

PORT OF BELLINGHAM

MAC (MARINA ADVISORY COMMITTEE) MEETING
TUESDAY, AUGUST 10, 2010
SQUALICUM HARBOR OFFICE
BELLINGHAM, WASHINGTON

Minutes

Committee Members Present:

Peter Border
Jeff Hegedus
Paul Lavelle
Joe Orem
Brian Pemberton
Jim Splaine
Jim Young

Committee Members Absent

Cliff Cultee
Gene Knutson
Tim Mumford
Doug Sterrett

Port Representatives Present:

Dan Stahl
Mike Endsley
Pam Taft
Andy Peterson

Committee Members Excused

Ryan Kapp
Ron Kleinknecht
Jerry Writer

Visitors/ Guests:

Milan Slipovich

Roll Call

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

June 8, 2010 Minutes

The June 8, 2010 minutes were reviewed. A motion was made by Brian Pemberton to approve the minutes as written. It was seconded by Jim Young and passed unanimously.

Public Comment

There was no public comment. (See public comment note at the end of the minutes.)

Moorage Model Update

At the last meeting in June, the MAC appointed a subcommittee to study and make recommendations on the 2010 scheduled review of the Port's moorage model. The committee members that volunteered were Jim Splaine, Jim Young and Brian Pemberton. Supporting the work of the subcommittee were Dan Stahl and Pam Taft with the addition of Matt Staves from the Port's finance department. Mike Endsley, Squalicum harbormaster, also sat in and contributed on most of the meetings.

Review of the moorage model is one of the most important tasks that the MAC takes on. Their recommendations in the past have been adopted by the Commission. Setting moorage rates is a decision that impacts all of the users of the marinas. On behalf of the committee, Dan Stahl walked through a powerpoint presentation, attached to these minutes, that encapsulated the work of the subcommittee. The presentation walks the whole committee through the eight meetings that the subcommittee held over the past two months. The intent of this update is to present to the MAC as a whole the work of the subcommittee to date, gather feedback, and make sure that the work being done met the approval of the entire MAC. With that feedback the subcommittee would finish their work making a final recommendation to the MAC as a whole at the next meeting in September. These minutes will not recount the entire two plus hour discussion, but will highlight several key points:

1. First Things First: Port staff needs to continue their vigilance to reduce operating costs where possible, look for additional efficiencies, AND maintain a great level of service. We have a good track record of producing a great service level at a very reasonable price, compared to other public marinas in Puget Sound. We need to make sure that we do not lose sight of that as we go through this model adjustment.
2. Survey. The subcommittee surveyed the major public and private marinas in Puget Sound and shared those results with the MAC. One of the take-aways of that survey was that the Port of Bellingham has the highest rates for commercial fishermen in Puget Sound. The survey also revealed that most ports in Puget Sound do not have an established model to set rates but have a more ad hoc process that often times includes tax revenues, and has produced a rate structure that is higher (more expensive) to the boating public. We should be proud of the discipline that we have in how we set rates, especially the fact that we do not include tax revenue in our operations.
3. New Model. The subcommittee has worked through a draft model that they are recommending that the MAC consider. It has been named the “Blueline Model”. Two attributes of this model: 1) It has reduced the rate of overall increases that the marina was required to produce to continue operations. A significant part of that has been a reduction in the cost of financing capital projects. 2) The blueline model phases in an area charge to the marinas’ moorage rate. This is a complicated issue but in summary the draft blueline that was presented on Tuesday phases most of that work in over the course of four years. The subcommittee worked through a number of different scenarios in order to reach this recommendation which attempts to balance the needs of equity, fairness and defensibility.

Present MAC members then discussed the model at length – its pros and cons – and talked about how the model might be changed to accommodate different interests. At the end of that discussion the general consensus was that the subcommittee was on the right track. The subcommittee was asked to continue their work and to bring not only a final model for MAC’s consideration in September but to also draft the enabling resolutions that would eventually be forwarded on to the Port Commission.

