



## PORT COMMISSION OF THE PORT OF EDMONDS

### MINUTES OF REGULAR MEETING

May 26, 2015

#### COMMISSIONERS PRESENT

David Preston, President  
Mary Lou Block  
Jim Orvis

#### STAFF PRESENT

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

#### OTHERS PRESENT

Karin Noyes, Recorder

#### COMMISSIONERS ABSENT

Bruce Faires, Vice President  
Fred Gouge, Secretary

#### CALL TO ORDER

Commission President Preston called the regular 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 MAY 11, 2015 MEETING MINUTES**
- C. APPROVAL OF PAYMENTS IN THE AMOUNT OF \$200,067.70.**

**COMMISSIONER BLOCK SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.**

#### PUBLIC COMMENTS

**John Bohner, Edmonds**, said he and his wife are liveaboard tenants at the marina. They are proud to live in Edmonds and they love the marina. It is very clean, and the staff is wonderful and accommodating. However, one area that could be improved is the pump out facility. The one at the south end of the marina hasn't worked well during the past month, and it is often difficult to access the facility at the fuel dock when other boats are moored there. He explained that, because they live aboard their vessel, they have to use the pump out facility quite frequently. He asked that the Port address this issue as soon as possible.

**Sharon Bohner, Edmonds**, recalled that she and her husband have been told on a few occasions to use the pump out facility at the end of A Dock, but they have found that facility inoperable on several occasions, as well. With the whale watching vessel now moored on D Dock, it is important for them to use the pump out and other facilities during certain times of the day in order to avoid a conflict with this large vessel.

Mr. McChesney advised that the grant for the pump house project included reimbursement funding for the operation and maintenance costs. Therefore, any problems with its operation and function should be corrected quickly.

Mr. Bohner asked if the Commission would be discussing the Port's liveaboard policies at the meeting. Mr. McChesney responded that the policies would not be a topic of discussion on the Commission's meeting agenda. However, the Commission has formed a committee to review the policies and report back to the Commission with suggested updates. Mr. Bohner asked that he be kept apprised of the situation and notified of when the Commission will discuss the issue again.

### 1<sup>ST</sup> QUARTER MARINA REPORT

Ms. Kempf reported that the 1<sup>st</sup> Quarter Marina Report looks very good. She reviewed the highlights of the report as follows:

- **Public launch** round trips were up by 72% or 82 boats. This is mainly due to mild weather and Jacobsen's Marine.
- **Fuel prices** were good in comparison to other marinas in Puget Sound. One reason is that many marinas are still selling clear rather than ethanol gas. The Port knew its price of fuel would be lower once it started selling ethanol with ValvTect. Clear gas is more difficult to purchase now. In addition, the Port implemented a new market-based policy for pricing its fuel in 2014. Each Tuesday, the price of gas is adjusted based on the market cost rather than the cost of the gas that is delivered. Fuel gallons sold increased by 95% over the same quarter in 2014. In addition to a more competitive gas price, the increase in sales can also be attributed to Jacobsen's Marine, milder weather and getting boat show tenants into the marina earlier to close the shoulder season. Commissioner Orvis asked if staff has received complaints from tenants regarding the ValvTect product, and Mr. McChesney replied that staff has only received good reports.
- **Guest Moorage** use was up by 169% compared to 1<sup>st</sup> quarter 2014, and this was primarily due to tribal boats that were in the marina almost the entire quarter.
- **Travelift** use was up slightly in some areas. The promotions worked well given that boatyard use is significantly less. Although a January through February promotion included free days in the boatyard, **boatyard** activity was down significantly.
- **Water moorage** financial occupancy was up 1% from 90% in 2014 to 91% in 2015. Staff anticipates that financial moorage will improve during the 2<sup>nd</sup> quarter. The **dry storage** experienced the same positive gain.

Ms. Kempf summarized that the report results indicate that the Port will likely have a very good year. She referred to the Boat Show Report, which was attached to the Staff Report, and noted that she has reported previously on the success of the Port's participation.

