

## PORT COMMISSION OF THE PORT OF EDMONDS

### MINUTES OF REGULAR MEETING

October 12, 2009

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#### Commissioners Present

Bruce Faires, President  
Mary Lou Block, Vice President  
Marianne Burkhart, Secretary  
Fred Gouge

#### Staff Present

Bob McChesney, Executive Director  
Marla Kempf, Deputy Director  
Tina Drennan, Finance Manager

#### Others Present

Bradford Cattle, Port Attorney  
Karin Noyes, Recorder

#### Commissioners Absent

Jim Orvis

#### CALL TO ORDER

Commission President Faires called the meeting to order at 7:00 p.m.

#### PLEDGE OF ALLEGIANCE

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

#### CONSENT AGENDA

The Commission pulled Item B (Approval of September 28, 2009 Commission Meeting Minutes) from the consent agenda.

**COMMISSIONER GOUGE MOVED THAT THE REMAINDER OF THE ITEMS ON THE CONSENT AGENDA BE APPROVED TO INCLUDE THE FOLLOWING:**

- A. APPROVAL OF AGENDA AS AMENDED.**
- C. APPROVAL OF CHECK NUMBERS 5451 THROUGH 5462 IN THE AMOUNT OF \$576.51 FOR TENANT REFUNDS.**
- D. APPROVAL OF CHECK NUMBERS 68580 THROUGH 68609 INCLUDING DIRECT DEPOSITS D00513 THROUGH D00523 IN THE AMOUNT OF \$47,309.98 FOR PAYROLL.**
- E. APPROVAL OF CHECK NUMBERS 68610 THROUGH 68613 IN THE AMOUNT OF \$27,697.14 FOR PAYROLL.**
- F. APPROVAL OF CHECK NUMBERS 68614 THROUGH 68654 IN THE AMOUNT OF \$81,387.92 FOR ACCOUNTS PAYABLE.**

- G. APPROVAL OF CHECK NUMBERS 11049 THROUGH 11061 IN THE AMOUNT OF \$33,656.53 FOR HARBOR SQUARE ACCOUNTS PAYABLE.**
- H. APPROVAL OF EDMONDS YACHT CLUB – HOLIDAY ON THE DOCKS PROGRAM.**
- I. AUTHORIZE MODIFICATION OF EMERGENCY REPAIR TO THE PUBLIC LAUNCHER.**

**COMMISSIONER BURKHART SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.**

**APPROVAL OF SEPTEMBER 28, 2009 COMMISSION MEETING MINUTES (Item B on the Consent Agenda)**

**COMMISSIONER BURKHART MOVED THE COMMISSION APPROVE THE MINUTES OF SEPTEMBER 28, 2009 AS AMENDED. COMMISSIONER BLOCK SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY, WITH COMMISSIONER FAIRES ABSTAINING.**

**PUBLIC COMMENTS**

No one in the audience expressed a desire to address the Commission during this portion of the meeting.

**PUBLIC HEARING ON DRAFT 2010 OPERATING BUDGET**

Mr. McChesney announced that the draft 2010 Operating Budget was advertised in the local newspapers and posted on the Port's website on Friday, October 9<sup>th</sup>. He noted this is the first of three public hearings, and the purpose is to solicit input from the public on various issues pertaining to the budget. After the public hearing, the Commission would conduct a comprehensive discussion of the draft budget. Commissioner Faires advised that in addition to the formal public hearing, the Commission would also entertain informal comments from the public after their workshop discussion. The public hearing was opened and the public was invited to comment.

**Herb Anderson** asked how much input and direction the Commission provides to staff as they prepare the draft budget. Mr. McChesney noted that the staff and Commission have been in the budget process since July, and staff has met monthly with the Finance Committee to review various parameters and assumptions to frame the budget discussions, clarify policy issues, anticipate different expense categories and predict revenues. The process is iterative and includes a lot of Commission involvement. Commissioner Faires added that two Commissioners serve on the Finance Committee. This is not only the first opportunity for the public to comment on the budget, but the entire Commission has only had a copy of the draft for a few days.

Mr. Anderson referred to the minutes of September 14, 2009, which contain a statement by Gary Ostlund regarding moorage rates. He agreed with Mr. Ostlund's comments against any moorage rate increase in 2010 and suggested the Commission should consider decreasing the moorage rates by approximately 5%. In addition, he suggested the Commission consider cancellation of all new fees in the current proposal and not increase other fees, either.

No one else in the audience expressed a desire to participate in the hearing, and the public hearing was closed.

**WORKSHOP DISCUSSION ON DRAFT 2010 OPERATING BUDGET**

**Introduction**

Mr. McChesney said staff believes the current proposal is a reasonable approach to the 2010 Operating Budget, bearing in mind that their goal was to present a budget that was balanced. While they considered the sensitivity and recent public comments to hold moorage rates steady, this would not allow them to present a balanced budget. He referred to the calibrated table that shows what the net income would be at various levels of moorage rate increases, starting with no rate increase, which resulted in a net loss of \$187,000. Staff was surprised to learn that they could

not get to a balanced budget until the rates were increased by 6%. Even after making preemptive cuts of about \$100,000, there was still a serious shortfall to make up. In order to address the shortfall, staff is recommending the Commission consider an option that would allow the Port to recapture "orphan" expenses. He explained that the current moorage and dry storage rate structure does not account for increases in direct pass-through costs such as garbage and recycling, water and sewer, and common electricity costs that are currently absorbed by the Port. Staff is recommending an alternate billing method similar to a triple net lease agreement, where operating costs would be directly passed through to the lessee.

