

PORT COMMISSION MEETING – October 24, 2007

The Port of Port Townsend Commission met in regular session in the Port Commission Chambers, 375 Hudson Street, Port Townsend, WA

Present: Commissioners – Sokol, Thompson, Beck
Executive Director - Crockett
Deputy Director – Pivarnik
Marine Facilities Director - Radon
Auditor – Taylor
Senior Accountant/Recorder – Hawley
Attorney – Harris

I. CALL TO ORDER

The meeting was called to order at 6:30 PM.

II. APPROVAL OF AGENDA

Upon motion of Commissioner Thompson, the agenda was unanimously approved.

III. CONSENT AGENDA

- A. Approval of Minutes – 10/10/07
- B. Approval of Warrants
 - #38034 through #38034 in the amount of \$30,124.04
 - #38035 through #38062 in the amount of \$36,842.27
 - #38063 through #38067 in the amount of \$32,479.87
 - #38068 through #38136 in the amount of \$298,187.75
 - #37981 as a VOID

**Commissioner Beck made a motion to accept the Consent Agenda as presented.
Motion carried by unanimous vote.**

IV. PUBLIC COMMENTS (Not related to agenda)

None

V. OLD BUSINESS

A. Contract for EDC Work at JCIA:

Mr. Crockett provided background and advised that the contract, as presented, was the latest draft of the consulting agreement with the Economic Development Council (EDC). He advised that clarification regarding the term “employee” was still needed and that discussions held prior had been that compensation would be made for full time employees only.

Discussion followed regarding terminology of the positions and whether they would be FTE (Full Time Equivalent) or FT (Full-Time) and Port goals for establishment of full-time positions and that half-time, or several part-time employees would not meet those specifications.

Commissioner Sokol advised that, since he had learned that the \$5,000 had not yet been paid to the EDC, that the terminology on page 2 should be changed from “the Port *has* paid the sum.” to “the Port *shall* pay the sum.”

Mr. Crockett asked for clarification of the sentence on page 3 which stated “the Port shall have the option (but not the obligation) to request that the EDC negotiate the contract with the tenant”.

Discussion followed regarding the Port’s option to allow the EDC to negotiate if desired but was under no obligation to do so.

Commissioner Beck made a motion authorizing acceptance of the Consulting Agreement with the Economic Development Council (EDC) with the two changes noted: Page 2: #3. Compensation Item a: “The Port *shall pay* the sum of \$5,000 to the EDC...” and Page 2, Item b: “the Port *shall pay* additional compensation to the EDC at the rate of \$500 for each *full-time employee*...”

Motion carried by unanimous vote.

B. Fire Station at JCIA Inter-local Draft Agreement:

Mr. Crockett informed that the document presented was the most current draft of the Inter-local Agreement between the Port and Jefferson County Fire Protection District No.1.

Mr. Harris stated that the Agreement, as presented, specified that the project management services provided by the Port would be paid for by the Port and that the

grant writing proposals would be paid for by the Fire District. He advised that the agreement, as presented, was only for initial, preliminary design grant writing.

Mr. Crockett provided clarification that the Port would provide project management only up to the point of actual construction of the structure and that after that a professional project manager to oversee the actual construction contract and construction would be needed.

Mr. Harris informed that a new contract would need to be negotiated when, and if, the proposed project moved forward to the actual construction phase.

Discussion followed regarding costs for the design development and project planning and discussion that the costs would be shared equally by the Port and the Fire District up to \$10,000 for each agency with a maximum expenditure of \$20,000.

Mr. Taylor inquired if the Port would pay the costs for project management which had been incurred to date, and which would be incurred in the future, and then bill the Fire District for its proportional share of those expenses, essentially running the proposed project through the Port books. Additionally, he asked, under which agency name would grants, if located, appear and advised that the Port would be placed into another audit classification if anything over \$500,000 in Federal funds were received.

Discussion followed regarding the management of the project, accounting for revenues received and expensed, grant writing, grants available, that other agencies (US Customs, Jefferson County Food Bank and Olycap) were interested in the proposed building and that the project details would need resolution.

