

PORT OF BELLINGHAM

**MAC (MARINA ADVISORY COMMITTEE) MEETING
TUESDAY, FEBRUARY 9, 2010
SQUALICUM BOATHOUSE
BELLINGHAM, WASHINGTON**

Minutes

Committee Members Present:

Jeff Hegedus
Ryan Kapp
Ron Kleinknecht
Paul Lavelle
Tim Mumford
Joe Orem
Brian Pemberton
Jim Splaine
Doug Sterrett
Jerry Writer
Jim Young

Committee Members Absent

Cliff Cultee
Gene Knutson

Port Representatives Present:

Dan Stahl
Mike Endsley
Pam Taft
Andy Peterson

Committee Members Excused

Peter Border

Visitors/ Guests:

Commissioner Mike McAuley
Numerous representatives from the boating community (both recreational and commercial fishermen), as well as area yacht clubs.

Roll Call

Jeff Hegedus, Chair, called the meeting to order at 6:00 pm.

January 12, 2010 Minutes

Brian Pemberton made a motion to approve the January 12, 2010 minutes. The motion was seconded by Jim Young. The motion passed unanimously.

Public Comment

Jeff Hegedus, MAC chair, talked to the visitors in attendance and explained the process for the MAC taking public comment. Public comments not specifically related to tonight's agenda would be taken first. There were none. As the presentation this evening was lengthy and somewhat technical, Jeff informed the audience that specific factual questions would be entertained informally during the presentation. Comments that reflected an individual's opinion about a particular subject should be held until the presentation was finished. Jeff Hegedus explained that the MAC's intent was to make sure everybody was heard, and that by allowing questions in this fashion, we would have a more informed conversation. With suggested ground rules in place, Jeff Hegedus asked Dan Stahl to move to the next agenda item.

Review of Port Moorage Model

Dan Stahl began the discussion on the Port's moorage model review with several pieces of background information both for the MAC and for the public in attendance.

Role of the MAC

The first item that Dan Stahl addressed was the role of the Marina Advisory Committee. MAC members are appointed by the Port Commission and, as such, provide feedback and make recommendations to the Port Commission. Port staff is assigned to assist as requested. The MAC is directed to take a long view of marine operations. A specific example of that long view is the development of the moorage model by the MAC, starting in 1994. A significant part of this task was to provide boaters with a predictable, long term model to set moorage rates and to generate sufficient revenue to maintain facilities over the long-run. Further to the development of the first model the Port Commission has asked the MAC to review the model every four years to ensure that it stays relevant both to the boaters and to the fiscal responsibility that the Port has for the operation of the harbors.

The MAC reviewed the model in 1998 and recommended no changes to it at that time. The next review was 2002 which resulted in several changes, as the model was not keeping up with the annual cost of financing capital projects. The latest review was performed by the MAC in 2006. Again, increases were recommended to the model. The next review is scheduled for this year, 2010, so the focus and interest on the moorage model is especially relevant at this time.

Port Pricing Policies

Dan Stahl then reviewed Port pricing policies in general. The Port of Bellingham needs to set rates at multiple facilities throughout Whatcom County. It does this by reviewing the local /regional market on a yearly basis. Port staff survey comparable facilities in Bellingham, the County and regionally to get good comparisons. This eventually goes to the Port Commission in the form of an action item, currently titled "Rental Revenue Standards." Each year the Commission discusses, and eventually adopts a set of standards for pricing throughout all Port facilities with one notable exception. That exception is the moorage model, which sets rates on the basis of cost recovery, not on the basis of fair market value. Dan reminded the boaters in the audience that this saves them a significant amount of money compared to comparable public facilities in Puget Sound.

Moorage Model Review

With that introduction Pam Taft, harbormaster for Blaine, proceeded to spend the next hour and a half going through her presentation titled "MAC Review Moorage Rate Increase 2010." There were numerous question and answer discussions throughout the presentation, both to staff and to the MAC. A copy of this presentation, all eighteen slides, are attached hereto.