Ms. Drennan observed that the 2010 Draft Operating Budget was challenging to put together and some things changed during 2009 that had a direct impact on the 2010 budget. She reviewed the most significant changes as follows:

- Not only have interest rates changed dramatically, but the State also requires that banks have to insure or collateralize all government deposits at 100%. The Port's interest income has dropped by approximately \$200,000 per year.
- The Government Accounting Standards Board now requires government entities to begin recording a liability for Other Post Employment Benefits for the 2009 calendar year. This liability is phased in over a 10-year period, and the 2009 liability will be approximately \$100,000. The Port is a member of the Health Care Authority, which provides medical insurance to the Port's retirees. As the Port's medical premiums for current staff are higher than those charged to retirees, the Port is providing a direct and indirect subsidy.
- The marina is aging, and the mid marina walers are now between 25 and 30 years old. She recalled that when staff replaced the walers on the fire boat dock, they found them to be in very poor condition, and the mid marina (M/N Dock) walers are even older. Staff believes they should be replaced in 2010 at a cost of about \$110,000.
- The Commission previously stated their desire to reseal the docks. While staff has been able to seal a few of the docks, the project has been postponed a number of times. Staff is recommending the Port hire a contractor to seal the remaining docks in 2010 at a cost of approximately \$160,000.
- The marina operations restroom retrofit project was originally scheduled for completion in 2009, but the adjusted budget indicates this project would not occur until 2010.

Ms. Drennan summarized that the total affect of the five changes result in a decrease in revenue and an increase in expenses of approximately \$625,000.

Commissioner Gouge requested more information about the condition of the existing mid marina walers. He also expressed concern that pushing the waler project to 2011 or 2012 could result in a higher cost. Mr. McChesney explained that the walers are part of the float structure. They are made of wood and are exposed to the elements. While the Commission could choose to defer any project, he cautioned against postponing maintenance on such a critical structural element. In his point of view, the walers should be replaced before they go into failure mode.

Commissioner Block asked if it would be possible for staff to drill into the walers to assess the condition of each one. Mr. McChesney agreed that it would be possible to poke around and find soft spots, and staff would perform this assessment before moving forward with a replacement project. However, it is important to understand that rotting wood does not spread uniformly. Staff might be able to locate most of the rot, but they may also miss some. It is his professional opinion that many of the walers should be replaced in the very near future. Ms. Drennan added that staff has also voiced a concern that boats could be damaged, which creates an additional liability risk.

Commissioner Gouge inquired if it would be more cost effective to do all of the walers at the same time. Mr. McChesney explained that because of float design, it would be difficult to selectively do one waler at a time. The walers are all tied together in a lattice work of through rods, timber and concrete that make up the float.

Commissioner Faires inquired if an engineering assessment has been completed on the condition of the walers. Mr. McChesney answered that no engineering report has been done. The information provided to the Commission was based on staff's observation, experience and assumptions. However, before staff actually issues a scope of work or a contract, an engineering assessment would be performed to substantiate the staff's assumptions. Ms. Kempf pointed out that already, some of the floats are uneven as a result of the waler conditions. There are some safety issues associated with the situation, as well. She agreed with Mr. McChesney that an engineering report would be solicited before moving forward with the project. Ms. Drennan pointed out that the estimated cost of \$160,000 was provided by Mr. Yeager based on the cost of replacing the walers on the fire boat dock.

### **Marine and Property Budget**

Ms. Drennan referred to the draft 2010 Operating Budget. She and the Commission specifically reviewed the following:

- **Permanent Moorage.** Ms. Drennan advised that the proposed budget identifies a rate increase of 3%, which would result in \$78,000 of additional revenue. The average rate increase over the past 10 years has been 5.4%. Commissioner Faires voiced opposition to the proposed 3% rate increase. He noted that in the past, the Commission has traditionally tied rate increases to the Consumer Price Index (CPI), which makes sense unless there are extraordinary reasons to support a greater increase. Last year, the Commission raised rates by 1.8% less than CPI. He argued that 3% is not reasonable from the customer's perspective since the CPI is actually negative. In addition, steps could be taken in the budget to make it possible to decrease rates.

Mr. McChesney referred to the chart that was prepared to provide billing examples using the new concept proposed by staff to bill tenants for line item pass throughs. He noted that a 6% moorage increase would get the budget to a break even point with the original framework and no changes in the billing method. However, staff felt it would be fair to break the costs out and bill the tenants pro rata as direct costs. Using this method and a moorage rate increase of 3%, the Port would be able to recover their costs and net about \$40,000 in income.

Commissioner Faires expressed his belief that staff's proposal is effectively a rate increase of approximately 6%. It is not just a break down of costs for clarity, but they would actually be charging the tenants significantly more than they currently are required to pay.

Commissioner Gouge reminded the Commission that over the past several years, they have tried to set aside 1% of the total operating revenue for capital replacement, and the proposed budget would be no where near that goal. They were not able to set aside a full 1% last year, either. He also reminded the Commission that moorage rates were not increased to CPI last year. The Port should not ask the taxpayers to continue to pay taxes if the tenants and other people who use the marina facilities are not being required to pay for their share of the costs. He recalled that the Commission previously made the decision to keep the public launcher open, even though it loses money every year. Staff is also proposing a 7% rate increase for the launcher. He questioned the fairness of asking one group of users to pay more than another. Eventually, the Port will have to ask taxpayers to float another bond to rebuild the marina. The cost recovery program was started years ago for this very purpose. A few years later, the Commission agreed they needed to peel off 1% each year. This has not occurred, and they are falling significantly behind in their goal. They cannot make up this lost revenue unless they raise the rates greater than CPI. He encouraged the Commissioners to consider the value of the Port's assets and how they will pay for them into the future.

