



**PORT COMMISSION OF THE PORT OF EDMONDS**  
**MINUTES OF REGULAR MEETING**

**October 30, 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  
Brittney Williams, Manager,  
Properties and Marketing

**OTHERS PRESENT**

Karin Noyes, Recorder

**CALL TO ORDER**

Commission President Gouge called the regular meeting to order at 7:00 p.m..

**PLEDGE OF ALLEGIANCE**

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

**CONSENT AGENDA**

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

- A. APPROVAL OF AGENDA**
- B. APPROVAL OF OCTOBER 16, 2017 MEETING MINUTES**
- C. APPROVAL OF PAYMENTS IN THE AMOUNT OF \$550,206.84**
- D. APPROVAL OF RESOLUTION NUMBER 17-06, AUTHORIZING SALE OF TWO ABANDONED BOATS**

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

**PUBLIC COMMENTS**

**Doug Swartz, Edmonds**, said he was present to comment on what it means to be a Port Commissioner. He provided a handout, and said his comments refer to the Port's Mission Statement, which calls for operating and developing the marina facility with the goal that it be fully self-funded. He asked why the Commission continues to collect property taxes when the Port is currently self-funded. He noted that three different statements in the Mission Statement talk about being consistent with the community values. If the Commissioners were to do some soul searching, they would not believe that the majority of the community wants five-story condominiums on the waterfront, yet the plan continues to be on the docket. The Commissioners are on record that the plan is necessary to maximize profits, yet there is nothing in the Port's Mission Statement that says the Port must maximize profits. It simply states that the Port must be profitable consistent with community values. He urged the Commissioners to

talk to their constituents to figure out what they want. The incumbent candidates have mentioned they are proud of the Port and the fact that it is financially stable, and he agreed that is something to be proud of. However, they also need to listen to the voters, and not just real estate developers and contractors. Lastly, Mr. Swartz provided information indicating that the Consumer Price Index (CPI) for the Seattle area is just 2.5% rather than the 3% identified in the Port's 2018 Preliminary Budget.

### **PUBLIC HEARING ON THE 2018 PRELIMINARY BUDGET**

Mr. McChesney advised that this is a public hearing on the Port's 2018 Preliminary Budget, but final approval is not scheduled to occur on November 13<sup>th</sup>.

Ms. Drennan reviewed that the 2017 Preliminary Budget was presented to the Commissioners on October 16<sup>th</sup>, and members of the public were invited to comment at that meeting. The current budget packet has been available on the Port's website since Thursday, October 26<sup>th</sup>. She briefly reviewed the changes that were made since the October 16<sup>th</sup> meeting as follows:

- Membership Dues (Page 21). Estimated Washington Public Port Association (WPPA) dues were updated to reflect the actual cost of \$13,084.
- 2018 Capital Budget (Page 26). The North Gravel Parking Lot (Lot 2E) reconfiguration was removed, as it is already in the marina supplies budget.
- Seasonal Staff Pay (Page 37). Seasonal staff pay was changed from three levels to one level, with a range of \$15.00 to \$16.00.
- Consumer Price Index (Page 45). Added "Consumer Price Index, All Items, Seattle Tacoma-Bremerton."

Ms. Drennan advised that formal notification of the hearing was made in the appropriate publications, and notification was also posted in the appropriate locations. Staff will recommend that the Commission approve the final budget on November 13<sup>th</sup>. The Commission does not intend to have another public hearing before the final budget approval, and the budget will be delivered to the Snohomish County Treasurer by November 30<sup>th</sup>.

Commissioner Gouge asked if staff received any written or verbal comments relative to the budget prior to the hearing, and Ms. Drennan answered no.

**Jack Bevan, Edmonds**, complimented Ms. Drennan on the budget documents, which are well done and easy to follow. He recalled that, at their last meeting, Commissioner Orvis talked about wanting to have enough reserve to rebuild the marina at a certain point in time. However, he suggested that perhaps the fact that the Port takes such good care of the facility will extend its life expectancy. He referred to the proposed \$50,000 to subsidize the public launcher and suggested it is not good public relations for the Commission to use taxpayer money to subsidize something that should be profitable. He requested that they reduce the taxpayer portion of the budget by \$50,000.

No one else in the audience indicated a desire to participate in the hearing, and the hearing was closed.

