

## **Marinas**

# Establishing Marina Rates & Fees: A Competitive, Rational Approach

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# Why is Your Port in the Marina Business?



"There is no right or wrong approach to pricing for marina operations. However, as for all lines of business activities, it is important that a port establish its financial goal for investing in this market.

Is it (a) to produce net income for other port uses, to recover all costs and break even, or is it (b) to support a boating industry or lifestyle that requires a subsidy from other lines of business or the taxpayer? As for all lines of business, before establishing moorage rates, a port should confirm why it is in the marina business and how it wants to address its financial investment."

from p.98, Washington Public Ports Association,
 a Port Governance & Management Guide



CHMELIK SITKIN & DAVIS P.S.

ATTORNEYS AT LAW

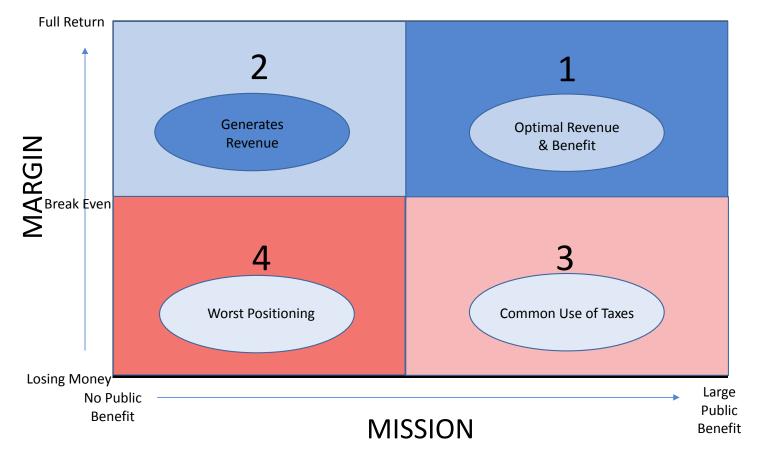
## Legal & Ethical Issues: Our Obligations as Fiduciaries



- ✓ Duty of Care
- ✓ Duty of Loyalty
- ✓ Duty of Impartiality
- ✓ Duty of Accountability
- ✓ Duty to Preserve the Public's Trust in Government

## MISSION vs MARGIN

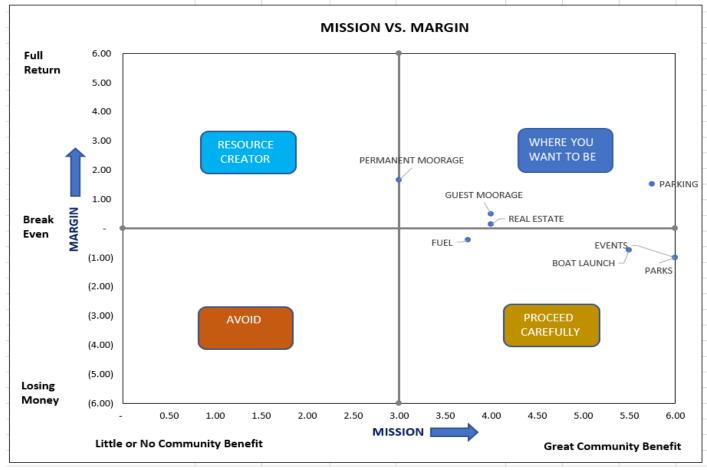




### MISSION vs

#### 





## (Public) Port Perspective



- We are responsible for assets in <u>perpetuity</u>.
- We must replace these assets <u>eventually</u>.
- We represent everyone in our port district.
  - How many marina customers are port district residents? POK ~ 44%
- All revenue goes into one pool.
  - Maybe not. Subsidize the marina from taxes or other LOBs? Grants are not the solution and are limited in application.
- Those funds are then redistributed on a prioritized basis.
  - Maybe Not. Are Lines of Business self supporting Yes/No They should be. Ask your commission!

### **Issues & Questions**



- Do we have an obligation to preserve marinas? Yes public access.
- Like a home or any hard asset, do we want to keep borrowing and burdening the future with debt? To what extent? Need commission direction
- Are we taking in enough revenue to cover both our operating expenses and fund all future capital requirements over the total life of all assets?
- The answer for most public marinas
  - Yes for Operating Expenses often generate positive NOI even after depreciation?
  - No for Capital Costs; profit must exceed Replacement Costs, Escalations
- Many public marinas are at risk of defaulting or using their debt capacity
- That would result in the sale or at least partial closure of the assets down the road or heavily burdening the future and choosing marina development over other economic development options



## Capital Costs – Hard Assets

<ul> <li>Marina (circa 1967 – 54 years old)</li> <li>320 slips ~ \$12M - \$16M (JWM) (POK~308 slips)</li> </ul>	<u>MIN</u> \$12,000,000	<u>MAX</u> \$16,000,000
<ul> <li>Breakwater (ACOE)</li> <li>What about the breakwater? ~\$10K PLF (POBremerton)</li> <li>POK breakwater stretches about 800LF ~ \$8,000,000</li> <li>Prorate to 70 years of life ~ \$5,700,000 in reserves</li> <li>50 years old, 20 year milestone ~\$2,300,000 needed</li> </ul>	\$8,000,000	\$10,000,000
<ul> <li>Bulkhead</li> <li>Est Cost \$1,000-\$1,500 PLF (Sealevel Bulkhead Builders)</li> <li>1,000LF ~ \$10M-\$15M</li> </ul>	\$10,000,000	\$15,000,000
<ul> <li>Utilities</li> <li>Power, Water, Sewer, WiFi, Stormwater, Garbage (upgrade)</li> </ul>	\$?	\$?
<ul><li>Dredging (ACOE)</li><li>UST / Fuel Dock / Fuel Lines / Env Cleanup</li></ul>	\$500,000 \$750,000	\$1,000,000 \$1,500,000

