



**Request for City Council Committee Action
From the Department of Community Planning & Economic Development**

Date: December 13, 2005

To: Council Member Lisa Goodman, Community Development Cmte
Council Member Barbara Johnson, Ways and Means/Budget Cmte

Prepared by: Jim Forsyth, Senior Project Coordinator, Phone 612-673-5179

Presenter in Committee: Jim Forsyth, Senior Project Coordinator

Approved by: Chuck Lutz, Deputy CPED Director _____

Subject: Authorization to sell or otherwise dispose of the City-owned tow boat, the Rose Bee; amend the Upper Harbor Terminal Operating Agreement accordingly and transfer \$13,000 from Fund SUR to fund ERT to meet expenses associated with the boat.

RECOMMENDATION: Authorize the disposition of the Rose Bee, make appropriate amendments to the Upper Harbor Terminal Operating Agreement between the City and River Services Inc. (RSI) and transfer \$13,000 from Fund SUR to fund ERT for costs associated with retention of the Rose Bee in 2006.

Previous Directives: In July 2004 the City Council authorized an Operating Agreement with River Services Inc. to manage and operate the City's Upper Harbor River Terminal from 2005 through 2014. The agreement identifies the Rose Bee as a City owned asset for use at the Terminal.

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to next box)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain): Sale of the Rose Bee may provide revenues to the River Terminal Fund (ERT) and reduce annual operating costs of the UHT and the cost of retaining the Rose Bee.
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (Summarize below)

Ward: 3

Neighborhood Notification: Not Applicable

City Goals: Maintain the physical infrastructure to ensure a healthy, vital and safe City.

Comprehensive Plan: Not Applicable

Zoning Code: Not Applicable

Living Wage/Job Linkage: Not Applicable

Background/Supporting Information

The City-owned tow boat, the Rose Bee, has served as a switch boat at the Upper Harbor Terminal since 1979. The boat was leased from Upper River Services between 1979 and 1994. In 1994 the boat was offered for sale and purchased by the City for \$55,000 when it was determined that acquisition was more cost effective than leasing the boat on an annual basis. While in service, the Rose Bee was used to switch barges to various locations within the UHT. The boat was also used for switching barges for the other terminals in the City and a fee was charged for that service.

The Rose Bee is a converted WW II Navy work boat called a sea mule. Sea mules were built by a number of manufacturers including the Chrysler Corporation, the builder of the Rose Bee's hull. The Rose Bee is over 39 feet long, nearly 16 feet wide and has a draft of 6 feet. The boat is powered by two 200 horsepower six cylinder diesel engines. A photo of the Rose Bee is attached as an exhibit to this report.

In a letter dated October 20, 2005, River Services Inc. (RSI), the operator of the Upper Harbor Terminal (UHT), recommended that the Rose Bee be sold. In 2004 RSI elected to dry dock the Rose Bee as part of their effort to streamline UHT operations and to reduce costs. These changes meant that the UHT would handle fewer barges and that the barges that were serviced at the terminal would arrive and depart in a relatively predictable manner. This predictability allowed the towing companies that bring barges to the UHT to use their boats to do whatever switching was necessary.

Although the Rose Bee is dry docked, the cost of keeping the boat is over \$12,000 per year (insurance is \$8,600 and storage is \$3,700). RSI stated in their October 20th letter that they foresaw no need for a switch boat in the future but noted that if a tow boat were needed one could be leased for short periods of time for less than the cost of retaining the Rose Bee. Finally, RSI also said that they believe the boat will deteriorate if not used and therefore urged that it be sold as soon as possible.

The Upper Harbor Terminal Redevelopment Study dated July 9, 2004, included recommendations for a feasibility study for keeping the Rose Bee at the site for use as a feature recognizing the site's previous use as a barge terminal. This report

acknowledges that proposal and recommends that the Rose Bee be offered initially to qualified parties able to assume ownership and responsibility of the boat for use in association with planned redevelopment of the Terminal. This report further recommends that beginning January 1, 2006 the City should assume the interim cost of retaining the boat (slightly more than \$1,000 per month) and seek a buyer. It is recommended that the Upper River Fund (Fund SUR) be used as the source of these funds. Finally, this report recommends that the boat be offered for sale on the open market if a viable offer for use in association with the redevelopment plans has not been accepted by April 1st of 2006. Disposition of the boat is anticipated by the end of June 2006 but this report provides for storage and insurance for the boat through the entire year.

The operating agreement between the City and RSI includes the Rose Bee as a City asset. Additionally, costs associated with the Rose Bee are to be included in the annual Operating Budget of the Terminal. Therefore, this report also recommends that appropriate city officials be authorized to amend the operating agreement as necessary to remove the Rose Bee from the River Terminal asset list and strike it as an item to be included in the River Terminal Operating Budget beginning January 1, 2006. The 2006 Operating Budget for the Terminal, whose approval is requested as a separate agenda item for the City Council, does not include costs associated with the Rose Bee.