MAC members thanked the subcommittee for their tireless work over the summer and asked them to finish the good work that they have started and looked forward to another presentation in September.

It is requested that the MAC craft a final recommendation for MAC motion approval at the October MAC meeting. This motion would be crafted for recommendation to the Port Commission. This final MAC recommendation would then be placed on the commission docket in resolution format in November which is in line with our overall schedule for the year.

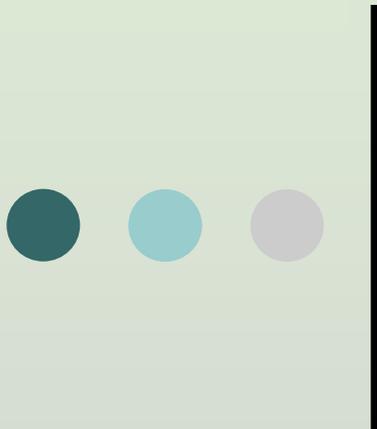
Note for September meeting: Due to scheduled business with the Alaska Marine Highway System, Dan Stahl will be in Alaska during the regularly scheduled meeting on Tuesday, September 14, 2010. As a result, the MAC decided to move this meeting in September to Thursday, September 9, at the regular time, 6:00 pm, at the regular place, Squalicum Harbor. A poll was taken of the MAC members present and all would be able to attend with the exception of Peter Border who is out for the entire month. It was recommended that this substitute date be communicated to the MAC members not present at the meeting ASAP so that they may be able to save the date on their calendars and attend this important meeting.

Preliminary Review -2011 Operating Budget

Due to the lateness of the hour, this presentation was condensed. The preliminary numbers for the 2011 operating budget were compared in aggregate to the hold down numbers that the MAC had agreed to during budget discussions in the spring of 2010. These were the line items in the Port's operation budget that cover the majority of the expenses for the marina – example, maintenance and repair, staff cost, utilities, etc. Staff is currently working through the preliminary draft of their budget which is due to the Port's finance department on August 11. Staff is currently working through those significant line items and is planning on submitting a budget that is essentially flatline (zero percent increase) for those items. This met with the concurrence of the MAC and it was requested that additional discussion be placed on the September agenda.

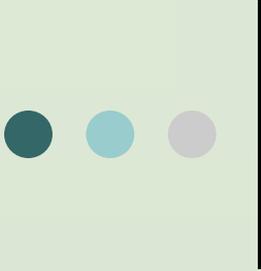
Public Comment Note: Milan Slipovich, commercial fisherman, arrived at the meeting during Item #4 – Moorage Model Update and asked to give public comment. Jeff Hegedus suggested that since the initial public comment period was missed, he would be happy to entertain public comment after the MAC worked through their agenda. Later in the meeting, the MAC received the following comment from Milan: Milan asked the MAC again if they were interested in adding an additional seat for another commercial fisherman. The discussion from the MAC was that they were very pleased with Ryan Kapp's advocacy for the commercial fishermen which was evident in the discussion on the moorage model this evening and that the MAC felt that the current membership of the committee was balanced and, respectfully, was not interested in reopening that at this time. Jeff reconfirmed with Milan that he always welcome and that MAC meetings are open to the public and encouraged Milan and any of his fellow fishermen to come at any time.

Being past our finish time, Jeff adjourned the meeting at 8:19 pm.



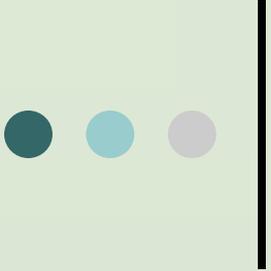
Moorage Model Review 2010

Marina Advisory Committee
August 10, 2010



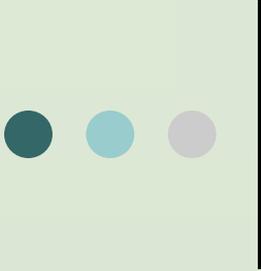
Why Review Model?

