

PORT COMMISSION SPECIAL MEETING– May 8, 2018

The Port of Port Townsend Commission met in special session at the Commission Building, 333 Benedict Street, Port Townsend, WA

Present: Commissioners – Tucker, Hanke and Putney
Executive Director Gibboney
Auditor Berg
Director of Operations & Business Development Englin
Director of Planning, In-house Counsel Toews
Communications Coordinator Matej
Attorney Lake
Minutes – Nelson

I. CALL TO ORDER/PLEDGE OF ALLEGIANCE:

Commissioner Tucker called the meeting to order at 9:00 am.

II. APPROVAL OF AGENDA:

Commissioner Putney moved to approve the Agenda as presented.

Commissioner Hanke seconded the motion.

Motion carried by unanimous vote.

III. PUBLIC COMMENTS:

None

IV. CONSENT AGENDA (00:00:58):

A. Approval of Regular Meeting Minutes – April 25, 2018

Approval of Special Meeting Minutes – May 2, 2018

B. Resolution No. 679-18 – Declaring Certain Items Surplus

C. Approval of Warrants

Warrant #059050 through #059061 in the amount of \$60,278.38 for Payroll & Benefits

Electronic Payment in the amount of \$105,073.94 for Payroll & Benefits

Warrant #059062 through #059116 in the amount of \$127,047.33 for Accounts Payable

Commissioner Hanke moved to approve the Consent Agenda as presented.

Commissioner Putney seconded the motion.

Motion carried by unanimous vote.

V. SECOND READING (Action Items):

A. Verbal Report of Bid Results for Point Hudson Jetty (South) and Resolution No. 678-18 – Limited Tax General Obligation Bonds, 2018 (00:01:12):

Mr. Toews announced that four (4) bids were received for the Jetty project. The apparent low bidder was American Construction Co. out of Tacoma, who bid \$3,991,118.93. He stated this is approximately \$285K over the engineer's estimate of \$3.709M.

Director Gibboney stated all bids came in above the cost estimate. The low bid is over by approximately \$1,311,000, which includes the difference between the submitted bid and the engineer's estimate, construction management cost, and a reasonable contingency. Resulting from staff's analyses, Director Gibboney stated they have come up with some preliminary options to consider:

A) Immediately seek donations to cover the funding gap. Donations would need to be deposited in the account by 5:00 pm on June 6, 2018. She stated awarding of contract could be delayed until June 7, 2018, and if not enough money has been raised by then, all bids could be rejected.

Commissioner Hanke stated the Northwest Maritime Center (NWMC) is not able to contribute actual dollars until September and asked why a donation commitment could not be counted and why actual funds need to be in place. Ms. Gibboney responded this is advice received from K&L Gates. Commissioner Hanke suggested a conference call with K&L Gates and the NWMC. Commissioner Putney believes the donation commitments to date are de minimis considering we need an extra \$1.3M. Commissioner Hanke questioned the need and the high cost of hiring a construction manager, when, he stated, American Construction Co. is a very reputable firm. Ms. Gibboney explained the reasons an entity hires a project manager and explained how

the cost of a project manager is figured based on 8% of project total. Discussion followed. In regards to a contingency, an amount of \$400K (10%) was determined. Commissioner Tucker believes the Port should plan for maximum contingency. Attorney Lake added that 10% is fairly low. Discussion ensued on the contingency and project risks.

Commissioner Putney expressed his concerns that the Port has a very low cash reserve. He spoke about the half million the Port "borrowed" from reserves to pay for the stormwater project, where he stated, replacement funds have been committed to come out of the bond.

Commissioner Hanke expressed his concerns the engineer's estimate was "so prominently mentioned". Discussion ensued. Commissioner Hanke also suggested talking with the bank to learn about additional funding options to fund the project.

Commissioner Putney expressed concerns that if the project is delayed two years, he believes due to the Port's financial situation, and increased costs, the project would never happen. He believes we are at the "do or die point". He added, we need to "find the missing money", or indemnify some of the hazards, or own up to the fact that we just cannot do the project.

Commissioner Tucker stated, as an "eternal optimist", he believes funding could open up in the future, such as a TIGER grant or funding from Commerce. He suggested the commissioners look to the legislature. Commissioner Tucker recommended applying for the BIG Tier II grant extension.

Director Gibboney continued discussing Jetty Options:

B) Delay the project for one year; ask for a one-year grant extension (not guaranteed).

Could re-design the project, but since the grant paid for the first design, a second re-design would not be covered. Develop a risk mitigation strategy.

C) Delay the project indefinitely. Would likely mean repayment of Federal grant (\$176K). Develop a risk mitigation strategy.

D) Increase bond amount to \$4.2M, using \$500K to replenish cash. Staff does not recommend this option.

Director Gibboney discussed the Bond Alternatives:

1. Reduce and repurpose bond, payback for stormwater improvements. Look at other capital maintenance projects.

2. Proceed as currently presented and park the funds into a reserve account and try to gain additional funding for the Jetty. She stated this comes with hurdles.

Director Gibboney stated staff could come back with options to present to the commission at the May 23 meeting.

Commissioner Hanke discussed the option of repairing the breakwater instead.

Mr. Toews stated a repair would be cheaper in the short term, as presented by the engineers in June of 2016, but not factored in was that the repair would last ten to twenty years vs. the design life of a new jetty at fifty years. Did not anticipate permitting costs and if it could be permitted, off-site mitigation costs. Finally, who bears the risk if repair fails. How does all this factor into the repair project bid? Mr. Toews stated a repair could potentially cost greater than a replacement.

