

PORT WASHINGTON MARINA STUDY

April 17, 2017

PURPOSE/BACKGROUND

This is the final draft of a study conducted by Harbor Commission member Jerry Baganz as a result of concerns raised by Harbor Commission members, the Common Council and other individuals over financial losses experienced by the Port Washington Marina over the past several years.

The study seeks to identify sources of these losses and to make recommendations as to improving financial performance. The writer has included his own thoughts and recommendations but also received input from marina staff members, Harbor Commission members, and members of the city management team in order that this study can be used by the Harbor Commission, Common Council, marina staff and others as a framework for improving marina financial performance. As part of this ongoing effort the Harbor Commission will track progress on accomplishing recommendations as part of its regular meetings. Current status of recommendations as of this date is included on the last pages of this report.

The study focuses on three areas:

Financial Analysis

Staffing

Marketing Strategy

GENERAL COMMENTS

While difficult to quantify, it is commonly understood that the Port Washington Marina is a cornerstone in the economic success of the City of Port Washington and its downtown business district. A 2009 Economic Impact Analysis conducted in conjunction with Michigan State University concludes that the marina contributes \$3 million dollars per year in direct and indirect benefit to the community and creates 35 jobs. Many would argue that this is an extremely conservative estimate especially in view of the impact of the charter fishing industry on the community. Over the years the marina has also contributed directly to city improvement projects. Among these are a \$75,000 contribution for building the Rotary Park public restrooms, a \$50,000 contribution toward the construction of Rotary Park, \$15,000 to fund the Break-wall Grant writing, \$3,000 to support Denis Sullivan visits and close cooperation with the city and local civic groups in conducting various festivals such as Fish Day, Pirate Fest and others. Since its inception the marina has been a highly profitable enterprise for the City Of Port Washington.

FINANCIAL ANALYSIS

This analysis is based on 2011 year end through 2016 January 13, 2017 Port Washington Marina financial statements. Averages are calculated on the basis of last five year statements, 2012 through 2016. These years being the time after the completion of major renovations to the marina and subsequent debt service payments. A complete break-out of the analysis is included as page 7. Summary comments and initial recommendations are noted below.

SUMMARY COMMENTS-FINANCIAL ANALYSIS:

- Marina profit from operations averaged \$231.1 per year (Dollars in 000). Operations are defined as all money collected from marina activity, rental of slips, fuel sales, launch and transient fees and other income sources minus expenses associated with collecting these dollars such as personnel expense, fuel cost, insurance, maintenance and other expenses associated directly with the daily operation of the marina.
- Marina non-operating expenses, payment in lieu of taxes, rescue boat payment and current portion of long term debt, have averaged \$279.6 per year over the last five years.
- Overall the marina has lost an average of \$49.5 per year over the past five years or a total of \$248.0.
- Based on an analysis of the 2017 budget proposal the marina will have a loss in 2017 of about \$48.0.

OTHER OBSERVATIONS:

- The maximum potential of slip rental income for the marina is \$570.0 per year. That is if every slip, 225 in the main marina and 41 in the north slip area minus the 10 vacant slips required by the Waterways Commission for transients, is occupied by the proper sized boat.
- Over the past five years income from slip rental has averaged \$502.5 or 88.2% of financial capacity. Physical occupancy rate averaged about 91% with 2016 at 94%. Decline in occupancy of the north slip has negatively impacted total income and occupancy rates.
- Revenues impacted by seasonal factors (weather, quality of fishing) which include daily launches, seasonal launch passes and transient fees in the main marina and north slip represent an average of \$112.9 per year or 16.8% of non-fuel revenue. 2016 was the best year for this income source of the years reviewed at \$138.2.
- Primary expense associated with marina daily operations is labor cost which averages \$269.6 per year over the past five years. Labor costs include all wages and salaries for full and part time employees, social security payments, payments to other city departments and all retirement and other benefits for eligible employees. Approximately 50% of the total is allocated to two full time employees.

RECOMMENDATIONS AND TIMETABLES

RECOMMENDATIONS-MARINA OPERATIONS:

- Establish a goal of maintaining 2016 occupancy rate plus ten additional slips rented. Potential income increase of approximately \$20.0. Timetable- March 1, 2017.
- Put a plan in place for 2017 to reduce expense for temporary help versus 2016 by 10%. Potential savings of \$13.0. Timetable- April 1, 2017.
- Review vendor agreements in all areas and review pricing on "over the counter" sales to ensure maximum profitability. Potential savings perhaps \$3.0. Timetable-ongoing.
- Coordinate closely with the city to seek all possible savings through mutual cooperation. Timetable-ongoing.
- Meet with Harbor Commission members to review financial statements and action plans to ensure progress and make adjustments as required. Timetable-monthly.
- Harbor Commission review full time staffing needs and costs. Timetable-October 2017.
- Harbor Commission take a proactive position on slip rental fees. Timetable-2018 budget preparation.
- Hope for fair winds and good fishing. Timetable-Every day but especially on weekends.

