

The Port
OF PORT TOWNSEND
SERVING ALL OF JEFFERSON COUNTY

**Port of Port Townsend
1st Monthly Business Meeting
Wednesday, February 13, 2019, 1:00 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 (related to/not related to the agenda)
- IV. Consent Agenda
 - A. Approval of Regular Business Meeting Minutes – January 23, 2019.....1-4
 - Approval of Special Meeting Minutes – February 4, 2019.....5-6
 - B. Approval of Warrants
- V. Second Reading
 - A. Capital Budget.....7-11
- VI. First Reading
 - A. Restroom Policy.....12-13
- VII. Regular Business
 - A. MSA Lease.....14-32
 - B. December 2018 Preliminary Financials.....33-42
 - C. Staff Organizational Chart Revision.....43-45
- VIII. Staff Comments
- IX. Commissioner Comments
- X. Next Regular Business Meeting:
Wednesday, February 27, 2019 at 5:30 pm
Port Commission Building, 333 Benedict Street, Port Townsend, WA
- XI. Executive Session
 - A. Potential Litigation, pursuant to RCW 42.30.110 (ii)
- XII. Adjournment

PORT COMMISSION REGULAR BUSINESS MEETING – January 23, 2019

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

Present: Commissioners –Putney, Hanke & Tucker
Interim Executive Director Pivarnik
Deputy Director Toews
Minutes – Nelson
Attorney Chmelik (via Skype audio/visual)

I. CALL TO ORDER/PLEDGE OF ALLEGIANCE:

Commissioner Tucker called the meeting to order at 5:30 p.m.

II. APPROVAL OF AGENDA:

Director Pivarnik explained Ms. Berg is absent due to her mother's health and December Financials would need to be removed from the agenda.

Commissioner Tucker moved to approve the Agenda as amended.

Commissioner Hanke seconded the motion.

Motion carried by unanimous vote.

III. PUBLIC COMMENTS (00:01:00):

Gwendolyn Tracy stated she thought the Commission Retreat was fabulous.

Bertram Levy stated he also enjoyed the retreat. He also commented on Maintenance Manager Spark's please for additional help, mainly for an electrician. He questioned what the electrical fee charged is being applied towards.

IV. CONSENT AGENDA (00:02:59):

A. Approval of Regular Business Meeting Minutes – January 9, 2019

B. Approval of Warrants

Warrant #060064 through #060080 in the amount of \$14,514.62 for Payroll & Benefits

Electronic Payment in the amount of \$61,244.78 for Payroll & Benefits

Warrant #060081 through #060133 in the amount of \$214,902.66 for Accounts Payable

Electronic Debit in the amount of \$3,460.68 for WA State Dept. of Revenue Combined

Excise Tax Return for December 2018

Commissioner Tucker moved to approve the Consent Agenda as presented.

Commissioner Hanke seconded the motion.

Motion carried by unanimous vote.

V. RECOGNITION OF RETIRING CUSTOMER SERVICE REP JULIE HAYES (00:03:20):

Business Manager T.J. Quandt stated his appreciation for his employee, Ms. Hayes.

Commissioner Hanke added that Ms. Hayes has been a faithful employee and has handled her position with grace.

VI. SECOND READING (Action Items):

A. Delegation of Authority Resolution No. 694-19 and Policy (00:05:28):

Commissioner Hanke moved to adopt Resolution No. 694-19 and Policy as presented. Commissioner Tucker seconded the motion.

Motion carried by unanimous vote.

B. Meeting Procedures Resolution No. 695-19 and Policy (00:05:58):

Commissioner Tucker moved to adopt Resolution No. 695-19 and Policy as presented. Commissioner Hanke seconded the motion.

Motion carried by unanimous vote.

VII. FIRST READING (Discussion Only):

VIII. REGULAR BUSINESS:

A. US Coast Guard Supplemental Lease Agreement (00:06:32):

Mr. Toews reminded the USCG Supplemental Lease Agreement was presented at the January 9, 2019 meeting. He explained the USCG proposed an extension of their agreement, to three one-year options, from October 1, 2020 through September 30, 2023 with a 1.5% annual increase. The Commissioners expressed concerns about only a 1.5% increase rather than the norm of a CPI annual rate increase. Discussion ensued. Mr. Toews described the benefits the Port receives in turn from having the USCG as a tenant.

Commissioner Hanke moved to approve the USCG Supplemental Lease Agreement No. 0002 as presented.

Commissioner Putney read detailed language for the motion:

This motion is an authorization from the Port Commission for the Port's Interim Executive Director to execute Supplemental Lease Agreement No. 0002 as presented, pursuant to the following findings, which shall be entered into the record:

1. The United States Coast Guard is a highly valued Port tenant that provides unique benefits to the Port and community.
2. These benefits include, but are not necessarily limited to the following:
 - a. **Promoting public safety.** The Coast Guard plays a central role in assisting mariners and ships in distress in the marine waters in proximity to Port Townsend; and
 - b. **Environmental response.** The Coast Guard is one of the first agencies contacted by Port staff in instances of spills of fuel or other hazardous substances in local marine waters and at Port facilities; and
 - c. **Responding to problem vessels.** The Coast Guard provides vital information and assistance to Port staff in responding to, and dealing with, derelict and abandoned vessels; and
 - d. **Infrastructure maintenance and access to funding opportunities.** The presence of the Coast Guard at Boat Haven facilitates routine dredging of the entrance channel by the United States Army Corps of Engineers, at no cost to the Port. This dredging would otherwise require Port expenditures of

\$200,000 or more every 6-7 years. Moreover, the Coast Guard presence at Boat Haven increases the potential for the Port to succeed in accessing other federal monies, for instance Department of Homeland Security funding, which can help to maintain and improve Port facilities.

