



## PORT COMMISSION OF THE PORT OF EDMONDS

### MINUTES OF PORT COMMISSIONER & STAFF WORKSHOP: 2015 - LOOKING FORWARD

April 1, 2015

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#### COMMISSIONERS PRESENT

David Preston, President  
Bruce Faires, Vice President  
Fred Gouge, Secretary  
Mary Lou Block  
Jim Orvis

#### STAFF PRESENT

Bob McChesney, Executive Director  
Marla Kempf, Deputy Director  
Tina Drennan, Finance Manager  
Brian Menard, Facilities Maintenance Manager  
Karin Michaud, Office Manager  
Kevin Danberg, Port Operations Supervisor  
Kelby Brown, Moorage Coordinator  
Jan Conner, Northwest Country Management  
Chris Osterman, Accounts Payable & IT  
Norm Mannhalter, Security Supervisor  
Megan Barnes, Administrative Assistant

#### CALL TO ORDER

Commission President Preston called the special meeting to order at 9:00 a.m.

#### PLEDGE OF ALLEGIANCE

All those in attendance participated in the Pledge of Allegiance to the American Flag.

#### PORT OF EDMONDS MARKETING

##### **Marketing:**

*Overall Purpose:* Provide quality facilities, impressive service, and convenient amenities that are seen as a good value, in order to obtain long-term and repeat customers, maximize existing facilities and service, and to generate increased revenue. Commissioner Faires commented that the last point (ability to generate sufficient revenue to maintain, upgrade and rebuild marina infrastructure systems) is not consistent with mission statement, and how the Port is currently able to operate.

*Marketing Theme:* Brand ourselves, to raise awareness of our quality facilities and our location, as well as the value of the Port. One theme is to attract new customers (especially customers of a youthful demographic), and discussion is needed on strategies to accomplish this.

*Quality:* Investment in the facilities (some include power pedestal upgrades, fuel dock improvements, public launch upgrades, weather center, breakwater lights), and daily maintenance (some include scrubbing the docks, pressure washing, cleaning, painting, striping).

*Value:* Security, pay at the pump, fuel discounts, quantity rewards, bring-a-buddy, environmental/educational seminars, tenant only rewards. Ms. Kempf noted that security is one of highest priorities for tenants, and new customers coming into the Port.

*Convenience:* Location, full service facilities, extended operational hours. Commissioner Faires asked how many of the smaller boats in the smaller slips are primarily here for the fishing season. Ms. Kempf answered that we had

roughly 70 empty slips during the off season, which are now filled for fishing season, and that she would estimate these are mostly for fishing (as well as the majority of the boats/tenants in dry storage). As the overnight holding lanes fill up quickly in the dry storage area during peak fishing season, we will include a reminder in the newsletter to plan ahead during these months.

Ms. Kempf presented statistics regarding the Port's 2014 marketing goals, outlined below:

- 97-98% financial occupancy in water (achieved 96%)
- 93-94% financial occupancy in dry storage (achieved 89%)
- Increase travelift & boatyard occupancy & revenues (travelift down 12%, boatyard occupancy down 12.5%)
- Greater tenant/non-tenant use of fuel dock (1.2% increase in gallons sold)
- Return guests and public launch users (144 50% off DPOE coupons were given out to 2<sup>nd</sup> year customers, 33 of these were redeemed)
- Environmental education (alternatives to copper bottom paint, zinc vs. aluminum anodes, marine corrosion seminar)

*Programs & Actions to Generate Excitement:*

Communications (newsletter, reader boards)

Boat Show

Boating Publications/Internet Presence

Website Enhancements

National Marina Day

Destination Port of Edmonds

Sea Jazz

Artists In Action

Free WiFi

*Focus During 2015:*

Successful Operations, well trained staff, well-functioning equipment

New Business (Jacobsen's, Puget Sound Express, Anthony's new banquet room)

Similar/same promotions

Fishing projections for 2015

**Strategic Plan Booklet**

Produced in house in order to capture our own Strategic Plan, marketing, and public relations. Mr. McChesney asked Commissioners to send their comments in regards to this.

