

Answers to Questions Raised During the 7/2/18 District Listening Sessions

Public Access

What specific number of parking spaces and mooring slips will be available to the public if the ownership of JWM change?

At this time, the option of less than full access to existing parking spaces and mooring slips has not been considered.

How does the Port envision a private developer being able to meet the capital requirements and maintain the public access?

The Port Commissioners have stated that maintaining public access at JWM is a priority. In the event of a sale, the manner in which that access would be preserved would be a matter of negotiation between the Port and the potential buyer. It would be up to the buyer to determine whether ownership of the marina would be economically feasible based on the access requirements imposed by the Port.

Will the Port ask for deed restrictions if JWM was sold?

From 6-7-18 #1: In a sale to a private party, the Port would include deed restrictions regarding public access that could be enforced by the Port. The Port could also grant access easements to the public, and those easements could be enforced by any member of the public, as well as the Port, the City of Sequim, or Clallam County. Additionally, the City of Sequim, through its Shoreline Master Program, will have regulatory oversight of all actions at the Marina that may adversely impact existing public access to the shoreline, including beach access, viewing areas, and parking. The state Shoreline Management Act authorizes the City of Sequim to require a substantial development permit for any activity that reduces existing public access, and it gives the City enforcement authority to stop non-permitted development or activity that reduces existing public access, even if the Marina is owned by a private party.

Financial

How much taxes per year does the Port raise from the Sequim area and how is it being spent in the JWM?

In 2017, \$1.48 million in property taxes were collected countywide. An analysis has not been performed by local area or district because taxes are not used based on the district the taxes were collected from. While the hub of Port infrastructure is in Port Angeles, residents from all over the county are employed by companies that depend on Port infrastructure. The Port looks at having the right assets in the right place to facilitate commerce and jobs across Clallam County.

What are today's operating expenses and revenue?

The overall Port revenues and expenses, as well as the revenues and expenses of each business line and department can be found in the 2018 budget and 2017 Unaudited Annual Report.

- 2018 Budget: <https://portofpa.com/DocumentCenter/View/1647/2018-Budget?bidId=>
- 2017 Unaudited Annual Report: <https://www.portofpa.com/DocumentCenter/View/1780/2017-Annual-Report---Unaudited>

There is a big gap between 1989 and 2013 – what went on during those years?

The purpose of identifying the 5-year average for Net Annual Surplus/<Loss> on slide #12 of the 7/2/18 presentation was to illustrate the difference in the Port's Net Annual Surplus/<Loss> now vs. when the JWM was built. We used a five-year average rather than a single year in order to better represent the economics of each time period.

How does JWM compare to the other lines of business and their share of the overhead?

The methodology used to allocate overhead to all business lines is based on the Federal Aviation Administration (FAA) requirements for the Modified Total Direct Cost model. The allocation is reviewed as part of the Port's annual audit. The allocation method is explained in the Port's 2018 budget in the Supplemental Information section on page VIII-16. The Port's 2018 budget can be found here, then go to page 109: <https://portofpa.com/DocumentCenter/View/1647/2018-Budget?bidId=>

For the financial analysis of JWM presented on June 7, 2018 and July 2, 2018, we reduced the allocation of costs in Administration and General by 50% in order to eliminate general business development expenses as well as other general administrative costs.

Is the launch ramp revenue included into the JWM revenue?

Yes. Boat launch revenue is included in marina revenue.

What happened to the \$200,000 depreciation that is coming out every year?

From 6-7-18 #18. Annual depreciation is a non-cash expense. As of the end of 2017, the JWM has not yet recouped \$1.3 million of the funds used to build and expand the marina. JWM has not generated enough funds to save for future replacement costs.

How does the overhead compare to industry standards for a public enterprise?

From 6-7-18 #11: The allocated costs vary from organization to organization based on the number of centralized and decentralized services. The Port's centralized services include business development, engineering/facilities, environmental and communications/public relations in addition to accounting, information services, human services, management, governance and legal. In 2017, JWM share of the total overhead costs (administration, facilities and mechanical maintenance, and business development) was 14%. In the financial analysis of JWM presented on June 7, 2018, the allocated costs for JWM were \$217,692. This represents 28% of direct operating costs of \$782,081 (costs before allocations). This is not unusual for marinas that do not have their own accounting and maintenance departments.

What's going to happen to the overhead if it can't be allocated to JWM?

Some overhead will decrease. Some will be absorbed by other business lines.

What percentage of the original bond was used for JWM?

The original bond was for \$6.9 million and was issued specifically for JWM.

What percentage of the interest is being charged to JWM?

