

Rock Harbor Boat Basin Enterprise Fund (3000)

Interview with DPW Director Tom Daley on February 9, 2023
Finance Committee: Tim Counihan, Ed Mahoney and Lynn Bruneau

Background: Rock Harbor Boat Basin operations is responsible for the management and maintenance of 75 dockage berths, the fuel depot and the pump-out facility at the Rock Harbor Boat Basin. The work includes the oversight of the entire marina facility.

Budget Overview: The attached spreadsheet includes a summary of the Rock Harbor Boat Basin Enterprise Fund Budget information from FY22 and FY23 and the proposed data for FY24. The data also includes the FY22 “results” from the 8/31/22 presentation made by Finance Director Cathy Doane to the Select Board and the 1/31/23 year-to-date results.

Warrant Article 10 from last year’s Annual Town Meeting (May 2022) included the FY23 Budget for the operation of the Rock Harbor Boat Basin enterprise, including authorizing the Select Board to set user fees, license fees and permit fees for the Rock Harbor Boat Basin enterprise as set forth in the Warrant Article. With no perceived change in the overall operation of the enterprise, the Warrant Article for this year’s Annual Town Meeting (May 2023) will likely be similar to last year’s Article, with updates to the revenue and expense and “budgeted surplus” numbers as appropriate. The FY24 budget is again requires a subsidy from the General Fund (the “Budgeted Tax Levy Subsidy) to create a “balanced” budget for the Rock Harbor Boat Basin Enterprise Fund. The FY23 subsidy was \$78,709 (39% of total Expenses)) and the anticipated subsidy for FY24 will be \$71,219 (again, 39% of total Expenses per the Enterprise Fund Policy approved by the Select Board on 2/15/23).

The Warrant for last Fall’s Special Town Meeting (October 17, 2022) included Article 14 which was initially intended to “Fund New Parking Program at Rock Harbor and Adopt New Non-Resident Fee”; however, due to the push-back from abutters, the fishing community and other stakeholders before, during and after the 10/12/22 Public Hearing on the proposed Warrant Article, the scope/focus of the Article was changed by the Select Board at Town Meeting to focus only on funding for the Town’s overall parking program - funding intended to replace the

current software/services vendor with a newer, more responsive vendor. Any plan to implement a parking program or parking fees at Rock Harbor was eliminated from the Warrant Article and the subsequent Town Meeting vote. The topic has not resurfaced on Select Board meeting agendas since then.

Budget Fundamentals:

Salaries: there are no Salaries included in the Rock Harbor Boat Basin EF budget. Rock Harbor operations are staffed primarily with resources from a variety of DPW departments, including the Shellfish/Harbormaster, Highway and Facilities departments with allocated salaries varying from under \$15k (Highway and Facilities) to \$30k (Shellfish/Harbormaster).

Direct Expenses for FY24 are estimated at \$30,744, down from the proposed FY23 budget (\$46,577) that included \$16k for credit card payments for the parking program that never materialized. Thus direct expenses are relatively flat, year-to-year. Budgeted Surplus is “budgeted” at \$58k, down from \$70k for FY23. It is unclear what equipment this is intended to fund over the next few years. Total Direct Expenses: \$88,744.

Indirect Expenses - including the allocation from “Town Hall” (\$2,675) and from DPW (\$62k) plus MIIA and Marina Insurance (\$4,157) total \$91,645 (total updated 3/28/23 but line-item changes not readily available), including benefits for the allocated DPW resources (\$23k).

Total Expenses: Direct plus Indirect - \$88,744 + \$91,645 = \$180,389 (updated 3/28/23)

Revenue and Funding:

No anticipated change in Rock Harbor Boat Basin permits/fees from FY23 to FY24:

Resident back-in	\$65	Est sales 694	Est revenue \$45,110
Non-resident back-in	85	436	37,060
Res Commercial/private	30	377	11,310
Non-res Commercial/private	45	212	9,540
Fuel Sales			<u>6,150</u>
		Estimated revenue	\$109,170

Other Funding Sources

The Town may be eligible for grant funding from the Seaport Economic Council and/or other sources for construction of the Rock Harbor commercial bulkhead. Partial funding has already been received from the Seaport Economic Council for dredging the harbor (a project shared with Eastham). Partial funding has also been provided for the redesign, permitting and construction of the fuel depot.

Balancing the Budget: As noted above, the FY24 budget the Rock Harbor Boat Basin Enterprise Fund again requires a subsidy from the General Fund (the “Budgeted Tax Levy Subsidy) to create a “balanced” budget. The FY23 subsidy was \$78,709 (39% of total Expenses) and the anticipated subsidy for FY24 will be \$71,219 (again, 39% of total Expenses per the Enterprise Fund Policy approved by the Select Board on 2/15/23). Note too that these calculations do not include debt service. Again, per the FY24 Enterprise Fund Policy approved by the Select Board, debt service for previously approved capital projects will continue to be funded by the taxpayers from the General Fund. The FY24 debt service for the Rock Harbor Boat Basin is \$571,300.

Strategic Considerations: As noted in the Fin Comm November 17, 2022 memo to the Select Board re “Enterprise Fund Evolution, Policies and Procedures”, the Town is now “half-way through the first 3 years of the initial Enterprise Funds, defined and approved by Town Meeting in October 2020, to take effect beginning July 1, 2021. Once established, Enterprise Funds are meant to ‘live’ at least 3 years before they can be ‘sunset’.” As further noted in the memo, now is an opportune time to take a good look at the Town’s Enterprise Funds and to make some corrections if/as appropriate.

With regard to the Rock Harbor Boat Basin Enterprise Fund, it is apparent that the sources of income (the revenue) and the community benefit are not well aligned. The revenue comes entirely from boat-owners using the marina facilities while the benefits are also enjoyed by those using the adjacent beach and access to the water for small watercraft such as canoes, kayaks and paddleboards. Rock Harbor is also a wonderful place for enjoying the sunset, year-round. Further, given the substantial cost of harbor capital spending requirements (eg, replacing the fuel tanks, periodic dredging, replacing/repairing the bulkhead), it seems unlikely that these costs could ever be absorbed by the Enterprise Fund.

Unless Revenue can be sourced more equitably, the Finance Committee recommends that the Town consider “sun-setting” the Rock Harbor Boat Basin Enterprise Fund at the end of FY24 and returning all operations to Town funding.

As a separate consideration, in a previous meeting with DPW Director Tom Daley, Fin Comm recommended that each of the Enterprise Funds develop an “asset management plan” similar to that developed and maintained by the Water Department - long-term capital plans, reviewed annually, with a 5-to-15 year horizon. If the Rock Harbor Enterprise Fund continues, an asset management plan would certainly be appropriate given the capital investment to date and anticipated for this Town resource.