

Des Moines City Council

Retreat – November 15, 2014

9:00 a.m. – 2:00 p.m.

Des Moines Activity Center

Des Moines Creek Room

2045 South 216th Street

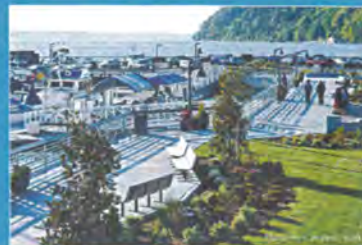
Des Moines, 98198

AGENDA

- 9:00 Call to Order
- 9:01 Review of 2014 Strategic Objectives and Council/City successes
- 9:30 Review, Discuss, and Modify as needed the City Council Vision and Mission Statements and Goals
- 9:45 Discussion of Marina issues:
- Purpose – General Fund support, boating facility, events center, community gathering place, tourist destination, etc.
- 10:30 Break
- 10:45 Discussion of Marina issues continued:
- Short and long term direction given purpose
 - Financial and capital projects challenges/options
 - Next steps
- 11:30 Councilmembers present their short and long term issues for the City to address
- 12:00 Working Lunch - Review, Discuss and Modify as needed the City Council Strategic Objectives (Development of a citywide “Strategic Action Plan.”)
- 1:45 Wrap Up and Summary
- 2:00 Adjourn

Times noted are estimates and are subject to change depending on the progress made on each item.

2014 DES MOINES CITY COUNCIL



Vision

An inviting, livable, safe waterfront community embracing change for the future while preserving our past.

Mission Statement

We protect, preserve, promote, and improve the community by providing leadership and services reflecting the pride and values of Des Moines citizens.

Goals

1. Protect people and property
2. Promote economic stability, growth, and vitality
3. Maintain the City's infrastructure
4. Enhance the City's infrastructure
5. Provide efficient and effective customer-oriented City Services
6. Improve and enhance community communications
7. Preserve and celebrate the historic elements of the City
8. Encourage community involvement
9. Preserve livability for all generations
10. Participate in regional and state issues and decisions
11. Protect the natural environment

Strategic Objectives

Short Term

- Continue to address nuisance properties.
- Implement and practice the City's Emergency Management Plan.
- Finalize and begin implementation of a Marina and Beach Park Business Plan.
- Aggressively pursue alternative revenue sources.
- Increase opportunities to recognize community members/organizations and City staff.
- Review and modify as needed regulations along commercial corridors.
- Develop and implement a plan to improve communications with the community including enhanced electronic communications and community forums.
- Continue and enhance the City's collaborations with the educational communities.
- Pursue new road funding both legislative and local options.
- Develop and implement a Business Retention and Attraction Plan for the City.
- Support the Police Department's accreditation Efforts.

Long Term

- Increase public safety
- Address nuisance properties
- Develop a marketing/branding program for the City.
- Identify development regulations to delete or revise.
- Continue and enhance the City's collaborations with the educational communities.
- Determine how to fund ongoing maintenance of infrastructure and construction of new/upgraded infrastructure including safe, walkable streets.
- Work with the Pool District to keep a pool in the City.
- Continue to improve the City's reputation in the business and development community.
- Review and modify as needed development regulations in neighborhoods and residential areas.
- Conduct a comprehensive review of Redondo issues and services.
- Continue to explore and develop opportunities in the 89 acre buyout area known as the Des Moines Creek Business Park.
- Develop a plan to build a new Court House and City Hall in Des Moines.
- Collaborate with the Pool District for provision of recreational services in Des Moines.

Adopted January 30, 2014 by the Des Moines City Council
Pictured Above Standing L-R: Jeremy Nutting, Vic Pennington, Matt Pina, Bob Schecker
Seated L-R: Melissa Musser, Mayor Duan Kaplan, Jeanette Burrage

Process

Budget process · Permit process
Technology improvements · Strategic planning

A G E N D A I T E M

BUSINESS OF THE CITY COUNCIL City of Des Moines, WA

SUBJECT: Report on the Marina's Financial Condition

FOR AGENDA OF: October 23, 2014

ATTACHMENTS:

DEPT. OF ORIGIN: Marina

1. Power Point presentation slides.

DATE SUBMITTED: November 17, 2014

CLEARANCES:

Legal _____

Finance _____

Marina _____

Parks, Recreation & Senior Services N/A

Planning, Building & Public Works N/A

Police N/A

Courts N/A

APPROVED BY CITY MANAGER
FOR SUBMITTAL: _____

Purpose and Recommendation

The purpose of this agenda item is to up-date the Council on the status of the Marina Revenue Fund.