**CASH FLOW MODEL**

This model is an analytical tool and a basis for the annual budget, intended to guide important policy issues for planning cash flow requirements as measured against anticipated capital replacement. Documents that feed into the cash flow model include capital budget, port assets schedule, capital replacement reserve, projected net income, and rental properties projected net income. The model began as a ten year model, and was later expanded to include thirty years of activity, in order to enable the Port to plan for major capital expenditures. Commissioner Faires questioned where the risk items are in the model. Ms. Drennan responded the total replacement of the marina, based on the total dollar value of the project. Additionally, as these items have not yet been bid out, the prices are the best estimate based on current knowledge and market conditions.

Commissioner Faires questioned if it would be beneficial to change the location of environmental remediation fund money, in order to gain more interest on it (bonds for example).

Any interest income received goes into a formula and eventually ends up in the capital replacement reserve. Additionally, if ending available cash exceeds \$500,000 at year end, the difference is transferred to the capital replacement reserve. One adjustment made was to have all capital projects expenditures come out of the capital replacement reserve.

The cash flow schedule provides a stable future, until the year 2036 and 2037. 2036 is the first projected year of the marina rebuild, which is reflected in the ending values for 2036 and 2037.

Commissioner Faires also noted that a good thing to keep in mind is that this is a model. He noted that the numbers are good and stable estimates, based on usable life, cost estimates, etc. However, it is not a true model of what will probably emerge, as the industry, environmental requirements, and other things will change in the future. He also states that this is the best model in order to explain and show what it does.

Commissioner Orvis stated he was happy with the model, and one of the benefits of the model is that it is self-adjusting, as revenue, inflation, and other numbers change. As these change, we are able to make adjustments and changes to the model itself. As need arises, we are able to modify this cash flow model to account for changing conditions and elements.

Commissioner Faires stated that the residents of the Port District paid for the marina to begin with. We are not a community where everything is paid for by taxes. We are a revenue generating enterprise. Short of any incremental capital investments, the marina should pay for itself from this point forward. He noted that the Commission may not necessarily agree with that, but we should not look to the public to replace the marina through taxes.

Commissioner Orvis responded that certain things are necessary to do based on what is requested by the taxpayers. Certain items and projects requested by the taxpayers stimulate a need for funding support from the taxpayers themselves. Additionally, there are rules imposed by legislature, where there is no funding support, thus relying at times on taxpayers' financial support. Additionally, there are situations where taxpayers have requests, and make clear that they are also willing to pay for it.

Commissioner Faires responded to this point by stating that the Port is not required to make a profit, but should be breaking even and should be breaking even long term.

Commissioner Preston further responded that the building of the original marina was passed by voters, knowing the cost that will be imposed upon taxpayers for a long term period.

Commissioner Faires noted that the operating expense projected increase should be reviewed, and it was agreed that this will be discussed at a future date with the finance committee. From this, something will be reported back to the Commission.

Commissioner Orvis stated that the Port has a model, but there is no reason that we can't have within the model an ability to adjust what we are using as our constant based upon updated information. One of the big weaknesses in models is they tend to get locked in stone, and don't get adjusted with reality. We have updated data so we can update the model to reflect this.

In regards to replacing broken, outdated items, the Port attempts to do this as environmentally, and energy efficiently as possible. Mr. McChesney noted that when doing so, the Port is conscientious about addressing these incremental issues in an environmentally conscious way. The Port has spent considerable time and effort doing so, such as replacing all Harbor Square lights with LED lights, and using LED lights in the new breakwater lights. Wholesale changes, such as replacement of HVAC units will more obviously show the efficiency benefits. It is also important to continually compare levels of efficiency with the cost of the replacements/upgrades.

#### **Bonding Capacity:**

The Port has two outstanding revenue bonds, and one limited tax general obligation bond (LTGO). The 1998 bonds paid to reconstruct the marina after the collapse in 1996 and refinance some outstanding bonds. The bonds have a coverage requirement of 1.25%.

