



PORT COMMISSION OF THE PORT OF EDMONDS
MINUTES OF SPECIAL MEETING AND RETREAT

March 1, 2017

COMMISSIONERS PRESENT

Fred Gouge, President
David Preston, Vice President
Steve Johnston, Secretary
Bruce Faires
Jim Orvis

STAFF PRESENT

Bob McChesney, Executive Director
Marla Kempf, Deputy Director
Tina Drennan, Finance Manager
Renaë Ebel, Administrative Assistant
Brian Menard, Maintenance Manager

OTHERS PRESENT

Bradford Cattle, Port Attorney

CALL TO ORDER

Commission President Gouge called the regular meeting to order at 9:00 a.m.

PLEDGE OF ALLEGIANCE

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

CONSENT AGENDA

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

- A. APPROVAL OF AGENDA**
- B. APPROVAL OF FEBRUARY 13, 2017 MEETING MINUTES**
- C. APPROVAL OF PAYMENTS IN THE AMOUNT OF \$73,756.30**

COMMISSIONER JOHNSTON SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

PUBLIC COMMENTS

There were no public comments.

ACCEPT SERENE GUTTER SYSTEMS, INC. CONTRACT AS COMPLETE

Mr. McChesney reviewed that staff had previously identified repairs needed for the dock gutters and budgeted for gutter replacement. Earlier this year, an inspection revealed that an entire section of C Dock had worsened and needed replacement. The gutters are integral to the roof design rather than standard, off-the-shelf gutters. Therefore, specifications were prepared by PND, and a formal request for bids was sent out on October 26th. Two qualified bids were received, and the Commission awarded the contract to the low bidder, Serene Gutter Systems, Inc. for \$31,801.50 plus tax. The work was completed and accepted by the Maintenance Manager on February 3rd. He recommended the Commission approve the contract as complete.

Commissioner Faires recalled that, in a previous discussion, it was determined that the Port would replace the gutters on an as-needed basis. He asked if staff anticipates additional gutter replacement in 2017. Mr. Menard replied that he anticipates repairs and/or replacement will also be needed in the south marina in roughly one more year. Commissioner Faires asked if the Port would need to go through the formal bid process every time a gutter needs to be replaced, or can multi-year tasks be lumped together. Mr. McChesney answered that the same specifications and methodology can be used for each replacement project, but each project will require a separate bid process. Commissioner Orvis asked if there would be any cost savings by doing more than one replacement project at a time. Mr. Menard answered that the more square footage, the greater the price break.

Commissioner Gouge said his understanding is that no additional engineering costs will be incurred, and Mr. McChesney concurred. Commissioner Gouge said he would rather the Port spend a little more upfront to save money in the long run. The remainder of the Commission concurred.

COMMISSIONER ORVIS MOVED THAT THE COMMISSION ACCEPT CONTRACT 2016-255 WITH SERENE GUTTER SYSTEMS, INC., IN THE AMOUNT OF \$31,801.50 PLUS SALES TAX FOR THE GUTTER REPLACEMENT CONTRACT AS COMPLETE. COMMISSIONER FAIRES SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

COMMISSIONER'S COMMENTS AND COMMITTEE REPORTS

Commissioner Gouge reported on his attendance at the February 14th Edmonds City Council Meeting where the Shoreline Master Program (SMP) was the topic of discussion. He noted that there are a number of proposals on the table related to the Edmonds Marsh, and he is baffled as to why the City Council has not had any discussions with the Port of Edmonds, the property owner. He voiced concern that, once changes are made to the SMP, they will be difficult, if not impossible, to alter.

Commissioner Orvis said he reviewed the City Council's extended agenda and did not find any agenda item concerning a final decision on the marsh before the Department of Ecology's (DOE) deadline. Council Member Teitzel advised that a public hearing on the SMP is scheduled for March 21st, and the City Council will then move towards a final decision. The City owes the DOE a final response on its recommendation by March 31st.

There was some discussion about the length of the SMP process, and Mr. McChesney summarized that the process has been extended for a number of reasons over the years. There has already been a public hearing, and it seems out of order to hold another one. He expressed his belief that the process has been much abused by people who have good intentions but limited information. The DOE seems to be acquiescent and has avoided dictating what the process should be. For example, the comment period from the first public hearing ended 1.5 to 2 years ago, yet the City Council is still accepting comments and conducting public hearings. It appears that the process is open ended, which is different than the way the Port calibrated its input.

