. The last few years, the Harbor budget had to be supplemented by the General Fund, which was funded by the taxpayers. The deficit was primarily due to debt for infrastructure. Council was looking for answers to get the Harbor back to being self-sufficient. The Town would continually be improving the Harbor so there would always be some debt; iv) Councilwoman Holloway stated that the Town did not have the budget to properly market the Harbor. CCYC had professionals who could market the Harbor which would benefit the Town as a whole; v) Mayor Dize noted that the Town would continue trying to obtain grants for improvements. Bulkheads and other infrastructure had a life span and would continually need to be repaired and replaced; vi) The Town Council would continue to set the rates; vii) All revenue would stay in the Harbor Fund for future improvements.

Council was asked about their vision of what would be a success at the Harbor. Council responded as follows: i) Mayor Dize would like the Harbor to be a place for everyone. A place where watermen could sell their catch. A place where people could watch the watermen hauling in their catch, then purchase it. He wanted the Harbor to look nice and be maintained; ii) Councilman Bannon stated that when he first opened his bed and breakfast (B&B) 35 years ago, people questioned him about who would be coming to Cape Charles. Now there were lots of people coming by boat and rather than staying on their boats, many stayed in the B&Bs. It was difficult trying to maintain a working harbor as well as a tourist attraction; iii) Councilwoman Holloway thought of the Harbor as an asset, similar to the beach. The Town needed to do its best

to keep it nice. The Town didn't have the resources and skill to take the Harbor to the next level. The historic and harbor districts needed to be tied together. It would take time, but working with a management company could alleviate some of the pressures; iv) Councilman Grossman saw a good synergy with the CCYC and the Harbor and would like to see a strong connection with the Harbor and other businesses. He wanted the Harbor to operate as efficiently as it could and be economically viable; v) Councilman Follmer agreed with what others had said and added that success required a broad range of expertise, which the Town couldn't afford to have on staff; and vi) Councilman Buchholz stated that he moved to Cape Charles in 2004 and the Town and Harbor had come a long way since then.

Mr. Turner added that they purchased the property in Belfast, ME in 2010 and built the shipyard in 2011. Belfast was worse than Cape Charles. It had a poultry plant on one side and a sardine plant on the other side. When he moved to Maine in 1994, no one would go to Belfast due to the odor and oil from the sardines running down the street. It was a disaster area. A major bank came to Belfast, purchased and demolished the poultry plant. Ten years later, he purchased the sardine plant, tore it down and built the shipyard. Belfast was now the place everyone wanted to go to. A few little things made a huge difference. There were no empty storefronts and a rail trail ran through Belfast for several miles to the river and was the only walkway going through a working shipyard on the East Coast. Everything worked and it happened by everyone working together. It could work perfectly in Cape Charles as well. Mr. Turner welcomed anyone to contact the City Council of Belfast.

John Hozey stated that i) The budget adopted in May was very conservative with dramatic cuts due to COVID-19. A budget review was scheduled in October and adjustments could be made; ii) If Council were to move forward with the management agreement, it would be effective January 1, 2021 with a transition period where CCYC would work with existing staff; iii) The Town was still working with CCYC regarding the details of the contract. Staff was waiting to hear tonight's comments. The contract would most likely be finalized for review by Council at their September 17th meeting. When the agreement was finalized, it would be made available to the public for review and additional comments.

Councilman Follmer stated that he would be interested in hearing more from the commercial watermen before making a final decision regarding the contract.

Mayor Dize agreed adding that this was a big decision for Council to make and the more comments received, the better the decision.

Mayor Dize thanked everyone for attending.

Motion made by Councilman Buchholz, seconded by Councilwoman Holloway, to adjourn the Town Council Work Session. The motion was approved by unanimous vote.

The meeting was adjourned at 7:45 p.m.

Mayor Dize

Town Clerk

**Comments & Information Provided in Writing
August 27, 2020 Town Council Work Session**

**Town Manager Memorandum
August 27, 2020
RE: Town Harbor Management**

Last February the Town Council asked for requests for proposals for private management of the Town Harbor. This was not a decision by the Council to move toward private management, rather it was just the Town's due diligence to see if there were any better options to current management; something that might improve the appearance, function and experience associated with the Town Harbor.

The Town received three proposals. These were from Oasis Marinas, F3 Marina, and Cape Charles Yacht Center. A proposal review committee was established comprised of the town manager, the mayor, vice-mayor, our project manager, and a representative of the Cape Charles Yacht Club (not affiliated with the Yacht Center). After careful consideration, the committee favored the Cape Charles Yacht Center, who took a unique approach to their proposal. The CCYC was able to capitalize on economies of scale provided by their existing operation. Of the three proposals, this seemed to have the best chance for success.

