

## PORT COMMISSION OF THE PORT OF EDMONDS

### MINUTES OF REGULAR MEETING

October 28, 2013

#### COMMISSIONERS PRESENT

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

#### STAFF PRESENT

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

#### OTHERS PRESENT

Bradford Cattle, Port Attorney  
Karin Noyes, Recorder

#### COMMISSIONERS ABSENT

Bruce Faires

#### CALL TO ORDER

Commission President Orvis called the regular meeting to order at 6:05 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 OCTOBER 14, 2013 MEETING MINUTES AS AMENDED**
- C. APPROVAL OF PAYMENTS IN THE AMOUNT OF 540,133.61**
- D. APPROVAL OF HOLIDAY ON THE DOCKS AGREEMENT**
- E. APPROVAL OF RESOLUTION NUMBER 13-08 – AUTHORIZING THE SALE OF ABANDONED BOATS**

**COMMISSIONER PRESTON SECONDED THE MOTION, AND THE MOTION CARRIED UNANIMOUSLY.**

#### PUBLIC COMMENTS

David Olsen, Anthony's, said that Anthony's is excited about the changes that are taking place at the Beach Café, and they anticipate opening the new space sometime next week. He advised that the center trellis was removed to accommodate project construction, and this allowed Anthony's to see the plaza in a slightly different way. The original intent was to elevate the trellis to maximize the openness of the new Beach Café space. He stressed that the plaza is a great enhancement to the Port, the public and Anthony's. However, when the trellis was removed, Anthony's was able to see that the restaurant space was enhanced. Having more light inside provided a better flow

pattern between the restaurant and the banquet area. Mr. Olsen asked the Commission consider Anthony's request that it not be required to replace the center trellis. Anthony's believes this would be better for the restaurant and its guests, and it would keep the plaza area more open.

Commissioner Orvis recalled that, at a previous meeting, he voiced support for putting the trellis back up. His recommendation was based on the fact that he could not visualize what the plaza area would look like when the project was done. He said he would not be opposed to Anthony's request, as long as the finished product is attractive from both the inside and outside. Commissioner Block suggested that Anthony's provide a colored rendering to illustrate the proposed change.

Commissioner Gouge asked if Anthony's is planning to do anything different with the front of the building other than eliminate the center trellis. Mr. Olsen answered that Anthony's has made some small changes to update the façade on the upper portion of the building where Anthony's Homeport Restaurant is currently located. He agreed that Anthony's could provide a rendering of what the completed project would look like without the trellis.

Commissioner Block pointed out that the proposed change would likely require approval from the City's Architectural Design Board, and a good rendering must be submitted for that process. She agreed with Commissioner Orvis that it would be helpful for the Commission to review the illustration and see how the eliminated trellis would impact the view of the area.

Commissioner Gouge said he is willing to consider what is best for the tenant. He suggested the Commissioners could simply visit the site now to get an idea of what it would look like without the center trellis. Mr. Olsen said that, with the exception of one support beam that will be removed upon completion of the project, the building façade would not change from what currently exists. He clarified that the trellis would not detract from the façade's appearance, but it would result in less natural light inside the restaurant.

The Commission directed the Executive Director to contact the City of Edmonds to determine if Architectural Design Board approval would be required. The Commissioners agreed to visit the site to get an idea of what the finished project would look like without the trellis.

Mr. McChesney commented that Anthony's has done an excellent job and the Port wants to do whatever it can to support the project moving forward on schedule. He suggested that resolution of the trellis issue could be decided at a later time and should not disrupt the restaurant's plans to open next week. He summarized the Commission's concern that because there are currently trellises on the north and south sides of the plaza, removing the center trellis would result in a gap. He suggested that Anthony's consider providing some element that would tie the two sides together. He agreed that a rendering of the façade, with the trellis removed, would be helpful to the Commission when making a final decision.

#### **WORKSHOP ON 2014 DRAFT ANNUAL BUDGET**

Mr. McChesney advised that this is the second of three opportunities for the Commission to review the draft 2014 Operating and Capital Budgets, which are attached to the Staff Report. A final budget discussion and public hearing is scheduled for November 12<sup>th</sup>, after which staff will ask for Commission approval.