In the Port's financial statements for JWM and in the cash flow presentations on 6/7/18 and 7/2/18, no interest related to debt financing is included in the costs. However, we did mention in the presentations that the debt interest costs of \$6.1 million were not included. This amount is 100% of the debt financing for JWM. The interest rates used to calculate this amount were based on the original debt issuance percentages for the first 3 years. Thereafter, each time the Port issued debt, the interest rates were adjusted downward to the new bond rates. For purposes of our calculations, this allowed for a periodic drop in the interest rates from 9.00% initially to 2.29% as of the end of 2017. Interest costs are applied until the capital costs are recovered. Internal funds were borrowed when JWM did not have enough of a surplus to make the bond payment or pay for new capital expenditures.

Has the Port thought about a sale before or was it motivated by a potential offer?

The current Port Commission has not had a specific discussion topic on the sale of JWM in the past. However, it has come up as a peripheral question during the strategic plan, business line review, analysis of PABH agency proposals and in responding to rumors.

Could the money coming in from the sale benefit Sequim only?

From 6-7-18 #5: If JWM is sold, the sale proceeds will be placed into the Port's capital reserves and used for capital projects that will generate revenue for the Port to continue making infrastructure investments that support job creation. The Port's annual budget includes a 5-year capital plan. The Port is in the process of developing a 20-year capital plan. The Commission approves all capital projects over \$50,000.

- [2018 Capital Budget] <https://portofpa.com/DocumentCenter/View/1647/2018-Budget?bidId> starting on page V-1.

What is the similar financial challenge of the Port Angeles Boat Haven (PABH)?

The replacement of the west half of the PABH will likely occur within the next 10 years. The east half of the PABH was replaced in 2006. In 2006, the Port issued \$4,995,000 in bonds to finance the costs for upgrades to PABH as well as other capital improvements.

From 6-7-18 #4: The Port looks at each business line based on both its financial return and its economic impacts, such as jobs created. The PABH has created 253 jobs, in comparison to the 73 jobs created by JWM, according to the last Economic Impact Study. There has not been a significant shift in activity since the last study. The difference between the two marinas is that PABH is in an industrial area, is largely a commercial marina, is co-located with a boat yard, and is in close proximity to the development of a new Marine Trades Industrial Park. The JWM is largely a recreational marina in a residential area.

What are the income, debt and reserves for the Fairchild International Airport (FIA) and Sekiu airports?

We do not separately calculate reserves by business line because capital projects are prioritized based on many factors: regulatory and safety, committed and critical maintenance, return on investments, jobs retained or created, environmental benefits, and strategic plan initiatives. We did a special analysis for JWM to compile the historic revenues and expenses. The Port issued debt in 2010 in the amount of \$4,195,000 to fund the construction of the composite manufacturing site and building in the airport industrial park.

2016 Audited	FIA & FIA Rental Properties*	Sekiu	JWM
Revenues	\$1,412,961	\$ 15,130	\$ 1,198,648
Expenses <i>before allocations & depreciation</i>	\$ 822,099	\$ 20,813	\$ 707,891
Operating Margin**: Net Surplus/(Deficit) <i>before allocations & depreciation</i>	\$ 590,862	(\$ 5,683)	\$ 490,757
Direct Jobs from 2012 Study	601	1	73

* FIA must follow FAA regulations, which require that revenues from rental properties located on airport land can only be used to support the airport and its industrial park. Therefore, FIA revenues and expenses are combined with FIA rental properties revenues and expenses.

** The operating margin may vary from the public slide presentations due to different years.

Is the Port considering divesting in other non-profitable business lines?

The Port generally reviews all business lines as part of the strategic planning process as well as the long-term capital plan. The Port considers how well a business line is performing based on both the financial return and economic impacts. Ideally, a business line covers its operating and capital expenses and provides a surplus to support investments in economic opportunities and supports a high number of living wage jobs. At this time, no other business line is under consideration for divestiture. The future of Sekui airport has come up as a peripheral question during the strategic plan and business line reviews, however, since there is very little staff resources required to manage Sekui, the future will most likely be discussed when there is a need for a large capital outlay.

In the past, the Port has relinquished other assets that were not essential to the Port’s mission. Essential assets that support commerce by allowing multiple companies equal access to land, air and sea are at the center of the economic development mission of a port and are retained. However, it is not uncommon for ports to develop property to spur economic development and then sell the improvement. For example:

- 1982 Quileute Harbor Marina – After the marina was developed by the Port but later damaged by a storm, the Port decided not to rebuild the marina. The Port partnered with the Quileute Nation to transfer ownership to the Tribe.

- 1981 – 1995 Carlsborg Industrial Park – The Port purchased approximately 70 acres of industrial land in Carlsborg, in 1981 and formed the Carlsborg Industrial Development District in 1985. The Port constructed an interior access road and worked with the County PUD to provide water to the industrial park. The industrial park property was subdivided, and all the parcels were sold from 1991 through 1995.
- 2007 Landing Mall in downtown Port Angeles – The Port acquired a DNR harbor area lease in 1978, improvements were built by a tenant in 1987, the Port took over ownership and operations in 1993 when financial difficulties impaired the future of the Landing Mall. After the Port decided that managing commercial and retail space was not within the core mission of the Port, the Port sold the Landing Mall in 2007.

