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PORT COMMISSION OF THE PORT OF EDMONDS

MINUTES OF REGULAR MEETING

October 14, 2013

COMMISSIONERS PRESENT

Jim Orvis, President
Mary Lou Block, Vice President
Bruce Faires
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

David Preston, Secretary (excused)

CALL TO ORDER

Commission President Orvis 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 GOUGE MOVED THAT THE CONSENT AGENDA BE APPROVED TO INCLUDE THE FOLLOWING ITEMS:

- A. APPROVAL OF AGENDA**
- B. APPROVAL OF SEPTEMBER 23, 2013 MEETING MINUTES**
- C. APPROVAL OF PAYMENTS IN THE AMOUNT OF \$357,499.12**
- D. APPROVAL OF SEA-WAY MARINE INCORPORATED LEASE AGREEMENT**

COMMISSIONER FAIRES SECONDED THE MOTION, AND THE MOTION CARRIED UNANIMOUSLY.

PUBLIC COMMENTS

Ernie Collins, EYC Liaison, asked the Commission to outline the rules of engagement for the budget public hearing. Commissioner Orvis advised that the public hearing would take place after the workshop since this is the first time the budget will be presented to the entire Commission.

WORKSHOP --- 2014 DRAFT ANNUAL BUDGET

Mr. McChesney advised that the staff has been working to prepare the draft 2014 budget since August, and they have met with the Finance Committee on several occasions. The Commission conducted a workshop and adopted an updated Cash Flow Model, and they have had discussions related to several elements of the operating budget in recent meetings. He noted that this is the first of three public hearings, and the budget will not be finalized and formally adopted by the Commission until November.

Ms. Drennan pointed out that the budget packet has been available on the Port's website since last Friday, and staff will continue to update the information as discussions move forward. She referred to Page 3, which provides two graphs to illustrate 2014 Operating Budget revenues and expenses by cost center. She explained that, as currently proposed, 67% of the Port's operating revenue would come from marina operations, 27% from rental properties, 5% from property taxes, and 1% from miscellaneous. On the expense side, 60% of the expenses would be associated with marina operations, 22% with rental properties, and 18% with overhead. Overhead items are those expenses that cannot be allocated to a specific cost center. She also referred to the 2014 Combined Operating Budget (Pages 4 and 5), provides a summary of the remaining items. Revenues (Page 4) are broken into two categories: marina operations and rental properties.

Draft 2014 Marina Operating Budget

Ms. Drennan advised that the Draft 2014 Marina Operating Budget is on Page 6. Notes pertaining to this draft budget are found on Pages 7 through 10. She and the Commission reviewed the following notes:

- **Note M7** – Ms. Drennan advised that for 2014, Port staff is recommending a change to the guest moorage rate structure from a single rate to a seasonal rate. The 2013 rate is \$1.10 per foot. Staff is proposing that the 2014 rate be \$1.25 per foot during the summer months and \$1.10 per foot during winter months. This seasonal rate structure would match the market.

Mr. McChesney reminded the Commission that the Port spent a considerable amount of time and money (nearly \$95,000) upgrading the electrical service on the guest moorage dock. In 2012, they also completed a project to install Wi-Fi service, and a service charge was initiated. After further review, staff believes it makes more sense to eliminate the additional fee for Wi-Fi service. The proposed rate change would allow the Port to recover some of the costs for these two projects, and the added value they provide would justify the rate increase. Commissioner Faires pointed out that, at other marinas he has visited, Wi-Fi service, if available, is offered free of charge. He expressed his belief that customers should expect this free service from a high-quality marina. He suggested that the rate change reflects the market more than capital investment. While recovering costs is justified, the rate increases would not be possible if they were beyond what the market would support. The Commission expressed support for the seasonal rate increase.

