

PORT COMMISSION MEETING – November 22, 2004

The Port of Port Townsend Commission met in special session at the Point Hudson Marina Room, Port Townsend, WA.

Present: Commissioners – Beck, Pirner and Sokol
Executive Director – Crockett
Deputy Director – Pivarnik
Operations Manager – Radon
Auditor – Taylor

Absent: Attorney – Harris

I. CALL TO ORDER:

The meeting was called to order at 10:00 AM.

II. APPROVAL OF AGENDA:

Upon motion of Commissioner Sokol, the Agenda was unanimously approved as written.

III. CONSENT AGENDA: None

IV. PUBLIC COMMENTS (not related to Agenda): None

V. OLD BUSINESS:

A. Continued Discussion of Port Moorage Rates

Commissioner Beck explained that the purpose of this special meeting was to review the progressive moorage rate plan as presented on October 27 and to discuss various options. Available at the meeting were variations on the original three-year plan: a five-year progressive moorage rate plan, a three-year option at 50% of the current proposal, and a flat CPI increase. There was also a chart with a comparison of each of these proposals.

Responding to some of the comments made at the recent Public Hearing, Mr. Crockett noted that he also prepared for the Commissioners, a clarifying two-page report. Because the budget must be adopted by December 6, Staff is proposing that the Commission adopt the budget at its scheduled November 29 meeting. If further discussion is needed or Staff is asked to consider other proposals, it might necessitate another special meeting before the 6th.

Mr. Taylor noted that the comparison calculates the revenue of the four proposed plans based on the 2004 permanent moorage budget of \$698K using the same model as used to predict 2004 revenues. All projections assume that occupancy rates are not affected by increased moorage rates and show a first-year 1.5% CPI increase and 2% increase in subsequent years. The original progressive moorage rate structure was designed to provide, at the end of three years, a 6% increase between the 20 and 25 linear foot rate, a 12% increase on the 25-30, another 12% from 30 to 40, and another 12% from the 40 to 50. The difference in return, if spread over 5 years, is 3% between 20-25 and 6% for the rest. Most of the other Ports do not have 20 ft. slips, so if comparing apples to apples, there is actually a 40% spread between 25-50, rather than a 48.7% spread between 20-50 in the Port. The active commercial fishing rates, which have been the same for three years, are proposed to increase from \$4.50 to \$4.75, though there is some Staff support for holding the rate at \$4.50.

Commissioners noted that both public and private marinas are moving to progressive moorage rates. Mr. Crockett reviewed comparisons with other Ports, noting that a progressive scale is prevalent. In response to a question at the last meeting about Port Angeles, Mr. Taylor noted that Boat Haven in Port Angeles charges strictly by a linear foot rate, which is now \$3.17/ft. for everyone, with a proposed CPI increase next year of 2.4% that would raise rates to 3.25 ft. Commissioners made several comparisons to other marinas and expressed their support for using the progressive moorage structure but would consider whether to implement it over three years or 5 years.

Jim Daubenberger:

He has been a Port patron since 1962. The Port does not have the same facilities as the marinas to whom there were comparisons, many of which are for yachts. Many have restroom kiosks at the head of every other walkway, they are clean, nice, and very few have haulout facilities located nearby. They have warm, heated bathroom and shower facilities and an ample number of handcars (e.g., Deer Harbor, Friday Harbor, Des Moines). Because Boat Haven is an industrial marina, his boat is constantly filthy with bottom paint, topsides paint, sanding dust, etc. and while there are rules, they are not enforceable. In the business section of B dock, there is grinder noise and when the lift is launching a boat, it is hard to hold a conversation on your boat. These things do not occur in other marinas. He expressed anger about the inadequate handcars and restroom facilities, which not only have to serve the 500 boats, but all of the people in dry storage as well. He can understand increasing rates to improve the facilities, but none of the money is used to improve the facilities, but rather to increase the overall value of the port or hire more people. While he does not think rates should be raised until facilities are improved, he would much rather keep rates and facilities the same. The business spaces are limited in their access and usability and should be at a lower rate. Limited moorage should be at a lower rate. Staff noted there are newer carts on order and there are fewer Staff now than in years past.

Dave Thompson:

The pressing issues in Port Townsend do not have anything to do with other marinas. He asked to better understand what the issues are here and why there is a need for the \$300K extra income. He also wanted to know what would be done to benefit the people who are paying these increased rates?