- ❏ Current Model calls for review every four years
- ❏ 2010 review scheduled
- ❏ Opportunity to upgrade model effectiveness
- ❏ Directive from Commission



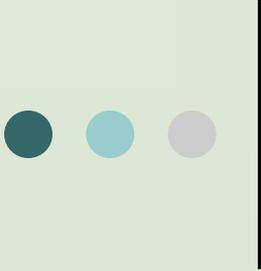
Commission Objectives

1. Investigate area charge; impact to larger commercial fishing vessels; keep simple rate system.
2. Model to be sustainable, long term, to generate enough to cover all marina expenses. Closed-loop; no tax subsidy.
3. Complete by year end



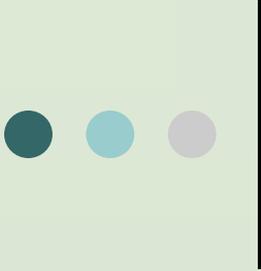
MAC Sub-Committee

- Sub-Committee formed to meet weekly and work with Port staff
- Committee Members:
 - Jim Young
 - Jim Splaine
 - Brian Pemberton
- First Meeting: June 9, 2010



First things First

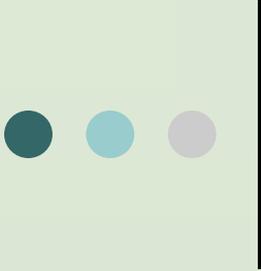
- 🖥️ Continued vigilance to reduce operating costs.
- 🖥️ Look for efficiencies; work smarter.
- 🖥️ Maintain a GREAT Level of Service.



Overhead Comparison

Finance Dept. conducted survey in April 2010 to compare Port of Bellingham's Overhead Expense to other Ports.

	Revenues	Overhead	%		Expenses	Overhead	%
Port of Bellingham	\$17,850	\$2,245	12.6%		\$11,110	\$2,245	16.8%
Port of Tacoma	\$98,200	\$12,900	13.1%		\$36,500	\$12,900	26.1%
Port of Seattle	\$489,000	\$64,600	13.2%		\$206,800	\$64,600	23.8%
Port of Vancouver	\$27,310	\$5,970	21.9%		\$11,540	\$5,970	34.1%
Port of Anacortes	\$10,640	\$2,800	26.3%		\$5,190	\$2,800	35.0%
Port of Port Angeles	\$5,280	\$1,960	37.1%		\$3,710	\$1,960	34.6%

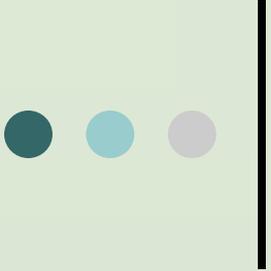


Meeting # 1

- ❏ Port's budget structure changed in 2008
- ❏ Operating Divisions--separate cash flow statements (Green Line)
- ❏ New moorage rate model to dovetail Port's financials

