

*The Port*  
OF PORT TOWNSEND  
SERVING ALL OF JEFFERSON COUNTY

**(\*\*Revised Item VII, D)Yard Rate Structure\*\*)**

Port of Port Townsend  
2<sup>nd</sup> Monthly Meeting Agenda,  
Wednesday, May 23, 2018, 5:30 p.m.  
Port Commission Building  
333 Benedict Street  
Port Townsend, WA

- I. Call to Order / Pledge of Allegiance
- II. Approval of Agenda
- III. Public Comments
- IV. Consent Agenda
  - A. Approval of Special Meeting Minutes – May 8, 2018.....1-5
  - B. Approval of Warrants
- V. Second Reading
- VI. First Reading
- VII. Regular Business
  - A. Point Hudson Jetty (South) Bid Analysis.....6-12
  - B. Resolution No. 678-18 Limited Tax General Obligation Bonds, Continuance.....13-48
  - C. April Financials.....49-58
  - D. Joint Recommendation for Modified Yard Rate Structure.....59-64
- VIII. Staff Comments
- IX. Commissioner Comments
- X. Next Public Workshop & Regular Meeting:  
Wednesday, June 13, 2018. Workshop at 9:30 am, Meeting at 1:00 pm  
Port Commission Building, 333 Benedict Street, Port Townsend, WA
- XI. Executive Session
- XII. Adjournment

## 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 23<sup>rd</sup>, 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 23<sup>rd</sup> of May and the commission would have a decision ready for the 6<sup>th</sup> 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:

---

Stephen R. Tucker, President

---

William W. Putney, III, Secretary

---

Peter W. Hanke, Vice President

# PORT OF PORT TOWNSEND

## AGENDA COVER SHEET

<b>MEETING DATE</b>	May 23, 2018
<b>AGENDA ITEM</b>	<input type="checkbox"/> First Reading <input type="checkbox"/> Second Reading <input checked="" type="checkbox"/> Regular Business
<b>AGENDA TITLE</b>	VII. A) Point Hudson Jetty (South) Bid Analysis
<b>STAFF LEAD</b>	Sam Gibboney, Eric Toews
<b>REQUESTED</b>	<input type="checkbox"/> Motion <input checked="" type="checkbox"/> Possible Action <input type="checkbox"/> Discussion
<b>ATTACHMENTS</b>	A. "Point Hudson Jetty – Decision to Proceed with Award or Reject All Bids" Info Memo

# PORT OF PORT TOWNSEND

## INFORMATIONAL MEMO

**DATE:** 5/18/2018  
**TO:** Commission  
**FROM:** Executive Staff  
**SUBJECT:** Point Hudson Jetty – Decision to Proceed with Award or Reject All Bids

---

**ISSUES:** Should staff be directed to complete the bidder due diligence process in preparation for a bid award and demolition and reconstruction of the Point Hudson Jetty in the 2018 construction season? Alternatively, and given the Port's present funding limitations, should all bids be rejected and the project delayed?

**BACKGROUND:** On May 7, 2018, bids were timely received from four (4) construction firms pursuing the South Point Hudson Jetty project. American Construction Company submitted the apparent low bid in an amount of \$3,991,119. The apparent low bid exceeds the engineer's final estimate of probable construction cost of \$3,709,000 by \$282,119. As discussed more fully below, the apparent low bid (\$3,991,119), coupled with project related "soft" costs and contingencies (\$688,000), also exceeds the resources allocated for the project (\$3,480,000) by approximately \$1.2 million. This informational report outlines the total anticipated funding required to award the contract, describes how project costs and anticipated funding sources have evolved over the course of the past two years, and outlines options for Commission consideration.

**Total Funding Required to Award the Contract:** In assessing whether or not the Port can proceed to award the contract, it must be confident that sufficient resources are available to cover the total project costs, anticipating three (3) drivers of "hard" and "soft" costs in addition to construction: 1) professional construction management; 2) construction phase engineering support; and 3) the potential for change orders over the course of the project. A reasonable set of assumptions regarding these cost drivers is as follows:

1. **Professional Construction Management:** Based on staff's experience and judgment, as well as the advice of the Port's engineer, between 5-10% of the total construction cost (i.e., bid amount) should be factored into the overall project cost. Duties of the professional construction manager include, but extend beyond, being present for on-site inspections. Duties include: coordination of pre-construction documents and meetings; inspection and documentation for compliance with safety standards, environmental standards, labor standards and project specifications; preparation of daily inspection reports; coordination with the contractor for scheduling and any changes to schedule; coordination with communications staff regarding impacts to tenants, nearby businesses and operations; and general project reports, documentation of material submittals, coordination with design engineer, review of submitted pay vouchers, review of certified payroll submittals, and project close out. The role and duty of this professional are not limited to the actual days or hours of construction. For purposes of this discussion, a construction management fee of approximately 8%, or \$319,000 has been estimated.



2. Construction Phase Engineering Support: This includes the engineer's involvement in the pre-construction conference, review of pre-construction contractor submittals and requests for information, site visits during critical phases of construction (with reports), attendance via phone of weekly construction progress meetings, and coordination and consultation with the Port's Construction Manager. Staff recommends that \$70,000 be reserved for this purpose.
  
3. Contingency: All of the prior iterations of the engineer's costs estimates have incorporated a "contingency" ranging from 10% to 15% over the base construction cost estimate. The contingency is intended to factor information limitations. The percentage of the contingency has decreased as the project has become more defined and certain. In the Port's present situation, an apparent low bid has been received which exceeds the engineer's estimate. Given the complexity and scope of the project, as well as uncertainty that will only be clarified as demolition and construction proceeds (e.g., dredge amounts, unanticipated subsurface geological conditions, etc.), "change orders" must reasonably be anticipated and factored as a post-bid contingency ranging from 5-10%. Accordingly, a contingency of approximately 7.5%, or \$299,000 has been applied as a further safety factor to account for unforeseen circumstances.

The following table summarizes staff's estimate of the minimum funding required to proceed with bid award:

<b>Minimum Funding Required to Award Contract</b>	
Apparent Low Bid from American Construction Company, Inc.	\$3,991,119
Professional Construction Management (8% of apparent low bid)	\$319,000
Construction Phase Engineering Support	\$70,000
Contingency (7.5% of apparent low bid)	\$299,000
<b>ESTIMATED TOTAL FUNDING NEEDED TO AWARD</b>	<b>\$4,679,119</b>

The table presented on the following page highlights the funding anticipated to be available to execute the project, and the shortfall that must be addressed in order to award the contract:

<b>Identified/Available Funding &amp; Projected Shortfall (Proposed LTGO Bond Sale Proceeds + Big Tier 2 Grant Monies)</b>	
Total Anticipated LTGO Bond Proceeds	\$3,200,000
Less Bond Proceeds to Replenish Port Cash Reserves	- \$500,000
Net Bond Proceeds Available for South Jetty Project	\$2,700,000
Remaining BIG Tier 2 Grant Monies	\$780,000
<b>TOTAL IDENTIFIED/AVAILABLE FUNDING</b>	<b>\$3,480,000</b>
<b>REQUIRED FUNDING (\$4,679,119)</b>	
<b>LESS AVAILABLE FUNDING (\$3,480,000) = SHORTFALL</b>	<b>\$1,199,119</b>

The foregoing makes plain that the Port lacks the resources to proceed with the project on the timeline originally anticipated.

***The Evolution of Jetty Project Costs:*** The accuracy of the cost estimates prepared for the South Jetty project has been influenced by the timing of their release and increasingly detailed information as the design has been refined. Unfortunately, as more detailed information has become available, overall costs have escalated. For instance, the 2017 Capital Budget (prepared in 2016) occurred before the project had reached the 50% design stage. Thus, it was a mid to high-level cost estimate prepared for planning purposes. It anticipated that approximately \$3.1 million would be required for the project. By late 2017 during the preparation of the 2018 Capital Budget, the level of design and engineering had substantially progressed (70% design), and total projected costs (i.e., both “hard” and “soft” costs) had escalated to approximately \$3.6 million. By April of 2018, the final (100% design) was complete and construction costs alone (not factoring the recent steel tariff) had increased to over \$3.7 million.

A number of factors have affected both the overall project cost and the Port’s capacity to undertake the project in the past two years including:

- Final design engineering and refinement (i.e., incorporating galvanic protection, concrete cap (i.e., in lieu of steel), a wave attenuation feature to mitigate wave reflection into the moorage basin, etc.);
- Inclusion of substantial work hour/marina access restrictions in the bid specifications intended to permit use of the navigation channel during the overnight hours and through extended weekends (Fri-Sun) throughout the project;
- The recent imposition of a tariff on foreign steel (up to 25% on an estimated \$1 million in steel required for the project); and
- The use of Port cash reserves to fund the Port’s stormwater compliance efforts at Boat Haven, which previously had been anticipated to be available, at least in part, for a portion of the “soft costs” associated with the South Jetty (e.g., project management and engineering).

**DISCUSSION:** The following questions are presented to the Commission:

1. Should the bidder due diligence process be completed in preparation for a bid award and demolition and reconstruction of the Point Hudson Jetty in the 2018 construction season? Or, should all bids be rejected and the project delayed?
2. Depending on the above decision, should the Commission proceed with issuance of LTGO bonds in an amount not to exceed \$3.4 million?

This memo focuses only on question #1, above. Question #2, whether to continue with the bond issuance, is addressed in a separate memo.

As discussed at the May 8, 2018 Commission meeting, staff have identified four (4) options as to how to proceed that are discussed in greater detail below:

*Option "A" - Immediately seek/secure donations to cover the funding shortfall*

*Option "B": Delay the project for one year – seek additional monies to cover the funding shortfall*

*Option "C": Delay the project indefinitely*

*Option "D": Increase bond amount to cover the project costs*

It must be emphasized that acceptance of the apparent low bid and proceeding with issuance of the bond package as currently formulated is not a viable option. The available proceeds from the bond sale coupled with remaining grant monies simply do not provide the funding required to proceed with the project.

***Option "A" - Immediately seek/secure donations to cover the funding shortfall.*** An estimated \$1.2 million in additional funding is required to proceed with the project. At the March 20, 2018 Commission meeting, informal verbal pledges were made in support of a mid-September project start date following the Wooden Boat Festival and summer boating season. These pledges totaled \$156,000. The specific intent (i.e., timing of donation) of each individual, business or organization that made pledges of support has not yet been confirmed. However, even if all of these pledges were secured, it is unlikely that the funds needed to cover the \$1.2 million funding shortfall could be secured soon enough to enable the Commission to formally award the contract.<sup>1</sup>

***Option "B" - Delay the project for one year – seek additional monies to cover the funding shortfall.***

The Commission could choose to reject all bids and delay the project while the Port seeks additional funding to execute the project in the 2019-2020 construction season. Features of this option include:

- Seeking an extension of the BIG Tier 2 grant agreement to retain the remaining monies for a project rebid in early 2019;
- Retaining the existing design due to the following issues and considerations:
  - RCO/USF&WS will not fund re-design and obtaining of new permits with remaining grant funds since grant funds have already been expended for this purpose;
  - Substantial re-design would likely involve:
    - Costly additional engineering;
    - Costly additional permitting;

---

<sup>1</sup> Under the contract documents, bids are valid for sixty (60) days (i.e., until July 5) following bid opening. However, the special conditions in the contract documents specify that the award of contract will occur within twenty-one (21) days of bid opening (i.e., May 28).

- New or substantially revised permits would likely trigger the need for formal consultation with the National Marine Fisheries Service (NMFS), which would be time-consuming, costly, and uncertain in outcome; formal consultation would also likely result in a requirement for marine mammal monitoring (not required under the current permits);
- Design alternatives frequently discussed (e.g., replacement “in-kind” with an updated version of the present batter pile/quarry spall design using modern materials (steel piles, granite spalls) would be considerably more (not less) expensive per lineal foot to construct; and
- Finally, this option would also require additional focus on active mitigation of risks associated with the diminishing performance of the jetty and possible partial failure(s). Staff would need to develop an operational plan, capital repair or risk mitigation actions, and emergency and/or jetty failure response plan.