Gary Rosso:

As someone who has been on the waiting list for more than a couple of years, he believes the reason the list is so long is that there are uneconomically low rates. He believes progressive rates are appropriate, provided the increase is used to upgrade the Port facilities as mentioned. There is also a need to expand the number of slips. He supports what the Port is doing. The Cape George marina faces some of the same changes, including falling sea walls, dilapidated docks, and a long waiting list. The marina committee is considering what to do so that ten years from now, boaters will still have a marina to get in to. The only way you can do that is to raise the money.

Tike Hillman:

He appreciated this special meeting. The argument is not only about the raising of the rates, but where the money has gone over the past 20 years without improvements. His taxpayer/resident title will remain longer than his boat owner title, so he has an interest in the economy from both sides. He also felt our rates should not be compared to those at Seattle or John Wayne, but set where they sustain the Port and its activities. He has spent significant time going through and trying to understand the budget. These rates are based on the current configuration, not a new configuration where you might apply the progressive structure. There is not much difference in the lineal feet of moorage in A, B, C, and D, so if you take the 20, 30, and 50 ft. slips, you have basically the same lineal footage, there is very little difference. Using several different methods, he came out with ratios for B, C and D of .03, .03, and .04. A dock – the 20 ft. slips – when fully occupied will produce more revenue, but it has 14% of the area covered with floats. Area B has 10%, C and D have 11%, so he recommended more consideration of the total concept before getting into the progressive structure. Because the Port previously operated on a theory of spending the depreciation there is now a deep hole. He urged the Port only to approve a CPI increase for 2005, but then figure out where the revenue problems exist and how to solve them.

Glen Paris-Stamm:

She is very happy in Port Townsend but is on a fixed income. Because the restrooms are open during the day to anyone and yet the tenants pay for them, it would be nice to have keys. The area of the recycling containers is noisy; there is a tremendous amount of dust; and the cars do not stop at the stop signs. She recommended paving the dirt areas.

Ed Barcott:

Bigger is not better. He asked the Port to hold the line for those on the fringe at the end of their love affair with water. Keep the Port small, friendly and affordable to the citizens that are there. People with money can get whatever they want whenever they want. There are many private marinas. The Port has an obligation to the citizens of this area. He asked the Port to reconsider what it is doing.

Imans Golts:

In comparing A dock and B dock income, including the nightly transient fees, the people on B dock are already paying more than those on A. If you look at the big picture, the big boats are actually paying more for the same area of water than the small boats, so the current rates are fair and the new rates would not be progressive, but regressive.

Tom Fairhall:

In the smaller slips, there is a much higher concentration of infrastructure relative to the plant of the marina, therefore it is more costly to maintain, build, and supply utilities, etc. to run the marina. The proposed structure is not only unnecessary but also discriminatory to the larger boats and does not take into account the reality of the cost to maintain and operate the marina. The Port is the trustee of this publicly owned marina and what the Port is trying to do is unfair to the public. It appears that the operations of the marina are well above paid for by the moorage share and money is coming from the marina tenants to finance other areas of operations. The heavy haulout does not benefit the individual marina tenants, but primarily the marine trades, their employees, their families and indirectly the citizens of Jefferson County. There needs to be a paradigm shift in how the Port allocates revenues to specific Port functions that are of interest to the economy generally — those expenses should be borne by the public. Although there will be people to fill the slips of those who have to leave the marina, they will be people from Seattle, rich retirees. He recommended approval of only the CPI increase for at least another year and give time for more community input into what is being proposed.

Mary Tietjen:

As an owner of a 35-foot boat at Boat Haven, she agrees the plan is unfair to larger boats and is troubled that moorage income is going to other aspects of the operation. She is incredibly impressed with the operating budget and the thoroughness of the work and thought. It is also heartening that the airport is turning around, there are other great things going on, and the Commission is doing a good job. She does not believe moorage rates should be the cash cow. Regardless of the rate plan adopted or what other Ports are charging, a 25-56% increase in moorage rates is excessive whether it is over three or five years.