RECOMMENDATIONS AND CONSIDERATIONS BY THE CITY:

- Ensure timely and accurate publication of the marina monthly financial statement. Statement to include monthly reserve fund balance. Timetable-ongoing.
- Consider restructuring long term debt. Timetable- as soon as possible.
- Review funding source of rescue boat. Timetable- 2018 budget planning.
- Reconcile and close \$289.6 account at BMO Harris bank held in the name of the City Of Port Washington Marina. Timetable March, 2017.
- Establish a minimum reserve fund balance of \$120.0 with "payment in lieu of taxes not to exceed \$55.0 with payment deferred until the end of the year and applied based on marina profitability. Profits in excess of the "payment in lieu" would be added to the reserve fund and used to increase its balance as a hedge against future marina repairs and upgrades. Timetable- Year end 2017.

FULL-TIME STAFFING

The Port Washington Marina is currently staffed by two full-time employees, a Harbor Master and an Assistant Harbor Master.

One of the cost savings methods suggested was to reduce full-time staff. The Harbor Commission was asked to review full-time staffing and make recommendations prior to the establishment of the 2018 budget. This study looked at two methods to conduct this review; comparative staffing of other marinas and staff job descriptions.

COMPARITIVE STAFFING:

While no 100% "apples to apples" comparisons exist, two marinas in our area fit the profile of the Port Washington Marina rather closely as seen below. A total of seven marinas were surveyed.

	Number of Slips	Full-Time Staff	Seasonal Staff Average
Port Washington	266	2	16-18
Sheboygan	281	3	16-18
Manitowoc	250	3	10-12

In Sheboygan and Manitowoc staff full time staff consists of a harbor master or general manager, full-time office manager and full-time maintenance person. The Sheboygan marina is owned by the city and managed under contract by Siegel-Gallagher. The Manitowoc marina is owned and managed by a private person. Occupancy rates at both of these marinas is about 70%.

Based on this comparison the Port Washington Marina appears to be comparably staffed.

JOB DESCRIPTIONS:

Although a job description for the Harbor Master exists it has not been updated to reflect current responsibilities for many years.

No job description for the Assistant Harbor Master exists.

RECOMMENDATIONS:

- Update job description for Harbor Master to reflect current responsibilities and tasks. Assign hours to those tasks and determine need for full/part time position. Timetable- October 2017.
- Create a job description for the Assistant Harbor Master to reflect current responsibilities and tasks. Assign hours to those tasks and determine need for full/part time position. Timetable-October 2017.
- Recognize the marketing responsibilities associated with marina management and seek ways to coordinate these efforts with city marketing professionals. Timetable-Ongoing.
- Recognize the seasonal nature of these positions in evaluating staffing needs. Timetable-October 2017.

MARKETING

Currently the Port Washington Marina is seen on electronic media such as Facebook, Twitter, the Great Loop Association web site, the Waterway Guide web site and its own exclusive Port Washington Marina web site.

The marina also is seen in ads developed by the Port Washington Tourism Council and Port Washington Main Street. Such ads can be found on the city's electronic media, and in print in such publications as the Chamber of Commerce Visitors Guide, Harbor Towns magazine and Lakeland Boating.

In the past the marina has run ads in regional magazines but cost of these ads and the perception of return on investment have limited this approach.

Keeping in mind that the total marina is running at an approximately 92% occupancy rate (main marina 95%, north slip in 2016 69%) this study suggests identifying specific opportunities for revenue growth and developing a marketing strategy aimed at these opportunities.

Two such areas are improved north slip occupancy and improved transient traffic.

NORTH SLIP OCCUPANCY:

As noted above the north slip occupancy rate is considerably less than the main marina. While the north slip has just 41 spaces 12 of those were vacant in 2016. This is over half of the total vacant slips in the entire marina. Declining occupancy in the north slip has been a trend over the length of this study due to a decrease in the number of fishing charter boats and a decreased number of slips rented by Great Lakes Marine for display of boats for sale.

Recommendation- Marina personnel, Harbor Commission members, city marketing professionals and other interested parties "brain storm" to develop a marketing strategy aimed specifically at north slip rentals then appoint a specific person or group to follow up on these ideas and set a goal of 90% north slip occupancy in 2017.