Commissioner Sokol stated, that in his opinion, it was important to get the project moving forward with the grant writing for the preliminary designs and that future discussion would be needed to resolve all the financing details.

Mr. Harris advised that the project could be halted at any time just by the Commission declining further expenditures and that with the adoption of the proposed agreement each agency was obligated only for an expenditure of up to \$10,000 each.

Mr. Crockett advised that, in his opinion, it was necessary to account for the project correctly from the beginning.

Mike Mingee, Fire Protection #1 Chief, stated that it appeared that both agencies were on the “same page” and that what the Fire District had envisioned was, for instance, an FAA grant was awarded, the Port would be named recipient whereas a grant awarded from the National Fire Administration would name Fire District. Furthermore, he stated, whichever agency was awarded the grant would be the one responsible for the accounting of the funds received. In his opinion, at this point, it was important to begin the process because until a design was in place, grants could not be sought for the proposed project. He advised that the Fire District had a contract agreement with a professional grant writer, whereas the Port had experience in project management.

Mr. Harris advised that the issue of who would ultimately pay for the project was still unresolved. If, at a later time, it was discovered that there would be insufficient grant funding available, it would then be necessary for the Port and Fire District to negotiate and decide whether to proceed.

Further discussion followed regarding the project importance, the number of years it had been discussed and of what benefit it would be to the community to have a fixed base, 24/7 fire and emergency medical services at one location.

Commissioner Beck made a motion to accept the Interlocal Agreement Regarding Location of Fire Station between the Port and Jefferson County Fire Protection District #1 with joint payment of costs up to \$10,000 each.

****Please see below for vote.**

Commissioner Sokol stated that he wanted to eliminate confusion regarding the project and stated that, regardless of the rumors regarding the project, that it would not come at the expense of other airport projects such as the GPS approach system (which was scheduled for installation in 2009) or AWOS. He advised that, in his opinion, the proposed project would provide needed infrastructure on the south side

of the runway and additionally, follow through with the adoption of the agreement with the EDC.

Mr. Crockett offered that if the community, as some point, wished to have commercial flight service (essentially an aircraft that can hold 10 passengers) there was a requirement by the FAA that fire and medical personnel be physically on the field 15 minutes prior to and 15 minutes after that scheduled flight. This project, he advised, would assure that capability.

Forrest Rambo stated, in his opinion, an Interlocal Agreement, at this point, was premature and suggested that the decision be delayed until the new commissioner was on the Board. He summarized by stating that he thought the project might be warranted at some point in the future but that the Port had other activities and expenses that should be addressed first.

****Motion carried by unanimous vote.**

C. Draft 2008 Operating Budget:

Mr. Taylor advised that the budget process was on schedule with the Public Hearing for the 2008 Operating Budget set for 1:00 PM on Wednesday, November 7, 2007. The Hearing had been advertised in both the Port Townsend Leader and the Peninsula Daily News.

Mr. Taylor reviewed the 2008 Operating Budget Draft. He stated that it differed from the Draft presented at the October 10, 2007 meeting in that it incorporated the September 30, 2007 actual revenues and expenses, graphs/charts, a spreadsheet which showed how staff costs were allocated to the various departments and budget narratives/assumptions. This Draft included the full property tax increase, amounting to about \$32,000 for new construction and the 1% levy increase.

Mr. Taylor informed that the most significant change was that this current Draft reflected the reduction in Work Yard rates of 16% which was adopted at the October 10th meeting. He advised that he had budgeted a conservative \$675,000 for Work Yard revenue (down \$75,000 from the October 10th draft).

A brief discussion followed regarding the reduction in the Work Yard rate.

Mr. Taylor continued with a few of the 2008 Budget highlights and stated that the Port was getting bigger as it was projected, as shown in the Sources and Uses graph that we would bring in \$6,628,000 in revenues, an increase of \$851,000 or almost 15% which, he advised, was directly attributable to the addition of the Fuel Dock. Projected expenses, before depreciation, were going up 32.6% to \$1,090,000 and there again, the single biggest item was \$687,000 to purchase the fuel sold at the Fuel Dock. The next largest expenditure was an increase in staff costs. He advised that the 2008 Budget included the three positions not budgeted in 2007, and which were created for the Fuel Dock operation, (one permanent position and two seasonal), and new in 2008, one additional new position in the Finance Department, one additional Seasonal Moorage and additional hours to the existing seasonal positions.

