



Serving what matters today, with a view for tomorrow.

PORT OF KINGSTON  
 Regular Session  
 October 18<sup>th</sup>, 2023; 2:00pm  
 Meeting Minutes

NAME		EMAIL	CELLULAR
Greg Englin	<input checked="" type="checkbox"/>	<a href="mailto:grege@portofkingston.org">grege@portofkingston.org</a>	
Steve Heacock	<input checked="" type="checkbox"/>	<a href="mailto:steveh@portofkingston.org">steveh@portofkingston.org</a>	
Laura Gronnvoll	<input checked="" type="checkbox"/>	<a href="mailto:laurag@portofkingston.org">laurag@portofkingston.org</a>	
Mary McClure	<input checked="" type="checkbox"/>	<a href="mailto:marymc@portofkingston.org">marymc@portofkingston.org</a>	
Audra Trainer	<input checked="" type="checkbox"/>	<a href="mailto:audrat@portofkingston.org">audrat@portofkingston.org</a>	
Kris Williams	<input checked="" type="checkbox"/>	<a href="mailto:krisw@portofkingston.org">krisw@portofkingston.org</a>	
Torey Grandt	<input checked="" type="checkbox"/>	<a href="mailto:toreyg@portofkingston.org">toreyg@portofkingston.org</a>	
Ray Carpenter	<input type="checkbox"/>	<a href="mailto:rayc@portofkingston.org">rayc@portofkingston.org</a>	
Marc Horton	<input type="checkbox"/>	<a href="mailto:mhorton@washingtonprojectconsultants.com">mhorton@washingtonprojectconsultants.com</a>	
	<input type="checkbox"/>		
<b>Guest Speaker</b>			
Aaron Powell	<input checked="" type="checkbox"/>		
Steve Page	<input checked="" type="checkbox"/>		
Joel Hansen	<input checked="" type="checkbox"/>		
Craig Powell	<input checked="" type="checkbox"/>		
Marla Powers	<input checked="" type="checkbox"/>		
Tami Bowen	<input checked="" type="checkbox"/>		

<b>1. Call to Order</b> - Commissioner McClure called the meeting to order at 6:30pm
<b>2. PLEDGE OF ALLEGIANCE</b>
<b>3. APROVAL OF AGENDA</b> Motion to approve agenda Moved: Commissioner Gronnvoll Second: Commissioner Heacock  Vote: Pass 3-0
<b>4. PUBLIC COMMENT</b> N/A
<b>5. EXECUTIVE SESSION – 6:35PM</b>



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**RECESS TO EXECUTIVE SESSION:** *The Commission will now recess to Executive Session per RCW 42.30.110(1) (i) To discuss with legal counsel representing the agency matters relating to agency enforcement actions, or to discuss with legal counsel representing the agency litigation or potential litigation to which the agency, the governing body, or a member acting in an official capacity is, or is likely to become, a party, when public knowledge regarding the discussion is likely to result in an adverse legal or financial consequence to the agency.*

*The Commission will be in Executive Session for 30 minutes.*

*Commissioner McClure: I call the Regular Meeting back to order at 7:10pm*

#### **6. CONSENT AGENDA**

- A. Approve September 27<sup>th</sup>, 2023 Regular Meeting Minutes
- B. Approve September 2023 Warrants **\$352,022.88** (\$195,564.25, \$72,158.83, and \$84,299.80) and EFT Payments **\$139,711.97**

Motion to Accept the Consent agenda

Moved: Commissioner Heacock

Second: Commissioner Gronnvoll

Vote: Pass 3-0

#### **7. ACTION ITEMS**

- A. Approve - **RESOLUTION 2023-10-18-01 TO AMEND RESOLUTION 10-01-2019 REGARDING PORT PUBLIC RECORDS OFFICER DESIGNATION**

Motion to Approve

Moved: Commissioner Gronnvoll

Second: Commissioner Heacock

Vote: Pass 3-0

- B. Approve - **RESOLUTION 2023-10-18-02 RESOLUTION TO AMEND 2023 CONTRACT WITH WENZLAU ARCHITECTS**

ED Englin – The original plan was to purchase and install a prefabricated bathroom to replace the “middle bathroom.” However, that did not meet the Kingston Design standards with Kitsap County. We decided to move forward with an architect design. Since we are already under contract with Wenzlau Architect for the commercial development project, we have requested they design the bathroom to integrate with the commercial design. Our goal is to have the bathroom complete by the end of the first quarter next year. We are hoping to have it fully designed by Thanksgiving. Because we have moved the site, the county may request we go back and do more work. The request for \$15K is to finish the bathroom design. We met with Kitsap County for a pre-application meeting. We do not have the report back yet. We will likely have more work coming from that meeting. The additional \$25K is to



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complete the architect design for the commercial development to include any potential code changes to ensure we are prepared if they are imposed.