Est. Capital (Replacement) Costs = \$30M - \$45M

## \$30M Question

# How will you fund the repair and replacement of the marina?



- **➤** Operating Revenues
- Cash Reserves
- >LTGO Bonds
- ➤ Grants RCO, EDA, DOE
- **▶** Property Tax Levy
- Industrial Development District (IDD)
- > Subsidized by other LOB's
- > Revenue Bonds, IDC's
- TIF (Tax Increment Financing)

- How much NOI is being generated annually? M&R are covered – right?
- Are cash reserves committed to this LOB only or pooled with other needs?
- Have you conducted a Cash Flow Analysis over the life of the asset?
- What kind of grants are you going to apply for?
- How much do you expect to need of bonding capacity? Do you have any left?
- Take each revenue category and try and try and chip away at the \$30M price tag!
- Issue revenue bonds against earnings
- Value of all improvements still a tax
- ❖ Assumption Marinas Should Be A Stand Alone Self Sufficient Line of Business

# How will you fund the repair and replacement of the marina?



➤ Operating Revenues / NOI	\$3,500,000
<b>Cash Reserves</b>	\$1,700,000
► LTGO Bonds	\$5,000,000
➤ Grants – RCO, EDA, DOE	\$1,000,000
➤ Property Tax Levy	\$2,300,000
➤ Industrial Dev District (IDD)	?
➤ Subsidized by other LOB's	?
➤ Revenue Bonds or TIF or ?	?
	\$12,500,000

❖ Shortfall of \$3M - \$7M best case scenario just for marina portion



### **Basic Approach**

- First priority should be to fund the Marina LOB out of Operating Revenue and NOI; establish committed cash reserves with annual goal
- Second priority would be to take advantage of Grants
- ➤ Establish what your financial goals are over time (establish life of assets maybe a cash flow analysis if you can)
- ➤ How and when should tax dollars be used?
  - Recreational? Commercial, Government, Tribal?
- ➤ Should marinas use Port bonding capacity (Questionable use for economic development fund themselves?)
- Should marinas receive state tax dollars (Yes via RCO grants)

## Revenue and Expense



#### **Types of Moorage**

- Spatial / Physical
- Permanent
- Transient
- Seasonal
- Yacht Club
- Preferential
- Covered
- Open Moorage
- Side Tie
- Med Tie
- LOA's

#### **Rate Setting**

- Revenue Modeling
- Fixed vs Variable/ ARR
- Fair Mkt Value
- Wait Lists
- Vacancy vs Occupancy
- Level of Services
- Marina Rate Studies
- Rules & Regs
- CPI / Escalators

#### **Utilities**

- Electrical
- Water
- Sewer
- WiFi
- Stormwater
- Garbage

\*\*\* Is cost recovery occurring for all utilities?

# Marina Rates – Analysis & Rate Setting



#### Rate Setting – What is the basis?

- Market Data
- Performance (aka. Level of Service)
- Set a course to fund replacement of all marina related assets
  - at least close the gap much as possible before any major capital investments occur
- Start now
- Use a multiyear approach
- How are marinas currently setting rates?

# Marina Rates – Analysis & Rate Setting



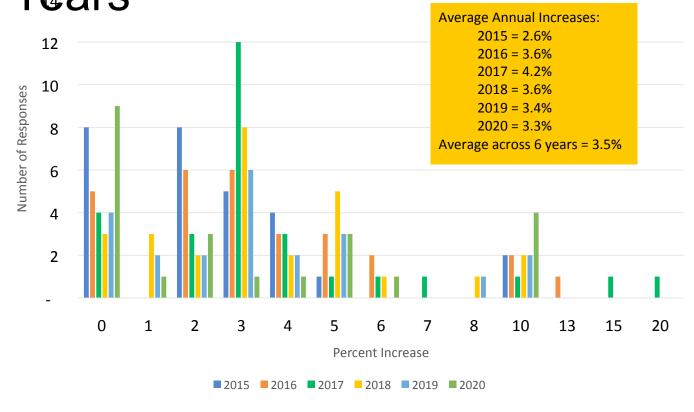
LOA	24	28	32	36	40	45	50	56	60
MAX	\$457.00	\$621.00	\$621.00	\$656.79	\$758.12	\$842.21	\$954.00	\$1,190.91	\$1,343.63
AVG	\$262.56	\$301.45	\$358.99	\$404.50	\$466.34	\$529.62	\$597.73	\$672.62	\$751.08
MIN	\$127.03	\$160.00	\$180.00	\$200.00	\$220.00	\$245.00	\$270.00	\$300.00	\$320.00

- Sample data shown above from 52 marinas
- Rates across all boat lengths range from 3x to 4x the minimum rate
- The average rate is <u>twice</u> the minimum rate
- Costs for the slips by length are all comparable however
- What accounts for the differences in pricing?
- Something is <u>wrong</u> with how many of the marinas are pricing especially marinas pricing below the average!

#### **BST Associates - Marina Rates**

- Rate methodologies
  - Based on what competitive marinas are doing = 55% (2018); 66% (2021)
  - CPI or other index = 6% (2018); 7% (2021)
  - Cover costs and ROI = 13% (2018); 3% (2021)
  - Other (please explain) = 24%
    - Competition helped us establish our rates. We increase 2.5% annually.
      - 2020- Covid- no increase- higher demand.
      - 2021- 7.5% rate increase- no problems filling slips
    - CPI + 1%
    - Demand and capital expenditures
    - Market comparison and recover costs/ROI
    - We look at our competition's rates but also aim to implement a 5-6% increase every year in order to cover increasing costs plus profit margin.