Ken Mikkelson:

As a 30-year resident he asserted that moorage patrons do not expect or want anyone to subsidize their moorage. He knows of no time in his 25-years as a moorage tenant where there was not a net profit coming from moorage. He asked where all the money went. Until recently, every cost center in the Port was losing money – the haulout, yard, airport, rental property, and the Quilcene marina – and were being subsidized by the moorage tenants and taxpayers. Now, the airport, heavy haulout, shipyard, and Quilcene marina, and launch ramps are operating in the red and this needs to be fixed. He observed that he could have a tie down in the grass at the airport for \$37/month, a paved tie down \$53.50, or a hanger for \$156. He pays \$323 for a slip of comparable size Port property. The

progressive rate would push this up to \$435 in three years and this isn't equality. He thinks it is fool-hearted to expect airport users to be charged for using the runways, the taxiways, space and ramps as it is also out of place for moorage patrons to be assessed extra for waterways. A progressive rate increase is a revenue issue and should not be masked as an equity issue. If profit over the past 25 years had gone to moorage growth and improvement, we would have one of the best harbors in the west coast. He said he realizes the many challenges in finding revenue but urged the Port to abandon the progressive moorage rate increase, fix the money losing cost centers, pay down the debt, and then grow and improve within our means.

Mr. Crockett and Commission responded that the grass tie downs do not have any power or associated facilities. Staff is trying to raise all rates to market level. Mr. Mikkelson noted that small general aviation airports have got low rates simply because they have been subsidized by taxpayers and moorage. Staff noted the airport has received the majority of its funding from the FAA.

Dick Bothel:

He reminded that the Port's primary responsibility is economic development. Having moved his business into the County a few years ago, he is an example of what low rates can do for this town. Many other small businesses have started as a result of their boats being located here. The Port thought his hull would never see the water and it is still not finished 18 years later. Although he came with nothing, he managed to put two kids through college and owns the property his business now sits on and has a house. He believes the Port has a responsibility to other entrepreneurs starting in the Port and to maintaining the rates. If raised, other people will come in, but he does not believe that is why this county has a Port of Port Townsend.

Sid Morrell:

Beyond the comparison to other Ports, it is important to state the need. With an existing projected 2005 net income of \$596K and given the number of vessels moored, that results in \$1,324 a year per vessel in net profit and yet the docks are in poor condition, etc. Patrons should only be paying for what they are getting.

Brian Josef:

Having just arrived today, he was drawn to Port Townsend from Alaska because people said it was an excellent community oriented to the seafaring. He was also seeking affordable moorage. Currently, the marina is filled with people who live here and who have much to offer the community and who spend their money here. With increased rates, you will attract wealthy people who will not live here or contribute to the community.

Rita Mandole:

Having lived aboard their 25 ft. boat here for eight years, she has found that the liveaboards and Port patrons in general are good for the Port. People staying in the Port look out for each other and for the facilities. Their boat size hasn't increased, but for a 30-foot slip their rate will be considerably higher. They do not see a return for their increases. The restrooms are busy and often dirty and locked. There needs to be another restroom because of the number of men from the work yard utilizing the tenant restroom facilities.

Ray Forsman:

He is concerned what would happen to the patrons who are on a fixed income. Price fixing is an illegal practice that involves competitors agreeing on certain price ranges from which they set their own prices. The Port should set its prices based on what is needed here.

Dave Thompson:

After spending the last 30 years working on boats for fishermen and

wealthy people, if he were to encourage anyone to come to Port Townsend, it definitely would not be the wealthy folks. The working people are much more pleasant people to deal with.

Lynn Watson:

It is inappropriate to make price comparisons with high-end yacht basins. Neither the Boat Haven nor Point Hudson are high-end, luxurious yacht basins. This has been a working Port for a long-time and it needs to stay a working Port and remain affordable for regular people. You might get rid of the “derelict boats” and “riff-raff” by increasing prices; but while bringing wealthy people in works for some places, it is not appropriate here.

Hal Manchester:

As a recent arrival, he wants to pay his way and if he cannot, he will go. He suggested that any rate increase be put off until a more in-depth study of the cost of infrastructure for smaller boats versus larger is done. Staff responded that proportionally, smaller boats pay more per square foot than larger boats.

Jim Daubenberger:

He asked to speak for some of the smaller boat owners and especially his father, who has been a continuous Port tenant since the early 60s. The smallest slips do not have electricity, infrastructure and minimal water. The boats in the small slips are local boats and while there is a lot of turnover of these slips, they are really important for the community to access the water. People learn about boating at that level. He urged keeping prices of the small slips down.