The bottom line net income projected was \$389,830 for next year.

Mr. Taylor informed that the revised Draft incorporated an increase in depreciation expense and the way in which the maintenance funding was allocated between the different cost centers. Mr. Taylor reviewed the budget and advised that the actual cash flow remaining could be put to capital construction or into the general fund reserve was \$764,500.

Discussion followed regarding capital projects proposed for 2008 and the many benefits of having a reserve fund.

Mr. Taylor remarked that the Budget Assumptions were located at the back of the document and that, starting with revenues, that at the October 10, 2007 meeting the Commission had voted to approve a one year continuation of the same rate formula that had been used to set Permanent Moorage Rates for the past three years.

At this point, Commissioner Sokol stated that he would like to bring up the subject of permanent moorage. Citing Robert's Rules of Order, he informed that a member voting on a prevailing side of a motion could, at a later time, reconsider a previous motion and that he, therefore, **offered a motion to reconsider the previous motion of October 10, 2007** and wished to substitute the following:

Commissioner Sokol made a motion to delay a yet to be determined rate action on Permanent Moorage with an effective date of May 1, 2008.

Commissioner Sokol reminded that his original motion made on October 10th had an effective date of May 1, 2008. He stated several other reasons for offering the substitute motion. **Please see attached document for complete text.

He advised that, in his opinion, it was time to begin the process of the Boat Haven Renovation and to stop “making do”. He advised that, in his opinion, current tenants were taking advantage of the low moorage rates in the past and that future tenants would certainly benefit from the future changes to be made. He cited that as each year passed it became more and more expensive to obtain permits or do in-water construction. He advised that, after reflection, the one-year rate increase adopted at the last meeting was not a responsible action to meet future needs; and therefore he reiterated his revised motion.

Commissioner Sokol made a motion to revoke the moorage rate increase adopted at the meeting of October 10, 2007 and to enter into a process starting now through early 2008 to adopt a new moorage rate structure based on more definitive information available for the rate adoption effective May 1, 2008.

A lengthy discussion followed regarding the moorage rates, bond financing, the proposed reconstructed marina, improvements necessary and how to finance the improvements.

Mr. Crockett inquired of Mr. Taylor how the proposed motion would effect the 2008 budget.

Mr. Taylor informed that, as had been discussed at previous meetings, that the CPI portion of the Moorage rate increase was all that was going into operations and that the remainder was going into the reserve fund. The impact of the revised motion would be a reduction in Permanent Moorage revenue of \$20,000 (around \$5,000 a month for the first four months of 2008) and that the transfer to the reserves would be reduced to \$80,000 from \$100,000.

Commissioner Beck stated that as the Boat Haven Advisory Board was working on the Boat Haven Design and with PND working on the rate structures, he could see Commissioner Sokol’s point.

Further discussion followed regarding the Permanent Moorage Rate formula, compilation of data by PND and Paul Sorensen and parity between differing slip/boat sizes, etc.

Commissioner Beck remarked that historically, the establishment of Permanent Moorage rates was always a big hurdle during the budget preparation and that delaying the rate increase until more information was gathered, moving the rate adoption until May might provide an opportunity to get clarity on other issues.

Commissioner Thompson stated that at some point the Port and its tenants would be confronted with Paul Sorensen’s study, whether it was in the spring or summer, and the scenario it presented and that moorage rates would have to be increased.

However, he did not see a reason to postpone the motion approved at the October 10th meeting where the Permanent Moorage Rates were adopted.

Commissioner Sokol thought that by raising the rates January 1st getting back the data from PND and Paul Sorensen and then finding out that the permanent moorage rates would have to be raised a 2nd time during 2008, would have more of physiological effect that delaying rate changes until May, 2008.

Further discussion followed regarding the options, pros and cons of the rate increase delay, info compiled from the Boat Haven Advisory Committee, data gathered by Paul Sorensen for the Boat Haven Renovation project, the Port debt and property tax revenues.