Therefore, because of these and other tangible benefits provided by the Coast Guard's presence at Boat Haven, the Commission expressly finds that a 1.5% annual rent increase for the period ending September 30, 2023, is appropriate, and provides full and fair value to the Port and public for the use of the premises.

Accordingly, the Interim Executive Director is authorized to execute Supplemental Lease Agreement No. 0002.

Commissioner Tucker requested a change in the lease language, first paragraph, from "highly valued" to "unique". A second change was proposed to the second from the last paragraph, adding "...a 1.5% annual rent increase *for a three-year period*, is appropriate..."

Commissioner Tucker seconded the motion with the two proposed amendments to the lease language as discussed.

Motion carried by unanimous vote.

C. Northwest Maritime Center (NWMC) Proposal to Lease Former Landfall Site (00:24:52):

Mr. Pivarnik stated he met with NWMC Executive Director Jake Beattie recently, where he presented an option to lease the former Landfall Restaurant site.

Mr. Beattie informed the NWMC employs 36 full-time staff in the winter and staff increases to 80 in the summer. He explained their programs have tripled in the ten years they have been open. Mr. Beattie discussed their support of the Maritime Schools Initiative and have been in discussions with Bremerton schools to develop a satellite school. If the former Landfall site lease is granted, this could be an option to pursue development.

Discussion ensued on the site currently being used as a parking lot, City zoning codes and past Port agreements made with other individuals for their development consideration of the site.

Mr. Pivarnik concluded that he would meet with Mr. Beattie to put together options, addressing unified parking, for a future presentation to the Commission.

D. Olympic Peninsula Salmon Derby (00:43:31):

Mr. Pivarnik stated in the past, the Commission has waived ramp fees for the derbies, and that has been requested for the 2019 derby by the Gardiner Salmon Derby Association. Discussion ensued, mostly about the business the derby participants bring to the town and the effect on that revenue if the Port reinstated the ramp fee for the derby.

Commissioner Tucker moved to waive ramp fees for the 2019 Olympic Peninsula Salmon Derby.

Commissioner Hanke seconded the motion.

Motion carried by unanimous vote.

IX. STAFF COMMENTS (00:52:31):

Mr. Toews reported the permit process for the JCIA Runway Rehab project has been initiated. He is waiting to have a pre-app conference with County staff.

Mr. Pivarnik suggested keeping Ms. Berg in our thoughts. He reported he and Commissioner Putney would be attending the WA Public Ports Association "Port Day" in Olympia on January 29. Only five-minute meetings are scheduled with Ports and their legislators. Mr. Pivarnik stated he discussed with Senator Van de Wege's office an invitation to come to the Port of Port Townsend in April to learn of the Port's needs (stormwater, the Point Hudson Jetty). He suggested inviting Reps. Tharinger and Chapman at that same meeting.

X. COMMISSIONER COMMENTS (00:54:47):

Commissioner Hanke informed that he and Mr. Pivarnik attended a stakeholder meeting at Fort Worden. State Parks is considering removal of the pier. He said it was a good discussion.

XI. NEXT PUBLIC WORKSHOP/BUSINESS MEETING:

Wednesday, February 13, 2019, workshop at 9:30 am, meeting at 1:00 pm in the Port Commission Building, 333 Benedict St, Port Townsend.

XII. EXECUTIVE SESSION:

XIII. ADJOURNMENT:

The meeting reconvened at 6:28 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

PORT COMMISSION SPECIAL BUSINESS MEETING— FEBRUARY 4, 2019

The Port of Port Townsend Commission met in special session at the Port Administration Building Conference Room, 2701 Jefferson Street, Port Townsend, WA (location switched from Commission Building due to power outage)

Present: Commissioners – Putney, Hanke and Tucker
Interim Executive Director Pivarnik
Deputy Director Toews
Auditor Berg
Minutes – Nelson

I. CALL TO ORDER/PLEDGE OF ALLEGIANCE:

Commissioner Putney called the meeting to order at 9:14 am (late start, scheduled for 9:00 am due to snowfall).

II. APPROVAL OF AGENDA:

Commissioner Hanke moved to approve the agenda as presented.

Commissioner Tucker seconded the motion.

Motion carried by unanimous vote.

III. RESOLUTION NO. 696-19 – PUBLIC INFRASTRUCTURE FUND (PIF) GRANT AUTHORIZING RESOLUTION FOR THE POINT HUDSON JETTY SOUTH RENOVATION PROJECT:

Mr. Toews stated that Commissioner Tucker reminded staff last week of the Public Infrastructure Fund (PIF) proposals due by 4:30 pm February 1, 2019. Mr. Pivarnik and Mr. Toews had discussed the nature of the proposal that was the most urgent and what they thought funding should be sought for, that being funding to help with soft costs for potential repairs and renovation of the Point Hudson Jetty. He explained this project is one that is identified in the Community Economic Development Strategy (CEDS), a PIF requirement. Mr. Toews stated the application was submitted by 4:30 pm on February 1. He added the authorizing resolution is due to the County by February 8, 2019. Funds, if granted, would be used towards permitting and engineering. Mr. Toews stated the total amount of funds available is \$800K. The Port has applied for \$150K.

Discussions ensued on the timing of the submittal and other projects that may have been chosen.

Commissioner Tucker moved to adopt Resolution No. 696-19 as presented.

Commissioner Hanke seconded the motion.

Motion carried by unanimous vote.

IV. NEXT PUBLIC WORKSHOP & REGULAR BUSINESS MEETING:

Wednesday, February 13, 2019. Workshop at 9:30 am, meeting at 1:00 pm.
Port Commission Building, 333 Benedict Street, Port Townsend, WA

V. ADJOURNMENT:

The meeting adjourned at 9:29 am.

