



PORT COMMISSION OF THE PORT OF EDMONDS
MINUTES OF REGULAR MEETING

October 8, 2018

COMMISSIONERS PRESENT

David Preston, President
Steve Johnston, Vice President
Jim Orvis, Secretary
Bruce Faires
Angela Harris (by phone)

STAFF PRESENT

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

OTHERS PRESENT

Bradford Cattle, Port Attorney
Karin Noyes, Recorder

CALL TO ORDER

President Preston 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

COMMISSIONER ORVIS MOVED THAT THE CONSENT AGENDA BE APPROVED TO INCLUDE THE FOLLOWING ITEMS:

- A. APPROVAL OF AGENDA**
- B. APPROVAL OF SEPTEMBER 24, 2018 MEETING MINUTES**
- C. APPROVAL OF PAYMENTS IN THE AMOUNT OF \$885,294.05**
- D. APPROVAL OF PORT POLICY NO. 3.50.70, FIXED ASSET CAPITALIZATION POLICY**
- E. APPROVAL OF PORT POLICY NO. 3.50.71, SMALL AND ATTRACTIVE ASSETS POLICY AND PROCEDURE**
- F. AUTHORIZATION TO APPROVE EDMONDS YACHT CLUB TO CONDUCT HOLIDAY ON THE DOCKS IN GUEST MOORAGE STARTING DECEMBER 1, 2018 THROUGH DECEMBER 31, 2018**

COMMISSIONER FAIRES SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

PUBLIC COMMENTS

Jack Bevan, Edmonds, asked for an update on the project to daylight Willow Creek. Mr. McChesney responded that this is a City of Edmonds project and not a Port project. Councilmembers Teitzel and Tibbott agreed to meet with Mr. Bevan following the meeting to answer his questions.

Dean Nichols, Woodway, said he visited a number of marinas over the summer, and two in Canada struck him as first class: Port Sydney and Campbell River. During a recent visit to the Port of Edmonds, he observed that the Port of Edmonds' waterfront promenade is highly used. It is a real draw and it could become a wonderful amenity if the Port were to improve its appearance. Currently, it has an industrial feel, and gives the impression that the Port is trying to keep people out. While security is important for the tenants, there are more attractive ways to do it. He recommended the Commission find a way to set aside funds in 2019 and 2020 to improve the appearance of the promenade. He suggested the following ideas:

- Replace the current dock gates with industrial glass with the Port's logo and perhaps some artwork. The Port should get rid of as much of the chain link fencing as possible.
- Move the garbage cans away from the promenade. The current garbage cans are old and do not look good. They also smell bad at certain times of the year. While Port tenants want to have them closer to the docks, perhaps it would be better to walk 20 or 30 feet so the garbage cans could be away from the walkway.
- Change the dock gates so they open inward. When the current gates swing outward, they end up blocking the walkway.
- Consider adding more flower planters, places for children to play, etc.

Mr. Nichols expressed his belief that the waterfront promenade should be a priority for improvement. He observed that the Port's Mission Statement states that all of the activities undertaken by the Port are done to benefit the residents of the Port District. Most Port District residents do not own boats, but they come to the Port to enjoy the waterfront and walk on the promenade. The Port's 2014 Master Plan includes a statement that the Port will provide facilities, programs and activities that encourage people to visit the Port. Commissioner Faires asked what the Port could do, aside from providing public facilities that are conducive to welcoming people, to promote the Port facilities. He suggested that many Port District residents do not really know about the public amenities available at the Port. Mr. Nichols said he believes the public is very aware of the public facilities at the Port, and many people are coming to the marina to enjoy the waterfront and utilize the promenade.

Mr. Nichols observed that the Port's property tax millage rate has gone down by nearly half since 2013. The Port's current tax revenue is \$400,000, yet it has the capacity to collect well over \$500,000 each year. The valuation of properties in Edmonds has more than doubled in the last five years, making the Port's tax levy less of a burden to taxpayers than it was five years ago. He suggested the Commission should seriously consider increasing property taxes within the limits of what is currently allowed. He pointed out that the proposed 2019 Capital Budget does not identify any expenditures for public amenities on the waterfront over the next three years. He also pointed out that the Port's reserves increased by about \$1.7 million in 2018, and the current reserve balance is over \$16 million. In addition, the Harbor Square bonds will be paid off in 2020. He suggested it might be reasonable to dip into the Port's reserves to a certain extent to increase capital for providing public amenities that would be very popular with their constituents. He felt the residents would understand the need for additional tax revenue if it were used to enhance the waterfront pedestrian area.

PRESENTATION BY PAUL SORENSON, BST ASSOCIATES – FRACTIONAL BOAT OWNERSHIP

Mr. McChesney introduced Paul Sorenson, BST Associates, who was present to share his thoughts and comments about a new trend in recreational boating called "fractional boating."

Paul Sorenson, BST Associates, started his presentation by sharing the history of boat sales from 1965 through 2016. He said that, currently, the market's near-term future looks good and he anticipates the Gross Domestic Product (GDP) will continue to grow and the business climate in the United States and Washington State will continue to be strong. Consumer confidence is at a 17-year high, and people have increased equity in housing and stocks. At this time,

dealer sentiment is upbeat and the interest rates and lending environment remain favorable. He said he anticipates that boating will continue to grow in the United States through 2020, and boat sales are anticipated to be up 5% in 2018. While all of this is good news for the Port, it is important for the Commission to consider how to sustain and even accelerate growth if and when there is another recession.