- **Note M8** – Ms. Drennan said that the proposed budget includes a permanent moorage rate increase based on the Consumer Price Index (CPI) plus 1%, with a 5% vacancy rate. The CPI from June 2012 to June 2013 was 1.4%. The proposed increase would equate to a \$73,000 increase over 2013 projected revenue. Actual 2014 moorage rates are outlined on Pages 26 and 27 of the packet. Page 29 of the packet provides a comparison of Port of Edmonds rates with those of other marinas in Puget Sound.
- **Note M9** – Ms. Drennan said the proposed budget includes a dry storage rate increase of CPI plus 1%, with a 9% vacancy rate. Again, CPI from June 2012 to June 2013 was 1.4%. The proposed increase would equate to an \$18,000 increase over 2013 projected revenues. Actual 2014 dry storage rates are outlined on Page 28 of the packet.
- **Note M11** – Ms. Drennan advised that staff is recommending a change to the travelift rate structure (Page 30 of packet). At this time, the Port charges a base rate for boats under 24 feet, and an additional charge for each additional foot. Having two different numbers on the statement tends to confuse customers. Staff is proposing a new rate structure. Boats less than 25' would be charged a minimum rate of \$212.50. Boats between 25' and 34'11" would be charged \$8.75 per foot, boats 35' to 44'11" would be charge \$9.00 per foot, and boats 45' and up would be charged \$9:25 per foot. Staff is also proposing to change the forklift and boatyard environmental fees to be more consistent with the size of the vessel, as well.
- **Note M35** – Ms. Drennan advised that the proposed budget includes an increase in salaries and wages of CPI (1.4%), which equates to approximately \$21,000. It also includes a merit pool for all Port staff of 1.1%, which equates to approximately \$16,000. These numbers were discussed as part of the compensation package that was approved by the Commission earlier in the year. The merit pool increases are subject to performance reviews. The increases are applicable to all other salary and wage categories, as well.

- **Note M36** – Ms. Drennan pointed out that some items have been removed from the supplies budget.
- **Note M44** – Ms. Drennan explained that the General Accounting Standards Board (GASB) Policy 45 requires government entities the size of the Port of Edmonds to record liability for Other Post Employment Benefits starting in 2009. The liability is phased in over a 10-year period.
- **Note M45** – Ms. Drennan advised that \$50,000 in property tax revenue was allocated to the public launch to cover launcher expenses that exceed revenues. The allocated amount is based on the 2013 budget.
- **Note M46** – Ms. Drennan explained that overhead is allocated based on the percentage of marina revenues to total revenues, which is approximately 70%.

Commissioner Gouge asked if the proposed budget has taken into account the City of Edmonds' proposed 9.5% increase for sewer rates. Ms. Drennan answered no and agreed to make the appropriate adjustment.

Draft 2014 Rental Properties Operating Budget

Ms. Drennan advised that the Draft 2014 Rental Properties Operating Budget is on Page 13, and the notes pertaining to the draft budget are found on Pages 14 through 16. The staff and Commission reviewed the following notes:

- **Note P5** – Ms. Drennan said that Anthony's Home Port Restaurant has expanded their space to include the old Edmonds Yacht Club space, and projected revenue was adjusted accordingly.
- **Note P10** – Ms. Drennan noted that The Landing is due for a CPI increase, and the next rate adjustment will be based on fair market value.
- **Note P26** – Ms. Drennan advised that tenant improvement expenses were reduced to \$10,000 given that there is also \$25,000 for tenant improvements in the capital budget. Most tenant improvements can be capitalized and expensed over the life of the lease.

Draft 2014 Overhead Operating Budget

Ms. Drennan advised that the Draft 2014 Overhead Operating Budget is on Page 17, and associated notes are found on Pages 18 through 21. The staff and Commission reviewed the following notes:

- **Note O12** – As discussed earlier by the Commission, Ms. Drennan noted that the Economic Development budget includes \$5,000 for Economic Alliance Snohomish County dues, \$9,500 for the Destination Port of Edmonds Program, \$2,000 for Sea Jazz, \$1,000 for Artists in Action, and \$500 for Bird Fest. The total Economic Development budget will be \$18,000.
- **Note O17** – Ms. Drennan said the marketing budget includes \$20,000 for website redesign. The update will allow staff, other than the web designer, to post information on the site.
- **Note O30** – Ms. Drennan advised that this line item was included as a placeholder. Commissioner Orvis said he is not comfortable allocating \$5,000 to update the Strategic Plan in 2014. Commissioner Faires explained that because the Edmonds City Council did not support the Port's proposed Harbor Square Master Plan, the Port must identify a tactical plan for operating the Harbor Square Business Complex in the short and medium-term. The Finance Committee felt this effort might require some level of outside help. Commissioner Orvis the Port already has a scheme for redevelopment of the site that meets all of the legal requirements, but it was denied by the City Council. In light of the City Council's action, he thought that the Port's plan for Harbor Square going forward was maintenance, retention, and recruiting. He said he could support leaving the line item in as a placeholder, but he is not prepared to get involved in another strategic planning process for Harbor Square at this time.

Commissioner Faires commented that it is in the Port District residents' best interest for the Commission to operate Harbor Square as efficiently as possible. Up to this point, the Port has operated the facility on a short-term basis, anticipating potential redevelopment. There may be some tactics and strategies that, in the short to medium term, would make the property more attractive and result in a better return on investment. Commissioner Orvis expressed concern that the term "strategic plan" has certain connotations and procedures, many of which cost money to navigate through the bureaucracy. He suggested that better terminology would be "plan of action."

Mr. McChesney reminded the Commission that when reviewing the Strategic Plan earlier in the year, they agreed that a workshop should be scheduled in early January to discuss potential amendments to update the plan. He explained that this review would include the entire Strategic Plan, of which the Harbor Square Master Plan is just one element. He further reminded the Commission that staff is currently working on a conditions survey of the Harbor Square Business Complex and they plan to present their results to the Commission at a separate workshop in November. Commissioner Block advised that the State requires the Port to have a Comprehensive Scheme of Harbor Improvements. Mr. McChesney added that this plan provides the foundation for the capital budget. The Commission agreed to retain the line item as a placeholder, but change its title to "Planning."

Draft 2014 Capital Budget

Ms. Drennan advised that the Draft 2014 Capital Budget is found on Page 24 of the budget packet. She reminded the Commission that approval of the Capital Budget does not automatically approve the projects identified for 2014. Commission approval would be required before each project could move forward. She specifically pointed out the following line items that are identified for 2014 as follows:

- \$50,000 was allocated for the Administrative Office Remodel.
- \$15,000 was allocated for marina maintenance software.
- \$10,000 was allocated for technology improvements.
- \$30,000 was allocated to purchase a 30-horsepower tractor instead of a security truck.
- \$7,000 was allocated to update the voice mail system. The existing system is old and obsolete and does not provide all of the functions needed.
- \$10,000 was allocated to upgrade the weather center equipment, and \$20,000 was allocated to update the weather center structure.
- \$186,000 was allocated to update the fuel dock dispensers, monitoring, fuel lines, nozzles, and water/sewer pump-out lines.
- \$25,000 was allocated for breakwater entrance lighting, although this project may actually be done in 2013.
- \$35,000 was allocated to replace the gutters on the docks at the south end of the marina.
- \$50,000 was allocated for the Port's match to the RCO grant for the launcher renovation project. Engineering work has been completed, but the contractor will not be able to start work on the project until next year. The project will all be capitalized in 2014. At this time, it is not known what the bids will come in at or what the lead time will be for the equipment. They have built enough slack in the schedule to allow plenty of time to have the project finished by the end of March.
- \$8,000 was allocated to replace the motor and hydraulic pump on the north dry storage launcher as recommended by the Facilities Maintenance Manager.
- \$10,000 was allocated to remodel the tenant restroom
- \$25,000 was allocated as a placeholder for capital maintenance at Harbor Square.
- \$35,000 was allocated to replace HVAC units at Harbor Square. There are approximately 41 units, and between 8 and 12 have been replaced. The remaining units are 20 to 30 years old, antiquated and past their useful life. The Port can continue to maintain the units for an indefinite period of time, but the cost will not always be justified. Because a crane is needed to replace the units, there may be a cost savings associated with doing several units at a time.
- \$25,000 has been allocated for Harbor Square tenant improvements.
- \$400,000 has been allocated for Harbor Square roof replacement. At this time, staff anticipates that the roof on Building 5 will be replaced in 2014, but it may be less costly and more efficient to replace more than one roof at a time. He noted that the Building 5 roof is smaller than the Building 2 roof, which was replaced in 2013.