Commissioner Preston asked if anything jumped out at staff as they reviewed the demographics of the new tenants who signed up as a result of the boat show. He noted that of the 75 new tenants, 20 were from the Edmonds area. Ms Kempf pointed out that the Port had never received more than 49 sign ups as a result of the boat show, but this year there were 75 new tenants. However, the demographics look much the same as in previous years. Commissioner Preston said he is interested to see if the demographics begin to creep into the Bellevue/Kirkland area.

Commissioner Preston observed that of the 42 spot checks, the Port's fuel prices were the lowest in all but six cases. Mr. McChesney commented that this is a good turnaround for the Port's fuel dock. Over the years, it has been difficult for the Port to find the right price point to break even and he believes they are finally getting there. While some of this change has to do with improved operations, the new pricing scheme has had a significant impact, as well. Pricing the fuel based on the rack price rather than the delivery price has proven to be a good method for staying with the market. Commissioner Block said she has noticed that some tenants who previously refused to purchase fuel from the Port in the past are now taking on fuel.

Commissioner Preston asked if the Port has communicated their competitive fuel prices to the tenants via the Port's newsletter. Mr. McChesney said this has not been done to date, but he agreed it would be appropriate to get the word out. Commissioner Orvis suggested that the price of fuel should be posted on the digital reader board, and Ms. Kempf agreed to add it along with the information related to hours of operation.

## **1<sup>ST</sup> QUARTER FINANCIAL REPORT**

Ms. Drennan reviewed the 1<sup>st</sup> Quarter Financial Report, specifically highlighting the following:

- During the past five years, revenues have been greater than expenses, and the net income for the three months ending March 31, 2015 was \$242,313 or \$59,707 greater than budget.
- Gross profit for the three-month period ending March 31, 2015 was \$1,538,395 or 2.4% less than budget, and net income for the same period was \$242,313.
- Net fuel sales were \$8,202 or about 273% greater than budget.
- Guest moorage revenue was \$10,101 or about 104% greater than budget.
- Although permanent moorage revenue was \$38,129 (about 5%) below budget, financial occupancy actually increased from 90% to 91%.
- Dry stack revenue was \$17,411 or about 13% less than budget, but financial occupancy increased from 90% to 91%.
- All rental property revenues were right on budget, with the exception of Harbor Square, which was \$6,074 or 1.47% less than budget.
- Operating expenses without depreciation for the three-month period were \$870,918 or 7.6% less than budget.
- Other cost of goods sold was off by \$18,656. During the budgeting process, the Port assumed it would accept credit cards. The variance represents the estimated cost of credit card fees during the first quarter.
- Professional fees were about \$9,000 below budget, and repair and maintenance costs were about \$25,000 greater than budget due to the electrical issues at the north end of the marina.
- Salaries and wages were below budget by \$70,716, due simply to a timing difference. By the end of the year, the numbers should be closer to budget.
- Utilities were \$18,219 greater than budget, and staff is researching to figure out why.
- Net income for the three months ending March 31, 2015 was \$242,313, or \$59,707 greater than budget.
- Marina revenues were about \$29,000 less than budget, and marina operating expenses were about \$52,000 less than budget. The net marina income was approximately \$68,000 greater than budget.
- Rental property revenues were \$6,506 less than budget, and rental property operating expenses before depreciation and overhead were \$11,533 greater than budget. The net income from rental properties was \$3,075 below budget.

Ms. Drennan referred to the investing summary and noted that the Port has seven long-term investments with a remaining life of between 1.63 and 4.58 years. The total market value of the investments as of March 31, 2015 was \$3,048,426. Approximately \$750,000 in the Bank of Washington checking account will be paid out in June for the payment on the 2005 Limited Tax General Obligation (LTGO) bonds. Staff will continue to look for additional investment opportunities to increase interest revenue and fill the gaps in the ladder where there is not as much coming due. At the end of the 1<sup>st</sup> Quarter, the Harbor Square loan balance was \$5,404,104. As per the loan agreement, the Port is required to keep a balance in Opus Bank of 60% of the loan balance, which was \$3,242,462 at the end of the 1<sup>st</sup> Quarter.