**Option “C” - Delay the project indefinitely.** This option would likely result in both forfeiture of remaining Big Tier II grant monies, but also repayment of grant monies expended to date, which total approximately \$176,562. As is the case with Option “B” above, Option “C” would also require additional focus on mitigation of risk associated with the diminishing performance of the jetty and possible partial failure(s). Staff would need to develop an operational plan, capital repair or risk mitigation actions, and emergency and/or jetty failure response plan.

**Option “D” - Increase the bond amount to cover the project costs.** As discussed above, the Port would need \$1.2 million additional to complete the project. The Commission could decide to increase the bond amount to fund the project. The following would need to be considered:

- The bond package would need to be modified for the increased amount. Staff would need to coordinate a schedule with the bond advisor and counsel. There might need to be a delay in the award of the contract award to accommodate the necessary work.
- Please be reminded that the existing bond package relied on an amount of operating revenue for a relatively short period of time. An increase in the bond amount would necessarily require more operating revenue to service the interest payments for some period of time. Staff would need to work with the bond financial advisor to fully understand the implications of this.
- The current Limited Tax General Obligation bond capacity (non-voted) is approximately \$4.7 million. Increasing the bond amount to a not to exceed amount of \$4.6 million would put the Port at near the limit of the organization’s LTGO bonding capacity and would effectively exhaust this capacity.
- A full cash flow analysis has not been completed for this option. However, staff has estimate of what a wrapped scenario for the increased amount might look like. It must be emphasized that this is only an estimate, and a full amortization schedule has not been developed. A seven-year estimate is presented below. This seven-year period represented the period required to retire the existing debt.

<b>POINT HUDSON PROJECTIONS</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
<b>Net Cash (Rev- Exp &amp; No G&amp;A)</b>	<b>668,002</b>	<b>673,063</b>	<b>677,542</b>	<b>681,385</b>	<b>684,536</b>	<b>686,934</b>	<b>688,515</b>
<b>Annual Debt</b>							
Marina	442,200	439,400	440,360	440,960	437,200	437,200	442,200
South Jetty	139,031	139,031	139,031	139,031	139,031	139,031	139,031
Additional Bond Amount	52,000	52,000	52,000	52,000	52,000	52,000	52,000
Historic Buildings East Side	110,550	109,850	110,090	110,240	109,300	109,300	110,210
<b>Total Debt</b>	<b>743,781</b>	<b>740,281</b>	<b>741,481</b>	<b>742,231</b>	<b>737,531</b>	<b>737,531</b>	<b>743,441</b>
<b>Net Cash – Debt Service</b>	<b>(75,779)</b>	<b>(67,218)</b>	<b>(63,939)</b>	<b>(60,846)</b>	<b>(52,995)</b>	<b>(50,597)</b>	<b>(54,926)</b>

**FISCAL IMPACT:** The fiscal impacts of the options are discussed above.

**RECOMMENDATION:** Staff recommends Option “B” – that the Commission move to reject all bids and delay the project by one year. This recommendation includes retention of the current design. Efforts should be prioritized to obtain additional funding for the project as designed with a limited amount of effort to continue to seek ways to reduce the overall cost. Staff would also proceed with development of a risk mitigation strategy and actions items as outlined above.

**ATTACHMENTS:** None.

# PORT OF PORT TOWNSEND

## AGENDA COVER SHEET

<b>MEETING DATE</b>	May 23, 2018
<b>AGENDA ITEM</b>	<input type="checkbox"/> First Reading <input type="checkbox"/> Second Reading <input checked="" type="checkbox"/> Regular Business
<b>AGENDA TITLE</b>	VII. B) Resolution No. 678-18, Limited Tax General Obligation Bonds, Continuance
<b>STAFF LEAD</b>	Sam Gibboney, Eric Toews
<b>REQUESTED</b>	<input type="checkbox"/> Motion <input checked="" type="checkbox"/> Possible Action <input type="checkbox"/> Discussion
<b>ATTACHMENTS</b>	A. Info Memo B. Resolution No. 678-18

# PORT OF PORT TOWNSEND

## INFORMATIONAL MEMO

**DATE:** 5/18/2018  
**TO:** Commission  
**FROM:** Sam Gibboney  
**SUBJECT:** Bond Resolution No, 678-18, Limited Tax General Obligation Bonds, 2018

---

### ISSUE

The Commission is considering a bond issuance to fund the Point Hudson South Jetty Replacement project with a not-to-exceed amount of \$3.4 million dollars.

Depending on the Commission's decision and direction of whether to proceed with the construction contract or to reject all bids, the organization will need to decide how to proceed with regards to the existing bond resolution.

### BACKGROUND

The bond resolution was previously presented on April 25, 2018 as a "First Reading" business item and has a not-to-exceed amount of \$3.4 million. This amount provides a cushion to the \$3.2 million amount that allows for changes in market conditions, bond issuance expenses (currently estimated at approximately \$73,000), or for a change in the project proceeds, if the Commission so desires. A cash flow projection scenario was presented at the April 11, 2018 Commission meeting that showed the effects of such bonding for the next 10 years. The bond resolution was considered by the Commission at the May 8, 2018 meeting as a "Second Reading" business item. The Commission made no decision regarding the resolution at this meeting and instead continued its consideration until the May 23, 2018.

As outlined in the memo regarding the Point Hudson Jetty construction project, the bids for the project exceeded the engineers cost estimate. The proceeds from the issuance of the LTGO bond as currently constructed, coupled with the remaining grant funds available are not sufficient to fund the project.

### DISCUSSION

Adoption of the resolution as currently written will not provide sufficient funds for the jetty project. Staff presents the following options for Commission consideration:

**Option A:** Increase the bond amount to provide sufficient funds to complete the project.

As discussed in the accompanying memo, staff does not recommend this option and in fact strongly warns against it.

**Option B:** Decrease the bond amount and re-purpose it for other eligible capital uses.

This option would provide needed funds to proceed with other critical capital projects. Use of this capacity for other projects would obviously preclude its use for future construction of the jetty. Staff would also need to assess the cost of capital for a lower amount.

**Option C:** Indefinitely postpone issuance of the bond and consider other financing options for capital needs.

This option *may* have a cost associated with the efforts to date. At this stage of the process, if a bond sale does not occur, it is not customary for the financial advisor, underwriter and rating agency to charge for their services. However, at the time of this memo, we had not received a response from bond counsel as to their customary procedure. *(As a point of reference, bond counsel costs were \$13,500 for the 2015 LTGO Bond Refunding.)*

However, if there are costs associated with this decision, they might be balanced with other financing options.

#### **FISCAL IMPACT**

Some of the fiscal impacts of each option are discussed above. The full fiscal impact varies and will need further analysis by staff.

#### **RECOMMENDATION**

Staff recommends Option C – postpone issuance of the bond.

#### **ATTACHMENTS**

None



PORT OF PORT TOWNSEND

LIMITED TAX GENERAL OBLIGATION BONDS, 2018

---

RESOLUTION NO. 678-18

A RESOLUTION OF THE PORT COMMISSION OF THE PORT OF PORT TOWNSEND, WASHINGTON, PROVIDING FOR THE ISSUANCE AND SALE OF LIMITED TAX GENERAL OBLIGATION BONDS OF THE PORT IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$3,400,000 FOR THE PURPOSE OF FINANCING THE COSTS OF IMPROVEMENTS TO PORT FACILITIES; PROVIDING FOR THE ANNUAL LEVY OF TAXES TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS; AND DELEGATING CERTAIN AUTHORITY TO THE DESIGNATED PORT REPRESENTATIVE TO APPROVE THE FINAL TERMS AND CONDITIONS OF THE BONDS.

ADOPTED: MAY 23, 2018

Prepared By:

K&L GATES LLP  
Seattle, Washington

**PORT OF PORT TOWNSEND**

**RESOLUTION NO. 678-18**

**TABLE OF CONTENTS\***

	<b>Page</b>
Section 1. Definitions.....	2
Section 2. Authorization of the Projects .....	6
Section 3. Authorization of Bonds.....	6
Section 4. Registration, Payment and Transfer.....	7
Section 5. Redemption and Purchase of Bonds .....	11
Section 6. Form of Bonds .....	16
Section 7. Execution of Bonds.....	18
Section 8. Bond Fund and Provision for Tax Levy Payments.....	19
Section 9. Defeasance .....	19
Section 10. Application of Bond Proceeds .....	20
Section 11. Sale of Bonds .....	21
Section 12. Tax Covenants .....	23
Section 13. Undertaking to Provide Ongoing Disclosure.....	25
Section 14. Lost, Stolen or Destroyed Bonds .....	29
Section 15. Severability .....	30
Section 16. Effective Date .....	30

---

\* This Table of Contents and the cover page are provided for convenience only and are not a part of this resolution.

RESOLUTION NO. 678-18

A RESOLUTION OF THE PORT COMMISSION OF THE PORT OF PORT TOWNSEND, WASHINGTON, PROVIDING FOR THE ISSUANCE AND SALE OF LIMITED TAX GENERAL OBLIGATION BONDS OF THE PORT IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$3,400,000 FOR THE PURPOSE OF FINANCING THE COSTS OF IMPROVEMENTS TO PORT FACILITIES; PROVIDING FOR THE ANNUAL LEVY OF TAXES TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS; AND DELEGATING CERTAIN AUTHORITY TO THE DESIGNATED PORT REPRESENTATIVE TO APPROVE THE FINAL TERMS AND CONDITIONS OF THE BONDS.

WHEREAS, the Port of Port Townsend, Jefferson County, Washington (the "Port"), a municipal corporation of the State of Washington, owns and operates industrial properties; and

WHEREAS, the Port Commission (the "Commission") of the Port deems it necessary and in the best interest of the citizens of the Port to undertake certain improvements to Port facilities within and as a part of its comprehensive scheme of improvements under RCW 53.20.010 (collectively, the "Projects"); and

WHEREAS, the Port is authorized by RCW 53.36.030 and Ch. 39.46 RCW to borrow money and issue general obligation bonds payable, *inter alia*, from regular tax levies of the Port; and

WHEREAS, it is in the best interest of the Port to issue limited tax general obligation bonds to be sold pursuant to a negotiated sale as herein provided; and

WHEREAS, this Commission has determined to delegate authority to the Port's Executive Director (the "Designated Port Representative") to approve the final principal amount of the bonds, date of the bonds, denominations, interest rates, payment dates, redemption provisions, and maturity dates of such bonds for a limited time;

NOW, THEREFORE, BE IT RESOLVED BY THE PORT COMMISSION OF THE PORT OF PORT TOWNSEND, WASHINGTON, as follows:

Section 1.     Definitions. As used in this resolution, the following words shall have the following meanings, unless a different meaning clearly appears from the context.

***Beneficial Owner*** means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

***Bond Fund*** means the Port of Port Townsend General Obligation Bond Redemption Fund maintained in the office of the Treasurer.

***Bond Register*** means the books or records maintained by the Registrar containing the name and mailing address of the owner of each Bond or nominee of such owner and the principal amount and number of Bonds held by each owner or nominee.

***Bond Year*** means each one-year period that ends on the date selected by the Port. The first and last Bond Years may be a shorter period. If no day is selected by the Port before the earlier of the final maturity date of the Bonds or the date that is five years after the Date of Issue of the Bonds, Bond Years end on each anniversary of the Date of Issue and on the final maturity date of the Bonds.

***Bonds*** mean the principal amount of not to exceed \$3,400,000 of the Port's Limited Tax General Obligation Bonds, 2018 issued pursuant to this resolution.

***Code*** means the federal Internal Revenue Code of 1986, as amended from time to time, and the applicable regulations thereunder.

***Commission*** means the Port Commission, as general legislative authority of the Port as the same shall be duly and regularly constituted from time to time.