ATTEST:

Stephen R. Tucker, Secretary

William W. Putney III, President

Peter W. Hanke, Vice President

PORT OF PORT TOWNSEND

AGENDA COVER SHEET

MEETING DATE	February 13, 2019
AGENDA ITEM	<input type="checkbox"/> First Reading <input checked="" type="checkbox"/> Second Reading <input type="checkbox"/> Regular Business
AGENDA TITLE	V. A) Capital Budget
STAFF LEAD	Abigail Berg, Finance Director
REQUESTED	<input type="checkbox"/> Motion <input checked="" type="checkbox"/> Action <input type="checkbox"/> Discussion
ATTACHMENTS	A. 5-year Capital Projections, years 2019-2023

5 year Capital Projections
years 2019-2023
as of February 13, 2019

YELLOW HIGHLIGHTS INDICATE CHANGE OR REMOVAL

PROJECT Expenses	note	2019 estimate	2020 estimate	2021 estimate	2022 estimate	2023 estimate	total
JEFFERSON COUNTY INTERNATIONAL AIRPORT (JCIA)							
JCIA Runway Rehab - remainder of Phase II Engineering		153,364					153,364
JCIA Runway Rehab - Phase III Construction		4,400,000					4,400,000
Airport Bldg (Welcome to Airport & records storage)				250,000			250,000
BOAT HAVEN							
Workyard Surface - 2019		100,000	100,000			100,000	300,000
Moorage Backflow Preventers		30,000					30,000
Property Water Meters		30,000					30,000
Programmatic Permitting for Piling Replacement - REMOVED							
Boat Haven Piling Replacement				300,000			300,000
Boat Haven Shoreline Stabilization - REMOVED							
Engineering/Design - REMOVED							
Construction - REMOVED							
Boat Haven Breakwater Repair							
Engineering/Design							
Construction		5,000					5,000
C&D & Linear Dock Renovation		300,000					300,000
Engineering/Design							
Construction				200,000			200,000
				500,000	1,000,000		1,500,000
POINT HUDSON							
WDFW heat/creosote (contingent - Airhandlers)		100,000	100,000				200,000
WDFW roof						64,000	64,000
Point Hudson South Jetty Replacement - REMOVED							
Point Hudson South Jetty Repairs (contingency) - REMOVED							
Point Hudson South Jetty Renovation							
Design/Permitting		150,000					150,000
Construction			3,000,000				3,000,000
Cupola House Annex - REMOVED							
Shanghai Roof			107,000				107,000
QUILCENE							
Marina Fuel System Upgrade - REMOVED							
Marina Entrance Dredging				230,000			230,000
Marina Dock Repairs						250,000	250,000
Ramp Upgrade						242,000	242,000
OTHER CAPITAL							
Small Capital projects (less than approximately \$30k)		125,000	125,000	125,000	125,000	125,000	625,000
Port Vehicle replacement		40,000	30,000	30,000	30,000	30,000	160,000
		5,433,364	3,462,000	1,335,000	1,455,000	811,000	12,496,364
Total Estimated Project Expenses							

5 year Capital Projections
years 2019-2023
as of February 13, 2019

YELLOW HIGHLIGHTS INDICATE CHANGE OR REMOVAL					
FUNDING SOURCES	note	2019 estimate	2020 estimate	2021 estimate	2023 estimate
Grants					
Federal Aviation Association (FAA)		(4,098,028)			
Washington State Dept. of Transportation (WSDOT)		(220,000)			
Public Infrastructure Fund (County PIF) - PH Jetty		(150,000)			
Loan/Bonding					
Point Hudson South Jetty Renovation			(3,000,000)		
Port Wide Capital Reserve					
Workyard Resurfacing		(100,000)	(100,000)		(100,000)
Water Meters		(30,000)			
WDFW creosote abatement		(100,000)			
C&D & Linear Dock - Construction (partial funding)				(215,766)	
WDFW Roof					(64,000)
Boat Haven Reserve					
Backflow Prevention		(30,000)			
Boat Haven Breakwater Repair - Engineering/Design		(5,000)			
Boat Haven Breakwater Repair - Construction		(300,000)			
Programatic Permit for Piling Replacement - REMOVED					
C&D & Linear Dock - Construction (partial funding)				(247,234)	
Net Operating Income					
JCIA match - remaining AIP Phase II		(15,336)			
JCIA match - AIP Phase II (construction)		(220,000)			
Boat Haven Piling Replacement				(300,000)	
C&D & Linear Dock - Engineering/Design				(200,000)	
C&D & Linear Dock - Construction (partial funding)				(37,000)	
Point Hudson - WDFW heat/creosote			(100,000)		
Point Hudson - Cupola House Annex - REMOVED			(107,000)		
Point Hudson - Shanghai Roof					
Quilcene Marina Fuel System Upgrade - REMOVED				(230,000)	
Quilcene Marina Entrance Dredging - MOVED TO 2021					
Quilcene Dock Repairs					(250,000)
Quilcene Ramp Upgrade					(242,000)
Small Capital projects		(125,000)	(125,000)	(125,000)	(125,000)
Vehicle replacement		(40,000)	(30,000)	(30,000)	(30,000)
Point Hudson Emergency Jetty (contingency) - REMOVED					
Total Funding Sources supported by Cashflow projections	8	(5,433,364)	(3,462,000)	(1,085,000)	(811,000)
Unknown Funding Source					
Airport building (Welcome to Airport & record storage)				(250,000)	
C&D & Linear Dock Renovation Construction					(1,000,000)
REMOVED POINT HUDSON SOUTH JETTY REPLACEMENT					
total Funding Sources Supported by Cashflow & Unknown		(5,433,364)	(3,462,000)	(1,335,000)	(811,000)