Mr. Sorenson said the continued market growth is driven by traditional boaters who are typically older, affluent and committed to boating. Boating is a popular family activity and provides early experiences to encourage future boaters. Millennials are also boating, but they tend to rely more heavily on different participation models, such as boating clubs and partial ownership, rather than boat ownership. He summarized that the number of Millennials (born between 1981 and 1997) surpassed the number of Baby Boomers (born between 1946 and 1964) in 2015, and it is anticipated that GenX (born between 1965 and 1980) will surpass Baby Boomers by 2028. Between 2005 and 2015, the number of boat owners decreased by 100,000 per year, and the current average net loss is 30,000 per year. As traditional boaters age, it will be important to focus efforts on providing early boating experiences and new ownership options to meet the needs of future boaters.

Mr. Sorenson observed that Edmonds is in a much better position than many of other marinas in terms of quality of facilities and financial capabilities. He said he recently conducted a rate study for the Port of Kingston that indicated rates are so low in Kitsap County that marinas cannot recover their operating and maintenance costs and pay for needed capital improvements. There are serious questions about how many marinas will actually survive moving forward.

Mr. Sorenson said that, currently, there are more boat owners over 80 than boat owners under 30. He explained that the Millennials grew up online and do most of their shopping online. They are more value focused and concerned about the environment and demand sustainable goods and corporate social responsibility. Many are delaying life milestones such as marriage and home ownership. In 2018, the average yearly expenditures for Millennials totaled around \$47,000, and the average yearly income is about \$56,000. Debt is a significant problem, as Millennials carry \$1 trillion in student loan debt. About 63% have more than \$10,000 in student debt, 66% have one or more sources of outstanding long-term debt, and 48% report they are living paycheck-to-paycheck.

Mr. Sorenson said the concept of “shared economy” is one way to address the needs of the younger generation. A shared economy focuses on the sharing of under-utilized assets in ways that improve efficiency, sustainability and community. Airbnb is one example of the shared economy concept. Its brand value rose by 51% to \$5.5 billion in 2017 and now exceeds all but one hotel brand (Hilton). They anticipate the brand to continue to grow as they now target business travelers, as well.

Mr. Sorenson reported that the average Washington State boater uses his/her boat an average of 15 days per year and monthly costs are estimated to be \$833 for a 26-foot boat and \$2,100 for a 40-foot boat. These facts suggest that boaters are perfect candidates for the shared economy concept. There are a variety of shared-economy opportunities available, including:

- **Boating Clubs.** Boating clubs have been around since the late 1980s and their fleets typically consist mainly of powerboats that are 30 feet or smaller. Each club location owns its own fleet of boats that the local members have access to. They usually have a dockmaster at the marina, and members choose the type of boat they want to use for the day. The clubs typically charge a one-time entry fee and monthly dues, which gives the members unlimited access to the club’s fleet. Because they do not own the boats, members never incur any service or storage fees. Examples of boating clubs include the Freedom Boat Club with 165 locations in the United States and Canada, including Kirkland, Seattle, Bremerton and Tacoma; the Carefree Boat Club, which has 66 locations in the United States, including Seattle, Bellevue, Anacortes, Kirkland and Lake Chelan, and the Seattle Boat FunShare Boat Club, which has locations on Lake Washington (Newport) and Lake Union.
- **Fractional Ownership.** With fractional ownership, several individuals buy the boat and share expenses. In these situations, individuals are financially tied to the fractional ownership, including all costs.
- **Fractional Memberships.** These opportunities are made available via a firm like SailTime. There is typically just one owner, and the owner places his boat with the local SailTime base who then offers memberships for

boating time. For example, Seattle Yachts offers membership sailing from Shilshole Bay Marina and Cap Sante Marina. Members select a particular boat to operate, based on size, price and availability. Then they use the same boat every time as if it were their own.

- Peer-to-Peer (P2P). With this option, boat owners list their boats through a third-party commercial website. Owners underwrite their costs by sharing their boats with others. There is usually no charge for boat owners to list, but the third part typically charges a commission on bookings via their site. P2P companies provide a contract, vet both boat owners and users, collect funds and provide insurance. For example, Boatsetter gives registered boat owners a way to offset their ownership costs by renting their boats to pre-screened, qualified renters.

Mr. Sorenson summarized that trends in boating will force marinas to focus on how to draw Millennials into boating, and the shared economy concept is a good way to accomplish this goal. The concept is continuing to grow more popular, and a number of marinas are using it as a way to fill seasonal vacancies and attract younger boaters. However, he cautioned that there are some significant issues that need to be addressed before allowing the concept. These include management and business policies, necessary facilities, and additional charges for services such as parking, garbage, etc.

Commissioner Faires asked what steps the Port could take to be prepared as this type of ownership becomes more prominent. Mr. Sorenson advised against forcing implementation for now. However, he encouraged the Port to pay attention and learn as other marinas implement the concept and it becomes more prominent. In the meantime, the Port could research companies and models to become educated about the various opportunities. Commissioner Faires suggested the Commission discuss the shared economy concept at a future meeting.

Mr. McChesney asked if clubs are required to pay the full price for the slips they use or if marinas offer them a wholesale rate. Mr. Sorenson answered that, in most cases, the clubs pay the full rate. He said the Freedom Boat Club has indicated that about 20% of their members eventually decide to purchase their own boats, and that is why Discover Boating and the National Marine Manufacturing Association is promoting the concept of shared economy.