Ms. Drennan reviewed the following changes that were made to the draft budget since the last meeting as a result of updated information:

- As directed by the Commission, staff reviewed the salaries and wages budget and redistributed the total amount to match the 2012 actual expenses per cost center. She referred to Note M35, and explained that the salaries and wages were distributed in 2012 as follows: marina (62%), properties (7%), overhead (28%), and capital projects (3%). The 2014 salaries and wages budgets were allocated using this same distribution. She noted that actual salaries and wages would be recorded by staff as work is performed.
- As requested by the Commission, utilities were increased in all budgets to reflect a proposed utility tax increase of 9%.
- Additional wording (in bold) was added to the Marina Operating Budget Notes, and typos were corrected.

- In the Rental Properties Budget, professional services were increased by \$25,000 for estimated legal fees. This change was made at the request of the Commission.
- Lease information was added to the Rental Properties Budget Notes.
- At the Commission's request, staff reviewed and confirmed the Commission salaries and wages. Note O10 provides an explanation of how this line item was calculated.
- Total net income decreased by \$17,000.
- After a review of the 2009 to 2013 Capital Budget to Actual, \$50,000 was added to the 2014 Capital Budget for capital maintenance. In addition, the launcher renovation line item was increased based on the low bid that was received on October 22<sup>nd</sup>.
- The 2014 Pay Scale was amended to identify the number of staff in each grade level.
- A Capital Budget to Actual for 2009 to 2013 was added to the budget package.
- Details on capital maintenance projects was added at the end of the budget package to identify line items that were not specifically designated in the budget but were allocated against the \$50,000 budget for unanticipated capital maintenance projects.

Commissioner Gouge referred to Note O10, which provides a breakdown of Commissioner salaries and wages. He noted that although the Commissioners were authorized to attend and be paid for nearly 500 meetings each year, they actually only attended 353 meetings in 2012. Ms. Drennan advised that the proposed 2014 budget identifies the same number of meetings, but the per diem rate was adjusted as per State law.

Commissioner Gouge recalled that he previously recommended that the utility tax be adjusted based on the Edmonds City Council's current discussion about increasing the utility tax by a significant amount.

Commissioner Preston requested clarification of Note O14. Ms. Drennan explained that the Port is required by state law to contribute 9.21% per employee to the State's Public Employee Retirement System (PERS). In addition, medical premiums are up .8%.

Commissioner Preston also requested clarification of Note O24. Mr. McChesney advised that, as part of their economic development mandate, State Statute includes a provision that allows ports to engage in activities that are generically referred to as "promotional hosting." He said the Port anticipates very little promotional hosting in 2014; but by law, the money must be budgeted before it can be used.

### **PUBLIC HEARING ON DRAFT 2014 ANNUAL BUDGET**

**Guy Schoonmaker, tenant**, said that he and his family have been in and around the Port for the past 40 years. He said he was present to state his concerns about the trend of rate increases over the past three years, which are approaching 10%. He expressed his belief that the Port needs to relieve the burden being placed on the tenants to fund current and future financial concerns. He asked that the Port seriously commit to finding new sources of revenue and improving the performance of current profit centers. He also asked the Port to aggressively pursue additional private/Port partnerships to attract new commercial tenants and vendors.

Mr. Schoonmaker said it is doubtful that rates will be reduced, and he feels they are already at peak level considering the surrounding market place. While he pays \$18 per foot for covered moorage at the Port of Edmonds, a comparable slip at the Everett Marina would be just \$13 per foot. If the Port elects to raise rates at the current pace, he suggested that an alternative be offered to offset what he feels will be a significant number of lost and delinquent tenants. For example, the Port could offer an opportunity for tenants to prepay for one year at a discounted or frozen rate. This opportunity could be extended from year to year if deemed effective in retaining tenants until the marketplace becomes more aligned.

Mr. Schoonmaker commended the Port Commissioners on their commitment to maintain the current facility and provide funding for future needs of the outstanding marina. However, he cautioned them to control rising rates. He observed that a diminished waiting list and minimal growth in new boat sales will create many undesirable empty slips.