Suggested Motion: (None Required – Information only)

Background

The Marina Revenue fund has posted losses the last three years, (2011 thru 2013) and is expected to post another loss in 2014. The losses average about \$115,000 per year and the loss for 2014 is expected to be greater than \$200,000.

Discussion

The impact of the losses on the Marina's operating fund reserves has been predictable. At the end of 2011 the fund balance was \$1.457 million dollars. At the end of 2013 the fund balance was \$1.141 million and it is expected to be about \$950,000 at the end of 2014.

There are three components to the Marina's fund balance. The first is the debt reserve for the 2002 and 2008. This amount is set by the bond covenants and it totals about \$770,000. The second part is the

Operating Reserve. This reserve was established by City policy and it is supposed to be equal to 45 days of operating expenses for the Marina. The operating reserve has averaged around \$400,000 for the last several years, but by the end of this year it is expected to be about \$195,000. The final component of the fund balance is the unrestricted funds. These are typically funds that are transferred to the Marina capital improvement fund. There were no unrestricted funds in 2013 and there will be no unrestricted funds in 2014 to transfer to the capital improvement fund.

Moorage Revenues

Moorage revenues are the Marina's principal source of revenue. They are recovering from the recession but they are no longer as predictable as they were. Since 2009 moorage revenues have averaged about \$2.3 million dollars per year. This year's moorage revenues are expected to be about \$2.232 million, down about \$140,000 from the peak in 2009. Other factors that affect moorage revenue on an annual basis are fishing opportunities, weather, fuel prices and consumer confidence.

Other Revenues

Guest moorage, fuel sales and parking revenues are also recovering from the recession but they are even more variable than moorage revenues. These revenues are also impacted by fishing, weather, fuel prices and the economy in general.

Expenses

Debt service is the Marina's second largest expense and the one that has increased the most since 2009. Current bond payments are about \$820,000 per year and will stay at that level for several years. The payments have increased by about \$200,000 since 2009.

Payroll is the Marina's largest expense. The number of employees has been stable over the last five years with the exception of 2010 when an employee was added to manage the Combined Projects. Payroll has averaged about \$880,000 per year.

The transfer to the general fund, including the parking tax is the Marina's third largest expense. It has been averaging about \$615,000 per year.

Financial Impact

In general, revenues have not been able to keep up with the increase in expenses. The situation is made worse by the increase in variability of the revenues streams, especially permanent moorage. Even though the Marina is recovering from the recession, weather, fuel prices and the availability of fishing will still impact annual revenues. The result of the Marina's struggle to balance revenues and expenses is that it is no longer capable of maintaining the capital improvement plan set out in the 2007 Marina Master Plan that was adopted by the Council.

The Council's priorities should be reflected in the budgets of the various departments of the City. The Marina's largest expense after payroll and debt service is the transfer to the general fund, which indicates to the staff that the Marina's principal priority should be to support the general fund. The revenue and expense issues facing the Marina will eventually erode the Marina's ability to accomplish even that.

Conclusion

The staff has several suggested actions.

Near Term

1. Reduce the Transfer to the general fund to the actual cost of the services the fund provides to the Marina.

Or: if supporting the general fund is the Marina's principal priority, take every opportunity to maximize revenue and reduce expenses. For example:

Turn the guest moorage area into permanent moorage. This could be accomplished with a relatively small investment and would increase revenues by about \$25,000 dollars and the revenue would not be as variable as guest moorage revenue. This move would also reduce expenses because the Marina could reduce the amount of summer help and reduce marketing costs like the boat show, web site, etc.

2. Focus on Redondo: Resolve the remaining issues and implement a comprehensive pay parking plan in Redondo. Currently the Redondo operation loses \$15 - \$20,000 per year. Expenses average \$70 - \$75,000 dollars per year and revenue has averaged \$76,000 dollars per year recently, but the 25% parking tax reduces the average revenues to \$57,000 per year. The staff estimates that maintaining and repairing the board walk will cost about \$300 - \$400,000 dollars in the next five to ten years. With the current revenue/expense structure, the Marina fund will not be able to meet that challenge. Even cutting the staff back to a "self service" facility will not change the equation enough to make a difference.
3. Implement pay parking in the Marina and Beach Park immediately. The first sample sent to the State Department of Licensing shows that 70% of the people that visit the north lot and the Beach Park are not residents of Des Moines.