Commissioner Preston suggested that P2P situations may already be happening at the marina without the Port's knowledge. Mr. Sorenson concurred and suggested the Commission may want to address P2P opportunities via their policies. Commissioner Preston asked if Mr. Sorenson could provide examples or models of agreements for fractional ownership situations. Mr. Sorenson answered that he would forward that information to Mr. McChesney.

Commissioner Johnston asked if the Port has been approached by any entities interested in shared economy opportunities. Ms. Kempf answered that she had a discussion with a representative from the Freedom Boat Club who expressed interest in potentially locating a club at the marina. Since that time, she has researched the club and believes it would be an attractive option for the Port to consider because 60% of its inventory is boats under 30 feet. However, she felt the Port should require that the club have an office at the marina. Mr. Sorenson clarified that the Freedom Boat Club is a franchise operation, so an operator would be on site.

Ms. Drennan reported that some tenants have approached Port staff about offering their boats into a type of Airbnb program, but they wanted the Port staff to manage the rental by giving out the key, providing parking permits, etc. Ms. Kempf added that the Port already has good policies related to partnerships and there are a number of them at the marina. All partners can have rights to the moorage slip if they go through the waiting list process and sign a joint moorage holder agreement.

2019 PRELIMINARY BUDGET

Ms. Drennan reported that the Finance Committee met on October 1st to review the 2019 Preliminary Budget, and their changes were incorporated into the document currently before the Commission. This is the first time the budget has been presented to the Commission and public for review, and the documents were made available on the Port's website on October 4th. A public hearing is scheduled for October 29th. Any additional updates to the budget as a result of tonight's meeting would be posted on the Port's website no later than the Friday before the public hearing. The Commission is currently scheduled to approve the final budget on November 13th, as it is due to the County on November 30th.

Ms. Drennan advised that, primarily, the Port's revenue comes from the following sources: property taxes (4%), marina revenues (64%), rental properties (29%), and Other (3%). She explained that the **2019 Combined Operating Budget** (Pages 4 and 5) combines the marina, rental property and overhead budgets. **The Combined 2014-1017 Actual, 2018 Projected and 2019 Budget** on Pages 6 and 7 show actual revenues and expenses for 2014 through 2017, the projected revenues and expenses for 2018, and the budgeted revenues and expenses for 2019.

Next, Ms. Drennan referred to the **Marina Operating Budget** (Page 8), as well as its associated notes (Pages 9 through 15) and highlighted the following:

- **Note M16 – Fuel and Oil Expenses.** It is extremely difficult to budget fuel sales because they are dependent on cost of fuel, weather, fishing, etc. This year, the line item includes fuel dock credit card fees. Pay-at-the-pump fueling requires tenants to have a credit card on file to participate in the program, and credit cards are charged when a tenant's fuel charge is entered into the system. The cost of fuel is running at approximately 77% of the total price. When you add credit card fees of about 2%, you end up at approximately \$750,000. Instead of focusing on the gross amount of fuel sold, the proposed budget focuses on the difference between the two numbers.
- **Note M8 – Permanent Moorage Revenue.** Presented is a rate increase of Consumer Price Index (CPI) plus 1%, with a 3% vacancy rate. The CPI used by the Port is "*Consumer Price Index, All Items, Seattle-Tacoma-Bellevue for All Urban Consumers*" as shown on Page 29, CPI is 3.3%. The presented rate increase would result in a \$122,000 increase over 2018 projected revenue and an average increase of \$15 per slip per month.
- **Note M10 – Dry Storage Revenue.** Presented is a rate increase of CPI plus 1% with a 15% vacancy. CPI is 3.3%. The proposal represents a \$28,000 increase over 2018 projected revenue and an average increase of \$8 per slip per month. The lack of fishing seasons has affected Dry Storage occupancy.
- **Note M15 – Cost of Sales.** Cost of Sales consists of credit card fees for Moorage, Dry Storage, Marina Operations Services and tarp and tape for the Boatyard. The Port just started accepting credit cards for moorage payments in January 2018, so staff is still trying to determine what those costs will be on a yearly basis. Currently, about 35% of the Port's tenants are paying with a credit card and the fee is approximately 3%. The estimated total Cost of Sales is about \$71,000.
- **Note M24 – Employee Benefits.** This line item includes a Public Employees Retirement System (PERS) increase from 12.7% to 12.83% and a medical insurance premium increase of 1.5%. It also includes changes in medical premiums due to staff changes and changes in dependent coverage status. It was noted that the proposed increase for medical insurance premiums is quite low compared to previous years.
- **Note M26 – Insurance.** The Port's liability insurance program runs from September 2018 to August 2019. The line item shows an overall increase of 10%. Insurance companies have indicated the increase is primarily related to property liability coverage due to heavy damages from storm activity. Commissioner Faires emphasized that none of the increase is due to incidents that took place at the Port of Edmonds.
- **Note M32 – Professional Services.** This line item includes consultants such as attorneys and engineers. The 2019 budget identifies \$21,000 for a survey for the Port Management Agreement and \$6,000 for an environmental engineer to review the boatyard general permit.
- **Note M34 – Repair and Maintenance.** This line item includes services to repair and maintain Port facilities and equipment such as the docks, Dry Storage spaces, buildings, parking lots, forklifts, vehicles, Travelift, launchers, fuel dock equipment, workboats, etc. A significant recurring expense is forklift maintenance and repairs. The 2019 budget includes replacement of one of the forklifts, but the lead time is six to nine months, which means the Port will need to continue to repair and maintain the existing forklift for several months. New expenses under this line item include the C Dock west wall steel repair and asphalt and vault repairs on the Travelift lane.