Commissioner Faires said he finds the new accounting process proposed by staff to be unacceptable because it is a way to get tenants to pay more money. It would effectively change the definition of moorage rates. While he agreed it would be appropriate for the Commission to consider this concept, this type of decision should not be made as part of the budget process. The remainder of the Commissioners disagreed and felt this would create even more tenant confusion. Commissioner Gouge emphasized that staff's proposed method would result in the same net rate increase, but the costs would be broken out to show where the money is going. Commissioner

Faires said he would like staff to present the same type of budget that has been provided in the past, without the new methodology. If the new methodology is used, he asked staff to provide clear information about exactly how much more each tenant would be required to pay. Mr. McChesney pointed out that the increase would be approximately 6%, but he agreed staff could provide a breakdown to clearly illustrate the changes.

Commissioner Burkhart expressed concern that Commissioner Faires was attempting to attribute a motivation for deception that was not real. Commissioner Faires once again commented that the Port should keep the process the same for the purpose of the budget, and discuss the concept at a later date. He said he would like the proposed 6% rate increase to be reduced to 1%. The remainder of the Commissioners suggested that would not be possible if they want to have a balanced budget. Commissioner Faires commented that a 6% increase is way out of line.

Ms. Drennan reported that the Port of Everett has indicated their rates would increase by 2%, and Ms. Kempf added that Kingston is proposing a 4.17% increase. Mr. McChesney advised that the Port of Port Angeles staff and Commission went through this same type of discussion, and they agreed to implement a 5-year step rate increase of CPI plus 6% each year at John Wayne Marina in Sequim. Last year the increase was 10.9%. Commissioner Faires pointed out that the Port did the same thing in 1999 to ramp up their rates to be comparable with other similar marinas. In fact, at one point the Port of Edmonds was leading the marina community in figuring out how not to subsidize moorage rates. He cautioned against changing their direction during a budget process.

Commissioner Gouge observed that the Port's costs are going up at a greater rate than CPI. He challenged Commissioner Faires to identify other ways to bring costs down if he is not in support of a rate increase. Commissioner Faires suggested the Port could reduce the number of employees by two and postpone some maintenance work. Mr. McChesney cautioned that before the Commission considers potential reductions, they should have a philosophical discussion about what kind of marina they want to offer. At this time, the Port is a high-quality marina, and the staff provides a high-quality service. They have talented and motivated staff. If the Commission cuts staff in favor of keeping moorage rates stable, the marina would eventually change. Commissioner Faires observed that during good years, it has been easy to make the decision to have the highest quality marina possible. But it may be that a rate increase of 6% is more than the market can bear. This would create problems, as well.

Commissioner Burkhart pointed out that there is a quorum of Commissioners in favor of leaving staff's proposal in as part of the proposed budget. Once again, Commissioner Faires suggested staff provide information to illustrate how much the moorage rates would change based on the new methodology. Staff agreed to provide this comparison. Commissioner Faires said it is important the Port does not slip the information by the tenants. The remainder of the Commission concurred, but said they believe it would be worthwhile to have separate cost categories as proposed by staff.

The Commission discussed their goal of setting aside 1% of operating revenue to pay for future replacement of the marina. Commissioner Faires agreed it is important to set aside money, but he recognized that the replacement process is a rolling function. For example, they recently replaced the mid marina breakwater. It is also important to keep in mind that the Port is paying off their bonds, which will increase their ability to finance replacement capital with future bonds.

- **Dry Storage Revenue.** Ms. Drennan advised that the dry storage charges depend on the size of the boat, not the size of the space. Therefore, the actual revenue may differ from budget based on changes in boats stored. The 2010 budget is based on the boats in the spaces as of September 3, 2009. It also includes a 3% increase with a 5% vacancy. The total increase in revenue would be \$18,000.

- **Electric Service Charge.** Ms. Drennan explained that the 2010 budget is based on 2009 projected year end numbers plus a \$5 electrical fee per slip per month that covers reading and maintaining the meters. She summarized that the \$5 charge is allowable and is used by many marinas. She reminded the Commission that the Port is losing money on the program and is currently only covering the cost for pass-thru electricity. Commissioner Faires recalled a previous discussion that the Utility Commission would not allow the Port to charge tenants for overhead costs. Mr. Cattle clarified that the fee would be allowable.
- **Environmental Surcharge.** Ms. Drennan advised that staff is recommending this fee be increased from \$6 to \$10 per tenant per month to cover increasing costs of complying with the workyard permit including monthly testing and preparing responses when the Port does not meet the benchmark, properly disposing of hazardous materials (bilge water, paint, batteries, oil), hazardous material handling classes, etc.
- **Garbage and Recycling Surcharge.** Ms. Drennan explained that this fee would be based on the previous 12 months of invoices.
- **Electricity Surcharge.** Ms. Drennan explained that this fee would cover the cost of electricity to light the parking lots, docks, breakwater, etc. It would be based on the previous 12 months of invoices. Mr. Cattle advised that charging for common area electrical costs would be appropriate. The Port's current moorage lease agreement provides identification of the costs the Port is passing on to the tenant, and it does not include electrical costs. However, it does include a provision that the lessee agrees to comply with such regulations the Port may now or hereafter issue. Should the Commission decide to go this route, he suggested they amend the regulations to include that these expenses are the responsibility of the moorage tenants. The charges would then be incorporated by reference into the moorage agreements.

Commissioner Gouge suggested that rather than calling the charge a surcharge, it would represent the actual cost to the Port. He noted that this charge is currently rolled into the moorage rates. Mr. McChesney agreed that the fee would actually be a pass-through cost. It would be calculated based on the previous year's bills and prorated into the tenant bills for the current year. There would be no markup or extra fee.

Commissioner Gouge noted the Port has no control over the electricity, water and sewer, and garbage fees. Using the 2009 numbers, the Port would actually be behind when rates increase in 2010. Mr. McChesney agreed that the Port has had to absorb these increased costs. While this was not a problem in the past, it is no longer possible. He noted that the proposed change would allow for more transparency in the tenant billing process. Commissioner Gouge observed that if tenants do not want to pay the pass-through cost for the garbage and recycling service, the Port could remove the facilities and require the tenants to pack their garbage out. Commissioner Faires pointed that the staff and other visitors to the marina would still require garbage service.