At approximately 8:00 PM Pam Taft finished her presentation. After additional Q & A from the audience to and from the MAC, Mr. Hegedus called for adjournment at 8:12 PM.

Staff Note: Subsequent to the MAC meeting, staff developed a document called "Marina – Frequently Asked Questions (FAQ)." This document was generated to document the questions that were raised at the MAC meeting. The FAQ sheet has also been posted to the website. We will attach them to these minutes as a reference.



Frequently Asked Questions

Last updated March 1, 2010

1. Who is the Marina Advisory Committee?

The MAC is made up of volunteers from a diversity of perspectives representing the commercial fishing industry, recreational boating, marine support services (including Port tenants), boating clubs, and other associated interests. The MAC is a Port of Bellingham, Commission-appointed committee directed to advise the Port on planning, operations, policies, and other marina-related matters. (See MAC Membership list below.)

2. How does the Port set moorage rates?

The Port of Bellingham sets moorage rates by using a cost-recovery based method of calculating moorage rates for moorage customers at Blaine and Squaticum Harbors. This cost-based method reflects the actual cost of operating the marinas and passes these costs directly to the users. The marina's revenue stays in the marinas' budget and is used to fund current expenses and future projects.

The moorage rate model was formulated to set moorage rates equal to operational and capital cost recovery of the prior year's expenses and is broken down into the following categories:

- Debt Coverage (a portion that pays back debt service for marina facilities)
- Maintenance and Repair of the Harbor facilities (under \$10,000)
- Overhead Expense (% allocated to cover general administrative costs)
- Capital Maintenance (maintenance and repairs to harbor facilities over \$10,000)
- Operating Expenses (janitorial, security, garbage, insurance, etc.)



The expenses are adjusted for the new year's inflation and then all the costs are spread out over total billable footage of Blaine and Squalicum Harbors.

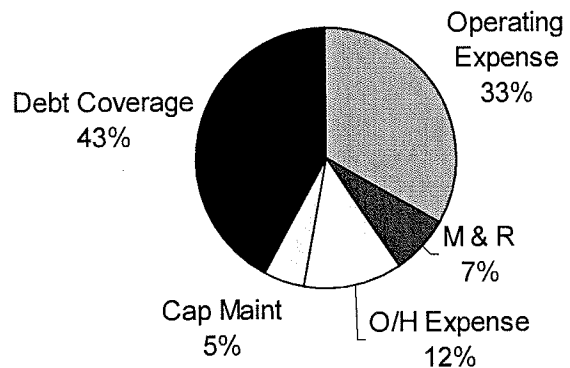
- A = Previous Year Marina Division Operating Exp.
- B = Previous Year Marina Maintenance & Repair Exp.
- C = Previous Year Allocated Overhead Expense
- D = Previous Year Capital Maintenance Expense
- E = Annual Cost of Financing Capital Projects
- F = Current Period Cost Adjustment
- G = Total Billable Lineal Feet

$$((((A+B+C+D) \times F) \div G) \div 12) + E = \text{Effective Monthly Rate}$$

3. How does each expense contribute to the total per lineal foot moorage rate?

Operating Expense	\$2.30
M & R Expense	\$.50
O/H Expense	\$.86
Cap. Maint.	\$.34
Debt Coverage	\$2.92
2010 Moorage Rate	\$6.92

(Rate does not include leasehold tax of 12.84%)



4. Debt Coverage makes up 42% of the moorage rate. What does this include?

This includes Capital Replacement or new Capital Projects that require financing. For example, the addition of Gate 12, the Blaine Harbor Dredging and Moorage Expansion, the Blaine Breakwater Replacement. The costs for those projects were \$1.4 million, \$13.4 million, and \$1.6 million respectively and the bonds issued are amortized over 20 years. The Debt Coverage amount allocated in our moorage rate formula covers the cost of annual bond payments.