Commissioner Faires recalled that when going through the budget exercise, it is helpful to look at previous years for guidance. He requested that staff provide a history comparing capital facilities plans from previous years with what actually occurred.

Cash Flow Schedule

Ms. Drennan referred to the Projected Cash Flow Schedule for the years 2014 through 2018 (Page 25) and summarized that \$941,000 has been budgeted for capital improvement projects in 2014. Estimated ending available cash at the end of 2013 is \$836,000. She reminded the Commission of the Finance Committee's recommendation that the Port increase Operating Reserves up to six months. In addition, the Commission agreed that the Capital Replacement Reserve should be increased. She noted that the Environmental Mitigation Reserve was established when the Port received a settlement for contamination on the Harbor Square site.

Ms. Drennan advised that the Port has bond principal payments due in 2014, and net income is estimated to be \$976,600. As currently proposed, the Port would place approximately \$1 million into the Capital Replacement Reserve and about \$941,000 would be spent on capital projects in 2014. At the end of 2014, total cash and investments is projected to be \$9,278,100, which is approximately \$278,000 greater than what the Port will start with at the beginning of 2013.

Open Moorage, Covered Moorage and Dry Storage Rates

Ms. Drennan referred to the charts on Pages 26 through 28, which identify the 2013 rates and the projected 2014 rates for open moorage, covered moorage and dry storage rates. She reminded the Commission that the Port implemented seasonal rates for dry storage in 2013. She also referred to the Moorage Rate Survey on Page 29, which compares Port of Edmonds rates with those of Elliott Bay, Everett, LaConner, and Shilshole.

Boatyard and Travelift and Other Service Fees

Ms. Drennan referred to Page 30, which outlines the boatyard and travelift fees for the years 2009 through 2013, as well as the proposed rates for 2014. She also reviewed information for guest moorage, loan-a-slip, launcher, parking, other services, and other moorage fees as presented on Pages 31 through 33 of the budget packet. She reminded the Commission of the proposed rate increases for the boatyard environmental fee, the travelift, and guest moorage as discussed earlier. In addition, staff is proposing an increase in the public launch rate. She reminded the Commission that the Port will be making significant improvements in the near future that will add value to the facility. She said staff is also proposing a change in the forklift rate. Other moorage fees would be increased at the same rate as moorage (CPI plus 1%).

Ms. Drennan referred to Page 34, which outlines fees for products and noted that the fuel mark up would increase from \$0.61 to \$0.65. The \$0.10 discount would still be offered to tenants who have fuel cards. The cost of coffee would increase to \$1 per cup but would be offered free with a purchase. Mr. McChesney pointed out that boaters line up in the early morning hours to launch their vessels, and it seems almost a necessary courtesy to provide a hot cup of coffee to these paying customers.

Pay Table

Ms. Drennan referred the Commission to the Pay Tables that were provided on Page 35 for both full-time and seasonal staff. She noted that, as previously discussed, salaries would be increased by 1.4%.

PUBLIC HEARING: 2014 DRAFT OPERATING AND CAPITAL BUDGETS

Commissioner Orvis opened the first public hearing on the Draft 2014 Operating and Capital Budgets.

Jack Bevan, Edmonds, referenced **Note P10**, which provides further explanation of the lease agreement with The Landing. He asked when the current lease expires. Commissioner Faires recalled that the lease was renewed six or seven years ago. Mr. McChesney said he believes the lease expires in 2035, but he would check and report back.

