



NORTHWEST MARITIME CENTER

State of the Northwest Maritime Center 2016: Momentum

It's the time of year when I take a step back and get some perspective on our little organization, take stock of where we are and where I think we are headed, and then put pen to paper to share it with our nearest and dearest. While it's truly not a delusion of grandeur, we started calling this annual tradition the State of the Union, and timing it similarly. I am happy to report that at least the portion of the Union that is the Northwest Maritime Center is strong, and on an exciting path to get stronger.

Last year was big

In writing this year's message I revisited what I wrote in 2015, which proved to be both an enlightening and hilarious experience. In all of my wisdom I declared 2015 the year of enthusiastic boredom. It was supposed to be a year of steady progress, incremental improvement. We were looking for consistent base hits, we were going to work on fundamentals. Steady and boring. Boy was I wrong.



Team Elsie Piddock

2015 was anything but business as usual. It was a year where "new" reached unprecedented levels. Topping the list was the unanticipated amount of attention and financial success of the Race to Alaska, the donation of a 62' Nordhavn motor yacht, the creation of a new Marine Thrift store to sell used marine hardware, and the addition of \$150,000 worth of solar panels to complete the vision of our green campus—just to name a few of the larger home runs I didn't see coming when I wrote last year. It was a year in which we executed: another year of school programs doing hands-on learning, summer programs with record enrollment (again), another incredible Wooden Boat Festival, and the Chandlery had its most profitable year ever (and which was by all measures profitable). Our operational budget grew in 2015 to its largest level ever: over \$2.3 million and a bottom line that stayed on the correct side of zero. We even managed to finesse the cash management side of the equation during the tight times of winter, no small task for a highly seasonal organization like ours.

While I might not have used these words at the time, the first four years of my tenure here were largely about figuring out how to survive. What to add to our operations to fill these incredible buildings that will support the whole of the organization moving forward? With the debt newly gone and a community of board, staff and supporters fired up to move forward, 2015 was the beginning of a chapter in which we are determining how we want to thrive. From the trenches it might not feel much different on a day-to-day

basis. There is still more to do than there are hours in the day or people to accomplish it all, but that said I've got to tell you this kind of busy—the kind of busy that comes from sprinting to catch up with success—is a lot more fun.

The future is bigger: we are growing

If you can give me a pass on how poor my crystal ball was in predicting a boring 2015, believe me when I tell you with conviction that the road ahead looks to be anything but boring. The NWMC is at the tail end of creating our next strategic plan, but sometime in the wake of *The New York Times'* second article about the R2AK and before the second biggest Wooden Boat Festival we've ever had I took a step back and asked myself, "Without waiting for the necessary deliberations of a strategic planning process, where do I think we'll be in five years?" How many will we serve through programs? What's our budget? What do we conceive of as our community? My gut answer was that we were going to double in size. Double—I really didn't know what that meant either but it felt right. As crazy as it sounded out loud, it felt right to say that NWMC was going to be doing twice as much as it is doing today.

Getting a bit more specific I sat down and went through the organization program by program to see if my broad-brush assumption was anywhere close. While my conclusion became more defensible, I became more confident that not only was it true, it was strategically the prudent path. We are growing—fast and for the betterment of both our mission and sustainability.

What double looks like

While the organization as a whole is going to grow, not everything we do is on a path to double. The NWMC that I see in 2020 has evolved to its increased stature though a combination of the natural growth of some areas, the maintenance of others, and the creation and/or acquisition of new programs and projects that we aren't doing now.


In the discussions around this year's budget, it became evident that 2016 will be a year of activity, and for much of what we do we can break it down into four themes:

<p>New/Growing</p> <ul style="list-style-type: none"> • R2AK • Marine Thrift • Development/fundraising • Western Flyer tours • M/V Undine operations 	<p>Executing/Sustaining</p> <ul style="list-style-type: none"> • Festival's 40th • Youth, summer and adult programs • Campus maintenance • Chandlery retail • Facility rentals (leased and event) • Maritime Discovery Schools
<p>Exploring</p> <ul style="list-style-type: none"> • Online classes • Vocational training • Maritime Running Start • Mobile programs • Regional stores 	<p>Improving</p> <ul style="list-style-type: none"> • Internal capacity • Visitor experience • Admin systems • Communications

What you don't see are themes like shrinking, retrenching, downsizing. We have moved away from a relationship with an outside sales person for the Chandlery hardware after a three-year experiment that never peaked above marginal returns, but other than that everything is either growing in scale, improving its efficiency, increasing the quality of experience, or all of the above. We are on the move.