# BST Associates - Rate Increases Past Five Years





### Pricing Issues

- Q. What are some of the barriers to setting rates?
- Pricing methodology is all over the board
- Revenue and pricing are often not linked to financial sustainability over time
- > Pricing adjustments can vary in part because of politicizing business decisions
- > Public sector is not incented to drive profit; in fact just the opposite
- ➤ Private sector is usually looking for an exit strategy at some point; public holds in perpetuity
- Fair market value is established differently by ports; port commissions and management often heavily weigh social benefits over financial considerations

### Pricing Issues - CPI



- **▶Q.** What are some of the considerations to setting rates?
- ➤ CPI is inconsistently and incorrectly applied. CPI does NOT keep up with the costs of replacement. Replacement costs escalate at a rate exceeding 6% annually. The differential is nearly \$400K in 10 years for \$1M of capital.
- >CPI has been below 3% for 10 years but costs keep increasing at higher rate

Year	1	2	3	4	5	6	7	
2021	2021	2022	2023	2024	2025	2026	2027	
	3.0	3.0	3.0	3.0	3.0	3.0	3.0	
	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	103.00%	1
Year	1	2	3	4	5	6	7	
2021	2021	2022	2023	2024	2025	2026	2027	
	6.0	6.0	6.0	6.0	6.0	6.0	6.0	
	106.00%	106.00%	106.00%	106.00%	106.00%	106.00%	106.00%	1



## Pricing Issues

- **▶Q.** What is another barrier to setting rates?
- ➤ A tale of two rates.....
- ➤ Percentage increases are rarely appropriate for use as escalators. 100% of nothing is nothing.

	24	28	32	36	40	45	50
MAX	\$457.00	\$621.00	\$621.00	\$656.79	\$758.12	\$842.21	\$954.0
AVG	\$262.56	\$301.45	<b>\$</b> 358.99	\$404.50	\$466.34	\$529.62	<b>\$</b> 59 <b>7.7</b>
MIN	<b>\$127.</b> 03	\$160.00	\$180.00	\$200.00	\$220.00	\$245.00	\$270.0
3%	\$470.71	<b>\$</b> 639.63	\$639.63	\$676.49	\$780.86	\$867.48	\$982
	\$130.84	\$164.80	\$185.40	\$206.00	\$226.60	\$252.35	\$278

