



**FREQUENTLY ASKED QUESTIONS**  
**March 28<sup>th</sup> 2009**

Dear Members,

We would like to take this opportunity to address the major criticisms and concerns that you have expressed in the last few weeks.

In 2009 we have made several changes to marina operations and our contracts and we failed to adequately communicate the rationale for making the changes and their affect. Please accept our sincere apologies for this lack of consideration and the discomfort that it has caused for many of you.

Some of you have considered certain changes to be negative to your interests and that of our membership generally. We do not believe this to be the case and it was not our intent.. To the contrary our fundamental philosophy is to assure a proper allocation of expense and assure that all our members are treated in a fair and equitable manner. We consider that in these difficult economic times it is extremely important not to unfairly burden or disadvantage any of our members.

Below we summarize the questions and comments we have received and provide our explanation.

\*\*\*\*\*



## **\$10 CHARGE FOR PAYMENT BY CHECK**

### **What you said...**

*“A \$10 check processing fee seems excessive. How much work can possibly be entailed in taking a check for my dockage payment? I always send my check on time. Why am I being penalized?”*

### **Explanation...**

About 5% of our members pay by check. Receiving checks for payment involves significantly more personnel time and other expense than automatic payment. A check has to be received and processed. Many payments are not received on time and repeated requests for payment have to be made. Frequently funds do not clear our bank account until after the end of the month. Before the payment clears our bank account our staff must apply the check to the proper account, fill out a deposit slip and make a trip to the bank. This may not appear to be particularly burdensome but when checks are received one or two at a time over many days the expenditure of resources is substantial. We have carefully studied the various costs to the company of receiving payment by check and they are commensurate with the \$10 fee.



## **2% CHARGE FOR PAYMENT WITH A CREDIT CARD**

### **What you said...**

*“Why am I being charged a 2% fee just because I pay with a credit card? This is outrageous. No other business does this. It seems like this is a fee increase in disguise. Why don’t you just raise the rent by 2%?”*

### **Explanation...**

About 60% of our members pay by credit card which imposes a charge to PHM of 2% of the amount cleared by the credit card company. Until now we have not passed the charge on but it is now common for companies to do so. By example, if an ASU student uses a credit card to pay tuition ASU charges a 2.5% fee. Similarly if one uses a credit card to pay rent on an apartment there is also a surcharge of 2 – 2.5%.

In summary approximately 65% of our members (60% credit card and 5% check) pay in a way that creates additional expense for the company and 35% pay by electronic (bank) funds transfer which creates no expense. As such the smaller group is bearing part of the costs that they do not impose on PHM. This is not an equitable situation. Allocating this cost of doing business only to those who cause it is a fairer alternative to raising rates across the board.

Most importantly no member need pay the new charges. By changing the mode of payment from automatic credit card charge or check to electronic funds transfer those charges can be avoided. It is simply a matter of choice for each member and in either respect no member is disadvantaged.



## **ELECTRONIC (BANK) FUNDS TRANSFER**

### **What you said ....**

*“I will not let anyone have that much access to my bank account. No one gets into my checking account for payment for anything”.*

### **Explanation ...**

It appears to be a common misconception that an electronic funds transfer from a bank creates a high risk exposure of theft. In reality there is a greater possibility of abuse from a direct credit card debit. In each case it is an instruction to pay a specific amount each month to a third party. If a credit card number is stolen it provides an improper recipient with many opportunities for theft. However, illegal possession of a bank account number provides little or no such opportunities. Thus moving to this mode of payment not only avoids costs but also results in a reduced risk of abuse.

## **CONTRACTUAL ABILITY TO RAISE RATES**

### **What you said...**

*“I am concerned about your ability to raise rates quarterly without giving any notice. You are going to raise rates by 14% this year”*



## **Explanation...**

In the past we have adjusted rates once each year on May 1<sup>st</sup>. The new contract allows for a quarterly rate increase (or decrease) with the cumulative annual increase not to exceed 3.5%. This does not mean that we can raise rates 3.5% per quarter. The contract only allows for a maximum cumulative 3.5% increase over the course of the year.

The decision to no longer give 60 days notice before a rate increase is to reduce mailing costs. With approximately 1300 members we consume a significant amount of paper (which is not environmentally sound) and we also suffer the financial costs of each mailing. In an electronic world this make little sense.

The contract now provides that a member can cancel their lease, without any penalty, within 30 days of a cumulative annual increase that exceeds 3.5%.