Mr. Bevan said it would be interesting to compare The Landing lease with the Anthony's Home Port Restaurant lease. Although the two restaurants are comparable, The Landing does not produce near the income for the Port that Anthony's does. Commissioner Block noted that the Port owns the Anthony's buildings, which makes a difference in the amount of revenue they can collect from the tenant.

Mr. Bevan pointed out that **Note O36** states that staff continues to look into options for earning more interest. He suggested that the Commission should also be involved in this effort. Commissioner Faires responded that the Finance Committee is working to address this issue. He explained that the State determines where ports are allowed to invest. Mr. McChesney reported that the Port's Finance Manger attended classes this past year to become a certified investment manager. She recently met with an analyst who provided some reasonable strategies to help the Port increase its yield without risking any principal. These options are being analyzed by the Finance Committee, and it is their plan to bring them forward to the Commission in the near future. He summarized that, while they do not yet have a final answer, they have been working to improve the Port's investment strategy within the framework of their fiduciary obligations and the limitations imposed upon them by State government.

Mr. Bevan asked when the Port would reach the point where the bond reserve is no longer necessary. Ms. Drennan explained that a bond reserve is only required on the revenue and refund bond that was issued in 1998. Once this bond has been paid off in 2017, the reserve would no longer be required.

Mr. Bevan said he was pleased to hear Commissioner Orvis voice concern about allocating additional funding for strategic planning for Harbor Square (**Note O30**). He noted that the Port has already poured more than \$200,000 into master plan efforts for Harbor Square, with no return on the investment. He suggested the taxpayers would rather the Port pay down its bonds. He acknowledged that the Port must have a strategic plan in place to satisfy the State requirement, but it does not have to be a costly plan.

Ernie Collins, Edmonds Yacht Club Liaison, recalled that there was a lot of discussion about public perception during the 2013 budget discussions. He said he has had an opportunity to speak with a number of Port tenants and Edmonds Yacht Club members, who have asked if the Port Commission has looked at the 2014 budget with the philosophy of no increases. While some capital projects are justified, perhaps the Port should not automatically increase salaries and wages, moorage rates, etc. He recalled that the Commission previously agreed that the Port would identify the difference to the bottom line between the proposed increases and no increase in non-essential items. He stated that this is even more important to consider given the state of the government and the economy.

Mr. Collins said he has carefully reviewed the proposed budget, and it appears that the proportion between revenues and expenses is close to what it has been in previous years. Revenues have increased about \$300,000 over all, and expenses appear to have increased by about \$150,000. He questioned what the Port plans to do with the increased revenue. He asked them to consider a zero based budget, with the intent to not raise any costs unless absolutely necessary.

Mr. Collins requested more information about the \$33,000 miscellaneous line item that was allocated to the overhead budget (Page 4). Ms. Drennan explained that this amount is primarily associated with the stormwater system that is located on the Port property but used by the City. In 1996, the Port's Executive Director recommended that the City should reimburse the Port for allowing them to use the system.

Mr. Collins questioned why revenues from the Edmonds Yacht Club increased more substantially than revenues from The Landing and Harbor Square. Ms. Drennan explained that each of the lease agreements have different conditions. She reminded Mr. Collins that the Yacht Club's lease called for five years without an increase, with a cumulative increase after five years.

Mr. Collins asked why staff is projecting fuel sales to be \$27,000 less than in 2013. Ms. Drennan explained that it is very difficult to project what fuel sales for the coming year will be because there are so many variables to consider.

Mr. Collins referred to **Note M1** and asked why overhead increased by \$3,000. Ms. Drennan advised that all overhead costs increased based on the reallocation of some budget items. Mr. Collins referred to the Draft 2014 Operating Budget on Page 17 and said it appears that Commissioner salaries and wages have increased by 27%. Ms. Drennan referred to **Note O10**, which points out that monthly salaries for Commissioners increased from \$200 to

\$254 in July 2103 and per diem increased from \$104 to \$114. She noted that these rates are set by State law. She agreed to review this line item again and provide further clarification. Mr. Collins asked that staff review the numbers for salaries and wages for employees, as well. Commissioner Gouge pointed out that Commission salaries are funded with tax revenue.