***Date of Issue*** means the date of issuance and delivery of the Bonds to the Underwriter.

**Designated Port Representative** means the Executive Director and/or the Director of Finance/Auditor of the Port (or the successor in function to such person) or such other person as may be directed by resolution of the Commission.

**DTC** means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for the Bonds pursuant to Section 4 hereof.

**Federal Tax Certificate** means the certificate with respect to federal tax matters relating to the Bond to be executed by a Designated Port Representative on the Date of Issue of the Bond.

**Government Obligations** mean those obligations now or hereafter defined as such in chapter 39.53 RCW.

**Letter of Representations** means the Blanket Issuer Letter of Representations from the Port to DTC.

**MSRB** means the Municipal Securities Rulemaking Board or any successors to its functions. Until otherwise designated by the MSRB or the United States Securities and Exchange Commission, any information, reports or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system, currently located at [www.emma.msrb.org](http://www.emma.msrb.org).

**Net Proceeds**, when used with reference to the Bonds, mean the principal amount of the Bonds, plus accrued interest and original issue premium, if any, and less original issue discount.

**Port** means the Port of Port Townsend, Washington, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of Washington.

**Private Person** means any natural person engaged in a trade or business or any trust, estate, partnership, association, company or corporation.

***Private Person Use*** means the use of property in a trade or business by a Private Person if such use is other than as a member of the general public. Private Person Use includes ownership of the property by the Private Person as well as other arrangements that transfer to the Private Person the actual or beneficial use of the property (such as a lease, management or incentive payment contract or other special arrangement) in such a manner as to set the Private Person apart from the general public. Use of property as a member of the general public includes attendance by the Private Person at municipal meetings or business rental of property to the Private Person on a day-to-day basis if the rental paid by such Private Person is the same as the rental paid by any Private Person who desires to rent the property. Use of property by nonprofit community groups or community recreational groups is not treated as Private Person Use if such use is incidental to the governmental uses of property, the property is made available for such use by all such community groups on an equal basis and such community groups are charged only a *de minimis* fee to cover custodial expenses.

***Projects*** mean the capital projects and improvements authorized in Section 2 hereof.

***Purchase Contract*** means the Purchase Contract relating to the Bonds between the Port and the Underwriter as approved by a Designated Port Representative pursuant to Section 11.

***Record Date*** means the close of business on the 15th day of the month prior to each date on which a payment of interest on the Bonds is due and payable.

***Registrar*** means, initially, the fiscal agent of the State of Washington, for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, effecting transfer of ownership of the Bonds and paying interest on and principal of the Bonds. The term ***Registrar*** shall include any successor to the fiscal agent, if any, hereinafter appointed by the Treasurer.

***Registered Owner*** means the person named as the registered owner of a Bond in the Bond Register.

**Rule** means the SEC's Rule 15c2-12 under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**SEC** means the United States Securities and Exchange Commission.

**Term Bonds** means any Bonds designated as "Term Bonds" in the Purchase Contract for such Bonds.

**Treasurer** means the Treasurer of Jefferson County, as *ex officio* Treasurer of the Port, or any successor to the functions of such Treasurer.

**Underwriter** means Piper Jaffray & Co., Seattle, Washington.

**Rules of Interpretation.** In this resolution, unless the context otherwise requires:

(a) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this resolution, refer to this resolution as a whole and not to any particular article, section, subdivision or clause hereof, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of this resolution;

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa;

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(d) Any headings preceding the text of the several articles and sections of this resolution, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this resolution, nor shall they affect its meaning, construction or effect;

(e) All references herein to “articles,” “sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof.

Section 2. Authorization of the Projects. As a part of its comprehensive scheme of improvements to the Port’s facilities, the Port intends to finance the acquisition, construction, and capital improvements and repairs to the Port’s Point Hudson South Jetty, including workyard resurfacing and workyard stormwater treatment improvements (collectively, the “Projects”). The costs of the Projects are expected to be paid or reimbursed in part with the proceeds of the Bonds. Any excess costs of the Projects, not paid from proceeds of the Bonds, respectively, will be paid from other Port funds.

Section 3. Authorization of Bonds. For the purpose of paying all or a portion of the costs of the Projects and paying the costs of issuance, the Port shall now issue and sell its limited tax general obligation bonds in the aggregate principal amount of not to exceed \$3,400,000 (the “Bonds”). The Bonds shall be general obligations of the Port; shall be designated “Port of Port Townsend, Washington, Limited Tax General Obligation Bonds, 2018”; shall be registered as to both principal and interest, shall be issued in the aggregate principal amount set forth in the Purchase Contract, and shall be numbered separately in the manner and with any additional designation as the Registrar deems necessary for purposes of identification, shall be dated their date of delivery to the Underwriter, and shall be in the denomination of \$5,000 each or any integral multiple of \$5,000 within a maturity. The Bonds shall bear interest from their date of delivery to the Underwriter until the Bonds bearing such interest have been paid or their payment duly provided for, at the rates, payable semiannually on the dates, set forth in the Purchase Contract and shall mature on the dates and in the principal amounts set forth in the Purchase Contract, all as approved by the Designated Port Representative pursuant to Section 11 of this resolution.



Section 4. Registration, Payment and Transfer.

(a) *Registrar/Bond Register.* The Port hereby requests that the Treasurer specify and adopt the system of registration and transfer for the Bonds approved by the Washington State Finance Committee from time to time through the appointment of the state fiscal agent. The Port shall cause a bond register to be maintained by the Registrar. So long as any Bonds remain outstanding, the Registrar shall make all necessary provisions to permit the exchange and registration of transfer of Bonds at its principal corporate trust office. The Registrar may be removed at any time at the option of the Treasurer upon prior notice to the Registrar, DTC, each party entitled to receive notice pursuant to Section 13, and a successor Registrar appointed by the Treasurer. No resignation or removal of the Registrar shall be effective until a successor shall have been appointed and until the successor Registrar shall have accepted the duties of the Registrar hereunder. The Registrar is authorized, on behalf of the Port, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of such Bonds and this resolution and to carry out all of the Registrar's powers and duties under this resolution. The Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Bonds.

(b) *Registered Ownership.* The Port and the Registrar, each in its discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof for all purposes (except as provided in Section 13 of this resolution), and neither the Port nor the Registrar shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in Section 4(h) hereof, but such Bond may be transferred as herein provided. All such payments made as described in Section 4(h) shall be valid and shall satisfy and discharge the liability of the Port upon such Bond to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letter of Representations.* To induce DTC to accept the Bonds as eligible for deposit at DTC, the Port has executed and delivered to DTC a Letter of Representations.

Neither the Port nor the Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees (or any successor depository) with respect to the Bonds in respect of the accuracy of any records maintained by DTC (or any successor depository) or any DTC participant, the payment by DTC (or any successor depository) or any DTC participant of any amount in respect of the principal of or interest on Bonds, any notice which is permitted or required to be given to Registered Owners under this resolution (except such notices as shall be required to be given by the Port to the Registrar or to DTC (or any successor depository), or any consent given or other action taken by DTC (or any successor depository) as the Registered Owner. For so long as any Bonds are held in fully immobilized form hereunder, DTC or its successor depository shall be deemed to be the Registered Owner for all purposes hereunder (except as provided in Section 13), and all references herein to the Registered Owners shall mean DTC (or any successor depository) or its nominee and shall not mean the owners of any beneficial interest in such Bonds.

(d) *Use of Depository.*

(1) The Bonds shall be registered initially in the name of "Cede & Co.," as nominee of DTC, with one Bond maturing for each of the maturity dates for the Bonds in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such immobilized Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by the Designated Port Representative pursuant to

subsection (2) below or such substitute depository's successor; or (C) to any person as provided in subsection (4) below.

(2) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the Designated Port Representative to discontinue the system of book-entry transfers through DTC or its successor (or any substitute depository or its successor), the Designated Port Representative may hereafter appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(3) In the case of any transfer pursuant to clause (A) or (B) of subsection (1) above, the Registrar shall, upon receipt of all outstanding Bonds, together with a written request on behalf of the Designated Port Representative, issue a single new Bond for each maturity of the Bonds then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request of the Designated Port Representative.

(4) In the event that (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (B) the Designated Port Representative determines that it is in the best interest of the Beneficial Owners of the Bonds that such owners be able to obtain such bonds in the form of Bond certificates, the ownership of such Bonds may then be transferred to any person or entity as herein provided, and shall no longer be held in fully immobilized form. The Designated Port Representative shall deliver a written request to the Registrar, together with a supply of definitive Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt by the Registrar of all then outstanding Bonds together with a written request on behalf of the Designated Port Representative to the Registrar, new Bonds shall be issued in the appropriate

denominations and registered in the names of such persons as are requested in such written request.

(e) *Registration of Transfer of Ownership or Exchange; Change in Denominations.*

The transfer of any Bond may be registered and Bonds may be exchanged, but no transfer of any such Bond shall be valid unless such Bond is surrendered to the Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Registrar. Upon such surrender, the Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the same date, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and canceled Bond. Any Bond may be surrendered to the Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, maturity and interest rate, in any authorized denomination or denominations. The Registrar shall not be obligated to register the transfer or to exchange any Bond during the 15 days preceding the date any such Bond is to be redeemed.

(f) *Registrar's Ownership of Bonds.* The Registrar may become the Registered Owner of any Bond with the same rights it would have if it were not the Registrar, and to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as member of, or in any other capacity with respect to, any committee formed to protect the right of the Registered Owners of Bonds.

(g) *Place and Medium of Payment.* Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be

calculated on the basis of a 360-day year and twelve 30-day months. For so long as all Bonds are in fully immobilized form, payments of principal and interest shall be made as provided to the parties entitled to receive payment as of each Record Date in accordance with the operational arrangements of DTC referred to in the Letter of Representations.

In the event that the Bonds are no longer in fully immobilized form, interest on the Bonds shall be paid by check or draft mailed (or by wire transfer to a Registered Owner of such Bonds in aggregate principal amount of \$1,000,000 or more who so requests) to the Registered Owners of the Bonds at the addresses for such Registered Owners appearing on the Bond Register as of the Record Date, and principal of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the principal office of the Registrar; provided, however, that if so requested in writing by the Registered Owner of at least \$100,000 principal amount of the Bonds, interest will be paid by wire transfer on the date due to an account with a bank located within the United States.

If any Bond shall be duly presented for payment and funds have not been duly provided by the Port on such applicable date, then interest shall continue to accrue thereafter on the unpaid principal thereof at the rate stated on such Bond until such Bond is paid.

Section 5. Redemption and Purchase of Bonds.

(a) *Optional Redemption.* The Bonds may be subject to optional redemption at any time prior to their scheduled maturities under terms approved by the Designated Port Representative in the Purchase Contract pursuant to Section 11 of this resolution, but not greater than 10.5 years from the Date of Issue of the Bonds.

(b) *Mandatory Redemption of Term Bonds and Optional Redemption, if any.* The Bonds may be subject to mandatory redemption at any time prior to scheduled maturity under

terms approved by the Designated Port Representative in the Purchase Contract pursuant to Section 11 of this resolution.

In the event that the Port determines to optionally redeem a portion of any Term Bond maturity, the Port may apply the principal amount so redeemed to reduce a similar amount of mandatory redemption amount(s) in the years designated by the Designated Port Representative.

(c) *Purchase of Bonds.* The Port reserves the right to purchase any Bonds offered to the Port at any price deemed reasonable by the Designated Port Representative.

(d) *Selection of Bonds for Redemption.* As long as the Bonds are held in book-entry only form, the maturities to be redeemed shall be selected by the Port and, within a maturity, the selection of Bonds to be redeemed shall be made in accordance with the operational arrangements in effect at DTC. If the Bonds are no longer held in uncertificated form, the selection of such Bonds to be redeemed shall be made as provided in this subsection (d). If the Port redeems at any one time fewer than all of the Bonds having the same maturity date, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot (or in such other manner determined by the Registrar) in increments of \$5,000. In the case of a Bond of a denomination greater than \$5,000, the Port and the Registrar shall treat each Bond as representing such number of separate Bonds in the denomination of \$5,000 as is obtained by dividing the actual principal amount of such Bond by \$5,000. In the event that only a portion of the principal sum of a Bond is redeemed, upon surrender of such Bond at the principal office of the Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Bond or Bonds of like maturity and interest rate in any of the denominations herein authorized.