Mid Term

1. Find a way to reduce the cost of the DNR lease. There are several options but all of them will take time and resources.
2. Find a way to replace the \$4 million dollars the Marina needs to restart the Capital Improvement Plan because current Marina revenues will not be enough to support the debt needed to replace the docks and bulkheads over the next ten to fifteen years. If reducing the transfer and/or implementing pay parking are not politically feasible, consider asking the citizens for a levy to replace the bulkheads in the north parking lot, (about \$4 million in cost). Since the launch business went away, the north lot is not really needed to support other Marina revenues. It is used for public events and to support the rentals in the Beach Park.
3. Change the way the transfer to the general fund is done. Marina revenues are now so variable that it is difficult to determine in advance how much money can be transferred without driving the Marina fund negative. The decision on the amount of the transfer should be based on current, actual dollars in the bank, not on project revenues for the next year.

Summary

The Marina remains a viable business, even after weathering the worst economic downturn in seventy-five years. Although variable, revenues are again trending up and people are returning to boating. What is apparent though is that the Marina can no longer support the general fund and support its own capital improvements also.

Recently, the Marina staff began preparing to take the seven open slips at the end of E Dock out of service. The floats have deteriorated to the point where the staff does not believe they will survive a winter storm with boat moored on them. The staff will be looking for a way to fund the repairs, which will cost \$10 - \$15,000, but in the meantime, the liability remains, probably getting larger. The only thing that will be gone is the revenue.

The staff believes that the Marina is at the point where direct, decisive action by the City Council is needed to keep the fund solvent.

PRESENTATION OUTLINE

MUNICIPAL FACILITIES COMMITTEE MEETING

Thursday, Sept. 25, 2014

IMPACTS OF LOSSES ON MARINA FUND RESERVES

1. POSTED LOSSES THE LAST THREE YEARS – (1ST COLUMN)
 - a. AVG. ABOUT \$115,000 PER YEAR
 - b. EXPECTED TO BE OVER \$200,000 THIS YEAR (2014)
2. COMPONENTS OF ENDING FUND BALANCE
 - i. BOND RESERVE - (GREEN)
 - ii. OPERATING RESERVE - (PURPLE)
 - iii. UNRESTRICTED CASH – (ROYAL BLUE)
3. REVENUES
 - a. MOORAGE – (REVENUE)
 - i. AVG. - \$2,304,659
 - ii. RANGE – DOWN ABOUT \$140,00
 - iii. VARIBILITY
 - b. ALL OTHER REVENUE
 - i. AVG = \$509,129
 - ii. RANGE = \$163,000
 - iii. VARIBILITY
4. EXPENSES
 - a. DEBT SERVICE
 - i. INCREASED \$190,000 SINCE 2009))
 - b. PAYROLL –
 - i. AVG ABOUT \$880,000
 - ii. FTE'S SAME
 - c. TOTAL TRANSFER, INCLUDING PARKING TAX
 - i. AVG = \$615,760

SUMMARY

- REVENUES HAVE NOT BEEN ABLE TO KEEP UP WITH THE INCREASE IN EXPENSES.
- PERMENANT MOORAGE REVENUES HAVE DECLINED FROM THE PEAK IN 2009 AND BECOME MUCH MORE VARIABLE.
- SHORT TERM VARIBILITY IS DUE TO WEATHER, FUEL PRICES, AVAILABILTY OF SALMON
- SOME OF THE "OTHER REVENUES" HAVE DECREASED, SOME HAVE INCREASED BUT THEY HAVE ALWAYS BEEN VARIABLE FOR THE SAME REASONS, WEATHER, FUEL, AND FISH.

- THE VISION IN THE MARINA MASTER PLAN WAS THAT THE MARINA WOULD REBUILD ITSELF USING MARINA REVENUES. THAT PLAN IS NO LONGER VIALBLE AND THE MARINA'S CAPITAL IMPROVEMENT PLAN IS NON-EXISTENT.
- THE COUNCIL'S PRIORITIES SHOULD BE REFLECTED IN THE DEPARTMENTS BUDGETS. THE MARINA'S LARGETS EXPENSE AFTER DEBT AND PAYROLL IS THE TRANSFER WHICH INDICATES TO ME THAT THE MARINA'S PRINCIPAL PRIORITY IS SUPPORTING THE GENERAL FUND. IN MY OPINION, THE MARINA NO LONGER HAS THE CAPIBILITY TO ACCOMPLISH THAT.
- MAYBE IT IS A CONFLICT WITH PRIORITIES, MAYBE IT'S UNREALISTIC EXPECTATIONS BUT THE MARINA IS FAILING IN SEVERAL AREAS NOW.