Commissioner Faires said his understanding is that the electrical, garbage and water and sewer costs were overhead. Mr. McChesney explained that rather than the current approach, the goal is to isolate the actual costs. He noted that tenants are already required to pay for the electricity they use for their own vessel. However, a lot of electricity is also used to light the floats, the promenade, etc., and the proposed concept would allow the Port to recapture these costs. Commissioner Faires expressed his belief that the cost recovery program previously incorporated these costs into the slip fee as overhead.

Commissioner Burkhart pointed out that charges for garbage, sewer and water, and electricity can increase between 5% and 10% each year. Breaking these costs out allows the Port to show how much the rates are increasing, which is more transparent. Commissioner Faires said he does not want the Commission to be guilty of trying to shuffle the deck to take more money from moorage tenants. They need to make it clear that the moorage rates would not go up as a function of the accounting change. Instead, the concept is intended to provide more visibility of accounting by showing where the moorage fees go. He recalled that, in the past, the moorage rate included sufficient funds to pay for these items. Commissioner Burkhart suggested that perhaps these items were paid for by the rental properties. Once again, Commissioner Faires cautioned against trying to

slip a moorage rate increase in “under the table.” Any rate increases should be visible and billing changes should only be used to pass on the costs directly associated with the marina. Mr. McChesney emphasized that staff is proposing the new billing method to provide transparency and to accomplish true cost recovery.

- **Environmental Fee – Workyard.** Ms. Drennan advised that staff is proposing an environmental fee increase from \$30 to \$45. She reminded the Commission of the anticipated costs associated with meeting the new NPDES permit requirements set forth by the Department of Ecology (DOE).
- **Parking.** Ms. Drennan advised that the parking budget was based on 2008 actual revenues, plus the Sound Transit lease agreement revenue of \$25,000. Commissioner Faires referred to Page 4 of the Staff Report and noted that the 2010 Budget column does not add up correctly.
- **Harbor Square Athletic Club.** Ms. Drennan explained that, as per the lease agreement, a CPI increase would occur in mid-November. The current CPI is 1.005%.
- **The Landing.** Ms. Drennan reported that the 5-year CPI increase was completed on August 1, 2009. The new rate is \$7,412.59 per month plus \$160.58 for parking.
- **New Edmonds Yacht Club (EYC) Building.** Ms. Drennan pointed out that the EYC would assume occupancy of their new building and terminate their current lease on January 31, 2010.
- **Former Edmonds Yacht Club Space.** Ms. Drennan advised that the estimated 2010 budget assumes the EYC would move out of the space in January of 2010. Because it will take some time to prepare the space for a new tenant, staff estimates it would be rented out for six months of 2010.
- **Property Taxes.** Ms. Drennan advised that, as per the Commission’s recommendation on October 13, 2008, \$150,000 of the \$400,000 property tax revenue would be allocated to the marina and property budget, and the remaining \$250,000 would be allocated to the Harbor Square budget.
- **Audit Expense.** Ms. Drennan advised that a State audit for 2008-2009 is due in 2010. The 2006-2007 audit cost \$15,610, and the auditors have indicated the next audit would increase by approximately 30 hours because the Port’s budgeted audit hours were low compared to similar sized ports.
- **Commissioner Costs.** Ms. Drennan advised that as per the Finance Committee’s recommendation, the education and travel items were each reduced by \$1,000.
- **Election Costs.** Ms. Drennan informed the Commission there would be no election in 2010.
- **Commission Costs.** Ms. Drennan reported that, as per the Commission’s recommendation on October 13, 2008, 1/5 of the Commission costs were allocated to Harbor Square.
- **Economic Development.** Ms. Drennan reviewed that \$3,000 of the economic development budget was allocated to the Snohomish County Economic Development Commission and \$23,000 was allocated to the Destination Port of Edmonds Program. She noted the Port also participates in economic development through the purchase and operation of the Harbor Square property.
- **Employee Benefits.** Ms. Drennan reported that this budget includes a PERS increase of 5.31%, the actual medical rate increase per the Health Care Authority, and health and wellness benefits for participants at \$55 per month. Commissioner Faires questioned why the Commission benefits were so much lower in 2009 compared to 2008. Ms. Drennan agreed to research the issue and report back to the Commission.

- **Hazardous Waste Disposal.** Ms. Drennan advised that staff is doing additional cleaning due to the environmental regulations, and they are expecting an increase in the requirements over 2007 and 2008.
- **Membership Dues.** Ms. Drennan emphasized that the Washington Public Ports Association (WPPA) dues would be significantly more in 2010 compared to previous years.
- **Payroll Taxes.** Ms. Drennan said staff anticipates an increase to the Labor and Industries tax based on 2007 through 2009 injuries. However, they also anticipate an unemployment tax decrease based on current rates.
- **Promotional Hosting.** Ms. Drennan explained that, by law, promotional hosting must be budgeted before it can be used. However, the Port anticipates very little promotional hosting in 2010.
- **Professional Fees.** Ms. Drennan advised that this budget includes fees for consultants such as the Port Attorney, computer technical support, port recorder, public relations, environmental engineer, etc.
- **Public Relations.** Ms. Drennan reported that this budget identifies the expenses associated with design, publishing and mailing the Port Reporter. However, the Finance Committee is recommending that this item be eliminated in 2010. Commissioner Gouge inquired if this change would also eliminate other public relations costs. Ms. Drennan answered that the public relations consultant would still prepare articles for the local newspapers, which is identified as a separate line item. Commissioner Gouge suggested that this line item should be renamed the "Port Reporter."

