



## PORT COMMISSION OF THE PORT OF EDMONDS

### MINUTES OF REGULAR MEETING

May 11, 2015

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#### COMMISSIONERS PRESENT

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

#### STAFF PRESENT

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

#### OTHERS PRESENT

Bradford Cattle, Port Attorney  
Karin Noyes, Recorder

#### CALL TO ORDER

Commission President Preston called the regular meeting to order at 6:00 p.m., and it was immediately adjourned into an executive session.

#### EXECUTIVE SESSION

It was announced that the purpose of the executive session was to review the performance of a public official, as per RCW 42.30.110(1)(g). All Commissioners were present. No action was taken and no announcements were made. The executive session was adjourned at 6:27 p.m.

#### REGULAR MEETING

Commissioner Preston reconvened the regular meeting 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 APRIL 27, 2015 MEETING MINUTES**
- C. APPROVAL OF PAYMENTS IN THE AMOUNT OF \$481.40**
- D. APPROVAL OF PAYMENTS IN THE AMOUNT OF \$484,909.18**

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

#### PUBLIC COMMENTS

No one in the audience indicated a desire to address the Commission.

## **PRESENTATION BY AMY SPAIN, SNOHOMISH COUNTY TOURISM BUREAU**

Mr. McChesney introduced Amy Spain, who has been with the Snohomish County Tourism Bureau (SCTB) since 1996, when she started as the Group Sales Manager prior to her promotion to Executive Director in June 2005. Ms. Spain has worked in the hospitality industry for most of her career with hotels and resorts in Arizona, Ohio, and Washington State. She was voted as one of the nation's top 14 most influential women in group travel by *Groups Today Magazine*, and is the past President and Communications Committee Chair of the Washington Society of Association Executives and past board member of the National Tour Association. Ms. Spain counts among her professional memberships the American Bus Association, Destination Marketing Association International, U.S. Travel Association and Washington State Destination Marketing Organizations where she previously served on the Executive Committee as Treasurer. She is a graduate of Arizona State University with a degree in Business Administration and a minor in Marketing.

**Amy Spain, Executive Director, Snohomish County Tourism Bureau**, said she is present to provide a summary of the SCTB's 2014 Annual Report. She emphasized that tourism is economic development. In 2014, visitors in Washington State spent \$19.5 billion, which accounted for \$1.7 billion in local/state tax revenue and created 163,450 jobs. Visitors travel to Washington State and Snohomish County via a variety of transportation mechanisms, and they spend their money in a variety of ways (lodging, food, gas, recreation, etc.) This spending allows businesses to employ people, who are able to purchase services from other local businesses and support the infrastructure of the cities, counties and state.

Ms. Spain advised that the United States created a Travel Department in 2013; but until that time, it had never marketed the United States as a place for people to visit. In addition, the United States recently improved its Visa Waiver Program, which allows more people to come to the United States without having to go through a lengthy visa process. Both of these changes resulted in increased tourism, but the United States' market share of international travelers continues to decrease.

Ms. Spain reminded the Commission that the Washington State Legislature removed all funding for tourism in 2011, making Washington the only state in the country without a tourism office. Since that time, the Washington Tourism Alliance was formed to become a "catcher's mitt" for the collective tourism resources and to keep the website and tourism guide up to date. However, the current Alliance format is not considered to be a sustainable model. In 2015, legislation was introduced to create a state tourism funding program, but it was not passed. The proposed program would have provided long-term funding via dedicated funds from the industry sector (lodging, restaurants, retail, attractions and transportation).

Commissioner Faires recalled that some members of the restaurant association voiced significant opposition to the proposed tourism legislation. Ms. Spain agreed that there was some push back from a small group of members, primarily from the Wenatchee area. Because the Washington Tourism Alliance's leadership did not feel confident that the legislation would be approved, they pulled back the proposal and instead requested bridge funding of \$500,000 per year while they continued to work on the legislation and address the concerns of the local communities. Commissioner Preston pointed out that merchants in Leavenworth were not in favor of the proposed legislation, given that their economy is quite healthy right now.

Ms. Spain advised that overnight travels to Washington State averaged 2.2 people per travel party in 2014 and the average stay was 2.5 nights. Each travel party spent an average of \$468 per day for a total of \$19.5 billion. The economic impact of overnight travel is significantly greater than day travel. In 2014, tourism in Snohomish County resulted in 10,340 jobs, \$256.4 million in payroll, \$31.2 million in local taxes and \$63 million in state taxes. Visitor spending in Snohomish County in 2014 increased 5.7% over 2013 and is nearly \$1 billion. Commissioner Preston asked if the SCTB has data to illustrate the number of Washington residents who vacation in the state versus people visiting to Washington from other states. Ms. Spain said this information is available in the report that was prepared by Dean Runyan and Associates, which she could forward to the Port's Executive Director for the Commission's information. She noted that the report also provides a breakdown of where visitors come from (state, domestic, and international).