OPERATING - Marinas	Budget2008	Projected 2008	Actual 2009	Budget2010	Budget2011
Beginning Cash Balance	-	-	2,792,260	2,970,670	2,779,188
Sources of Cash					
Gross Revenues		5,560,100	5,919,030	6,067,091	6,309,774
Operating Expenses			2,090,151		
M & R Expense			453,473		
Year-End Finance Adjustment					
Gross Expenses		(2,393,490)	(2,543,624)	(2,783,314)	(2,874,978)
User fees for new marina - trans to BWAS					
Cash Generated from Operations	3,166,610	3,166,610	3,375,406	3,283,777	3,434,796
Grant Contributions for Operations					
Outside Contributions for Operations					
Interest Earned on Investments	-	-	-	-	-
Misc. Non-Operating Revenues	-	-	-	-	-
Proceeds from Sale of Port Property					
Proceeds from Sale of Revenue Bonds					7,400,000
Line of credit - Airport					
Proceeds from Sale of GO Bonds					
Property Tax Receipts					
Loan Proceeds- EDI Sales Tax Fund					
Environmental Reimbursement (AIG)					
Total Sources of Cash	3,166,610	3,166,610	3,375,406	3,283,777	10,834,796
Uses of Cash					
Viking Development		-			
Principal Paid on Revenue Bond 2009					
Principal Paid on Revenue Refunding Bond 1994A					
Principal Paid on Revenue Bond 1994B					
Principal Paid on Revenue Bond 1997A					
Principal Paid on Revenue Bond 1997B					
Principal & Int Paid on Revenue Bond 1999		-			
Principal & Int Paid on Revenue Bond 2005A		(996,806)	(1,006,879)	(511,105)	(422,059)
Principal & IntPaid on Revenue Bond 2005B		-			
Principal & IntPaid on Revenue Bond 2008			(951,460)	(949,800)	(953,200)
Future Revenue Bond - Principal Due					
Future Revenue Bond - Interest Due					
Line of credit - airport - repayment					
Debt service on BCT build out					
Debt Service on Revenue Bonds		(996,806)	(1,958,339)	(1,460,905)	(1,375,259)
Principal Paid on GO Bond Debt - Future Issues					
Interest on GO Bond Debt - Future Issues					
Interest Expense - G O Bond					
Debt Service on GO Bonds	-	-	-	-	-
Treasury Fees	-				
Election Costs					
Grant Expenses for Operations					
Net Public Priority Program Costs					
Net Environmental Program Costs					
Net Bellingham Waterfront Program Costs					
AIG Insurance Payments					
Overhead allocation		(918,556)	(785,734)	(845,229)	(892,835)
Total Uses of Cash	-	(1,915,362)	(2,744,073)	(2,306,134)	(2,268,094)
Cash Available for Capital Projects	3,166,610	1,251,248	3,423,593	3,948,313	11,345,890
Capital Projects Operating Activities	(750,111)	(465,221)	(366,383)	(1,139,500)	(9,691,510)
Capital Grants Operating Activities	-	-	9,460	66,375	30,563
Passenger Facility Charges					
Capital Projects Public Amenities	-				
Capital Grants Public Amenities	-				
Environmental Capital Projects	-				
Purchase Capital Assets		-			
Key Capital Lease	-	(75,000)	(75,000)	(75,000)	(75,000)
Interest on Key Lease	-	(21,000)	(21,000)	(21,000)	(21,000)
Net Capital Request and Commitments	(750,111)	(561,221)	(452,923)	(1,169,125)	(9,756,947)
Annual Cash Flow	2,416,499	690,027	178,410	(191,482)	(1,190,245)
Cumulative Cash			2,970,670	2,779,188	1,588,943

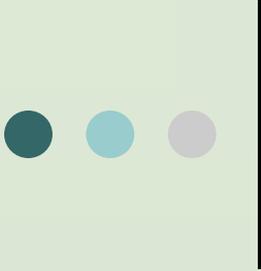
Port's Cash Flow Document (referred to as the Green Line)



Meeting # 2

Current Model....

- ❑ Complicated; Hard to understand
- ❑ Does not link directly to Port Cash Flow
- ❑ Capital financing based on projections, not actuals



Meeting # 2

- 📊 New Cash Flow Model Introduced (referred to as the Blue Line)
 - Closed-loop system
 - Easy to understand
 - Easy to communicate
 - Capital Financing based on actuals