- **Note M35 – Salaries and Wages.** Changes to this line item since the 2018 budget include a new Maintenance Custodian Position, a CPI increase of 3.3%, and merit increases per the Port’s current policy. The new Maintenance Custodian Position will allow the Port to eliminate the janitorial contract expenses. Through July 31, 2018, Salaries and Wages have been reported and recorded to the cost centers as follows: marina (62.5%), properties (8.7%), overhead (28.3%) and capital projects (0.5%). 2019 salaries and wages were allocated the same way.
- **Note M36 – Supplies.** This line item includes rods, cleats and hardware for the docks at a cost of \$15,000. In the past, these elements have been replaced on an ad hoc basis. As the facility is aging, there is a need for a line item because more work is required. The line item also includes \$10,000 to rebuild the public launch motor. Last year, the four-year-old public launch motor went into failure mode and the Port was required to purchase a new one. The intent is to rebuild the old one as a spare. The Travelift cable replacement is estimated to cost \$8,000, and the Dry Storage forklift pads will cost about \$9,000.
- **Note M40 – Other Employee Benefits and Government Accounting Standards Board (GASB) 68.** Employees who retire from the Port can participate in the Public Employees Benefit Board. Because the State charges higher premiums for active employees than for retired employees, the Port is providing a direct and indirect subsidy. In addition, GASB 68 requires that the Port account for retirement liability even though it does not actually pay it out. In 2017, the 2 calculations netted in a decrease to employee benefits.
- **Note M41 – Property Tax Carry.** As per the Commission’s direction, \$50,000 of property tax revenue was allocated to the Public Launch to cover expenses that exceed revenues.
- **Note M42 – Overhead Allocation.** This item is based on the percentage of marina revenues less fuel costs. In 2019, the overhead allocation will be 66% to overhead and 34% to rental properties.

Commissioner Harris advised that she met with Ms. Drennan on October 5th to review the 2019 Preliminary Budget and was able to have her questions answered.

Commissioner Faires asked how staff calculated the average moorage rate increase of \$15. Ms. Drennan said the \$15 increase was determined by dividing the total increase by the number of slips. It did not distinguish between slip sizes and categories.

Commissioner Preston asked if premiums for retirees are lower because they have Medicare Parts A and B. Ms. Drennan pointed out that some people retire early and are not eligible for Medicare until age 65. She agreed to seek additional information and report back.

Next, Ms. Drennan referred to the **Rental Properties Operating Budget** (Page 16), as well as its associated notes (Pages 17 through 21) and highlighted the following:

- **Note P1 – Harbor Square Property Rent.** This line item is based on the current tenants and their lease terms.
- **Note P2 – Common Area Maintenance (CAM) Charges.** CAM fees are based on current tenants and their lease terms, as well. The 2018 CAM charges were adjusted higher than normal due to a change in calculation when the Port brought the function in house. In addition, the Port decided to replace larger sections of asphalt rather than just fixing potholes as they occurred.
- **Note P6 – Anthony’s.** This line item is based on minimum rent plus additional space (old Edmonds Yacht Club space), plus percentage rent. Percentage rent is normally received at the end of September. The last lease extension expires on August 31, 2043.

- **Note P9 – Harbor Square Athletic Club.** The land lease increases by CPI in mid-November, and the estimated CPI increase is 3% in 2018 and 2% in 2019. The lease is separate from the building lease, which is included in Item P1.
- **Note P10 – POE 2 LLC (Jacobsen’s).** This lease began in July of 2014. Since year 2, rents have increased by 2.5% annually.
- **Note P11 – Landing.** This lease had a fair market value adjustment in 2014, and the next adjustment in 2019 will be based on CPI. The budget estimates a 10% increase at that time. In addition, parking was increased in March of 2018. They were paying \$175 per month for about 20 parking spaces. Because the Port charges commuters \$130 per month to park, staff felt it was appropriate to negotiate an increased bulk rate of \$100 per month per parking space.
- **Note P12 – Edmonds Yacht Club (EYC).** This lease is for both the land and the parking. CPI adjustments have occurred each year starting in 2014.
- **Note P14 – Advertising.** Port staff is proposing \$5,000 in 2019 to market the vacant parcel on the east side of Admiral Way.
- **Note P20 – Employee Benefits.** (See Note M24)
- **Note P28 - Commissioner Preston** asked if the Anthony’s revenue (Note P6) includes percentage rate for the additional space (old Edmonds Yacht Club space). Ms. Drennan answered that the percentage rent applies to the total space, except the special events Banquet Room.
- **Note P30 – Supplies.** Some new expenses are anticipated in 2019, including in-house projects such as bathroom updates, sidewalk/curb repairs, and updating lighting in the halls.
- **Note P33 – Interest Expense.** As the Port continues to increase principal payments, interest payments will go down.
- **Note P34 – Interest Income.** Interest income is interest on Harbor Square funds. They also have interest in the overhead budget.
- **Note P37 -** The overhead allocation for properties is 34%. The property tax allocation is \$170,000, which is being used to pay off the Harbor Square loan.