Locally relevant, regionally serving, nationally renowned

At a recent board retreat the discussions about growth centered around serving an audience that is broader than Port Townsend and Jefferson County. The highest importance is to continue to serve the people in our backyard, but as board and staff talked about our aspirations to serve more youth through programs and engage more people with maritime opportunities, there was quick consensus that we're likely already serving the interested folks here, and that growth will come from bringing more outsiders to Port Townsend for classes and festivals as well as finding ways to bring the NWMC brand of programming to their communities. This isn't a new conclusion; the scale of the Maritime Center campus suggests an intention to stretch our effect beyond Port Townsend and surroundings, but this year our planning conversations are focused on how our various programs and operations might be scaled through our newly defined "home region"—Olympia to Ketchikan. What are we ready to do? What does this region need? Of those needs, which are we the best suited to step in and address?




THIS YEAR WE WILL BE LOOKING INTO HOW WE CAN IMPROVE THE WAY WE ENGAGE PEOPLE WHO HAVEN'T TAKEN THE STEP TO SIGN UP FOR A CLASS, GO FOR A BOAT RIDE, OR ATTEND A FESTIVAL.

The five-year growth plan starts in 2016, and while the growth curve isn't a straight line, it looks as if we are anticipating a 20% growth of the budget this year. Some key areas:

- Try to hold on as R2AK continues to expand: With a loyal following, what we anticipate to be at least double the participants, national level sponsors and potential television shows in the works, Race to Alaska continues to redefine its upper limit. Last year it grew from something we budgeted as a \$20,000 event to something that was more than ten times that. This year's R2AK is growing both in scale and profitability, with the anticipation that in its second year the race will contribute roughly two-thirds the amount of surplus revenue generated and plowed back into our programs by the Wooden Boat Festival in its 40th.
- Improve experience for casual visitors: The theory of change for the NWMC speaks to the impact of "powerful maritime experiences" on the lives of program participants. Whether you are an adult or youth, professional mariner or someone just getting interested in boats, as an organization we can offer you high-quality, high-impact programs. Through the outreach of our strategic planning we realized that we could do a much better job of engaging the "maritime curious" who

wander down Water Street, usually looking for a maritime museum. While I doubt we will ever be an organization dominated by a collection of artifacts, this year we will be looking into how we can improve the way we engage people who haven't taken the step to sign up for a class, go for a boat ride, or attend a festival. We know there is enthusiasm for it. When the anchor rumored to be Captain Vancouver's was here at the NWMC, literally thousands of people came to look at what essentially was an anchor-shaped tank filled with rusty water. We don't have an anchor, we're not a museum, but we're going to come up with a couple of test projects for engaging the casual visitor and see what works.

- PT Marine Thrift as Store #1: We started the Marine Thrift as much as an experiment to re-cast the traditional non-profit thrift store idea in a maritime lens as it was a mission-driven decision to create something that could help lower the barrier of entry into the world of boats for those of us who either by choice or by circumstance find ourselves drawn to the lower cost side of the boating experience. It was also a way to reduce the waste stream by gleaning usable hardware off boats destined for the dumpster. It was a great fit given Port Townsend's DIY and boat-crazy culture, and an attempt to see if there was another way to operate a store that served the function of the incredible consignment stores that used to thrive in our region but have largely shuttered themselves. From even a cursory examination it was clear that a store like this would be best operated as part of a regional network as a way to both spread awareness of the concept and to manage shortages and surpluses of multiple inventories gathered from multiple communities. We're not rushing into an expansion, the central tenet of this new venture is its low risk, and our plan is to test the model from our singular PT location for a year or two before considering branching out. Early days yet, but our first couple months of operation have produced much higher sales than we anticipated, and we are beginning to think critically about what success factors would lead us to consider a second location.
- Increasing our online presence: There are only so many boaters who live close enough to make a day out of coming to Port Townsend and attending a lecture on anchoring, navigation, radar. But we have a theory that not only could we increase the number of people we reach through short instructional internet videos, but that through that exposure we could increase the number of people who would want to make the trip for an in-depth class on any number of subjects. Program Director



IMAGINE GRADUATING FROM
HIGH SCHOOL NOT JUST WITH A
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COLLEGE CREDITS AND THE
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AN 18 YEAR OLD. WE HAVE HAD
INITIAL CONVERSATIONS WITH
PENINSULA COLLEGE AND THE
PORT TOWNSEND SCHOOLS TO
ACCOMPLISH JUST THAT.