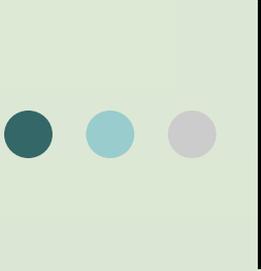


Blaine and Squalicum Harbors

Moorage Rate Method

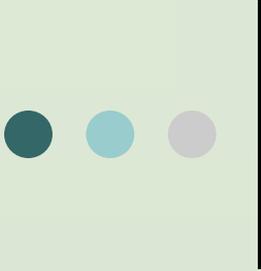
Blue-Line

OPERATING - Marinas	Actuals	Budget	Budget	Budget
Beginning Cash Balance	Starting Cash Balance			
Sources of Cash				
BL/SQ Moorage Revenues	+ Operating Revenues & - Expenses			
Non-Moorage revenue				
Misc. Non-Operating Revenues				
BL/SQ Variable Expenses				
BL/SQ Direct Expenses				
BL/SQ M & R	-	-	-	-
Net Cash	-	-	-	-
Uses of Cash				
Principal & Int Paid on Revenue Bond 2005A	- Actual Bond Payments - Overhead			
Principal & Int Paid on Revenue Bond 2008				
Debt Service on Revenue Bonds				
Overhead allocation				
Total Uses of Cash	-	-	-	-
Cash Available for Capital Projects	-	-	-	-
Capital Projects Operating Activities	- Capital Maintenance - Equipment Purchases			
Capital Grants Operating Activities				
Purchase Capital Assets				
Key Capital Lease				
Interest on Key Lease				
Net Capital Request and Commitments	-	-	-	-
REPLACEMENT PROJECTS				
Gate 3 F&G laterals (9,138,912)	- Future Project Costs			
Inner harbor condition survey (2,733,590)				
2022 Gate 6,7,8,9,10 (30,591,000)				
2023 Gate 3 A,B,C,D, Gate 2 (11,032,460)				
2024 Gate 12 (5,836,250)				
2025 Blaine (26,417,276)				
TOTAL REPLACEMENT PROJECTS COSTS	-	-	-	-
Annual Cash Flow	Cash Flow			
Ending Cash Balance	Ending Cash Balance			
Debt Coverage requirement	Required Reserve for Debt			
Implied BL/SQ moorage rate	Moorage Rate			
% increase over previous year				
Linear feet BL/SQ				



Meeting # 3

- 📌 How to transition to a square-foot model ?
 - Resolution # 1034 states that moorage rates will not go down
 - All Scenarios consistent with past Resolution