Tami Bowen asked for clarification on the \$15K for the bathroom. ED Englin explained we are planning to build the bathroom at a different location on Port property, near the existing building. We will need to segregate the power, design, and build a new building.

Motion to Approve

Moved: Commissioner Heacock

Second: Commissioner Gronnvoll

Vote: Pass 3-0

## 8. DISCUSSION

### A. 2024 Budget

The proposed DRAFT budget for 2024 uses a zero-based budget process. Zero-based budgeting (ZBB) is a budgeting approach that involves developing a new budget from scratch every time (i.e., starting from “zero”), versus starting with the previous period’s budget and adjusting it as needed. Historically we used the prior year as the baseline for next year. This approach is more difficult but it forces staff to look at every line item by GL. Our Financial Analyst, Staci Hebert, did an excellent job building the model in Excel.

The Port is projecting Operating Revenues of \$3.684M but we need to revisit both Guest and Seasonal Moorage where we likely have opportunity to grow revenue and Net Operating Income. Also, we are seeing a prolonged effort by Kitsap Transit to grow ridership through the coming year with a targeted marketing plan so we are going to look at that as well. We need to complete the marina rate survey and are waiting on the WPPA Compensation Survey.

Operating Expenses of \$2.71M. Net Income under this draft version of the budget would be \$12,488 which includes depreciation and amortization of nearly \$493K. Total Projected Cash Inflow would be just under \$456K.

Revenue is broken down into Direct and Non-Direct Revenue. Direct includes Operating Revenue and Non-Direct includes property tax receipts, grants, interest income and leasehold excise tax (LHT).

**Permanent moorage revenues** should increase with the rate increases since occupancy has stayed at 100% for many years.

- The next year’s rates reflect an effort to benchmark against the prior year’s average rates generated from the data collected for 50+ marinas using the average rate for each slip size.
- Again, current rates are based on the previous year’s average rate for each slip size.



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- Our goal, which was established four years ago, was to trail the average rate for prior year.
- Since we base the next year's rates on previous year's moorage rates, we are always trailing the actual average for moorage rates.
- We have a wait list that continues to remain strong. 176 individuals on the waitlist
- Twenty-four (24) out of the 252 permanent moorage slips (or about 10% turnover-compared with 4% last year) were pulled from the wait list this year. About 10 of these wait list customers did not have boats. The wait list continues to backfill with new additions to the wait list. Information from BST Associates and Waggoneers indicates that there continues to be more demand than supply throughout the Puget Sound and virtually all marinas have wait lists.

**Guest Moorage** has grown should remain strong. We continue building guest moorage demand from yacht clubs and hope to expand and add more Canadian clubs. Direct sales and additional approaches to market the Port will be pursued through the coming year. We are concerned about price increases overall and volatility of fuel prices which in turn affects power boaters especially.

**Seasonal moorage** has been growing steadily and we see this trend continuing through the next 2-3 years before it will likely plateau. Seasonal moorage occupancy is also dependent on selling direct to boaters. We need to increase our efforts in this area including working with boat brokers, increasing advertising, and pulling customers away from the I-5 corridor especially. We also need to pursue boating clubs and rentals.

**Utilities** are going to be closely monitored so we can recover these costs. We are developing a program to reduce our water consumption both because it conserves water and because we know we have a fair amount of waste.

**Real estate and lease revenue** should stay relatively flat except for CPI adjustments where applicable. We will be undergoing a market rate study and will re-benchmark our rates where applicable.

**Property taxes** increase 1% and are capped due to legislation. We received the notice from the County Assessor and we will collect \$235K in property taxes.

**Parking** is challenging to predict. We expect parking revenue to strengthen. It has nearly reached pre-pandemic levels. Also, Kitsap Transit is kicking off a marketing campaign to increase ridership.

