

PORT COMMISSION OF THE PORT OF EDMONDS

MINUTES OF REGULAR MEETING

August 12, 2013

COMMISSIONERS PRESENT

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

STAFF PRESENT

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

OTHERS PRESENT

Karin Noyes, Recorder

CALL TO ORDER

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

PLEDGE OF ALLEGIANCE

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

CONSENT AGENDA

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

- A. APPROVAL OF AGENDA**
- B. APPROVAL OF JULY 29, 2013 MEETING MINUTES**
- C. APPROVAL OF PAYMENTS IN THE AMOUNT OF \$277,101.45**

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

PUBLIC COMMENTS

No one in the audience indicated a desire to address the Commission during this portion of the meeting.

2014 BUDGET PRELIMINARY REVIEW

Mr. McChesney referred to the spreadsheet showing the 2014 Proposed Budget Meeting Schedule. He explained that staff started working on the draft 2014 Operating and Capital Budgets at the end of July but the preliminary budget is not yet available for Commission review.

Ms. Drennan briefly reviewed the 2014 Proposed Budget Meeting Schedule, specifically highlighting the following:

- On July 30th staff met to discuss the 2014 Operating and Capital Budgets.
- On August 12th (tonight) the Commission will have a discussion about the Marina Marketing Promotion Program.
- On August 15 the Finance Committee will meet to discuss baseline conditions, property taxes, and the economic development budget.
- On August 26 the Commission will conduct a workshop discussion to review the Strategic Plan and the 2014 Budget Baseline Conditions/Cash Flow Model.
- On September 9th the Commission will have a workshop to discuss property taxes and the economic development budget.
- The Finance Committee will meet the week of October 7th to discuss the 2014 Operating and Capital Budgets.
- On October 14th the Commission will hold a workshop to discuss the 2014 Draft Operating and Capital Budgets and conduct the first of three public hearings.
- On October 28 the Commission will continue their workshop discussion on the 2014 Draft Operating and Capital Budgets and conduct the second of three public hearings.
- The third public hearing will be held on November 12th, after which staff anticipates the Commission will approve the 2014 Operating Budget, 2014 rates (moorage, dry storage and marina operations), and budget resolutions (2014 tax levy, bank excess levy capacity, approval of 2014 Capital Budget).
- The tax levy resolutions must be submitted to Snohomish County by November 29th.

Because not all Commissioners would be present at the August 26th meeting, the Commission agreed to push back the workshop to review the Strategic Plan and 2014 Budget Baseline Conditions/Cash Flow Model to September 9th. The items tentatively scheduled for September 9th (property taxes and the economic development budget) would be pushed to September 23rd. Ms. Drennan agreed to make the appropriate adjustments to the 2014 Proposed Budget Schedule and post it on the Port's website as soon as possible. She also agreed to circulate the updated schedule to the Commissioners via email.

MARINA MARKETING PROMOTIONS

Mr. McChesney advised that the purpose of this discussion is to review a list of marketing promotions put forward by staff in an attempt to increase occupancy, expand outreach to customers, and address market conditions to improve the facility's performance. He cautioned that, while it is possible to get some quantitative answers by reviewing revenues and expenses, the intangible benefits that result from the promotions are more difficult to measure. Ms. Drennan reviewed each of the marketing promotions as follows:

- **Boat Show Marketing Promotion.** This promotion offered new tenants who signed up for moorage or dry storage by March 1st to pay \$20.1X for the 1st and 12th months. The promotion was offered in 2010, 2011, 2012 and 2013. One of the goals of the promotion was to keep the returning seasonal customers and give them incentive to stay longer. Success of the promotion can be measured by the percentage of boat show sign ups that remained 12 months or longer. She referred to the chart showing the number of participants, the number who stayed 12 months, and the number who are still tenants. The second chart shows the number of tenants who used the program for the first, second, third and fourth time.

Another goal of the Boat Show Marketing Promotion was to fill vacancies to meet revenue projections and mitigate the need to raise rates. This year, for the first time since the promotion started in 2010, the Port had to turn away customers who wanted to sign up for available moorage or dry storage because the two facilities were full by May and June. Staff did offer the customers the option to sign up for the Waiting List, and some customers did so. This is the first time since the recession that the marina was full that early in the season, and staff anticipates it may fill up even earlier in 2014. They also anticipate the more tenants will decide to stay year round to keep their moorage slip or dry storage space.