**Ernie Collins, Edmonds Yacht Club (EYC) Liaison and tenant**, thanked the Port for addressing all of the issues that were raised at the last public hearing. He expressed his belief that it will be easy to explain the numbers in the draft budget to members of the EYC. He referred to the recent news that Jacobsen Marine would locate on Port property and asked if this change was accounted for in the draft budget as a new revenue stream.

Mr. Collins observed that the proposed rate increase is exactly what the Port discussed last fall and in early 2013, Consumer Price Index (CPI) plus 1%. However, in the Combined Operating Budget (Page 5), Net Income is shown at \$949,600, compared to last year's net income of between \$400,000 and \$500,000. He requested an explanation of this significant change. He also noted that Net Income Before Overhead Allocation is shown at \$559,600, which is significantly higher than last year's budget. He asked that staff review these numbers. If net income is projected to be significantly higher, he suggested that perhaps some of the revenue streams could be adjusted.

**Herb Anderson, tenant**, said he experienced problems when printing the budget documents from the Port's website. The page numbers on his printed copy are inconsistent. Mr. Anderson referenced the pie charts provided on Page 3 and expressed concern that the percentages identified on the two pie charts are not consistent with the way revenues and expenses have been allocated in each of the cost centers. For example, the allocation of revenues and expenses identified in Note O35 is not consistent with the allocations outlined in the pie chart. Ms. Drennan advised that the percentages were applied consistently throughout the budget.

Mr. Anderson referred to the Combined Operating Budget on Page 4 and asked what is included in the "Miscellaneous" line item (\$33,000) that is allocated to the Overhead Budget. He also requested clarification of Note O2 (Advertising and Notice expenses) and Note O31 (Supplies expenses). In addition, he asked staff to provide an explanation of the proposed Weather Center Equipment and Structure Upgrade and Breakwater Entrance Lighting Project that are identified in the Capital Budget for 2014. Lastly, he said he would like the Port to charge the same fee per foot for the travelift and workyard, regardless of the size of the boat. He observed that Edmonds is still solidly locked in first place as the most expensive marina.

Commissioner Orvis closed the public hearing.

Mr. McChesney responded to Mr. Collin's question about whether or not the 2014 budget accounts for anticipated new revenue from new tenant, Jacobsen Marine. He advised that no additional revenue has been identified in the 2014 budget. He explained that the lease provides that rent will not be payable to the Port until three months after the tenant has obtained the necessary building permits, which is unknown at this time. He agreed that staff would research the significant jump in net income as noted by Mr. Collins and report back at the next meeting.

Mr. McChesney advised that Mr. Schoonmaker's concerns about moorage rate increases have been a significant concern of the Commission and Port staff, as well. He recalled that about three years ago, the Port put together a Cash Flow Model that is used as the baseline for budget deliberations. The purpose of the model is to project out what the cash needs will be to replace the Port's capital assets over time, and the model is updated each year. The Cash Flow Model drives the moorage rate increases. He recalled that the Commission held a retreat to review the Cash Flow Model in January, at which representatives from the EYC and other marina tenants were present and invited to participate. The Cash Flow Model projected that a 5.25% rate increase would be necessary. However, because of the Commission's concerns about market limitations, they agreed that a rate increase of CPI plus 1% would be more appropriate. They authorized staff to move forward with a budget that had a moorage rate increase component that was pegged to the CPI plus 1%. Commissioner Gouge added that the 2014 budget reflects CPI increases as of June 2013. He said that while the Port is trying to limit rate increases, it is important to keep in mind that some cost are beyond the Port's ability to control.

Mr. McChesney summarized that the rate increases are not as aggressive as the Cash Flow Model would have them be, and the Commission has directed staff to start looking at other sources of revenue, which they have done. He noted that most of the suggestions brought forth by Mr. Schoonmaker have been discussed by the Commission at length as they have moved forward with the budget process. Commissioner Preston suggested that the Commission consider implementing a pre-pay program, as recommended by Mr. Schoonmaker. He also encouraged Mr. Schoonmaker and other members of the public to share specific ideas for potential private/public partnerships.