5 year Capital Projections
years 2019-2023
as of February 13, 2019

YELLOW HIGHLIGHTS INDICATE CHANGE OR REMOVAL

	note	Budget	2019	2020	2021	2022	2023
Revenues - Operating	1	6,194,924		6,380,772	6,572,195	6,769,361	6,972,442
Revenues - Prop Tax Levy	2	1,008,000		1,018,080	1,028,261	1,038,543	1,048,929
Revenues - Other Non Op	3	4,501,718		3,123,610	127,318	131,138	135,072
		11,704,642		10,522,462	7,727,774	7,939,042	8,156,442
Total INFLOW							
Expenses - Operating	4	5,038,368		5,189,519	5,345,205	5,505,561	5,670,728
Expenses - Loan/Bond Interest	5	293,838		374,642	363,130	328,663	293,027
Expenses - Other Non Op	6	11,000		11,220	11,444	11,673	11,907
		5,343,206		5,575,381	5,719,779	5,845,897	5,975,661
Total OUTFLOW							
Net Op/NonOp Inflow/Outflow		6,361,436		4,947,081	2,007,995	2,093,145	2,180,781
Debt Service Principal	7	(715,000)		(878,750)	(939,042)	(970,317)	(1,001,849)
Net Capital Project Estimates Supported by Cashflow	8	(5,433,364)		(3,462,000)	(1,085,000)	(455,000)	(811,000)
Change in Cash balance		213,072		606,331	(16,047)	667,828	367,932
Beginning Year Cash		1,664,713		1,877,785	2,484,116	2,468,069	3,135,897
Total Ending Year Cash & Investments		1,877,785		2,484,116	2,468,069	3,135,897	3,503,829
Total Ending Cash Reserves		714,134		869,134	892,384	1,545,822	2,114,165
Total Unreserved Cash		1,163,651		1,614,982	1,575,685	1,590,075	1,389,663
RESERVES							
Contingency		75,000		75,000	75,000	75,000	75,000
Hazardous Waste		25,000		25,000	25,000	25,000	25,000
Unemployment		10,000		10,000	10,000	10,000	10,000
Operating Reserve	9	180,000		315,000	551,250	964,688	1,447,031
PTBH Renovation	10	257,234		257,234	10,000	-	-
Port-wide Capital	11	166,900		186,900	221,134	471,134	557,134
Target Oper. Reserve (25% of Operating Expense)	9	1,259,592		1,297,380	1,336,301	1,376,390	1,417,682

Notes:

1. Revenues - Operating were increased conservatively each year by 3.0%.
2. Revenues - Prop Tax Levy were increased annually by 1.0% as allowed by statute (actual may vary by AV calculated annually by County Assessor).
3. Revenues - Other Non Op, after 2019 budget, are based on an 8 year historical average for 2020 and subsequently increased annually at 3%. 2020 includes potential Loan or Bond for Point Hudson South Jetty Renovation Construction in the amount of \$3m.
4. Expenses - Operating start with 2019 budget and is increased annually at 3%, as calculated from averaging 8 year historical results.
5. Expenses - Bond Interest is based on bond amortization schedules of current debt, plus, starting in 2020, an estimated annual Loan or Bond repayment for the Point Hudson South Jetty Renovation (principal \$3m @ 4% for 15 years).
6. Expenses - Other Non Op start with 2019 budget and increased annually by 2%, based on an 8 year historical average. This line item has historically varied quite a lot, but the amount is not significant to this analysis.
7. Debt principle is current debt, based on bond amortization schedules, plus starting in 2020, an estimated annual Loan or Bond repayment for the Point Hudson South Jetty Renovation (principal \$3m @ 4% for 15 years).
8. This line item is the total capital projects that are supported by the Cashflow projections, which include awarded grants, various capital reserves and net operating income. Under "Unknown Funding Sources" for 2021 and 2022 are the Airport Building and the remaining 2/3 of the C&D & Linear Dock Renovation construction.
9. Port staff has recommended the Port Commission establish a baseline minimum cash reserve for operations to ensure the sustainability of the Port. The target is estimated to be 25% of annual operating expenses. 2019 starts with a \$180,000 target and grows in years 2020-2022 by 1.75 and 1.5 in 2023. At year end 2023, the Port will have reached this target.
10. The Port Townsend Boat Haven Reserve is anticipated to be spent down by the end of 2020 with various Boat Haven projects.
11. The Port-Wide Capital Reserves will be use for projects and grant match, as applicable. In August 2016, the Commission established this reserve to be funded at \$120,000/year, and in this projection, this is increased to \$250,000/year as of 2021. During this 5 year projection, these funds will be used for various projects as noted above.

PORT OF PORT TOWNSEND

AGENDA COVER SHEET

MEETING DATE	February 13, 2019
AGENDA ITEM	<input checked="" type="checkbox"/> First Reading <input type="checkbox"/> Second Reading <input type="checkbox"/> Regular Business
AGENDA TITLE	VI. A) Restroom Policy
STAFF LEAD	Jim Pivarnik, Interim Executive Director
REQUESTED	<input type="checkbox"/> Action <input checked="" type="checkbox"/> Discussion
ATTACHMENTS	A. Info Memo

PORT OF PORT TOWNSEND

INFORMATIONAL MEMO

DATE: 2/13/2019
TO: Commission
FROM: Jim Pivarnik, Interim Executive Director
SUBJECT: Boat Haven Restrooms

BACKGROUND

The Boat Haven restroom project is now complete, and the transformation is remarkable. New ventilation has been added and the entire system has been serviced and cleaned. New paint and several new fixtures have given the restroom a new fresh appearance. Our maintenance staff has done an outstanding job.