Mr. Collins referred to the draft Capital Budget and recalled that in previous years, there was a line item for unknown capital projects. This reserve was used in 2013 to pay for the new roof on Building 2 at Harbor Square. He said the Yacht Club has always made it a practice to have a reserve for unknown capital projects, as well. Ms. Drennan said the Port's intent is to increase the capital replacement reserve, with the understanding that some of the money could be spent for emergency and unknown capital projects.

Commissioner Faires observed that Mr. McChesney has placed a great deal of emphasis on the Port doing a better job of maintenance and changing the allocation of staff time to increase productivity. Both of these efforts should be considered investments. However, he cautioned that you must invest in the new maintenance scheme and organizational changes for a period of time before the rewards become apparent. The Commission supports the concept of increased productivity and doing a better job of preventative maintenance, and the budget is starting to show some results.

Mr. Bevan referred to the pay tables for full-time and seasonal staff on Page 35 and said it would be helpful to know how many employees are at each level. Ms. Drennan agreed to provide that information.

Mr. Bevan complimented staff for preparing a budget that is easy to understand. The materials provided were beautifully done.

Mr. Collins recalled that during previous budget discussions, the public has expressed concern that the Commission does not listen to what they say, and their comments do not have any impact on the final budget. Many felt that the budget was "rubber stamped" from the first time it was presented to the Commission. He agreed with Mr. Bevan that the budget materials are easy to understand. He commented that there is not a lot of room for change, and he can support the proposed increases because they have been well presented.

The public hearing was closed.

HARBOR SQUARE BUILDING 2 ROOF REPLACEMENT PROJECT ACCEPTANCE

Mr. McChesney reviewed that on June 24, 2013, the Commission authorized the Executive Director to enter into a contract with Scholten Roofing, Inc. to re-roof Building 2 at Harbor Square in the amount of \$450,979.00 plus sales tax. Subsequent to this authorization, the contractor submitted two change orders that had the net effect of reducing the contract price by \$30,200 in favor of the Port. The total contract amount was \$425,179.00 plus sales tax of \$40,392.00 for a total cost of \$465,571.00.

Mr. McChesney reported that work began the week of July 14th and was completed on September 20th. The Facilities Maintenance Manager has inspected the work and approved it on October 11th. Staff is now requesting that the Commission accept the project as complete. He explained that, upon acceptance of the project by the Commission and receipt of the final paperwork from the contractor, staff would file the required paperwork with the Department of Revenue, Department of Labor and Industries, and Employment Security. Upon receiving the releases from the three State departments and a lien release from the contractor, the Port will release the contractor's retainage.

Mr. McChesney summarized that the contractor did a fine job, and the Facilities Maintenance Manager did a great job of managing the project. The Port is satisfied with the results and staff anticipates no further issues with the roof. He noted that during a recent torrential downpour, the roof drained efficiently, but it created a problem with a tenant's toilet. This issue has been resolved, as well.

COMMISSIONER FAIRES MOVED THAT THE COMMISSION ACCEPT THE HARBOR SQUARE BUILDING 2 ROOF OVERLAY CONTRACT AS COMPLETE. COMMISSIONER BLOCK SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

Mr. Cattle left the meeting at 8:10 p.m.

MARKETING REPORT

Ms. Kempf recalled that in August, Port staff reviewed the results of the past two years of marketing promotions with the Commission. At that time, it was suggested that a marketing plan be developed to guide the Port's marketing approach and establish an appropriate budget for 2014. The draft plan attempts to focus the Port's limited resources and carefully-designed promotions toward keeping existing customers, rewarding longevity and repeat business, increasing activity and revenue, making a positive impression on users, shrinking the shoulder seasons, and raising awareness of the Port's established brand (prime destination delivering quality facilities and experiences at a good value in a convenient location).