INCREASED TRANSIENT TRAFFIC:

A December 2016 article in the magazine Marina Dock Age, distributed by the Harbor Master, pointed out the value of having a "Destination Marina". A quote from the article suggests that-"Another key change on the marketing side is the growth in destination oriented boating, and the desire for marinas that are part of a larger mixed -use visitor experience." The Port Washington Marina is such a facility and can be marketed as such.

Recommendation-Modify the marina web site to strengthen the appeal of the marina as a destination. Coordinate with Main Street and the Tourism Council in this effort. Overall goal would be to, over time, brand the Port Washington Marina as the Western Shore's premier boating destination.

FIANCIAL STATEMENT ANALYSIS SPREADSHEET

	2011	2012	2013	2014	2015	2016	5 Year Ave.
Total Revenue (\$ 000)	1143.3	1192.0	1234.2	1138.4	956.5	1006.1	1105.5
Fuel Sales	470.5	516.9	532.2	466.1	336.9	321.1	434.6
Fuel Cost	404.0	462.1	466.6	433.9	293.4	254.1	382.0
Fuel Profit	65.9	54.8	65.6	32.2	43.5	67.0	52.6
Non-fuel Revenue	672.8	675.1	702.1	672.3	619.6	688.3	670.9
Slip Rental –Main	430.1	435.2	435.1	418.0	403.6	433.1	425.2
Slip Rental –North	84.1	77.5	90.4	76.9	81.9	69.4	79.2
Total Slip Rental	514.2	512.7	525.6	494.9	485.5	502.2	504.4
% non-fuel revenue	76.4	75.9	74.8	73.6	78.4	73.0	75.3
Seasonal Impact (1)	112.9	114.2	109.7	101.1	101.5	138.2	112.9
% non-fuel revenue	16.8	16.9	15.6	15.0	16.4	20.1	16.8
Other Revenue (2)	45.7	48.2	66.8(a)	76.3(b)	32.6	47.6	54.3
Personnel Expense (3)	264.3	271.1	256.3	273.8	268.4	277.8	269.6
% Non-fuel revenue	39.3	40.2	36.5	40.7	43.4	40.4	40.2
Repairs/Cap. Imp.	39.2	25.0	17.4	47.8	24.9	10.5	25.1
Insurance	21.1	21.8	22.0	28.9	24.1	37.5	25.8
Utilities(4)	75.2	74.9	67.6	57.8	57.3	59.3	66.4
Supplies	34.6	25.0	21.5	23.9	22.4	24.0	23.0
Other Expense(5)	77.7	89.9	90.8	93.2	71.0	84.6	85.9
Total Operational Exp.	916.1	956.8	942.2	959.3	761.8	747.8	878.2
Profit (loss) Operations	227.2	223.2	292.1	179.0	194.8	261.7	227.3
Non-Operating Exp.							
General Fund	45.0	45.0	45.0	45.0	45.0	55.0	47.0
Rescue Boat	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Debt Service	128.5	223.1	225.6	223.1	225.0	226.5	224.6
Total Non Op. Exp.	183.5	278.1	280.6	278.1	280.0	291.5	281.7
Total Expense	1099.6	1246.9	1213.8	1237.4	1041.8	1039.3	1147.5
Profit (loss) (6)	47.3	(54.9)	20.5	(99.0)	(85.2)	(29.8)	(49.6)
Reserve Fund YE Bal.	373.7	318.8	339.3	240.2	155.0	125.2	

FINANCIAL STATEMENT ANALYSIS NOTES AND COMMENTS

As previously stated averages noted in the analysis are for the past five years, when the marina was in its current configuration. 2011 is included for comparison purposes.

Note 1 - Includes daily launches, seasonal launches, main marina transient fees, north slip transient fees.

Note 2 - Includes all other revenue sources such as ice sales, parking meter revenue, parking passes, clothing sales and other items.

Note 3 - Includes wages and benefits for all full and part time employees including social security, health insurance, life insurance, dental insurance and retirement.

Note 4 - Includes electricity, gas for heating, water and sewer, telephone.

Note 5 - Includes discounts on sales, sales tax (about 50% of the total) cost of ice purchases, cost of other small purchases.

Note 6 – 2016 profit (loss) based on unaudited statement at year end. Audited statement is expected to show a loss of \$34.8 and a reserve fund balance of \$120.2.

Note A - Includes \$19.6 transfer from fund 25 D/S.

Note B - Includes insurance payment for fuel loss and cost of repairs covered by insurance of \$37.9.