SUGGESTED ACTIONS

NEAR TERM:

1. REDUCE TRANSFER TO THE AMOUNT THE GENERAL FUND ACUTUALLY SPENDS SUPPORTING THE MARINA.

OR - IF SUPPORTING THE GENERAL FUND IS THE PRIORITY, TAKE EVERY OPPORTUNITY TO MAXIMIZE REVENUE & REDUCE EXPENSES: FOR EXAMPLE

TURN THE GUEST MOORAGE AREA INTO PERMENANT MOORAGE.

- (MAP & PLAN)
- GAIN ABOUT \$25 IN REVENUE – NOT AS VARIBLE
- REDUCE EXPENSES – SUMMER TEMPS, MARKETING,
- COULD RETAIN SMALL GUEST MOORAGE BUSINESS
- SOME IMPACTS ON THE FUEL BUSINESS

2. FOCUS ON REDONDO

- RESOLVE THE ISSUES AND IMPLEMENT A COMPREHENSIVE SOLUTION TO PARKING IN REDONDO
 - THE REDONDO OPERATION LOSES ABOUT \$15 - \$20,000 PER YEAR
 - EXPENSES ARE ABOUT \$70 - \$75,000 PER YEAR
 - REVENUE HAS AVERAGED \$76,000 PER YEAR SINCE 2009
 - NET OF PARKING TAX, AVG REVENUE IS \$57,000.
 - THE BOARD WALK IS A LONG TERM LIABILITY
 - REPLACING BOARDS
 - REPLACING RAILINGS
 - \$300 - \$400,000 WORTH OF WORK IN THE NEXT 5 – 10 YEARS

- UNDER THE CURRENT REVENUE/EXPENSE STRUCTURE THE MARINA FUND WILL NOT BE ABLE TO MAINTAIN THE REDONDO FACILITY. EVEN CUTTING BACK STAFFING TO A “SELF SERVICE” FACILITY WILL NOT CHANGE THE EQUATION ENOUGH TO MAKE A DIFFERENCE.
 - ANY REVENUE GENERATED IN REDONDO NEEDS TO BE LEFT IN REDONDO TO SOLVE THE PROBLEMS THERE.
3. IMPLEMENT PAY PARKING IN THE MARINA IMMEDIATELY.
- FIRST SAMPLE IN LICENSE PLATE SURVEY SHOWS THAT 70% OF THE PEOPLE THAT USE THE NORTH LOT AND BEACH PARK ARE NOT DES MOINES RESIDENTS.

MID TERM

1. FIND A WAY TO REDUCE THE COST OF THE DNR LEASE
 - ACQUIRE AREA B
 - CREATE PUBLIC ACCESS
 - POLITICAL SETTLEMENT – (WOULD REQUIRE LOTS OF COUNCIL INVOLVEMENT WITH CITY’S LEGISLATIVE CONTINGENT IN OLYMPIA.

2. FIND A WAY TO REPLACE THE \$4 MILLION THE MARINA NEEDS TO RESTART ITS CAPITAL IMPROVEMENT PLAN. MARINA REVENUES WILL NOT BE ENOUGH TO SUPPORT THE DEBT NEEDED TO REPLACE DOCKS AND BULKHEADS OVER THE NEXT 10 – 15 YEARS.
 - IF REDUCING THE TRANSFER AND/OR IMPLEMENTING PARKING FEES ARE NOT POLITICALLY POSSIBLE, CONSIDER ASKING CITIZENS FOR A LEVY TO REPLACE THE BULKHEADS IN THE NORTH LOT, (ABOUT \$4 MILLION). SINCE THE LAUNCH BUSINESS WENT AWAY, THE NORTH LOT IS NOT REALLY NEEDED TO SUPPORT MARINA REVENUES. IT IS USED FOR PUBLIC EVENTS AND TO SUPPORT THE RENTALS IN THE BEACH PARK.

3. CHANGE THE WAY WE DO THE TRANSFER
 - REVENUES ARE SO VARIABLE NOW THAT IT IS HARD TO DETERMINE IN ADVANCE HOW MUCH CAN BE TRANSFERRED WITHOUT DRIVING THE MARINA FUND NEGATIVE.
 - MAKE THE DECISION BASED ON CURRENT YEAR REVENUES, NOT ON PROJECTED REVENUES FOR THE NEXT BUDGET YEAR.

SUMMARY

THE MARINA STAFF IS PREPARING TO TAKE THE SEVEN SLIPS ON THE END OF E DOCK OUT OF SERVICE, THE DOCKS HAVE DETERIORATED TO THE POINT WHERE THE STAFF DOES NOT THINK THEY WILL SURVIVE A WINTER STORM. IT WILL TAKE AWHILE FOR THE STAFF TO FIND A WAY TO FUND THE REPAIRS, (\$10 – 15,000) BUT IN THE MEANTIME THE LIABILTIY REMAINS, PROBABLY GETTING LARGER. THE ONLY THING THAT WILL BE GONE IS THE REVENUE.