Commissioner Faires explained that tax revenue has been set at \$400,000 for quite some time, and the Port has made it clear in the budget process that the \$400,000 should be used for activities at the Port that a private business would not have to undertake. The launcher has been set up as a cost center, so the Commission understands the direct costs, as well as overhead, associated with it. They have tried a number of approaches over the years, but have been unable to make it profitable. If the fee is raised to a point that would be profitable, there would be fewer customers. They have tried to set the rate at market, and then tax revenue was allocated to subsidize the activity. The thought is that the launcher is a public amenity for the general public's use and is something that a private business would probably not provide.

**Jack Bevan, Edmonds**, observed that the same philosophy could apply to the Harbor Square Business Complex, which lost money for years. Harbor Square is now doing well, and perhaps it is time for Harbor Square revenues to subsidize the public launcher rather than using taxpayer dollars. He concluded that the taxpayers have treated the Port well over the years, enabling them to pay off the Harbor Square loan quickly.

Ms. Drennan referred to Page 45 of the budget packet, which provides a chart of the U.S. Department of Labor, Bureau of Labor Statistics showing that the Consumer Price Index (CPI) for the Seattle-Tacoma-Bremerton area (from July 1, 2016 through June 30, 2017) was 3.0%. She noted that the Port has used the same index for the past 18 years.

Commissioner Orvis explained that, several years ago, the Commission discussed eliminating the launcher because it was not profitable, but they discovered that the Port was obligated to maintain it as a public amenity because of the covenants associated with the grant the Port received from the State to construct the facility. At that time, the Commission determined that it was not fair to require the marina tenants to pay to operate the public launcher, and tax dollars were allocated as a subsidy, instead. However, he agreed that the Commission should reevaluate the tax revenue in February 2018 in anticipation of paying off the Harbor Square loan in a few years. Currently, \$180,000 in tax revenue is allocated for this purpose. The amount was lowered from \$200,000 so that \$20,000 could be allocated to another state mandated cost associated with the Public Records Act. Rather than reducing the subsidy provided to the public launcher, he suggested it would be more appropriate to consider opportunities to reduce the subsidy to Harbor Square, which would, in turn, lower taxes. He referred to comments he made at a previous meeting that as the Harbor Square loan is paid off, taxes should be lowered, as less money will be needed as a subsidy. However, he felt that tax revenue should continue to support the launcher, which is a public amenity the Port would not likely provide if it were a private business.

Commissioner Gouge agreed that the Commission should have discussions about reducing the tax revenue once the Harbor Square loan is paid off. He emphasized that has been the plan all along. He recalled that prior to purchasing the Harbor Square Business Complex, property taxes were as low as \$100,000.

**Jack Bevan, Edmonds**, noted that the taxpayers didn't really want to purchase the Harbor Square Business Complex. Commissioner Gouge commented that it is not really appropriate for the Port to own this type of property. Ports should be in the business of ground leasing, instead. The Port purchased the property and did some cleanup work, but the intent is for the facility to become profitable so that the tax burden can be reduced. It is not anticipated that the launcher will ever become profitable, yet the Port is mandated to continue its operation.

Commissioner Preston said that when he joined the Commission, he was curious about why tax revenue was needed when the Port was operating in the black. However, he soon realized that there are reasons to have some amount of tax revenue to qualify the Port to borrow money if something major needs to be fixed or replaced at some point in the future. The Port's ability to borrow money depends on its taxing ability. While he supports the idea of reducing the tax revenue, he would not support eliminating it altogether.

Commissioner Preston commented that the Commission and staff have reviewed the 2018 Preliminary Budget and asked a variety of questions to get to the point it is today. There has been a lot of behind the scenes work by staff and the Finance Committee over the past several months.

Commissioner Gouge recommended that the budget be amended to increase the tax revenue allocated to Public Records Requests from \$20,000 to \$30,000. He further recommended that the tax revenue allocated to Harbor Square be reduced from \$180,000 to \$170,000. Ms. Drennan advised that, so far in 2017, the Port has spent \$15,000 to fulfill public records requests, and an additional \$5,000 to train staff on the process for fulfilling the requests. Commissioner Faires pointed out that the change would not alter the bottom line on the budget. All Commissioners voiced support for the proposed change.

