



PORT COMMISSION OF THE PORT OF EDMONDS
MINUTES OF SPECIAL MEETING

August 13, 2018

COMMISSIONERS PRESENT

David Preston, President
Jim Orvis, Secretary
Angela Harris

STAFF PRESENT

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

COMMISSIONERS ABSENT

Steve Johnston, Vice President (excused)
Bruce Faires (excused)

OTHERS PRESENT

Bradford Cattle, Port Attorney
Karin Noyes, Recorder

CALL TO ORDER

President Preston called the meeting to order at 6:00 p.m.

EXECUTIVE SESSION

Commissioner Preston announced that the Commission would recess into an Executive Session pursuant to RCW 42.30.110(1)(g) to evaluate the performance of a public employee. He advised that the Executive Session would last approximately 45 minutes, and the Commission would resume the public portion of the meeting after the Executive Session. He further advised that no action would be taken nor announcement made after the Executive Session. The Executive Session was adjourned at 6:45 p.m., and the business portion of the special meeting was reconvened 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 JULY 30, 2018 MEETING MINUTES**
- C. APPROVAL OF PAYMENTS IN THE AMOUNT OF \$810,006.95**
- D. APPROVAL OF POLICY NO. 3.50.33, USE OF CREDIT CARDS**
- E. AUTHORIZATION FOR EXECUTIVE DIRECTOR TO WRITE OFF \$27,729.56**

COMMISSIONER HARRIS SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

PUBLIC COMMENTS

Ross Dimmick, Edmonds, thanked the Port for having the 70th Anniversary event. He particularly thanked staff and congratulated them on a well-run event. Commissioner Orvis also commended staff for keeping the marina running during the event.

STORMWATER FILTRATION PILOT PROJECT

Mr. McChesney reviewed that unfiltered stormwater adds non-point source pollution load into the near-shore water column of Puget Sound. While the long-term effects are scientifically well understood, the stormwater controls are in various stages of research and testing for best results. The Port's maintenance staff have designed a simple filtration cartridge using standard off-the-shelf PVC pipe and crushed oyster shells that can easily be inserted into existing catch basins. These cartridges can be fabricated and assembled in the Port's shop at minimal cost. However, before proceeding with a comprehensive program to install the devices, it is necessary to identify a specific testing protocol, including establishing baseline conditions, taking water quality samples, monitoring and reporting. To accomplish this task, staff has asked Landau & Associates to assist in designing the pilot program. He referred to the scope of work that was attached to the Staff Report and recommended the Commission authorize him to enter into a contract with Landau & Associates in the amount of \$7,725.00 to provide consulting services to complete the stormwater filtration pilot project, which is anticipated to run through the rainy season.

Mr. McChesney said staff is confident the new system will be effective, but they need to be able to measure success and document and report it. Without measuring and reporting, the project will be meaningless.

COMMISSIONER ORVIS MOVED THAT THE COMMISSION APPROVE THE CONTRACT WITH LANDAU & ASSOCIATES FOR CONSULTATION WORK NECESSARY TO ESTABLISH, MONITOR AND REPORT RESULTS OF THE STORMWATER PILOT PROJECT AS PRESENTED. COMMISSIONER HARRIS SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

PORT OPERATIONS QUARTERLY ACTIVITY REPORT SUMMARY

Mr. Kempf provided a summary of the Port Operations Quarterly Report, specifically noting the following:

- Public Launch roundtrips during the 2nd quarter of 2018 were the exact same as 2nd quarter 2017.
- Guest Moorage was down in the 2nd quarter.
- The fuel sales were down slightly compared to 2nd quarter 2017.
- Boatyard usage was up 33% or 203 more days compared to 2nd quarter 2017. Travelift to yard trips increased 22%, from 107 in 2017 to 131 in 2018. It is hard to say why the boatyard and Travelift numbers are up, but it may be related to the Port's competitive pricing. The calendar is often full and people have to wait. We currently only have two Travelift operators, and the intent is to train a third this fall.
- Terminations and assignments for water moorage were normal, but the turnover ratio in dry storage decreased from 4.27% in 2017 to 2.15% in 2018.
- The waiting list is at 110 names, but about 42% are existing tenants who are looking for slips in a different size category.
- The insurance and registration numbers are normal. At the end of the quarter insurance compliance was at 82% and registration compliance was at 85%. She cautioned that the numbers represent what was going on the last day of the quarter. Most tenants have current insurance and registrations, but some haven't provided a current copy to the Port yet.
- There were two calls to 911 and no reported thefts.
- The Waterfront Festival was held on June 1st through 3rd, but she has not yet received revenue numbers from the Rotary Club.
- Puget Sound Express' new vessel, the Saratoga, was christened and had its inaugural sail on April 23rd.
- The Dive Against Marine Debris event with Annie Crawly was also held in April.

