



# City of Flagler Beach

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## MEMORANDUM

Date: April 5<sup>th</sup>, 2023  
To: Mayor & Commissioners  
From: Michael Abels, City Manager *MA*  
Subject: Bait Shop Cost-Benefit Analysis

**Purpose for Analysis:** On March 9, 2023 the City Commission directed staff to conduct a cost-benefit analysis for the City's Bait Shop to determine if the Bait Shop should remain operational during the period of time that the City Pier is closed.

**Background:** The Bait Shop has historically been an operational component of the City's Pier. The mission of the Bait Shop has been to support the visitors to the Pier who desire to fish by selling bait, tourist items, and fishing supplies. In 2022 the Pier had to be closed to visitor traffic because of damage suffered through a series of storm events. There is no fishing from the Pier but the Bait Shop does sell limited amounts of tourist supplies, bait etc. to people fishing from the beach. Estimates are the Pier will remain closed until the end of 2025 at which time it will be reconstructed.

**Cost Analysis:** Following is the Pier revenue compared with expenditures from the period 2019-2023. The revenues and expenditures are very close to actual but may not be exact as the pier revenue and expenditures had to be separated from the Bait Shop revenue and expenditures. The separation of expenses incurred by the Pier from the Bait Shop is probably not exact.

The Bait Shop is established as an enterprise fund. Enterprise funds are meant to be self-supporting thus not requiring financial support from the General Fund.

	2019	2020	2021	2022	2023(5 months)
Revenues \$	112,192	72,987	118,298	143,602	7,715
Expenditures \$	195,058	197,285	193,889	231,108	31,553
Net +/- \$	- 82,866	-124,298	- 75,591	-87,506	-23,838

The analysis demonstrates that the Bait Shop has historically been subsidized through the city's General Fund. However, the General Fund subsidy has grown significantly after the pier was closed. The deficit shown for 2023 is a five-month projection and it is estimated the year-end deficit will approach \$60,000. It should also be considered that the pier will be under demolition during the summer of 2024 likely resulting in the Bait Shop being forced to close for some period of the demolition. When that occurs, and revenues largely cease, the deficit will grow.

**Other Discussion:**

There are five employees assigned to the Bait Shop. One is a full-time manager and four are part time support staff. The full-time manager can be offered reassignment to another department to meet operational needs. Such reassignment may or may not be at the manager's current classification.

**Conclusion:** Revenues from the Bait Shop have decreased significantly due to the closure of the pier. Currently four employees are assigned to the Bait Shop. They will probably cease or be significantly reduced in the summer of 2024 for some period with the demolition/construction of the Pier which is projected to last for 16 months.

Expenditures during the Pier closure have also decreased but not proportionate to the decrease in revenues. To maintain the current structure, the City will be required to significantly increase financial support through the General Fund. It is estimated that the General Fund will need to subsidize the Bait Shop by as much as \$100,000 in 2023/2024.

**Alternatives:**

1. Bait Shop remain open and subsidize operations through the General Fund.
2. Close the bait shop effective June 1, 2023 and reopen as City Bait Shop after the Pier is reconstructed in 2025.
3. Close the Bait Shop effective June 1, 2023 and advertise RFP for private operation of space occupied by the Bait Shop. Financial support of the Bait Shop would be the total responsibility of the private operator. Bidders could propose an opening date for the new private use.

**Recommendation:**

Close the Bait Shop effective June 1, 2023 and advertise an RFP for private operation of space occupied by the Bait Shop. Historically, the General Fund has financially subsidized the Bait Shop. Closing the Bait Shop and soliciting private vendors to occupy the space will possibly facilitate new creative uses of the space while concurrently allowing the City to allocate General Fund dollars to the City's highest program priorities.

Copy: Drew Smith, City Attorney  
Department Heads