The Town Council considered the committee's recommendation and negotiations began with the Cape Charles Yacht Center to see if a potential agreement was possible. Those negotiations are still underway, and the Town Council has not made a final decision yet regarding this process. Before finalizing and formally considering any agreement, the Mayor and Town Council are requesting public comment, especially from harbor stakeholders. A public work session has been scheduled for August 27 at 6:30 pm at the Civic Center for this purpose.

Representatives from the Cape Charles Yacht Center will be present at this public discussion to help address comments/questions. If this process does move forward, the change in management is expected to occur on January 1, 2021.

Jim Granger, 524 Jefferson Avenue

Subject: Privatization of Cape Charles Town Harbor

Mayor Dize, Town Council Members,

I oppose turning over the management of the Cape Charles Town Harbor to a private firm. Where an elected government has only one motivation, the welfare of its citizens, a private company is motivated by profit, not the welfare of the town's citizens. As a retired civil servant after 33 years+, I have never seen outsourcing management of a public resource go well. Ask VDOT and Hampton Roads residents about how outsourcing management of the Downtown Tunnel is going.

Reading over the proposal, I'm not really seeing what the Town gets out of it. Rates for the town marina will be raised to meet the CCYC prices, and the boat launch ramp which has always been free for use, will now charge a fee to launch boats. I know the Harbormaster and staff have many ideas to improve services at the Harbor, and I'd rather see the Council support them rather than turn over management to a private company.

Diane D'Amico, 602 Jefferson Avenue

The Town Manager's Memorandum says we want to *do something that might improve the appearance, function, and experience associated with the Town Harbor*. The Request for Proposals says *our objective is to improve the financial operating results*. The Cape Charles Yacht Center says *their ultimate goal is to position Cape Charles as the Mid-Atlantic hub for recreational vessels of all sizes*. Let's make sure we are all working towards the same outcome and that our visions align. Towards that end I have questions that I hope can be answered now but if not, I hope they will be seriously considered by the Town Council prior to a final decision.

First, for the committee...

Can you discuss your research as to why the Harbor loses money year after year?

Is it our staff or our lack of staff?

Are we unreasonable in our budget appropriations?

What has happened in the past when we raised our dockage fees, storage fees, and our gas prices?

Have we done anything in the recent past that has resulted in an increase in revenue? Is that worth expanding upon?

What is physically or geographically standing in the way of future success?

What in this situation is your vision of a successful outcome?

Second, for the Cape Charles Yacht Center...

Do you agree with the committee's findings?

Do you have anything to add?

Exactly what will you do to address these problems?

What in this situation is your vision of a successful outcome?

Finally, to the Town Council...

Given that the responsibility of government is to act for the good of its citizens what criteria is the Town Council using to determine in this case what will best serve the citizens of Cape Charles?

What in this situation is your vision of a successful outcome?

Do all three groups' visions align? I ask the Town Council to take all the time they need and ask all the questions to which they need answers to come to the best outcome for current and future citizens of Cape Charles. Please do not let time be a factor.

Phil Goetkin, 602 Jefferson Avenue

Consideration for privatizing the management of the Town Harbor

I would like to thank Cape Charles Yacht Center for their submission. Their proposal presents lots of good ideas and information. They paint an optimistic vision for the Harbor. However, only one thing matters in this decision process: will the Town and the citizens of this town benefit from signing this agreement. Although I have not been convinced one way or the other, I do have several questions and comments. I believe the Town Council should consider these items before you make a decision.

- Past complaints about the Harbor have focused on operational losses and not on qualitative aspects including appearance, functionality, and customer experience
- The only objective identified in the introduction of the February 24, 2020 RFP was improving financial results
- Are there actions the Town can take on its own to improve our financial situation? Increase rates and charging for launch fees?
- The August 20, 2020 memorandum from the Town Manager mentions better management options and qualitative aspects of the Harbor
- Are we dissatisfied with the current Harbor staff?
- Can the current staff resolve some of the qualitative concerns of the Harbor?
- Do we need to increase the Harbor budget to resolve some of these issues?
- In CCYC's proposal, they will assume costs for personnel, advertising and office expenses. The Town will remain responsible for all other costs including facility maintenance and capital improvements. I assume that little or no additional funds are currently available for these activities. Unless we reprioritize the Town's budget, how do we expect funds to become available in the future? When CCYC requests resources for facility maintenance or capital improvements, how will we be able to respond?
- Will this agreement represent a conflict of interest for CCYC? How will business be divided between CCYC and the Town Harbor? For example, when a boat requests docking privileges, how will the decision be made on where to put it?
- Will private management of a public facility affect our ability to obtain grant funding?
- CCYC's fees are based on gross revenues and comparisons to the prior year. Were revenues during the 2019-2020 fiscal year dramatically affected by COVID-19. Would 2018 (or some other base amount) be more appropriate?
- How will CCYC's fees be calculated during the requested transition period?