We know the economy is a concern and we are sympathetic. We have not increased rates since May 2007. In fact we decreased rates by 4% in May 2008. Despite a failing economy inflation continues with resulting cost increases.

Over the last eight years the inflation rate has averaged 2.84% while our average occupancy rate increase has been 2.34% (a half point below the inflation rate). Not many businesses have that kind of record. We have always strived to run a cost efficient operation and we pass most of those savings on to our valued membership.



## **PROBLEMS WITH FOOD QUALITY AND SERVICE AT THE WATERFRONT GRILL**

### **What you said...**

*“The food in the Waterfront Grill is terrible. We have to wait for an hour or more for our food”.*

### **Explanation...**

We agree that the food quality and delivery times for the last few weeks have been unacceptable.. This has been an area of great concern to management and we are making changes to put this right.

There are two primary causes for this deplorable situation. Firstly we have been without both a front floor manager and a capable head cook for the last few months. Secondly we have experienced far more activity than we normally experience this early in the year. The Waterfront Grill expansion and enclosure may have a lot to do with this.

A few weeks ago Justin Rucker was appointed as head cook and is in the process of redoing the entire menu. Justin is now purchasing all fresh produce and herbs rather than pre-prepared foods from Sysco.

Please be patient with us. In the very near term we expect to achieve excellent food quality and service.



## **LACK OF ENTERTAINMENT AT THE WATERFRONT GRILL**

### **What you said...**

*“Lately there has been a lack of entertainment in the Waterfront Grille. In past years there was some sort of event every weekend. How can you expect members to come to the Waterfront if there is nothing to attract them? Now the Waterfront Grill is boring.”*

### **Explanation...**

Over the last two years the Waterfront Grill has been substantially improved in size and décor. It is intended to serve as a lounge for all of our members to enjoy 24 hours per day and 365 days per year. Additional interior improvements are planned and we will be open 7 days per week in the near future. When this happens there will be full service Monday through Thursday but with a more limited food menu.

In the past many members, especially families, stayed away from the Waterfront because it was too noisy and not family friendly. The 'off the lake public' often resulted in unpleasant behavior and inability for members to get a table. This is why we cut back on bands.

Many of those who stayed away are now starting to use the Waterfront Grill. The challenge now is to make the venue enticing to all our members and we are open to any ideas and would like to work with all of you to create additional entertainment and interest.



With the summer season approaching there will be more activity at the bar and we are working with CBS Radio (KMLE Country and KZone) to host an array of fun family events at the Marina.

## **ADMISSION CHARGE FOR ACCESS TO THE MARINA**

### **What you said...**

*“Why did PHM decide to charge a fee to non members? Why would you want to turn away people from the Marina who are willing to spend money in the Waterfront Grille and Village Store? More sales at the bar seems like it would be a win-win for both the Marina and its members. It is a nuisance and annoying to have to sign in guests.”*

### **Explanation...**

#### **PHM Restroom Use**

The number of boaters who come to the marina to use the restrooms and then leave without spending any money has increased every year. In 2007 it reached epidemic levels with the cost to PHM estimated at over \$40,000.

As PHM floats on the water it is very expensive to operate our restrooms. In fact it is very expensive to operate all of our facilities. Each time a toilet is flushed it costs the marina close to \$1. We have holding tanks on the water and multiple pumps to move the effluent as much as 120 feet vertically and a half mile horizontally to the MWD effluent treatment plant. Land based facilities do not have this challenge as they operate with gravity fed systems that deliver effluent to inexpensive municipal treatment facilities. By



contrast the rates that we have to pay MWD for accepting our effluent are very high.

So that you understand the quantum of this specific problem it is not as if we experience a half dozen people a day using the marina as a public facility. In recent years it has got to the point where, on busy days, 400 people or more use the restrooms and immediately leave. While we understand that lake users do not want to use the unpleasant floating porta potties provided by Maricopa County or walk up the hill to County and MWD land based facilities, we decided that it is patently unfair for us (meaning PHM ownership and its members) to take the burden of \$40,000 per year as a public toilet facility. If we do not charge the public then that cost is born by our members as any business must cover all its costs and obtain a reasonable return on investment.

MWD and Maricopa County collect over \$1 million each in entry fees to the park each year. The burden of adequate public restrooms should fall to them.

