



Commission Work Session
Monday, March 20, 2023
2:30 PM

Percival Plaza - Olympics Room
626 Columbia Street NW
Olympia, WA 98501

The meeting agenda is available on the Port's website as of March 17, 2023.

<https://www.portolympia.com/commission>

The public may join the meeting from their computer, tablet or smartphone at:

<https://us02web.zoom.us/j/89108759777?pwd=SGdyZVcrOUlFZXIxbG4vdTY1b0ZIUT09>

or Telephone: 1 253 215 8782

Webinar ID: 891 0875 9777

Passcode: 371192

Please note that the Zoom link changes for each meeting.

NOTE: *No public comment or commission action will be taken at this Work Session.*

AGENDA

- A. Call to Order
- B. Approval of Agenda
- C. Financial Measures – Patricia Soule, Finance Director
- D. Waterfront Center Planning – TJ Quandt, Swantown Senior Manager and Lisa Parks, Executive Services Director
- E. Upcoming Topics – Sam Gibboney, Executive Director
- F. Adjourn

Port of Olympia Mission

Creating economic opportunities and building community for all of Thurston County through responsible resource use.

COVER MEMO

Briefing Date/Time: March 20, 2023

Staff Contact/Title: Patricia Soule, CPA Finance Director
patricias@portolympia.com

Subject: Performance measures discussion

Purpose: ☒ Information Only ☐ Decision Needed

Background/Overview:

Review Financial Measures with Commission. Determine if the existing measures meet the needs of the Commission and gain input from the Commission on preferred updates.

Documents Attached:

PowerPoint

Affected Parties:

Commissioners and other readers of financial statements

Staff Recommendation:

Commissioners provide input as to what they would like to see going forward.

Next Steps/Timeframe: *(Based on the Commission's recommendation, describe the next steps required in order to bring this item to conclusion. Include the time frame for each step.)*

Develop proposed changes to the Financial Measures and bring to the Commission for review and consideration.

EXPLORING FINANCIAL PERFORMANCE MEASURES

MARCH 20, 2023
Patricia Soule, CPA
Finance Director

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AGENDA

- Format proposed to report out on business units
- Performance Measures
 - Liquidity
 - Profitability
 - Sustainability
- Options for Reports
 - Financial Dashboard
 - Other

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OPERATING BUDGET 2023 BUDGETED

INCOME STATEMENT IN \$,000s

	Airport & New Market	Swantown Marina	Marine Terminal	Properties	General Admin.	2023 Budget
Operating Revenues	3,295	4,633	6,301	1,661		\$ 15,890
Operations & Maintenance Expenses	(1,626)	(3,416)	(4,769)	(1,007)		(10,818)
Contribution Margin	1,669	1,217	1,532	654	-	5,072
Administration Expenses	(743)	(743)	(800)	(485)	-	(2,771)
Operating Expenses	(2,369)	(4,159)	(5,569)	(1,492)	-	(13,589)
Operating Income before depreciation	926	474	732	169		2,301
Depreciation	(963)	(653)	(1,778)	(358)	(127)	(3,879)
Operating Income (loss)	(37)	(179)	(1,046)	(189)	(127)	(1,578)

Expected Cash Earnings
from Operations

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PORT POLICY 1202 CONT'D

Measure / Goal	Current Policy 1202 GOALS	Definition
Liquidity:		
A. Current Ratio	1.75	Current Assets Divided by Current Liabilities
B. Minimum Cash Reserves	\$4 Million	1. 6 months Budgeted Operating Expenses 2. Amount equal following year's debt service 3. Amount needed to maintain self sufficient insurance reserves
C. Debt Service Coverage – only if Revenue Bonds Outstanding	1.5	Number of times revenue bond debt service could be paid with net revenues available for debt service

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PORT POLICY 1202 CONT'D

Measure/Goal	Current Policy GOALS 1202	Definition
Profitability:		
A. Return on Revenue	5%	Operating Revenue divided by Operating Income
B. Annual Operating Cash Flow	27%	Sum of Operating Income plus Depreciation Divided by Operating Revenue
C. Earnings Before Tax Levy	1%	Operating Income + Non-Operating Income – Grant Income – Gain on Sale of Assets – Tax Levy + Bond Interest Divided by Operating Revenue

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PORT POLICY 1202 CONT'D

Measure	Current Policy 1202 GOALS	Definition
Sustainability:		
A. Maintenance, Insurance & Environmental	14%	Maintenance + Insurance + Environmental Costs Divided by Operating Revenues
B. Financial Capacity	\$10,000,000	Estimate of how much debt could be issued based on current revenues
C. Return on Productive Assets	3.5%	Defined as Net Income divided by Productive Assets