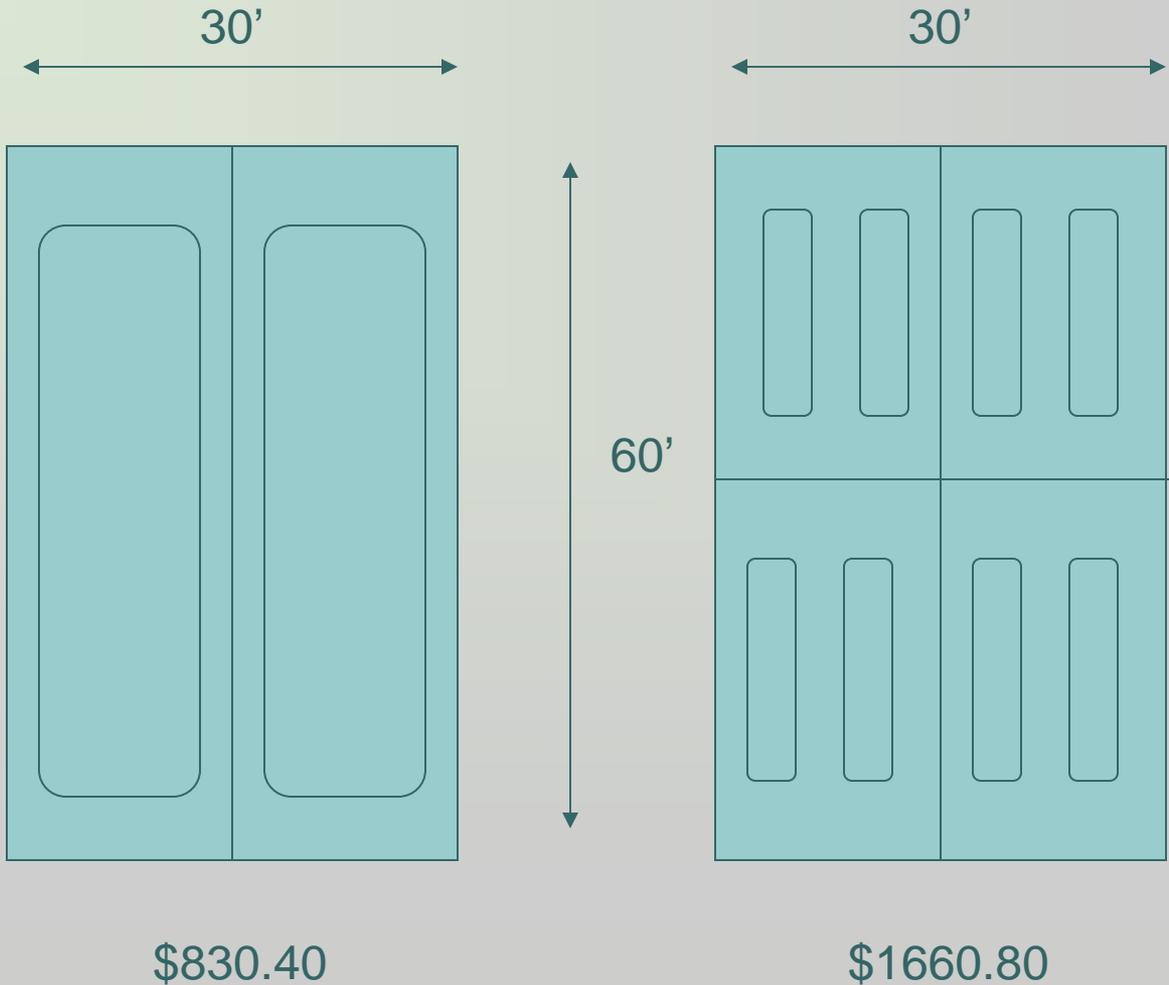


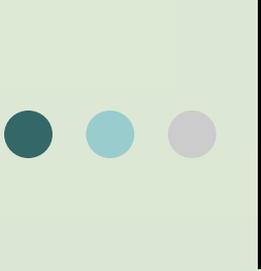
Why Change to Square Foot?

- ❏ Larger boats take up more space
- ❏ Larger slips cost more to build/repair
- ❏ Most marinas pricing is based on the area of the slip (we are an exception)

Why Change to Square Foot?

The smaller boats pay twice as much as larger boats occupying the same area.





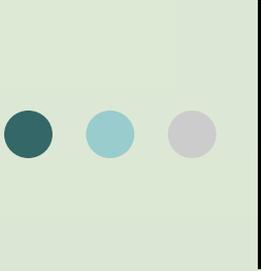
Meeting # 3

1. Identified Ranges for Slip Sizes
2. Rate consideration for Commercial fishing boats
3. Considered other fees
4. Yearly Discount to be Phased down



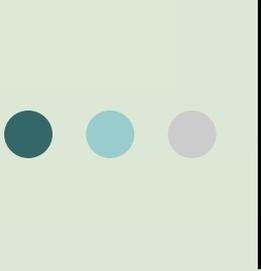
Survey Results

- Port of Anacortes
- Port of Olympia
- Port of Everett
- Port of Edmonds
- Port of Bremerton
- Semiahmoo



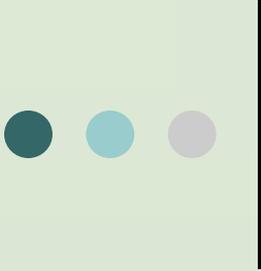
Do Tax Revenues Support the Marina?

	YES	NO
Port of Anacortes		X
Port of Bellingham		X
Port of Olympia	X	
Port of Everett	X	
Port of Edmonds	X	
Bremerton Marina	X	



Model to establish rates?

	YES	NO
Port of Anacortes	X	
Port of Bellingham	X	
Port of Olympia		X
Port of Everett		X
Port of Edmonds		X
Port of Bremerton		X



If no model, how are rates set?