Commissioner Orvis observed that because the budget is divided equally amongst the 12 months, some line items are high and some are low. However, the numbers are consistent with what he expected to see. Commissioner Preston commended Ms. Drennan on the well-organized report and said the graphic illustrations were helpful and easy to understand.

Commissioner Orvis asked if the seasonal staff is all on board now. Mr. McChesney answered that the Port has hired eight seasonal staff. Ms. Kempf commented that half of them started in May and the rest will start in June. Commissioner Orvis said he recently spoke with a long-standing tenant who commented that Port staff is as good as it has ever been.

## PROJECT REPORT

- **Weather Center.** Mr. McChesney reported that the Weather Center Project is essentially complete. However, they are having some problems with glare, which makes it difficult to view the presentation. Staff has researched possible solutions and believes the most cost-effective remedy would be to add a particular film on the inside glass of the television screen. He explained that the television was purchased from Costco at a reasonable price, but it is not considered “outdoor.” Outdoor televisions are designed to withstand weather elements, and they are significantly more costly. Because the television is located in an enclosed environment, staff did not believe it necessary to purchase the more costly product. He concluded that, by and large, the project has been successful. As of May 15<sup>th</sup>, the project costs were \$31,000 and the budgeted amount was \$40,000. He anticipates the final project will come in under budget.
- **Harbor Square Building 3 HVAC and Roof.** Mr. McChesney reported that a contract has been issued to DK for the HVAC project, and the equipment is on order and should be available in the next week or two. The contractor fully expects to have the project completed by the first week of July, which is important because the roofing contractor cannot get started until the HVAC units are all in place. The goal was to have all three Harbor Square projects done by Labor Day, and it appears that this project will be finished by the end of July.
- **Harbor Square Building 4 Roof.** Mr. McChesney reported that the Building 4 roof project has been completed on time. Commissioner Orvis noted that repairing the roof on Building 4 will allow the Port staff to assess the water damage. Mr. McChesney agreed and advised that some clean up will be required to make the space showable. However, the contractor did not find any spot rot and no change orders were required. He summarized that he feels comfortable with the quality of the project.

## EXECUTIVE DIRECTOR’S REPORT

Mr. McChesney reported that he was recently contacted by a representative from ED (formerly the Edmonds Downtown Alliance) advising that they are working with the City of Edmonds to place wayfinding signs throughout the waterfront and downtown to improve walkability and promote tourism. The total cost of the project is \$25,000, and the City has apparently pledged \$15,000. ED is requesting that the Port participate, as well, by providing \$1,300. He explained to ED that the Port’s willingness to participate would depend on whether or not other businesses (i.e. Jacobsen’s Marine, Arnies, Anthony’s, etc.) agreed to provide financial support, as well. The signs are intended to be generic to reference activities and not actual businesses. He recommended the Commission authorize the Port to participate at the level requested.

**COMMISSIONER BLOCK MOVED THAT THE PORT PARTICIPATE IN ED’S WAYFINDING SIGN PROJECT IN THE AMOUNT OF \$1,300. COMMISSIONER ORVIS SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.**

Mr. McChesney announced that the Sound Transit Board will meet on May 28<sup>th</sup> to review a draft project list for potential expansion, a key step in developing a Sound Transit Phase 3 Plan to present to the region’s voters in November 2016. Apparently, a unified group of Snohomish County organizations, representing business, government, labor, non-profits, and the environment, are drafting a community letter to the Board urging that they keep light rail to Everett as a top and primary priority as part of the commitment to ensuring the “LINK” Light Rail Transit System connects Everett, Tacoma and Redmond as the regional “spines” of the system. This is consistent with what was envisioned in the original Sound Move Master Plan in 1994. The group is asking all participating members of Economic Alliance Snohomish County (EASC) to sign onto their letter.

Commissioner Orvis added that there is a significant move in King County to divert the attention of Sound Transit to extend lines to Bellevue, Kirkland, and Ballard. The original deal, on which Sound Transit was sold to the public, was that it would complete the spine from Tacoma to Everett Community College. However, it appears they have become distracted by a lot of other requests. The EASC and Everett have expressed concern that if they move forward with these other spurs, instead, Sound Transit will never obtain the support of Snohomish County voters again. Sound Transit’s goal is to get light rail to Lynnwood by 2023 and to Everett by 2030. Commissioner Preston asked about the promised date to finish the service to Everett. Commissioner Orvis said the original date was a lot

earlier than the current date. Because of mismanagement and financial difficulties in its early days, Sound Transit had to push back the original promises.