Commissioner Preston asked how many public records requests the Port has received in 2017. Ms. Drennan answered that they received five substantial public records requests over the last five months. As per the law, the Port can only charge a per-page fee, which does not cover the substantial staff time required to fulfill the requests. Commissioner Orvis said he learned at a recent meeting that the law will be changing and the Port can count on the costs going up. In addition, the Port will need to expend dollars training the Commission and staff on the new rules.

Commissioner Gouge advised that the 2018 Preliminary Budget will be presented to the Commission for final approval on November 13<sup>th</sup>. He invited members of the public to submit written comments for the Commission's consideration prior to final approval.

## **INTRODUCTION OF NEW STAFF MEMBER**

Ms. Kempf introduced John Olson, the newest member of the Port's security team, and Commissioner Gouge welcomed him to the Port.

## **FUEL DISPENSERS AND EQUIPMENT #2017-281**

Mr. McChesney reviewed that the Port has been doing incremental updates to the fuel dock for the last few years, the last part is to replace the dispensers. In addition to the current dispensers being near the end of their life, there is a need to increase the flow rate of the dispensers to meet the needs of Puget Sound Express' (PSE) new vessel. Staff published an invitation to bid on October 13<sup>th</sup>, which was sent to appropriate Municipal Research Service Center (MSRC) vendors and published in *THE EVERETT HERALD*. A pre-bid walkthrough was held on October 20<sup>th</sup>, with three attendees. Staff received and reviewed two qualified bids on October 27<sup>th</sup>, and the low bidder was Pacific Environmental Services Company. As proposed, work would be completed before April 2, 2018, which matches with the timeline for PSE's new vessel. He referred to the bid tabulation attached to the Staff Report and recommended the Commission authorize him to enter into a contract with Pacific Environmental Services Company as outlined in the proposal

Commissioner Faires asked how the proposal compares to the amount identified in the Capital Budget. Ms. Drennan said the 2018 Capital Budget identifies \$125,000 for the project.

Commissioner Orvis asked what the flow rate would be for the new dispensers, and Mr. McChesney answered that one would have a flow rate of about 35 gallons per minute, and the other two would have flow rates of about 25 gallons per minute. He commented that the Port will not know if the flow turbines will need to be replaced until the new pumps have been installed. The estimated cost to replace the turbines is about \$3,000 to \$5,000 each.

**COMMISSIONER PRESTON MOVED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE DIRECTOR TO ENTER INTO A CONTRACT WITH PACIFIC ENVIRONMENTAL SERVICES COMPANY IN THE AMOUNT OF \$119,922.08 PLUS SALES TAX FOR THE BASE BID PLUS 2 ALTERNATES FOR THE FUEL DISPENSERS AND EQUIPMENT (CONTRACT #2017-218). COMMISSIONER FAIRES SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.**

## **MARKETING INSIGHTS**

Ms. Williams presented an update on the Port's marketing activities and implementation of the Communications Plan. She announced that the Port now has a Facebook page that provides information about the Port. It also provides contact information, locational information, and links to the Port's phone numbers, email addresses and website. She shared examples of a variety of posts that advertise Port activities and promote community activities. She also shared the data she has collected thus far on the number of people following the Facebook page, as well as the number of people who have interacted with the page by "liking" or "commenting" on a post. She noted that the data has also provided some important demographic information by tracking the location of users within 165 feet of the Marina. For example, the Port learned that the marina is the busiest between 5:00 and 6:00 p.m. on Sundays and the age group most identified is between 45 and 54. About 8% of visitors are tourists and 92% are local, and about 74% of the users are female and 26% are male.

In addition to establishing a Facebook page, Ms. Williams reported that the Port has also claimed its Yelp and Google pages, which means they can control the information and pictures that are provided on the site and obtain valuable analytical information about how people are using the two sites.

Ms. Williams advised that the Port has done a variety of publications in recent months, with the monthly newsletter and the Port column that is published in *THE EDMONDS BEACON* on the second Thursday of each month. She noted that the June article was about summer events, the July article about the Port's Mission, the August article about projects the Port is working on, the September article about local fishing, and the October article about tourism. The November article will be a review of the 2018 Preliminary Budget and its process. Lastly, two publications were mailed out to Port District residents in Edmonds and Woodway to provide environmental and economic data.