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STATE AUDITORS FIT TOOL

Measure / Goal	FIT Benchmark	Definition
A. Cash Balance Sufficiency	60 Days	1. Operating Expenses Divided by Number of Days in a Year = Cash Needed Per day to operate 2. Ending Unrestricted Cash Divided by Cash Needed Per Day = Number of Days of Operating Expenses Held in Reserve
B. Enterprise Fund Cost Recovery	100%	Change in Net Position Divided by Expenses
C. Debt Load	Currently Indeterminate past have seen 12%	Debt Service Divided by Total Revenues
D. Current Ratio	Greater than or equal to 1	Current Assets Divided by Current Liabilities

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QUESTIONS & COMMENTS

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COVER MEMO

Briefing Date/Time: March 20, 2023

Staff Contact/Title: Lisa Parks, Executive Services Director
lisap@portolympia.com
TJ Quandt, Senior Harbor Manager
tjq@portolympia.com

Subject: Waterfront Center Alternative Discussion

Purpose: ☒ Information Only ☐ Decision Needed

Background/Overview:

Over the last several decades, the Marina staff have operated out of a doublewide office space at Swantown Marina. This building has been long past its usable life, is deteriorating, and has been identified as needing replacement. The Port has also been evaluating, over the last decade, the long-term strategy for the Administration offices. In 2015 the Port Administration moved out of the 2-story building, located in the Marine Terminal, and entered into a lease with Tiegs Property Services at 606 Columbia Street for office space due to the 2-story building being in poor condition.

During 2020 and early 2021, the Port conducted the Destination Waterfront Development Vision through a CERB grant working with Thomas Architecture Studios and many community stakeholders. One action item identified was the concept of the Marine “Waterfront” Center, which would address the need to replace the marina office, establish a long-term space for the administrative offices, and bring Marine/Maritime related organizations to the peninsula. The Port found a potential partnership with Puget Sound Estuarium, which strongly matched the criteria and needs of the Waterfront Center. During the 2021 State Legislative Session, the Port and Estuarium partnered in a submission of a Capital Budget Allocation Request to the State to help fund the project’s construction. The project was strongly endorsed, and the State allocated \$250,000 in support.

Work was then performed in the fall of 2021 by Thomas Architecture Studios (TAS) to outline the Port office needs and create a conceptual schematic design of the Waterfront Center, which outlined the Port offices and shell space for the Estuarium as initial steps in the planning process. Through 2022 Port staff worked to develop strategies to move the project forward and work collaboratively with the Puget Sound Estuarium.

In November of 2022, Port staff brought to the Commission two amendments to extend contracts between the Port and MIG, Inc and The Port and Thomas Architecture Studios. At this time, the Commission requested staff to table the contracts and requested an updated analysis of the Waterfront center.

During this work session, staff will present Waterfront Center Alternatives in two parts. Part 1 will evaluate the uses and configurations of the building and potential building locations. Part 2 will evaluate whether the Port should lease or own Administration office space. Staff will outline alternatives, assumptions, pros, and cons and give recommendations.

Documents Attached:

PowerPoint Presentation

Affected Parties:

Port, Puget Sound Estuarium

Staff Recommendation:

Proceed with the conceptual design of a multi-use multi-partner building.

Next Steps/Timeframe: *(Based on the Commission's recommendation, describe the next steps required to bring this item to the conclusion. Include the time frame for each step.)*

Staff will incorporate the Commission input and bring back contracts for Commission consideration.

WATERFRONT CENTER ALTERNATIVES DISCUSSION

MONDAY, MARCH 20, 2023

TJ QUANDT, SWANTOWN SENIOR MANAGER
LISA PARKS, EXECUTIVE SERVICES DIRECTOR

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Waterfront Center Alternatives Discussion

Topics To Be Covered

- **Part 1:** Waterfront Center Building
 - Uses and configurations
 - Location
 - Staff recommendation
- **Part 2:** Lease vs Own: Port administration offices and commission meeting space
 - Alternatives and assumptions
 - Staff recommendation

AGENDA	
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Part 1: Waterfront Center Building Uses & Configurations



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Building Uses & Configurations *Alternatives*

Uses	Purpose	Needed SF
One-Story Building (11,000 SF)		
Marina Office/Tenant Services	Services; Administrative	3,000
Puget Sound Estuarium (no classrooms, see below)	Educational; Tourism	4,500
Shared Spaces:		
Commission/Community Event Space	Public; Commercial	3,000
Classroom Space	Educational	1,500
Two-Story or Three-Story Building		
Port Admin Offices (no Commission room, see above)	Administrative	10,000
Leased Space	Commercial Office	
"One Water" Tech Center	Educational	

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Building Uses & Configurations

Introduce "One Water" Tech Center Idea



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Building Uses & Configurations

Construction Assumptions

Item	Cost	One-Story 11,000 SF	Two-Story 22,000 SF	Three-Story 33,000 SF
Site Development Costs				
Parking Lot		\$ 594,000	\$990,000	\$1,336,500
Courtyard & Boardwalk (54,350 SF)		\$1,630,500	\$1,630,500	\$1,630,500
Building Costs	\$400/SF	\$4,400,000	\$8,800,000	\$13,200,000
Total Cost		\$6,624,500	\$11,420,500	\$16,167,000
Total Cost/SF		\$602	\$519	\$490