Commissioner Faires recalled the Commission's previous discuss regarding the Port Reporter. They agreed that the articles in the local newspapers are great and the Port Reporter could be eliminated. Commissioner Gouge pointed out that the Executive Director could write the newspaper articles. Mr. McChesney said he would be happy to write the articles from time to time to save \$7,000, particularly if the savings would translate into preserving the 2.8% increase for employee salaries. The Commission agreed this would not be a trade off.

- **Repair and Maintenance.** Ms. Drennan explained that these expenses include services to repair and maintain the Port equipment such as the forklift, vehicles, travelift, launchers, sweepers, etc. It also includes services such as security safety checks, elevator maintenance, pest maintenance, rug services, janitorial, fence rental, HVAC maintenance, fuel dock equipment maintenance, porta potty services, etc. The estimated cost for ordinary repair and maintenance is \$94,000, which was based on past years. In addition, the proposed budget identifies money for mid-marina waler replacement, dock sealing and the marina operations restroom renovation. Commissioner Faires inquired if the dock sealing project could be capitalized. Because they were never sealed before, the Port could argue that they are enhancing an existing facility to make it last longer. Ms. Drennan agreed to research the issue.

Commissioner Burkhart agreed that both projects (dock seal and walers) need to be done as soon as possible, but it is difficult to complete two significant maintenance projects in the same year. She suggested the Port figure out a way to smooth out the large expenses rather than putting them all in one year. The remainder of the Commission agreed it would be appropriate to identify the maintenance projects that are coming up over the next few years. The Commission discussed the potential of postponing the restroom retrofit. Commissioner Gouge reminded the Commission that they have already postponed the project for a number of years. Commissioner Faires recognized that the walers need to be replaced this year, but he suggested they carefully scrutinize the restroom and dock sealing projects to make sure they absolutely have to be done.

Commissioner Faires cautioned that, philosophically, the Commission must not endanger the long-term life of the public assets by postponing needed repair and maintenance. However, he said he does not have enough data to decide whether the waler replacement and dock sealing projects are crucial at this point or if one or both of them could be postponed a year. Mr. McChesney explained that the dock sealing project is considered preventative maintenance. He reminded the Commission that the contractor who installed the docks indicated

that sealing them would extend their life. The question is how long the Port should wait to do this work without going beyond the point when it would be beneficial. On the other hand, there is tangible evidence that suggests the walers need to be replaced because some of the docks are starting to get racked. Because the two projects are distinctly different, he suggested it would be difficult to make a decision as to which is the most urgent.

Ms. Kempf reviewed that the Port had originally planned to seal the docks in 2005, but they were not able to get the project done. The project was also budgeted for 2006. However, the Port had to adjust the budget in order to qualify for the loan to purchase the Harbor Square Business Complex. Sealing the docks was removed from the 2006 budget, and the Commission agreed the task should be accomplished by doing one or two docks per year, starting with A Dock. She said staff does not believe the project will get done within the necessary time frame if only one dock is sealed per year. Staff recommends the Port move forward with a program to seal all the docks in 2010. She reminded the Commission that the contractor who installed the pontoons indicated the docks should be sealed, and that was 12 years ago. She summarized that the Port has had the luxury of having a fairly new facility that required low maintenance, but now they are starting to see things that need to be taken care of. She questioned the damage that is being done to the docks each year that the sealing project is postponed.

Ms. Kempf recalled that when the Commission made the decision to remove the dock sealing project from the budget in 2006, they agreed it needed to be done soon. Commissioner Faires said he does not want the Commission to be responsible for not moving forward with a maintenance action that was necessary. Commissioner Burkhart asked Ms. Kempf to contact the contractor and find out if major damage would occur if the Port were to postpone the dock sealing project for another year. Ms. Kempf recalled that staff contacted the contractor in 2006, and she suspects they will once again tell her that sealing the docks would preserve their life. Therefore, the natural assumption is if they don't do the sealing project, the docks will not last as long.

Mr. McChesney said that normally, this type of work could be assigned to staff as part of their winter maintenance program, but the sealing work must be done during the shoulder season when there is not enough staff to do it. He explained that the nature of concrete is that it is brittle and there are capillary cracks that cannot be seen until water intrudes. Therefore, it would be difficult to evaluate and diagnose when it would be past the point of no return. His recommendation would be to contract the work out in 2010 and get the job done. Commissioner Faires suggested staff find some way to get more input from experts that can help the Commission make a decision. Mr. McChesney agreed that staff could research the issue further and report back to the Commission.

The Commission agreed to postpone a decision regarding the dock seal and waler projects until their next meeting, at which time staff would have additional information for their consideration. They agreed that if both the waler and dock seal projects have to be done in 2010, the Port would likely have to postpone their restroom retrofit project for one more year. They agreed it was more important to maintain the existing capital assets.

- **Repair and Maintenance – Landscaping.** Ms. Drennan explained that 2010 is the first year that landscaping repair and maintenance would be separated out from other repair and maintenance costs. Costs for 2010 include yearly maintenance of equipment, replacement of broken and cracked curbs in mid marina, installation of 15 car stoppers in mid marina, replacement of all curbs in the north lot, installation of 26 car stoppers in the north lot, fall weed cleanup, weed control of landscape beds, and pruning of shrubs, pines and maples.
- **Salaries and Wages.** Ms. Drennan advised that changes from 2009 include an increase of 2.8%, normal staff increases, the addition of one marina operations seasonal staff, and \$20,000 for pay adjustments. She noted that the average CPI increase over the past 10 years is about 2.8%. Commissioner Burkhart recalled that the Finance Committee did not recommend approval of an additional staff person, and she would not be willing to support the change without significant justification. Mr. McChesney agreed. He noted that this item was included in the budget for discussion purposes.