(e) *Notice of Redemption.*

(1) Official Notice. Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption (which notice, in the case of an optional redemption, shall state that redemption is conditioned by the Registrar on the receipt of sufficient funds for redemption) shall be given by the Registrar on behalf of the Port by mailing a copy of an official redemption notice by first-class mail, postage prepaid, at least 20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Register or at such other address as is furnished in writing by such Registered Owner to the Registrar.

All official notices of redemption shall be dated and shall state:

(A) the redemption date,

(B) the redemption price,

(C) if fewer than all outstanding Bonds are to be redeemed, the identification by maturity (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,

(D) that (unless the notice of redemption is a conditional notice, in which case the notice shall state that interest shall cease to accrue from the redemption date if and to the extent that funds have been provided to the Registrar for the redemption of Bonds) on the redemption date, provided that in the case of optional redemption the full amount of the redemption price is on deposit therefor, the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and

(E) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Registrar.

Unless the Port has revoked a notice of redemption, on or prior to any redemption date, the Treasurer shall deposit with the Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

Failure to give notice as to redemption of any Bond or any defect in such notice shall not invalidate redemption of any other Bond.

Notwithstanding the foregoing, if the Bonds are then held in book-entry only form, notice of redemption shall be given only in accordance with the operational arrangements then effect at DTC but not less than 20 days prior to the date of redemption.

(2) Effect of Notice; Bonds Due. Unless the Port has revoked a notice of redemption (or unless the Port provided a conditional notice and the conditions for redemption set forth therein are not satisfied), official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date (unless in the case of optional redemption the Port shall default in the payment of the redemption price), become due and payable at the redemption price therein specified, and from and after such date such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the redemption price. All Bonds which have been redeemed shall be canceled and destroyed by the Registrar and shall not be reissued.

(3) Additional Notice. In addition to the foregoing notice, further notice shall be given by the Port as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the Bonds as



originally issued; (C) the rate of interest borne by each Bond being redeemed; (D) the maturity date of each Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Bonds being redeemed. Each further notice of redemption may be sent at least 25 days before the redemption date to each party entitled to receive notice pursuant to Section 13, and the Underwriter or to its business successors, if any, and to such persons (including securities repositories who customarily at the time receive notices of redemption in accordance with rules promulgated by the SEC) and with such additional information as the Registrar deem appropriate, but such mailings shall not be a condition precedent to the redemption of such Bonds.

(4) Use of CUSIP Numbers. Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

(5) Amendment of Notice Provisions. The foregoing notice provisions of this Section 5(e), including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

Section 6.      Form of Bonds. The Bonds shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. \_\_\_\_\_

\$ \_\_\_\_\_

STATE OF WASHINGTON  
PORT OF PORT TOWNSEND

LIMITED TAX GENERAL OBLIGATION BOND, 2018

INTEREST RATE:                      %              MATURITY DATE:                      CUSIP NO.: \_\_\_\_\_

REGISTERED OWNER:      CEDE & CO.

PRINCIPAL AMOUNT:

THE PORT OF PORT TOWNSEND, WASHINGTON (the "Port"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest thereon from \_\_\_\_\_, 2018, or the most recent date to which interest has been paid or duly provided for until payment of this bond at the Interest Rate set forth above, payable on \_\_\_\_\_ 1, 2018, and semiannually thereafter on the first days of each succeeding June and December.

Both principal of and interest on this bond are payable in lawful money of the United States of America. For so long as the bonds of this issue are held in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of The Depository Trust Company ("DTC") referred to in the Blanket Issuer Letter of Representations (the "Letter of Representations") from the Port to DTC. Initially, the Port has specified and adopted the registration system for the bonds of this issue specified by the State Finance Committee, and the fiscal agent of the state will act as the registrar, authenticating agent and paying agent (the "Registrar"). Capitalized terms used in this bond that are not otherwise defined have the meanings given in such terms in the hereinafter defined Bond Resolution.

This bond is one of an authorized series of bonds of like date, tenor and redemption provisions, except as to number, amount, rate of interest and date of maturity in the aggregate principal amount of \$ \_\_\_\_\_, and is issued pursuant to Resolution No. \_\_\_\_-18 of the Port Commission (the "Bond Resolution") for the purpose of financing the costs of certain capital improvements to port facilities, and paying costs of issuance.

The bonds of this issue are subject to redemption as set forth in the Bond Resolution and the Purchase Contract.

The bonds of this issue are not "private activity bonds" as such term is defined in the Internal Revenue Code of 1986, as amended (the "Code"). The bonds of this issue have been designated by the Port as "qualified tax-exempt obligations" under Section 265(b) of the Code for banks, thrift institutions and other financial institutions.

The Port hereby irrevocably covenants that it will levy taxes annually upon all the taxable property in the Port within the levy limits permitted to the Port without a vote of the electors and in amounts sufficient, with other monies legally available therefor, to pay the principal of and interest on the bonds of this issue as the same shall become due. The full faith, credit and resources of the Port are hereby irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest. The pledge of tax levies may be discharged prior to maturity of the Bonds by making provision for the payment thereof on the terms and conditions set forth in the Bond Resolution.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication hereon shall have been manually signed by or on behalf of the Registrar or its duly designated agent.

The bonds of this issue are issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington and resolutions duly adopted by the Port Commission including the Bond Resolution.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Washington to exist, to have happened, been done and performed precedent to and in the issuance of this bond and the bonds of this issue have happened, been done and performed and that the issuance of this bond and the bonds of this issue does not violate any constitutional, statutory or other limitation upon the amount of bonded indebtedness that the Port may incur.

IN WITNESS WHEREOF, the Port of Port Townsend, Washington, has caused this bond to be executed by the facsimile signatures of the President and Secretary of the Port Commission and the seal of the Port to be impressed, imprinted or otherwise reproduced hereon, as of the 23<sup>rd</sup> day of May, 2018.

[SEAL]

PORT OF PORT TOWNSEND, WASHINGTON

By: \_\_\_\_\_  
Commissioner Stephen R, Tucker, President

ATTEST:

\_\_\_\_\_  
Commissioner Peter W. Hanke, Vice President

The Registrar's Certificate of Authentication on the Bonds shall be in substantially the following form:

#### CERTIFICATE OF AUTHENTICATION

Dated of Authentication:

This bond is one of the bonds described in the within-mentioned Bond Resolution and is one of the Limited Tax General Obligation Bonds, 2018 of the Port of Port Townsend, Washington, dated \_\_\_\_\_, 2018.

WASHINGTON STATE FISCAL AGENT,  
as Registrar

By \_\_\_\_\_  
Authorized Signer

Section 7.     Execution of Bonds. The Bonds shall be executed on behalf of the Port with the manual or facsimile signature of the President of its Commission, shall be attested by the manual or facsimile signature of the Secretary thereof and shall have the seal of the Port, if any, impressed, imprinted or otherwise reproduced thereon.

Only such Bonds as shall bear thereon a Certificate of Authentication in the form hereinbefore recited, manually executed by the Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this resolution. Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this resolution.

In case either of the officers who shall have executed the Bonds shall cease to be an officer or officers of the Port before the Bonds so signed shall have been authenticated or delivered by the Registrar, or issued by the Port, such Bonds may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon the Port as though those who signed the same had continued to be such officers of the Port.

Any Bond may also be signed and attested on behalf of the Port by such persons who are at the actual date of delivery of such Bond are the proper officers of the Port although at the original date of such Bond any such person shall not have been such officer of the Port.

Section 8.     Bond Fund and Provision for Tax Levy Payments. A special fund of the Port known as the "Port of Port Townsend General Obligation Bond Redemption Fund" (the "Bond Fund") has been created in the office of the Treasurer. The Bond Fund shall be drawn upon for the sole purpose of paying the principal of and interest on general obligation bonds of the Port.

The Port hereby further irrevocably covenants that, unless the principal of and interest on the Bonds are paid from other sources, it will make annual levies of taxes upon all of the property in the Port subject to taxation within and as a part of the tax levy permitted to port districts without a vote of the electors in amounts sufficient to pay such principal and interest as the same shall become due. The full faith, credit and resources of the Port are hereby irrevocably pledged for the annual levy and collection of such taxes and for the prompt payment of such principal and interest.

Section 9.     Defeasance. In the event that money and/or noncallable Government Obligations that are direct obligations of the United States or obligations unconditionally guaranteed by the United States maturing at such time or times and bearing interest to be earned thereon in amounts (together with such money, if necessary) sufficient to redeem and retire part or all of the Bonds authorized hereunder in accordance with their terms, are set aside in a special account to effect such redemption and retirement, and such moneys and the principal of and interest on such obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Fund of the Port for the payment of the principal of and interest on the Bonds so provided for, and such Bonds shall cease to be entitled to any

lien, benefit or security of this resolution, except the right to receive the moneys so set aside and pledged, such Bonds shall be deemed not to be outstanding hereunder.

The Registrar shall provide notice of defeasance of Bonds to Registered Owners and to each party entitled to receive notice pursuant an ongoing disclosure undertaking entered into pursuant to Section 13 of this resolution.

Section 10. Application of Bond Proceeds. The proceeds of the Bonds, net of Underwriter's discount, shall be paid into the Project Fund—2018 (hereinafter authorized to be created).

The Treasurer of the Port is hereby authorized and directed to create a special fund or account of the Port, designated as the "Port of Port Townsend Project Fund, 2018" (the "Project Fund—2018"). The money on deposit in the Project Fund—2018 shall be utilized to pay or reimburse the Port for the costs of the Projects and costs incidental thereto, and costs incurred in connection with the issuance and sale of the Bonds, to the extent designated by the Designated Port Representative.

All or part of the proceeds of the Bonds may be temporarily invested in or with such institutions or in such obligations as may now or hereafter be permitted to port districts of the State of Washington by law and that will mature or otherwise be subject to liquidation at the option of the owner thereof prior to the date on which such money shall be needed.

In the event that it shall not be possible or practical to accomplish all of the Projects, the Port may apply the proceeds of the Bonds to pay the costs of such portion thereof or such other projects as the Commission shall determine to be in the best interests of the Port, subject to the limitations set forth in this resolution.

Any part of the proceeds of the Bonds remaining in the Project Fund—2018 after all costs referred to in this section have been paid may be used to make other Port capital

improvements subject to the limitations set forth in this resolution or may be transferred to the Bond Fund for the uses and purposes therein provided.

Section 11.    Sale of Bonds.

(a)    *Bond Sale.* The Bonds shall be sold at negotiated sale to the Underwriter pursuant to the terms of the Purchase Contract. The Designated Port Representative is hereby authorized to negotiate terms for the purchase of the Bonds and to execute the Purchase Contract, with such terms as are approved by the Designated Port Representative pursuant to this section and consistent with this resolution. The Port Commission has been advised that market conditions are fluctuating and, as a result, the most favorable market conditions may occur on a day other than a regular meeting date of the Commission. The Commission has determined that it would be in the best interest of the Port to delegate to the Designated Port Representative for a limited time the authority to approve the final interest rates, maturity dates, aggregate principal amount, principal amounts and prices of each maturity, redemption rights (provided that the Bonds shall be subject to optional redemption not later than 10.5 years from the Date of Issue) and other terms and conditions of the Bonds. The Designated Port Representative is hereby authorized to approve the final interest rates, maturity dates, aggregate principal amount, principal amounts and prices of each maturity and redemption rights for the Bonds (provided that the Bonds shall be subject to optional redemption not later than 10.5 years from the Date of Issue) in the manner provided hereafter so long as (i) the aggregate principal amount of the Bonds does not exceed the maximum principal amount set forth in Section 3 and (ii) the true interest cost of the Bonds is not greater than 5.50%.