Council Member Teitzel reviewed that the DOE proposed two options for determining the buffer and setbacks along the marsh. This new information was not available at the last public hearing, and the public has requested an additional hearing to comment on the options before a final decision is made. He said the City Council Members are well-versed on the issue, and it is time to make a decision.

Commissioner Gouge announced that he received a request for a joint meeting between the City Council and Commission. The Commissioners voiced support for the concept and agreed to discuss the request at their next regular meeting. Council Member Teitzel explained that the notion is that there is not enough communication between the City Council and the Port Commission. He has been working to put together a meeting with three City Council Members and two Commissioners to talk about issues of concern. Commissioner Orvis reviewed that the majority of the City Council has made it quite clear that they have no interest in what the Port Commission has to say. The communications line appears to be one direction only. The joint meeting needs to be more than just getting together to open a line of communication. Specific items need to be identified for discussion. Unless the City Council Members are willing to listen to what the Commissioners have to say, the joint meeting will be a waste of time. Council Member Teitzel commented that the joint meeting could be the first step towards mending fences, building bridges, and finding common ground. Commissioner Faires suggested that the delegation from the City

Council should include at least one member whose current viewpoint is different than the Port's. Commissioner Johnston said he hopes participants will come to the meeting with the understanding of trying to mend fences and find common ground.

The Commission moved into its annual retreat at 9:20 a.m.

FUTURE OF BOATING (GUEST SPEAKER, PAUL SORENSON)

Mr. McChesney introduced Paul Sorenson, a principal with BST Associates, and shared background information on him and his company. He advised that Mr. Sorenson was present to share information related to the future of boating.

Mr. Sorenson said he likes the way the Port has developed individual lines of service that provide a clear understanding of the actual cost of service. Having a model that projects the costs forward with reasonable assumptions, is also helpful.

Mr. Sorenson referred to a recent study by Brunswick and Sea Ray, which indicates that macro fundamentals remain favorable and the external environment supports continued market growth. The forecast through 2019 indicates growth of between 2% and 5% for power boat sales. Sailboat owners are an older demographic, and the growth has not been as high. The growth has been 0% to 2% for the past 10 years, and increased growth will depend on productivity, labor force participation, and taxes. Consumer confidence is at a 10-year high, and the interest rate and lending environment remain favorable. This has a direct correlation with increased spending on luxury items such as boats.

Mr. Sorenson advised that the major challenges to boating include: affordability, requirements for water access, ethanol versus clear fuel, aging boaters, minority participation and competition from other activities. He shared that West Marine, the largest provider of recreational products, has identified megatrends that impact them. Boat sales have improved over the last five years, but are still well below pre-recession levels. The average age of the customer has gone from 50 to 54 years for power boat owners and from 55 to 60 for sailboat owners. They are not getting enough infill from the younger ages. They believe there is also increasing competition for time, which is not something that will change in the long term. West Marine is evolving its business to serve more non-boating customers.

Mr. Sorenson said it is anticipated that the number of slips available in Puget Sound will decline, as the smaller marinas do not have the resources to meet the ever increasing regulatory requirements and many have deferred maintenance. Mr. McChesney said many of them are located on Department of Natural Resource (DNR) land, and there is no incentive for some owners to recapitalize the assets when the leases expire. Commissioner Gouge pointed out that it is becoming increasingly more expensive to rebuild marinas, particularly given the Shoreline Management Act (SMA) requirements.

Commissioner Orvis noted that many dealers are focusing more on maintenance of used boats as a way to generate more revenue. However, while there are a lot of educational opportunities, there are not enough students being trained to keep up with the demand for boat mechanics.

Mr. Sorenson said the buying age for boats has crept up at a rate of .4 to .5 per year over the past 10 years. Commissioner Preston pointed out that, without opportunities for fractional ownership, he anticipates the average age will continue to increase.