Ms. Kempf said the proposed plan also includes a shift towards greater electronic communication and internet presence. Although costly in the first year for webpage redevelopment, if done well, it will attract new customers and target the next generation of boaters. She emphasized that the website is the Port's calling card, and updating to current validated webpage code will allow modern browsers to display the Port's site correctly. In addition, having the website prepared with a modern, clean code base will further the Port's visibility on the internet and enhance compatibility with mobile devices. She noted that more than 50% of all searches are being done from mobile units, and the average user is on a web page for just three seconds.

Ms. Kempf referred to a copy of a blog from activecaptain.com that was recently brought to her attention by one of the marina staff. The blog clearly identifies the Port's strengths and weaknesses, and highlights the importance of staff interaction with the customers and the value they create in overshadowing some of the things that cannot be changed like ferries and trains. It also emphasizes the role that technology plays in influencing consumer decisions. She emphasized that technology has quickly created a vastly different market place.

Ms. Kempf summarized that the marketing plan is simple and straightforward. It includes a mission statement and an overview of services and facilities. It establishes a market theme and identifies the revenues produced by each Port program. She stressed that creating good will with every customer that staff comes into contact with has never been more important. The marketing plan proposes to do that by promoting the Port's exceptional services and facilities, implementing customer rewards, creating pleasant surprises and nurturing community. All of these things are tied to keeping existing customers and attracting new customers, which is the goal of the proposed marketing plan.

Commissioner Faires commented that the marketing plan is appreciated and easy to understand. It was prepared by people who know what they are doing. However, he expressed concern about including a mission statement that is different than the Port's overall Mission Statement. He encouraged staff to review the Port's overall Mission Statement and make sure the marketing program is consistent. Commissioner Faires noted that several of the promotions are tied to metrics that will allow them to measure success, and he suggested that staff look for more opportunities to tie metrics into the plan.

Commissioner Orvis asked if the new IGA grocery store will deliver groceries to guests at the marina. Ms. Kempf said the owners of the new IGA store have expressed a desire to participate in the Destination Port of Edmonds Program. Because they opened too late to be included in the booklets, the Port could offer to include an insert to advertise their business. The Commission agreed that would be appropriate. Ms. Kempf said the Port provides courtesy transportation to the downtown businesses, including the grocery store. Commissioner Gouge pointed out that the IGA has a website that customers can visit to find special offers. He suggested the Port's website should provide a link to the IGA's website.

Commissioner Orvis referred to the customer comment regarding the bait shop. He reminded the Commission that this facility has been the subject of concern for a number of years. He suggested the port should consider different options for the site when the lease expires in 2016.

Ms. Kempf summarized that, for the most part, the promotions generate good will, which is what the Port is trying to do from a marketing standpoint. However, it is difficult to measure the success of each of the promotions.

However, she emphasized that occupancy in moorage and dry storage remained strong throughout the recession when compared to other facilities.

Ernie Collins suggested the Port provide a comment card as part of the tenant newsletter, with an invitation for tenants to make suggestions.

Ms. Kempf reported that the Destination Port of Edmonds Program has been very popular with visitors, but many were disappointed when they returned for a second year to learn that they would not receive another bag. Starting in 2014, the Port will offer returning guests waterproof containers with coupons that can be redeemed for future visits.

Ms. Kempf said staff is also considering a program that will reward current tenants. She recalled that in 2013, the Port offered current tenants 50% off a travelift during the month of March. They are considering a promotion that would offer some type of quantity discount at the fuel dock, such as a free day in the workyard if a certain amount of gas is purchased. This would be in addition to the discount that tenants receive as participants in the dock and pay program. They are also considering the option of extending the "bring-a-buddy" program to water moorage tenants.

EXECUTIVE DIRECTOR'S REPORT

Mr. McChesney reported that staff is continuing their work on the Harbor Square Condition Survey. Staff is also researching options to increase the Port's yield on investments.