Commissioner Preston said he has spoken with representatives from a number of marinas in the State of Washington, and many have indicated that they will need to rebuild or upgrade their facilities in the near future. This will require significant capital investment, which most marinas do not have. The Commission's goal is to price marina rates appropriately so there is money available when capital facilities need to be upgraded and/or replaced. Commissioner Orvis pointed out that the Port has invested about \$4 million in capital projects within the marina over the past four years (i.e. breakwater, electrical upgrades, and whalers). He has been surprised at how much these capital projects have cost even though they are not visible to most of the Port tenants. Over the next few years, the Port will have to move forward with other significant capital projects. The Commission has decided that maintaining the marina is very important, and maintenance costs can drive up the cost of moorage.

As requested by Mr. Anderson, Ms. Drennan clarified how the percentages provided in Note O35 and the pie charts on Page 3 were applied consistently throughout the entire budget. She said the \$33,000 identified as "miscellaneous" in the Overhead Budget is related to the stormwater reimbursement the Port received from the City. Note O2 provides an explanation of various types of advertising and notice expenses such as advertising for meetings, purchases, and job openings. Note O31 provides a breakdown of the supplies expenses, which include janitorial items, first aid items, parts and equipment needed for repairs, etc.

Regarding the proposed Weather Center equipment and structure upgrades, Ms. Drennan explained that the equipment no longer functions properly. Because of structural problems, water is destroying the equipment. Staff is proposing to rebuild the structure and provide new equipment that is less susceptible to water damage.

Ms. Kempf advised that the existing breakwater lighting is very old and staff has received a large number of complaints that it is not visible enough. They have also had problems with the lights going out. The Port's Facilities Maintenance Manager has a plan to completely replace the navigational lighting on the breakwater. Mr. Anderson said he thought the lighting was replaced when the breakwater was painted a few years ago. Ms. Kempf answered that lighting was not part of the previous project.

Ms. Drennan summarized that, as proposed, the Port would spend about \$1.51 million for capital projects in 2014, which exceeds the projected net income of \$959,600 by more than \$500,000.

Commissioner Gouge asked staff to test the printing capability of the budget that is posted on the Port's website.

### **SLING LAUNCH RENOVATION CONTRACT APPROVAL**

Mr. McChesney recalled that in June 2012, the Port submitted a grant request to the Washington State Recreation and Conservation Office (RCO) to renovate the existing sling launch to better serve the boating public. He recalled that there had been issues regarding the existing launcher's lifting capacity and the Port determined that an upgrade was in order. He advised that in June 2013, the ROC awarded a grant to the Port for the Sling Launch Renovation Project in the amount not to exceed \$150,000. At the June 29, 2012 meeting the Commission approved the sponsor match amount of \$50,000, and the total estimated project cost submitted in the grant request was \$200,000, including engineering services at a maximum cost of \$20,000.

Mr. McChesney reported that the Port went out to bid on September 12, 2013, and bids were due by October 22<sup>nd</sup>. The Port received three bids. The base bid is for renovating the existing sling launch with a new hoist and expanded support infrastructure. Alternative Bid Item B is for an upgrade to the electrical power feeder to the service panel to support the new hoist. He explained that, at this time, it is not known whether the existing feeder service is going to be sufficient to power the motors on the new hoist. The alternative was bid in case the project requires the contractor to pull new cable and upgrade the electrical service.

Ms. McChesney explained that the Port will be responsible for all costs that exceed \$150,000, and the low bid amount from I.M.A.C. Inc., combined with the contract for engineering costs, is estimated to be \$246,696. Staff anticipates that work will be substantially complete by February 16, 2014, and they will work with the contractor to minimize the disruption to tenants and guests.

Mr. McChesney recommended that the Commission authorize him to enter into a contract with I.M.A.C Inc. in the amount of \$197,152.47 plus sales tax for the base bid and \$10,332.77 plus sales tax for the Alternative Bid Item B.

The total cost of the contract would be \$227,196.33. Port staff and the engineer from Diversified Design will review the proposed equipment specifications to determine if Alternate Bid Item B (upgrade electrical power feeder to service panel) will be required at this time or at a later date. He pointed out that the launcher is a critical piece of marina infrastructure, and was a decisive element when recruiting Jacobsen Marine to locate at the Port.