## Rate Survey



22 Marina	Rates Draft																		OPEN M	OORAGE RA	ATES					
		L/H Tax																								
ID No	BUSINESS NAME	Public YES or /	SUMMER NIGHTLY	WINTER NIGHTLY	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	
2	Ballard Mill Marina	Private No	N/A	N/A					\$416.08	\$430.94	\$445.80	\$460.66	\$475.52	\$490.38	\$505.24	\$520.10	\$587.88	\$604.21	\$620.54	\$636.87	\$653.20	\$669.53	\$685.86	\$702.19	\$768.24	\$
3	Roche Harbor Resort	Private No	\$2.75-\$5.00	\$1.50																						Т
4	Blaine Harbor, Port of Bellingham	Public No	\$1.10	\$1.10	\$234.80	\$244.58	\$254.36	\$269.63	\$279.62	\$289.60	\$299.59	\$318.32	\$328.59	\$338.86	\$349.13	\$359.40	\$369.66	\$407.07	\$418.07	\$429.07	\$440.08	\$451.08	\$462.08	\$473.08	\$484.08	\$ \$
5	Boat Street	Private No	N/A	N/A	\$420.00	\$437.50	\$455.00	\$472.50	\$490.00	\$507.50	\$600.00	\$620.00	\$640.00	\$660.00	\$680.00	\$700.00	\$720.00	\$740.00	\$760.00	\$780.00	\$900.00	\$922.50	\$945.00	\$967.50	\$990.00	) #
6	Port of Bremerton - Bremerton Marina	Public No	\$1.25	\$1.00													\$298.57	\$306.87	\$320.31	\$328.74	\$342.58	\$351.15	\$365.87	\$374.58	\$389.25	; ;
7	Canal Marina	Private No	N/A	N/A		\$331.25	\$344.50	\$357.75	\$371.00	\$384.25	\$397.50	\$410.75	\$424.00	\$437.25	\$450.50	\$463.75	\$477.00	\$490.25	\$503.50	\$516.75	\$530.00	\$543.25	\$556.50	\$569.75	\$583.00	) \$
8	Carillon Point Marina	Private No	\$2.00	\$2.00							\$630.00				\$714.00		\$756.00				\$840.00					Т
9	Chinook Landing Marina	Private No	\$1.55	\$1.10							\$290.00						\$360.00				\$400.00					Т
10	Delin Docks Marina	Private No	N/A	N/A	\$334.08	\$348.00	\$361.92	\$375.84	\$389.76	\$403.68	\$417.60	\$431.52	\$445.44	\$459.36	\$473.28	\$487.20	\$501.12	\$515.04	\$528.96	\$542.88	\$556.80	\$570.72	\$584.64	\$598.56	\$612.48	5
11	Dock Street Marina	Private No	& Below,	60' &	\$334.08	\$348.00	\$361.92	\$375.84	\$389.76	\$403.68	\$417.60	\$431.52	\$445.44	\$459.36	\$473.28	\$487.20	\$501.12	\$515.04	\$528.96	\$542.88	\$556.80	\$570.72	\$584.64	\$598.56	\$612.48	,
12	Eagle Harbor Marina	Private No	N/A	N/A							\$421.00		\$448.00						\$568.00				\$657.00			Т
13	Elliott Bay Marina	Private No	\$2.00-\$2.50	2.00-\$2.50									\$679.39				\$779.70		\$837.91		\$899.79					T
14	Fair Harbor -Emailed	Private No	\$1.25	\$1.25	\$264.00	\$275.00	\$286.00	\$297.00	\$308.00	\$319.00	\$330.00	\$341.00	\$352.00	\$363.00	\$374.00	\$385.00	\$396.00	\$407.00	\$418.00	\$429.00	\$440.00	\$451.00	\$462.00	\$473.00	\$484.00	, ] ,
15	Port of Seattle - Fisherman's Terminal	Public Yes	\$1.36	\$1.36																						
16	Foss Harbor Marina	Private No	\$1.65	\$1.65			\$315.00		\$330.00		\$360.00		\$405.00				\$439.00				\$495.00		\$525.00		\$540.00	Т
17	Port of Seattle - Harbor Island Marina	Public Yes	N/A	N/A									\$483.14								\$616.56					T
18	Spencer's Landing, Lopez Island	Private No	N/A	N/A		\$225.00	\$234.00	\$243.00	\$252.00	\$261.00	\$270.00	\$279.00	\$288.00	\$297.00	\$306.00	\$315.00	\$324.00	\$333.00	\$342.00	\$351.00	\$360.00	\$369.00	\$378.00	\$387.00	\$396.00	) \$
19	Port of Skagit - La Conner Marina	Public Yes	\$1.25	\$1.00							\$285.00					\$356.00					\$428.00					5
20	Lockhaven Marina	Private No	N/A	N/A	\$288.00	\$300.00	\$312.00	\$324.00	\$336.00	\$348.00	\$360.00	\$372.00	\$384.00	\$445.50	\$459.00	\$472.50	\$486.00	\$499.50	\$513.00	\$526.50	\$560.00	\$574.00	\$588.00	\$602.00	\$616.00	) \$
21	Northlake Marina	Private No	N/A	N/A					\$448.00																	Т
22	Oak Harbor Marina	Public Yes	\$1.15	\$1.15					\$237.26		\$253.64		\$274.31		\$290.95		\$314.37		\$331.38		\$354.29		\$371.60			T
23	Pleasant Harbor Marina- Emailed	Private No	\$2.00	\$2.00		\$296.25	\$308.10	\$319.95	\$331.80	\$343.65	\$355.50	\$367.35	\$379.20	\$391.05	\$402.90	\$414.75	\$426.60	\$438.45	\$450.30	\$462.15	\$474.00	\$485.85	\$497.70	\$509.55	\$521.40	, ' \$
24	Point Roberts Marina Resort	Private No	N/A	N/A	\$225.17	\$234.53	\$243.94				\$281.47	\$290.85	\$300.24	\$309.61	\$319.00						\$416.22	\$426.63	\$437.03	\$447.44	\$457.84	1
25	Port of Anacortes - Cap Sante Marina	Public Yes	1.74-2.15	\$1.10			\$240.08		\$258.54		\$314.79		\$362.65				\$443.94				\$510.88					T
26	Port of Port Angeles - Boat Haven	Public No	\$1.50	\$1.50	\$220.99	\$230.19	\$239.40	\$248.61	\$257.82	\$267.02	\$288.08	\$297.68	\$307.29	\$316.89	\$326.49	\$336.09	\$345.70	\$355.30	\$364.90	\$374.50	\$408.03	\$418.23	\$428.43	\$438.63	\$448.83	
27	Port of Olympia - Swantown Marina	Public Yes	\$1.25	\$1.25	\$231.12				\$269.64				\$344.64				\$387.72				\$455.60		\$478.38		\$501.16	; [
28	Port of Port Angeles - John Wayne Mar	Public No	\$1.50	\$1.50	\$265.13	\$276.18	\$287.22	\$298.27	\$309.32	\$320.36	\$361.54	\$373.59	\$385.64	\$397.69	\$409.74	\$421.80	\$433.85	\$445.90	\$457.95	\$470.00	\$506.88	\$519.55	\$532.22	\$544.89	\$557.57	,
29	Port Hadlock Marina	Private No	N/A	N/A					\$326.00		\$350.00				\$399.00						\$479.00					Т
30	Port Ludlow Marina	Private No	See notes.	See notes.	\$259.50	\$306.20	\$306.20	\$306.20	\$306.20	\$332.00	\$332.00	\$414.40	\$414.40	\$414.40	\$414.40	\$414.40	\$414.40	\$466.00	\$466.00	\$466.00	\$466.00	\$496.80	\$496.80	\$600.00	\$600.00	5
31	Port of Brownsville	Public Yes	\$1.50	\$1.50	\$187.20	\$195.00	\$202.80	\$210.60	\$218.40	\$226.20	\$241.20	\$249.24	\$257.28	\$265.32	\$281.18	\$289.45	\$297.72	\$305.99	\$323.38	\$331.89	\$350.00	\$358.75	\$367.50	\$376.25	\$385.00	) (
32	Port of Edmonds	Public Yes	\$1.85	\$1.70			\$350.28		\$383.65		\$486.02		\$501.95		\$586.95		\$586.96				\$720.68				\$790.24	_
33		Public Yes	\$1.50	\$1.25	\$264.73	\$274.89	\$285.05	\$295.20	\$305.36	\$315.51	\$325.67	\$335.82	\$391.12	\$402.68	\$414.25	\$425.81	\$478.00	\$490.70	\$503.39	\$516.09	\$585.20	\$599.31	\$613.41	\$627.52	\$641.62	

