

SUFFOLK COUNTY LEGISLATURE



Lance Reinheimer
Director

BUDGET REVIEW OFFICE

April 15, 2021

Honorable Robert Calarco, Presiding Officer, and
Members of the Suffolk County Legislature
William H. Rogers Legislature Building
725 Veterans Memorial Highway
Smithtown, New York 11787

Dear Legislators:

The attached report is the Budget Review Office analysis of the financial and supporting documents presented by Mooney Enterprises I, Inc. in support of its petition for licensure of Fire Island Marine Services, LLC (FIMS). Pursuant to Chapter 455 of the Suffolk County Code, Introductory Resolution No. 1193-2021 would approve the requested ferry license and franchise through March 15, 2026 and establish rates for the company's operations.

The Budget Review Office conducted a review of the certified and audited financial statements, which were prepared by an accountant with satisfactory peer review status. This is the initial licensing review for freight, construction, and vehicular transport operations for Fire Island Marine Services, LLC. Previously, this function was performed under another subsidiary of Mooney Enterprises I, Inc.

The Budget Review Office recommends approving the rates included in the petition submitted by Fire Island Marine Services, LLC.

Our summary of findings highlights those areas we believe to be most relevant and necessary for legislative deliberation. My staff and I are available should you have questions regarding this report.

Very truly yours,

Lance Reinheimer, Director
Budget Review Office

Review of
Fire Island Marine Services, LLC

Petition to Grant a License and Establish Rates

April 15, 2021

**Budget Review Office
Suffolk County Legislature
Smithtown, New York 11787**

**Analysis of Fire Island Marine Services, LLC
Petition to Grant a License and Establish Rates**

Summary of Findings

- Fire Island Marine Services, LLC, (FIMS) a subsidiary of Mooney Enterprises I, Inc., filed a petition for licensure and rate establishment on February 22, 2021. The required supporting financial documents were received by the Clerk of the Legislature on March 4, 2021.
- The petitioner is requesting a ferry license and franchise through March 15, 2026 for a fleet of eleven (11) vessels.
- The licensing resolution, Introductory Resolution No. 1193-2021, Approving Cross Bay Ferry License for the Fire Island Marine Services, LLC, was laid on the table on March 16, 2021. The proposed ferry rates are included as an appendix to the resolution and are also included in this report.
- Fire Island Marine Services, LLC, has complied with the provisions of Chapter 455 of the Suffolk County Code including submission of the required certified audited financial statements by an accountant providing proof of satisfactory peer review.
- This is the initial rate review and licensure for Fire Island Marine Services, LLC.
- Due to the nature of the business, contracted rental of vessels, crew and equipment, a review of cash controls was not necessary.
- When considered as a standalone entity, Fire Island Marine Services, LLC experienced net losses in both 2018 and 2019. However, Mooney Enterprises I, Inc., the parent company, was profitable in both years and had sufficient revenue to absorb the losses incurred by Fire Island Marine Services, LLC.
- We support the petition to grant a license and establish rates as submitted by Fire Island Marine Services, LLC.

Scope of Report

All ferry service operators who transport passengers and/or freight across bodies of water within the boundaries of Suffolk County are required to obtain a license and rate approval from the Suffolk County Legislature in accordance with the Suffolk County Ferry Service Law (Chapter 455 of the Laws of Suffolk County) as authorized by Section 131-g of the NYS Highway Law, Article 8 of the NYS Navigation Law and Article 6 of the NYS Transportation Corporations Law. The intent of the Suffolk County Ferry Service Law is to assure “continuous and adequate ferry service in Suffolk County”. The licenses granted by the County are not exclusive; non-exclusive licenses may be granted to as many service providers as deemed necessary.

A 2018 reorganization of Fire Island Ferries, Inc. and its related entities resulted in the creation of Mooney Enterprises I, Inc. and its three wholly owned subsidiaries: Fire Island Realty, LLC; Fire Island Marine Services, LLC; and Fire Island Terminal I, LLC (formally Fire Island Terminal, Inc.). Prior to 2018, freight and construction services and construction transport operations were conducted under either Fire Island Ferries, Inc. or Fire Island Terminal, Inc. As currently organized, two holding companies, Mooney Enterprises I, Inc. and Fire Island Ferries, Inc. (and its wholly owned subsidiary, Fire Island Water Taxi) comprise the Fire Island Group, although the Group is not a registered business entity under NYS Law.