Commissioner Tucker would like to see the project postponed a year and if there is some failure, declare it an emergency repair, where he stated, permits are easier to obtain.

Director Gibboney clarified that emergency repairs are subject to the same permitting requirements. Commissioners can declare an emergency but there could be permitting issues with that.

Ms. Gibboney discussed mitigation possibilities, including relocating boats, and marina egress/ingress closures in the case of storms. Commissioner Hanke asked Ms. Berg if the Port could come up with \$4.2M to do the project. Ms. Berg stated she would have to run numbers, but in her guesstimate – "no". Commissioner Hanke asked what projects would be allowed with the bond money; can we use towards stormwater, roof repairs, and pile driving to shore up south jetty. Ms. Berg answered these are possible if the bond is repurposed.

Commissioner Putney added that if we "nibble" away at the bond, it closes the door on jetty replacement in the future. He is in agreement contacting legislators, other entities,

but he does not believe the legislature has the money to help by June 6. He added in terms of the resolution, he believes it should be tabled, and direct staff to explore options and have commissioners approach legislators and municipal counterparts so that we could give bonding agency insight as to where we are going with this and learn the likelihood of going forward with the bond. Commissioner Putney summarized he would like to see options from staff and results of the commissioners' actions at the next commission meeting.

(Consideration of motions are found at approximately 00:54:00 on the audio recording)

Commissioner Putney moved to direct staff to explore issues and give the commissioners actionable insights at the next commission meeting, May 23, 2018. He also requested consensus from the commission that everyone will participate in contacting legislatures and other funding partners.

Ms. Berg asked for clarification – the commission is delaying the decision on the bond? Commissioner Putney replied, yes, in anticipation of bond modification.

Commissioner Hanke seconded the motion.

Ms. Gibboney recommended making two motions instead.

Commissioner Putney moved to table the bond for consideration at the next meeting.

Commissioner Hanke seconded the motion.

Motion carried by unanimous vote.

Commissioner Hanke moved to direct staff to flush out options and bring back with actionable items (options) at the May 23, 2018 commission meeting.

Commissioner Putney seconded the motion.

Motion carried by unanimous vote.

Director Gibboney reported Business Practices and Leasing Practices are scheduled for the May 23, 2018 workshop agenda, but would the commission like to postpone and replace with the jetty and bond options. The commission agreed. Commissioner Putney expressed his concerns that policies continue to be “pushed away”. Commissioner Hanke agreed but stated the breakwater options are very important to figure out.

Discussion ensued on the possibility of holding a special workshop prior to June 6.

Commissioner Putney asked if staff would know on May 23 whether American Construction Co. was determined to be the responsible and responsive low bidder. Then, he said, we would know on June 6 if the project is a go or no go. (Funding commitments due by 5:00 pm June 6.) If the project does not move forward, staff would bring options to the June 13 workshop.

In summary, Director Gibboney stated on May 23 we would look at whether we have sufficient funds, and a responsible and responsive low bidder, and can we proceed with the award. June 13 workshop would focus on other options for the organization. Proceed with a Leasing workshop on May 23.

Ms. Berg answered a question from the commission that if we do not proceed with the project we would have flexibility more flexibility as to when the sale happens. Ms. Gibboney stated the decision would be whether to proceed with the bond on the 23rd, whether we have sufficient funds to accomplish the project.

(Attorney Lake departed from the meeting.)

Commissioner Tucker summed up a Leasing workshop would take place the 23rd of May and the commission would have a decision ready for the 6th of June and at the June 13 workshop the commission would explore options.

Commissioner Hanke asked what staff is hoping to accomplish at the May 23 leasing workshop. Director Gibboney stated Rod Hilden, who performed a lease audit, would provide a presentation on his findings. The commission will also be provided with draft Leasing Practices and draft Business Practices to be considered at later meetings for first and second readings.

VI. FIRST READING (Discussion Only):

VII. REGULAR BUSINESS:

A. Selection of Port Attorney (01:09:35):

Commissioner Putney moved to change the attorney of record to Chmelik Sitkin & Davis.

Commissioner Hanke seconded the motion.

Motion carried by unanimous vote.

VIII. STAFF COMMENTS (1:10:07):

Director Gibboney stated she is leaving today for the WA Public Ports meeting through remainder of week.

She stated staff is making progress on the stormwater system. They have met with the engineer and will inform the commission of action, where they are looking at additional treatment components, with an estimated cost of less than \$25K at this point – treatment choices would be narrowed down.

Ms. Matej reported she is working with a firm on guest guides – the Boat Haven and Point Hudson maps.

Director Gibboney reported the Marine Trades held a successful fundraiser for their economic impact study on Friday. They reached their goal and she congratulates them.

IX. COMMISSIONER COMMENTS (1:12:45):

Commissioner Putney reported he attended the Marine Trades benefit.

He also reported on a Linger Longer Committee meeting he attended in Quilcene regarding the Penn Cove expansion. Director Gibboney informed that staff would be meeting by phone, with Penn Cove and Coast Seafoods and would bring information back to the commission.

Commissioner Hanke said he looks forward to budget planning, looking to cut costs in operating budget.

Commissioner Tucker said he too, looks forward to the budget.

X. NEXT PUBLIC WORKSHOP AND REGULAR MEETING:


Wednesday, May 23, 2018. Workshop at 1:00 pm and meeting at 5:30 pm in the Port Commission Building, 333 Benedict St, Port Townsend.

XI. EXECUTIVE SESSION:

XII. ADJOURNMENT:

The meeting adjourned at 10:20 am there being no further business to come before the Commission.

ATTEST:



William W. Putney, III, Secretary


Stephen R. Tucker, President


Peter W. Hanke, Vice President