Ms. Spain provided an overview of the SCTB's activities in 2015, specifically noting the following:

- Advertisements generated 6,708 requests for information, and website visitation was up 9%. The Bureau achieved over \$272,000 of free media coverage, as well.
- Visitor centers operated by the SCTB served 38,402 visitors, and countywide visitor centers served 95,839 visitors. They also operated numerous mobile visitor centers, and offered information on mobile devices. Hotel occupancy levels were up 4.3%, and hotel/motel tax collections were up 7.3%.
- A branding study was completed in 2013 and the new branding platform “Open Up” was launched shortly after.
- SCTB ads generated leads, supported branding and generated interest in Snohomish County as a meeting/event destination, and materials were distributed at 20 trade shows and 3 sales missions. In addition, 25 familiarization tours were conducted for meeting, group tour and international tour and travel planners, and domestic and international media.
- The SCTB conducted five sales missions to Vancouver, B.C., Olympia, Seattle, Indianapolis and Orlando, along with local events at the Lynnwood Convention Center, Future of Flight Aviation Center, Seattle Premium Outlets, Angel of the Winds Casino and 9 county hotels.
- Group tour, meeting and event planner bids prepared by the SCTB resulted in 31,006 total definite room nights, and an additional 5,163 pending room nights. Group business activity resulted in an economic impact of \$43,395,198.
- Sports marketing is significant in Snohomish County, and numerous events were held in 2014 that resulted in an economic impact of about \$37.1 million. The Snohomish County Sports Commission (SCSC) assisted the Bureau’s marketing staff with resources, referrals, direction and oversight.
- In addition to advertisements in various publications, the SCTB manages an up-to-date website and publishes an E-Newsletter and numerous other brochures related to tourism opportunities in Snohomish County. The SCTB also distributes information via Twitter, Facebook, Pinterest, and YouTube.
- The SCTB launched two television advertisements in 2014, and an additional television advertisement will be ready in June of 2015.
- The SCTB offered five countywide tourism education programs, and they continue to offer industry training tools such as the Monthly Hotel Hot Sheet and Tourism Industry Monthly Tours.

Commissioner Faires noted that there has been continuous discussion about the potential for sporting events in Edmonds. He asked how important it is that local municipalities offer support for this type of economic development activity. Ms. Spain advised that prior to forming the SCSC, sports marketing was done by the SCTB Board, which is made up of geographic representation and hoteliers. This approach did not result in the kind of support and input that was needed to facilitate the events that are typically held at schools and parks. The SCSC membership includes numerous representatives from parks departments, schools and other community organizations, and this makes it possible for them to focus more on the strategic plans and long-term development of facilities that will be used to host the events. They have found that with direction and oversight from land and facility owners, sporting events have gained more traction. Commissioner Faires summarized that the driving force for sporting events is not so much the economic benefit for the facility where it is held, but the significant impact the event will have on the local economy. Ms. Spain said the SCTB has been meeting with various municipalities to help them understand the economic benefits of hosting a sporting event.

Commissioner Preston asked where Snohomish County stands relative to tourism when compared to the other counties in the state. Ms. Spain answered that Snohomish County is fourth compared to the 39 counties in the State. Only Pierce, King and Spokane Counties generate more tourism revenue.

Commissioner Faires observed that the Port of Edmonds, City of Edmonds and SCTB all operate independently and there is not a lot of communication or commonality in programs. He commented that the Port is trying to do more as they fully understand that tourism is economic development, and he questioned what more could be done to develop the local economy. Ms. Spain said the SCTB collaborates with both the Port of Edmonds and City of Edmonds. For example, the Port’s Executive Director participates on the SCTB Board and provides input on how the SCTB can help the Edmonds community. The SCTB also works closely with the City of Edmonds Economic Development Director, Patrick Doherty, and his assistant, Cindi Cruz, on cooperative advertising efforts. In addition, the SCTB is currently assisting Mr. Doherty and Ms. Cruz as they prepare for three bus tours that will stop in Edmonds in May. The bus tour leads actually came from the SCTB as they have worked to market Edmonds to various tour groups. Although the effort was not successful, the SCTB also worked with the City of Edmonds to

prepare a bid for a national convention to be held in Edmonds. Lastly, she noted that the SCTB's website provides links to Edmonds visitor websites, the school district, and meeting venues; and they have brought several event planners into Edmonds during familiarization tours. Mr. McChesney pointed out that Ms. Spain and her staff have also been actively assisting the Port and Puget Sound Express to bring whale excursions to the Edmonds Marina.