2ND QUARTER 2018 FINANCIAL STATEMENTS

Ms. Drennan presented the 2nd Quarter 2018 Financial Statements, noting that revenues are trending upwards and expenses are remaining at approximately \$3.2 million. Net income has been trending upwards, as well. Actual revenues exceeded the budgeted revenues by about \$247,000 and actual expenses were about \$282,000 less than budget. Gross profit for the 6-month period ending June 30th was \$3,860,000, which is about \$205,000 or 6% greater than budget. Net income for the same period was \$1,314,541. Highlights include:

- Permanent moorage revenue was \$1,721,154, which was \$46,154 or 2.76% greater than budget.
- Dry storage revenue was \$322,799, which was \$1,799 or 0.56% greater than budget.
- Harbor Square Property revenue was \$1,062,045, which was \$85,295 or about 9% greater than budget.
- Repair and maintenance expenses were \$65,746, which was about \$49,000 or 43% less than budget.
- Interest Income was \$101,954, which was \$38,954 or about 62% greater than budget because interest rates are going up.
- Net income for the 6-month period was \$1,315,000, which is about \$530,000 greater than budget.

Ms. Drennan advised that marina revenues are increasing and expenses are increasing, as well. Highlights include:

- Operating revenues were \$2,840,621, which is about \$88,000 or 3.2% greater than budget.
- Operating expenses before depreciation were \$1,095,710, which was about \$163,000 or 13% less than budget.
- Net income was \$597,106, which is \$382,852 or about 179% greater than budget.

Ms. Drennan reported that rental property revenues were greater than budget and expenses less. However, the numbers do not include HVAC replacement, which is a capital item. Highlights include:

- Operating revenues were \$1,357,940, which is about \$91,000 or 7% greater than budget.
- Operating expenses before depreciation were \$242,433 or about \$51,000 or 17% less than budget.
- Net income was \$717,435, which is about \$199,000 or 38% greater than budget.

Ms. Drennan reviewed the investing summary, which included the following highlights:

- The Port has 16 long-term investments, and the 1st matured on August 13, 2018.
- No bonds matured or were called during the 2nd quarter.
- The Port purchased a \$250,000, 7-month bond in April with a 1.95% yield.
- The average liquid interest rate earned by the Port was 1.50% for the 2nd quarter. The Port earned 1.57% in the long-term investments, for an average of 1.55%. The Port has long-term investments that were purchased when the liquid rates were low. As they mature, the Port will reinvest in securities with higher interest rates.
- The Port earned interest of \$101,954 in the first two quarters of 2018, which is 96% greater than the same period in 2017.
- The Capital Replacement Reserve is currently at about \$8.5 million, with part in Opus Bank, part in Washington Federal, and part invested long-term.
- The Port has \$2,150,480 remaining in outstanding depth, and approximately \$1.35 million is due within one year.

2018 ALLOWANCE FOR BAD DEBT AND BAD DEBT EXPENSE

Ms. Drennan explained that Allowance for Bad Debt is typically accrued at year end and has been estimated at \$15,000 to \$16,000 annually. On the Balance Sheet, it offsets Accounts Receivable, and on the Income Statement, it offsets Revenue. However, it's not specifically called out as a separate item. She reported that, at the end of December 2017, she booked Allowance for Bad Debt and Bad Debt Expense at \$16,000. However, through July 31st, the Port has exceeded the \$16,000 accrual and added \$15,449 in bad debt expense for a total bad debt of approximately \$31,000 to date in 2018. She shared a chart to illustrate bad debt expenses for 2014 through 2018, noting that 2018 is extremely unusual for the Port.

Commissioner Preston pointed out that, in addition to \$31,000 in bad debt, the Port received \$21,000 from the State of Washington to dispose of derelict boats. He asked if staff anticipates the current trend will continue. If so, he asked if the Port would continue to receive funding from the State. Ms. Drennan said there is indication that state funding may not be available in the future.

Ms. Drennan observed that the “auction” requirement is no longer working because it is time consuming. For example, when the Port auctions a boat for \$100 or \$200, the person who purchases the boat often feels entitled to certain services from the Port. It actually ends up costing the Port a lot more in staff time to manage these expectations and get the buyers to leave the marina with their boats. The alternative would be to destroy the boats that are in bad condition. She pointed out that, oftentimes, boats that are sold at auction are moved to another marina and become a problem for someone else.