THE MARINA IS AT THE POINT WHERE DIRCET, DECICIVE ACTION IS NEEDED TO KEEP THE FUND SOLVENT.

MARINA ISSUES

Staff Presentation on the Marina's
Financial Condition

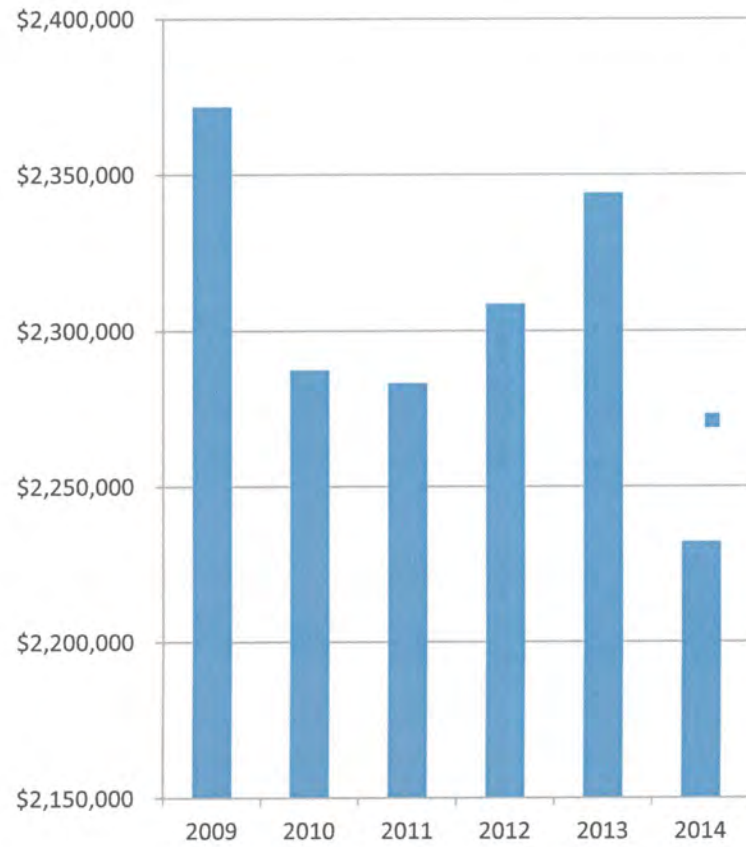
IMPACT OF LOSSES ON MARINA FUND RESERVES

	LOSS	E-O-Y CASH	BOND RES	OP RES	UNR CASH
2011	\$ (23,542)	\$ 1,457,760	\$ 773,816	\$ 406,228	\$ 257,716
2012	\$ (186,220)	\$ 1,271,540	\$ 768,816	\$ 415,340	\$ 87,384
2013	\$ (130,020)	\$ 1,141,520	\$ 745,816	\$ 372,704	\$ -
2014	\$ (200,000)	\$ 941,520	\$ 745,816	\$ 195,704	\$ -



TOTAL MOORAGE

2009	\$	2,371,937
2010	\$	2,287,484
2011	\$	2,283,276
2012	\$	2,308,832
2013	\$	2,344,216
2014	\$	2,232,210