John Collins stated that he commended Commissioner Sokol for his motion and considered it to be a forward way to look at it and advised that it was still unresolved as to what portion for the Marina Rehabilitation that revenue bonds would pay for and that a long term rate structure should be artfully constructed.

Forrest Rambo also commended Commissioner Sokol for bringing the topic back before the Commission. He stated that, in his opinion, it made good financial sense when we went out into the Bond Market. Secondly, he had been disappointed that,

at the last meeting, the Commission had not taken Paul Sorensen's recommendation regarding the Permanent Moorage rates and to delay increasing the rates until May, 2008.

Gary Rossow stated that he supported Commissioner Sokol's motion and wanted to remind the other two Commissioners that at the last meeting their Executive Director, Deputy Director, Operations Manager, and Director of Finance, the Consultant, and 60 citizens (as part of the Boat Haven Moorage Tenant's Union) had all made a recommendation to postpone a rate increase. He asked Commissioner Thompson and Commissioner Beck who it was they represented when they moved forward against such advice and urged them to support the new motion. Additionally, he offered that he would be happy to pay his fair share in proportion to the size of his boat but that raising the moorage rates for the past three years at the percentage that they had been increased and for which he was not receiving anything, in his opinion, was not right.

Ed Barcott stated that he had a different point of view in that he was a small time boater and had been a moorage patron since 1970 and that no matter what the financial situation, the moorage rates continued to go up and up and is used to subsidize other endeavors. Although he stated that he was not against what the Port was doing, he would like to see it protect the small boater in this community instead of forcing them out. He has had a slip on C Dock since 1970 and all that has been repaired are a couple of planks and a telephone line and a light bulb installed. The other point he wished to make was that in regard to property taxes, everyone paid them, including him and that he had a boat because he could still afford it for a while longer, but that bigger wasn't necessarily better and he wished that the Port would hold the line for the small boater.

Commissioner Beck asked for the question on the motion on the floor.

Commissioner Sokol reiterated his motion.

Commissioner Sokol moved to revoke the moorage rate increase adopted at the meeting of October 10, 2007 and enter into a process now through early 2008 to adopt a new moorage rate structure based on more definitive action available, for adoption effective May 1, 2008.

Commissioner Beck stated that although for as long as he could remember moorage rate increases had been part of the yearly budget process, that he could see advantages to postponing the rate increase until more information could be gathered from Mr. Sorensen and the Boat Haven Advisory Committee.

Commissioner Sokol called for a vote on the motion.

****Motion approved by a vote of two to zero with Commissioner Thompson abstaining.**

Further discussion followed.

Mr. Taylor stated that as a result of the adopted motion he would adjust the Permanent Moorage budget for 2008 to \$870,000 from \$890,000 and reduce the transfer to the Renovation Reserve from \$100,000 to \$80,000 resulting in a zero impact to the Budget bottom line.

Additional discussion regarding the proposed Budget took place.

Forrest Rambo inquired as to the anticipated time the 2008 audit would take.

Mr. Taylor informed that it would be a Federal audit next year because of the FAA funds received and that he anticipated the audit to take two months and would probably start in May. Mr. Taylor advised that he had budgeted \$25,000.

VI. NEW BUSINESS:

None

VII. STAFF COMMENTS:

Mr. Harris informed on the meeting he had attended, along with Mr. Crockett and Mr. Pivarnik, with City of Port Townsend officials regarding a number of issues, including the new Port Security. He asked for an Executive Session to discuss possible litigation and real estate issues.

Mr. Radon advised that the BMP video, prepared by Peter Wiant was almost completed and that a draft would be soon be ready for Staff review.

Mr. Pivarnik informed on Hudson Point. He stated that all the engineering was complete; that Reid Middleton had approved the splices engineering and the tri-frames. Olympic Electric was here doing all the electrical fixes. Progress, he advised, was being made on the punch list and the project was moving forward.

On another topic, Mr. Pivarnik informed that regarding the Hangar Development project at the airport, Mike Biggs had made significant progress on his hangar development and in communicating with the FAA and had gotten four 7460s approved by the FAA in two months. This document would allow him to proceed to Jefferson County for his two condo hangar developments and also for two buildings for the Aero Museum (the repair shop and the paint shop).

