SUBJECT: 2019 Moorage Rate Review Proposal
DATE: 10-22-18

Commissioners –

Over the last several weeks during the 2019 Budget review cycle, the Jefferson County Moorage Tenants Association (JeffCoMTA) has been discussing the need for a breakout of expenses across business segments including long-term moorage (permanent and monthly), short-term moorage (nightly), RV stays, leasing, etc. This partitioning of expenses would bring needed clarity to the Port's accounting process. Since staffing constitutes a major part of the Port's expenses, it was helpful for Director Pivarnik to indicate that short-term moorage requires three times the staffing resources as long-term moorage. The provision of G&A expenses across the Boat Haven and Point Hudson marinas provides additional clarity. As a result, JeffCoMTA was able to extrapolate P&L statements that apportion expenses across the individual business segments. These results are presented in the attached spreadsheet.

The spreadsheet analysis yields useful but troubling results. The most challenging aspect is that long-term moorage at the Boat Haven (BH) generates an amazingly strong **49% profit** margin while short-term moorage runs a **34% deficit**. This begs the question as to why the short-term business segment is still in operation if it is being operated at such a loss. Obviously, however, there is value to supporting short-term moorage to support the local business community in the downtown area and to promote tourism, but subsidizing this service using long-term moorage revenue is problematic.

The data suggests that a resolution to a poorly performing business segment is not simply the application of an automatic CPI rate adjustment across all cost centers. It begs a more rigorous, business-minded approach. With respect to the deficits in short-term moorage, for instance, there are viable business alternatives. One alternative is to selectively raise short-term moorage rates. This approach can be fair, can improve short-term moorage deficits and can achieve greater returns than a simple CPI increase. Find below a comparison of an automatic CPI rate adjustment and a selective short-term moorage rate increase.

1. CPI applied to Permanent Moorage: BH Permanent + BH Live-aboard + BH Work-dock ($1103000 + $21840 + $13520) = $1,138,360 * .03 = **$34,150**

2. 12% BH Guest Moorage + PH Guest Moorage increase (from $1.25 to $1.40/foot): ($211,659 + $209,348) = $421,007 * .12 = **$50,520**

Note that in Scenario 1 an across-the-board CPI increase of three percent only generates $34,150 in additional revenue. By contrast, a selective 12% guest moorage rate increase illustrated in Scenario 2 generates an additional $50,520 in revenue. But perhaps more importantly, alternate rate approaches can counter recent policies that have had a detrimental cultural shift in our local marine population. Data on the date of entry and owner zip code shows an accelerated 40% shift in Boat Haven tenant population over the last two years (See Figure 1-1). This shift has been linked to a nearly 20% increase in rates in the same period. Additionally, there have been a greater proportion of non-resident tenants securing permanent moorage at the Boat Haven.

Accordingly, JeffCoMTA makes the following recommendation: perform a careful analysis prior to setting 2019 marina rates. The analysis should include:

- **an investigation of where the significant costs exist**
- **which sector is responsible for these overhead costs**
- **what improvement in efficiency can be made**
- **what tailored rate increases should be applied to respective cost centers**

Setting rates can be delayed until after the first of the year. This provides time to derive a fair, robust and community-minded rate policy.

The moorage tenants, like the marine trades, are sincerely dedicated to help promote the economic health of the Port. Since the tenants are involved in the day-to-day life of the Port, we believe we can offer meaningful “bottom-up” saving suggestions through constructive analysis of overhead. We are hopeful of a new era of a positive partnership. Your support on this issue will go a long way toward that goal.

We ask that the commissioners consider the data presented by the JeffCoMTA as they make the crucial policy decisions that will move the Port forward to achieve sustainability while ensuring fair access to our community resources.

Respectfully submitted,
JeffCoMTA Steering Committee:

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Elizabeth Becker
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cc:
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JeffCoMTA Steering Committee

Attachment 1: Business segment expense breakout spreadsheet

Figure 1-1: Marina entries by date and geography