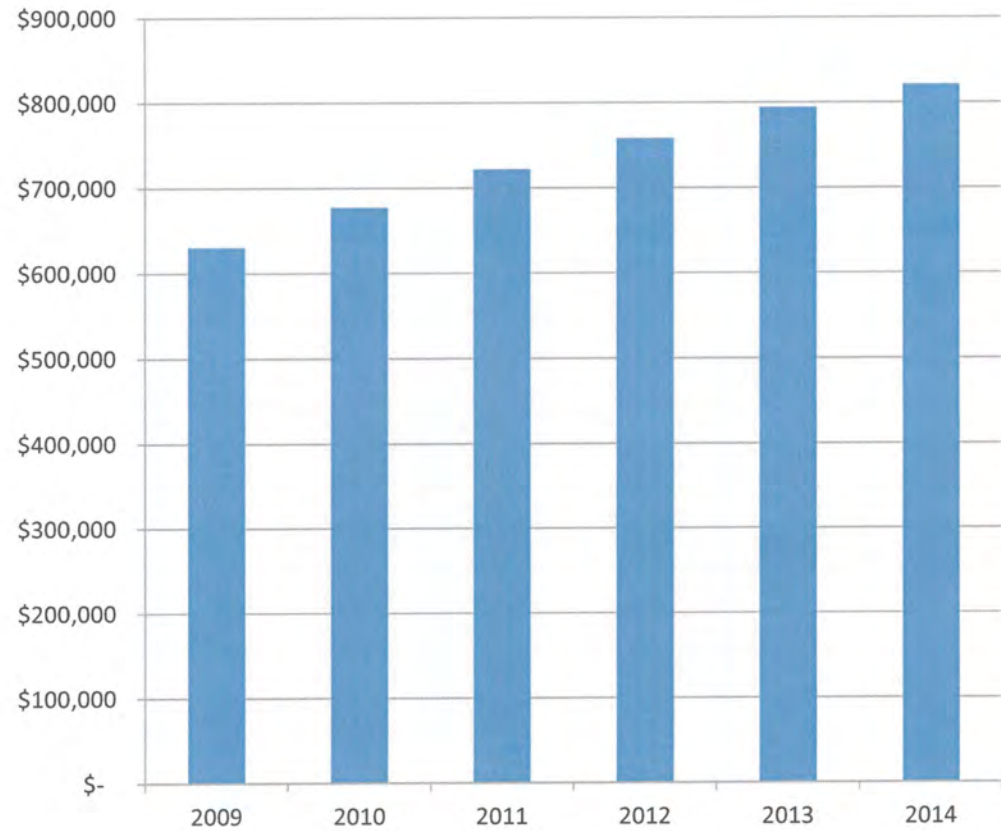
OTHER REVENUES

	2009	2010	2011	2012	2013
GUEST MOORAGE	\$ 110,634	\$ 75,856	\$ 85,077	\$ 81,816	\$ 71,693
FUEL (GROSS)	\$ 106,096	\$ 87,055	\$ 96,014	\$ 83,918	\$ 87,955
LEASES	\$ 76,029	\$ 87,410	\$ 92,793	\$ 99,030	\$ 90,481
PARKING	\$ 79,150	\$ 61,195	\$ 76,514	\$ 79,987	\$ 83,561
ALL OTHER	\$ 248,703	\$ 147,500	\$ 169,863	\$ 143,348	\$ 123,967
	\$ 620,612	\$ 459,016	\$ 520,261	\$ 488,099	\$ 457,657



