

John E Wells, Jr
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TO: Mayor Johnston, City Commissioners
CC: City Manager, City Attorney, City Clerk
FROM: John E Wells
RE: Port of Key West – FDOT Grant – Agenda Item
DATE: 28 February 2022

Key West Mayor Johnston and City Commissioners:

When you deliberate Agenda Item 19 at the 1 March 2022 Commission meeting, please consider the following salient points:

1. The proposed total grant amount of \$5,018,855 is based on the calculated loss of revenue from curtailed port operations in the City of Key West during the 19-month period of the CDC's No Sail Order. Acceptance of this grant will be a welcome acknowledgement by the City Commission to the community that substantial economic benefits to Key West are in fact derived from maritime commerce in general and the cruise industry specifically.
2. The proposed Florida DOT Coronavirus State Fiscal Recovery Funds grant is addressed to the "Port of Key West" - not the City of Key West. At the present time the City Manager has formally closed the Navy Mole to cruise ships and is proposing a closure of Mallory Pier to cruise ships. If that condition prevails, then the City Commission has effectively legislated the closure of the "Port of Key West." In contrast, Pier B is a private enterprise that operates on a federal thoroughfare, independent from administration by the City. The City has never expended funds for the improvement and maintenance of Pier B as part of Port infrastructure. Therefore, if the City executes its plan to close the two port facilities it administers, it will vacate all rights, responsibilities, and powers as a municipally directed Port Authority. In effect, this Commission will have legislated an end to a Florida's oldest deep water port.
3. A thorough reading of the Subrecipient Grant Agreement shows that granted funds can only be expended for approved port projects and port related expenses. Examples of approved projects include improvement of Port infrastructure and lost incomes due to the interruption of maritime commerce due to the coronavirus pandemic. Grant funds are not to be used for non-port related pet projects advanced by Commissioners in their districts. Grant funds are not to be advanced to the City Treasury to increase salaries or retirement packages for City employees. Nor can the grant be used to pay legal bills from a special counsel who was retained to advise the Commission on how to exclude or restrict ship traffic. Such a flagrant action would not withstand the required audit.

4. In 2019, the last year of full cruise ship operations in Key West, there were 417 cruise ship port calls. Those ship visits were distributed as follows:

Mallory Pier (City)	34	8.2%
Navy Mole (City)	136	32.6%
Pier B (Private)	<u>247</u>	59.2%
TOTAL	417	

I submit that the tenets of fiduciary responsibility dictate that Pier B Development Corporation (PBDC) is eligible to receive 59.2% of the offered grant funds. PBDC provides its own facilities and administration. It expends significant money on pier maintenance and improvement, employee costs and insurance. The City has directly benefited from PBDC operations via payment of 25% of gross pier revenues to the City treasury. It follows that Pier B should receive relief from coronavirus losses as well as the City.

4. For decades, the Port of Key West has benefited from private businesses that provide critical services that enable the City and community to collect significant revenues from cruise ships. Those private enterprises include Pilots, Ships' Agents, Linehandlers, and Linehandling boat operators among others. All of those entities and their employees have been decimated by the same interruption of ship traffic that the FDOT grant intends to redress. Any City application for grant funds should reasonably include consideration and allocation to the private maritime community.

5. Finally, it is ironic indeed that the City of Key West seeks to take advantage of this Grant, considering the months of remarkable hostility towards maritime commerce in Key West by the current administration. Though such hostility has resulted in real, quantifiable harm to my company, I do not offer these observations as a way to take the City administration to task for the damage it has done to my business and others. I present this information in a *final* hope that you will all reconsider the path you have taken regarding the Port of Key West. As a matter of course, I am ensuring that all relevant agencies and offices in Tallahassee are apprised of your intention to close Mallory and the Navy Mole, even as you request funds to maintain the Port. Those intentions are being noticed.

Sincerely,

John E Wells, Jr.

JOHN E WELLS, Jr
201 Front Street