Ace Spragg is working to get a few videos up on the web in 2016 to begin that process. Web-based sales of Chandlery items, and especially branded merchandise, are also on the docket for serious attention.

- Vocational training as rising emphasis: We teach recreational boaters, we have a simulator, we host classes for professional mariners. Since the building was opened we have worked with and provided space and support to third-party companies who have provided US Coast Guard approved training for professional mariners, both in our simulator and in our classrooms. One of my biggest personal disappointments during my tenure here has been the relative dormancy of that simulator respective to its potential. The causes lay both within our own organization and the businesses we have chosen to partner with, but the level of utilization is far from the steady



Puget Sound Pilot Ed Marmol. (He's the one on the right.)

stream of students in our classrooms and in Port Townsend's hotels and restaurants as we had hoped when embarking on this initiative. 2016 will be a year where either we find a new primary partner for that space or work to bring the instruction of professional mariners in-house as part of the NWMC. While I would love for another entity to take this on and make it a success, making it a part of what we do makes sense if we approach it not just for the simulation training that serves upper level mariners but also the entry level training that can take the young people in our school programs and tee them up for a career. Imagine graduating from high school not just with a diploma but some community college credits and the certification for an entry level job at sea that could earn you \$50,000 a year as an 18 year old. We have had initial conversations with Peninsula College and the Port Townsend Schools to accomplish just that. We won't get there entirely in 2016, but if we work hard at it this year we might get there the next time we change calendars.

The rationale for growth

I always question organizations that offer "grow or die" as a self-referential rationale for growth. Non-profits aren't measured on a return on investment that has to beat inflation. If you are reading this you are probably a supporter—the stake you have in our organization, and the standards you hold us to are likely much different from a company you might hold stock in. Often small non-profits are at their right size; they are serving the population they need and doing so at a level of grassroots professionalism that is accepted if not appreciated. Growth feels good but it's often the wrong answer in terms of long-term sustainability of the mission.

There is research on the non-profit sector that indicates that there are thresholds of sustainability, that organizations are sustainable below an annual budget of \$750k - \$1 million, and then again when their annual budget reaches somewhere between \$2.5 - \$4 million. It's not a hard and fast rule, but the research speaks to two kinds of sustainability: that of a small and scrappy organization, and that of a larger and more mature institution. People expect different things out of each, and there is an awkward window in which organizations in the middle are expected to act like a larger and mature organization but don't have the resources. The research indicates that there is a finite amount of time that organizations can successfully exist in the middle, and they either grow to the sustainable threshold, retreat to a smaller scale, or fold completely.

I often say that if you look across the country, a version of pretty much everything we do is done by other organizations, too. What makes the Northwest Maritime Center unique is that it's the only place where all of it happens under one roof. Simulation training, sailing lessons, boat building, rowing, festivals, adventure races, regattas, classes for cruisers, traditional hardware stores, a few models and exhibits sprinkled throughout to spice the place up, a public beach and plaza, engaging school-aged kids in experiential learning—I can imagine places across the country where one of those things happens, maybe even two, but we're the only place where it all happens at once, where a professional ship's pilot might share a moment with a kid in a pirate-themed summer camp. This place is remarkable in its breadth.

That breadth is also a strategy of how to create sustainable scale. Our industry and geographic location make it unlikely that we will ever have just one thing that would require all of the space or allow for the standard of professionalism we've come to be known for; we're fortunate to be an organization big enough to have a dedicated development staff that don't also have to be janitors, financial staff who don't also have to do IT, and our program staff that get to teach year round. Each of our departments together create that scale by unifying what amounts to several small organizations under a single support structure. We have roughly six departments that each have annual budgets between \$300,000 and \$500,000, and the building and administration is yet another one of those budget units. Each of these could be its own scrappy-sized organization, with its own board and employees all wearing a ton of hats, but by aggregating them into one mission-aligned organization there are better mission outcomes and better efficiencies. My own feeling is that our organization is currently 20-30% smaller than would be efficient, and that at two times our current size we will have the scale to support the positions that are currently supported through a recent capacity building initiative.