Commissioner Faires suggested the Commission needs to have a discussion about what the Port can do differently to accommodate the changing needs. Mr. McChesney said there are a number of options, such as leasing all or part of one float to someone who will operate it for fractional boating. Commissioner Faires asked if the Port should also consider changes in its administrative process to allow a variety of ownership schemes. Mr. McChesney advised that some marinas have embraced a concept similar to Airbnb, but the Port has not, and Mr. Sorenson said it is definitely an option the Port should consider. Ms. Kempf cautioned that there is a difference between having several owners of a single boat or a business franchise with trained staff versus allowing tenants to rent their boats similar to

Airbnb. There are a number of issues that must be considered, such as whether there should be a surcharge for multiple owners of a single slip.

Mr. McChesney commented that millennials typically want to have experiences, and are not necessarily interested in owning anything. This leads into the concept of fractional ownership, which is a topic the Commission has discussed on a number of occasions. Mr. Sorenson said that millennials are poised to support the future growth in boating. Their share of boat ownership tracks that of previous generations. If 1% of the millennial population were to purchase boats, there would not be enough manufacturing capacity. They want a sharing economy (boat clubs, rentals, Airbnb, etc.) The sooner that marinas can adjust to their changing needs, the better off they will be.

Commissioner Faires said the Port Commission's goal is to avoid having to tax the Port District residents a second time to rebuild the marina. He said the biggest problem is that the cost of replacement is increasing at a much greater rate than interest rates. The solution is for the Port to do its best to remain financially stable and well maintained so it can attract new boaters.

Mr. Sorenson said that from 1965 to 1991, an average of 400,000 boats per year were sold. This fell to 309,000 from 1992 to 2006, and now it is at 184,000 to 188,000. Boats are discretionary items, and sales were hit particularly hard during the recession. However, the rate of sales are increasing now. The sale of used boats did not fall as much, since it is often cheaper to buy a used boat and change everything on it than to purchase a new boat.

Mr. McChesney commented that the regional boating market (anticipated contraction in moorage supply and annual increases in boat sales) should bode well for the Port of Edmonds and allow them to keep rates where they need to be from the demand side. However, where will all the boats go if marina capacity declines? Mr. Sorenson said he does not anticipate that new marinas will be constructed, so the demand will have to be met via dry storage.

Mr. Sorenson pointed out that Washington is the only state that prohibits copper bottom paint on new boats. By 2020, no copper paint can be sold for use on boats. Non-copper paint requires more costly maintenance. Washington is a supercharged environmental state that may be forgetting what it really wants to do. Their priorities seem to be focused on the less important issues.

The elasticity of demand for wet moorage is different for smaller boats than for larger boats. Mr. McChesney asked if it would be appropriate to have a different rate scheme. For example, should they charge more for the larger boats, which cannot be trailered? Mr. Sorenson agreed that would be appropriate to consider. Ms. Kempf discussed the Port's rate scheme, noting that currently, smaller boats are paying more per square foot than larger boats. An adjustment was made about five years ago, but there is still some inequity. Ms. Drennan explained that the cost-recovery formula included both a fixed cost and per-unit cost. The fixed cost is the same for both small and large boats. Commissioner Faires summarized that the current rates are based predominantly on cost, and he suggested it should be adjusted to be based predominantly on the market. That means they could probably charge more for the large slips and less for the smaller slips. The Commissioners agreed to discuss the concept further at a future workshop.

Mr. Sorenson shared the results of an annual survey conducted by BST Associates. Although some marinas are reluctant to do improvements, most of the marinas surveyed indicated that occupancy rates are up, development plans are underway, and the economy is improving. State and federal regulations were the biggest concern, as well as marketing issues with aging consumers.

Mr. Sorenson advised that BST Associates also did a study of occupancy for 2015 and 2016. During the peak season (May through September), the numbers were very good for Central Puget Sound, which includes the Port of Edmonds. Ms. Drennan explained why financial occupancy is a better measurement than physical occupancy. Mr. Sorenson said BST conducted a survey on wet moorage occupancy, and the majority indicated that wet moorage occupancy increased in 2015 and 2016. In the Port's case, there was very little change and occupancy remained high.

Mr. Sorenson said 16% of the marinas surveyed keep the lineal foot rate the same irrespective of how long the slip is. They don't understand that the longer the boat is, the wider it gets. While this can become an equity issue, marinas must look at the market and what larger boat owners are willing to pay. He expressed his belief that the

Port's current rates are accurate, and it is a matter of keeping them updated. He reviewed the methodology that is used by other marinas to set rates. He explained that 41% simply look at what other marinas are charging, and 23% increase rates based on CPI or some other index. Some cover the costs and look for a return on their investment.