Commissioner Orvis suggested the Commission support the request and offer the Port's logo for inclusion on the letter's signature box. He also encouraged Commissioners to talk with their local legislators to encourage them to include this issue as part of the transportation package discussion. They are the ones who will authorize the vote on whether Sound Transit can get more money, and they need to make sure the promises are kept and maintained. The remainder of the Commission concurred, and Mr. McChesney agreed to respond to the request as soon as possible.

Mr. McChesney reported on his attendance at the Washington Public Port Association (WPPA) Annual Spring Meeting in Spokane. He attended the Marina Committee Meeting where there was discussion about liveaboard insurance, and infrastructure. Every marina seems to have similar issues and the Marina Committee was a good place to air their concerns. He said he also attended roundtable discussions on tourism and social media. The public relations person from the Port of Longview was the moderator and offered insight and caution about social media as it pertains to ports given they are public agencies. It was discussed that social media has both pros and cons.

Ms. Kempf announced that the Edmonds Waterfront Festival is scheduled for May 29<sup>th</sup> through May 31<sup>st</sup>. So far, 11 classic yacht owners have confirmed they will bring their boats into the guest moorage area. It is anticipated the weather will be good, and they are expecting a high attendance. Sea Jazz events will take place throughout the weekend, starting at 3:00 p.m. on Friday on the beer and wine garden stage. They will also perform in the public plaza from 5:00 p.m. to 7:00 p.m. on Friday and from noon to 4:00 p.m. on Saturday and Sunday. The opening ceremony for the festival is scheduled for 5:00 p.m. on Friday. She said the marina will be very busy on Saturday, since a wedding is scheduled at the Edmonds Yacht Club, as well.

Ms. Kempf reported that Puget Sound Express started its daily tours to the San Juan Islands on May 23<sup>rd</sup>. The tours will continue throughout the Waterfront Festival, and Puget Sound Express plans to offer one-hour boat rides between 3:00 p.m. and 7:00 p.m. on Friday, Saturday and Sunday evenings. The rides will cost \$28 per person, and tickets can be purchased from the Rotary Club at the entrance gate.

### **COMMISSION COMMENTS AND COMMITTEE REPORTS**

Commissioner Preston requested a report on the May 19<sup>th</sup> committee meeting where the liveaboard regulations were the topic of discussion. Mr. McChesney reported that he and Ms. Kempf met with Commissioners Faires and Gouge to review the existing liveaboard agreement and policies and discuss ideas for improving them and making them consistent with the Landlord/Tenant Act. They are working on draft language and will meet again in a few weeks to review the draft before it is presented to the Commission as a whole.

Commissioner Preston also requested a status report on the Port's new Strategic Plan brochure. Mr. McChesney advised that Megan Barnes is the staff lead for this project. He invited Commissioners to mark up the draft and forward their comments and ideas to Ms. Barnes as soon as possible.

Commissioner Preston reported on his attendance at the WPPA Annual Spring Meeting. He said he particularly enjoyed the session led by Frank Chmelik, WPPA Attorney, called, "A Comprehensive Guide to Port Powers." It was discussed that city functions are regulatory and ports are more business oriented. He also learned that the Sea Scouts may need to be covered on Labor and Industry Insurance for anything they do at the port. Mr. McChesney agreed to research the issue further and report back.

Commissioner Preston advised that, at the WPPA Meeting, there was significant discussion about Air B&B. Tenants are renting their boats to others, and it is becoming a real management issue for marina managers and operators. Most of the discussion was about the negative impacts associated with the activity and how marinas can prohibit the use. Mr. McChesney said there is already language in the Port's regulations that prohibits the use, but enforcement is an issue.

Commissioner Preston reported that at the Public Relations Committee, there was discussion that the Port of Allyn helped save an oyster house by moving it two miles. He summarized that the meeting was one of the best he has attended. The WPPA maintains a good focus on delivering goods that are meaningful to ports of all sizes.