EVEN A MODEST 5% SURPLUS WOULD
MEAN THAT IT IS REASONABLE TO
EXPECT THAT WE WILL BE ABLE TO SAVE
AROUND \$200K A YEAR FOR FUTURE
INVESTMENTS, CONTEMPLATION OF
AN ENDOWMENT, AND IN GENERAL
SECURING THE FUTURE OF THE
ORGANIZATION.

Our anticipated growth is based on opportunities for sustainable expansion and the unmet demand we see for our programs and services. While our recent track record might not indicate this, believe it or not we walk away from opportunities all the time; we will never meet 100% of unmet demand for what we do. Our planned growth is the right strategy because scale is strategically important for long-term sustainability. This isn't growth for growth's sake. We're not jumping on to whatever opportunity comes along because we got excited and we can justify that it's in mission. We seem to be at the magic place where opportunity and strategy are aligned.

Challenges and key questions

I'm a skeptical optimist, and I constantly have to check myself against my default assumption that things will be better in the future. Even under examination, when I think of the future NWMC I see one with more mission impact and operations that are more sustainable from both a financial and human perspective. When I think of a reasonable reality for our five-year time horizon I see an executed sale of a large yacht, that when added to other windfall and legacy gifts (that are outside of what we count on for program expenses)—which means that we should have somewhere near \$1 million of cash beyond what we need for our programs, improved liquidity and saved interest by financing our seasonal fluctuations without an interest bearing line of credit, investments on improving facilities or catching up on deferred maintenance, and at an organizational budget of \$4 million dollars, even a modest 5% surplus would mean that it is reasonable to expect to save around \$200k per year for future investments, contemplation of an endowment, and in general securing the future of the organization for the future. Like I said, I'm an optimist, but the skeptical side of me wonders if there's a catch.

No catch, or at least I couldn't find one, but it's far from a downwind run from here on out. Adjusting the time horizon from this rosy five-year future to the realities of the next, year, month, week, the immediate steps are more nuanced, and continue to stretch the capabilities of the organization. Cash and liquidity are our chief challenges for the next few years. Every year gets a bit better, but we are an organization that relies on a line of credit to sustain operations through the year and manage our operations tightly in order to accomplish that. Key challenges to the organization will be the timely execution of financial goals, managing expenses tightly, managing our successes to an even tighter timeline, successful stewardship of our donors and supporters and staying relevant so they will continue to be inspired for the 24% of our budget that comes from contributed income—a healthy ratio we can be proud of but one that still requires us to raise around \$500,000 a year. The long-term success is determined by the sum total of all of our decisions, the aggregate of our successes and failures—and the margin of error that is built in to our budget is a tight one.

Mitigating this risk is solid progress on NWMC's annual financial performance as well as sowing the seeds of future success with some self-imposed discipline. In 2014 the Board wisely instituted a policy that reserves windfall gifts into a strategic fund whose express purpose is for improving the financial health of the organization rather than for use in operations. Thus far there have been no such gifts since the policy was instituted, but the fund was established to create discipline around known future one-time influxes of cash—whether it's the eventual sale of the recently donated Nordhavn yacht, or our supporters in the Maritime Legacy Circle who have indicated that the NWMC is in their estate plans. These legacy gifts will truly be a legacy for the organization rather than being depended on for operational shortfalls.

Beyond the financial considerations that concern all non-profits, we have interesting questions to answer in the coming year that gets us towards the five-year growth path we imagine for ourselves. What does a regional presence look like for our programs? Is it virtual or physical? If it's physical are there brick and mortar locations or are we operating a mobile unit? How do we intelligently grow our mission and organization in a way that complements other efforts in the region rather than displacing them? How can we experiment with potential answers to all of these questions so we can continue to be a learning organization? Great grist for the mill.

Summing up

More than any of my previous reports, the 2016 State of the Union is largely focused multiple years into the future rather than solely on the year ahead. I take it as a mark of accomplishment that collectively we have reached a critical milestone. We're more stable, more confident, and are allowing ourselves to think strategically five and ten years out. Good job us.

While I always hope that it's true, this year I can draw a line between what we are doing in 2016 and how we think our organization will be in 2020. Every day it's becoming less about imagining about what we could make out of the potential and more about how we can build on our track record and hone the model for even greater effect and sustainability. About a year ago I was remarking to someone that it's incredible how similar the activity that was imagined more than 15 years ago in the initial water color renderings of the campus is to what was happening on site.