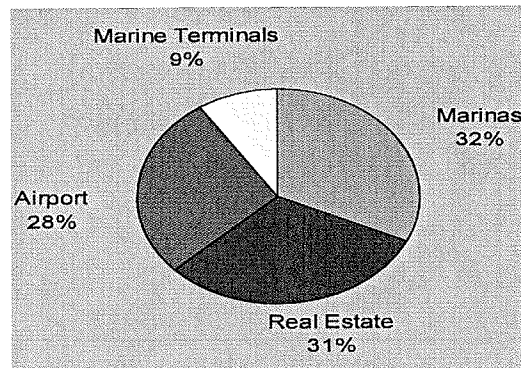


5. Does the marinas' revenue support any other operating division in the Port?

No. The marinas are self-supporting. Net income, if any, goes toward future financing of capital projects in the marinas only.

6. How is the Overhead Expense calculated?

The marinas pay a percentage of the total Administrative Expense (Accounting/Finance, Planning, Executive, and Facilities) based on marinas' gross revenues as a percentage contribution to annual gross revenues from Port Operating Divisions.



2009 Port Operating Divisions' Revenue

7. Why are the slips at Squaticum Harbor Gate 3 F & G Docks empty and not being filled?

The Gate 3 F & G float replacement project has been on hold pending resolution of the dredging issues associated with project. While the dredging details are still being worked out, the planning and permitting process is currently moving forward.

With the continued delay of the project, allowing the slips to stay occupied would require significant maintenance and repair expense to bring the floats to a safe condition. It is not cost-effective to spend money on short-term repairs in the interim so the decision was made to not fill the slips as moorage cancelled.



8. Are the costs associated with the new marina included in Blaine and Squalicum Harbors' moorage rate?

No, they are not. The costs associated with the proposed new Downtown Bellingham marina are included in another division of the Port. The division is called BWAS for Bellingham Waterfront Acquisition Site. The Port Commission has not adopted a method of establishing rates in the new marina.

9. Do my moorage rates pay for the landscaping and maintenance on the promenade around Squalicum Harbor?

No. The promenade is managed under the Port's Open Space Program, which provides design, implementation and maintenance of the Port's Public Access/Park System. Funded by tax revenues for the benefit of the community, it provides for the development of opportunities for public recreational and interpretive interactions with the Port's unique properties and facilities. This is also how the Port funds its public parks and trails.

10. Who can I contact to provide input on the moorage rate?

You may contact Harbor Staff or any member on the Marina Advisory Committee.

Dan Stahl, Director of Marine Services
Mike Endsley, Squalicum Harbormaster
Pam Taft, Blaine Harbormaster

Your MAC members are:

Peter Border	Cliff Cultee
Ryan Kapp	Jerry Writer
Tim Mumford	Jim Splaine
Doug Sterrett	Paul LaVelle
Jim Young	Jeffrey Hegedus
Ron Kleinknecht	Joe Orem

11. How do the Port of Bellingham rates compare to other marinas?

Puget Sound Moorage Rates

Based on a 40' slip without leasehold tax

Shilshole Bay Marina (Port of Seattle)	\$10.11*
Port of Edmonds	\$ 9.42
12 th St. Marina (Port of Everett)	\$ 9.40*
Port of Anacortes, Cap Sante (sq ft model)	\$ 9.34
Point Roberts	\$ 8.65
Fishermen's Terminal (pleasure)	\$ 8.50
Bremerton Marina	\$ 8.32
Port Townsend-Point Hudson	\$ 8.28
Port of Everett	\$ 8.16*
Port of Friday Harbor	\$ 7.87
Port Angeles-John Wayne Marina	\$ 7.71*
Port of Bellingham	\$ 6.92
Port Orchard Marina	\$ 6.81
Port Townsend Boat Haven	\$ 6.62
Port of Skagit	\$ 6.51
Semiahmoo	\$ 6.50

**2009 Rates- Still in the process of determining 2010 rate*