Commissioner Faires observed that approximately half of the tenants who took advantage of the Boat Show Marketing Promotion have stayed at the Port longer than a year. He asked if staff has any idea how many of them are permanent tenants. Ms. Drennan answered that the chart shows how many of the participants are still tenants at the Port. For example, 43% of the tenants who signed up with the promotion in 2012 are still tenants. Commissioner Faires asked what slips the participants are primarily taking advantage of. Ms. Kempf said the

majority of the participants signed up for slips in the “under 30 foot” categories, and that is where most of the seasonal activity occurs. Commissioner Faires observed that the promotion did not result in a loss of revenue because the spaces would likely have remained unoccupied.

Commissioner Gouge asked if it would be appropriate to raise rates for part time tenants to encourage them to maintain their slips. Ms. Drennan reminded the Commission that the Port recently implemented a seasonal rate structure for the dry storage facility. Ms. Kempf noted that tenants who leave before a year lose their deposit, which is one full month. Commissioner Gouge suggested that perhaps the deposit amount should be further increased. He asked if tenants have used the promotion more than once. Ms. Drennan referred to the chart, which indicates that 139 customers have used the promotion only once, but 17 have used it twice, 4 three times, and one customer has used the promotion four times. Mr. McChesney reported that staff has received positive feedback from the year-round dry stack tenants about the seasonal rates, which are higher during the busy season. He recalled that, in previous years, there was some perception that those who came in for just the busy season got the benefit of the greater service without having to pay for the space year round.

Commissioner Gouge suggested that the Commission also consider implementing seasonal rates for wet moorage. Ms. Drennan cautioned that a seasonal rate structure would be difficult to implement for wet moorage because there are so many different types and sizes of slips. Commissioner Orvis suggested the concept might be worth exploring further if and when there are significantly fewer open berths in the small slip categories. Although there are some signs of economic recovery, they should keep in mind that every space that is filled equates to more revenue for the Port. Commissioner Faires agreed that, as long as the Port has empty slips, anything they can do to fill the spaces is positive. The Commission agreed to consider a seasonal rate option for wet moorage further at some point in the future, but they are not ready to move forward with the change at this time.

Ms. Kempf pointed out that, regardless of the rate scheme, there will always be a certain number of people with boats less than 30 feet who want to take them out of the water during the winter months. However, the Port’s statistics indicate that the shoulder season is closing a little. Commissioner Preston asked if staff has any demographic information for the new tenants. While staff indicated they did not have this information available, the Commission agreed it would be helpful data to explore at some point in the future. It was discussed that more young people are purchasing boats now. Commissioner Faires asked Ernie Collins, Edmonds Yacht Club, to comment on the demographics of their new members. Mr. Collins reported that a few of the new club members are young families.

- **Wait List Marketing Promotion.** This promotion allowed the Port to accept credit card payments for wait list sign ups at the Boat Show and until March 1st. The promotion was offered in 2010, 2011, 2012 and 2013. The goals of the promotion were to remove the perception that there are long waits for moorage at the Port of Edmonds and to build excitement about the prospects of being able to get moorage in Edmonds. The chart illustrates the number of people who participated in the promotion each year, as well as the estimated credit card costs and processing fees.
- **Bring a Buddy Marketing Promotion.** This promotion is offered to dry storage tenants who refer friends to the Port’s facility. If the friend stays for more than 12 months and remains in good standing, the Port will credit \$200 to the tenant’s account. The promotion was offered in both 2012 and 2013. The goals of the promotion are to increase long-term dry storage occupancy, respond to the tenant survey, and build goodwill with tenants in a very competitive environment. Thus far, the Port has credited just one dry storage tenant with \$200. However, as of July 26th, the dry storage facility was full and there were eight customers on the wait list.
- **March On In Marketing Promotion.** As per this promotion, tenants who were in good standing and have been under continuous lease with the Port for more than 12 months were eligible for 50% off travelift rates during the month of March. One goal of the promotion was to increase boatyard occupancy, and success can be measured by the increase in boatyard occupancy over March 2012 numbers. Of the 47 tenants who took advantage of the promotion, 27 paid for one day or more in the boatyard. Seven tenants went into Puget Sound Yacht Services space and six tenants hauled out for sling time and a wash only. There were 38 pressure washes in the yard during the month of March 2013 compared to just 17 in March 2012. Of the 38 pressure washes, 35

were tenants. First quarter totals for round trip travelift haul outs to the yard were up 50% over the average of the last four years and the majority of this happened during the month of March.