Have you included K-Ply into any of your financial data?

K-Ply is included in the overall Port financial data for the years that it was leased to a private operator. In 2016, the Port completed the cleanup on the K-Ply site and a new Marine Trades Industrial Park is planned. The cleanup costs were paid by the parties that contributed to the contamination and by the Port’s environmental insurance carriers.

Infrastructure

Has anyone considered the loss of dock space when the marina floats and docks are replaced?

From 6-7-18 #22. [T]he complete project would have to be completed in phases over multiple years. The power point slide showed the project to be completed in year 2035 for ease of presentation.

Other

Is 10 days enough time to consider other options like a non-profit entity owning JWM?

The start of the decision-making phase by the Port Commission on July 12 is about providing direction. It could be direction to consider specific alternatives, to gather additional information, or something else. At this time there is no specific proposal to consider. Time will be needed to explore, analyze and negotiate potential terms of a proposal as well as assess impacts and perform due diligence.

How can the Port legally transition the JWM into a private endeavor?

The Port has the legal right to sell the property. In the event of a sale, the Port likely would memorialize the sale terms in a purchase and sales agreement, and would convey the facility by deed. The deed would contain restrictions requiring public access.

How will the Port prevent the ruin of the JWM if the new owner goes bankrupt?

In the event of a sale, the Port would not retain any operational control over the marina other than the enforcement of public access covenants imposed by the transfer deed. The Port Commission will consider many factors in evaluating alternatives, including the financial strength of an entity.

What was the interest in Forks and PA today regarding the levy lid lift?

Comments were mixed, but most didn't think a property tax levy would pass.

How is the tribe going to be affected?

Consideration for the tribe's oyster seeding operation at the marina is important. At this time there is not a specific proposal to assess.

John Wayne Enterprises

What is the relationship between the Port and John Wayne Enterprises?

The Port uses the John Wayne Enterprises water supply system for the marina and pays for the water usage. We have informed the John Wayne Enterprise land advisor of potential interest in the marina, the Port's public process for reviewing the inquiry, and provided the links to the JWM Information website page.

Is the John Wayne Resort involved with the Port?

The John Wayne Resort is a separate entity from the Port. At this time, the Port has not had any specific conversations with the John Wayne Resort on this topic.

From 6-7-18 #8: The Port has not approached Wayne Enterprises about selling land on which to operate businesses that would supplement marina income. The Port's focus is on industrial development and it does not have the statutory authority to operate businesses that would be appropriate for the marina. The land around the marina is zoned as Planned Resort Community. The Port can lease land, but that is generally a much lower return than the profits from operating a business.

What are the names and titles of Wayne Enterprises?

We have worked with the water supply contact and the land advisor. We do not know how Wayne Enterprises is organized and the names and titles of their management.

About the Port

Has the mission of the port changed since the JWM was built?

Below is a history of the Port's mission statements back to 1990. Mission statements from the 1980's were not located.

1990 – 1994

The objective of the Port of Port Angeles is to enhance the economic health of Clallam County by providing:

- Marine Terminals for waterborne commerce
- Log handling facilities in support of the wood products industry
- Airports for airborne commerce
- Boat havens for fishery and recreation support
- Industrial properties for industry

- Industrial development opportunities
- Support for tourism activity

1995 – 2004

To serve the citizens of Clallam County by

- Providing the facilities and services required to support waterborne and airborne commerce and transportation;
- Developing and expanding opportunities associated with the Ports' properties;
- Promoting and encouraging industrial, commercial and recreational development all in a manner that will enhance the quality of life within the Port District.

2005 – 2008

The Port of Port Angeles is a public enterprise organization committed to serving the citizens of Clallam County in the following ways:

- The Port is a provider and developer of facilities and services required to support waterborne and airborne transportation and commerce.
- Port policies and management are directed to achieve a high standard of professionalism and leadership in the Community by forming partnerships for the purpose of expanding economic development opportunities and sustainable family wage jobs.
- The Port is guided by the public trust in matters of fiduciary and environmental stewardship.
- The Port will demonstrate technical proficiency in planning and promotion of industrial, commercial, and recreational opportunities in a manner that will enhance the quality of life within the Port District.

2009-2013

The Port's Mission is to be the primary leader in economic development in Clallam County by marketing and developing properties and facilities for the long-term benefit of our stakeholders while fulfilling the Port's environmental stewardship role.

2015-2017

We bring people, resources and industry together to foster living wage jobs.

2017-Present

We bring people, resources and industry together to foster economic prosperity and living wage jobs.