In determining the final interest rates, maturity dates, aggregate principal amount, principal amounts and prices of each maturity and redemption rights of the Bonds (optional redemption not later than 10.5 years from the Date of Issue), the Designated Port Representative,

in consultation with Port staff, shall take into account those factors that, in his or her judgment, will result in the lowest true interest cost on the Bonds to their maturity, including, but not limited to current financial market conditions and current interest rates for obligations comparable in tenor and quality to the Bonds. Subject to the terms and conditions set forth in this section, the Designated Port Representative is hereby authorized to execute the final form of the Purchase Contract. Following the execution of the Purchase Contract, the Designated Port Representative shall provide a report to the Commission, describing the final terms of the Bonds approved pursuant to the authority delegated in this section. The authority granted to the Designated Port Representative by this section shall expire on October 31, 2018. If a Purchase Contract for the Bonds has not been executed by October 31, 2018, the authorization for the issuance of such Bonds shall be rescinded, and such Bonds shall not be issued nor their sale approved unless such Bonds shall have been re-authorized by resolution of the Commission. The resolution reauthorizing the issuance and sale of the Bonds may be in the form of a new resolution repealing this resolution in whole or in part or may be in the form of an amendatory resolution approving a Purchase Contract or establishing terms and conditions for the authority delegated under this section.

(b) *Delivery; Documentation.* Upon the adoption of this resolution, the proper officials of the Port including the Designated Port Representative, are authorized and directed to undertake all other actions necessary for the prompt execution and delivery of the Bonds to the Underwriter and further to execute all closing certificates and documents required to effect the closing and delivery of the Bonds in accordance with the terms of the Purchase Contract.

The Designated Port Representative and other Port officials, agents and representatives are hereby authorized and directed to do everything necessary for the prompt issuance, execution and delivery of the Bonds to the Underwriter and for the proper application and use of the



proceeds of sale of the Bonds. In furtherance of the foregoing, the Designated Port Representative is authorized to approve and enter into agreements for the payment of costs of issuance, including Underwriter's discount, the fees and expenses specified in the Purchase Contract, including fees and expenses of Underwriter and other retained services, including bond counsel, financial advisor, rating agency, fiscal agent, and other expenses customarily incurred in connection with issuance and sale of bonds.

(c) *Preliminary and Final Official Statements.* The Designated Port Representative is authorized to ratify and to approve for purposes of the Rule, on behalf of the Port, the Official Statement (and any Preliminary Official Statement) and any supplement thereto relating to the issuance and sale of the Bonds and the distribution of the Bonds pursuant thereto with such changes, if any, as may be deemed by him/her to be appropriate. The Designated Port Representative is authorized to ratify, execute, deliver and approve for purposes of the Rule, on behalf of the Port, the Official Statement (and to approve, deem final and deliver any Preliminary Official Statement) and any supplement thereto relating to the issuance and sale of the Bonds and the distribution of the Bonds pursuant thereto with such changes, if any, as may be deemed by him/her to be appropriate.

Section 12. Tax Covenants.

(a) *Arbitrage Covenant.* The Port hereby covenants that it will not make any use of the proceeds of sale of the Bonds or any other funds of the Port which may be deemed to be proceeds of such Bonds pursuant to Section 148 of the Code which will cause the Bonds to be "arbitrage bonds" within the meaning of said section and said Regulations. The Port will comply with the requirements of Section 148 of the Code (or any successor provision thereof applicable to the Bonds) and the applicable Regulations thereunder throughout the term of the Bonds.

(b) *Private Person Use Limitation for Bonds.* The Port covenants that for as long as the Bonds are outstanding, it will not permit:

(1) More than 10% of the Net Proceeds of the Bonds to be used for any Private Person Use; and

(2) More than 10% of the principal or interest payments on the Bonds in a Bond Year to be directly or indirectly: (A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or (B) derived from payments (whether or not made to the Port) in respect of property, or borrowed money, used or to be used for any Private Person Use.

The Port further covenants that, if:

(3) More than five percent of the Net Proceeds of the Bonds are to be used for any Private Person Use; and

(4) More than five percent of the principal or interest payments on the Bonds in a Bond Year are (under the terms of this resolution or any underlying arrangement) directly or indirectly: (A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or (B) derived from payments (whether or not made to the Port) in respect of property, or borrowed money, used or to be used for any Private Person Use, then, (i) any Private Person Use of the projects described in subsection (3) hereof or Private Person Use payments described in subsection (4) hereof that is in excess of the five percent limitations described in such subsections (3) or (4) will be for a Private Person Use that is related to the state or local governmental use of the projects financed or refinanced with Bond proceeds, and (ii) any Private Person Use will not exceed the amount of Net Proceeds of the Bonds used for the state or local governmental use portion of the projects to which the Private Person Use of such portion of such

projects relates. The Port further covenants that it will comply with any limitations on the use of the projects by other than state and local governmental users that are necessary, in the opinion of its bond counsel, to preserve the tax exemption of the interest on the Bonds. The covenants of this section are specified solely to assure the continued exemption from regular income taxation of the interest on the Bonds.

(c) *Designation under Code Section 265(b).* The Port hereby designates the Bonds as “qualified tax-exempt obligations” under Section 265(b)(3) of the Code for banks, thrift institutions and other financial institutions. The Port does not anticipate issuing more than \$10,000,000 in qualified tax-exempt obligations during 2018 (excluding obligations permitted by the Code to be excluded for purposes of the Port’s qualification as a qualified small issuer).

(d) *Compliance with Tax Certificate.* The Port covenants to comply with all representations, covenants and assurances contained in the Federal Tax Certificate, which Federal Tax Certificate shall constitute a part of the contract between the Port and the Registered Owners of the Bonds.

### Section 13. Undertaking to Provide Ongoing Disclosure.

(a) *Contract/Undertaking.* This section constitutes the Port’s written undertaking for the benefit of the owners of the Bonds as required by Section (b)(5) of the Rule.

(b) *Financial Statements/Operating Data.* The Port agrees to provide or cause to be provided to the Municipal Securities Rulemaking Board (“MSRB”), the following annual financial information and operating data for the prior fiscal year (commencing in 2019 for the fiscal year ended December 31, 2018):

(1) Annual financial statements, which statements may or may not be audited, showing ending fund balances for the Port’s general fund prepared in accordance with the Budgeting Accounting and Reporting System prescribed by the Washington State Auditor

pursuant to RCW 43.09.200 (or any successor statute) and generally of the type included in the official statement for the Bonds under the headings “Comparative Statement of Revenues, Expenses and Changes in Fund Net Position” and “Comparative Statement of Net Position”;

- (2) The assessed valuation of taxable property in the Port;
- (3) Ad valorem taxes due and collected;
- (4) Property tax levy rate per \$1,000 of assessed valuation; and
- (5) Outstanding general obligation debt of the Port.

Items 2-5 shall be required only to the extent that such information is not included in the annual financial statements.

The information and data described above shall be provided within nine months of the end of the Port’s fiscal year. The Port’s current fiscal year ends December 31. The Port may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, the Port may cross-refer to other documents available to the public on the MSRB’s internet website or filed with the SEC.

If not provided as part of the annual financial information discussed above, the Port shall provide the Port’s audited annual financial statement prepared in accordance with the Budgeting Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) when and if available to the MSRB.

(c) *Listed Events.* The Port agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of the occurrence of any of the following events with respect to the Bonds not in excess of ten business days after the occurrence of the event:

- Principal and interest payment delinquencies;
- Non-payment related defaults, if material;

- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- Modifications to the rights of Bondholders, if material;
- Bond calls, if material, and tender offers;
- Defeasances;
- Release, substitution, or sale of property securing repayment of the Bonds, if material;
- Rating changes;
- Bankruptcy, insolvency, receivership or similar event of the Port;
- The consummation of a merger, consolidation, or acquisition involving the Port or the sale of all or substantially all of the assets of the Port, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Solely for purposes of information, and not intending to modify this undertaking, the Port advises that no debt service reserves, credit enhancement or property secures payment of the Bonds. The Port shall promptly determine whether the events described above are material.

(d) *Notification Upon Failure to Provide Financial Data.* The Port agrees to provide or cause to be provided, in a timely manner to the MSRB notice of its failure to provide the annual financial information described in subsection (b) above on or prior to the date set forth in subsection (b) above.

(e) *Emma; Format for Filings with the MSRB.* Until otherwise designated by the MSRB or the SEC, any information or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at [www.emma.msrb.org](http://www.emma.msrb.org) (which is not incorporated into this Official Statement by reference). All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

(f) *Termination/Modification.* The Port's obligations to provide annual financial information and notices of listed events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. Any provision of this section shall be null and void if the Port (1) obtains an opinion of nationally recognized bond counsel to the effect that the portion of the Rule that requires that provision is invalid, has been repealed retroactively or otherwise does not apply to the Bonds and (2) notifies the MSRB of such opinion and the cancellation of this section.

The Port may amend this section with an opinion of nationally recognized bond counsel in accordance with the Rule. In the event of any amendment of this section, the Port shall

describe such amendment in the next annual report, and shall include, a narrative explanation of the reason for the amendment and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Port. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a listed event under subsection (c), and (ii) the annual report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(g) *Bond Owner's Remedies Under This Section.* The right of any bondowner or beneficial owner of Bonds to enforce the provisions of this section shall be limited to a right to obtain specific enforcement of the Port's obligations under this section, and any failure by the Port to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds. For purposes of this section, "beneficial owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

Section 14. Lost, Stolen or Destroyed Bonds. In case any Bond or Bonds shall be lost, stolen or destroyed, the Registrar may execute and deliver a new Bond or Bonds of like date, number and tenor to the owner thereof upon the owner's paying the expenses and charges of the Port in connection therewith and upon his or her filing with the Port evidence satisfactory to the Port that such Bond was actually lost, stolen or destroyed and of his or her ownership thereof, and upon furnishing the Port with indemnity satisfactory to the Port, the Registrar and the Treasurer.

Section 15.    Severability. If any one or more of the covenants or agreements provided in this resolution to be performed on the part of the Port shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements of this resolution and shall in no way affect the validity of the other provisions of this resolution or of the Bonds.

Section 16.    Effective Date. This resolution shall become effective immediately upon its adoption.

ADOPTED AND APPROVED at a regular meeting of the Commission of the Port of Port Townsend, Washington held this 23rd day of May, 2018.

PORT OF PORT TOWNSEND,  
WASHINGTON

By \_\_\_\_\_  
Commissioner Stephen R. Tucker, President

By \_\_\_\_\_  
Commissioner Peter W. Hanke, Vice President

By \_\_\_\_\_  
William W. Putney III, Secretary



CERTIFICATE

I, the undersigned, Secretary of the Port Commission of the Port of Port Townsend, Washington (the "Port") and keeper of the records of the Port Commission (the "Commission"), DO HEREBY CERTIFY:

1. That the attached resolution is a true and correct copy of Resolution No. 678-18 of the Port Commission (the "Resolution"), duly adopted at a regular meeting thereof held on the 23rd day of May, 2018.

2. That said meeting was duly convened and held in all respects in accordance with law, due and proper notice of such meeting was given, that a legal quorum was present throughout the meeting and a legally sufficient number of members of the Commission voted in the proper manner for the adoption of the Resolution; that all other requirements and proceedings incident to the proper adoption of the Resolution have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 23rd day of May, 2018.