Port of Olympia

Market

Port of Everett

CPI

Port of Edmonds

Bottom Line

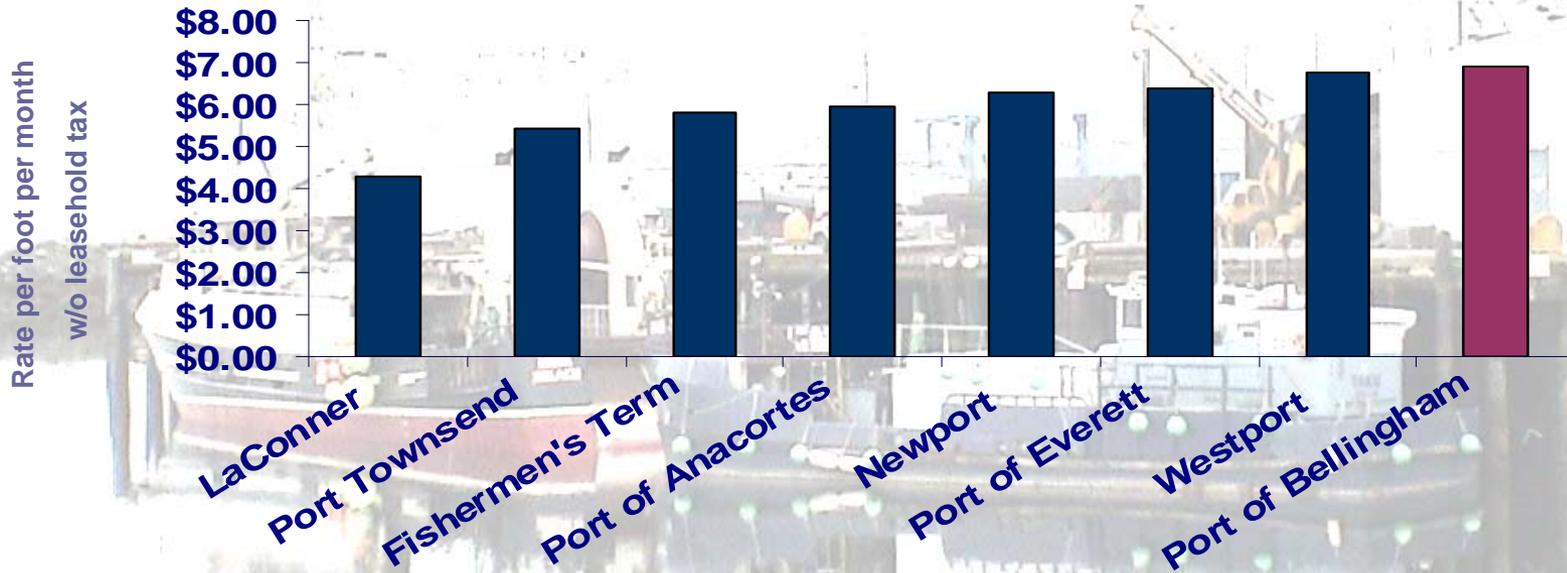
Port of Bremerton

Market

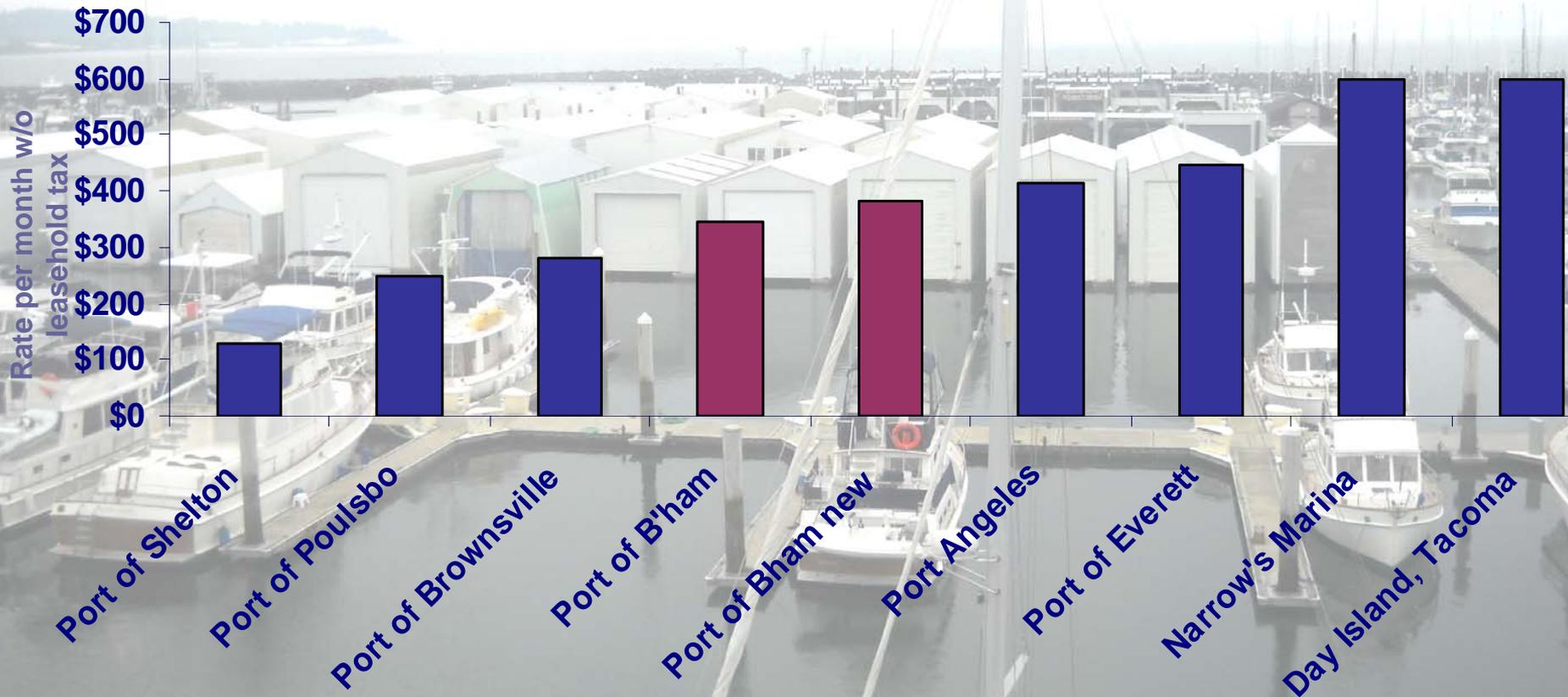
Semiahmoo

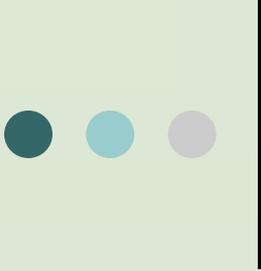
Board of Dir.

Active Commercial Fishing (ACF) Rate



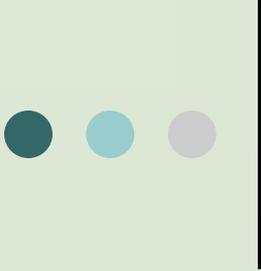
Boathouse Rate Comparison Based on 40 x 20 Dimension





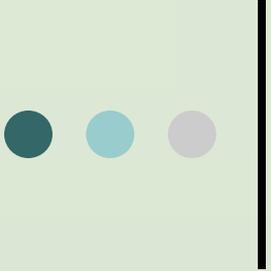
Meetings 4-7

- 📄 Iterations - lots of iterations!
- 📄 Discussion of commercial impacts
- 📄 Discussion of impacts to other users
- 📄 Discussion on different user fees
- 📄 Cross checked our work with survey data

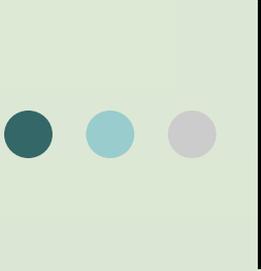


Model Attributes

- ❏ Durable model
- ❏ Transparency
- ❏ Simple
- ❏ Closed-Loop
- ❏ Links to Port's financials



Preferred Alternative...



Next Steps...

- ❏ Sub-committee to finalize model
- ❏ MAC Q & A in **September**
- ❏ MAC recommendation in **October**
- ❏ Commission consider a new Resolution in **November**