2017 BUDGET

Total Revenue	1006.5	
Fuel Sales	350.0	
Fuel Cost	250.0	
Fuel Profit	100.0	See notes on budget
Non-fuel Revenue	656.6	
Slip Rental-Main	434.2	
Slip Rental-North	70.0	
Total Slip Rental	504.4	
%non-fuel revenue	76.8	
Seasonal Impact	110.0	
%non-fuel revenue	16.7	
Other Revenue	110.0	
Personnel Expense	260.1	
Repairs/Cap. Imp.	21.5	
Insurance	29.0	
Utilities	64.5	
Supplies	22.0	
Other Expense	67.0	See notes on budget
Total Operational Exp.	714.1	
Profit From Operations	292.4	
Non-Operating Exp.		
General Fund	55.0	
Rescue Boat	10.0	
Debt Service	227.4	
Total Non-Op Exp.	292.4	
Total Expense	1006.5	
Profit (loss)	000	

Based on historic profit trends profit from fuel is more likely to be \$60.0. Based on historic Other Expense trends this account is more likely to be \$75.0. If so, marina loss in 2017 would be \$48.0.

STATUS OF FINANCIAL RECOMMENDATIONS AS OF APRIL 17, 2017

RCOMMENDATIONS-MARINA OPERATIONS:

-Establish a goal of maintaining 2016 occupancy rate plus ten additional slips rented. Potential income increase of approximately \$20.0. Timetable- March 1, 2017. Status-Reservation rate slightly ahead of last year with call coming in daily.

-Put a plan in place for 2017 to reduce expense for temporary help versus 2016 by 10%. Potential savings of \$13.0. Timetable- April 1, 2017. Status-Plan in place. Marina management to monitor.

-Review vendor agreements in all areas and review pricing on "over the counter" sales to ensure maximum profitability. Potential savings perhaps \$3.0. Timetable-ongoing. Status-In progress.

-Coordinate closely with the city to seek all possible savings through mutual cooperation. Timetable-ongoing. Status- in progress.

-Meet with Harbor Commission members to review financial statements and action plans to ensure progress and make adjustments as required. Timetable-monthly. Seeking updated March statement and March 2016 comparison data. Will continue to follow-up.

-Harbor Commission review full time staffing needs and costs. Timetable-October 2017.

-Harbor Commission take a proactive position on slip rental fees. Timetable-2018 budget preparation.

-Hope for fair winds and good fishing. Timetable-Every day but especially on weekends. Status- Cold April but early reports on fishing are good. (S)

RECOMMENDATIONS AND CONSIDERATIONS BY THE CITY:

-Ensure timely and accurate publication of the marina monthly financial statement. Statement to include monthly reserve fund balance. Timetable-ongoing. Status- See note above.

-Consider restructuring long term debt. Timetable- as soon as possible. Status- Is not possible at this time.

-Review funding source of rescue boat. Timetable- 2018 budget planning.

-Reconcile and close \$289.6 account at BMO Harris bank held in the name of the City Of Port Washington Marina. Timetable March, 2017. Accomplished.

-Establish a minimum reserve fund balance of \$120.0 with "payment in lieu of taxes not to exceed \$55.0 with payment deferred until the end of the year and applied based on marina profitability. Profits in excess of the "payment in lieu" would be added to the reserve fund and used to increase its balance as a hedge against future marina repairs and upgrades. Timetable- Year end 2017.

STATUS OF RECOMMENDATIONS ON FULL TIME STAFFING AS OF APRIL 17, 2017

Create job description for Harbor Master to reflect current responsibilities and tasks. Assign hours to those tasks and determine need for full/part time position. Timetable- October 2017. Status - City management to complete this task as part of 2018 budget plan.

-Create a job description for the Assistant Harbor Master to reflect current responsibilities and tasks. Assign hours to those tasks and determine need for full/part time position. Timetable-October 2017. Status – City management to complete this task as part of 2018 budget plan.

-Recognize the marketing responsibilities associated with marina management and seek ways to coordinate these efforts with city marketing professionals. Timetable-Ongoing. Status- To be recognized in job descriptions.

-Recognize the seasonal nature of these positions in evaluating staffing needs. Timetable-October 2017. Status – To be included in job descriptions.

STATUS OF RECOMMENDATIONS ON MARKETING AS OF APRIL 17, 2017

-Marina personnel, Harbor commission members, city marketing professionals and other interested parties “brain storm” to develop a marketing strategy aimed specifically at north slip rentals and appoint a specific person or group to follow up on these ideas and set a goal of 90% north slip occupancy. Timetable – May 2017. Status- City has hired a marketing director as of mid-April. Meeting date to be determined.

Modify the marina web site to strengthen the appeal of the marina as a destination. Coordinate with Main Street and Tourism Council in this effort. Overall goal would be to, over time, brand the Port Washington Marina as the Western Shore’s premier boating destination. Timetable- April, 2017. Status- Web site updated.