

PORT COMMISSION SPECIAL BUSINESS MEETING– January 9, 2019

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
Interim Executive Director Pivarnik
Auditor Berg
Deputy Director Toews
Attorney Chmelik
Minutes - Nelson

I. CALL TO ORDER/PLEDGE OF ALLEGIANCE:

Commissioner called the meeting to order at 2:00 p.m.

II. APPROVAL OF AGENDA:

**Commissioner Hanke moved to approve the Agenda as presented.
Commissioner Putney seconded the motion.
Motion carried by unanimous vote.**

III. PUBLIC COMMENTS (00:00:57):

Melinda Bryden, District 2, commented on the Citizen Complaint item on the agenda. She clarified her complaint was not only on the billing adjustments, but on what she believes is improper behavior by Commissioner Hanke.

Commissioner Hanke responded.

Pam Petranek reported on the WA State Strategy for a Blue Economy yesterday with Ms. Tracy. She stated a strategy was rolled out on economic development for marine trades.
Ashlyn Brown, PT Watercraft, reported on options she has been exploring for the repair of the south jetty at Point Hudson, and mentioned the many professionals she has met with on this subject.

Bertram Levy commented on decreased nightly moorage revenue at Boat Haven and Point Hudson.

IV. ELECTION OF YEAR 2019 OFFICERS (00:22:02):

Discussion ensued on commission positions for 2019.

Commissioner Hanke moved to elect for the year 2019, Commissioner Putney as President; Commissioner Hanke as Vice President and Commissioner Tucker as Secretary.

**Commissioner Tucker seconded the motion.
Motion carried by unanimous vote.**

V. CONSENT AGENDA (00:23:52):

- A. Approval of Public Workshop Minutes – December 12, 2018
- Approval of Regular Business Meeting Minutes – December 12, 2018
- Approval of Special Meeting Minutes – December 18, 2018
- Approval of Special Meeting Minutes – January 2, 2019

- B. Approval of Warrants
- Warrant #060019 through #060030 in the amount of \$57,623.43 for Payroll & Benefits
- Electronic Payment in the amount of \$91,306.31 for Payroll & Benefits
- Warrant #060031 through #060063 in the amount of \$62,832.02 for Accounts Payable
- Electronic Debit in the amount of \$19,397.77 for WA State Dept. of Labor & Industries
- 4th Quarter Tax Return for October – December 2018

Warrant #059956 as a VOID

**Commissioner Tucker moved to approve the Consent Agenda as presented.
Commissioner Hanke seconded the motion.
Motion carried by unanimous vote.**

VI. RECESS TO A MEETING OF THE INDUSTRIAL DEVELOPMENT CORPORATION (IDC) OF THE PORT OF PORT TOWNSEND (00:24:00):

At 2:24 pm, the Regular Meeting recessed and convened into the IDC Meeting.
The IDC Meeting adjourned at 2:26 pm and reconvened to the Regular Meeting.

VII. SECOND READING (Action items) (00:27:06):

A. Resolution No. 692-19, Establishing an Operating Reserve Fund:

Commissioner Tucker moved to adopt Resolution No. 692-19, Establishing the Operating Reserve Fund, as presented.

Commissioner Hanke seconded the motion.

Motion carried by unanimous vote.

B. Resolution No. 693-19, Establishing a Port-wide Capital Reserve Fund:

Commissioner Hanke moved to adopt Resolution No. 693-19, Establishing the Port-wide Capital Reserve Fund, as presented.

Commissioner Tucker seconded the motion.

Motion carried by unanimous vote.

VIII. FIRST READING (Discussion only):

A. Resolution No. 694-19, Delegation of Management Authority to the Executive Director (00:28:29):

Mr. Pivarnik stated the presented resolution and policy is a red-lined version of the current resolution. The Executive Director's spending authority is reduced from \$50,000 to \$25,000. The other change is the order of delegation in the Executive Director's absence: Deputy Director Eric Toews and Finance Director Abigail Berg. Resolution will be brought back to the next meeting for a second reading.