Commissioner Gouge asked staff to explain the Port's obligation associated with the grant money. Mr. McChesney said he has not seen the final grant contract, itself, but the RCO has reviewed the Port's plans and specifications for the launcher project. The Port's commitment is to install the equipment as presented in the grant application. The RCO will reimburse the Port for \$150,000 of the total cost once the project has been completed. Commissioner Gouge added that, by accepting the grant funding, the Port would be obligated to maintain and operate the equipment. Mr. McChesney recalled that funding for the existing launcher came from the IAC, a predecessor to the RCO, nearly 20 years ago. The original grant covenants required the Port to maintain and operate the facility in perpetuity. The new grant will replace the launch and upgrade its lift capacity. The Port would be obligated to maintain the equipment for as long as the Commission chooses.

Commissioner Orvis explained that boats that are launched from trailers are heavier now, and the Port found that they were launching boats that were beyond the capacity of the existing equipment. Mr. McChesney added that the lifting capacity of the new facility would be 10,000 pounds, which would put the Port's launcher in the range to handle nearly all boats that come in on trailers.

**COMMISSIONER GOUGE MOVED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE DIRECTOR TO ENTER INTO A CONTRACT WITH I.M.A.C. INC. IN THE AMOUNT OF \$197,152.47 PLUS SALES TAX FOR THE BASE BID AND INCLUDING \$10,332.77 PLUS SALES TAX FOR THE ALTERNATE BID ITEM B IF NECESSARY. COMMISSIONER PRESTON SECONDED THE MOTION.**

Given that the launcher project would be primarily funded with public dollars, **Herb Anderson** asked if red flags would be raised if the Port allows Jacobsen Marine to use the new launcher facility for commercial purposes. Commissioner Orvis said he does not anticipate a problem since Jacobsen Marine would be required to pay the same rate as other customers who use the launcher. Mr. McChesney emphasized that free use of the launcher and/or travelift was not part of the lease agreement.

**THE MOTION CARRIED UNANIMOUSLY.**

#### **FUEL DOCK REHABILITATION ENGINEERING CONTRACT**

Mr. McChesney recalled that the Port's fuel dock system equipment, including the supply lines, dispensers, pumps, hoses, reels and electrical system are in poor condition and need to be replaced. They know this because of annual inspections. He announced that Port staff will issue a Request for Information to local fuel equipment suppliers. The Port's engineer, PND, will review the information provided by the responsive suppliers and make a recommendation for the appropriate system. He advised that the cost of the engineering contract would not exceed \$10,000. They are not asking the engineer to develop the specifications, but to review the specifications that are submitted. The estimated total cost for the project is \$186,000, which is included in the draft 2014 Capital Budget.

Mr. McChesney summarized that the proposed contract meets the Port's mission statement of providing and/or fostering quality services and facilities for tenants and the boating community. He recommended that the Commission authorize him to enter into a contract with PND in an amount not to exceed \$10,000 for engineering consulting as needed.

Ms. Kempf reported that the Port hires a company to inspect the fuel dock system equipment on an annual basis, and they have passed inspection up to this point. However, vulnerable areas were identified. In addition, the equipment has been inspected yearly by the Department of Ecology (DOE). Last year, the DOE inspector recommended that the Port start making plans to replace the equipment, and this year he said the equipment should be replaced before the next inspection. There is a lot of corrosion in the lines and in certain other areas. Ms. Drennan pointed out that the equipment was last replaced in 1996.

Mr. McChesney reminded the Commission that earlier in 2013, the Port replaced the leak detection system, and the proposed work is a continuation of the general overhaul. The project has been identified in the draft 2014 Capital Budget.

**COMMISSIONER PRESTON MOVED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE DIRECTOR TO ENTER INTO A CONTRACT WITH PND FOR ENGINEERING SERVICES FOR THE FUEL DOCK REHABILITATION PROJECT AS PER THE ATTACHED SCOPE OF WORK IN AN AMOUNT NOT TO EXCEED \$10,000. COMMISSIONER GOUGE SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.**

Mr. Cattle left the meeting at 8:05 p.m.