DISCUSSION

What we would like to discuss now is since all of this work has been completed, is this the time where we lock the restrooms and make them only accessible to our tenants? Staff has done research on locking doors that require cards or key fobs for entry. This system has been used by many ports throughout the state. The issue that we are having with our current keypads is that within a day of changing the code it is distributed throughout the community. This makes our job very difficult to enforce.

RECOMMENDATION

For discussion and direction.

ATTACHMENTS

None

PORT OF PORT TOWNSEND

AGENDA COVER SHEET

MEETING DATE	February 13, 2019
AGENDA ITEM	<input type="checkbox"/> First Reading <input type="checkbox"/> Second Reading <input checked="" type="checkbox"/> Regular Business
AGENDA TITLE	VII. A) Marine Surveys & Assessments – Proposed Cupola House Lease Agreement
STAFF LEAD	Eric Toews, Deputy Director
REQUESTED	<input checked="" type="checkbox"/> Action <input type="checkbox"/> Discussion
ATTACHMENTS	A. Info Memo B. Summary of Key Terms C. Cupola House Lease

PORT OF PORT TOWNSEND:
Summary of Key Terms - Point Hudson Cupola House Lease
(February 7, 2019)

1. **TENANT:** Marine Surveys & Assessments (Amy Leitman, Owner)
2. **PREMISES:** Approximately 1,350 square feet of office space located at 380 Jefferson Street, at Point Hudson, commonly known as the "Cupola House"; the premises expressly exclude the abutting "Annex" Building located immediately to the north of the Cupola House.
3. **TERM:** Five (5) years, beginning on April 1, 2019 and ending on March 31, 2024.
4. **RENT:** Rent will increase from 0.78¢ to \$1.18 over the course of the lease, consistent with the rent schedule outlined below:

April 1, 2019 – March 31, 2020: \$1,052.50 plus LHT

April 1, 2020 – March 31, 2021: 1,084.08 plus LHT

April 1, 2021 – September 30, 2021: \$1,116.60 plus LHT

October 1, 2021 – March 31, 2022: \$1,503.83 plus LHT

April 1, 2022 – March 31, 2023: \$1,548.94 plus LHT

April 1, 2023 – March 31, 2024: \$1,595.41 plus LHT

Notes:

- a. The beginning rate was determined as follows: \$1.05 per s.f. x 1,350 s.f. = \$1,417.50; \$1,417.50 less \$365.00 per month to offset the cost of tenant improvements to the premises = \$1,052.50. The \$365.00 reduction is to be applied for the first half (30 months) of the lease term.
 - b. In lieu of the Port's standard annual CPI-U adjustment, a 3% annual increase has been applied throughout the five (5) year lease term.
5. **HOLDING OVER:** In the event Lessee allows the lease to expire without negotiating a new agreement with the Port, the tenancy will roll over into a month-to-month basis, with all other provisions of the lease agreement remaining in effect, except that the rent will increase to 125% of the rent due in the month preceding the holdover. In this case, that amount would be \$1,994.26 plus LHT.

6. **USE OF PREMISES:** Office space for marine and wetland ecosystems consulting.
7. **SECURITY:** Security is calculated as follows: $\$1.05 \times 1,350 \text{ s.f.} = \$1,417.50 \times 3 = \$4,252.50$; $\$4,252.50 \times 12.84\% \text{ LHT} = \546.02 ; $\$4,252.50 + \$546.02 = \$4,798.52$.
8. **UTILITIES:** All utilities are the responsibility of the Lessee.
9. **MAINTENANCE & REPAIR:** All maintenance and repair is the Lessee's responsibility.
10. **INSURANCE:** Per Port policy. Commercial General Liability of \$1,000,000 combined single limit; Workers Compensation Insurance of not less than \$1,000,000 per occurrence; insurance certificates naming the Port as an additional insured; proof of insurance must be provided prior to occupancy.
11. **ASSIGNMENT/SUBLEASE:** Permitted only by prior written consent of the Port.
12. **DEFAULTS/TERMINATION:** Time is of the essence. Failure to pay rent, or to abide by the covenants/agreements contained in the lease, may serve as a basis for termination. Lessee will be provided with fifteen (15) days' written notice to cure defaults. Port may also terminate upon sixty (60) days' written notice, at its sole discretion, for public or private use in connection with the operation of the business of the Port.
13. **ENVIRONMENTAL:** Office lease – Hazardous Substances Warranty & Agreement not applicable.

PORT OF PORT TOWNSEND POINT HUDSON BUILDING LEASE

THIS LEASE AGREEMENT made this 15th day of February 2019, by and between the PORT OF PORT TOWNSEND, a municipal corporation organized and existing under the laws of the State of Washington, Lessor, hereinafter referred to as "the Port," and MARINE SURVEYS & ASSESSMENTS, INC, a Washington corporation, hereinafter referred to as "Lessee,"

WITNESSETH:

That the parties hereto do mutually agree as follows:

1. **LEASED PREMISES:** The Port hereby leases to Lessee, and Lessee hereby hires and leases from the Port, the following described real property located at the Port's Point Hudson facility in Port Townsend, Jefferson County, Washington, which is depicted on Exhibit "A" attached hereto and incorporated herein by this reference:

The Cupola House, an office building consisting of approximately 1,350 square feet, located at 380 Jefferson Street, Port Townsend, WA 98368

hereinafter referred to as "the premises." The premises expressly exclude the "Annex" Building located immediately adjacent and to the north of the Cupola House.

