

BCC MEETING DATE: June 6, 2023
AGENDA ITEM: DEPT-3

**MARTIN COUNTY, FLORIDA
SUPPLEMENTAL MEMORANDUM**

TO: Honorable Members of the Board of County Commissioners **DATE:** May 30, 2023

VIA: Don G. Donaldson, P.E.
County Administrator

FROM: George Stokus
Assistant County Administrator

REF: 23-0875

**SUBJECT: SAILFISH SANDS RESTAURANT, BAR AND HITTING BAYS
OPERATION**

BACKGROUND

On March 8th, 2022, the Board of County Commissioners (Board) approved the Public Purpose Lease Agreement with LaMattina Management, Inc. to manage and operate Sailfish Sands Restaurant, Bar and Hitting Bays. Operations of the facility began on October 20, 2022, and the first monthly payment of \$42,594 was due after 30 days of continuous public operations which was on December 1, 2022. Payment for December 1, 2022, from LaMattina Management, Inc. was not received until January 4, 2023.

REVENUE ANALYSIS

The lease agreement provided that the County had access to the point of sales system (TOAST POS) to monitor all revenue. A summary of the extracted reports from the TOAST POS is summarized below. Staff analysis showed that sufficient revenues were collected to cover expenses, including rent. The total past due rent of \$250,900.84 (including \$17,889 in tax) represents less than 12% of the gross revenue (\$2,116,453) collected. As required by the lease, the County pays for the Top Tracer ball tracing gaming technology, provides all golf balls/labor to retrieve balls, pays 30% of the FPL utility bill, and maintains elevator, life safety, cameras, alarm monitoring, landscaping, irrigation, parking lot lights, a/c maintenance, etc.

TOAST POS Report Date: October 20, 2022 thru May 15, 2023

MONTH	HITTING BAYS		HITTING BAYS
	GROSS SALES	GROSS RENTAL SALES	GROSS RENTAL /FOOD/BEVERAGE
Oct-22	\$92,957.13	\$9,464.88	\$38,405.00
Nov-22	\$267,752.27	\$62,014.38	\$143,333.62
Dec-22	\$384,995.00	\$74,130.70	\$223,883.75
Jan-23	\$328,921.13	\$68,276.75	\$184,685.77
Feb-23	\$297,672.26	\$63,598.83	\$171,174.16
Mar-23	\$342,110.92	\$73,521.27	\$192,288.11
Apr-23	\$292,681.67	\$66,548.60	\$163,330.75
May-23	\$109,362.85	\$22,772.12	\$60,149.58
TOTAL	\$2,116,453.23	\$440,327.53	\$1,177,250.74

*Gross revenue includes all sales, taxes, tips, gratuities, and gift cards

PAYMENT RESOLUTION EFFORTS

On January 4, 2023, staff met with the officers of LaMattina Management, Inc. to discuss a resolution to the rent due for the month of December 2022. On this day Lamattina Management, Inc. provided the first and only full payment of rent in the amount of \$45,146.64 (inclusive of sales tax). On January 30, 2023, the County received a partial payment of \$20,000 (not including sales tax).

Over the course of the past five months staff has continued to meet with LaMattina Management, Inc. to resolve payment issues. Ongoing negotiations with LaMattina Management, Inc. included:

1. Their request to make partial payments and enter a seasonally adjusted rent program.
2. County's willingness to accept capital assets (i.e., restaurant equipment, POS, smallware, etc.) in lieu of cash to meet their contractual rent. LaMattina Management provided the County with a report that totaled all start-up costs including capital equipment at \$643,712.

Unfortunately, Lamattina Management, Inc. was unable to reach an agreement to pay the obligated contractual rent. On May 15, 2023, the County and Lamattina Management, Inc. agreed to transition the negotiations into a Mutual Termination Agreement.

MUTUAL TERMINATION AGREEMENT

LaMattina Management, Inc. was \$250,900.84 behind in past due rent as of May 14, 2023. The value of the capital assets (i.e., restaurant equipment, small ware, etc.) as listed on provided invoices is valued at \$256,831.51. Staff agreed that this was an equitable exchange for the obligated contractual rent due and recommends the Board approves the mutual termination agreement (attached).