Next, Ms. Drennan referred to the **Overhead Operating Budget** (Page 21), as well as its associated notes (Pages 22 through 26) and highlighted the following:

- **Note O1 – Miscellaneous.** This line item is stormwater system reimbursements from the City of Edmonds. The City rents pipe usage from the Port, and in 2018, the Port’s stormwater bill was reduced to account for stormwater that falls over the marina. The calculation is based on the percentage of total stormwater.
- **Note O2 – Parking.** Monthly commuter parking increased to 26 spaces in 2018, and there is currently a waiting list.
- **Note O9 – Election Costs.** Two Commissioners’ terms expire at the end of 2019. Snohomish County conducts the election. To calculate the cost, the County adds the costs for all districts and divides it out amongst the jurisdictions.
- **Note O13 – Communications.** The intent is to do two publications in 2019 that would be sent out to all tenants and residents of both Woodway and Edmonds.

- **Note O14 – Economic Development and Tourism.** The Commission discussed this line item earlier and agreed to allocate approximately \$30,000 as outlined in the packet.
- **Note O15 – Education and Training.** With the increase in public records requirements, this line item would be increased to fund additional training for staff to help them understand their duties and responsibilities.
- **Note O21 – Membership Dues.** The Washington Public Port Association (WPPA) membership dues are the most significant item in this category, and the budget will be adjusted once the Port receives notification from the WPPA as to what the 2019 dues will be. Commissioner Orvis noted that the information has already been released.
- **Note O25 – Professional Services.** New items in this category include the Parking Lot Feasibility Study, Landau and Associates’ testing of the stormwater filtration system, and computer technical support to update the Port’s website to optimize links, etc.
- **Note O26 – Repair and Maintenance.** The additional cost in 2019 is the crosswalk based on an agreement with the City that the Port would pay up to \$40,000. This line item also includes parking lot repairs and painting the exterior of the Administration Building.
- **Note O28 – Supplies.** There wasn’t sufficient time to get the SR-104 entrance improvements done in 2018, so the project was carried over to 2019. This line item also includes a new camera system for Marina Operations to assist in providing service to customers from the office. It also includes replacement of the automated external defibrillator (AED) that was purchased in 2003.
- **Note O32 – Interest Income.** Interest rates have risen somewhat. In late 2013, the Port began investing in longer-term investments, and staff will continue that policy in 2019. They are projecting \$200,000 in interest income in 2019.
- **Note O35 – Property Tax Allocation.** A property tax allocation of \$150,000 is identified for Commission costs, and additional \$30,000 has been set aside for public records requests and training.

Commissioner Faires asked staff to explain, for the public’s benefit, why the Port is allocating \$40,000 for a crosswalk on Admiral Way, which belongs to the City of Edmonds. Mr. McChesney agreed that the City is primarily responsible for safety on public streets, but in the way of collaborating with the City and in order to induce the project to occur, the Port agreed to provide \$40,000 to help fund it. He recalled that the original estimate was preliminary and done by the City’s Public Works Department staff in order to advance the conversation. This number was determined to be unreliable. However, regardless of the total cost of the project, the Port’s contribution would be no more than \$40,000. Commissioner Orvis recalled that the Port has emphasized the need for a crosswalk to address public safety concerns and offered the funds in an effort to encourage the City to move forward with the project.

Commissioner Preston said that when he initially talked to Councilmember Mesaros about a crosswalk at the Corner of Dayton Street and Admiral Way, the estimated cost was in the range of \$20,000 to \$30,000. The cost of the project has significantly increased since that time. He said he does not recall that the Commission committed a specific dollar amount. Commissioner Orvis recalled that the Commission made the commitment at a Port meeting when it was reported that the cost had increased substantially to be in the \$90,000 to \$100,000 range. He suggested there is no point in adjusting that number until the City figures out how and when the project will be done. Commissioner Preston said his understanding was that the Commission would pay half of the project up to a maximum of \$40,000.

Commissioner Faires summarized that the crosswalk is needed, and the Port needs to partner with the City to get it done despite the fact that the City is ultimately responsible for public safety at that intersection. Councilmember Teitzel announced that the crosswalk has been included in the City’s Capital Improvement Plan for 2019, and his understanding is that the Port’s contribution would be capped at \$40,000. Mr. McChesney agreed that is consistent with his conversations with the City’s Public Works Director. Any additional costs beyond that amount would be the City’s responsibility.

Commissioner Preston pointed out that a crosswalk is also needed by the Edmonds Yacht Club and Jacobsen's Marine, and it is the City's responsibility to address this public safety issue, as well. Mr. McChesney clarified that the \$40,000 was intended for a crosswalk at the intersection of Dayton Street and Admiral Way.

Commissioner Harris recalled that the 2018 marketing budget included funding for the Port's 70th Anniversary event, and the Communications Committee has discussed the idea of doing a smaller event in 2019, as well. Mr. McChesney advised that the Communications Committee has not perfected the concept enough to put a number in the budget. However, the anticipated cost of the event would be relatively modest. He suggested it is not really necessary to lock the number down for the 2019 budget. Commissioner Preston suggested the Communications Committee should discuss the concept further prior to the Commission's next budget discussion.

Ms. Drennan referred to the **2019 Capital Budget** (Page 27), which shows the projected capital improvements for 2019 to 2022, as well as the budget and actual capital improvements for 2018. She reminded them that the Commission approves the 2019 Capital Budget, and then Port staff returns to the Commission for final approval to proceed with the individual projects. The 2019 Capital Budget includes an equipment storage shed at Dry Storage to store the forklift. Mr. McChesney said one reason for the forklift requiring so much repair and maintenance is because it was not really designed to be out in the weather year-round. One thought was to convert an existing structure in Dry Storage to an equipment storage shed. The project could be done inexpensively and would allow the machines to be stored under cover to reduce future maintenance costs. Ms. Drennan said other items in the 2019 Capital Budget include a trailer, forklift replacement and Harbor Square HVAC replacement (12 units).