Commissioner Preston said he met with Mr. Osterman to discuss the security issues that were brought forward at the cyber meeting.

Commissioner Preston announced that the Energy Services Coordinating Agency (ESCA) will be folded into the Department of Emergency Management. They have expressed an interest in having Mr. McChesney continue as a representative of the Port once the change is made.

Commissioner Preston said he had a recent discussion with Commissioner Gouge about his concerns related to the City of Edmonds' draft Tree Code, which is the subject of a public hearing before the Planning Board on May 27<sup>th</sup>. It appears that, as proposed, the draft Tree Code would not allow residential property owners to trim or prune their trees without providing an arborist report, obtaining a permit, and paying a significant fee. Commissioner Gouge expressed his belief that the proposed onerous Tree Code is a knee-jerk reaction to a few bad situations.

Commissioner Orvis recalled that a few years ago, the City of Edmonds became a Certified Tree City, which required it to form a tree board. The draft Tree Code is the product of the Tree Board's work over the past year, and is an effort to manage the urban forest. Many people have raised concerns about how the draft code would impact property rights and views. People who have solar power are also concerned.

Commissioner Orvis reported on his attendance at the recent Economic Alliance Snohomish County (EASC) meeting. The Alliance is doing well, and they are encouraging participants to speak with their local legislators regarding the transportation package. The package includes a number of projects, but it has been suggested that it contains too many pedestrian and walkway projects and not enough projects that will maintain what is already in place and improve vehicle and freight mobility.

Commissioner Orvis reported that the State Legislature has been focusing the majority of its time discussing education versus transportation, and nothing significant has been decided yet. The senate has indicated that six of their eight reform bills must be passed before they will approve the Transportation Budget. A prohibition was placed on an executive order to impose a low-carbon fuel standard. This has now been resolved, as has the carbon tax issue. A provision to redistribute transportation taxes back to transportation projects is being adamantly opposed by education lobbyists. Legislators are finally realizing that taxing your own tax dollars is not a very smart approach. He reported that the Legislature nearly eliminated the Model Toxic Control Act funds, but put about \$100 million back in to keep current cleanup projects moving forward. Changes were approved for the IDD, and you can now tax up to 45 cents for six years and have the flexibility to use the capability over a 20-year time period.

Commissioner Orvis reported that the legislature earmarked just \$500,000 for tourism, just enough to keep it breathing. The Marine Tourism Bill is on life support. Legislation was also approved that allows real estate purchases to take place in executive sessions, as long as you inform the public about what was done. He advised that he attended the Environmental Committee Meeting where Patsy Martin, Executive Director of the Port of Skagit County, was the facilitator. They discussed the need to set some priorities and then develop legislation that the committee can give to the Board of Directors and staff can work on. Their top priorities were stormwater, shoreline permits, dredge material, and oil transportation. The committee was well organized, and they have enough projects and people working on issues that they may have a fall seminar in September or October to deal primarily with stormwater, dredging and shoreline permits. At the Environmental Committee Meeting, Larry Crockett talked about a product called bio char, which is an extremely high-temperature carbon that comes from coking and is a byproduct of timber waste. Using this material in a filtration system has resulted in a retention rate of between 97% and 98%, which is better than anything else that has been tried. It is becoming so popular that the company that created it as a byproduct is considering producing it. It is considered to be a very good stormwater treatment material. Ms. Kempf added that Joe Kalmer from Landau Associates has suggested that this product would be appropriate to use in the Port's system, in conjunction with the oyster shells, as an effort to meet the Level 3 Response.

Commissioner Orvis reported that he attended the real estate seminar where it was discussed that code compliance is a number one priority for city staff. They do not really care if a project is delayed or the costs rise as a result of the added permit requirements.

Commissioner Orvis reported that he and Commissioner Preston met recently with the Edmonds Sea Scouts, and the discussion focused on recruiting more members.

**ADJOURNMENT**

The Commission meeting was adjourned at 8:15 p.m.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Fred Gouge".

Fred Gouge  
Port Commission Secretary