### **3<sup>RD</sup> QUARTER HARBOR SQUARE REPORT**

**Jan Conner, Northwest Property Management**, presented the 3<sup>rd</sup> Quarter Harbor Square Report, specifically noting the following:

- The variance in billing year-over-year was a result of the lack of restaurant revenue in Building 2.
- Vacant space in Building 5 has now been leased.
- The common area maintenance annual adjustment occurred in the 3<sup>rd</sup> quarter. Tenants are given estimated operating expenses for each building. Once they reconcile the actuals, the Port either assesses each tenant an additional cost or reimburses tenants if there is an overpayment. This process resulted in a significant variance for the Harbor Square Athletic Club.
- A number of late fees were assessed.
- Marketing activity was fairly typical. They are currently pursuing a potential tenant for Building 2.
- An 18-month lease for Suite 106 B-D in Building 5 was recently signed.
- Eight tenants have extended their leases, and the most notable is a three-year lease extension for space in Building 2.
- A tenant in Building 5 has vacated the site and been notified that his account will be turned over to collections.
- The final walk through for the roof overlay and skylight replacement was completed on September 27<sup>th</sup>. There was a minor issue with one skylight, and both the roofing company and the supplier have been put on notice to address the problem.
- All work has been completed for the remediation of the water damage in Building 4 that resulted from a failed plastic fitting on a toilet water supply line. The tenants have signed a Release of Claim for the rent abatement.
- Recent severe weather that produced a large amount of rain in a short period of time taxed the roof and overflow drains on Building 2, causing a backflow into a toilet in Building 2. The situation has occurred three times, and the first occurrence resulted in flooding and required water extraction and carpet shampooing. A contractor was hired to troubleshoot the situation and determined that the material used for the new roof allows for a faster flow of water to the storm drains and it is suspected that the toilet may be tied into the storm drains. The City indicated that their systems were working, and the problem was caused by the sheer volume of stormwater. Port staff installed a reducer where the roof drains to remedy the flow, and there have not been any problems since that time. However, they are not convinced that the problem has been solved.

Ms. Conner concluded her presentation by stating that the goal is to maintain existing tenants and market the vacant space to new tenants.

### **3<sup>RD</sup> QUARTER MARINA REPORT**

Ms. Kempf presented the 3<sup>rd</sup> Quarter Marina Report. She announced that the Port had a good 3<sup>rd</sup> quarter. Guest moorage was also busy. However, there was a slight decrease from 2012, most likely due to the N-extension being converted to permanent moorage resulting in less guest moorage space. Guest moorage revenue is slightly ahead of where it was at the same time last year. There were 662 loan-a-slip nights during the 3<sup>rd</sup> quarter 2013 compared to

523 in 2012. She explained that due to conflicts between private groups and fisherman who want to use guest moorage, the Port decided not to take reservations from groups during the months of August and September. This calmed down some of the animosity. While this change makes the numbers look short, they did okay from a revenue standpoint. She reported that the fuel dock performed similar to last year, with a few less gallons sold. Boatyard business declined during the 3<sup>rd</sup> quarter.

Ms. Kempf reported that water moorage occupancy from a revenue standpoint year to date was 96% at the end of 3<sup>rd</sup> quarter. A total occupancy for the year was budgeted at 93%. The marina was 100% full during the 3<sup>rd</sup> quarter. Dry storage occupancy year to date was 92%, and a total occupancy for the year was budgeted at 91%. Terminations increased slightly during the 3<sup>rd</sup> quarter, as did turnover ratio. However, the vacant slips were assigned to temporary users, which contributed to higher terminations at the end of the season. She advised that, although the waitlist continues to decline, 32 people signed up during 3<sup>rd</sup> quarter 2013 compared to 20 people during 3<sup>rd</sup> quarter 2012.

Ms. Kempf reminded the Commission of the annual Boat Show Promotion (\$20.13 for the 1<sup>st</sup> and 12<sup>th</sup> months), which resulted in 45 people signing up for moorage. The program has been offered for the past four years, and the percentage of tenants remaining at the end of 3<sup>rd</sup> quarter has steadily increased. About 66% of those who signed up using the promotion remained at the end of 3<sup>rd</sup> quarter 2013.