Ms. Williams announced that the Port collaborated with the City of Edmonds, the Chamber and the Snohomish County Tourism Bureau and received a Tourism grant from the Port of Seattle. The proposal the team submitted was about doing video advertising to promote Edmonds as a destination. They are currently working on Phase 1 of the program, which is to make the actual videos. The idea is to follow a couple who is coming to Edmonds from out of state. A [watchthewhales.com](http://watchthewhales.com) landing page will be created, as well. Filming started yesterday, and they are open to inviting people to come and watch.

Commissioner Gouge commented that it would be great to also feature the dive park in the video, and he suggested that people in the scuba shop already have videos showing what is happening in the water. He also suggested that the Port partner with the 40+ businesses that already participate in the Destination Port of Edmonds Program. Perhaps the Port's Facebook page could feature each of these businesses over time.

Ms. Williams said Phase 2 of the tourism promotion project will take place in early 2018 with the actual placement of advertisements targeting tourists who come to the Seattle area.

Commissioner Faires asked if the Port has received feedback from the Port of Seattle regarding the program. Ms. Williams said the proposal that was submitted as part of the grant application provides a good overview of the program, and staff has met with the head of the grant program to provide regular updates. She concluded that the Port of Seattle is excited about the program, which will include their logo featured at the end of each advertisement.

Mr. McChesney advised that there were some logistical challenges related to the grant requirement that the money must be expended in 2017. The ad placement will take place in 2018 and will be funded by the Port, Puget Sound Express, and the City of Edmonds.

Ms. Williams explained that partnerships are a big part of tourism, and she participates on a team made up of herself, and a representative from both the City and Puget Sound Express. The intent is to target Lynnwood and downtown Seattle concierge services to market the downtown and waterfront areas by inviting them to visit a few times in 2018. She announced that she also participated on a Snohomish County Tourism Bureau committee to review proposals for a two to three-year contract with a marketing company. Lastly, she said she is working with local businesses and meeting a lot of people. She has established contacts with King 5 News, *THE EDMONDS BEACON*, and *MY EDMONDS NEWS*.

Ms. Williams said staff is focusing effort on the boat show that is scheduled for the end of January through the first part of February. In addition to the Port's usual exhibits, staff is preparing a new backdrop to take advantage of the new photographs. The popular promotions will be offered again in 2018, as well. Staff is also planning some events to celebrate the Port's 70<sup>th</sup> anniversary, and a logo will be created to use throughout the year for branding. There will probably be an open house event in the summer and the regular promotions will have a 70<sup>th</sup> anniversary feel. She said she plans to seek press coverage and social media posts will revolve around the idea of "telling the Port's story." Staff plans to collect memories from people who have been involved with the Port for a long time.

Ms. Williams said she uses the funnel approach to analyze success and make sure all spectrums of potential customers are covered. The intent is to measure how well the Port is doing, making sure that people are aware of the Port, getting people to engage in Port activities, connecting and building relationships, and nurturing relationships by keeping people involved. The newsletter and newspaper programs are great ways to provide high-level communications, as are the public meetings, Commission meeting minutes and posts on social media. The Port can engage with the public via social media, public meetings and email alerts, and the Port can build on relationships via social media, community partnership, community presentations, and customer service. The Port can continue to nurture relationships through community events, email alerts and newsletters.

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

Ms. Williams reported that Harbor Square had a great 3<sup>rd</sup> quarter, with gross projected revenue up 14.64% or roughly \$65,000 greater than the same period in 2016. The end of 3<sup>rd</sup> Quarter found Harbor Square with an occupancy rate of 93.2%, up 5.81% from the occupancy rate of 87.39% at the end of 2<sup>nd</sup> Quarter 2016. There were several inquiries for the one-person office spaces that were available, and one resulted in a new lease. In total, there

were three new leases and five extensions. One of the extensions included a tenant who extended for an additional 63 months with a projected revenue of just under \$165,000.

Commissioner Faires asked if the balance of what is available is consistent with market demand. Ms. Williams said there has been an increase in inquiries in the last two to three months, as a lot of Seattle tenants want to relocate because of price and location. However, most of them are looking for larger spaces than what is currently available at Harbor Square. The waiting list is growing.