#### Public Use of the Waterfront Grill

It may sound disingenuous but more business at the Waterfront Grill is not the solution to the food quality and service failings. It is difficult to make a profit from any restaurant operation and the Waterfront Grill is a tougher challenge than most. As it is located on the water the facilities operational cost and delivery logistics create a higher operating cost than most restaurants with the result that it has never been a profitable operation. As such, until now, every member of the public that has eaten at the Waterfront Grill has been subsidized by ownership and our membership - so the reality is, contrary to what may appear obvious, the less business we have the fewer subsidies and therefore the less cost.

By collecting \$5 from each public entry we at least cover the toilet use costs and the subsidies that are a burden to the business and to you it's members.



## Security

Another problem is that, as the lake has become busier each year, the incidence of vandalism, theft and property abuse had increased exponentially. To combat this we not only charge the public for access but also note their identity and require them to wear a wrist band indicating they are entitled to be on property. We have requested this of our members guests also. Without a wrist band we do not know whether an individual should be on property and if they are entitled to make purchases.

We know that the delays have been annoying but have made physical changes to the property and are introducing technology to mitigate this. The new location of the entry gate means that boat rental customers do not have to pass through the gate and the technology we are going to use is a driver's license reader that records an individual's identity card in less than a second.

Soon delays should be effectively non existent. As to the wrist bands we are attempting to come up with a better solution that is less aggravating but so far it escapes us. We would welcome any ideas.

## **THE GOLF CART SHUTTLE SERVICE**

### **What you said...**

*“The taxi service from the top o the hill down to the Marina remains a problem. The taxis have been often times impossible to catch.”*



## **Our response...**

Last year we added additional golf cart shuttles and created a strict circuit schedule. We stopped having shuttles take members to their boats (except if handicapped) due the fact that it takes too much time to maneuver along the docks which made shuttle wait times unacceptable. We established instead a service to deliver members belongings to their boat.

These changes improved the service enormously but at the request of members the shuttle drivers have now reverted to taking members to their boat. This has caused the schedule system to deteriorate and the service to become inadequate again. Please refrain from asking shuttle drivers to enter the slips area as this will result in inconvenience for other members. If you need help with getting your possessions to your slip tell the shuttle driver and he will arrange this for you.

Additionally this season we will dedicate a shuttle to the dry storage holding docks at busy times.

## **LACK OF SECURITY**

### **What you said....**

*“There is inadequate security on the docks. I can never get hold of security when I call. There is too much theft and abuse of property.”*

### **Explanation...**

We have learned that we cannot protect our members and their property with more personnel on the docks. The property is too large and spread out and it



is difficult to spot individuals who should not be on property (one reason for wrist bands for all those who are ID recorded) and know whether they have bad intent. We also have trouble controlling no wake speeds inside and outside the breakwater,

As a result we have been investigating the technologies available that will provide an acceptable level of protection. We already have an extensive camera security system in Dry Storage and in the Marina Village. To supplement this we have now instructed a specialized security systems engineering firm, to design a motion detection activated camera and lighting system that will track, 24 hours per day, all movements on the water inside and immediately outside the breakwater and all movements on the docks. The system will be supplemented with voice communication ability. Additional security gates will be added.

All activity will be automatically recorded. When no wake speeds are ignored we can evidence this to the authorities and request enforcement penalties. The intent is that in the event of any crime we will be able to identify the perpetrators and provide evidence to the authorities,

We will soon start construction of a new security room in the east end of the building immediately west of the Village entry gate location. This will be manned at all times at night and security guards will monitor the cameras at all times. The intent is that our members will be able to immediately contact security personnel at all times and security will be able to view the members concerns while on the phone. The security room itself will be monitored with cameras and sound.

We are also considering equipping all marina occupant boats with ID and location technology which will allow us to always know what boats should be in the marina allowing, by deduction, identification of boats that should not be.



We have already spent will in excess of \$100,000 on security systems and the budget for this year is approximately \$150,000. When completed we will be much better equipped to substantially reduce the many abuses. While total eradication is our goal it is probably not realistic but, suffice it to say, as the bad elements become aware of our ability to detect and provide evidence for prosecution they will be much less inclined to ‘test their luck.’

We invite feedback from our members regarding all of these security ideas.

\*\*\*\*\*

Thank you for being a Pleasant Harbor Marina Member. You are highly valued and all our employees are committed to providing ever better service, amenities and security.

If you have any questions please feel free to call me personally. My cell phone number is 602-549-9400.

Sincerely

David Maule-ffinch