Commissioner Gouge suggested that staff keep in mind that there will be no pink salmon run in 2014. Ms. Kempf said staff tries to balance all of the factors. She noted that during the months when the Port accepts group reservations, they have had weekends where about 100 customers were turned away because there was not enough room in guest moorage. She suggested perhaps next year the Port could accept group reservations in August, but not September. Commissioner Gouge said it is important to give small boaters an opportunity to use their boats, particularly when the fishing season is good. Ms. Kempf reminded the Commission that the Port receives spin-off revenue from people who launch their boats at the marina, so it is important to accommodate as many anglers as possible.

Commissioner Gouge asked if it would be possible for staff to track where the people using the launcher come from. Ms. Kempf agreed that would be possible starting with the next quarter. Commissioner Preston also suggested that the Port establish a data base of email addresses for launch customers.

Commissioner Orvis emphasized that when comparing budget to actual, it is important to keep in mind that the budget is divided equally amongst the 12 months. Some quarters are busier than others, so comparing budget to actual is difficult.

### **3<sup>RD</sup> QUARTER FINANCIAL STATEMENTS**

Ms. Drennan presented the 3<sup>rd</sup> Quarter 2013 Financial Statements, specifically noting the following:

- Gross profit for the nine-month period ending September 30<sup>th</sup> was \$4,906,196, which was \$193,540 or 4.1% greater than budget. Net income for the same period was \$948,929.
- Net fuel sales were \$102,222, which was \$27,222 greater than budget.
- Launcher revenue was \$84,867, which was \$19,867 greater than budget.
- Miscellaneous revenue was \$68,725, which was \$25,975 greater than budget. This revenue includes the City stormwater reimbursements, Waterfront Festival reimbursements, fire boat dock repairs reimbursements, and Port services that do not fit well into another category.
- Permanent moorage revenue was \$2,185,149, which was 3.1% greater than budget and 96% of full financial occupancy. Annual occupancy was budgeted at 93%.
- Dry storage revenue was \$508,886, which was 1.3% greater than budget and 92% of full financial occupancy. Annual occupancy of 91% was budgeted.
- Parking revenue was \$27,552, which was \$11,052 greater than budget. Mr. McChesney noted that three ferry users have signed up for the Port's commuter parking program.
- Both travelift and boatyard revenues were less than budget.
- Harbor Square property revenue was \$1,141,964, which was 2.9% greater than budget.



- Anthony's percentage rent of \$38,930 was received in September, and percentage rent was budgeted at \$35,000.
- Operating expenses without depreciation were \$2,591,565, which was \$159,960 less than budget.
- Bad debt expense was \$0, which was \$11,250 less than budget. This was a timing issue, as bad debt expenses are recorded at the end of the year.
- Employee benefits expense was \$362,622, which was \$23,628 less than budget. This is primarily a timing issue, as the employee benefits budget was allocated equally over 12 months, but the Public Employee Retirement System (PERS) contribution isn't expected to increase until July 1<sup>st</sup>. September 22<sup>nd</sup> to 30<sup>th</sup> PERS based on staff time was recorded in October due to the date on which payroll fell.
- Office expenses were \$46,838, which was \$12,412 less than budget.
- Professional fees expenses were \$108,332, which was \$28,168 less than budget.
- Repair and maintenance expenses were \$118,298, which was \$55,702 less than budget.
- Operating grants included an operating grant for the pump out operation expenses and a PUD grant for LED light bulbs.
- Property damage expenses included the costs for repairing the Harbor Square Building 4 water leak. A final request for reimbursement was submitted to Enduris on October 11<sup>th</sup>, and the Port should receive the remaining \$16,367 within 30 days.
- Net income for the nine months ending September 30<sup>th</sup> was \$948,929, which was \$389,548 greater than budget.
- Marina revenues were \$4,046,999, which was \$159,168 greater than budget.
- Operating expenses before depreciation and overhead were \$1,462,343, which was \$5,782 less than budget.
- Net income was \$581,052, which was \$284,634 greater than budget.
- Rental property revenues were \$1,521,720, which was \$33,145 greater than budget.
- Operating expenses before depreciation and overhead were \$410,147, which was \$68,128 less than budget.
- Net income was \$367,878 which was \$125,916 greater than budget.
- The benchmark to determine performance levels is the one-year Treasury bill, which was 0.12% at September 30<sup>th</sup>. Liquid Port funds earned between 0.10% and 0.20%. The Finance Manager became a Certified Public Funds Investment Manger in September, 2011, and has been taking investing classes at the annual Washington Finance Officers Association Seminars. Staff is updating the Port's Investment Policy, which will be presented to the Commission for approval before the end of 4<sup>th</sup> Quarter.