**We treat Fuel** as its own line of business. Prices and costs have been prone to volatility with prices hitting record highs. This volatility has had a distinct dampening effect on demand in boating – especially after a long period of record low prices. Fuel prices have increased significantly so the revenues have been increased – but so have the costs of goods sold for fuel. This line of business could move the gross revenue numbers up or down but will have little effect on improving profitability. If prices remain too high it will



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definitely decrease guest moorage revenue and profit. We have to purchase two new fuel pumps since the current pumps are so old we cannot even get parts for them. It's time but the replacement should not be difficult and we do not expect to lose revenue while they are being replaced.

### **Salaries & Wages**

Budget reflects a tiered approach to compensation. Cost of living looks to come in around 3.3%. We are proposing a three-tier adjustment between 3%-6% depending on where you fall. Again, we don't have the WPPA survey and are collecting data from other ports and agencies. Given the aggressive interest rate hikes by the Federal Reserve have increased the costs of borrowing to but real estate. Three years ago you would need to make \$65K per year to pay for a median priced home in Kitsap County assuming half your pay went to your mortgage. Now, with current interest rates you need to make \$115K per year. Neither scenario includes saving enough for the down payment for a median priced home.

Compensation is based on:

- Market data and performance
- A goal of retaining staff and investing in them
- Staffing turnover is extremely expensive, time consuming, and incredibly challenging to backfill with new, qualified employees
- Competition for qualified staff has become even more difficult in the public sector and for earlier career employees they are more interested in their income in order to somehow mitigate the increased costs of living
- Plus we are having to compete with private sector

**Employee medical** is increasing an estimated 10% as a placeholder.

### **Pension Expense**

- The Pension contribution requirements issued by the State of Washington have started to vary from year to year. Individual employee contributions are at 6.36% and employer contributions are currently 9.53%.

### **Training & Education**

- Training and educational opportunities will include updating our staff on the marina management software. We will be transitioning to SAGE for our accounting software.

### **IT**

- We have covered what we think our needs are hardware, software work stations and laptops for the coming year and are not expecting any significant changes in 2024.



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#### **Utilities**

- Staff has put in a lot of effort to track our utility costs. We are putting in place measures to ensure we maximize cost recovery.

#### **Excise Taxes**

- No changes are expected.

#### **Credit Card Charges.**

- We have been paying excessive fees. Our Finance Director, Audra Trainer, identified this as an area of concern. We believe we can likely reduce credit card charges annually. However, we need to integrate any changes with our new accounting software and business process so we can accommodate ACH payments. With the increase in interest rates, this is much more important now.

#### **Bad Debt**

- We continue to manage our business and have minimal bad debt.

#### **Cash Reserves**

Our cash reserves on January 1, 2019 were \$831K. They are currently \$2.73M. We take our responsibility as fiduciaries of the public trust seriously and hope these results instill confidence that we can be reliable stewards.

Also, looking at the balance sheet, it's important to note that we are steadily paying down on our debt. Our loan balance is \$668K down from about \$1M five years ago.

Kitsap County still serves as our Treasurer but we are going to work with them to increase our rate of return on our cash reserves. If we can achieve a 4% return that equates to \$110K annual contribution to our reserves. For every point we earn we earn another \$27,500. So if we earn 5% or 5 points we add \$137,500 to our reserves. We are currently at 2.79% rate of return.

We are trying to build our annual savings contributions to over \$1M annually to fund our long-term costs for replacement of our capital assets. However, we will have operating expenses and capital repair and replacement ongoing and that will be a real challenge. Staff have built a cash flow model that currently goes out 30 years. Using that model, and assumptions built into that model, we can look ahead and see we have a shortfall to fund the replacement of our capital assets in about 10-15 years – depending on the life and costs of the assets.



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We will have an LTGO debt payment of \$83,672 for 2024 (including both interest and principal).

The primary lines of business where we are focusing are:

- the marina and growing guest moorage for both daily and seasonal
- economic development and existing lines of business such as parking and fuel
- projects that support our responsibility as a transportation hub

In summary, we prioritize:

- First and foremost, safety of life and property
- Secondly, to maintain continuity of operations
- And third, and very importantly, the creation of new economic opportunities

We will have to pursue other avenues of revenue. We will go after grants, appropriations, etc. We have a long-term capital short fall. Spending the funds has become more challenging than anticipated due to the environmental mitigation requirements. We've recently partnered with Kitsap County; Andy Nelson signed a letter providing the Port with environmental mitigation credits for the stormwater. Commissioner Heacock said that one thing that is beneficial about Kingston is it is designated a transportation hub by the Puget Sound Regional Council. We are hopeful that designation will help with future projects.