Commissioner Faires said he would not support a wage increase for staff in 2010. He expressed his belief that if annual CPI increases are good enough when times are good, they should be appropriate when times are bad. While he would not be in favor of a pay decrease because CPI is negative, he sees no compelling reason to raise salaries in 2010. Commissioner Burkhart noted that the Finance Committee did not recommend a salary increase of 2.8%. Commissioner Faires pointed out that a 2.8% increase would cost the Port about \$40,000, which equates to about 20% of the proposed moorage rate increase.

Commissioner Faires reported Snohomish County informed him they would decrease staff salaries by 5% to 15% or throw in 15 unpaid furlough days. He recalled that in 2009, staff received an increase of 5.8%, and the year before the wages were increase by CPI plus 1% because they were falling behind. He suggested the Commission direct staff to identify a zero increase to salaries and wages for 2010 given that the CPI was negative .4%. This would equate to CPI plus .4%. He reminded the Commission that other government entities would not be increasing their salaries and wages in 2010.

Commissioner Gouge said it is important to take into account that the Port has a non-labor represented work force. He stressed the importance of keeping the salaries in line with those of the represented work force. The Port has very good employees and he does not want to “cut off his nose to spite his face.” He pointed out the proposed budget includes about \$3,000 for step increases. Commissioner Faires agreed that the step increases should remain as part of the budget. Commissioner Burkhart pointed out that an increase of CPI plus 1% would equate to an increase of .6% for a total budget impact of about \$8,000. Commissioner Faires expressed concern about offering a nearly 3% raise to the employees when they are proposing a 6% increase to moorage rates.

Ms. Kempf recalled that last year the Commission authorized two additional permanent staff in exchange for three seasonal staff, which means they had fewer staff during the busy summer months. In theory, the two permanent staff should be better trained than the seasonal staff, but since they were all new hires, that was not the case this past summer. She pointed out that rarely does all the seasonal staff stay for the entire summer season, and this year they ended up with only six seasonal staff during September, which is the Port’s busiest month. She said it would be nice to have an additional seasonal staff to allow flexibility, but she recognizes the Commission’s concerns and perhaps they need to consider cutting hours of operation instead.

Commissioner Faires agreed that the Port has really good staff, and they try to staff in an appropriate way. However, it is also important to recognize that the Port has trained and nurtured the staff, and perhaps now it is time for the staff to offer something in return for the Port’s investment. The Port needs to be able to count on staff to be flexible and work through this tough time.

Ms. Kempf explained that it is very difficult to quantify whether the Port is really achieving efficiency by the way they are currently operating. She noted there were a number of accidents and injuries, and it is difficult to know if it was a result of working staff too many hours or not training them sufficiently. However, her instinct tells her that there are some false efficiencies associated with the Port’s current method of operating. She concluded that she is satisfied that she received approval for two additional permanent staff this year, and she recognizes that the Port’s current staff is excellent. She said she is proud of what they have been able to accomplish with the number of people they have. Commissioner Gouge voiced his concern about the number of injuries and accidents that have occurred over the past year. He emphasized that staff need to have breaks, and it is important that they are rested and alert.

- **Supplies.** Ms. Drennan explained that supplies include items such as janitorial supplies and other parts and equipment that enable staff to make repairs. She noted the budget also includes \$5,000 to replace the radio base station.
- **Supplies – Landscaping.** Ms. Drennan advised that landscaping supplies would be separated out in 2010 and beyond. The 2010 costs include materials and supplies, soil and mulch, plants and shrubs, and soaker hoses for the south end.

- **Utilities.** Ms. Drennan reported that the budget includes an increase in garbage utility costs of 20% in 2010 to include recycling program changes.
- **Additional Legal and Environmental Fees.** Ms. Drennan advised that the budget includes \$100,000 for mid marina breakwater legal fees.
- **Other Post Employment Benefits.** Ms. Drennan reminded the Port that they are required to begin recording these costs as a liability.

### Harbor Square Budget

Ms. Drennan reviewed the Harbor Square Budget and particularly noted the following:

- **Property Rent.** Ms. Drennan explained that the 2010 budget was based on the Property Manager's input.
- **Property Tax Allocation.** Ms. Drennan advised that based on 2009 budget discussions, the property tax allocation for Harbor Square was set at \$250,000.
- **Allocated Commission Costs.** Ms. Drennan advised that 1/5 of the total Commission costs have been allocated to Harbor Square, consistent with 2009 budget discussions.
- **Employee Costs.** Ms. Drennan explained that these costs include employee benefits, payroll taxes, and salaries and wages. The 2010 budget is based on 1.5 full-equivalent for maintenance, security and supervision of staff.
- **Management Fees.** Ms. Drennan advised that this budget was based on a rate of 5.75% of revenues.
- **Lease Fees.** Ms. Drennan explained that these are fees paid to the broker and are expensed over the life of a lease term.
- **Repair and Maintenance/HVAC.** Ms. Drennan advised that this budget includes maintenance, repair and replacement of 2 to 3 units in 2010.
- **Master Business Plan.** Ms. Drennan reported that the Finance Committee has recommended \$20,000 for this line item. Commissioner Burkhart reminded the Commission that the Port must submit a comprehensive plan change to the City of Edmonds in 2010.

Mr. McChesney observed that revenues from the Harbor Square Athletic Club are actually identified in the combined operating budget. The Harbor Square property budget of \$1,516,000 is effectively understated if you consider Harbor Square as a whole, including the Harbor Square Athletic Club revenue. The Harbor Square Budget only covers the properties that were recently purchased. Ms. Drennan explained that the Port actually has two leases with the Harbor Square Athletic Club, one for the tennis bubble and the tennis courts and another for the building lease. The tennis court and bubble lease is identified as part of the Marina and Property Budget and the building lease is identified as part of the Harbor Square Budget. Commissioner Faires suggested that, at some point in the future, the Commission and staff should have a discussion about how they can clarify this issue.