---

Commissioner William W. Putney III, Secretary

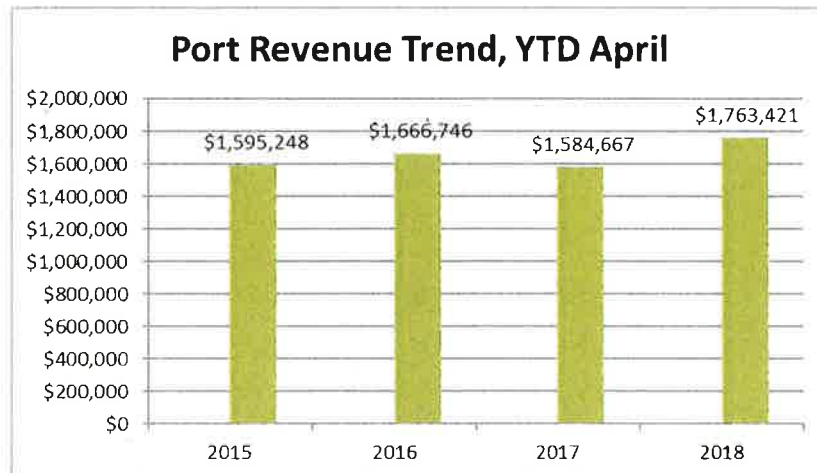
# PORT OF PORT TOWNSEND

## AGENDA COVER SHEET

MEETING DATE	May 23, 2018
AGENDA ITEM	<input type="checkbox"/> First Reading <input type="checkbox"/> Second Reading <input checked="" type="checkbox"/> Regular Business
AGENDA TITLE	VII. C) April 2018 Financials
STAFF LEAD	Abigail Berg, Director of Finance & Administration
REQUESTED	<input type="checkbox"/> Action <input checked="" type="checkbox"/> Discussion
ATTACHMENTS	A. Port Operating Results as of April 30, 2018

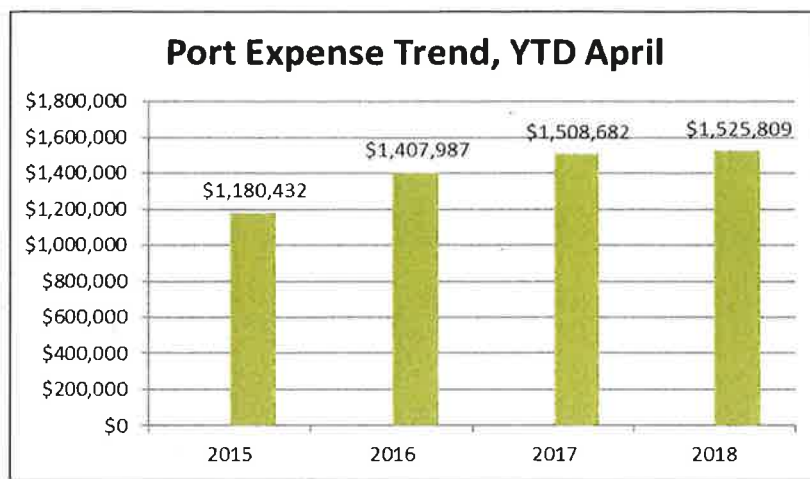
**DATE:** May 16, 2018  
**TO:** Commissioners and Directors  
**FROM:** Abigail Berg, Director of Finance & Administration  
**SUBJECT:** Port Operating Results as of April 30, 2018

---



**Revenue Highlights:**

- ✓ April YTD is still very strong with 2018 Operating Revenues ahead of 2017 by \$178,754 or 11%.
- ✓ Total Operating Revenues are ahead of YTD Budget by \$27,330.
- ✓ Marinas & RV Parks revenue lead prior year by \$112,269 and are ahead of budget by \$63,915.
- ✓ Yard revenues are ahead of the prior year by \$68,268, but short of budget by \$33,072.
- ✓ Ship Yard Hoist revenues are ahead of last year by \$12,265, and on budget.
- ✓ Ship Yard revenues are ahead of last year by \$8,118, and below budget by \$34,322.
- ✓ Increases in the Ship Yard Hoist revenue shows the Port 300 Ton lift activity is solid, and the Ship Yard revenue surged ahead in April when compared to 2017 (prior month variance was only \$1,797), though still below 2018 budget.
- ✓ Work Yard Hoist revenues surged ahead of last year by \$19,660 (prior month variance was \$6,645) and ahead of budget by \$19,307.
- ✓ Work Yard revenues also surged ahead of 2017 at \$4,364, an improvement from YTD March by \$17,654. However, this line item is still short of budget by \$16,003.
- ✓ The Yard made significant recovery from March to April, with the largest increases noted in the Work Yard Hoist (increased \$13,015), Work Yard Revenue (increased \$17,654) and Ship Yard Revenue (increased \$6,321), while narrowing the gap between YTD actual and YTD budget. It may be that the discounts advertised for the Work Yard have started to take effect.
- ✓ Property Leases & Use are less than the prior year by \$9,449. This is primarily due to tenant vacancies at Point Hudson (Cupola House and Armory Building).
- ✓ Fuel Sales & Leases are below the prior year by \$2,801, yet just below budget by only \$1,323.
- ✓ Ramp revenues have leveled off to almost the same as 2017.
- ✓ Utilities Revenue are ahead of last year by \$9,757 and ahead of budget by \$7,297.



#### **Expense Highlights:**

- ✓ 2018 Operating Expenses are less than 2017 by \$5,873, and below budget by \$164,509.
- ✓ Most of this budget variance is related to unfilled staff positions (CSR II wasn't filled until March 16<sup>th</sup>, and Security shifted from Personnel to Contract Services). The projected use of Contract Services, Consulting Services, Utilities and Facilities & Operations are expenses whose timing isn't always predictable.
- ✓ It should be noted that \$68,680 in total Personnel expenses were budgeted for capital work in 2018 based on historical annual averages and planned capital work. YTD April 37% (\$25,397) has been expensed.
- ✓ The consultant with whom the Port contracted, in part, for capital work was budgeted at 100% in Operations (\$90,000), however, YTD April 23% of those expenses (\$4,418) have been charged to capital work (which is ~5% of the total amount budgeted).
- ✓ Facilities & Operations expenses are less than 2017 by \$23,898, whereas when compared to budget is less by \$36,155. The bulk of this budget variance is less in Repair & Maintenance Materials/Supplies than budgeted.
- ✓ Utilities are higher in 2018 than 2017 (\$18,692) and more than projected budget (\$17,214).
- ✓ Marketing slightly more than in 2017 (\$2,422), though below projected budget by \$13,987.
- ✓ Cost of Goods – Fuel is less in 2018 than 2017 by \$2,580.

YTD Net Operating Income is \$237,612. When including Non-Operating Revenues and Expenses, there is a Net Profit of \$577,454.

#### **Non-Operating Revenues:**

- ✓ Capital Contributions / Grants revenue are up from last year due to the increased activity on the Point Hudson South Jetty project and the JCIA Runway Rehabilitation project. Though the actual timing of grant reimbursement receipts are not in alignment with budget, this isn't unusual.

#### **Non-Operating Expenses:**

- ✓ It should be noted that the 2018 budget line item titled "Bond Management, Issuance & Misc. Expense" did not include the bond issuance cost since the decision to bond for the Point Hudson South Jetty project got pushed forward into 2018 and was too late to include in the budget in November.
- ✓ In addition, this line item contained Quilcene Feasibility Study expenses in 2017 (under Miscellaneous Non-Operating expense).

#### **Capital Projects:**

This month, the Port expended \$25,728 in WIP (capital project "Work in Progress"). 46% of these expenses are for the JCIA Runway Rehab Project, 25% was for Stormwater Rx Project, 15% was for the Yard Office Remodel and the remainder was for the Stormwater Rx Project, 15% was for the JCIA Runway Rehab Project, and the remainder was spent on the Point Hudson South Jetty Project. The Stormwater Rx Project is completed in the field and staff is working on the notification to state agencies to obtain retainage release prior to the Commission approval. The Yard Office Remodel was finished in April and will be closed in May once all invoices have been received.

**Capital Purchases:**

There were no capital purchases made during April.

**Debt Service Obligations:**

On May 1<sup>st</sup>, the Port will owe \$209,372 in principal and interest on the 2013 Revenue Bond. For the remainder of 2018, the following debt service obligations must be met:

- ✓ June 1<sup>st</sup> - \$103,619 in interest only for the 2010 LTGO Bond
- ✓ July 1<sup>st</sup> - \$487,825 in principal and interest for the 2015 LTGO Bond
- ✓ November 1<sup>st</sup> - \$209,372 for principal and interest on the 2013 Revenue Bond (*final payment*)
- ✓ December 1<sup>st</sup> - \$338,619 for principal and interest on the 2010 LTGO Bond

Together the remaining debt service payments for 2018 total \$1,348,806 (\$1,074,507 of this amount is principal).

**Cash & Investment balances:**

End of month, the cash and investment balances were \$2,372,840. Reserve balances totaled \$912,234 and Unreserved Cash & Investments totaled \$1,460,606.

Regarding cash balances, it should be noted that the proposed bond issuance for the Point Hudson South Jetty includes up to \$500,000 that can be used to re-build Port cash balances used in the Stormwater Rx Project. The Commission passed Resolution #669-17 allowing the Port to reimburse itself from bond proceeds to replenish cash reserves used for that project.

**Port of Port Townsend**  
**Summary of Operating & Non-Operating Revenues & Expenses**  
**2018 Activity with Comparison to Prior Year and Budget**

	YTD April 2017	YTD April 2018	Variance to prior year - 2017 v 2018	notes	YTD Budget 2018	Variance to Budget YTD
<b>REVENUES</b>						
Marinas and RV Parks	661,533	773,803	112,269		709,888	63,915
Yard Operations	442,635	510,903	68,268		543,975	(33,072)
Property Leases & Use	371,290	361,841	(9,449)		371,437	(9,597)
Fuel Sales & Leases	10,528	7,727	(2,801)		9,050	(1,323)
Ramp Use	15,201	15,911	711		15,800	111
Utilities	83,480	93,237	9,757		85,940	7,297
<b>Total Operating Revenues</b>	<b>1,584,667</b>	<b>1,763,421</b>	<b>178,754</b>		<b>1,736,090</b>	<b>27,330</b>
<b>OPERATING EXPENSES</b>						
Salaries & Wages	687,877	663,908	(23,968)		702,588	(38,680)
Payroll Taxes	91,386	68,793	(22,593)		98,485	(29,692)
Employee Benefits	227,407	243,552	16,145		258,438	(14,886)
Uniform Expense	2,367	812	(1,555)		3,161	(2,349)
Contract Services	83,271	63,647	(19,624)		94,254	(30,607)
Consulting Services	14,245	24,525	10,280		55,000	(30,475)
Legal & Auditing	22,597	62,332	39,735		43,200	19,132
Facilities & Operations	225,529	201,631	(23,898)		237,786	(36,155)
Utilities	156,703	175,395	18,692		158,181	17,214
Marketing	10,229	12,651	2,422		26,638	(13,987)
Economic Development	-	-	-		-	-
Travel & Training	5,527	6,909	1,382		8,287	(1,378)
Cost of Goods - Fuel	4,234	1,654	(2,580)		4,300	(2,646)
Community Relations	310	-	(310)		-	-
<b>Total Operating Expenses</b>	<b>1,531,682</b>	<b>1,525,809</b>	<b>(5,873)</b>		<b>1,690,317</b>	<b>(164,509)</b>
<b>Income from Operations w/o Depr</b>	<b>52,986</b>	<b>237,612</b>	<b>184,626</b>		<b>45,773</b>	<b>191,839</b>
<b>Non-Operating Revenue</b>						
Capital Contributions/Grants	8,482	73,287	64,804		111,436	(38,149)
Interest	5,657	6,367	710		2,000	4,367
Property & other taxes	331,672	350,594	18,922		344,501	6,093
Misc Non-Operating Revenue	16,727	15,560	(1,167)		9,060	6,500
<b>Total Non-Operating Revenues</b>	<b>362,539</b>	<b>445,809</b>	<b>83,270</b>		<b>466,997</b>	<b>(21,189)</b>
<b>Non-Operating Expenses</b>						
Bond Interest	118,191	105,767	(12,424)		110,712	(4,945)
Bond Mgmt, Issuance & Misc Exp	9,551	200	(9,351)		415	(215)
Election Expense	-	-	-		-	-
<b>Total Non-Operating Expenses</b>	<b>127,742</b>	<b>105,967</b>	<b>(21,775)</b>		<b>111,127</b>	<b>(5,160)</b>
<b>Net Non-Operating Income (Expense)</b>	<b>234,797</b>	<b>339,841</b>	<b>105,045</b>		<b>355,870</b>	<b>(16,029)</b>
<b>Net Income (Loss)</b>	<b>287,782</b>	<b>577,454</b>	<b>289,671</b>		<b>401,643</b>	<b>175,810</b>