Commissioner Faires said the Port Commission's goal is to strive for a disproportionate share of the SCTB's attention. Ms. Spain summarized that she would forward a copy of the report that was prepared by Dean Runyan and Associates to the Executive Director, as well as the study that was done as part of the branding exercise. She noted that all of the data is also available on the SCTB's website.

Commissioner Gouge asked if mobile apps are being used by people visiting Snohomish County. Ms. Spain said the use of mobile apps has increased in recent years. Although most people do not download an entire app, those that have the most downloads are for locations that have no cell phone coverage.

Commissioner Preston asked if the SCTB receives requests for Segway scooters, which are available for rent in Edmonds. Ms. Spain said the business no longer offers this service. Commissioner Faires said he saw people using Segways in downtown Edmonds just the other day. Commissioner Preston agreed to find out if the scooters are still available for rent and get back to Ms. Spain so the SCTB can advertise the opportunity.

### **LIVE ABOARD POLICY**

Mr. McChesney said Port staff has had several discussions concerning the Port's Live Aboard Policies and have identified several issues regarding their adequacy. Their concerns include security deposits, credit reports, and termination procedures. In addition, staff believes the Live Aboard Agreement does not contemplate all of the issues, rights and protections that live aboard tenants have by virtue of the Landlord/Tenant Act. Rather than having a lengthy discussion at this point, he recommended the Commission form a review committee, including the Port Attorney, to evaluate the Live Aboard Policies and Agreement. The committee could discuss possible changes and present a recommendation to the entire Commission at some point in the future.

Both Commissioners Gouge and Preston indicated that they had marked up their copies of the policy and agreement, and Mr. McChesney encouraged them to forward their comments to staff for the committee to consider. Commissioners Gouge and Faires agreed to participate on the committee, along with Mr. Cattle, Mr. McChesney and Ms. Kempf. Mr. McChesney agreed to schedule the first meeting before the end of May.

Commissioner Orvis emphasized that the Port does not intend to terminate all live aboard tenants, and the review is not based on any particular problems the Port has had with live aboard tenants. The review is a matter of interpretation in law and to protect both the tenants and the Port in the future. Commissioner Faires observed that while there are certainly some changes that need to be made in view of new information and from a legal perspective, most of the contemplated changes will have little impact on the current live aboard tenants.

### **2014 ANNUAL REPORT**

Ms. Drennan recalled that the draft 2014 Year-End Financial Statements were presented to the Commission in February. Since that time, the report has been prepared in the format required by the State of Washington. The Finance Committee reviewed the financial statements between April 23<sup>rd</sup> and May 8<sup>th</sup>. The intent is to submit the 2014 Annual Report to the Washington State Auditor's Office later this week and post it on the Port's website within a couple of weeks. She reviewed that the following changes were made since the report was last presented to the Commission in February:

- Staff found that August health insurance expenses were incorrectly coded to electricity, and the error was corrected before completion of the final annual report.
- The bank loan with Opus requires that the Port keep Harbor Square rent deposits and expenses separate from the Port's general checking account. Some items, such as payroll and leasehold taxes, are too complicated to pay from the Harbor Square checking account. Therefore, Port staff creates an invoice from the Port to Harbor Square to transfer money from the Harbor Square checking account to the Port's general checking account. At year end, the Port showed an accounts payable amount of \$29,308 and an accounts receivable of the same.

After the draft financials of February 9<sup>th</sup>, Port staff offset the two so that accounts payable and accounts receivable are not overstated at year end.

- 2014 invoices that were received after February 9<sup>th</sup> were posted.

Ms. Drennan referred to the Statement of Cash Flows, which shows the sources and uses of cash in 2014. She reviewed that operating activities provided net cash of \$3,064,282 and explained that it is important that organizations regularly produce positive cash flow from operations, as this is the daily activity of the organization.

Ms. Drennan reported that noncapital financing activities provided net cash of \$407,653, and cash flows include the capital grant, purchases and construction of capital assets, and principal and interest paid on debt. Investing activities used cash of \$709,191, and cash flows from investing activities include the maturity and purchase of long-term investments and interest from the Port's investments. She summarized that total cash decreased in 2014 by \$354,856. However, without the purchase of the long-term investments, the total cash would have increased by \$368,173. She reminded the Commission that, as per the Cash Flow Model, staff will move \$368,173 into the Capital Replacement Reserve in the 2<sup>nd</sup> quarter of 2015.