Another goal of the March On In Marketing Promotion is to increase travelift and boatyard revenue. Success can be measured by the increase in revenue in March 2013 compared to revenue in March 2012. March 2013 revenue was 31% higher than in 2012. The net loss before overhead allocation was slightly higher in 2013, but the Port hauled out an additional 17 boats. It was noted that the net income/loss information is not exclusive or complete for the March On In Program as some boaters who weren't tenants hauled out during this time frame, six tenants were permitted to haul out in April using the promotion, and some of the associated promotion revenues and expenses were recorded in April.

Yet another goal of the March On In Marketing Program is to achieve goodwill with Port tenants. Staff believes this goal was achieved as 47 tenants took advantage of the program.

- **Progressive Boatyard Discount Marketing Promotion.** Participants in this promotion received 20% off their travelift fees plus 30% off boatyard lay days with three paid days, 40% off with four paid days, and 50% off with five or more paid days. The promotion was offered from November 2012 to February 2013. One goal of the promotion was to increase business in the boatyard. Success can be measured by reviewing the increase in boatyard occupancy over previous years. The numbers indicate a significant increase in boatyard usage during the months of the promotion. In total, 70 customers took advantage of the promotion, and 52 of them were tenants.

A second goal of the Progressive Boatyard Discount Marketing Promotion was to increase boatyard revenue, and success can be measured by comparing boatyard revenues with previous years. Boatyard revenues in January 2013 were greater than in January 2012, but February 2013 revenues were less than in February 2012. It is difficult for staff to predict if revenues would have been even lower if the Port had not offered the promotion.

Commissioner Faires noted that the March On In Marketing Promotion was only offered to current tenants, but the Progressive Boatyard Discount Marketing Promotion was available to anyone. He asked if staff had a sense of whether or not the promotion attracted new people to the boatyard who are not tenants and would not have come to the Port's boatyard otherwise. He expressed his belief that the promotion provides a benefit if it successfully brings new customers to the Port to see their premiere boatyard facility. The Commission discussed that other boatyards also offer promotions to attract new customers. What makes the Port's boatyard different is that it allows do-it-yourself work.

Ms. Kempf pointed out that many boatyards have the ability to offer free or less costly travelift service and simply recover their costs on the invoice after the work has been completed. Because the Port is a do-it-yourself facility, they do not have this same ability, and their travelift rates appear to be much higher. The purpose of the boatyard discounts is to help the Port compete with other yards that have the ability to recover their travelift costs. She noted that seven participants in the promotion used the services offered by Puget Sound Yacht Services, and other vendors who operate in the Port's workyard received a benefit, as well. She cautioned that it is difficult to measure the economic benefit of this promotion. Commissioner Gouge noted that many older boaters no longer want to work on their own boats. He suggested the Port work with the vendors to tie their costs and the travelift costs together to capture this part of the market. Ms. Kempf advised that the Port already allows vendors to sign up and pay for their customers' travelift service.

Ms. Kempf expressed concern that many people think the Port is only a do-it-yourself yard. Staff is currently working on changes to the Port's website to correct this misconception. A vendor list will be provided, as well as an environmental page. Commissioner Gouge asked if it would be possible to allow the vendors to participate in the Boat Show with the Port. Mr. McChesney noted that the Port's booth at the Boat Show gets quite busy and space is limited. Commissioner Gouge suggested that perhaps the Port could provide a vendor list as a handout at the boat show. The vendor list could also be referenced in the next tenant newsletter to direct people to the Port's website.