Ms. Williams further reported that tenant improvements were done in the form of painting and cleaning in preparation for new tenants, and there were four conference room rentals during the quarter. One lease ended because the tenant business changed its name and ownership, and the new company took over the lease and extended for an additional nine months. Property improvements included power washing sidewalks, removal of old signs in Buildings 3 and 4, repainting the entryway wall in Building 3, removing a shrub blocking the view of oncoming cars in the Building 2 parking lot, and major landscaping outside of Building 4. There were two incident reports. One involved a water leak at Maverick that was addressed, and the other involved a fence that was damaged during break in to the Compass Course Boatyard via the Edmonds Marsh walkway. The Port's maintenance team immediately repaired the fence. Mr. McChesney emphasized that the water leak was due to a faulty sprinkler and not caused by a leaking roof.

Commissioner Gouge commented that Harbor Square is basically full, with a large number of long-term tenants, and the situation is not expected to change for the next 10 to 15 years. Mr. McChesney agreed that Harbor Square is stable now, with a high-quality tenant base. However, he anticipates there will be turnover over time, and it is important to take care of the existing tenants.

Commissioner Preston asked about the Port's schedule for replacing the remaining HVAC units, and Mr. McChesney said the intent is to replace 12 units per year for the next four years to complete the project.

Commissioner Preston asked if the Harbor Square buildings have ever been evaluated for earthquake stability. Mr. McChesney answered no. He suggested the Port could hire a consultant to survey the buildings, but the tilt-up concrete design is considered more stable. Commissioner Gouge suggested that the buildings should be surveyed within the next year or so.

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

Ms. Drennan presented the 3<sup>rd</sup> Quarter Financial Statements, particularly noting that revenues are trending upwards, and expenses appear to be on a 2-year cycle, where they are lower in the even years and greater in the odd years, within a range of \$4,872,000 to \$5,246,000. Net income is also trending upwards. Actual revenues were approximately \$429,000 greater than budget, and actual expenses were approximately \$47,000 greater than budget. Gross profit (revenues less cost of goods sold) for the 9-month period ending September 30<sup>th</sup> was \$5,845,040, which was approximately \$291,000 or 5% greater than budget. Net income for the same period was \$1,778,032. She specifically noted the following:

#### **Marina Operations Revenue**

- Fuel sales revenue was \$190,425, which was \$69,425 or about 57% greater than budget.
- Launcher revenue was \$88,964, which was \$13,964 or about 19% greater than budget.
- Miscellaneous revenue was \$75,981, which was \$18,981 or about 33% greater than budget.
- Guest moorage revenue was \$155,317, which was \$25,317 or about 19% greater than budget.
- Permanent moorage revenue was \$2,481,596, which was \$35,096 or 1.5% greater than budget.
- Dry storage revenue was \$523,024, which was \$16,024 or about 3% greater than budget.
- Parking revenue was \$55,374, which was \$23,874 or about 76% greater than budget.
- Travelift revenue was \$92,575, which was \$11,575 or about 14% greater than budget.
- Workyard revenue was \$82,682, which was \$30,932 or about 60% greater than budget.

Commissioner Gouge asked if the increase in revenue in the workyard and public launch were related to Jacobsen's Marine and Puget Sound Express. Ms. Kempf answered that revenues in the workyard definitely increased as a result of Jacobsen's Marine. Commissioner Gouge summarized that both businesses have been good for the Port's bottom line.

Commissioner Orvis reminded that, although the numbers are good for the 9-month period, the budget is divided equally throughout the 12 months. They are now approaching the winter months when revenues typically drop off, and he expects that the 4<sup>th</sup> quarter amounts will be closer to budget.

#### Rental Properties Revenue

- Harbor Square revenue was \$1,444,069, which was \$52,294 or about 4% greater than budget.
- Anthony's revenue was \$217,787, which was \$11,213 or about 5% less than budget.

Ms. Drennan advised that operating expenses before depreciation for the 9-month period were \$3,135,194, which was approximately \$74,000 or 2% less than budget.

#### Operating Expenses

- Economic Development and Tourism expenses were \$13,862, which was \$28,138 or 67% less than budget.
- Employee benefit expenses were \$450,002, which was \$10,502 or about 2% greater than budget due to an increase in the Public Employee Retirement System (PERS) rates.
- Professional fees were \$153,445, which was \$39,305 or about 20% less than budget.
- Repair and maintenance expenses were \$253,008, which was \$77,508 or about 44% greater than budget.
- Salaries and wage expenses were \$1,310,724, which was \$41,724 or about 3% greater than budget.
- Utility expenses were \$299,020, which was \$11,770 or about 4% greater than budget.

