



Port of Skagit

DATE: May 4th 2018

TO: Commissioners Omdal, Shuler and Ware

FROM: Patsy Martin, Executive Director

RE: Port Retreat
April 24, 2018 at 9:30 am
Chuckanut Manor, Bow, WA

ACTION REQUESTED: COMMISSION CONFIRM CONCLUSIONS FROM THE
RETREAT AS FOLLOWS:

The Port's Promise, Mission, Vision and Goals were presented and attached as Exhibit A. Staff's recommended focus for this Strategic Planning Session was the Long-Term Plan of Finance goal.

1. Long term Plan of Finance

The long-term plan of finance goal:

Sustain the port's financial health by developing long-term (fifty year) budgets, policies and business plans for the Port and each enterprise. The long-term plan is our path towards a financially stable future.

2. Cash Flow Projections

Cash flow projections for 2018 – 2024 were presented.

Assumptions included future revenue growth at 4% and future expense growth at 3%. The projections included a long-term capital facility plan (Exhibit B) that is prioritized based on the following criteria:

(1) take care of existing facilities, (2) acquire/construct new facilities to generate revenues, add and maintain jobs (3) acquire property (4) maintain/replace equipment, and (5) create a premier destination of all port facilities.

3. Fiscal Policies

The Port's fiscal policies adopted by the Commission via Resolution 11-31 in 2011 were presented and discussed.

- Maintain operating income (excluding depreciation) of 5% or greater of operating revenue.
- Maintain prudent operating reserves at 25% of operating revenues.
- Maintain debt reserves in an amount equal to the following year's annual debt service requirement.
- Maintain opportune capital investment reserves at or near \$1 million and replenish when used.
- Incorporate into the budgeting/forecasting process, an asset replacement reserve for each enterprise, in an amount equal to at least 5% of depreciable assets of that enterprise.

It was noted that the Port has not met the replacement reserve goal of 5% of depreciable assets of that enterprise. Staff will return to the Commission with a recommended adjustment for that policy.

4. Potential Future Capital Project

Skagit Regional Airport

The Commission directed staff to continue to grow Skagit Regional Airport into a business airport modeled after Hillsboro, Oregon.

Bayview Business Park

The Commission directed staff to continue to develop public private partnerships especially focused on Value-Added Ag.

Watershed Business Park

The Commission directed the staff to work on a binding site plan to develop the property overtime. Per our agreement with Bouslog the Port is able to sell parcels in three years.

La Conner Marina

The Commission directed that La Conner Marina revenues and expenses be segregated as a separate enterprise. The goal is to use the Marina revenues to rebuild the original aging infrastructure. Staff was directed to return with a fiscal analysis of the segregation.

Swift Center

The Commission directed SWIFT Center revenues and expenses be segregated as a separate enterprise at the March 26, 2018 commission meeting when they elected to take transfer. Staff noted it will take at least a year to better understand the needs of this new enterprise. Scott Peterson and Brady Rowe will be assigned to this site beginning July 1st to gain that understanding.

Fiber Network

The Commission directed staff to continue developing the open access dark fiber backbone system from Anacortes to Concrete. They were supportive of developing an LLC with P.U.D No.1 and hiring an employee devoted to broadband whose cost would be shared by the two entities. Further, they were supportive of a new connection to the I-5 corridor.

Conway

The Commission directed staff to analyze selling or leasing Conway when the existing lease expires to better fulfill the Port's Mission.

5. Debt Obligations/Capacity

- IDD Levy

The Port's current debt schedule was presented. The Commission confirmed the following uses for tax dollars:

1. Safety projects, initiatives or debt service
2. Environmental projects, initiatives or debt service
3. Community projects, initiatives or debt service
4. Infrastructure projects, initiatives or debt service

Legal counsel also advised that IDD taxes must be used on "marginal lands." Staff acknowledged that need and stated we would return to the commission to confirm conformance with legal and port policy requirements.

Summary

Staff stated that the Port is in good health. However, we have to work to do including:

1. Deferred maintenance at La Conner Marina
2. Deferred maintenance at Bayview Business Park
3. Deferred maintenance at SWIFT Center
4. Binding site plan and infrastructure development at Watershed Business Park
5. Lot development for larger hangars on Runway 11/29 at Skagit Regional Airport to continue to grow into a business airport similar to Hillsboro, OR.
6. Broadband development from Anacortes to Concrete and an I-5 corridor connection.
7. Possible sale or repurposing of the Conway property to better serve the Port's Mission
8. Continue to work on the Port's other three goals of:
 - Economic Opportunity Growth
 - Place Making
 - Community Outreach

Please see handouts (Exhibits C, D & E) provided for next steps in those three areas. Staff stated we would return to the Commission at budget time to discuss specific initiatives and/or projects related to each goal.

Attachments:

- A. Promise, Mission, Vision and Goals
- B. Capital Facility Plan
- C. Community Outreach Goal Strategy
- D. Economic Opportunity Growth Goal Strategy
- E. Placemaking Goal Strategy