Mr. Sorenson commended the Port for considering both revenue and operating costs when setting moorage rates. It is important to make sure the lines of business pay for each other. They should look at them individually to consider major capital expenses, and then adjust the rates based upon the market conditions. When comparing rates for 30 to 50-foot slips (base rate and fees), the Port's rates are higher than many public marinas. However, they are lower than most private marinas that are charging market rates. He noted that the differential between the covered moorage and open moorage rates is not enough to construct more covered moorage

Mr. Sorenson summarized that the financial picture for marinas looks good for the next three to five years. Beyond that, he still has some concerns.

Mr. Sorenson said that almost all new boat storage in the last 10 years has been dry stack. Although some wet moorage facilities are planned, they have not been built. There are three broad groups of dry storage: enclosed facilities, land-intensity facilities, and port facilities. Port facilities are generally aimed at the smaller market size, and they are typically not enclosed. He shared statistical information on a number of dry storage facilities in the Puget Sound Region: Twin Bridges, Bayside-Everett, Foss Landing, Banana Belt Boats, Pacific Marine Center and Dagmar's Landing.

Commissioner Gouge asked if the Bayside Everett dry storage facility charges each time a boat is moved in and out. Mr. Sorenson answered no, they charge a flat fee. Mr. McChesney pointed out that many dry stack facilities are a center of gravity to support other businesses that feed off of them. This is much different than the Port of Edmonds' situation. Mr. Sorenson noted that the Port of Everett entered into an agreement with Bayside for a low, flat-rate for the lease of the acreage, as well as a percentage of gross revenue beyond a certain level. He suggested this is something the Port of Edmonds should also consider. Mr. McChesney pointed out that, in the Port's case, every time a boat is moved there is an associated cost factor in equipment and staff time. The Port's rate scheme is not calibrated properly to the actual cost experience. Mr. Sorenson agreed that, while dry storage facilities can involve much lower capital costs, they can be more operational intensive. Mr. McChesney added that purchasing and maintaining the hydraulic launchers and lifts is very costly.

Mr. Sorenson expressed his belief that dry storage facilities will continue to be important. As difficult as it is to rebuild or construct facilities, they are critical. Oftentimes, the rates are about half the cost of wet moorage. Commissioner Faires noted there are significant differences in the business models of dry storage facilities like the Ports versus those that primarily make money on the ancillary services they provide. The Commission agreed to have a workshop discussion on this topic in the future.

Mr. Sorenson advised that recreational fishing is the most popular boating activity, and number two for all popular outdoor activities. Fishing has remained fairly stable, growing at a slow rate with the population. Fresh water, salt water, and fly fishing fall just behind running, jogging and trail running. The demographics for recreational fishing look good, as do the income trends. However, there are problems related to co-management of the fisheries. It is difficult to meet the legal requirements of the tribes, as well as the international agreements with Canada. This year was the first time in 30 years that an agreement could not be reached. In addition, fishing licenses fees have increased up to 40%, and it is likely that 2017 will be another weak year.

Mr. Sorenson commented that much of boating is driven by fishing. He shared statistics to indicate the significant impact that fishing has on the regional economy and marinas. Mr. McChesney said this fact has an impact on the Port's future planning. If the trend in recreational fishing continues to decline, it may induce the Port to contemplate changing some of the marina to address the needs of different parts of the boating market. Mr. Sorenson agreed that is something the Port must consider.

Mr. Sorenson reported that Vulcan has announced it will terminate leases at South Lake Union for yacht brokers, and redevelopment will force them to move. It is not clear whether or not Vulcan will be able to satisfy some of this need, but there may be an opportunity for the Port of Edmonds to capture some of this market. He shared some concepts that other marinas have implemented to address the changing needs of boaters including the Gig Harbor

Marine bnb, which offers Fleetsuites for \$175 per night, and the Carefree and Freedom Boat Clubs, which offer an alternative to boat ownership.