* Provided by TAS, 4/14/2023

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Building Uses & Configurations

Alternatives Cost Analysis

Uses	Square Feet	One-Story \$602/SF	Two-Story \$519/SF
Marina Office/Tenant Services	3,000	\$1,806,000	\$1,557,000
Puget Sound Estuarium	4,500	\$2,709,000	\$2,335,500
Shared Spaces:			
Commission/Community Event Space*	3,000	\$1,806,000	\$1,557,000
Classroom Space*	500 - 1,500	\$301,000	\$778,500
Port Admin Offices	10,000		\$5,190,000
Total		\$6,622,000	\$11,418,000

* Costs shared proportionally to various uses

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Building Uses & Configurations

Alternative 1: Shared Building with Multiple Partners & Administration Offices

Pros

- Catalyst development
- Provides institutional anchor for the Port
- Strengthens location brand identity
- Leveraged/shared costs/financing
 - Shared site development
 - Economies of scale
- Maximizes development bulk dimensional space
- Maximizes waterfront & education synergy
- Multiple types of new waterfront visitors & users
- Consolidates Port offices
- Increased opportunity for grant & other funding sources

Cons

- More complex needs to meet
- Planning and coordination take time
- Increased up front capital costs
- Resources (money, time & attention)

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Building Uses & Configurations

Alternative 2: Marina Office/Tenant Services & Puget Sound Estuarium

Pros

- Smaller constructions scope
- Updates Port Peninsula
- Leveraged/shared costs/financing
 - Shared site development
 - Economies of scale
- Waterfront/education synergy
- New waterfront visitors & users

Cons

- Under-utilizes bulk dimensional space of high value waterfront
- Limited "Port" visibility
- One type of new users & visitors

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Building Uses & Configurations

Staff Recommendation

- Alternative 1: Shared building with multiple partners & Port administration offices



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Building Location



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Building Location

Alternatives



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Building Location

Assumptions

- Port Peninsula
- Marina Office/Tenant Services
- Proximity for users
 - Tenants
 - Day-use & transient users
- Destination Waterfront



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Building Location

Alternative 1: Site D

- **Pros**
 - Destination Waterfront
 - Proximity for visitors & tenants
 - Efficient marina operations
 - Larger, adjacent opportunities
 - Central waterfront
 - Billy Frank Jr. Trail
- **Cons**
 - Relocate boat dry storage
 - Restrictive shoreline regulations



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Building Location

Alternative 2: Site K

- **Pros**
 - Fewer land use restrictions
 - Proximity: Market District and Downtown
 - Gateway to Port Peninsula
- **Cons**
 - Commercially marketable location
 - Inefficient marina operations
 - Limits potential partners
 - Too far from guest uses
 - Limited draw for visitors



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Building Location

Staff Recommendation

Alternative 1: Site D



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Part 2: Lease Versus Own



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Lease Versus Own: Port Admin Office *Alternatives*

Alternative 1: Own

Administration Office &
Commission Meeting Space

Alternative 2: Lease

Administration Office &
Commission Meeting Space



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Lease Versus Own

Assumptions

Construction Assumptions

- Construction: \$445/Square Foot (SF)
- Interest: 6.18%; 30-Year Fixed

Lease Assumptions

- Lease: Current Rate + Average Annual Increase - 2.5%

Shared Assumptions

- Utilities: \$2.15/SF Annually; Average Annual Increase - 2%
- Janitorial: Current Rate + Average Annual Increase - 3%
- Building Maintenance: \$2.00/SF Annually
- Property Tax: Exempt
- Insurance - Average Annual Increase: 5.9%



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Lease Versus Own: Port Administration Office & Commission Meeting Space

Analysis

30-Year Timeframe	Lease 13,000 SF	Own 13,000 SF
Lease	\$15,209,082	
New Construction		\$5,785,000
Interest Cost		\$6,943,260
Utilities	Included	\$1,148,964
Janitorial	Included	\$1,170,062
Building Maintenance	Included	\$780,000
Insurance	\$335,552	\$1,915,894
Property Tax	Included	Exempt
Total Costs	\$15,544,634	\$17,743,180

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Lease Versus Own: Port Admin Office

Alternative 1: Own

Pros

- Institutional anchor
- Improved communication
- Improved work efficiency
- Stability: location, space, terms
- Port Brand
- Revenue potential
- Cost share
- Port asset investment

Cons

- Building upkeep, utilities, insurance
- Infrastructure repairs
- Liabilities, legal responsibilities
- Set capacity, less flexible

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Lease Versus Own: Port Admin Office

Alternative 2: Lease

Pros

- Lower building upkeep & utility costs
- Lower insurance rate
- No infrastructure repairs
- Flexible space
- No moving
- No high upfront costs

Cons

- No Port ownership/equity
- Lower visibility
- Does not promote Port brand
- Does not create institutional anchor
- No control over building
- Staff is decentralized
- Uncertainty of future terms

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