Ms. Drennan explained that the Port provides medical, dental, life and long-term disability insurance to its employees and Commissioners through the Washington State Public Employees Benefit Board (PEBB), and Port employees who end public employment are eligible to continue PEBB coverage as a retiree. These other post employment benefits are provided separately from a pension plan. The Governmental Accounting Standards Board (GASB) requires that agencies record the liabilities and offsetting expenses associated with this benefit. She further explained that there are two subsidies in the plan. One is a dollar amount because retirees who participate in the plan receive a discount and pay a lower premium than current employees. Secondly, more mature people normally have greater health issues, and if they were rated separately, their plan costs would be higher than if they are rated as a group with younger people.

Commissioner Faires asked if the requirement could create a future liability for the Port, and Ms. Drennan answered no. She explained that GASB's concern is that governments are providing the benefits, but they are not being recorded anywhere. This may be a particular concern for states and cities that are making promises they cannot keep, but everyone else has been caught up in the mess, as well.

Commissioner Orvis asked if the accounting requirement would impact the Port's bottom line. Ms. Drennan answered yes because the expense is recorded annually. The 2014 amount was \$58,000, and the total amount for the past five years was about \$400,000. However, it is important to note that the Port is not paying any money out. Commissioner Orvis summarized that this is an accounting detail that affects the bottom line, but it does not impact the amount of money the Port has. Mr. McChesney added that the accounting requirement creates a distortion to the Port's bottom line. Commissioner Orvis agreed, but noted that the only two people who have to deal with the distortion is the Port's Finance Manager and the State Auditor.

Mr. McChesney commented that the subsidy is not real, either, because the Port is not paying for the benefit. The premium is actually paid by the employees and comes from the Washington Health Care Authority. He summarized that the Port is not responsible for these benefits, and the requirement places an undue burden on the Port's management performance and distorts the bottom line. Ms. Drennan noted that GASB will have additional reporting requirements starting in 2015, when governments will be asked to report the percentages of their assets and liabilities in the plan.

Commissioner Faires suggested that perhaps it would be appropriate for the Port to push back a little. The new rules take time to comply with and they can be a burden and distort the Port's ability to manage its business. It also creates numbers that are not real in a Profit and Loss Statement. Commissioner Faires suggested that staff prepare a white paper discussing the Port's concerns and objecting to the impositions and distortions. The paper could be presented at the annual Washington Public Port Association (WPPA) Seminar. It was discussed that civil regulations that provide no value but take time and resources to comply with have a tremendous impact on small ports and public districts because the work must be contracted out.

## **EXECUTIVE DIRECTOR'S REPORT**

Mr. McChesney invited Commissioners to attend a retirement party for Ben Bolotin, Maintenance Supervisor, next week at the American Brewing Company. He reminded the Commission that his position has been eliminated, and Travis Cruz has been promoted to the position of Maintenance Lead. Matt Daniels, who has worked for the Port previously as a seasonal worker, was hired to fill Travis Cruz's position.

Mr. McChesney recalled that Anthony's Restaurant had originally agreed to improve their westward façade, and they have developed a plan. However, the City of Edmonds has indicated that the work will require a Shoreline Permit, which involves a lengthy process. Anthony's will continue to work with the City to obtain the appropriate permit approval.

## **COMMISSION COMMENTS AND COMMITTEE REPORTS**

Commissioner Gouge announced that he would attend the Edmonds City Council Meeting on May 12<sup>th</sup> where he will announce the Port's summer activities. Mr. McChesney agreed to prepare a list of summer activities, including the Waterfront Festival, Sea Jazz, and Artist in Action.

Commissioner Preston advised that he, Commissioner Faires and Commissioner Orvis would attend the Washington Public Port Association (WPPA) Conference May 13<sup>th</sup> through 15<sup>th</sup>.

Commissioner Gouge announced that he would attend the Economic Alliance Snohomish County meeting next week. He also reported that he and Commissioner Orvis attended the City's open house relative to the Marina Beach Park Master Plan. He raised questions about the proposal to daylight Willow Creek and the belief that the setback requirement would be less because the project is considered a restoration project. He suggested that the decision relative to setback could also impact the Port's property. He noted that Senator Chase was also present at the event.

Commissioner Gouge reported that he attended the Pacific Little League's annual auction on May 9<sup>th</sup> at the Harbor Square Athletic Club. He noted that the owner, Jack Tawney, donated space for the event.

Commissioner Gouge reported that the Channel Marker Restaurant is open for business and doing well. He and Commissioner Orvis had lunch there last week. He commented that they did a fantastic job, starting from scratch to get the place in order.

Commissioner Preston announced that he would attend a Woodway Town Council Meeting within the next month. He also announced that Commissioner Orvis has filed to run for the office of Port Commissioner.

## **ADJOURNMENT**

The Commission meeting was adjourned at 8:30 p.m.

Respectfully submitted,



Fred Gouge  
Port Commission Secretary