**Notes: none**

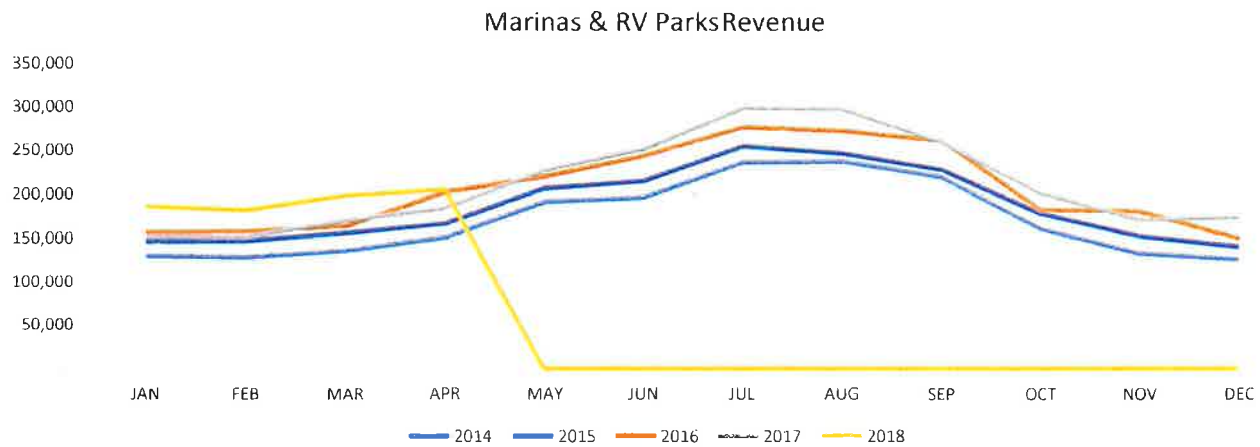
# Port of Port Townsend Cashflow Management Report

	<u>YTD April 2018</u>
<b>Net Income w/out Depreciation</b>	<b>577,454</b>
<b>Net Change in Accruals from Balance Sheet*</b>	<b><u>239,664</u></b>
<b>Less: Capital Expenses:</b>	
Point Hudson South Jetty project	(109,982)
PTBH Water Meters (BFP) project	(1,900)
JCIA Runway Rehab project	(55,770)
Yard/Moorage Office Remodel project	(16,504)
PTBH Restrooms project	(1)
PTBH Stormwater Rx project	(46,126)
Land	-
Buildings	-
Improvements	(8,485)
Equipment replacement	(31,092)
<b>Total Capital Expenses</b>	<b><u>(269,860)</u></b>
<b>Less: Principal Payments on Debt:</b>	
Point Hudson Marina Refunding Bond (2015 LTGO Bond )	-
PTBH Marina Bond (2010 LTGO Bond )	-
Administrative Building Bond (2013 Revenue Bond )	-
<b>Total Principal Payments</b>	<b><u>-</u></b>
<b>Increase (Decrease) in Cash Y-T-D</b>	<b>547,258</b>
<b>Beginning Cash at 1/1/2018</b>	<b>1,825,582</b>
<b>Ending Cash at 4/30/18</b>	<b><u>2,372,840</u></b>

*\*These are current assets and current liabilities.*

**5 Year Trend of Marinas & RV Parks Revenue  
Monthly as of April 30, 2018**

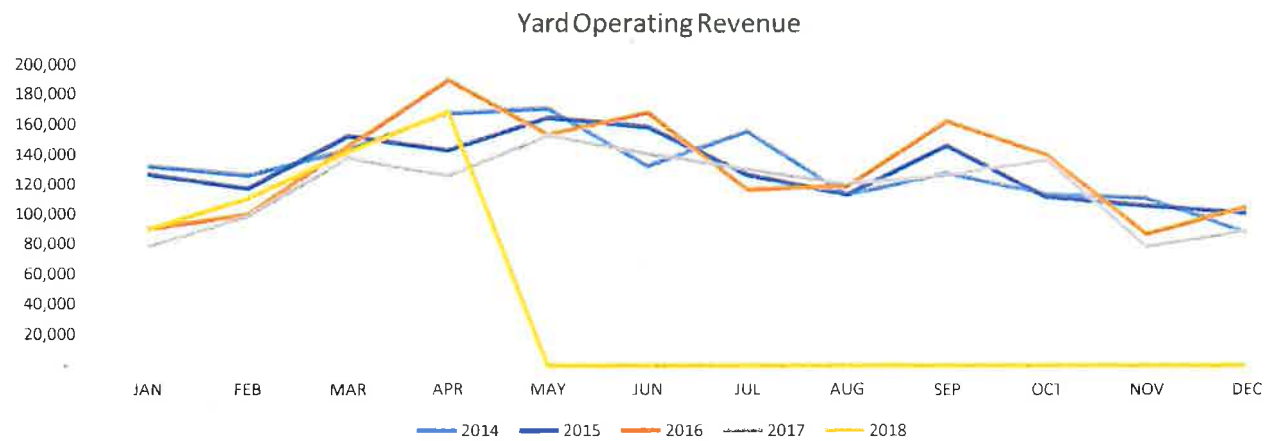
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
2014	131,442	130,010	137,478	152,463	192,635	197,895	237,634	238,748	220,935	161,991	134,187	127,526	2,062,944
2015	147,223	147,807	157,043	167,880	208,212	216,181	255,773	247,654	229,114	179,008	153,353	141,406	2,250,653
2016	157,265	158,331	163,963	203,332	220,872	244,026	277,638	273,082	261,784	183,088	181,166	150,375	2,474,924
2017	152,782	152,116	171,046	185,589	227,879	252,290	300,140	298,660	260,479	202,271	171,786	174,849	2,549,888
2018	186,647	182,326	198,837	205,993	-	-	-	-	-	-	-	-	773,803





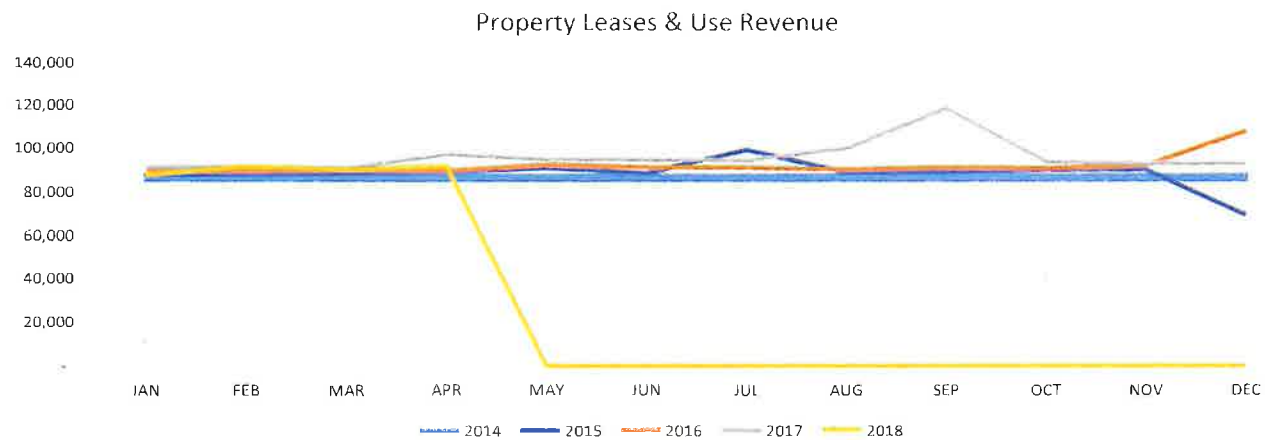
**5 Year Trend of Yard Operations Revenue**  
**Monthly as of April 30, 2018**

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
2014	132,619	126,635	143,522	168,012	171,379	133,169	156,301	113,562	128,294	113,904	111,279	88,565	1,587,241
2015	127,251	117,863	152,896	143,637	165,218	159,055	127,153	113,746	146,730	111,944	106,145	101,239	1,572,877
2016	90,417	99,886	145,797	189,397	153,684	168,270	117,066	119,277	162,539	140,141	87,340	105,067	1,578,880
2017	78,933	98,866	138,350	126,487	153,294	141,390	130,648	121,164	126,737	137,261	79,024	89,555	1,421,708
2018	89,837	110,536	141,804	168,726	-	-	-	-	-	-	-	-	510,903



**5 Year Trend of Property Lease & Use Revenue**  
**Monthly as of April 30, 2018**

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
2014	85,890	86,326	86,320	86,669	86,472	86,789	86,766	87,365	87,686	87,270	86,928	87,055	1,041,536
2015	87,810	88,194	88,643	89,442	91,186	88,736	99,242	89,007	89,305	90,179	90,171	69,730	1,061,642
2016	89,711	89,635	90,229	90,033	92,443	91,418	91,229	90,283	91,269	90,832	92,128	108,091	1,107,302
2017	91,556	91,567	90,785	97,382	95,026	94,826	94,386	100,135	118,635	93,935	92,896	93,218	1,154,349
2018	88,048	91,706	90,256	91,831	-	-	-	-	-	-	-	-	361,841



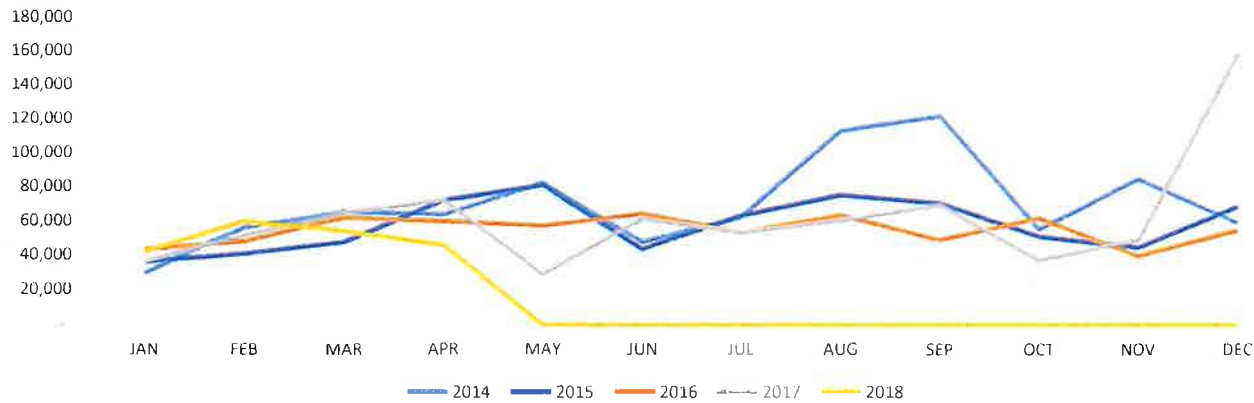
**Notes:**

1. The spike in September 2017 is related to use of Port property for the Wooden Boat Festival.
2. The December decrease in 2015 is related to the bankruptcy of Goldstar Marine.
3. The December increase in 2016 is related to the signing of the US Coast Guard lease renewal (three months were accrued in Dec.)