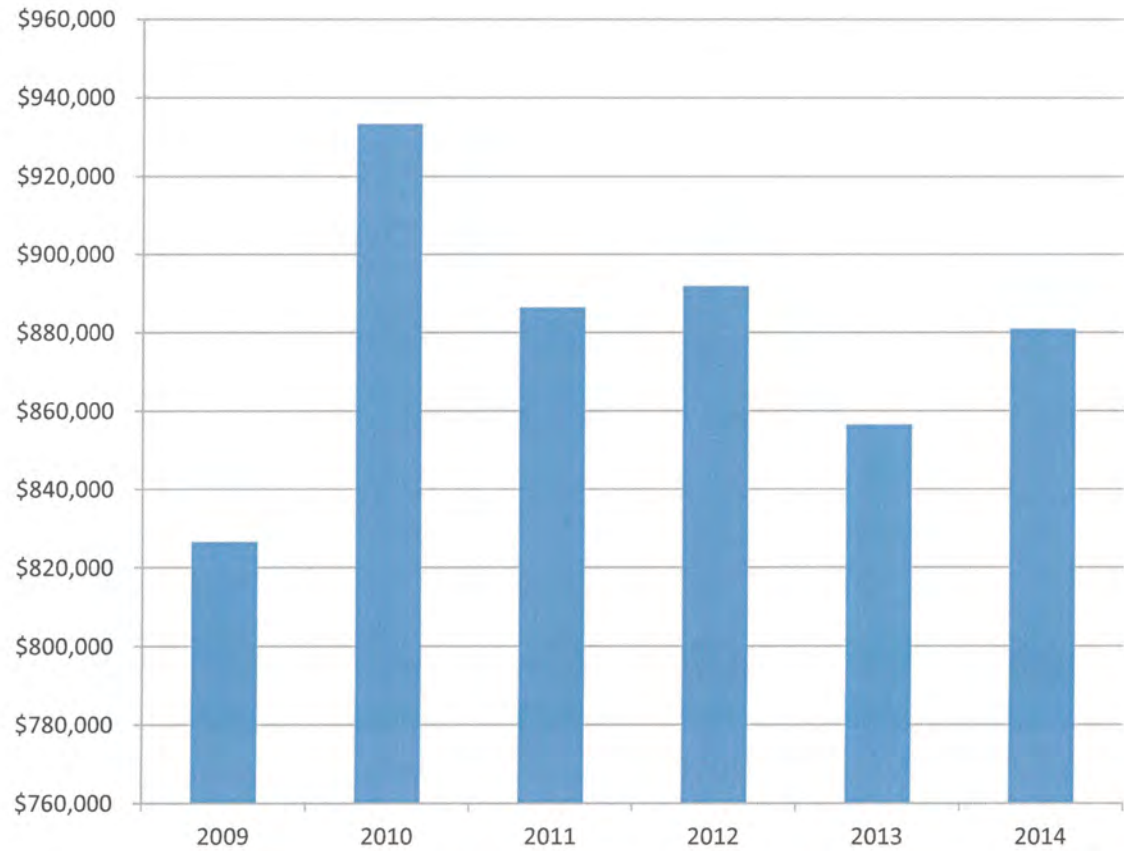
DEBT SERVICE

2009	\$	630,884
2010	\$	677,906
2011	\$	722,306
2012	\$	758,736
2013	\$	795,016
2014	\$	821,416