## Rate Survey

2 Marin	a Rates Draft						Ar	nenities						
ID No.	DISCINICS NAME	Public	LIVE ABOARD	LIVE ABOARD	BASE ELECTRIC	ELECTRIC	NIGHTLY	DAILY	ANNUAL RAMP	KAYAK RACK	PARKING	PUMP- OUT	WAIT	
ID No 2	BUSINESS NAME Ballard Mill Marina	Private	Y	\$132.82	ELECTRIC	HOUKUP	ELECTRIC	KAIVIP	NAIVIP	NACK	102.11	001	LIST	
3	Roche Harbor Resort	Private	N N		L D.18/kilowatt/	/h- 010	.00/night 50/	620.00			102.11			
4	Blaine Harbor, Port of Bellingham	Public	N N	Şt	J.18/KIIOWatt/	\$8.00	\$5.00	\$9.00	\$100.00				\$100.00	
5	Boat Street	Private	N N			\$8.00	\$5.00	\$9.00	\$100.00				\$100.00	
	Port of Bremerton - Bremerton Marina		Y	0405.00			AF 00						D	
6 7	Canal Marina	Private	Y	\$125.00 \$150.00			\$5.00		\$0.00	\$0.00	\$0.00		Deposit/\$ \$0.00	
8	Carillon Point Marina	Private	Y	\$130.00					\$0.00	\$0.00	\$0.00		\$100.00	
9	Chinook Landing Marina	Private	N N										\$0.00	
10	Delin Docks Marina	Private	Y	35% higher									\$0.00	
11	Dock Street Marina	Private	N	55% nigner			\$5.00-\$10.00					\$5.00/tanl		
12	Eagle Harbor Marina	Private	N N			\$5.00	\$5.00-\$10.00	<u> </u>				\$5.00/tani	<u> </u>	
												*****		
13	Elliott Bay Marina	Private	N				\$3.00-\$10.00	) 				\$25.04		
14	Fair Harbor -Emailed	Private Public	N								60.00	60.00	No Charge	
15 16	Port of Seattle - Fisherman's Terminal Foss Harbor Marina	Private	N Y	0450.00			\$5.00				\$0.00	\$0.00		
			Y	\$150.00			\$5.00					Free		
17	Port of Seattle - Harbor Island Marina													
18	Spencer's Landing, Lopez Island	Private	N								-		\$100 depo	-:+ ¢2E
19	Port of Skagit - La Conner Marina	Public	N		\$7.00			\$10.00	\$100.00				\$100 depo	SIL, \$25
20	Lockhaven Marina	Private	<b>-</b>								-			
21	Northlake Marina	Private	N	N/A										
22	Oak Harbor Marina	Public	Y	\$69.55	\$12.09									
23	Pleasant Harbor Marina- Emailed	Private	Y	\$100.00	\$3.00								\$0.00	
24	Point Roberts Marina Resort	Private	N		\$20.00								ļ	
25	Port of Anacortes - Cap Sante Marina	Public	Y		\$13.00		\$5.00-\$24.00	I					\$50.00	
26	Port of Port Angeles - Boat Haven	Public	Υ	\$175.00	\$10.00		5.00-20.00		\$100.00			\$50.0	ODeposit, \$	25/yr
27	Port of Olympia - Swantown Marina	Public	Y	\$110.00	\$13.00		\$5.00-\$10.00		\$85.00	\$20.00	-		\$50.00	
28	Port of Port Angeles - John Wayne Mar	Public	Y	\$175.00	\$10.50		5.25-10.50	\$15.00	\$100.00			\$50.0	ODeposit, \$	25/yr
29	Port Hadlock Marina	Private	N											
30	Port Ludlow Marina	Private	Y	\$55.00	\$15.00					\$30.00			\$40.00	
31	Port of Brownsville	Public	N	\$0.00				\$5.00	\$50.00			\$5.00	\$32.70	
32	Port of Edmonds	Public	Y	\$213.27	\$6.00		\$6.00					\$200	deposit, \$2	15/yr
33	Port of Everett - Perm Open Mooorage	Public	Y	\$175.00						\$72.34			\$300.00	