The core mission of the Port has always been to create economic prosperity in Clallam County. The Port looks at having the right assets in the right place to support commerce and jobs across Clallam County. Based on 2015 data from the US Census Bureau on where people live and work, of the people in Sequim who work, only 25% of the people live and work in Sequim, the other 75% work outside of Sequim. While the hub of Port infrastructure is in Port Angeles, residents from all over the county are employed by companies that depend on Port infrastructure.

An important consideration in investing in infrastructure is that it has a county-wide benefit. We not only look at the direct financial and economic impacts of a business lines but also other considerations. For example, without the airport, there would not be overnight mail, which is essential for many

companies. The ability to attract and retain national chains is often dependent on having an airport that their corporate jets can use. The airport also averages one life line flight per week to fly a patient to Seattle instead of taking an ambulance. There are many ways that Port infrastructure provides county-wide benefits even though the hub of activity is in Port Angeles.

Additionally, it is not only the number of jobs that are considered but also the types of jobs, whether they are paying a living wage and what type of multiplier affect the job has in creating other jobs in the community.

Industry	Average Annual Wage (full-time equivalent)	Multiplier: the creation of indirect and induced jobs
Forest Products	\$47,844	1.3
Boat Building	\$45,765	.58
Tourism	\$18,380	.14

There are other factors that are considered as well. For example, tourism brings dollars in from outside the county, provides entry level jobs, provides part-time options. From an economic impact perspective, the Port focuses on industrial jobs because they pay higher wages and have a greater multiplier effect. Other organizations such as the Olympic Peninsula Tourism Bureau and cities focus on tourism. County wide lodging taxes provide approximately \$1.8 million toward tourism. Plus, cities and counties receive sales tax dollars, the Port does not.

While the Port’s mission statement has changed from time to time since the John Wayne Marina was constructed, the Port’s focus on jobs creation and economic development has been constant.

Jobs

What is the relationship when comparing marinas? Jobs specifically.

From 6-7-18 #4: The Port looks at each business line based on both its financial return and its economic impacts, such as jobs created. The PABH has created 253 jobs, in comparison to the 73 jobs created by JWM, according to the last Economic Impact Study. There has not been a significant shift in activity since the last study. The difference between the two marinas is that PABH is in an industrial area, is largely a commercial marina, is co-located with a boat yard, and is in close proximity to the development of a new Marine Trades Industrial Park. The JWM is largely a recreational marina in a residential area.

How is work being done on JWM boats at the Port boat yard accounted for?

Jobs associated with boat repair performed by the Port Angeles Boat Yard are included in the Marine Trades business line, not the Port Angeles Boat Haven marina.

What are the other jobs (boat repair, crabbers, etc.) associated with the John Wayne Marina?

The jobs reported are full time equivalent (FTE) jobs based on activity and spending levels. Jobs associated with the marina were determined as follows:

- Businesses located at the marina were surveyed to identify the number of employees, payroll and revenues. This included restaurants, commercial operators (non-fishing), charter boats and governmental agencies et al.
- Commercial fishing jobs were based on commercial fish landings for Clallam County for 2012 as reported to the Pacific Fisheries Management Council (PACFIN). All commercial fisherman (tribal and non-tribal) are required to submit records on their catch. The value of the fish landings and associated jobs were allocated based upon the number of commercial fishing boats at JWM and PABH. There were 25 permanent tenants engaged in commercial fishing at PABH and none at JWM in 2012. Data from various sources, such as PACFIN and Washington state Labor Markets Economic Analysis (LMEA), were used to estimate the number of jobs and payroll.
- Recreational jobs were based on surveyed tenants at each marina to estimate their annual expenditures on boat ownership and usage (maintenance, fuel, food, and other expenditures). Annual expenditures were multiplied by the number of boats within each class/type (length range and power/sail). This result was also applied to transient recreational tenants based on the number of moorage nights.

What happens to the jobs if there is a change in ownership?

Without a specific proposal, it would be difficult to assess. However, it is anticipated that the jobs are likely to stay the same because the basic operations would be similar. If additional activity is created it is possible for jobs to increase.

Is there anything being done to keep JWM boat repair local?

While some boat repair operators travel to perform work, much of the boat repair work requires a boat to be out of the water to perform inspections and work. This requires a travel lift crane and work area that must be in compliance with strict Department of Ecology rules. The two closest boat yards are Port Angeles and Port Townsend.

Has there been any interest in developing marine trades at JWM?

The Port does not own enough uplands to create a marine trades area at JWM. Additionally, because of the cost of the infrastructure and personnel, it would not be cost effective to duplicate services that are already available in Port Angeles. Also as previously mentioned there are boat repair vendors operating at the Port Angeles Boat Haven who travel to JWM to provide boat repair services while the vessel is at berth.