Commissioner Gouge asked what the Port is doing to increase its return on investments. Ms. Drennan answered that the Finance Committee will meet to discuss staff's ideas and provide a recommendation to the Commission before the end of the year.

Ms. Drennan referred to Page 9 of the Staff Report, which provides graphs to illustrate how the Port has done through 3<sup>rd</sup> Quarter for the past four years for revenues and expenses. The graphs on Page 10 illustrate monthly revenue trends for the past four years. The graphs on Page 11 illustrate budget to actual (both revenues and expenses) for the period ending September 30<sup>th</sup>. In all categories, revenues were greater than budget and expenses were slightly less than budget.

Ms. Drennan referred to the investing summary that was provided on Page 12 of the Staff Report. She specifically noted the balance of \$4,163,389, which represents the 60% principal balance that is required in Opus Bank as per the Harbor Square loan agreement. Commissioner Gouge asked staff to provide a spreadsheet the next time the Finance Committee meets showing how much the Port can pay down the Harbor Square loan without incurring a penalty.

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

Mr. McChesney reported that staff will continue to move forward with the launcher repair and upgrade and the fuel dock upgrade projects. Staff will also work to complete the Harbor Square conditions survey, anticipating that it will be presented to the Commission in November.

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

Commissioner Gouge encouraged Commissioners and all those in attendance to vote in the upcoming election.

Commissioner Preston reported on his attendance at the recent Washington Public Port Association (WPPA) Small Ports Conference. He said it was the best one he has attended to date. There seems to be an effort to make the event more effective for ports of all sizes. He attended a workshop on "port governance versus management," which was very enlightening.

Commissioner Preston announced that the Northwest Marine Trade Association Conference is coming up in a few weeks. Mr. McChesney advised that Ms. Kempf and Ms. Wade would attend the conference to represent the Port.

Commissioner Preston said he recently read through Ms. Kempf's marketing plan and would meet with her to discuss some of her ideas.

Commissioner Block announced that the Edmonds City/Chamber Arts and Cultural Committee is meeting again to prepare for next year's awards program. She distributed nomination forms, and explained that there are four categories of awards. She suggested the Commissioners consider potential nominees for each of the categories. It was noted that the Sea Jazz and Artist in Action Programs would be good candidates for the "creative collaboration" category.

Commissioner Gouge reported that he received an email announcing a retirement event for Bob Drewel, which is sponsored by the Greater Everett Community Foundation. The event is scheduled for December 9<sup>th</sup> starting at 5:00 p.m. It was noted that this is the same night as the Commission's regular meeting. They agreed to discuss options for rescheduling the meeting.

Commissioner Orvis said the Port received a letter about WPPA dues for 2014. He noted that the letter discussed a potential change in focus that will benefit the Port of Edmonds, and other marinas. The letter points out that the State of Washington has often made short-sighted choices such as cutting funding for economic development and tourism, both vital sectors of the economy that need help. The Urban Tourism Fund has been ignored by policy makers, and environmental and job creation goals are becoming increasingly out of alignment with each other. Commissioner Orvis recalled that several things have happened recently to indicate that the Department of Ecology (DOE) is making its own rules that are not in the best interest of ports, the marine industry and recreational boaters. The conflict between what is possible and what is required is getting increasingly out of sync. He noted that there have even been editorials published in *THE SEATTLE TIMES* regarding this issue and suggesting that the DOE may be requiring things that are impossible and might open the state up to citizen lawsuits. He observed that there used to be 104 boatyards in the State and now there are only 62. The new environmental requirements have put a number of boatyards out of business.

#### ADJOURNMENT

The Commission meeting was adjourned at 8:40 p.m.

Respectfully submitted,



David Preston  
Port Commission Secretary