As a result of the reorganization, the ferry operations for bulk freight, construction, dredging, and other similar functions were transferred to the new subsidiary, Fire Island Marine Services, LLC (FIMS). Since freight carriers are considered ferries under Suffolk County Law, this action triggered the requirement for the new entity to undergo a separate licensing and rate setting process. Prior to the submission of the petition to license and establish rates for FIMS, revenues and expenses had been booked under either Fire Island Ferries, Inc. or Fire Island Terminal, Inc., as appropriate.

Fire Island Marine Services, LLC submitted its petition to the Clerk of the Legislature on February 22, 2021 along with the required financial supporting documents on March 4, 2021 seeking Legislative authorization to establish freight rates and licensure as provided for by Section 131-g of the New York State Highway Law. The requested rates are detailed in the appendix to Introductory Resolution No. 1193-2021, and are included in a table within this report. Pursuant to the New York State Navigation Law and the County Ferry Service Law, the County Legislature is responsible for action on this request. The Legislative Budget Review Office reviews the application and presents its findings in a report to the Legislature for their consideration, per Section 455-3 of the Ferry Service Law. Pursuant to the County Ferry Service Law, petitioners must submit audited financial statements for the previous two years of operation. Fire Island Marine Services, LLC provided audited financial statements and supplementary information for the two years of operations, January 1, 2018 through December 31, 2019.

Fire Island Marine Services, LLC is a wholly owned subsidiary of Mooney Enterprises I, Inc., and except for the requirements of Chapter 455, would not typically report its finances separately from Mooney Enterprises I, Inc. King and Associates, CPA, P.C. audited and certified the financial statements.

King and Associates, CPA, P.C. provided documentation verifying that they have been peer reviewed within the last five years, in accordance with Chapter 455-3 (D) of the Suffolk County Code. Audited financial statements are intended to provide an independent, competent, and objective presentation of operations.

Our review includes an evaluation of the submitted financial statements and supplementary information, and comparisons with other ferry operations. We also toured the petitioner’s place of business in Bay Shore. BRO also had access to relevant information provided during the petitioner’s previous petitions for rate relief and licensure for other related entities. We did not review cash controls as FIMS is primarily a contract operation for construction, bulk freight, with a minimum charge of \$1,500, and does not typically handle cash in any way similar to the other corporate entities in the Fire Island Group.

Analysis of the Petitions for Rate Relief

The findings presented here are intended to aid the Legislature in its deliberations on the request for a cross bay ferry license by Fire Island Marine Services, LLC.

The Petition Seeking Rate Relief

The petition submitted by Fire Island Marine Services, Inc., states that the company is a for-profit transportation corporation organized under the Transportation Corporations Law of the State of New York, operating over and upon the waters of the Great South Bay within Suffolk County. The petitioner is organized to transport freight, equipment, materials, and other transportable matter for hire.

The petitioner is requesting a ferry license and franchise through March 15, 2026 for a fleet of eleven (11) vessels listed in Exhibit A of the petition.

Evaluation of Rate Schedule

Fire Island Marine Services Summary of Proposed Fare Structures			
Charter Services	CURRENT	PROPOSED	% CHANGE
Price Includes Vessel and crew for a maximum of 6 hours - including round trip loading, sailing and unloading time. (NO CRANE)	\$1,500	\$1,500	0%
Same as above with CRANE is an additional	\$300	\$500	67%
2nd Round Trip within the 6 hours is an additional (CRANE)	\$450	\$450	0%
2nd Round Trip within the 6 hours is an additional (NO CRANE)	\$300	\$300	0%
Overtime after 6 hour period, per hour or any part thereof	\$300	\$300	0%
Each additional crew needed for loading and unloading in a 6 hr period	\$300	\$300	0%
Forklift Rental with operator--first hour	\$250	\$250	0%
additional hour	\$125	\$125	0%
Items not listed on this table will be charged at the following rate \$5.00 per hundred weight	\$5.00	\$5.00	0%
Minimum Charge	\$2.75	\$2.75	0%

The previous table above summarizes the requested rate schedule for FIMS. The petition includes one rate increase, the initial crane surcharge, an increase from \$300 to \$500. When considered as a

standalone change, the increase is 67%. However, when considering the fee for the vessel (\$1,500), the actual increase is 11%. The petitioner states that the rate increase is required to account for the wear and tear on the crane.