On May 15, 2023, County Parks and Recreation staff accepted control of the vacated property with the assistance of the County General Services Department. The tenant vacated the property and subsequent access was allowed under staff supervision to allow the tenant to remove equipment, food, and beverage from the facility.

On May 16, 2023, LaMattina Management, Inc. agreed to a mutual termination of the public purpose lease. In recognition of the \$250,900.84 owed to the County, LaMattina Management, Inc. sold assets in good title (UCC) to the County in approximate value. LaMattina Management, Inc. also agreed to assist with a transition plan and reassignment of point-of-sale software, food and beverage licenses and provide a list of all future bookings for the facility.

On May 18, 2023, the County Parks and Recreation (PRD) staff began to evaluate the facility and begin rehabilitating the facility into a tenable condition for future public events. PRD staff is making accommodations to allow the listed booking provided by LaMattina Management, Inc. to occur and honor the commitments made by the tenant.

ISSUES

1. Staff is seeking direction from the Board regarding the future operation of the facility. Staff is prepared to manage and operate the facility in the interim. Staff has researched and met with local business analysts to assist in valuing the operation of the business and local appraisers regarding the value of the building. In these consultations and meetings, the majority opinion is that a full year of revenue and expenses is needed to have a better

representation of the value that the County could receive if the County were to move forward with a private operator.

2. Staff is also seeking direction regarding the serving of alcohol. The County currently restricts alcohol service to wine, beer, malt beverages, and premixed drinks. The serving of traditional “liquor” has been prohibited from County run facilities. Staff would recommend that the Sailfish Sands Golf Course, Restaurant, Bar and Hitting Bays (Sailfish Sands) follow the same restrictions. This recommendation is made so that the facility will remain family-friendly and not place the County in an adverse liability position.
3. Staff is also drafting a policy to allow for the tipping of contract (Resource Government Services) employees at the Sailfish Sands. The policy is being drafted because the facility would be providing tableside service that follows a traditional model of compensation or a resort model. Staff proposes that all transactions will be cashless. This will allow for all tips to be recorded and reported to the Internal Revenue Service and the Martin County Clerk and Comptroller. The Board directed policy will be provided at a future board meeting.
4. Staff has proposed that gift cards will be honored until December 31, 2023. The current outstanding gift card balance as reported in TOAST POS is \$14,243.80. Gift cards will only be honored if accompanied by a receipt of payment and a registered transaction record within the point-of-sale system (TOAST POS). Staff believes that honoring the commitments of the previous tenant will go far in the overall reputation of the County facility and the County operation.
5. If the facility remains closed, the County must still maintain and expense operating costs for; Top Tracer Lease, elevator, life safety, cameras, alarm monitoring, landscaping, irrigation, parking lot lights, a/c maintenance, FPL, etc.
6. It is estimated that developing a revised Request for Proposal (RFP) inclusive of proper advertising, mandatory pre-bid meetings, selection committee review, and lease negotiations will take 4 to 6 months. This does not account for new tenant startup items (new alcohol license, food/beverage license, POS implementation, hiring, training, etc.) which could take up to 4 months.

FISCAL IMPACT:

Based on preliminary data reviewed by the Parks and Recreation Department, it is estimated that the Sailfish Sands Golf Course Hitting Bay and Restaurant operation will collect fee revenues of approximately \$655,000 for the remainder of Fiscal Year 2023 if the facility is opened by July 2023. Anticipated operating expenditures are estimated to be approximately \$485,000. It is projected that the facility should generate a net profit of 15% annually.

RECOMMENDED ACTION:

Move that the Board:

1. Approve the Mutual Termination Agreement as provided.
2. Authorize staff to manage the facility for one year and provide an update to the Board in January 2024.

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3. Authorize the County Administrator to execute the 4COP-11CG (Golf Course) liquor license limiting sales to wine, beer, seltzers, pre-mixed drinks, and malt beverages.
4. Authorize a cashless operation and direct staff to bring back to the Board directed a tipping policy for table service.
5. Authorize staff to honor all eligible gift cards by December 31, 2023.
6. Move that the Board adopt the Budget Resolution to establish the Sailfish Sands Hitting Bay/Restaurant operating budget for the remainder of Fiscal Year 2023.
7. Develop a revised RFP to include a performance bond or other means to ensure financial viability of future lessee.

DGD/GS/cs
Attachments

Reviewed by County Attorney's Office

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