Commissioner Faires asked what the Port plans to do with the old forklift. Mr. McChesney said he does not know the current value of the forklift. However, Everett Bayside Marina has almost the same machine. They have not experienced the same problems because it operates in a fully enclosed facility, but they have expressed interest in purchasing the Port's old forklift.

Ms. Drennan advised that the **Projected Cash Flow Schedule** (Page 28) shows the estimated inflows and outflows of cash for 2018 to 2022. It includes Operating Budget and Capital Budget items, as well as required bond payments and cash reserves. She said it is important to have cash reserves on hand to help pay for replacing the Port's marina assets in about 30 years. The Port will not have the capacity to use bond funding to pay the total replacement cost. Commissioner Johnston suggested that the Environmental Mitigation Reserve is too low and should be increased to \$1 million, and Ms. Drennan agreed to make that adjustment.

Ms. Drennan advised that the CPI information data provided on Page 29 was included in the packet for information purposes only. She explained that the Port consistently uses the "*Consumer Price Index, All Items, Seattle-Tacoma-Bellevue for All Urban Consumers.*" Specifically, the Port uses the numbers from July 1st of the previous year to June 30th of the current year, as they represent the most current numbers when the Port starts its budget process.

Ms. Drennan advised that Pages 30 through 32 provide charts to illustrate the proposed rate changes for all open moorage, covered moorage and dry storage spaces. Again, she said the increase is based on CPI plus 1%, which equates to a total increase of 4.3%. She referred to the Moorage Rate Survey on Page 33, which shows the Port's rates compared to other marinas as of June 2018. She summarized that the Port considers its facilities comparable to Elliot Bay and Shilshole Marinas, and their rates are greater than those of the Port of Edmonds in all categories. The Port's rates are comparable to Cap Sante and Everett North, but higher than Everett and La Conner. She reminded the Commission that La Conner adopted an 18% rate increase in 2018.

In addition to moorage and dry storage rate increases, Ms. Drennan advised that the 2019 budget identifies a number of other rate increases as outlined and highlighted on Pages 34 through 38. She noted that many of these rates have not been increase in at least four years, and the changes are needed for the Port to recover its cost of providing the services. She reviewed the changes as follows:

- Roundtrip Travelift rates would increase from \$212.50 to \$250.00 for boats up to 24'11". The rate would increase from \$8.75 to \$9.75 per foot for boats 25' to 34'11", from \$9.00 to \$10.00 per foot for boats 35' to 44'11", and from \$9.25 to \$10.25 for boats 45' and up.
- Reblock (one way) rates would increase from \$100.00 to \$125.00 for boats up to 24'11" and from \$4.00 to \$5.00 per foot for boats 25' and up.

- Sling time with pressure wash rates would increase from \$154.00 to \$160.00 for boats up to 24'11" and from \$6.25 to \$7.75 for boats 25' and up.
- Sling time without pressure wash rates would increase from \$100.00 to \$125.00 for boats up to 24'11" and from \$4.00 to \$5.00 for boats 25' and up.
- Additional stand moves over one rates would increase from \$25.00 for each 15 minutes per person.
- Special Handling Surcharge rates would increase to 150% of the regular rate.
- Boatyard summer rates (May through October) would increase from \$1.30 to \$1.35 per foot, and boatyard winter rates (November through April) would increase from \$1.15 to \$1.20 per foot.
- Peak guest moorage rates (May through October) would increase from \$1.45 to \$1.50 per foot, and off-peak rates (November through April) would increase from \$1.30 to \$1.35 per foot. The monthly rate would increase from \$26.00 to \$26.85 per foot. Electricity would increase from \$5.00 to \$5.50 per night.
- The open loan-a-slip rate would increase from \$1.60 to \$1.70 per foot and the covered rate would increase from \$1.75 to \$1.85 per foot. Electricity rates would increase from \$5.00 to \$5.50 per day.
- Public launch rates would increase from \$27.43 to \$28.10 for roundtrip roller trailer, from \$19.26 to \$19.95 for one-way roller trailer, from \$38.30 to \$40.80 for roundtrip bunk trailer, from \$28.33 to \$29.92 for one-way bunk trailer, from \$38.30 to \$40.80 for roundtrip dinghy, and from \$28.33 to \$29.92 for one-way dinghy. Special handling surcharges would increase to 150% of the regular rate.
- Vehicle/trailer combination parking rates would increase from \$6.12 to \$6.34 per day, and RV parking would increase from \$40.00 to \$45.00 per day.
- Engine Haul/Equipment move rates would increase from \$107.00 to \$115.00 per 30 minutes and from \$24.50 to \$30.00 for every additional 15-minute increment over 30 minutes. Caterpillar forklift rates would increase from \$49.00 to \$60.00 per 30 minutes per person.
- Dewatering pumpout rates would increase from \$49.00 to \$52.00 for 30 minutes per person.
- Labor fees would be broken into two categories. Right now, they bill under a single category, but some activities require greater skill and more equipment than others. As proposed General Labor fees would increase from \$24.50 to \$25.00 per 15 minutes, and a Journeyman Labor fee would be added at \$30.00 per 15 minutes.
- The liveboard fee would increase from \$130.00 to \$135.00, the trailer storage fee from \$65.51 to \$68.32, the commuter parking rate from \$130.00 to \$140.00, and RV parking from \$182.00 to \$200.
- The commercial vessel passenger fee would increase from \$1.35 to \$1.40 per passenger.
- The dinghy storage fee would increase by CPI plus 1%.
- In Dry Storage, the forklift fee to vendor's modified trailer would increase from \$19.26 to 19.95 for one-way and from \$27.43 to \$28.10 for round trip.
- The fuel markup per gallon would increase from \$0.78 to \$0.80.
- The installation fee for products would increase from \$24.50 to \$25.00 for each 15-minute increment.