Emmet Wolfe photo

Today those watercolors are in the rearview mirror—we've grown past them in terms of what we are doing and where we are doing it. We've also grown past our need to think in conceptual watercolors to help rally support around the new idea. We've got momentum, and we're past the fuzzy ideas of the paintbrush; now we're into the math of how it will work best.

A final thought: While there are some very large and fortunate reasons that we are lucky enough to find ourselves at this moment looking forward and poised for growth, there is a quiet secret ingredient that is worth mentioning that's underneath it all. I've witnessed it as part of all of our successes in the past five years, and witnessed its absence in our failures. It's simply this: we're people first and institution second.

The spirit of the Race to Alaska and the Wooden Boat Festival is to highlight and connect with people like old friends, our youth programs teach to many outcomes but at the forefront is the ability just to be

present, even people who walk in to ask a question are treated like they are the only person we are talking to right then, because they are.

I'd go as far to say that while it's not boats explicitly it is part of the value that we bring to the world. I imagine that there will be an inclination to act differently as we scale up, to act in deed more like an institution as we increasingly spread across the region. I believe we can—must—hold on to that hard-to-describe spirit that makes the NWMC such a special organization: informality and professionalism, humility and confidence, reverence and fun. It's a fragile alchemy, but well worth tending.

As a part of our community you are part of that alchemy too. Thank you for whatever piece of hard work, financial support and brilliant thinking you've contributed to get us to this point, and thanks in advance for what you'll add in the years to come. From where I sit it looks like it's going to be a lot of work and a ton of fun.

Be well,



Jake Beattie
Executive Director

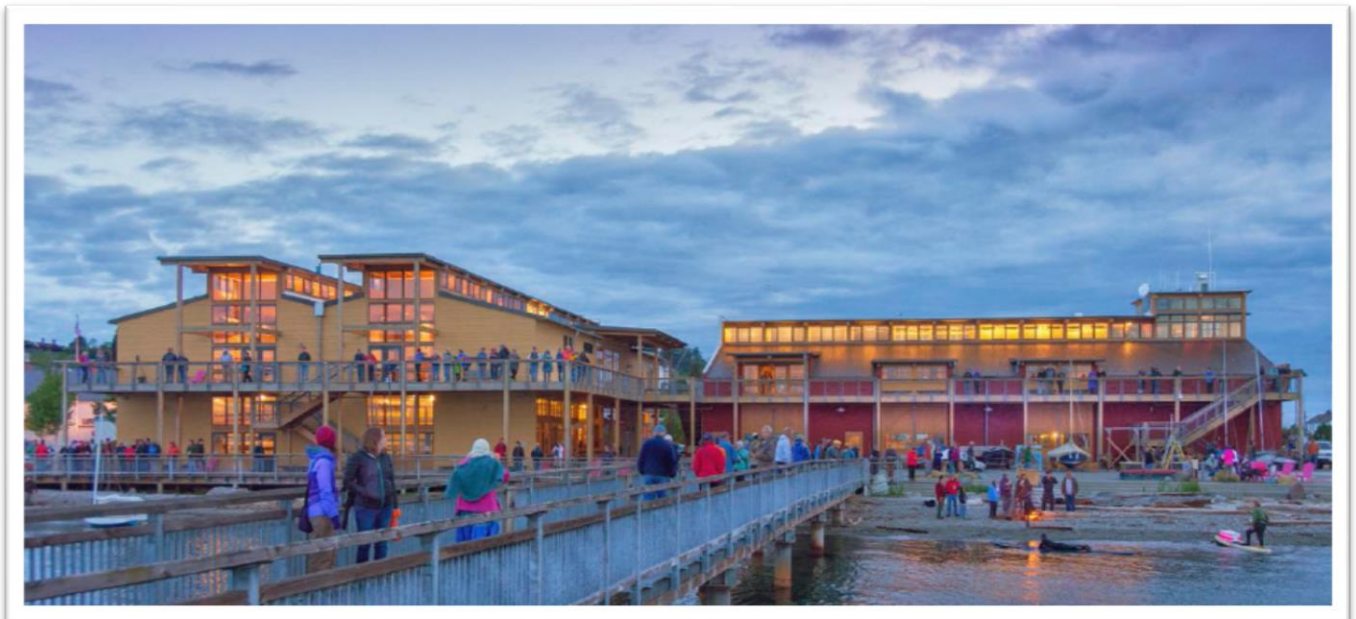


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