- **Tenant Workshop Marketing Promotion.** Tenants who attended the February 28, 2013 workshop about alternatives to copper bottom paint and zinc versus aluminum anodes received a coupon for 50% off travelift rates from October to December 2013. The goals of this promotion are to encourage tenants to attend the workshop so the Port can educate them about boat maintenance products that are better for the environment, promote the Port's Clean Marina Program, invite tenants to use the Port's boatyard, and support the Port's mission to be a responsible environmental steward. The workshop was attended by 57 tenants, five of whom have reported that they have used non-copper bottom paint on their boats since the workshop.
- **Catch the Savings Marketing Promotion.** This promotion offered 25% off haul outs for the month of March 2012. Thirty five customers took advantage of the marketing promotion, and 28 of them were tenants. At the request of Commissioner Preston, staff agreed to provide information about the number of haul outs that occurred in the previous years.
- **Half Price Boatyard Days Marketing Promotion.** This promotion offered ½ off the price of the boatyard daily rate and was available in January and February 2011, November and December 2011 and January and February 2012. The goal of the promotion was to increase boat yard occupancy and revenue. The charts provided by staff show the number of participating customers. There were 9 participants in January and February 2011, 14 in November and December 2011 and 14 in January and February 2012.
- **40% Off Haul Out with Five Paid Lay days Marketing Promotion.** Participants in this promotion received 40% off their haul out costs when paying for five days in the boatyard. The promotion was offered in March 2011 and January to February 2012. The purpose of the promotion was to increase business and revenue in the boatyard. There were 16 participants in March 2011, but just 1 in January 2012 and 1 in February 2012.
- **Foul Weather Bluff Marketing Promotion.** This promotion offered ½ price sling and a wash for sail boaters participating in the Foul Weather Bluff Race (October 2012 and September 2011). The goal of the promotion was to increase goodwill with sail boaters. Five customers participated in 2012, and four were Port tenants. Five customers participated in 2011, and all were Port tenants.
- **Roll Back the Clock Marketing Promotion.** This promotion allowed customers to haul out their boats at the 2005 travelift rates from October 15-31, 2012. The goal of the promotion was to increase boatyard occupancy. Twenty-five customers took advantage of the promotion, and 22 were Port tenants. Six customers paid for 31 boatyard days. However, stall usage decreased from 270 in 2011 to just 80 in 2012. Staff agreed to research the reasons for this significant change and report back to the Commission.
- **Public Launch Punch Card Marketing Promotion.** As per this promotion, customers who purchase five launches get the sixth launch free. The promotion was offered in 2010, 2011, 2012 and 2013. The purposes of the promotion are to reward frequent users, provide an incentive to launch at the Port more frequently, respond to customer feedback, generate goodwill and keep existing launch customers, and attract new customers. Charts were provided to identify the number of repeat users, the number of total punch cards redeemed, and the number of unique users. From June to December 2010 there were 6 repeat users and 51 unique users. The number of punch cards redeemed was 58. In 2011 there were 27 repeat users and 108 unique users. The number of punch cards redeemed was 139. In 2012 there were 21 repeat users and 141 unique users. The number of punch cards redeemed was 162. From January to July 2013 there was just 1 repeat user and 24 unique users. The number of punch cards redeemed was 24.

Commissioner Preston asked if the punch cards could be used for different boats. Ms. Kempf answered that they are supposed to be used for the same boat, and staff checks the VIN numbers that are written on the back of the card. Commissioner Preston asked how the Port advertises this promotion. Mr. McChesney answered that the Port has not aggressively advertised any of their promotions in terms of reaching out to the marketplace. Commissioner Preston noted that the purpose of many of the promotions is to gain new customers, which requires advertising the opportunities beyond the Port's existing customer base. Ms. Kempf noted that there is currently no budget for advertising the promotions. Commissioner Orvis suggested that if the Commission is serious about advertising the promotions, they must provide a budget so the events can be advertised in various boating publications. He said he does not believe there would be significant benefit from advertising in *THE*

EDMONDS BEACON and at *MYEDMONDSNEWS.COM*. Commissioner Preston expressed his belief that the Port could use a combination of low-cost as well as paid advertisements. Commissioner Orvis cautioned that significant advertising would consume staff time, so it will be important to focus their advertising efforts on the promotions that provide the greatest return.

Commissioner Faires observed that the promotions are a new program for the Port. As the program has emerged, it is clear that some promotions provide a return and others do not. He recommended that staff review each of the promotions and prepare a cohesive marketing program that focuses on the promotions that have worked the best. He commented that he would be willing to support a reasonable advertising budget to implement a promotional program.

Commissioner Faires commended staff for being creative in coming up with marketing promotions to improve occupancy and increase revenues. This effort has been crucial in allowing the Port facility to remain more or less full. Maintaining occupancy has allowed the Port to remain viable.

The Commission directed staff to prepare a marketing plan that includes anticipated advertising costs and how much staff time would be involved. This information would allow the Commission to identify an appropriate line item in the 2014 budget for advertising. It was noted that the marketing plan should only include those promotions that provide the greatest benefit to the Port. Commissioner Orvis cautioned against continuing the promotions that do not provide a significant return for so long that people get used to them and feel like they are losing something when they are eliminated.

Ernie Collins, Edmonds Yacht Club, suggested that the Port consider extending the Bring A Buddy Marketing Promotion to wet moorage tenants, as well. He also asked that the Port work with the EYC when scheduling future tenant workshops, since there was a conflict with the last one and many club members were unable to attend. He said he tries to notify club members of the various promotions offered by the Port. He also complimented staff on the service they have provided to him at the fuel dock. They have been very helpful and courteous, which helps attract new customers, as well.