2. **TERM:** The term of this Lease is five (5) years, beginning April 1st, 2019 and ending at midnight, March 31st, 2024, unless sooner terminated as provided in this Lease.
3. **RENT:** Lessee agrees to pay as rental for the leased premises per the rate schedule listed below plus all applicable taxes. The rent for each month shall be paid to the Port in advance of or before the first day of each and every month of the lease term, and shall be payable at such place as the Port may hereinafter designate.

Lease rates:

April 1, 2019 – March 31, 2020: **One Thousand Fifty-Two Dollars and Fifty Cents (\$1,052.50)** plus all applicable taxes

April 1, 2020 – March 31, 2021: **One Thousand Eighty-Four Dollars and Eight Cents (\$1,084.08)** plus all applicable taxes

April 1, 2021 – September 30, 2021: **One Thousand One Hundred and Sixteen Dollars and Sixty Cents (\$1,116.60)** plus all applicable taxes

October 1, 2021 – March 31, 2022: **One Thousand Five Hundred and Three Dollars and Eighty-Three Cents (\$1,503.83)** plus all applicable taxes

April 1, 2022 – March 31, 2023: **One Thousand Five Hundred Forty-Eight Dollars and Ninety-Four Cents (\$1,548.94)** plus all applicable taxes

April 1, 2023 – March 31, 2024: **One Thousand Five Hundred Ninety-Five Dollars and Forty-One Cents (\$1,595.41)** plus all applicable taxes

4. **LATE CHARGE:** In the event that any installment of rent remains unpaid more than twenty (20) days after it is due, then Lessee shall also be obliged to pay a "late charge" as per the Port of Port Townsend Rate Schedule then in effect.
5. **SECURITY DEPOSIT:** Upon the execution of this Lease, Lessee shall deposit with the Port the amount of **Four Thousand Seven Hundred Ninety-Eight Dollars and Fifty-Two Cents (\$4,798.52)** in order to guarantee performance under this Lease. The deposit shall be held by the Port as security for Lessee's faithful performance of all of their obligations under this Lease. Any interest earned on amounts deposited shall be retained by the Port. The deposit shall be returned to Lessee upon termination of this Lease, less any charges owing to the Port or expenses incurred by the Port in repairing damage caused by Lessee or restoring the leased premises to the condition required upon termination of this Lease.
6. **USE OF PREMISES:** Lessee shall use the premises for the purpose of a marine-related environmental consulting firm shall not use them for any other purpose without the prior written consent of the Port. Lessee shall use the entire premises for the conduct of said business continuously during the entire term of this Lease, with the exception of temporary closures for such periods as may reasonably be necessary for repairs or for reasons beyond Lessee's reasonable control. Lessee agrees that it will not disturb the Port or any other tenant of the Port's by making or permitting any disturbance or any unusual noise, vibration or other condition on or in the premises.
7. **UTILITIES:** Lessee shall be liable for, and shall pay throughout the term of this Lease, all utility services furnished to the premises, including, but not limited to, light, heat, electricity, gas, water, sewerage, garbage disposal.

8. **ACCEPTANCE OF PREMISES – “AS IS” – NO WARRANTIES:** Lessee has examined the leased premises and accepts them in their present condition. The Port makes no representations or warranties with respect to the condition of the premises. Lessee acknowledges that Lessee has fully inspected the premises and is not relying on any statement or representation made by the Port or the Port’s agents with respect to the condition of the premises, and Lessee assumes the responsibility and risks of the same, including any defects or conditions that cannot be observed by casual inspection.
9. **MAINTENANCE AND REPAIR:** At the expiration or sooner termination of this Lease, Lessee shall return the premises to the Port in the same condition in which received (or, if altered by Lessee with the Port's consent, then the premises shall be returned in such altered condition), reasonable wear and tear and damage by fire or unavoidable casualty excepted. Lessee shall, at it’s own expense, and at all times:
- a. Keep the premises, and the adjoining roadways and walkways, neat, clean and in a safe and sanitary condition;
 - b. Maintain and keep the leased premises in a good state of repair; and
 - c. Not commit waste of any kind.
10. **ALTERATIONS AND IMPROVEMENTS:** Lessee shall make no alterations or improvements to or upon the premises or install any fixtures (other than trade fixtures which can be removed without injury to the premises) without first obtaining written approval from the Executive Director of the Port. Such written approval shall also include agreement for disposition of the improvements upon termination of this Lease.
11. **INSPECTION - "FOR RENT" SIGNS:** The Port reserves the right to inspect the leased premises at any and all reasonable times throughout the term of this Lease, PROVIDED, that it shall not interfere unduly with Lessee’s operations. The right of inspection reserved to the Port hereunder shall impose no obligation on the Port to make inspections to ascertain the condition of the premises, and shall impose no liability upon the Port for failure to make such inspections. The Port shall have the right to place and maintain "For Rent" signs in conspicuous places on the premises for thirty (30) days prior to the expiration or sooner termination of this Lease.
12. **DAMAGE, DESTRUCTION OR HAZARDOUS CONDITION:**
- a. Should the premises or the buildings or structures of which the premises are a part be damaged by fire or other casualty, and if the damage is repairable within four (4) weeks from the date of the occurrence (with the repair work and the preparations therefore to be done during regular working hours on regular work days), the premises shall be repaired with due diligence by the Port, and in the meantime the monthly minimum rental shall be abated in the same proportion