Gary Jonietz:

It appears that in 2007 business moorage would be paying \$2 ft. more than regular tenants. He suggested they should be the same or less. He asked if there is a written definition for “limited access” and “undesirable” slips. Staff responded that the current Port policy is that business moorage pays 125% of permanent moorage rate.

Tike Hillman:

If one of the Port’s goals is economic development, why should businesses have to pay more than individuals?

Staff explained that if a boat comes in for a haulout and ends up in the marina, it is at the regular rate. The business rate is for charter boats, brokerage, and marine trades businesses. Depending on the kind of work, boats either go into that businesses’ slip or into the yard. At Boat Haven, the inside areas of A, B, C, and D dock are available as business slips and the philosophy behind the pricing was that businesses need the flexibility to turn the slips over with their customers.

During Commissioner discussion, Commissioner Sokol recognized that the facilities need many improvements. Generating revenues for such improvements remains the challenge. While you do not make money everywhere you have to make it somewhere. Areas such as boat ramps do not take care of themselves. The heavy haulout involved the boat ramp and many millions of dollars of unseen infrastructure. Although it gets closer each year, that operation will take a while to begin to pay for itself. With the exception of Port Angeles, Port Townsend’s moorage rates are below other marinas. If there were nicer facilities, it would be easier to justify a higher rate. He agreed with the premise that money has been used in other locations in the Port rather than going back into the Boat Haven, which is why he proposed a dedicated fund for Boat Haven repair. If the Port could pave the parking lot between the moorage office and the restroom, it would cut down on a lot of dirt. A dedicated fund might also help fund the screening off of sections of the shipyard between the yard office and the restrooms so that sawdust and bottom paint would be deposited upland. He talked about some of the improvements that have been made through the Point Hudson dedicated fund (e.g., Sail Loft restroom, upgrading of utilities, and sidewalks). He understands the resistance to the progressive structure, but noted there was a gathering of small boat owners at one Port meeting that were in favor of it. He still feels the

need for the structure to build the reserve fund. The question is how much. Without an increase, there would be no fund.

Commissioner Pirner noted that since he came on the Commission in 1996, the Port has paid down a \$500K line of credit. New docks and other projects cost money and Port rates are far below other marinas. The five-year structure would create a good down payment on dock replacement costs.

Commissioner Beck said the funds in this reserve fund would be locked for moorage improvements.

Tamara Conway:

She asked where the current debt came from, to which Mr. Crockett responded that \$1.5 million was for the heavy haulout and \$2.2 million created a stormwater system under the entire uplands. At a public meeting last week, there were comments urging the Port to subsidize moorage rates by charging more from the marine trades and businesses. Today, there were comments about giving these businesses a break. The heavy haulout made roughly 100 new jobs possible.

Mary Tietjen:

Would 100% of the increase be set aside from Boat Haven improvements? Commissioners responded that the reserve fund would be comprised of 100% of the moorage rate increases, less that portion identified as CPI.

Tike Hillman:

A lot of money went to infrastructure. In fact, more went to infrastructure than the travel lift. It should have been financed with a bond levy for the travel lift and a bond levy for the infrastructure. The travel lift alone would not pay off that bond. He did not disagree the travel lift is creating jobs and some of that money that is creating those jobs to may make up the loss that the lift is drawing from income from the Boat Haven. Commissioner Sokol noted the travel lift was paid for with a Community Economic Revitalization Board (CERB) loan. Commissioner Pirner noted that property taxes for next year are estimated to be \$691,500 and that general obligation debt service of \$389,346 is coming from taxpayers.

VI. STAFF COMMENTS: None

VII. COMMISSIONER COMMENTS: None

VIII. EXECUTIVE SESSION:

At 11:35, the Commission recessed into Executive Session for 10 minutes to discuss a personnel issue, with no expected decision.

IX. NEXT MEETING:

Monday, November 29, 2004 at 1:00 PM at the Point Hudson Marina Room, Port Townsend, WA.

X. ADJOURNMENT:

The meeting was adjourned at 11:45 AM, there being no further business to come before the Commission.

ATTEST:

President

Secretary

Vice President