B. Resolution No. 694-19, Meeting Procedures:

Commissioner Tucker proposed the second meeting in November be moved to a day meeting (1:00 pm) on Tuesday, November 26, 2019 due to the holidays.

The consensus is to hold one meeting in December. Resolution will be brought back for a second reading.

IX. REGULAR BUSINESS:

A. USCG Supplemental Lease Agreement (00:33:03):

Mr. Toews explained a new lease agreement with the Coast Guard (USCG) was signed in 2016. In 2017, the Commission authorized staff to enter into Supplemental Lease Agreement (SLA) NO. 0001, which included three one-year options to renew, through September 2020. He explained that for USCG planning purposes, they have requested a longer-term lease, SLA 0002, through September 2023, with a 1.5% increase, rather than the 3% increase. Mr. Toews explained that in accordance with USCG policy, a 3% increase for that longer period would change the lease from an Operating Lease to a Capital Lease; USCG policy prohibits approval of Capital Leases. Commissioner Tucker expressed his opinion that he wasn't in agreement with the 1.5% increase, which was the consensus of the commission. After further discussion, it was agreed that Mr. Toews would contact the USCG and share the concerns of the Port Commission and would report back to the Commission. Commissioner Hanke voiced his opinion that the Port may consider only entering into one-year lease agreements with the USCG.

B. Citizen Complaint – Billing Adjustments (00:43:52):

Attorney Chmelik stated he and Port Auditor Ms. Berg worked together to report back to the commission regarding an allegation of improper activities by the Interim Executive Director that was received by Commissioners Tucker and Putney. Attorney Chmelik explained there were basically three allegations:

1. In October 2018, Port staff improperly credited \$1,333.60 for 2018 passenger boarding fees to Puget Sound Express, owned by Commissioner Hanke.
2. In October 2018, Port staff improperly refunded Puget Sound Express (PSE) \$996.26 for short term parking fees for May and June of 2018.
3. In 2018 staff tried to circumvent the commission's review by issuing credits.

Attorney Chmelik addressed #3 –the credit adjustments for the passenger fees occurred before the bill was paid, so a warrant was not issued. The parking fees, however, were already paid and a refund via warrant was issued.

Attorney Chmelik discussed the materials reviewed by him and Ms. Berg. He reported there appeared to be no intent to benefit the commissioner or an intent to take money from the Port on behalf of Mr. Pivarnik. He concluded it was a lack of communication.

Mr. Chmelik stated this was started by American Cruise Lines. In turn, Mr. Pivarnik

concluded that the increase from \$0.60 to \$1.00 per passenger for boarding fees had not been communicated properly. Under the authority of Port Res. 673-18, Mr. Pivarnik took it upon himself to make account adjustments to three companies, the largest being PSE.

Regarding the parking credit, Attorney Chmelik explained that during the City street improvement project, the City had an agreement with the Port to store their construction equipment in the “back forty” parking area. Recompense to the Port was improvements to be made by City maintenance to the Port-owned “back forty” parking area. Mr. Chmelik explained the “back forty” area has historically been used for parking by PSE customers. Since this area was not available during May and June, PSE paid the Port for exclusive weekend use of the Port-owned parking area at the former Landfall Restaurant site.

Mr. Pivarnik and Commissioner Hanke offered their apologies and discussed further. Attorney Chmelik provided recommendations on how to avoid this in the future:

1. Make sure staff and the commission are “on the same sheet of music” regarding credits.
2. Staff is to bring to the commission any issues directly involving a commissioner.
3. Review the current business arrangement with PSE to make sure it is fair to the public.

Commissioner Putney stated the Port of Port Townsend is to treat all fairly. He stated that in dealings with the public, commissioners and staff need to be extremely scrupulous. He also discussed the agreement with PSE, which began prior to Commissioner Hanke becoming a Port Commissioner and asked Mr. Chmelik questions about it, who again suggested review of the PSE agreement.