Commissioner Orvis suggested that these concerns should be raised at the Washington Public Port Association (WPPA) Environmental Committee meeting where they talk about programs the state has to deal with derelict boats. If changing the law to allow ports to destroy derelict boats is the solution, it is time to start networking to get the law changed.

Commissioner Orvis asked if the Port does sea worthiness inspections on boats in the marina. Ms. Kempf said they usually check the boats in the marina in October or November in preparation for the winter months. Most tenants respond by correcting the problems that are identified, and the Port offers tenants a discount in the spring to use the Travelift to haul their boat to the boatyard to do the necessary repairs. Most situations would not be considered “derelict” boats.

2019 BUDGET SCHEDULE

Ms. Drennan announced the proposed 2019 Budget Schedule. She said she is working on the 2019 Budget now in preparation for budget discussions that will begin at the August 27th Commission meeting. The draft 2019 budget will be presented to the Commission for the first time on October 8th, followed by a public hearing on October 29th. It is anticipated the Commission will adopt the 2019 budget on November 13th.

EXECUTIVE DIRECTOR’S REPORT

Mr. McChesney reported that the Port’s courtesy van went into failure mode right after the 70th Anniversary event. Replacement of this vehicle is currently identified in the 2019 Capital Budget. Rather than making costly repairs to the existing vehicle, staff is recommending it be replaced in the next few months. That means there would be no vehicle replacement in 2019. Staff will bring a proposal to the next meeting for the Commission’s consideration, but it is likely he will recommend some type of van. The 2019 budget is set at \$30,000, and it is staff’s intent to stay within that amount. Commissioner Orvis said he has experience transporting people, and large SUVs are hard to get in and out of. Vans are much better.

Mr. McChesney reminded the Commission that there have been more issues with the Hoist Forklift at the dry storage facility. As reported on numerous occasions, the machine has been difficult to repair and maintain. It was not designed to be stored outside 365 days a year. Staff is looking at options for constructing a machine shed to store equipment in, and they have some ideas. In the meantime, staff will be recommending a replacement machine in the 2019 Capital Budget. He said staff’s concern is not so much about the cost of repairing the existing equipment as it is about the impact to customers when a machine is down.

Mr. McChesney advised that the improvements at the intersection of Dayton Street and SR-104 have been delayed because the Port has not had the manpower to accomplish this task. The intent is to get the base in before the rainy season and then do as much as they can. However, it is not anticipated that the project will be completed until next spring.

Mr. McChesney announced that the Sea Scouts have agreed to put together a crew to paint the blue top railing around the promenade. Ms. Kempf added that staff prepped the railing today, so it is ready for the Sea Scouts to

paint this weekend. Mr. McChesney concluded that this gets the Sea Scouts off on the right foot in their new relationship and agreement with the Port.

Mr. McChesney announced that a mailer was sent to all Port District Residents in Woodway and Edmonds, announcing the Port's 70th Anniversary and providing information about what the Port is and what it does.

Mr. McChesney announced that the Port has been invited to participate in the Economic Alliance of Snohomish County's Ambassador Program called Blues, Brats and Brews on September 27th at the Edmonds Yacht Club. Commissioner Orvis commented that this event is a good opportunity for the Port to network and push property they want to develop.

COMMISSIONER'S COMMENTS AND COMMITTEE REPORTS

Commissioner Orvis asked for an update on the Port's efforts to pursue Envirostar recognition. Ms. Kempf reported that not a lot of progress has been made, but it will be a topic of discussion at the next Environmental Committee meeting.

Commissioner Harris stated that the draft Environmental Policy and Strategies document is currently under final review and will be presented to the Commission at their next meeting.

Commissioner Preston thanked staff for a successful 70th Anniversary celebration. He also commended the staff members who worked hard to keep the marina functioning during the event.

Commissioner Preston reported on his attendance at the August 10th Sea Scout Committee meeting, and advised that the committee will be meeting once a month for at least the next six months. He also reported that he attended Taste Edmonds. He said he is hoping to have a debriefing with the Chamber and some of the vendors to gather ideas and options that could be implemented at the Waterfront Festival to give it a fresh look.

Commissioner Orvis pointed out that the Edmonds Arts Festival and Taste Edmonds are planned and run by volunteers, but that is not the case with the Waterfront Festival. The Rotary Club hires an event planner to organize the Waterfront Festival. Mr. McChesney clarified that the Rotary Club also relies on volunteers to run the Waterfront Festival. Even though they hire a professional to organize the event, it still requires an army of volunteers.

ADJOURNMENT

The Commission meeting was adjourned at 7:55 p.m.

Respectfully submitted,



Jim Orvis
Port Commission Secretary