## **Comparables Data**

	24	25	26	27	28	29	30	31	32	33
Market Rate Minimum	\$140.00	\$0.00	\$0.00	\$0.00	\$160.00	\$165.00	\$170.00	\$175.00	\$180.00	\$185.00
Market Rate Maximum	\$406.22	\$423.15	\$446.00	\$457.00	\$473.93	\$490.85	\$530.00	\$563.53	\$588.37	\$675.44
Market Average Rate	\$265.54	\$204.92	\$221.67	\$212.13	\$312.68	\$327.71	\$341.64	\$361.69	\$380.73	\$395.58
Port of Kingston 23	\$265.22	\$331.16	\$331.16	\$331.16	\$331.16	\$393.22	\$393.22	\$393.22	\$393.22	\$440.62
Port of Kingston 22	\$246.71	\$308.05	\$308.05	\$308.05	\$308.05	\$365.78	\$365.78	\$365.78	\$365.78	\$409.88
Port of Kingston 21	\$220.17	\$271.09	\$271.09	\$271.09	\$271.09	\$323.90	\$323.90	\$323.90	\$323.90	\$360.73
Port of Edmonds	\$323.37	\$0.00	\$323.37	\$0.00	\$344.94		\$425.48		\$451.42	
Port of Everett	\$250.19	\$259.79	\$269.38	\$278.97	\$288.56	\$298.15	\$307.74	\$352.31	\$363.03	\$373.75
Port of Anacortes	\$245.36	\$0.00	\$245.36	\$0.00	\$264.23		\$321.71		\$370.61	
Port of Kingston 20	\$200.13	\$234.44	\$234.44	\$234.44	\$234.44	\$281.65	\$281.65	\$281.65	\$281.65	\$310.76
Port of Kingston 19	\$166.55	\$200.31	\$200.31	\$200.31	\$200.31	\$229.65	\$229.65	\$229.65	\$229.65	\$259.98
	24					50, and 60 t				erage
Market Rate Maximum	<b>24</b> \$406	7.5 % incre 28 \$474	32 \$588	36 \$675	ents for 36, 40 \$780	45	50	56	60	erage
	\$406	<b>28</b> \$474	<b>32</b> \$588	<b>36</b> \$675	<b>40</b> \$780	<b>45</b> \$927	<b>50</b> \$1,223	<b>56</b> \$1,514	<b>60</b> \$1,514	erage
Market Rate Maximum Market Average Rate Port of Edmonds		28	32	36	40	<b>45</b> \$927 \$575	50	<b>56</b> \$1,514 \$764	<b>60</b> \$1,514 \$824	erage
Market Average Rate	\$406 \$266	28 \$474 \$313	<b>32</b> \$588 \$381	<b>36</b> \$675 \$435	<b>40</b> \$780 \$495	<b>45</b> \$927	<b>50</b> \$1,223 \$660	<b>56</b> \$1,514	<b>60</b> \$1,514	erage
Market Average Rate Port of Edmonds	\$406 \$266 \$323	28 \$474 \$313 \$345	\$588 \$381 \$451	<b>36</b> \$675 \$435 \$528	<b>40</b> \$780 \$495 \$648	<b>45</b> \$927 \$575 \$711	\$1,223 \$660 \$897	\$1,514 \$764 \$1,131 \$873	\$1,514 \$824 \$1,224 \$934	erage
Market Average Rate Port of Edmonds Port of Everett Port of Anacortes	\$406 \$266 \$323 \$250 \$245	\$474 \$313 \$345 \$289 \$264	\$588 \$381 \$451 \$363 \$371	\$675 \$435 \$528 \$447 \$445	\$780 \$495 \$648 \$539 \$512	\$927 \$575 \$711 \$655 \$781	\$1,223 \$660 \$897 \$782	<b>56</b> \$1,514 \$764 \$1,131	\$1,514 \$824 \$1,224	erage
Market Average Rate Port of Edmonds Port of Everett Port of Anacortes Port of Kingston 2023 DRAFT	\$406 \$266 \$323 \$250	\$474 \$313 \$345 \$289	\$588 \$381 \$451 \$363	\$675 \$435 \$528 \$447	\$780 \$495 \$648 \$539	\$927 \$575 \$711 \$655	\$1,223 \$660 \$897 \$782 \$694	\$1,514 \$764 \$1,131 \$873 \$1,124 \$775	\$1,514 \$824 \$1,224 \$934 \$1,124	erage
Market Average Rate Port of Edmonds Port of Everett Port of Anacortes	\$406 \$266 \$323 \$250 \$245 \$265	28 \$474 \$313 \$345 \$289 \$264 \$331	\$588 \$381 \$451 \$363 \$371 \$393	\$675 \$435 \$528 \$447 \$445 \$445	\$780 \$495 \$648 \$539 \$512 \$499	\$927 \$575 \$711 \$655 \$781 \$591	\$1,223 \$660 \$897 \$782 \$694 \$666	\$1,514 \$764 \$1,131 \$873 \$1,124	\$1,514 \$824 \$1,224 \$934 \$1,124 \$853	erage
Market Average Rate Port of Edmonds Port of Everett Port of Anacortes Port of Kingston 2023 DRAFT Port of Kingston 2022	\$406 \$266 \$323 \$250 \$245 \$265 \$247	28 \$474 \$313 \$345 \$289 \$264 \$331 \$308	\$588 \$381 \$451 \$363 \$371 \$393 \$366	\$675 \$435 \$528 \$447 \$445 \$410	\$780 \$495 \$648 \$539 \$512 \$499 \$464	\$927 \$575 \$711 \$655 \$781 \$591 \$550	\$1,223 \$660 \$897 \$782 \$694 \$666 \$609	\$1,514 \$764 \$1,131 \$873 \$1,124 \$775 \$721	\$1,514 \$824 \$1,224 \$934 \$1,124 \$853 \$765	erage
Market Average Rate Port of Edmonds Port of Everett Port of Anacortes Port of Kingston 2023 DRAFT Port of Kingston 2022 Port of Kingston 2021	\$406 \$266 \$323 \$250 \$245 \$265 \$247 \$220	28 \$474 \$313 \$345 \$289 \$264 \$331 \$308 \$271	\$588 \$381 \$451 \$363 \$371 \$393 \$366 \$324	\$675 \$435 \$528 \$447 \$445 \$445 \$410 \$361	\$780 \$495 \$648 \$539 \$512 \$499 \$464 \$409	\$927 \$575 \$711 \$655 \$781 \$591 \$550 \$481	\$1,223 \$660 \$897 \$782 \$694 \$666 \$609 \$540	\$1,514 \$764 \$1,131 \$873 \$1,124 \$775 \$721 \$633	\$1,514 \$824 \$1,224 \$934 \$1,124 \$853 \$765 \$696	erage