- that the untenable portion of the premises bears to the whole thereof, for the period from the occurrence of the damage to the completion of the repairs.
- b. Should the premises or any buildings or structures of which the premises are a part be completely destroyed by fire or other casualty, or should they be damaged to such an extent that the damage cannot be repaired within four (4) weeks of the occurrence, the Port shall have the option to terminate this Lease on thirty (30) days' notice, effective as of any date not more than sixty (60) days' after the occurrence. In the event that this paragraph shall become applicable, the Port shall advise Lessee within thirty (30) days after the occurrence of any such damage whether the Port has elected to continue the lease in effect or to terminate it. If the Port shall elect to continue this Lease in effect, it shall commence and prosecute with due diligence any work necessary to restore or repair the premises. If the Port shall fail to notify Lessee of its election within said thirty (30) day period, the Port shall be deemed to have elected to terminate this Lease, and the lease shall automatically terminate sixty (60) days after the occurrence of the damage. For the period from the occurrence of any damage to the premises to the date of completion of the repairs to the premises (or to the date of termination of the lease if the Port shall elect not to restore the premises), the monthly minimum rental shall be abated in the same proportion as the untenable portion of the premises bears to the whole thereof.

- 13. INDEMNIFICATION AND HOLD HARMLESS:** The Port, its employees and agents shall not be liable for any injury (including death) to any persons or for damage to any property, regardless of how such injury or damage be caused, sustained, or alleged to have been sustained by the Lessee or by others as a result of any condition (including existing or future defects in the premises) or occurrence whatsoever related in any way to the premises and the areas adjacent thereto or related in any way to Lessee's use or occupancy of the premises and of the areas adjacent thereto except to the extent attributable to the negligence or other wrongdoing of the Port or its employees, contractors or agents. Lessee agrees to defend and to hold and save the Port harmless from all liability or expense of litigation in connection with any such items of actual or alleged injury or damage.
- 14. INSURANCE:** Lessee agrees to maintain during the lease term liability insurance as set forth below, at Lessee's sole expense. All such insurance shall name the Port of Port Townsend as an additional insured, and shall be with insurance companies acceptable to the Port.
- a. Comprehensive General Liability Insurance against claims for injury or death to persons or damage to property with minimum limits of liability of \$1,000,000.00 combined single limit for each occurrence. Such insurance shall include but not be

limited to bodily injury liability, personal injury liability, property damage liability, broad form property damage liability, contractual liability, and products/completed operations liability.

- b. Workers Compensation Insurance as will protect tenant's employees from claims under Washington Workers' Compensation Act, as well as any Federal Acts applicable to the tenant's operations at the site, shall not be less than \$1,000,000.00 for each occurrence.

The Lessee agrees to supply the Port with appropriate evidence to establish that its insurance obligations have been met, and that the insurance policy or policies are not subject to cancellation without at least thirty (30) days advance written notice to the Port. The conditions set forth in subparagraphs a and b of this Paragraph 14 shall be met prior to occupancy.

- 15. **WAIVER OF SUBROGATION:** The Port and Lessee hereby mutually release each other from liability and waive all right of recovery against each other for any loss from perils insured against under their respective fire insurance contracts, including any extended coverage endorsements thereto, PROVIDED, that this Paragraph 15 shall be inapplicable if it would have the effect, but only to the extent that it would have the effect, of invalidating any insurance coverage of the Port or Lessee.
- 16. **INCREASE IN COST OF INSURANCE:** Lessee shall not use the demised premises in such a manner as to increase the existing rates of insurance applicable to the buildings or structures of which the premises are a part. If it nevertheless does so, then, at the option of the Port, the full amount of any resulting increase in premiums paid by the Port with respect to the buildings or structures of which the leased premises are a part, and to the extent allocable to the term of this Lease, may be added to the amount of rental hereinabove specified and shall be paid by Lessee to the Port upon the monthly rental day next thereafter occurring.
- 17. **TAXES:** Lessee shall be liable for, and shall pay throughout the term of this Lease, all license and excise fees and occupation taxes covering the business conducted on the premises, and all taxes on property of Lessee on the leased premises and any taxes on the leased premises or leasehold interest created by this Lease Agreement.
- 18. **COMPLIANCE WITH PORT REGULATIONS AND WITH ALL LAWS:** Lessee agrees to comply with all applicable rules and regulations of the Port pertaining to the building or other realty of which the premises are a part now in existence or hereafter promulgated for the general safety and convenience of the Port, its various tenants, invitees, licensees and the general public. Lessee also agrees to comply with all applicable federal, state,

and municipal laws, ordinances, and regulations. Lessee further agrees that it will obtain proper permits from the City of Port Townsend for all building improvements approved by the Port. Any fees for any inspection of the premises during or for the lease term by any federal, state or municipal officer and the fees for any so-called "Certificate of Occupancy" shall be paid by Lessee.