Mr. Sorenson summarized that interest rates have remained low. Although they have drifted up a bit, it has not impacted housing or boat sales. There is also low inflation, low fuel prices, and great weather. The big uncertainty is the future demographic changes. The key will be to look for opportunities to partner with the private sector. Overall, he is optimistic for the next five years. Beyond that, the Port will need to be more creative and consider other options. It is important for the Port to consider these options now rather than waiting. Again, he commented that the Port is doing a great job, particularly on the public marina side.

COMMUNICATIONS PLAN

Mr. McChesney reported that the Communications Committee met on February 28th and reviewed a draft Communications Plan that was prepared by Ms. Kempf. The committee settled on three action items:

- Reconfiguring the mailer that was prepared late last year by Cocker Fennessey that focused on the Port's environmental stewardship and informed the community of the actions the Port has taken to protect the environment. The mailer will be sent out in April.
- The Port will sponsor a community event in the summer.
- Another mailer will be sent out in September to inform the community and celebrate the notion of economic development from the Port's point of view.

Ms. Kempf explained that the Communications Plan can go hand-in-hand with the Port's existing Marketing Plan for the marina. Rather than publishing communications based on the latest issue of the day, it is important to have a carefully thought out plan for communicating with all of the Port's audiences. The plan should focus on the Mission Statement, which describes what the Port does. The plan should also identify specific goals the Port wants to accomplish. Those are outlined in the Port's current Strategic Plan.

- Inform customers, taxpayers, the local community, the general public and the Edmonds City Council about who the Port is and what its mission is.
- Achieve an overall good reputation and name recognition in the community and with potential future customers.
- Build and maintain rapport with customers, taxpayers, local community and general public.
- Clearly identify the audiences the plan is trying to reach, and focus on their varying needs and demands.
- Consider how the Port is currently perceived by customers, taxpayers, and the general public.
- Consider whether one audience needs more attention than another right now, or whether the same level of communications should be maintained for all audiences.
- Consider how the audience's current view of the organization differs from the view the Port desires them to have.

Ms. Kempf reviewed the current forms of communications the Port utilizes, as well as additional forms of communications the Port may want to consider using. She also reviewed the goals, key messages and themes that are desired in the Port's communications as follows:

- Align with the Port's existing Strategic Plan.
- Align with the Port's existing Marketing Plan.
- Reinforce the Port's existing brand, which is "Your Home Port Advantage and "Choice Destination," in addition to quality, value, service and convenience.
- Provide information on Port issues and activities.
- Provide opportunities for the public to communicate with the Port.
- Include Harbor Square key messages and goals.
- Answer audience questions such as: Who is the Port? What does the Port do? Why does it matter to me? How does the Port deliver economic benefit? What does the Port do to protect or enhance the environment? How can people stay in touch with what the Port is doing? Where can I find information on the Port?

Ms. Kempf summarized that in order to accomplish improved communications, there must be a consensus on the goals and what the key messages will be. The plan must also address staff time, budget, a specific schedule and program for rolling out the plan, consistent implementation, measurable goals, and evaluation of how well the plan is working after one year. The three action items identified by the committee (publication in April, public event in the summer, and publication in September) are a good place to start. As the new person comes on board, the Port will have the resources to expand the program moving forward.

Mr. McChesney advised that it is costly to hire a public relations firm to prepare materials, and the plan is to do most of the communication work in-house. Mailing the materials out is also costly. Commissioner Gouge expressed his belief that mailings are a good use of tax revenue.

Commissioner Faires said the Commission's job is to identify and prioritize who they want to talk to and what they want to say. Then staff can figure out the best approach. The Commission had a brief discussion about the priority audience. They agreed that it is vital that the elected officials (City Council and Commissioners) communicate, which will require very little staff time and more verbal communication. They agreed that, based on feedback, the Port does a fair job of communicating with its customers, but there is still room for improvement. On the other hand, it is not doing so well with regard to communicating with the owners of the marina (taxpayers), and this should be a primary focus of the communication effort. They agreed that it is important for the constituents to know and understand the benefits the Port brings to the community.

Mr. Cattle pointed out that he understands the distinction between the owner and the customer when talking about the recipient of the message. However, the message about all of the economic and environmental benefits the Port provides needs to go out to both audiences. Rather than distinguishing between the two audiences, perhaps it would be better to broaden the scope of the message.