The 2005 LTGO bond was issued to refinance the 1997 LTGO bond, which was issued to finance the construction of the marina. The ability to issue LTGO bonds is limited to .25% of the total taxable property value of the Port.

In 2006, the Port issued a Special Revenue Bond to purchase the Harbor Square property.

One of the common misconceptions is that when the Port's 1998 Revenue Bond and 2005 LTGO Bond are paid off in 2017, the financial pressure is off. Unfortunately, this is not the case. The Capital Budget shows that the Port will need approximately \$4 million in 2021 to 2024 to complete a waler replacement on the 1998 portion of the marina.

A second misconception is that the Port will be able to pay for the marina reconstruction at the end of the 1998 portion of the marina's useful life with bonds. The Cash Flow Model shows that the Port would need approximately \$56 million to rebuild the marina. Even with the improvements in financial condition made by the Port, the Port is still unable to bond a rebuild of the 1998 portion of the marina approximately 40 years after its construction.

Ms. Drennan reviewed three options for the issuance of bonds in the future. Option #1 outlines the capital replacement reserve without issuing bonds. Option #2 outlines issuance of bonds of \$9M in 2025, \$6.5M in 2030, and \$22M in 2036. Option #3 outlines issuance of bonds of \$22M in 2036 and \$13.5M in 2037.

**Limiting assumptions of the Cash Flow Model:**

1. It does not consider Harbor Square capital improvements.
2. This model was originally created to develop moorage rates, and based on the goal that the marina be self-sustaining over time, property taxes and property revenue were added, without adding capital improvements such as Anthony's building and Administration building.
3. Major mid-life capital asset improvements are not anticipated by the model.

**Cost Center History Reports:**

Ms. Drennan outlined the varying cost centers and their history since 2010. The fuel and oil products cost center attempts to mark up the product enough to break even before overhead. The guest moorage cost center absorbs all overhead and depreciation and contributes to subsidize cost centers that do not do as well. The permanent water moorage cost center covers costs, overhead, and interest allocation, but does not cover allocated bond payment. The boatyard cost center has been unable to cover all of its cost and depreciation before overhead. Mr. McChesney noted that this service is part of the marina portfolio. Commissioner Faires said it is part of providing the full service marina. Mr. McChesney noted this service will need to continue to be evaluated based on potential new legislature and permits. The launcher cost center has been doing quite well after overhead and interest allocation (in part due to a property tax allocation), without these we would about break even. The dry storage cost center is not covering its overhead or interest allocation. However, this program did better in 2014, in part through allocation of staff assets.

**ELECTRICAL INFRASTRUCTURE**

Mr. Menard discussed that in 2011 one of the major issues for the marina was electrical. In 2012, pedestals were reviewed, and many issues were discovered. Based on this, a marina-wide overhaul of pedestals was completed by Port staff. In the process of evaluations, the pedestals were made whole. One main issue found while doing this was the 50 amp receptacles that were modified. Some systems were never designed for 50 amp receptacles. Roughly 10-15 receptacles do not contain the correct taps, and these are non-compliant. This is crucial due to the potential failure. Another issue is that some docks are 208 service, and boats require 240 service (this leads to low voltage, and is hard on equipment, among other issues). The Port received a complaint about reverse polarity, went to inspect it and received fluctuating voltage. Staff determined there was a cable failure on T dock, as the cable was rubbing on the concrete float, putting stray current into the water. This cable was roughly 20 years old, and the engineers estimate the useful life of something like this to be roughly that. This was fixed, and upon reenergizing the dock, more issues were discovered. In the splice at the head of the dock, corrosion was discovered, as well as conductors without protection to the elements. A full inspection needs to be done of all splices in the marina.

The immediate next step will be to do a visual dive survey to inspect these feeders, and address these concerns, which is part of the Harbor Power Engineers recommendation. In the budget already is the I dock capital maintenance project. Power would need to be turned off on the docks, and tenants will be notified. These outages will not be prolonged, but actions will still be taken to limit inconvenience.