## 5 Year Trend of Facilities & Operations Expenses Monthly as of April 30, 2018

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
2014	29,839	56,517	65,559	64,363	82,858	48,211	62,921	113,527	122,041	55,721	84,978	59,474	846,009
2015	36,245	41,069	47,666	72,576	81,413	43,890	63,676	75,664	70,823	51,195	44,727	68,942	697,886
2016	43,158	47,960	61,900	60,036	57,397	64,456	53,711	63,541	49,065	61,925	39,658	54,646	657,453
2017	36,397	51,607	64,959	72,566	29,450	61,584	53,492	60,565	69,786	37,229	49,229	158,891	745,755
2018	41,842	59,782	54,138	45,869	-	-	-	-	-	-	-	-	201,631

Facilities & Operations Expense Trends



### Notes:

1. December 2017 has a sharp increase in this expense line item as the result of the Bad Debt written-off by the Commission in December in the amount of \$97,075. Without this write off, the total line item would be \$648,680 for 2017. The 2017 Bad Debt write-off relates to Revenues recognized in previous years that was identified as uncollectible. The breakdown by year is as follows:

2014	2015	2016	2017	Total
\$ 16,568	\$ 67,315	\$ 6,083	\$ 7,109	\$ 97,075

2. Spike in August 2014 was the settlement payment to Caicos Construction.

3. Spike in September 2014 was an adjustment for expenses erroneously charged to the Point Hudson Breakwater project. These were minor repairs to the breakwater as the result of an accident (paid to Orion Marine Group).

# PORT OF PORT TOWNSEND

## AGENDA COVER SHEET

<b>MEETING DATE</b>	May 23, 2018
<b>AGENDA ITEM</b>	<input type="checkbox"/> First Reading <input type="checkbox"/> Second Reading <input checked="" type="checkbox"/> Regular Business
<b>AGENDA TITLE</b>	VII. D) Joint Recommendation for Modified Yard Rate Structure
<b>STAFF LEAD</b>	Greg Englin
<b>REQUESTED</b>	<input type="checkbox"/> Motion <input checked="" type="checkbox"/> Action <input type="checkbox"/> Discussion
<b>ATTACHMENTS</b>	A. Info Memo B. Travelift Operations Rates & Fees

# PORT OF PORT TOWNSEND

## INFORMATIONAL MEMO

**DATE:** 5/17/2018  
**TO:** Commission  
**FROM:** Port staff  
**SUBJECT:** Rate Adjustments for Boat Haven Yard  
(revised memo 5/21/18)

### **ISSUE**

Overall demand in the Boat Haven Boatyard needs to be increased especially during the Fall and Winter seasons. Rates are one component affecting demand. Yard rates are subject to ongoing review and updates. Changes to seasonal rates is expected to incent customers to generate additional future demand. The proposed rate schedule is a joint recommendation between the Port staff and the Port Task Force.

### **BACKGROUND**

Since late January, Port staff has been working with the Port Task Force to jointly review market data and develop a shared understanding of the Port's rates and market positioning. The Port Task Force is comprised of individuals with the intent of providing objective, third party analysis for the Marine Trades, tenants, stakeholders to provide feedback about Port pricing for yard services. A broader group, including members of the Port Townsend Marine Trades Association, tenants, and independent consultants have also been involved in the vetting of the results. This effort has been a collaborative one and has resulted in the following joint recommendations.

### **DISCUSSION**

Presented is an amended rate structure and business practices relating to determination of yard rates that the Port staff and the Task Force both support and recommend.

### **Rate Structure**

Current rate structure will be amended (see attachment A) to target seasonal demand during the period from September to March. The Study's yard rate data was reviewed and accepted by Port staff and representatives from the Port Townsend Marine Trades Association. The data indicates an opportunity to be more competitive in multi month work yard rates on a seasonal basis. The goal is simply to adjust line item pricing to incent customers to choose the Port Townsend Boat Haven Yard. The pricing changes are conducted on a line item basis only.

### **Rates Changes:**

Add new Boatyard rates for fall and winter rate of \$0.35 PLF/day or \$10.50 PLF/mo. with 60-day minimum stay.

In practice: Customer would make the following choice; a, b, or c, as part of the reservation or haul-out, selected time frame. Charges for any reduced rates such as monthly or longer must be prepaid.

- a. **Daily Rate:** \$0.75 PLF/day

b. **Monthly Rate** (30 day) minimum: \$0.60 PLF/day or \$18.25 PLF/mo.

c. **Two-month Rate (60 day) minimum, seasonal (Sept-Mar): \$0.35 PLF/day or \$10.50 PLF/mo.**

To obtain this rate, the customer must pay the full sixty days in advance. Thereafter, the customer must pay for each additional month in advance. There will be no pro-rating or refunds for early departures before 60 days. After 60 days any unused prepaid lay days would be prorated and credited to final settlement at launch.

A customer could change from the daily or the one-month rate to a longer stay rate (when available) at any time during their stay. The new time block and its applicable rate would start at the time of change. When changing from one-month at \$0.60 PLF/day to a two-month time block at \$0.35 PLF/day, charges would be prorated for the portion of the one-month time block used, at the higher rate (\$0.60). Lay days over the minimum one-month or two-month time blocks would be prorated by day at the rate in effect for that customer.

Also, add a **\$20 environmental fee** on every vessel using the yard and to each additional month storage thereafter.

Lastly, for the **Long-Term Storage Yard rates**, adopt a 3-month minimum at the current rate of \$8.00 PLF/mo. and 6-month minimum at \$6.50 PLF/mo.

### **Business Practices**

#### **Future Rate Increases:**

- After September 1, 2019, allow annual rate increases indexed to the CPI + 1% to be implemented administratively without specific commission action.
- Any rate changes except for the CPI + 1% would require 60 days prior notice to the PTMTA and commissioners before taking effect. Such notice would include the specific details of the proposed rate change.
- Create and appoint an advisory group on an ad hoc basis.
- Conduct an annual competitive rate survey based on a streamlined version of the current study model.
- All lift and yard operation rates would remain consistent except for rate changes as described. Discounts and promotional rates will be limited to specific marketing campaigns and posted publicly.

#### **Recommendation for Long-Term Storage:**

Increase long-term storage capacity with the goal of doubling density. Over the next four months, analyze the cost/benefit of using a trailer or other means for increasing density followed by a recommendation of action to the commissioners.

#### **Revenue Goals:**

It is anticipated that it will take months for marketing and word-of-mouth to impact operations. A goal has been established of a 10% increase in boat yard storage revenue for the period September

1, 2018 to September 1, 2019 as compared to September 1, 2017 to September 1, 2018. Revenue goals for additional years are to be established; a minimum of 10% year over year increase in revenue should be targeted. These revenue goals are shared goals between the Port and stakeholders.

**Marketing:** Marketing and improved customer experiences are key to filling the yard, increasing revenue and making POPT yard operations a success. A joint marketing group comprised of PTMTA and Port staff will be formed to identify target markets, plan marketing and implement the program. Individual PTMTA members will create links to the POPT and spread the word. Stakeholders will work together to create an identity for the whole facility (Port and Marine Trades) as a service destination.

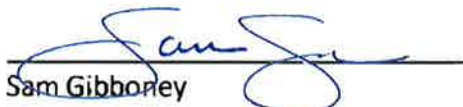
### **FISCAL IMPACT**

The downside risk to the Port is estimated to range between \$12,000 - \$25,000 in lost direct revenue for the yard. Exact risk is difficult to determine because the potential of lost revenue is directly related to future results based on current assumptions. Also, any changes can have unanticipated effects to other profit centers. Nevertheless, both staff and task force members believe the potential for increased revenue, in both the Work Yard and Long-Term Storage is worth the short term financial risk.

### **RECOMMENDATIONS**

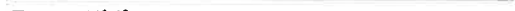
Port staff, Port Task Force, and representatives from the PTMTA recommend the Commission support the recommended yard rates and support the business practices as provided.


In support of this recommendation:

  
Sam Gibbooney  
Executive Director

  
Greg Englin  
Director, Operations & Business Development

  
TJ Quandt  
Business Manager

  
Terry Khile  
Yard Manager

  
Chris Brignoli  
Port Task Force

  
Mark Burn  
Port Task Force

Effective 6/1/18

<b>75 TON</b>		<b>VESSEL LENGTH</b>	<b>FEE PER FT</b>	<b>FLAT FEE</b>
<b>ROUND TRIP</b>	31' OR LESS		\$9.00 *	
	32' - 41'		\$10.00 *	
	42' - 51'		\$11.00 *	
	52' - 61'		\$12.00 *	
	62' OR OVER		\$14.00 *	
<b>MINIMUM HOIST</b>				\$200.00
<b>OFF PORT BLOCKING</b>			\$2 (PER MONTH) **	
<b>ONE WAY HAUL OUT</b>			75% RT OR MIN *	
<b>ONE WAY LAUNCH</b>			50% RT OR MIN *	
<b>REBLOCK FEE</b>			75% RT OR MIN *	
<b>INSPECTIONS</b>			ROUND TRIP RATE *	
<b>HANG OVER NIGHT</b>			ROUND TRIP RATE *	
<b>WASH DOWN</b>			\$2 (PER 1/2 HR)	
<b>DELAY OF LIFT</b>				\$60 (PER 1/2 HR) *
<b>LABOR RATE</b>				\$60 PER PERSON (HR) *
<b>OVERTIME/CALL IN LABOR RATE</b>				\$90 PER PERSON (HR) *
<b>STORAGE (DAILY)</b>			\$0.75	
<b>STORAGE (MONTHLY)</b>			\$0.60 **	
<b>SEASONAL STORAGE (SEPT-MAR)</b>	(2 month minimum)		\$0.35**	
<b>300 TON</b>		<b>VESSEL LENGTH</b>	<b>FEE PER FT</b>	<b>FLAT FEE</b>
<b>ROUND TRIP</b>	70' OR LESS		\$17.86 *	
	71' - 89'		\$19.22 *	
	90' OR OVER		\$23.76 *	
<b>MINIMUM HOIST</b>				800 .00 *
<b>OFF PORT BLOCKING</b>			\$2 (PER MONTH) **	
<b>MULTIHULLS</b>			150% RT OR MIN *	
<b>ONE WAY HAUL OUT/ REBLOCK</b>			75% RT OR MIN *	
<b>ONE WAY LAUNCH</b>			50% RT OR MIN *	
<b>INSPECTIONS</b>			ROUND TRIP RATE *	
<b>HANG OVER NIGHT</b>			ROUND TRIP RATE *	
<b>WASH DOWN</b>			\$3 (PER HR) *	
<b>DELAY OF LIFT</b>				\$60 (PER 1/2 HR) *
<b>LABOR RATE</b>				\$60 PER PERSON (HR) *
<b>OVERTIME/CALL IN LABOR RATE</b>				\$90 PER PERSON (HR) *
<b>STORAGE RATE (DAILY)</b>			\$1.15	
<b>STORAGE RATE (MONTHLY)</b>			\$0.92**	
<b>METERED ELECTRIC</b>				\$5 PER DAY + KWH
<b>STORAGE / MISC.</b>				
<b>MISC. STORAGE</b>			\$0.85 **	
<b>ENVIRONMENTAL FEE</b>			\$20.00	PER HAUL AND MONTH
<b>LONG TERM STORAGE (3 MONTH)</b>			\$8.00 **	
<b>LONG TERM STORAGE (6+ MONTH)</b>			\$6.50**	

\* SUBJECT TO WA STATE SALES TAX -9%

\*\* SUBJECT TO LEASEHOLD EXCISE TAX 12.84% FOR STAYS OF 30 DAYS OR MORE



**TRAVELIFT OPERATIONS  
RATES AND FEES**



Effective 5-1-2017

<b>TRAILERED LONG TERM</b>		\$6.50**	
<b>TARP FEES</b>	DEPENDENT ON SIZE	26 X 40	\$60.00
20 X 20	\$25.00	30 X 40	\$70.00
20 X 30	\$35.00	30 X 60	\$100.00
20 X 40	\$45.00	40 X 60	\$135.00

5/18/2018

\* SUBJECT TO WA STATE SALES TAX -9%

\*\* SUBJECT TO LEASEHOLD EXCISE TAX 12.84% FOR STAYS OF 30 DAYS OR MORE