Mr. McChesney summarized the discussion by pointing out that the Commission is in support of reenergizing and implementing the Communications Plan, focusing on the target audiences and the messages they want to convey. They are also interested in improving communications with the City Council. Over the next six months, staff will move forward with the action items that were discussed earlier. He emphasized that this should not be considered a temporary plan. It must be continued long term.

ECONOMIC DEVELOPMENT

Mr. McChesney suggested that economic development is all about creating new opportunities, which the Port tries to do in a number of ways. At this time, the Port is in the process of planning and obtaining the necessary permits for redevelopment of a marina side vacant parcel. The project is moving forward smartly, and he would expect to have the Shoreline Permit for the parcel by mid-year. The intent is to add value to the property and create new opportunities for both the Port and a private sector developer. The building is being designed for marina service uses, which offers a variety of options. Staff has already had discussions with potential tenants, and he is confident the Port will be able to find a quality tenant who will compliment Jacobsen's Marine. He reported that City staff has been very helpful with the shoreline permit process.

Commissioner Faires requested a status report, and Mr. McChesney responded that the traffic study has been completed and indicates the traffic mitigation fee would be at \$12,000 based on 2017 rates. The front end costs would be capitalized through a future lease. It is not practical to expect a company to lease a bare piece of dirt and then go through the entire permit process themselves. It is open-ended, unpredictable and expensive. From an economic point of view, it is up to the Port to do this initial work.

Mr. McChesney advised that the Harbor Square Business Complex is doing well. The debt was recently refinanced and will be paid off in three years. However, there are still issues related to the Shoreline Master Program (SMP) buffer widths and the Port's relationship with the City Council. The Port was taken out of the game, its property was devalued, its reputation was slighted, and its purpose was disrespected. The Port feels the City Council's decision relative to the Harbor Square Master Plan represents a lost opportunity and does not represent the highest and best use of the property. Commissioner Gouge suggested it is time for the Port to prepare a new master plan for Harbor Square that allows it to operate in its current configuration. The revenue from the property would be used to maintain Harbor Square and other Port properties. He said he does not foresee any redevelopment at Harbor Square

until there is a change in the makeup of the City Council. They should wait for the City to approach the Port with any future plans for redevelopment of the site, and then the City could be responsible for getting the zoning changed appropriately.

Commissioner Faires agreed that there is not a lot the Commission can do to change the City Council's position. On the other hand, the Port's perspective is that the Harbor Square Master Plan represents the best use of the property. The law simply requires the Port to have a master plan in place, and he does not see any reason to change the Master Plan from a strategic to a tactical plan. He recognized that the plan cannot be implemented until the City Council changes its stance on height and agrees to allow residential development. Commissioner Johnston expressed his belief that the community tenor is changing, and eventually the makeup of the City Council will change, as well. The Commissioners agreed that the Master Plan should remain intact, recognizing that it went through a lengthy public process. However, the Port should communicate the outcome of the City Council's decision as recommended by Commissioner Gouge. The Port should wait to implement the plan until the City indicates it wants something to happen at Harbor Square that is not presently allowed. The City will need to begin the discussion.

Council Member Teitzel commented that the question moving forward is whether or not marsh restoration and redevelopment are mutually exclusive of each other. As a Council Member he does not believe they are, and the DOE has provided a path forward for the two to work together. As proposed by the DOE, a special study would be done at the time a redevelopment plan is brought forward to examine marsh conditions balanced against redevelopment. Mr. McChesney commented that the Port has already brought a development plan forward, and the DOE's recommendation is neither practical nor reasonable. Commissioner Orvis emphasized that the Master Plan represents a concept and not a specific plan. The Port was required by the City to provide a drawing of potential building layout as part of the Master Plan, but the layout could be modified in many different directions.

Council Member Teitzel asked how the Port and City could reach the trigger point that would allow the special study to be done. Commissioner Gouge said it would require the City to address the need for a greater building envelope, residential development, and lower marsh buffers and setbacks. No developer is going to spend money on a plan without some assurance from the City Council that the land use regulations could be changed to address the constraints. The Commissioners and Council Member Teitzel both agreed to continue the discussion at the joint meeting that is tentatively scheduled for March 13th. Commissioner Johnston and Commissioner Orvis were assigned to represent the Port at the joint meeting.

Commissioner Gouge referred to the stormwater runoff problems that occur in and around Harbor Square. He suggested that the Port should put "cowboy hats" around all of the stormwater grates at Harbor Square as a positive step.