Mr. McChesney reminded the Commission that staff made some preemptive cuts to balance the budget. For example, the Harbor Square Master Plan budget was reduced by \$30,000, the road maintenance budget was reduced by \$15,000 and the HVAC program was reduced by \$37,000.

### Summary

Mr. McChesney suggested staff be allowed to incorporate the changes identified by the Commission and work further with the Finance Committee to prepare a new draft for review at their next meeting. Commissioner Faires asked that staff provide an updated draft to the Commission and public well before the next meeting.

### **Additional Public Comments**

**Herb Anderson** agreed with Commissioner Faires that if the proposal calls out a 3% rate increase in addition to the other fees proposed by staff, the increase to moorage rates would be closer to 6%. No matter what it is called, the bottom line is that tenants will have to pay more. He suggested that if the garbage bill is the issue, the Port should get rid of the containers and require people to pack out their trash. Another option would be to put the containers inside a locked gate and give keys to all tenants who want to pay the extra fee. The same should be true for oil disposal. He doesn't want to participate in the program, and charging all tenants for the service is not fair.

Mr. Anderson pointed out that, as proposed, the Port would collect a \$5 electrical meter reading fee from each of their 665 tenants monthly. That equates to about \$3,335 of revenue per month. He said he would be willing to take on the job. He also questioned why the Port is increasing their environmental fee, and he noted that the Port of Everett's fee is only \$6. Lastly, he questioned the estimated \$5,000 for replacing the radio station in the marina operations office. He said he could get the equipment for the Port for about \$2,000, and he agreed to submit a bid. He summarized that the draft budget needs a lot of review, and there could be a lot of savings.

**Pat Vezetinski** pointed out that there are more than 1,000 tenants, and perhaps it is time for the Port to ask for assistance from the boaters to help with maintenance. While he realizes close supervision would be required, many of the tasks are basic work that could be accomplished by volunteers. Another option would be to solicit experts who would be willing to donate their time for Port projects. Mr. McChesney said he has seen situations where marinas use volunteers to help with clean up work, but never for maintenance. The Port's maintenance work often involves chemicals, paint, sealant, or craft type work that goes beyond what you would normally think would be a good approach to allocate labor in a marina. There are also liability issues that must be considered. However, he agreed to take the suggestion under advisement. Commissioner Burkhart pointed out that Ms. Eckholt used volunteers to help with the flower beds at one time. The Commission agreed it would be appropriate to consider the option further.

**Council Member Wambolt** inquired if the salary increase of CPI plus 1% is intended to make the Port's salaries more competitive with other marinas. Commissioner Burkhart explained that a salary survey was done a few years ago, which indicated the Port's salaries were falling behind, and the increase of CPI plus 1% was intended to catch up. Council Member Wambolt inquired if the Port still has a long waiting list for slips in the marina. Ms. Kempf answered that the waiting list for slips that are larger than 30 feet is long (4 to 6 years), but the wait is much shorter for the smaller slips. She noted that more people are exercising their option to not take a moorage slip, which is a significant market indicator. She said she would be preparing an update on indicators at the end of the 4<sup>th</sup> Quarter. Commissioner Faires observed that the Port is a better marina than anywhere else, and they could raise their rates by 15% and not see anything changes for the first six months. However, there would likely be significant consequences in two to three years.

**Herb Anderson** asked how long the contractor guaranteed the docks after they were constructed. Mr. McChesney replied that contractors do not typically warranty beyond a two-year period. The Port probably could have purchased an extended warranty, but the cost would have been significant. Contractors do, however, make recommendations on the number of years a structure should last. He recalled a situation at the Port of Everett where 20 years into the life of their floats they had bad spauling problems. The Port of Everett tested the concrete and found it did not meet specifications. They filed a claim and ended up grinding off the top inch of the floats and resurfacing. Commissioner Faires emphasized that the Commission has a policy to do whatever they can from a maintenance perspective to enhance the life of an asset.

**Denise Coleman** said she was at the Port of Everett just last week, and she learned that they are actually planning to lower their rates because of the high number of vacancies. If the Port is considering a surcharge to tenants for water

and sewer, garbage, electricity, etc., they should keep in mind that these services serve the walkers, as well. The Port is an amazing asset for the community, but they should not make boaters responsible for all of the costs of the services provided. She said that when she was a tenant in Shelter Bay, their bill was broken out as proposed by staff. However, if the Port is going to send out itemized bills, she would like to know how much higher the January rate is compared to the December rate. If the Port has to raise moorage rates, they should do it incrementally. If they want to break out the bill and add surcharges, they should be upfront about the change. The changed bill and the increased rates should not be thrown at the tenants at the same time. The Port should be honest about what they are charging tenants in order to be transparent.

Commissioner Burkhart agreed that the Commission and staff should give more thought about how to present the change to the tenants so they have a clear understanding of the impacts. She asked staff to research and report back to the Commission at their next meeting about how they would communicate the change to the tenants. Ms. Coleman suggested the Port start by breaking out the items in January using the same amount that tenants are currently paying. The following year, they could raise the charges if necessary.

Mr. Vezetinski said that in the proposed budget it is difficult to see that as the surcharge is added to the tenant's rates there would be reduction somewhere else. Mr. McChesney said there should be an expense category and a revenue offset.

Ms. Coleman encouraged the Commission to not diminish the value of volunteers. When people make an investment of their time, they are more willing to take care of a facility.

#### **EXECUTIVE DIRECTOR'S REPORT**

Mr. McChesney announced that the Commission is in the process of scheduling a special public meeting to discuss the Harbor Square Master Plan. He noted that October 21<sup>st</sup> did not work for all Commissioners, so staff would continue to work with them to schedule a new date.