#### Non-Operating Items

- Interest expenses were \$107,865, which was \$58,135 or about 35% less than budget. This is primarily due to the Port refinancing the Harbor Square loan.
- Interest Income was \$87,324, which was about \$40,074 or 85% greater than budget because the Port is participating in longer-term investments to get a better interest rate.

Commissioner Faires asked if interest income should be more predictable. Ms. Drennan answered no, and explained that several investments have been called and bonds that are purchased at a premium or discount have to be amortized over a period of time before they are callable. This makes interest income and expenses unpredictable.

Ms. Drennan summarized that net income for the 9-month period ending September 30<sup>th</sup> was \$1,778,032, which was approximately \$382,000 or 27% greater than budget.

When comparing marina actual to budget, Ms. Drennan noted that revenues have been trending upwards, and expenses appear to be on a 2-year cycle, where they are lower in the even years and greater in the odd years. Net income has been trending upwards and is slightly lower in 2017 than 2016. Some select figures include:

- Operating revenues were at \$4,681,113, which was \$340,863 or about 8% greater than budget.
- Operating expenses before depreciation and overhead were \$1,674,687, which was \$18,312 or about 1% greater than budget.
- Net income was \$974,009, which was \$241,634 or about 33% greater than budget.

When comparing rental property actual to budget, Ms. Drennan advised that revenues are trending upwards. Net income has been trending upwards, as well. Some select figures include:

- Operating revenues were at \$1,921,919, which was \$40,669 or about 2% greater than budget.
- Operating expenses before depreciation and overhead were \$46,015 or about 8% less than budget.
- Net income was \$804,024, which was \$163,724 or about 26% greater than budget.

Ms. Drennan advised that the final payment on the Port's 2005 LTGO and Refunding Bond was made on June 1<sup>st</sup>. With that payment, the Port paid off the 12-year bond of \$3,925,000. She also noted that the Port has \$3,138,493 remaining in outstanding debt for the Harbor Square loan, and \$1,321,576 of that is due within one year.

Ms. Drennan reviewed that the Port has 13 long-term investments, with the first maturing in November 2017. No bonds were called or matured in the 3<sup>rd</sup> quarter of 2017, and the average liquid interest rate earned by the Port was .94% for the 3<sup>rd</sup> quarter. The Port earned 1.26% in long-term investments, for an average of 1.08%. The Port also earned interest of \$85,324 for the 1<sup>st</sup> three quarters of 2017, which is 76% greater than the first three quarters of 2016. The capital replacement reserve is currently at \$6,672,159, with a part of the reserve in Opus Bank and part invested long-term.

Ms. Drennan reminded the Commission that the Port completed its move from the Bank of Washington to Washington Federal in July. As of July 31<sup>st</sup>, the Port no longer had any accounts with the Bank of Washington.

### **3<sup>RD</sup> QUARTER PORT OPERATIONS REPORT**

Ms. Kempf presented the 3<sup>rd</sup> Quarter Port Operations Report, specifically noting the following:

- The public launch usually averages about 2,200 launches during the 3<sup>rd</sup> Quarter. In 2016, the number dropped drastically to 1,255 due to the Coho closure. The numbers bounced back somewhat in 2017 to 1,889 due to good summer weather and the added Coho/silver season in Area 10.
- The number of boats in guest moorage was slightly higher and the number of nights was substantially higher. The number of groups increased from 1 in 2016 to 6 in 2017. Typically, the Port does not accept reservations for groups after July 13<sup>th</sup> because they are usually full with fishing boats. This year, the Port opened the opportunity for groups because fishing was unpredictable. They ended up with 43 boats for a total of 79 nights.
- The number of gallons sold at the fuel dock increased to 189,529, compared to 125,349 in 2014 and 169,681 in 2015. There was a significant jump in 2015 due to Puget Sound Express, which purchased about 40,000 gallons of diesel in 2015. Gallons of diesel sold in 2017 was similar to what was sold in 2016, but the gallons of gasoline increased from 85,247 to 108,896. The increase in gallons sold was likely due to the good summer weather.
- Boatyard activity was down with stall usage at 472 in 2017 and 596 in 2016. However, the numbers are still higher than 2013, 2014 and 2015.
- The water moorage occupancy rate was 98% year-to-date, and the dry storage occupancy rate was 93% year-to-date. Dry storage occupancy rates are tied closely to the fishing season. Dry storage call ahead service was up 31% over 2016 numbers, and dry storage launch activity was up 32%. The total number of boats handled on the forklift was also up.
- Both of the forklifts at dry storage experienced mechanical problems recently. However, as of today, they are both fully operational.