TOURISM PROMOTION (GUEST SPEAKER, PATRICK DOHERTY)

Mr. McChesney reviewed that the Port collaborated with the City on the opportunity to bring in Puget Sound Express to the marina. In addition, he is serving as chair of the Snohomish County Tourism Bureau, which is trying to move a bill through the legislature to re-establish a statewide tourism promotion agency. The Port also collaborated with the City, Chamber and Tourism Bureau to submit a grant application to the Port of Seattle to do some tourism promotion.

Mr. McChesney introduced Patrick Doherty, Edmonds Economic Development Director, who was invited to talk about what the City has done and how the Port can collaborate with the City to promote the best possible tourism promotion program.

Patrick Doherty, Economic Development and Community Services Director for the City of Edmonds, briefly shared information about his background and experience. He explained that economic development includes tourism, which can be a big part of a community's economy. The key to tourism is bringing in "other people's money". He made the following points:

- The City uses lodging tax revenue (2% tax) to promote tourism; and historically, 25% has been dedicated to promoting arts and culture that support tourism. The remainder of the revenue is earmarked for general tourism promotion.

- The objective is to encourage overnight stays, or visitors from beyond 50 miles. Because Edmonds does not have a lot of opportunity for overnight accommodations, it must rely on people who visit the City for day trips.
- Partnerships are key. The City has partnered with the Port, the Snohomish County Tourism Bureau, arts and culture organizations and the chamber. In addition, there are several special events, the ferry system, Amtrak and other activities that bring people to the area.
- The Lodging Tax Committee recently approved a contract for a new website that is easier to maintain and update. The arts and events calendar has been popular and well used.
- The City does regional advertising and has been fortunate to garner professional photographs.
- The City started doing digital advertising over a year ago, which helps the City reach its targeted demographics. This included a holiday promotion that was done in tandem with the Downtown Alliance.
- The City promotes special events and activities. The decision was made to spend the majority of the money in the shoulder seasons (spring and fall) and the holidays.
- The City's brochure will be reprinted this year, and a whale-watching image will be added.
- The City has two grant programs. One is run by the Arts Commission and the other by the Lodging Tax Committee. A press release will announce the 2107 grant opportunities soon.

Mr. McChesney thanked the City for collaborating with the Port on the grant application. He said he is reasonably optimistic the application will be successful, and then it will be necessary to collaborate further to implement a program. He commented that it is difficult to know exactly how much of the Port's budget to invest in tourism promotion without having clear metrics to measure the payback. He asked Mr. Doherty to share how the City measures success, but it is difficult to ascribe the increase to advertising; it could just be that the economy is better. However, he believes that advertising and promotions are reasonable. The focus of the grant application is a program that taps into out-of-state markets to bring people to the Port of Seattle's facilities. They agreed to use the whale watching opportunity as a hook to attract people from out of state who use the airport for access. It was noted that another target audience is people who come to Seattle to board cruise ships.

Commissioner Gouge asked how the City and Port could work together to get more hosting opportunities. It was noted that it is difficult, given that there is limited hotel space. It was suggested that the City and Port should work in partnership with the City of Lynnwood where there are plenty of hotel accommodations, but not as many recreational activities.

Commissioner Gouge suggested that the City and Port could partner together to provide an activity that showcases the City and the waterfront. Mr. Doherty said he is not so sure that would be the best "bang for the buck" given the amount of time and money needed to put together a single event. Instead, they should focus on enhancing activities that take place over a longer period, particularly the shoulder season. Examples include expanding or enhancing the Beach Ranger Program and or Birdfest. Ms. Kempf commented that community colleges bring classes to the waterfront to collect specimens and to educate, and she was recently contacted by professors from the University of Washington who are interested in having a science education day. Mr. Doherty said the long-term vision could be to have a staffed, indoor interpretive center on the waterfront.

Jack Bevan, Edmonds, recalled that years ago, the University of Washington's laboratories at Friday Harbor had a large tidal pool and the public was invited to participate. He suggested this is another option the City and Port should consider, noting that divers could supply it. This type of activity would not require a significant expense.