Mr. McChesney announced that the Beach Café would be closed for three weeks as they get to the final stages of their remodel. They plan to open the new facility at the end of October. In the meantime, lunch will be available at Anthony's.

Mr. McChesney reported that he attended the October 8th City Council Meeting, at which the City Council spent a considerable amount of time discussing the Shoreline Master Program. It seems that many City Council Members are not inclined to accept the Urban Mixed Use III Land Use Classification, which the Port anticipated. They remanded the document back to City staff to come up with a new land use classification for Harbor Square. He summarized that some City Council Members seemed quite insistent that the buffers be expanded to 200 feet, and City staff is well aware of the Port's intent to appeal should the new buffers be implemented.

In light of the City Council's recent direction relative to the Shoreline Master Program, the Commission directed staff to allocate \$25,000 in the 2014 Operating Budget to cover legal expenses associated with an appeal to the increased buffer requirement.

COMMISSION COMMENTS AND COMMITTEE REPORTS

Commissioner Block said she was approached by two different people who expressed concern about the condition of the dumpsters in the mid marina. It was noted that there are sharp edges and they appear to be worn out. Mr. McChesney reminded the Commission that the dumpsters are owned by the disposal company, but the Port cleans the dumpsters twice a year to keep them odor free. In previous years, Port staff has allocated winter maintenance hours to paint the dumpsters, but they recently determined that the time would be better spent on other projects. He agreed to inspect the dumpsters and correct safety issues. He also agreed to contact the disposal company, but he is not optimistic that they will address the problems. Commissioner Faires suggested that staff review the contract between the City and the disposal company to find out who is responsible to maintain and replace the units.

Commissioner Block reported that at a recent Washington Public Port Association (WPPA) Environmental Seminar she raised the issue about current legislation that would prohibit all vessels, regardless of size, from discharging sewage into Puget Sound. Representatives from the WPPA indicated that the proposal is still being actively discussed by the legislature. Commissioner Orvis commented that the WPPA does not appear to be interested in anything that does not affect one of the major freight ports. By the time they get involved, a precedent has already been set. For example, small ports have been complaining for a number of years that the new environmental requirements for boatyards are impossible to achieve with existing technology. The WPPA has done very little to address this issue, leaving it up to the Northwest Marine Trade Association to help the boatyards deal with the

problem. Now the larger ports are complaining about the environmental requirements, but the precedence has already been set.

Ms. Kempf said the legislation related to zero discharge is on the WPPA's radar. The issue, as well as other issues that concern marinas and boaters, were discussed at a recent WPPA Committee on Committees meeting, which she attended. She said the WPPA is particularly interested in the zero discharge legislation because of its impact to commercial boats. She said it would be appropriate for the Port to stay engaged in the legislation, and noted that the State has already adopted limitations on the areas where boaters can discharge. Mr. Collins expressed concern about how the new legislation would be enforced.

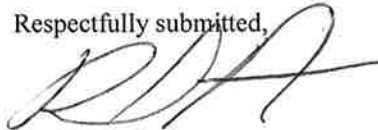
Commissioner Orvis referred the Commission to the information that was provided related to the WPPA Annual Meeting that is scheduled for November 20th through 22nd. He encouraged the Commissioners to review the agenda and notify staff of their plans to attend. He also reminded the Commission of the Marina Conference on November 6th through 8th in Port Townsend. He said he would not attend the event because it conflicts with his attendance at the WPPA Legislative Committee meeting. However, Commissioner Preston, Ms. Kempf and Ms. Wade will attend to represent the Port of Edmonds. He also announced that Commissioner Preston would attend the WPPA Small Ports Conference in Lynnwood.

Ms. Kempf announced that the Port Operations Assistant position has been filled by Jordan Light, who has been involved in the Sea Scout Program. He will start on October 17th.

ADJOURNMENT

The Commission meeting was adjourned at 8:50 p.m.

Respectfully submitted,



David Preston
Port Commission Secretary