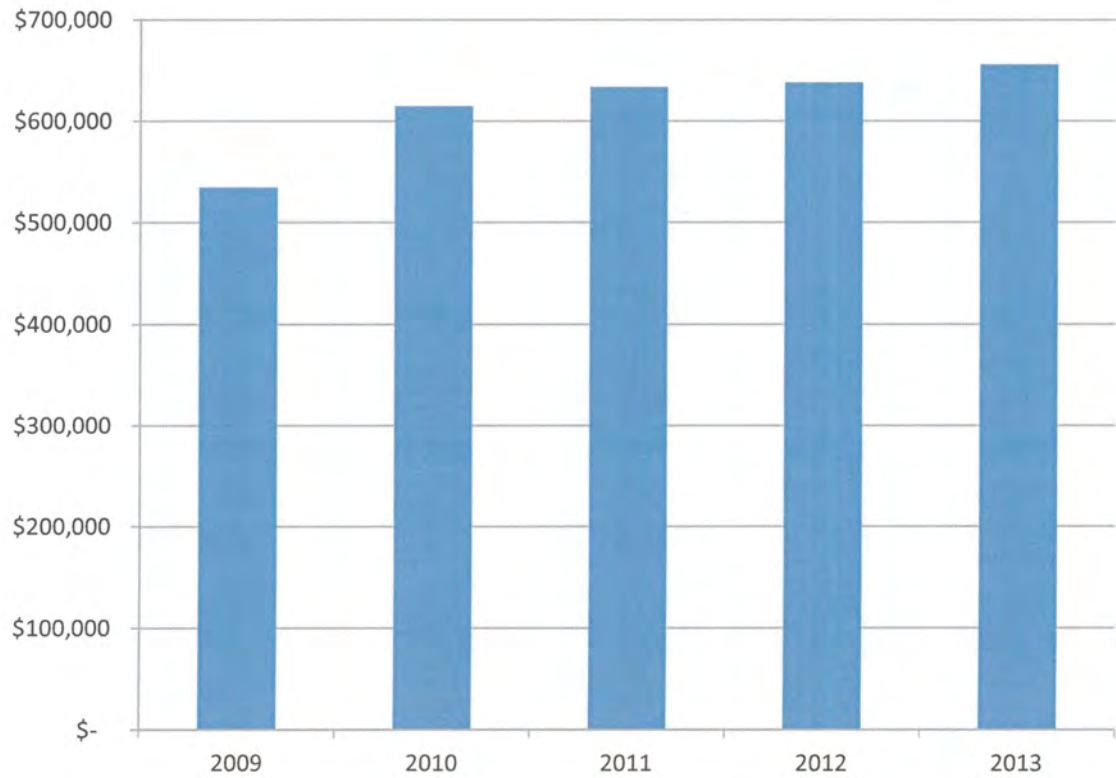
TOTAL PAYROLL

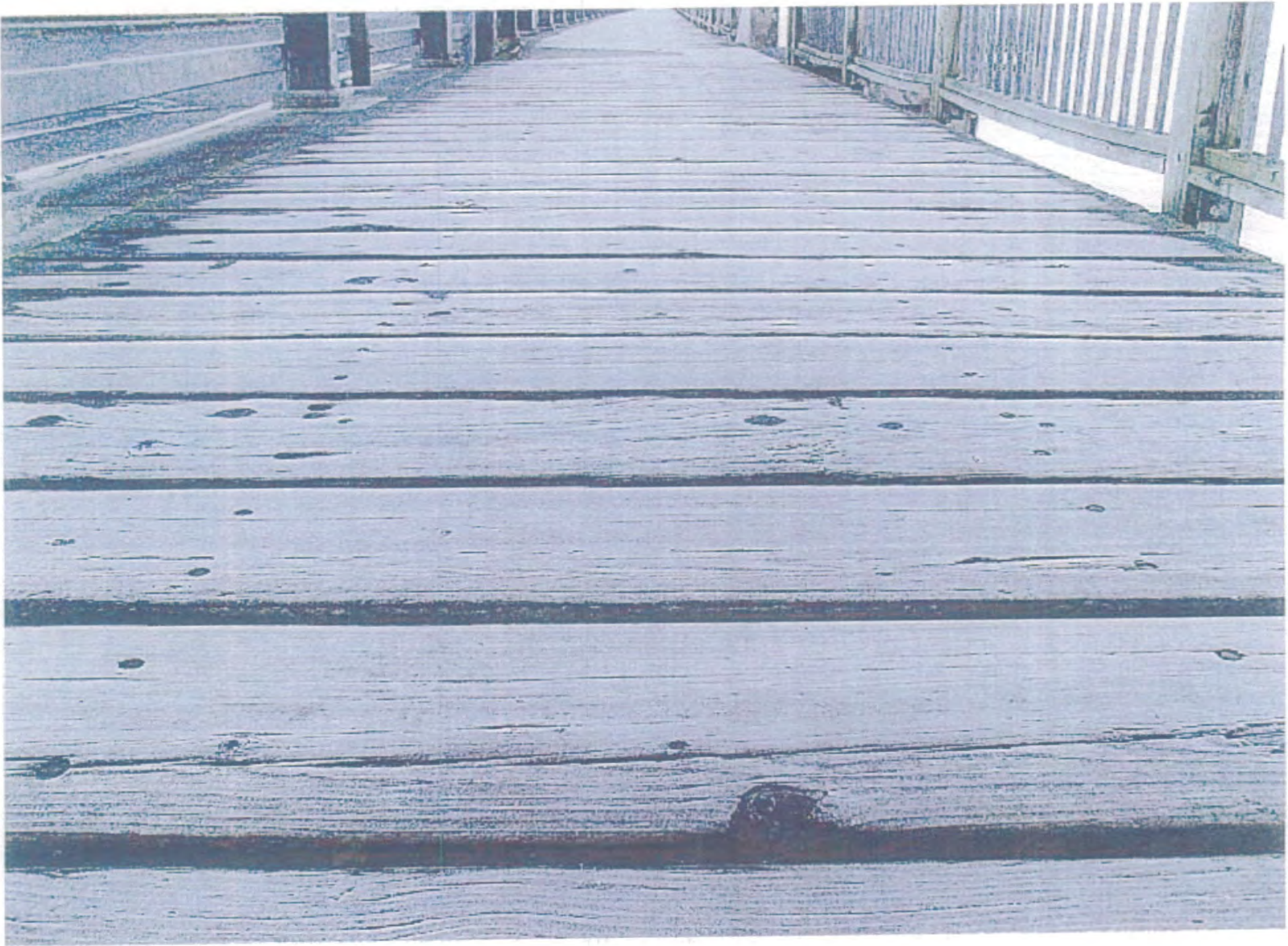
2009	\$	826,602
2010	\$	933,459
2011	\$	886,417
2012	\$	891,878
2013	\$	856,479
2014	\$	880,953



TOTAL TRANSFER - INCLUDING PARKING TAX

2009	\$	534,787
2010	\$	615,298
2011	\$	634,128
2012	\$	638,497
2013	\$	656,090









Memorandum

To: Tony Piasecki, City Manager

cc:

From: Joe Dusenbury, Harbormaster

Date: 11/12/2014

Re: CIP List For Council Meeting

Tony, here is the list of projects you requested. I took the project costs out of the 2007 Master Plan list so they are dated. The north parking lot can be a stand-alone project, done in phases or all at once. For all of the work in the south lot there would be a logical sequence but it isn't important at this point.

• South Parking lot Reconfiguration and Tenant Restroom	\$750,000
• J Dock Transformer and Finish Ductbank	\$400,000
• Electrical & Utility Upgrades on K & L Docks	\$100,000
• Bulkhead A thru I Docks	\$1.9 mill
• Bulkhead I thru L Docks	\$5.6 mill
• Reconfigure Docks D, E, F	\$2.1 mill
• North Lot Bulkhead, Breakwater, New Floats	\$4.1 mill
	<hr/>
	\$14.95 mill