Commissioner Faires voiced concern about the proposed rate increases of up to 25% in some categories. It was the Port's fault that rates were not increased for four years and the fees fell below the level needed for cost recovery. He suggested a better approach would be raise the rates by 10% each year until they are caught up. Ms. Drennan pointed out that the Port's rates are comparable to other marinas (see rate survey on Pages 39 through 41), and it is not staff's intent to propose rate increases every year in all categories.

Commissioner Orvis said he supports the proposed rate increases. If the Commissioners feel it is more appropriate to raise the rates by smaller amounts each year, they should implement that approach moving forward. He reminded them that they implemented moorage and dry storage rate increases of CPI plus 1% in order to avoid getting behind and causing significant increases in the future. It is up to the Commission to decide whether it is appropriate to recover costs now or over a longer period of time, but he supports staff's proposal. Commissioner Preston said he also supports staff proposed rate increases, which will result in round numbers after taxes have been applied. He asked if there would be additional costs involved with raising the rates on a yearly basis (i.e. updating websites and published materials with the new rates). Ms. Kempf answered no, that Port staff already updates the information on a yearly basis.

Ms. Kempf noted that the only rate increase of 25% is the reblock charge. She expressed her belief that the recommended increase is appropriate given that the service is quite time consuming. She reminded the Commission that the Port has struggled to even cover costs in the boatyard and activity was down for many years. Activity started

to pick up in 2018 and the Travelift was very busy every day and people had to schedule their moves 3 to 4 days in advance. As the demand has increased, the machine is used more and the costs of maintenance and repair have increased significantly. She pointed out that the “Roll Back the Clock” boat show special ended up being a cost savings of only about \$12.00 because the rates have not been increased in a very long time. She said the special handling surcharge applies when the launcher is used to lift items other than boats. This service is time consuming and awkward, which makes charging a premium appropriate.

Lastly, Ms. Drennan advised that the **Port of Edmonds Pay Table** on Page 42 shows staff pay rates at a CPI increase of 3.3%, which is June 2018 CPI. The **Economic Development and Tourism Expense Budget** on Page 43 shows the details of the economic development and tourism revenues and expenses from 2014 through 2017, projected 2018 actual and 2019 proposed. This item was previously discussed by the Commission on August 27th. The **Port District Tax Levy History** from 1990 to projected 2019 is shown on Page 44, and Page 45 shows graphs of the assessed value of the Port District, the tax levy amount and the tax levy rate from 1990 to 2019. The graph on Page 47 shows property taxes as compared to CPI increases and 1% increase from 2010 to 2019, and the graph on Page 48 shows the values of property taxes in 2008 dollars. Page 49 shows estimated Port District resident property taxes for 2019. She reminded the Commission that the property tax items were previously discussed by the Commission on August 27th, as well.

Ms. Drennan concluded her presentation by reiterating that a public hearing on the 2019 Preliminary Budget is scheduled for October 29th.

Dean Nichols, Woodway, referred to the Projected Cash Flow Schedule on Page 28, noting that in 2019, the Port would begin with over \$14.3 million and end with over \$16 million. That equates to an increase of about \$1.7 million. He asked if there is a plan in place to fund future capital needs that would require that high level of reserve. Ms. Drennan answered that the Port’s plan to fund the replacement of major capital assets in 30 years is outlined in a 50-page document that is available to the public. Mr. Nichols asked if the Port is responsible for all capital facility replacement, including the breakwaters. Mr. McChesney answered that the Corp of Engineers is responsible for the south breakwater and the Port is responsible for the north breakwater. The Port has calculated the life expectancy of the docks, roofs, etc. and they are slightly behind schedule as far as funding replacement with capital reserves, and it is assumed that a combination of both capital reserves and bonding will be required to replace the major marina assets. The Port has run numbers and worked with a bond underwriter to identify its potential bonding capacity based on its debt coverage ratio and ability to pay the bonds. All of this information was factored into the equation.

Mr. Nichols suggested that another option would be to fund the work via a tax assessment. Commissioner Faires said the Commission’s current intent is to avoid an additional tax burden on the Port District constituents who already paid for the marina to be built.

Mr. Nichols referred to the Tax Levy History on Page 44, noting that the assessed value of properties in the Port District was about 3.3 billion, which resulted in a millage rate of \$0.12. Since that time, the millage rate has continued to decline as the Port placed a \$400,000 limit on the amount of property taxes collected. The proposed 2019 millage rate would be just \$0.067, or about half of the 2013 rate. As per Page 44, the maximum levy amount available in 2018 is \$574,832. That means it would be possible for the Port to raise taxes by \$100,000 and still be below the 2013 millage rate. He suggested that the Port commit this additional \$100,000 per year to providing public amenities on the waterfront.