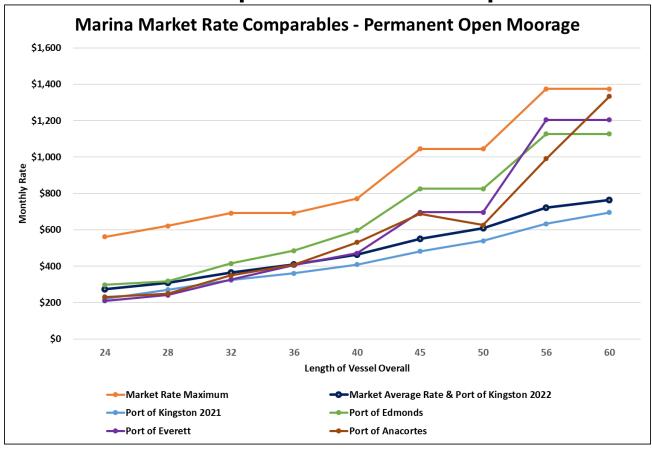
# Data – Quartiles or Target

Renchmarking

021 Marin	a Rates Draft			OPEN MOORAGE RATES-Slip Length Summary									
ID No	Completed	BUSINESS NAME		24	28	32	36	40	45	50	56	60	
								Ranked a	nd Sorted	l by 40'			
		AVG		265.54	312.68	380.73	435.16	495.34	574.99	660.16	764.14	824.19	
		75th Percentile		306.56	364.70	437.31	508.59	567.35	654.73	775.92	868.43	931.40	
		RANKED AND SORTED BY 40'		24	28	32	36	40	45	50	56	60	
		Elliott Bay Marina	1			588.37	675.44	779.65	923.34	1,223.06	1,514.22	1,514.22	
		Carillon Point Marina	2				630.00	728.00		984.00		1,294.00	
		Port of Seattle - Bell Harbor Marina	3	406.22	473.93	581.71	654.43	727.14	926.70	1,029.67	1,210.73	1,297.21	
		Port of Seattle - Shilshole Bay Marina	4	375.62	447.07	551.38	625.58	711.79	839.87	979.45	1,167.13	1,250.49	
		Ballard Mill Marina	5	381.92	381.92	539.64	539.64	705.32	844.50	844.50			
	Top Percentile	Port of Seattle - Salmon Bay Marina	6	353.52	412.44	471.36	592.92	658.80	741.15	823.50	922.32	988.20	
		Port of Edmonds	7	323.37	344.94	451.42	527.94	648.30	710.90	896.63	1,130.70	1,224.40	
		Boat Street	8	258.00		450.00		627.00		889.00			
		Eagle Harbor Marina	9	293.00	385.00	411.00	520.00	602.00	672.00	789.00	946.00	946.00	
		Winslow Wharf Marina	10		362.60	441.60	522.00	600.00	702.00	837.50			
		Stimson Marina	11	352.80	411.60	470.40	529.20	588.00	661.50	735.00	823.20	882.00	
		Port of Everett - North Open Moorage	12					584.20	654.73	809.88	967.86	1,035.56	
	~75th Percentile	Port of Seattle - Fisherman's Terminal	13	341.76	398.72	455.68	512.64	569.60	696.60	774.00	866.88	928.80	
		Port of Seattle - Harbor Island Marina	14	329.31	384.20	439.08	504.53	560.59	641.83	713.15	798.73	855.78	
		Lockhaven Marina	15	288.00	336.00	384.00	486.00	560.00	630.00	700.00	784.00	840.00	
		Snug Harbor	16	324.00	378.00	432.00	486.00	540.00	607.50	675.00	756.00	810.00	
		Port of Everett - Perm Open Mooorage	17	250.19	288.56	363.03	446.54	539.06	654.73	781.67	873.07	934.00	
		Canal Marina	18		371.00	424.00	477.00	530.00	596.25	662.50	742.00	795.00	
50	Oth-75th Percentile	Northlake Marina	19		325.00			530.00	596.25				
		Port of Anacortes - Cap Sante Marina	20	245.36	264.23	370.61	445.05	512.17	780.50	694.05	1,124.00	1,124.00	
		Port of Friday Harbor	21		339.36	392.96	449.28	510.00	583.20	655.00	750.40	804.00	
		Port of Friday Harbor - Jensen's Marina	22			387.84	449.28	510.00	589.50	655.00			
	~Average	Delin Docks Marina	23	300.96	351.12	401.28	451.44	501.60	564.30	706.50	791.28	847.80	
	~Average	Dock Street Marina	24	300.96	351.12	401.28	451.44	501.60	564.30	706.50	791.28	847.80	
	~Average	Zittel's	25	260.40	303.80	371.20	417.60	490.00	551.25	630.00	705.60	756.00	
		Pleasant Harbor Marina	26	284.40	331.80	379.20	426.60	474.00	533.25	592.50	663.60	711.00	
		Foss Harbor Marina	27	300.00	315.00	385.00	424.50	469.00	620.00	620.00			