Commissioner Hanke, responding to Ms. Bryden’s complaint of improprieties and unfairness of a sitting commissioner who is also a tenant to be involved with rates, stated many port commissioners are also tenants of their port. He added that most get involved because of their experiences as a port tenant.

Commissioner Tucker agreed with the findings. He stated it could have been communicated better. He plans on discussing the issue of common areas on leases at the retreat. Commissioner Putney added common areas need to be included in the lease policy.

Ms. Berg clarified communication with the commission is essential, especially in unusual situations. She added that when the commission has already approved rates, any changes to those rates need to come back to the commission for approval.

C. 2019 Committee Assignments (1:16:01):

Committee assignments were made for the year 2019.

D. Revision to Staff Organizational Chart (1:36:12):

Mr. Pivarnik explained a new position titled “Environmental Specialist” has been added to the Org Chart. This position will report to Yard Manager Terry Khile. Ms. Berg reported the position isn’t as scientific as the environmental position the Port had previously. She added it is more a “boots on the ground” specialist, educating tenants.

Commissioner Hanke moved to approve the Organizational Chart as presented.

Commissioner Tucker seconded the motion.

Motion carried by unanimous vote.

E. Conversion to Cash Reporting (1:39:26):

Ms. Berg explained this was discussed at the previous meeting and provided a briefing. She stated historically the Port reported on a GAAP (accrual) basis, which is more complex and time consuming. Ms. Berg spoke with the State Auditor’s Office who informed her that 60% of Washington ports report on a Cash basis. In addition, this change should not affect the Port’s bond rating.

Commissioner Tucker moved to direct staff to convert to Cash reporting.

Commissioner Hanke seconded the motion.

Motion carried by unanimous vote.

F. November 2018 Financials (1:43:54):

Ms. Berg reported the Port is doing well in revenues and is ahead of budget. Operating expenses are below budget but ahead of the prior year.

Commissioner Tucker stated he would like to discuss the subject of Utilities at the upcoming commission retreat. Mr. Toews announced the Port is in the permitting process with the City for the Water Meter Project.

X. STAFF COMMENTS (01:45:00):

Ms. Nelson reminded the Boat Haven main restrooms will be closed January 14-February 8 for maintenance upgrades. Four port-a-potties will be located next to the restroom building. Mr. Pivarnik added that Boat Haven tenants would be provided with the code to the Point Hudson restrooms. Ms. Nelson informed of the Port's participation at the Seattle Boat Show January 25 through February 2. Last, she acknowledged the passing of former County Commissioner Phil Johnson and extended sympathies to his family.

Mr. Pivarnik announced he would attend WA Public Ports Association "Port Day" on January 29 in Olympia. He asked if any commissioners planned on attending, he would set up meetings with Reps Tharinger, Chapman and Senator Van de Wege. This would be discussed further at the commission retreat.

XI. COMMISSIONER COMMENTS (01:50:47):

Commissioner Tucker reported he met with Mr. Levy and Mr. Hayes to discuss possible options to recover boat ramp fees and limit water usage at the washdown. He reported that he and Mr. Pivarnik have been attending meetings on relocation of the Rhody Festival carnival site.

Commissioner Putney reported he just returned today from a Broadband conference in Tacoma.

XII. NEXT REGULAR BUSINESS MEETING:

Wednesday, January 23, 2019 at 5:30 pm
Port Commission Building, 333 Benedict St, Port Townsend.

XIII. EXECUTIVE SESSION (if held):

None

XIV ADJOURNMENT:

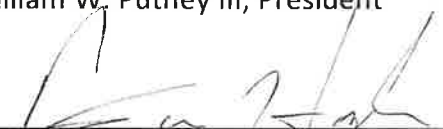
The meeting adjourned at 3:59 pm there being no further business to come before the Commission.

ATTEST:


Stephen R. Tucker, Secretary



William W. Putney III, President



Peter W. Hanke, Vice President