## **DEPARTMENT REPORTS**

### **Marina Operations (Kevin Danberg)**

Three goals for Marina Operations:

1. Staffing (including summer seasonal employees, as well as going into the peak season with a full staff).
2. Equipment (knowing the equipment that we are using, how to maintain and fix it, how to safely operate).
3. Customer Satisfaction (if you fail at either of the first two, it is difficult to maintain customer satisfaction)

### **Human Resources (Karin Michaud)**

Ms. Michaud summarized the recruiting process for seasonal employees. The job runs from May through October, and is advertised through many different mediums. One problem arising is a lack of applicants for this seasonal position. The need for finding, recruiting, and hiring qualified applicants for this position is crucial to the peak summer season running smoothly, keeping tenants and customers satisfied, and keeping staff morale up.

### **IT (Chris Osterman)**

The new Port website went live last September, including a new site for Harbor Square. In addition to this, numerous staff members have been trained on how to edit the website and add new content. New pages have been added, and content has been edited. For the future, would hope to refine the Harbor Square site, explore the use of surveys for the usefulness of the site and the best way to get information to people, new graphics for some Port pages, and refine the instruction manual (created in-house).

The Weather Center is also being remodeled and recreated. The goal for this project has been updated due to changing technology and the expected outcome for the center. This should be up and running in mid-April. This will serve multiple purposes, including a reader board for guest boaters, and a TV to display Port advertisements, marina information, etc.

Mr. Osterman receives numerous questions in regards to IT from staff. He hopes to create a bank of information outlining regularly asked questions that he can redirect staff to.

### **Security (Norm Mannhalter)**

1. Safety of everyone while on Port property (tenants, public, customers, staff, Commissioners, and especially making a note to know who the liveaboard tenants are in case of emergency)
2. Protection of Port property (patrols in the truck, on bicycles, on foot)
3. Available resources and tools (not just patrol, but assistance with helping people moor and tie up their boats, giving out information about fees, the marina, downtown Edmonds, etc.)

### **Moorage (Kelby Brown)**

1. Maintain highest possible occupancy (calling back prospective tenants as soon as possible and getting the full set of information, full disclosure to prospective tenants)
2. Increase insurance and registration compliance (annual letter to tenants for registration expiration, sending out quarterly compliance letters to tenants)
3. Follow-up and organization (staying current with all filing, making sure tenants are compliant, returning phone calls and emails in a timely manner)

### **Harbor Square (Jan Conner)**

Building 1: 85% occupancy

Building 2: 85% occupancy

Building 3: 80% occupancy

Building 4: 60% occupancy

Building 5: 89% occupancy

Manage the property with the objective to retain, repair, maintain the facility, customer service, and recruitment of new tenants.

**DEVELOPMENT OPTIONS (WEST SIDE)**

Commissioner Gouge suggested a separate workshop for this item, in order to gather information on the available land, square footage, and opportunities.

Mr. McChesney noted that one of the constraints on further development is the City's Shoreline Master Plan. The area does not fall within the buffer zone, but does fall within the jurisdiction of shoreline. The permitting timeline has also gotten much longer and more expensive. There needs to be a discussion on the preferred type of use, and whether development would need to be marina related.

**DISCUSSION & WRAP-UP**

Commissioner Faires commented that the Port has very normal challenges to face. He questioned if there was more that we could be doing.

Commissioner Orvis responded that he agrees with Commissioner Faires that perhaps we are not doing everything we should be doing, but given the environment in which we live, we have done and are doing everything we can. Unless something changes within the community, there does not seem to be a place to expand leadership.

Commissioner Gouge questioned how we can continue to be leaders in the fields of tourism and economic development, and noted that we should still be trying to attempt economic development.

Commissioner Orvis cautioned against doing anything that could distract from our reputation, and added that we would never want our opportunities limited due to this.

Commissioner Preston added that we should continue to question what more we can be doing.

**ADJOURNMENT**

The Commission meeting was adjourned at 2:15 p.m.

Respectfully submitted,



Fred Gouge  
Port Commission Secretary