## Comparables Graph





### Revenue Model

								2023						2022						2021
PERMANENT OPEN	LOA	Stalls	LOA	Rates / LF	Rates / Mo w/o LHT	Rates/Mo wLHT		Revenue (Mo) / Stall LOA	LOA	Rates / LF	Rates / Mo w/o LHT	Rates/Mo wLHT		Revenue (Mo) / Stall LOA	LOA	Rates / LF	Rates / Mo w/o LHT	Rates/Mo wLHT		Revenue (Mo) / Stall LOA
E - Open	12	1	12		\$234.96	\$265.13		\$265.13	12		\$218.64	\$246.71		\$246.71	12	\$17.49	\$209.85	\$236.79		\$236.79
A - Open	24	33	24		\$234.96	\$265.13		\$8,749.25	24		\$218.64	\$246.71		\$8,141.54	24	\$8.74	\$209.85	\$236.79		\$7,814.07
B - Open	28	60	28		\$293.44	\$331.12		\$19,867.06	28		\$273.00	\$308.05		\$18,483.19	28	\$8.58	\$240.37	\$271.23		\$16,273.80
E - Open	28	1	28		\$348.48	\$393.22		\$393.22	28		\$273.00	\$308.05		\$308.05	28	\$8.58	\$240.37	\$271.23		\$271.23
C - Open	32	50	32		\$348.48	\$393.22		\$19,661.24	32		\$324.16	\$365.78		\$18,289.11	32	\$8.97	\$287.06	\$323.92		\$16,196.00
D - Open	36	31	36		\$394.20	\$444.82		\$13,789.27	36		\$363.24	\$409.88		\$12,706.28	36	\$8.88	\$319.67	\$360.71		\$11,182.01
E - Open	40	12	40		\$442.00	\$498.75		\$5,985.03	40		\$411.20	\$464.00		\$5,567.98	40	\$9.06	\$362.21	\$408.72		\$4,904.64
E - Open	45	4	45		\$523.80	\$591.06		\$2,364.22	45		\$487.35	\$549.93		\$2,199.70	45	\$9.48	\$426.43	\$481.18		\$1,924.72
E - Open	50	6	50		\$590.00	\$665.76		\$3,994.54	50		\$539.50	\$608.77		\$3,652.63	50	\$9.57	\$478.46	\$539.89		\$3,239.34
E - Open	56	2	56		\$687.12	\$775.35		\$1,550.69	56		\$638.96	\$721.00		\$1,442.00	56	\$10.02	\$560.92	\$632.94		\$1,265.88
B - Open	60	1	60		\$756.00	\$853.07		\$853.07	60		\$678.00	\$765.06		\$765.06	60	\$10.28	\$616.80	\$696.00		\$696.00
E - Open	60	2	60		\$756.00	\$853.07		\$1,706.14	60		\$678.00	\$765.06		\$1,530.11	60	\$10.28	\$616.80	\$696.00		\$1,392.00
C - Open	72	1	72		\$907.20	\$1,023.68		\$1,023.68	72		\$813.60	\$918.07		\$918.07	72	\$10.28	\$740.16	\$835.20		\$835.20
D - Open	80	1	80		\$1,008.00	\$1,137.43		\$1,137.43	80		\$904.00	\$1,020.07		\$1,020.07	80	\$10.28	\$822.40	\$928.00		\$928.00
	TOTAL	205					Monthly	\$81,339.99					Monthly	\$75,270.51					Monthly	\$67,159.68
			Ш				Annual	\$976,079.90					Annual	\$903,246.11					Annual	\$805,916.16
			Ш																	
PERMANENT COVERE	'D				Base + Premium	Base + Premium + LHT	Covered Premium	Revenue (Mo) / Stall LOA			Base + Premium	Base + Premium + LHT	Covered Premium	Revenue (Mo) / Stall LOA			Base + Premium	Base + Premium + LHT	Covered Premium	Revenue (Mo) / Stall LOA
C- Covered	32	20	32	\$12.84	\$489.52	\$692.12	\$123.84	\$13,842.31	32	\$12.84			\$123.84	\$13,071.39	32	\$12.84	\$410.90	\$463.66	\$123.84	\$9,273.22
D - Covered	36	20	36	\$14.40	\$555.19	\$785.72	\$123.64	\$15,714.32	36				\$123.04	\$14,762.18	36		\$460.79		\$141.12	\$10,399.00
E - Covered	40	8	40	\$16.26	\$622.17	\$880.34	\$158.00	\$7,042.75	40			\$831.41	\$158.00	\$6,651.24	40		\$520.21	\$587.01	\$158.00	\$4,696.06
E - Covered	50	6	50	\$21.19		\$1,147.42	\$199.50	\$6,884.55	50				\$199.50	\$6,435.27	50		\$677.96		\$199.50	\$4,590.03
	TOTAL	54		-			Monthly	\$43,483.93					Monthly	\$40,920.07					Monthly	\$28,958.31
							Annual	\$521,807.19					Annual	\$491,040.86					Annual	\$347,499.72
						Perm Annual	Combined	\$1,497,887.09				Perm Annual	Combined	\$1,394,286.97				Perm Annual	Combined	\$1,153,415.88
TRANSIENT / GUEST																				
1,2,3,4,	20	4				Re	venue-LHT	\$1,327,443.36				Re	evenue-LHT	\$1,235,631.84				Re	venue-LHT	\$1,022,169.33
5,6	45	2					LHT	\$170,443.73					LHT	\$158,655.13					LHT	\$131,246.54



### **Pricing Issues**



- **▶Q.** What are some indicators you may not be setting rates appropriately?
- Pricing methodology is not understood by commission, staff, and customers
- You do not have adequate market data
- > Revenue is not linked to financial sustainability over time
- > You do not have a capital plan based on life cycle asset replacement costs
- ➤ Rates are below the market average
- >Staff does not present objective criteria; lack a revenue/expense model
- ➤ You have ongoing wait lists
- > You assess by occupancy rates instead of vacancy rates (say 1-2% for example)
- You do not recover utility costs
- > You do not have automatic annual increases related to cost escalations.



#### Rate Adjustments – Thoughts & Solutions

- > Acknowledge the need rates must increase to drive NOI to fund marinas
- Establish a front-loaded strategy to adjust rates over a 2-5 year period; start now
- ➤ Model the Capital Investment and Operating Expenses over the Life of Assets
- ➤ Hire a third party such as BST if needed to obtain arms length review
- De-politicize business decisions; explain rationale; <u>political courage is required</u> <u>regardless</u>
- ➤ <u>Managerial courage is also required</u>; do not go after staff or consultants for being forthright and messaging what needs to be done
- Steadily move rates toward top quartile across all marinas; we are more likely to be sustainable
- ➤ Use absolute values market-based pricing Abandon CPI, percentages
- ▶If easier peg prices to a market leader; adopt a market-based pricing strategy

#### Rate Adjustments – Thoughts & Solutions



#### Developing your overall pricing philosophy

- > Align your commission, exec director and staff; de-politicize decisions
- > Support & explore Marina LOB in context of Mission vs Margin
- ➤ Marinas need to be a self supporting Line of Business
- > Fiduciary responsibility Duties of Care, Loyalty, Impartiality, Accountability, Public Trust
- Legal responsibility

#### Scope of Challenge

- > Operational Costs + Capital Costs over Life Cycle of Assets must be covered
- > ROM Capital over time

#### > Pricing Methodology

- > Empirically, data based market assessment
- > Set multiyear goal based on market based approach
- > Abandon random approaches using Occupancy, CPI and percentages
- Use Benchmarking, Quartile Placement, Cost Recovery, and Revenue Modeling



#### Rate Adjustments – Thoughts & Solutions

- **≻**Our *mission* 
  - > economic development
- ➤Our *purpose* 
  - to serve as an economic engine; engines need gas i.e. profit
- **≻**Our **commitment** 
  - Create economic opportunity in perpetuity
  - Demonstrate financial responsibility today and into the future
  - > Job creation
  - ➤ Improve the environment
  - Remember All profit is reinvested for the greater good!

Questions? and Thank you!