Commissioner McClure asked when they will have a chance to review the 2024 rate proposal.

ED Englin stated he is hoping to provide the rate sheet next week.

A second question about the line items Commissioner Expense and Travel/Training, when Commissioners attend WPPA conferences do those expenses show in Commissioner Expense or Travel/Training?

Finance Director Audra Trainer stated the conference expense is expensed to Commissioner Expense and the Travel goes to Travel /Training.

Commissioner McClure - Is Economic Development focused on the Port's ability to replace assets or Economic Development that impacts the rest of the community?

Ed Englin – Both, the question to the Commission is do you think preserving the marina is important to the economic development of the community?

Commissioner McClure – Yes, but there are a lot of other things that we do that are important to the vitality of the community.



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Finance Director Trainer explained that we would like to do a phasing approach to the development so we can create/increase a revenue stream to then finance the future projects.

Commissioner Gronnvoll stated the discussions with business owners and community members clearly uncovered the desire to have a hotel and restaurant. Do something!

Next Work Session is October 31<sup>st</sup>

### **Capital Program**

The Capital Program is focused on:

- Repair and maintenance of the marina.
- Replacement of the Middle Bathroom in Mike Wallace Park
- Development of Guest Moorage
- Economic development emphasizing new construction in the Tent Pad area along Washington Blvd
- Conducting due diligence related to all economic development opportunities
- Expanding our life cycle asset management approach to capital planning and our cash flow model is critical to our long-term success

## **9. FINANCIAL REPORT**

Finance Director – Audra Trainer

Net Operating Revenue - \$2.0M

Total Operating Expenses before depreciation - \$1.84M

Net Operating Income before Depreciation - \$170,583

Total Net Income /Loss - \$13,925

Cash and Equivalents - \$2.73M

LGTO Bond - \$688,000

Cash Reserves - \$2.07M and increase of \$224,605 year to date

## **10. PUBLIC COMMENT**

Joel Hansen - Will the Port own and operate the hotel and restaurant built on Port property?

ED Englin – The Port won't operate the business; we would like to own as much as possible to keep the proceeds in the community. We can go with a ground lease if we don't want to use our capital. We will have to go out to the market once we are ready to go. We could do a phasing approach, we can work with KPFD, we will have to research a number of financing options. Most Ports operate the marinas, but they do not operate the marine terminals. They are landlords.

Joel Hansen – Why wouldn't the Port look at rental space rather than a permanent business?

ED Englin – That was addressed early on with the Commissioners. As Commissioner Gronnvoll stated, the community asked for number one a restaurant and number two a hotel. What you are suggesting is still a





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possibility. We have considered bringing in a really great employer to bring jobs to the community. But the community really wanted a restaurant and hotel so we will pursue that.

Aaron Powell- How dependent is the Port on the potential revenue from a hotel? Is Deferred maintenance included in the draft budget?

ED Englin – Yes, we are repairing/replacing items like the hot water heater, fuel dispensers.

Finance Director Trainer – We completed a Strategic Planning session recently. We are aggressively pursuing grants and other financing opportunities. What events can we have? What are other things can we provide for the community that we haven't thought of before? Dry stack storage? How can we improve our current situation?

Aaron Powell – Does the Port have the financial capabilities to take all this on? Is that too much? Are we helping the community developers?

ED Englin – We are dependent on the county. Where are the gaps? We are pursuing an interlocal agreement with the county to finance a part-time permit staff person to assist/prioritize Port projects as well as developers in the Port District.

**11. COMMISSION REPORT**  
N/A

**12. STAFF REPORT**  
N/A

**13. ADJOURN**  
Commission adjourned the meeting at 8:43pm

**NEXT REGULAR SESSION:** Wed, November 15<sup>th</sup>, 2023, at 6:30PM Village Green Community Center

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Mary McClure, Commissioner

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Greg Englin, Executive Director

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Laura Gronnvoll, Commissioner

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Steve Heacock, Commissioner