Financial Statements

The petitioner submitted audited financial statements for their fiscal years ending December 31, 2018 and December 31, 2019 for Mooney Enterprises I, Inc. the holding company for Fire Island Marine Services and the two other Limited Liability Companies (LLC), Fire Island Terminal I, LLC, and Fire Island Realty, LLC. King and Associates prepared and audited the financial statements; their last peer review was completed in 2019. Both the Independent Auditor's Report and the Notes to Financial Statements accompanying the Audited Financial Statements include Fire Island Marine Services, LLC as a wholly owned subsidiary of Mooney Enterprises I, Inc. Generally accepted accounting procedures (GAAP) require majority owned subsidiaries be accounted for as consolidated subsidiaries. The unconsolidated reports were prepared at the request of the management of Mooney Enterprises I, Inc. for the required separate licensing of Fire Island Marine Services, LLC under the County Ferry Service Law for consideration of the combined licensure and rate petition. The Independent Auditor's Report contains sufficient information to determine the separate financial status of Fire Island Marine Services, LLC.

During our review, we analyzed additional information we considered necessary and appropriate in evaluating the rate petition.

Fire Island Marine Services, LLC submitted its most recent balance sheet for the year ending December 31, 2019, which shows assets and liabilities of \$1,275,193. The assets include Current Assets, \$744,067; Property and Equipment (net of accumulated depreciation), \$527,067; Other Assets, \$4,059. Liabilities include Current Liabilities, \$523,302; Long-Term Liabilities, \$610,485; and Stockholder's Equity, \$141,406.

Mooney Enterprises I, Inc., the parent company of Fire Island Marine Services, LLC, submitted income statements and supplementary information as part of their financial statements. The income statements include net losses for Fire Island Marine Services, LLC in 2018 of \$155,881 and in 2019 of \$232,604. Mooney Enterprises I, Inc., the parent company, was profitable in both years and had sufficient revenue to absorb the losses incurred by Fire Island Marine Services, LLC. Although the cost of operations for FIMS increased significantly in 2019 from \$141,383 to \$882,068, the operating revenue increased from \$284,545 in 2018 to \$980,100 in 2019. The increases in revenues are primarily due to an increasing operational tempo in all income categories except dredging, and the increases in operating costs are due to the transfer of relevant salary categories, notably maintenance staff, to FIMS.

Introductory Resolution No. 1193-2021

As part of the rate setting process, an Introductory Resolution and a Procedural Motion are before the Legislature concerning the petition for licensure and rate establishment. Procedural Motion No. 6-2021 set the public hearing for the approval of the license and the establishment of rates for Fire Island Marine Services, LLC, and Introductory Resolution No. 1193-2021 approves the new ferry license and establishes the rates through March 15, 2026.

The introductory resolution includes the rate schedule for the freight tariffs the petitioner seeks to establish for FIMS. Except for the \$200 increase (from \$300 to \$500) for the surcharge for crane operations, the rates are identical to those approved by the Suffolk County Legislature for freight operations pursuant to Resolution No. 272-2019, Authorization of Alteration of Rates for Fire Island Ferries, Incorporated.

Conclusion and Recommendation

Our analysis of the petition encompasses several perspectives. Rates should reasonably reflect operation costs without being excessive and should provide sufficient revenue for the business to be a going concern.

The Certified Financial Statements and the supplementary information provided by the petitioner, indicate losses for Fire Island Marine Services, LLC in 2018 and in 2019. There are no unusual administrative or operational expenses in either of the two years of financial statements submitted with the petition, and the large increase in operating expenses from 2018 to 2019 is somewhat offset by commensurate increases in operating revenues, despite the indication of losses in both years. The petitioner's request for an increase to the crane rate approved in 2019 is reasonable, given the increase in operational tempo indicated by the more than two-fold increase in operating revenues. Our belief that the requested increase provides some relief should not be interpreted as a belief that the requested relief is optimal.

Most of the ferries in the United States are public services, public benefit corporations, or concessionaires operating along a public route. New York State, and particularly Suffolk County, is unusual in that fully private companies provide ferry service. No Suffolk County ferry receives public augmentation to farebox revenues to either support capital improvements or to mitigate cost volatility, particularly fuel, for the proprietors; conversely the County receives no direct revenues from the operation of these private concerns. Although the ferries within the County provide a significant public benefit, the proprietors of these companies bear all the risk. The petitioner has demonstrated a consistent ability to operate in the public interest at a reasonable cost.