Mr. McChesney said staff anticipates that at least one of the forklifts will need to be replaced within the next three years. Commissioner Orvis asked if staff has market information on forklifts to help find a brand that is reliable. He recalled that the Port has had numerous problems with the last forklift that was purchased. Mr. McChesney pointed out that there are only a few companies that manufacture the size of forklift needed at dry storage, so the Port will only have a limited number of options to choose from.

Commissioner Preston asked for a breakdown of the waitlist based on slip size, and Ms. Kempf answered that most are in the 30-foot and higher categories. The 40, 44 and 50-foot slips are the most popular, and the average wait time is 1.5 years.

Ms. Kempf reported that the turnover ratio in water moorage in 2016 was 11.48%, and it was 17.2% for dry storage. The ratios dropped to 6.04% and 5.60% in 2017, and staff believes the drop was related to the fishing season. People were staying through 3<sup>rd</sup> quarter because Area 10 was open.



Ms. Kempf advised that insurance and registration compliance continue to improve due to the fact that the Port is being listed on many policies as an additional insured. At the end of 3<sup>rd</sup> Quarter 2017, insurance compliance was at 85% and registration compliance was at 65%.

Ms. Kempf reported that seasonal staff training was ongoing through 3<sup>rd</sup> quarter due to staff turnover in the middle of the peak season. Approximately 373 hours of overtime was paid in the 3<sup>rd</sup> Quarter of 2016, and this increased to 667 in 2017. Many of the staff were working five 10-hour days to maintain longer Operations summer hours and keep the office open, and we actually ended up reducing the hours of operation earlier than normal in September.

Commissioner Faires asked how many tenants in the marina do not have insurance for their boats. Ms. Kempf answered that the number is low because staff stays on top of the situation. It requires a lot of work by staff to make sure tenants comply with the registration and insurance requirements.

Ms. Kempf recalled that the Port offered a boat show special of \$20.17 for the 1<sup>st</sup> and 12<sup>th</sup> months of moorage. As of the end of 3<sup>rd</sup> quarter, 30 of the 53 tenants who signed up at the boat show remain in the marina.

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

Mr. McChesney advised that he and Commissioner Orvis met with Eric Johnston, Executive Director, Washington Public Port Association (WPPA) to discuss potential legislation related to on-call contracts and public records threshold limits.

Mr. McChesney announced that the Port received the required Shoreline Substantial Development Permit for the vacant parcel. The Hearing Examiner approved the permit last week, and he anticipates it will be issued within the next few weeks. This is a major milestone for the Port to move forward with marketing the parcel.

### **COMMISSIONER'S COMMENTS AND COMMITTEE REPORTS**

Commissioner Faires reported on his attendance at the October 17<sup>th</sup> Edmonds Citizens Economic Development Commission (CEDC) meeting where the discussion focused primarily on the zoning code passed in 2012 that required a ground floor height of 15 feet for commercial development in the Downtown Business (BD-1) zone. They agreed to forward a letter to the City Council suggesting that the ground floor height requirement be lowered to 12 feet, which would ensure that three-story development could be accommodated, with a 12-foot ceiling height on the ground floor commercial space. This seems to be consistent with what other jurisdictions do.

Commissioner Faires said that at the CEDC he provided an update on Port activities, including the budget process. There was quite a bit of interest in the opportunities for a new building south of the work yard. The CEDC has a clear understanding of how businesses such as Jacobsen's Marine can impact the community. There were also a lot of questions relative to Puget Sound Express, particularly how their activities have increased significantly over the past few years. He advised them of Puget Sound Express' intent to expand their business in 2018, with another vessel operating out of the Port of Edmonds marina. Questions were raised about how the whale watching activity has impacted the community. While he did not have any anecdotal information to share with them, he did point out that Puget Sound Express has contracted with local restaurants to provide supplies for the excursions. While collecting actual data will be difficult, he said it would be helpful to understand the spin-off benefits associated with the whale watching activity.