EXECUTIVE DIRECTOR’S REPORT

Mr. McChesney reported that he met recently with representatives from Puget Sound Express (PSE), and they have verbally agreed to home port at the Edmonds Marina for the next five years. An agreement still needs to be put together, and staff is working on preliminary designs for a gangway that would access the vessel directly from the promenade. He said Port staff looks forward to working with PSE in the years to come. Commissioner Orvis agreed that the direct gangway is a necessary improvement and asked if money would be set aside in the 2019 Capital budget for this anticipated expense. Mr. McChesney advised that there is no cost estimate at this time, but he anticipates it will be upwards of \$50,000. Staff is still working to create a business case that supports the work moving forward.

Mr. McChesney advised that he attended a Tourism Collaboration meeting with representatives from the City of Edmonds and downtown businesses. The idea is to try to leverage and maximize the potential spending opportunities that are associated with people coming to Edmonds to whale watch. He said he also attended the Economic Alliance of Snohomish County's Blues, Brats and Brews event at the Edmonds Yacht Club where Commissioner Preston gave a nice address.

COMMISSIONER'S COMMENTS AND COMMITTEE REPORTS

Commissioner Faires agreed with Mr. Nichols that the Port has neglected the public amenity aspect of the marina to some extent and they could do more. The question is what should that be and how would it be funded. Would an increased tax be appropriate, or are public amenities due the Port District residents who paid for the marina to be built in the first place? Historically, he has been of the persuasion that tax revenue should be for Commission costs, environmental costs, economic development, or if the maintenance schedule requires augmentation. However, there may be some public amenity features that deserve tax revenue. He suggested the Commission should have this discussion.

Commissioner Faires referred to written comments submitted by Commissioner Harris about the need for more community involvement in Port activities. Commissioner Harris made some very specific suggestions that the Commission should consider. He agreed that the Commissioners should work to involve the public more in their discussions and keeping them better informed about what is going on at the Port.

Commissioner Faires observed that the budget discussion was predicated on rate increases. He reminded the Commission that, in the past, their discussion has been guided by the need for establishing a reserve to fund capital asset replacement without an additional assessment to the taxpayers who build the Port in the first place. At the same time, the rates are capped by what the market will allow. In the past, the Commission agreed to an annual increase of CPI plus 1%. But perhaps it is time to review the assumptions that go into the cash flow forecast to make sure they are not only sensitive to the market, but also result in the capital reserve needed for future replacement.

Commissioner Harris reported that she and Commissioner Johnston attended the Washington Public Port Association (WPPA) Environmental Conference. In general, the conference was helpful for continuing education and to brainstorm and think about things differently. The conference included discussions about integrated planning grants and changes to the stormwater best management practices in 2019. The Residential Killer Whale Task Force has published its recommendations and the public comment period will open again in two weeks.

Commissioner Harris reported that the Communications Committee met on September 25th and Ms. Williams will share their plans with the Commission at a future meeting. They discussed sending out a mailer in the spring and a holiday postcard later in the year with an update of Port activities, a picture of staff, etc. She said she also met with Ms. Drennan on October 5th to review the 2019 Preliminary Budget. She advised that she would attend the Snohomish County Town Hall Meeting on October 15th, the Economic Alliance of Snohomish County Public Officials Reception on October 16th, and the Edmonds Yacht Club's networking event on October 24th. Lastly, she reported that the Port's website has been updated to include the recently adopted Environmental Policy. She has plans to review climate action plans from Vancouver, B.C. and Vancouver, Washington and will report back to the Commission.

Commissioner Johnston reported on his attendance at the October 1st Finance Committee meeting, as well as the WPPA Environmental Seminar last week. He reported that the Model Toxic Control Act (MTCA) will be rewritten over the next few years, and the good news is that there is money for the next biennium. The Washington Assessment Ranking Program will be addressed as part of the MTCA rewrite but will likely have no impact on the projects the Port has listed. He said there was also a lot of talk about in-water permits and Section 808 permits. The Corps of Engineers has modified its view and it is now easier to get the permits. People are pleased about this change, but not the decision to advance State Environmental Policy Act (SEPA) review far outside of the projects being proposed. There is concern this will cost the state some business and new projects until it is sorted out.

Commissioner Johnston announced that he would attend the Economic Alliance of Snohomish County's Public Officials Reception, as well as the WPPA's Small Port's Seminar later in the month.

Commissioner Orvis recalled that when MTCA was adopted, the intent was that the money had to be used for certain things. It was a great idea and worked well for a number of years until the legislature stripped the funding and used it for other things.

Commissioner Orvis announced that he would attend the Economic Alliance of Snohomish County Board meeting and Public Officials Reception at the new Paine Field terminal.

Commissioner Preston reported that he will attend the Communication Committee meeting on October 25th and intends to work with Ms. Williams on things to put forward in the future. He also reported that he attended the Edmonds Yacht Club's (EYC) general membership meeting on September 25th. He recalled there has been some talk about the EYC becoming the charter organization for Sea Scouts, and Mike Jones is in communications to determine how well the program would fit.

Commissioner Preston advised that he and Mr. McChesney met with representatives from the Rotary Club to discuss the future of the Waterfront Festival, which has been suspended in 2019.

Commissioner Preston advised that he would attend the WPPA Small Ports Seminar, but not the Northwest Marine Trade Association (NMTA) meeting.

ADJOURNMENT

The Commission meeting was adjourned at 9:25 p.m.

Respectfully submitted,



Jim Orvis
Port Commission Secretary