Mr. McChesney advised that the maximum of the grant from the Port of Seattle would be \$10,000, and it would require a \$5,000 match. He said he anticipates the outreach program will cost more than \$15,000. Once the digital infrastructure is in place, it is important to understand that funding will be needed to continue it long term.

Mr. Doherty reported that the Legislature is currently considering Senate Bill (SB) 5827, which would further restrict the use of the lodging tax funds. In Edmonds case, most of its visitors come from less than 50 miles away and do not spend the night. Nonetheless, they are very important. If the bill were to pass, the City would no longer be able to use the funding to market to this audience. He briefly explained the impetus behind the bill, and explained how the City is voicing its concern. He agreed to provide a copy of a letter Mayor Earling sent to local legislators, as the Commissioners expressed interest in supporting the City's position, as well. Ms. Kempf noted that the topic will also be discussed at the Northwest Marine Trade Association's Public Affairs Meeting on March 3rd.

EVENTS/WRAP UP

Sea Jazz

Mr. McChesney reported that the Sea Jazz Program has been a terrific success and will continue in 2017. He does not anticipate any major changes, but they are still working to finalize the program. Commissioner Preston recommended that the Port create new posters to advertise the event and place them at various locations throughout the City. He also suggested the Port provide some permanent benches on the plaza side for people to sit and enjoy the concert. Commissioner Gouge thanked Anthony's Restaurant for supporting the program by giving the performers a free meal.

Artists in Action

Mr. McChesney advised that the Artists in Action Program needs more energy. The program is co-sponsored by the Port and the Edmonds Arts Festival Foundation. More recently, the Port agreed to sponsor the youth artist contest (\$1,000). In exchange, the Edmonds Arts Festival Foundation manages the program. However, it has only been moderately successful running at the same time as Sea Jazz. Perhaps rather than having the event take place every Sunday, there could be two or three larger events during the summer. The Commissioners agreed there should be fewer events, perhaps one each in July, August and September.

Waterfront Festival

Mr. McChesney announced that a planning meeting for the Waterfront Festival is scheduled for March 2nd. He said he has continued to remind the event organizers of the contractual obligation to provide more water-related events and more local participants. Commissioner Gouge requested a list of festival vendors. Commissioner Faires asked if the Waterfront Festival would impact Puget Sound Express' operations. Mr. McChesney said there may be some logistical challenges, but they should be quite manageable. The Commissioners agreed that there needs to be additional discussion about the future of the waterfront festival.

Finance and Bonding Capacity

Ms. Drennan reviewed that, at this time, the Port is able to issue two types of bonds: Limited Tax General Obligation (LTGO) Bonds and Revenue Bonds. She briefly described the two bond types. She provided a graph to illustrate the estimated LTGO bond capacity available over the next 40 years without a vote and the estimated LTGO bond capacity with the property tax limit. She also provided a graph to illustrate the Port's projected debt coverage ratio and estimated Revenue Bond capacity. She emphasized that the calculations do not take into account capital project requirements or the Port's ability to pay.

The Commission discussed the Port's ability to fund replacement of the marina at some point in the future. The discussion included the idea of saving money now to pay for future replacement. It was pointed out that the cost of replacing the marina is escalating at a much faster pace than the interest earned on money in the bank. Commissioner Orvis noted that it is possible to use the money to prolong the life of the facility by doing corrective and preventive maintenance. This approach allows the Port to replace its facility in bite-size pieces rather than letting it deteriorate until it has to be replaced all at once. They all agreed that the Commission's first responsibility is to make sure there is funding available to maintain and/or replace the marina facility when needed.

Commissioner Gouge asked Mr. Menard to share his thoughts on what staff anticipates over the next five years relative to maintenance. Mr. Menard explained that there are some float issues now, but they can likely be rectified. Corrosion will always be an issue, and more gutter replacement will need to be done in the near future. Structurally, the south end of the marina takes the brunt of the weather, and that is where the majority of the corrosion issues are. At some point, component replacement will be necessary. He said he does not see anything catastrophic, as long as they stay on top of issues that come up. He said he believes the Port is close to completing all of the deferred maintenance work. His biggest problem is dividing his time between the Port and Harbor Square.

ADJOURNMENT

The Commission/Staff Retreat was adjourned at 2:05 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'SJ', followed by a long horizontal flourish line extending to the right.

Steve Johnston
Port Commission Secretary