Mr. Crockett advised that he had been requested to serve, as a government representative, on the City of Port Townsend's Alternative Electric Management Committee. He informed that the Puget Sound Electric franchise agreement with the City expired 12/31/2010 and the Committee had been formed to help the City research other alternative electric power sources and options.

He informed that on October 26th he would attend a meeting held in Alderbrook. He had been called by the University of Washington and had been asked to sit on a Committee, which was looking at all the waterfront and oceanfront in Puget Sound and represent not just the Port District but commercial fishing as well.

Mr. Crockett advised that on November 1st, he and Mr. Pivarnik would brief the East Jefferson Rotary as their luncheon speakers.

Lakeside Industries, he informed, was scheduled to pave the remainder of Jefferson Street in Hudson Point.

Discussion followed about the project.

In conclusion, Mr. Crockett informed on the meeting with the City of Port Townsend, Port Staff, City and Jefferson County Police, at which discussion had taken place regarding the new security personnel hired by the Port and the entire security operation and how they can be on the alert to notify pertinent departments if they notice anything out of the ordinary. Also discussed was whether the Port wanted to join (and if it would be accepted) the JEFFCOM group or radio system. He advised that, currently, cell phones were used to call the City Police or County Sheriff's office, if they were needed. JEFFCOM would prevent lack of communication due to cell phone ranges, etc. Details were still in the process of being worked out.

Another topic discussed at the same meeting was that of street vacating in the Boat Haven for those streets that will never be used but which present jurisdictional issues for the security team.

Mr. Harris added that discussion had also taken place regarding the possibility of giving the security team very limited authority to issue citations, primarily traffic citations for simple traffic infractions, such as parking in illegal places or a preliminary trespass admonishment procedure.

Mr. Crockett informed that those duties would be similar to what the City Police Volunteers are currently doing. He also informed Jefferson County Brasfield that the Port was looking into the purchase of a second security vehicle which would allow additional trips to the airport and the ability to get to Quilcene.

A brief discussion followed regarding JEFFCOM, the decision to join it or not (most thought the Port should not join) the benefit of having the Port Security in place and, briefly, their scope of duties/responsibilities and limitations.

VIII. PUBLIC COMMENTS:

Forrest Rambo stated that he had been an observer at the Boat Haven Advisory group meeting and commended Mr. Crockett for his interception into the discussion of the allowance for multi-hulls and for dry stack storage.

He advised that, in his opinion, there should be a renewed discussion regarding the addition of security gates going out onto the docks. He acknowledged that the concept of coded, locked gates was controversial but thought that the issue might want to be revisited and considered to be of benefit rather a detriment especially in view of the recent vandalism.

A brief discussion followed.

IX. COMMISSIONER COMMENTS:

Commissioner Beck informed that he had attended the Shoreline Meeting held in Quilcene on October 24th and had reviewed the SMPs.

Commissioner Thompson advised that Mr. Taylor had prepared a worksheet for him which showed that there was 5127 linear feet of Work Yard space billed in January, 2007 and went steadily down to 3897 feet in September, 2007 and suggested that it was something to be aware of and tracked.

Discussion followed.

Commissioner Sokol informed that he had attended the WPPA (Washington Public Ports Association) Legislative Committee meeting, advised on some of the items that would affect Ports and stated that there were five legislative issued brought forward from the past session that would have to be dealt with during this Legislative session.

A brief discussion followed.

X. NEXT MEETING: will be held Wednesday November 7, 2007 at 1:00 PM with the addition of the Public Hearing on the 2008 Operating Budget, Workshop preceding at 9:30 AM , in the Port Commission Chambers, 375 Hudson Street, Port Townsend

XI. EXECUTIVE SESSION

The regular meeting recessed into executive session at 8:33 PM for discussion regarding a litigation matter and a real estate matter, duration of 10 minutes with no expected action.

XII: ADJOURNMENT:

The regular meeting reconvened at 8:43 PM and adjourned at 8:44 PM there being no further business to come before the Commission.

ATTEST:

President

Secretary

Vice President