Mr. McChesney reported that he met with Rob Chave, Noel Miller and other City of Edmonds planning and public works staff to talk about updating the Burlington Northern Santa Fe Plan (BNSF). It appears the Port's role will be relatively minor, and the City will put together a scope of work to do some preliminary engineering designs on what the road would look like. The Port's issue is how the project would affect their access and parking areas. They are in standby mode until the engineering evaluation has been completed in the next few months.

Commissioner Gouge observed that a 60-foot right-of-way is not required to get access to the park. He suggested that this issue should be part of the discussion and design. He further suggested the starting point should be a 40-foot right-of-way. The Commission agreed that the City and BNSF should be made aware of the Port's issues before they move forward with the design. Mr. McChesney said it is anticipated the engineering report would answer these questions, and Port staff would participate in the discussions. Commissioner Faires warned that Port staff really needs to talk through the easement issue before they meet again with the City and BNSF.

Mr. McChesney announced that the WPPA Annual Meeting is scheduled for November 18<sup>th</sup> and 19<sup>th</sup>. Interested Commissioners should contact staff as soon as possible.

Mr. McChesney reported that a preconstruction meeting was held last week for the Anthony's reroof project. The roof was inspected once again, and everything looks in good order. There is a lot of mechanical equipment that needs to be moved, but they have a good contractor. The engineer is still trying to solve some minor drainage issues, but they plan to start the project on October 19<sup>th</sup>.

Ms. Kempf reported that the Snohomish County Public Utilities District notified the Port of a power outage that is scheduled for October 25<sup>th</sup> from 12:00 to 8:00 a.m. The outage area would include the Port property, and staff has contacted the restaurants and posted notices on the gates to the docks. Apparently, there is some seepage into the

electrical box and they will replace the switch to prevent a much longer power outage in the future. There will be a second scheduled outage two months after October 25<sup>th</sup> to test the new equipment. Commissioner Gouge suggested the Port provide extra security during the outage. He also suggested the outage be advertised on the Port's website. Commissioner Faires pointed out that many tenants have equipment that does not automatically reset. He suggested they provide a notice of the outage in the next tenant newsletter.

### **COMMISSIONER COMMENTS AND COMMITTEE REPORTS**

Commissioner Gouge reported on his attendance at the Edmonds City Council Meeting where Fire District 1 was the main topic of discussion. The City Council has met twice to discuss the issue, and the Mayor, City Manager, and Mayor Pro Tem from Mountlake Terrace were present and reported that they are pleased with their transition to Fire District 1. They reported that a new fire station is being built in Brier with Fire District 1, as well. The City Council and Fire District 1 will conduct a special meeting to discuss the issue further. He reported that the City Council also reviewed a redevelopment proposal for Firdale Village. It is scheduled for approval on their next consent agenda. He advised that Tony Shapiro, the applicant and developer, has worked hard to get something going on this property. As proposed, the maximum height would be 52 feet. The City Council reviewed a code amendment that would address situations where building permits have expired for property that was annexed into the City. In addition, residents from the Meadowdale Park area were present to discuss the idea of annexing into the City. Council Member Wambolt added that the City Council voted to move forward with the annexation process.

Commissioner Block reported on her attendance at the WPPA Environmental Seminar on October 1<sup>st</sup> and 2<sup>nd</sup>. It was very productive and positive. She recalled that the Port has been trying to get the WPPA involved in the workyard and stormwater permit issue for some time, and she presented Eric Johnson, WPPA Executive Director, a packet of information that was provided by staff regarding the Port's efforts to deal with the issue. She informed Mr. Johnson that the Port believes it is critical that the WPPA support the workyards and marinas on the permit issue. Mr. Johnson recently notified her that he received a copy of the DOE's draft economic study, and he would contact them to find out why they have not done what they said they were going to do related to the permit.

Commissioner Block indicated she would route the agenda and some of the items she collected to the Commissioners for review. Of particular interest was the presentation from the Port of Vancouver regarding their efforts to become more sustainable. Bill Ruckelshaus was supposed to report on the status of the Puget Sound Partnership's (PSP) work, but he was unavailable. The PSP's Executive Director, David Dicks, did an excellent job instead. He indicated that PSP wants to continue what is working well and eliminate what is not working and doesn't make sense. His presentation was very down to earth and straightforward. At the meeting it was reported that they are working to gain access to the Model Toxic Control Act (MTCA) funds, which are intended to be used for cleaning up polluted sites.

Commissioner Burkhart reported on her attendance at the October 5<sup>th</sup> Woodway Town Council Meeting where Joe Tovar, Planning Director for the City of Shoreline, presented Shoreline's model for what buildings of different heights would look like from different locations in Woodway. They prepared the model using the software, Sketchup, which costs about \$250. She suggested the Port consider using this software for future modeling.

Ms. Ocfemia agreed with Mr. McChesney that the Commission must think about what they want to offer the tenants and public. The answer to this question will have something to do with how much the Port charges for their services. She stressed that the Commission should never want to lower the Port's standards and what they offer to the public. If the Commission doesn't make up the budget shortfall by raising moorage rates, then she questioned how they would continue to provide a quality marina. She summarized there is no other way to make up the money without raising rates or cutting valuable services and other programs and projects they want to implement to improve the property.

Commissioner Faires reported that he would attend the Edmonds Transportation Committee meeting on October 14<sup>th</sup> and a WPPA Legislative Committee Meeting on October 16<sup>th</sup>. Between now and Friday, he said he would like to

meet with Ms. Kempf to discuss workyard issues relative to the WPPA. He further reported that he would attend the Edmonds Citizen's Economic Development Commission Meeting on October 21<sup>st</sup>.

**ADJOURNMENT**

The meeting was adjourned at 9:55 p.m.

Respectfully submitted,

Marianne Burkhart  
Port Commission Secretary