Mr. McChesney agreed that the promotions reflect the creativity of staff, particularly Ms. Kempf, and there may be opportunities for other promotions, as well.

Ms. Kempf said she and Mr. McChesney recently discussed a new promotional idea for the fuel dock. For example, customers who purchase a specific quantity of fuel could receive a free day in the work yard. However, because the Port does not monitor the number of gallons a customer purchases, customers would have to keep their receipts and turn them in to get the service coupon. Commissioner Preston suggested that Ms. Kempf work with Mr. Collins, EYC representative, to discuss this concept further and perhaps come up with other promotional ideas, as well.

PROJECT UPDATES

Mr. McChesney reported on the following major projects:

- **Harbor Square Building 2 Roof.** All of the rotten roof decking has been removed and repaired, and there was less damage than anticipated when the project was started. Staff would provide specific information about what percentage of the roof decking had to be replaced. The entire roof now has membrane installed, and the contractor is working on the flashing and coping at this time. The windows for the penthouse have been ordered, and the skylights will be delivered the first week of September. The project is on schedule, and they were able to figure out ways to reduce the amount of the contract by about \$30,000 as a result of changes in work methods and materials. Staff is happy with the contractor's progress.
- **Anthony's Beach Café Remodel.** Anthony's amended their lease to take over the space previously occupied by the Edmonds Yacht Club to expand the Beach Café. The project is moving forward, and they will eventually have an entirely new storefront on the western side of the building. The project is on schedule and Anthony's anticipates reopening the restaurant by the end of October. Port staff is pleased with the progress that Anthony's is making.

- **Marina Breakwater Lighting.** The marina breakwater lighting needs to be overhauled, and staff is in the process of ordering materials for the project, which will be done in house. He anticipates that the light fixtures and running the necessary conduit will make the project costly. Port staff considers the current approach lighting to the marina to be substandard. He recalled that, at one point, staff proposed the concept of using solar power with LED light fixtures. However, it was later determined that LED lights would not work in this application because their power consumption would run down the batteries too quickly for the solar panels to recharge. The current proposal is to use LED light fixtures, but they will be hard wired to an electrical source. The project will get started in the fall and be completed by the end of the year.

EXECUTIVE DIRECTOR'S REPORT

Mr. McChesney referred to a recent memorandum he sent the Commissioners regarding the personnel reorganization in the Administrative Office that was recently announced. The change was facilitated by the recent retirement of Bev Borth. Rather than having an Executive Assistant, the Port will now have an Administrative Assistant and an Office Manager. The Marina Operations Office was also reorganized to be more efficient overall. He noted that staff is currently interviewing candidates for the Administrative Assistant position. He said he expects there will be a two to three-month transition period, but feedback has been positive.

Mr. McChesney announced that Tina Drennan, Port Finance Manager, recently received the Professional Financial Officer Award from the Washington Financial Officers Association. She has received the award each of the last eight years. He commended her for her professionalism and for keeping up her credentials.

COMMISSION COMMENTS AND COMMITTEE REPORTS

Commissioner Gouge announced that, unfortunately, the King Salmon Fishing Season was cut short for Area 9. However, Silver and Humpy Salmon fishing will soon be available in Area 9. He said he expects significant activity when the salmon finally come down.

Commissioner Block indicated her plan to attend the Washington Public Port Association's Environmental Committee meeting on September 26th and 27th. In speaking with the chair of the Environmental Committee, it appears the agenda will be full. A final agenda for the event will be published soon.

Commissioner Preston reported that he attended two Enduris Webinars, one on the open public meetings act and another on social media. Both of the events were right to the point, and there were opportunities for participants to call in with questions. He also announced that he and Commissioner Orvis met with Snohomish County Councilmember Brian Sullivan to discuss economic development opportunities. Both he and Commissioner Orvis indicated they would attend the Northwest Marine Trade Association Meeting in Port Townsend.

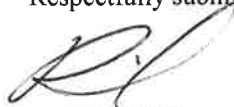
Commissioner Faires announced that he attended the Chamber's Candidate Forum Committee meeting on August 1st, where the process for the forum was further defined. He also announced his plan to attend the Chamber's Economic Development Committee meeting on August 14th, and a Finance Committee meeting on August 15th.

Commissioner Orvis welcomed Councilmember Joan Bloom, who is representing the Edmonds City Council as the Port's liaison.

ADJOURNMENT

The Commission meeting was adjourned at 8:10 p.m.

Respectfully submitted,



David Preston
Port Commission Secretary