Commissioner Preston advised that he has no interest in building taller buildings at Harbor Square. The Port has put a lot of money into HVAC units and new roofs and the buildings are nearly full. He commented that it is really ugly to continue to beat a dead horse, and old news is old news and water under the bridge. The Harbor Square Master Plan is simply a placeholder to meet the State's requirement that the Port have a master plan for the property in place. He said he would be willing to entertain any offer to purchase the property for the estimated value of \$30 million.

Commissioner Preston reported that he recently met with Pete Bennet to recap the SEA JAZZ program and talk about ideas to grow it in the future. He also reported that he attended the Northwest Marine Trade Association Conference where he learned a great deal about kayaking and how it is becoming more popular as a tourist activity.

One marina in Canada reported that they have a floating dock where kayakers can tie up and stay overnight in tents. He also heard ideas about how to make a marina more family friendly, such as providing touch tanks. He noted that a touch activity took place previously at the Edmonds Marina, and perhaps it could be offered more frequently. He also saw a demonstration of a Sweden boat wash device that can be placed in a slip to act as an underwater car wash. The item is being marketed in Canada, but it is not currently available in the United States. Lastly, he said there was some discussion that South Whidbey, Kingston and Everett are still on board with the idea of a Mosquito Fleet between the ports.

Commissioner Orvis provided a legislative report, specifically noting the following:

- Legislation related to on-call contracts is a high priority on the WPPA's legislative agenda, and Representative Peterson has agreed to sponsor it. The legislation should be approved, and it will greatly help the Port with this year's audit.
- Representative Peterson has also expressed interest in sponsoring the public works bid threshold, which the WPPA is less inclined to support and the Port of Seattle has written a dissertation on why it does not support it. The larger ports are not interested in a public works bid threshold because there is concern that it will limit what they can do with their in-house staff. However, legal opinion says that is not true. He and Mr. McChesney will meet with Senator Liias on November 18<sup>th</sup> to discuss the possibility of him introducing the legislation to the senate.
- The legislature is trying to make sense of the piecemeal carbon policies. In addition to the carbon tax to permit additional containers at the Port of Seattle, it also requires ports to consider the consequences of the additional terminals in China, which is something that ports have no control over. It is believed the legislation is simply a way of shutting stuff down.
- A tourism funding bill is currently being considered. However, given that the legislature was unable to pass a budget this year, it is unlikely to receive any funding. It seems that both sides are content with the stalemate, and this ends up hurting rural counties, in particular.
- There will be no funding for the Model Toxic Control Act (MTCA) or the Community Economic Revitalization Board (CERB)
- The lack of a capital budget is starting to put people out of work. A lot of cities do not have a sufficient tax base (including Edmonds), and they have to depend on State grants, which are not available at this time. If the two sides do not start talking, they could end up with another stalemate in 2018.

Commissioner Johnston reported that he and Commissioner Orvis attended the Economic Alliance of Snohomish County's public official event where they learned that Snohomish County is booming but that future growth will be limited by rising housing prices, which impact all parts of the County. Affordable homes are getting much more difficult to find.

Commissioner Johnston said he also attended the WPPA's Small Ports Conference where he was approached by three different people about the idea of having a kayak instruction center at the Port of Edmonds. Questions were raised about the possibility of getting a commercial enterprise to provide this type of service. Commissioner Gouge recalled that a vendor tried to operate a kayak business out of the marina, but there was not enough clientele to support it. While it is a good idea to provide the service, it can be dangerous having kayaks inside the breakwater while boats are coming in and out because they are difficult to see. He noted that, as currently proposed, there will be a launch area as part of the Edmonds Waterfront Center Project. Commissioner Faires suggested that the Port should be willing to consider opportunities to partner with the City or a vendor to provide the service once the launching facility is available. However, there are too many liabilities for the Port to take on the responsibility of operating the activity. Commissioner Gouge commented that there is definitely a need for more waterfront activities, and partnering with the City for a program of this type would be appropriate.

Commissioner Gouge said he also attended the WPPA's Small Port's Seminar where one of the speakers from the Washington State Department of Enterprise Services shared all of the services that are offered at a reasonable price, such as printing. He suggested that staff consider this option in the future. He indicated that he brought back information from a variety of vendors, environmental companies, engineering firms, etc. for the Commission and staff's information. Lastly, he said he received training on the Open Public Meetings Act. He concluded that the event offered a great opportunity for him to talk with other commissioners.

**ADJOURNMENT**

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

Respectfully submitted,

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

Steve Johnston  
Port Commission Secretary