- 19. ASSIGNMENT OR SUBLEASE:** Lessee shall not assign or transfer this Lease or any interest therein nor sublet the whole or any part of the premises, nor shall this Lease or any interest thereunder be assignable or transferable by operation of law or by any process or proceeding of any court, otherwise, without the written consent of the Port first had and obtained. If Lessee is a corporation(s), Lessee further agrees that if at any time during the term of this Lease more than one-half (1/2) of the outstanding shares of any class of stock of Lessee's corporation shall belong to any stockholders other than those who own more than one-half (1/2) of the outstanding shares of that class of stock at the time of the execution of this Lease or to members of their immediate families, such change in the ownership of the stock of the Lessee shall be deemed an assignment of this Lease within the meaning of this paragraph. If the Port shall give its consent to any assignment or sublease, this paragraph shall nevertheless continue in full force and effect and no further assignment or sublease shall be made without the Port's consent. The Port's consent will not unreasonably be withheld.
- 20. DEFAULTS:** Time is of the essence of this Lease Agreement, and in the event of the failure of Lessee to pay the rentals or other charges at the time and in the manner herein specified, or to keep any of the covenants or agreements herein set forth to be kept and performed, the Port may elect to terminate this Lease and reenter and take possession of the premises with or without process of law, PROVIDED, however, that Lessee shall be given fifteen (15) days' notice in writing stating the nature of the default in order to permit such default to be remedied by Lessee within said fifteen (15) day period. If upon such reentry there remains any personal property of Lessee or of any other person upon the leased premises, the Port may, but without the obligation so to do, remove said personal property and hold it for the owners thereof or may place the same in a public garage or warehouse, all at the expense and risk of the owners thereof, and Lessee shall reimburse the Port for any expense incurred by the Port in connection with such removal and storage. The Port shall have the right to sell such stored property, without notice to Lessee, after it has been stored for a period of thirty (30) days or more, the proceeds of such sale to be applied first to the cost of such sale, second to the payment of the charges for storage, and third to the payment of any other amounts which may then be due from Lessee to the Port, and the balance, if any, shall be paid to Lessee. Notwithstanding any such reentry, the liability of Lessee for the full rental provided for herein shall not be extinguished for the balance of the term of this Lease, and Lessee

shall make good to the Port any deficiency arising from a re-letting of the leased premises at a lesser rental than that hereinbefore agreed upon. Lessee shall pay such deficiency each month as the amount thereof is ascertained by the Port. Any failure by the owners, officers, or principals of Lessee to pay rentals, storage fees, moorage or any other charges owed to the Port under separate contract shall constitute a default under provisions of this Lease Agreement.

21. **TERMINATION BY PORT:** In the event that the Port, at its sole discretion, shall require the use of the premises for any purpose for public or private use in connection with the operation of the business of the Port, then this Lease may be terminated by the Port by written notice delivered or mailed by the Port to the Lessee **sixty (60)** or more days before the termination date specified in the notice. Lessee and the Port Executive Director will agree compensation to Lessee for loss of use, cost of relocation, and/or cost of improvement. In the event that the parties are unable to reach agreement on the compensation to Lessee, the amount shall be determined by arbitration before a single arbitrator who shall be jointly selected by the parties or by the Jefferson County Court if the parties cannot agree.
22. **TERMINATION FOR GOVERNMENT USE:** In the event that the United States Government or any agency or instrumentality thereof shall, by condemnation or otherwise, take title, possession or the right to possession of the premises or any part thereof, the Port may, at its option, terminate this Lease as of the date of such taking, and, if Lessee is not in default under any of the provisions of this Lease on said date, any rental prepaid by Lessee shall, to the extent allocable to any period subsequent to the effective date of the termination, be promptly refunded to Lessee.
23. **TERMINATION BECAUSE OF COURT DECREE:** In the event that any court having jurisdiction in the matter shall render a decision which has become final and which will prevent the performance by the Port of any of its obligations under this Lease, then either party hereto may terminate this Lease by written notice, and all rights and obligations hereunder (with the exception of any undischarged rights and obligations that accrued prior to the effective date of termination) shall thereupon terminate. If Lessee is not in default under any of the provisions of this Lease on the effective date of such termination, any rental prepaid by Lessee shall, to the extent allocable to any period subsequent to the effective date of the termination, be promptly refunded to Lessee.
24. **SIGNS:** No signs or other advertising matter, symbols, canopies or awnings shall be attached to or painted or within the leased premises, including the windows and doors thereof, without the approval of the Executive Director of the Port first had and obtained. At the termination or sooner expiration of this Lease, all such signs, advertising matter,

symbols, canopies or awnings attached to or painted by Lessee shall be removed by Lessee at its own expense, and Lessee shall repair any damage or injury to the premises, and correct any unsightly condition, caused by the maintenance and removal of said signs, etc.

25. **INSOLVENCY:** If Lessee shall file a petition in bankruptcy, or if Lessee shall be adjudged bankrupt or insolvent by any court, or if a receiver of the property of Lessee shall be appointed in any proceeding brought by or against Lessee, or if Lessee shall make an assignment for the benefit of creditors, or if any proceedings shall be commenced to foreclose any mortgage or any other lien on Lessee's interest in the premises or on any personal property kept or maintained on the premises by Lessee, the Port may at its option, terminate this Lease.
26. **WAIVER:** The acceptance of rental by the Port for any period or periods after a default by Lessee hereunder shall not be deemed a waiver of such default unless the Port shall so intend and shall so advise Lessee in writing. No waiver by the Port of any default hereunder by Lessee shall be construed to be, or act as, a waiver of any subsequent default by Lessee. After any default shall have been cured by Lessee, it shall not thereafter be used by the Port as a ground for the commencement of any action under the provisions of Paragraph 20 hereof.
27. **PROMOTION OF PORT COMMERCE:** Lessee agrees that throughout the term of this Lease it will, insofar as practicable, promote and aid the movement of passengers and freight through facilities within the territorial limits of the Port. Lessee further agrees that all incoming shipments of commodities that it may be able to control or direct shall be made through facilities within the territorial limits of the Port if there will be no resulting cost or time disadvantage to Lessee.
28. **SURRENDER OF PREMISES - ATTORNEYS' FEES & COSTS:** At the expiration or sooner termination of this Lease, Lessee shall promptly vacate the premises or re-negotiate a lease for the premises with the Port. In the event either party requires the services of an attorney in connection with enforcing or interpreting the terms of this Lease, or in the event suit is brought for the recovery of any sums due under this Lease or for the breach of any covenant or condition of this Lease, or for the restitution of the premises to the Port or eviction of the Lessee during the lease term or after the expiration thereof, the substantially prevailing party is entitled to reasonable attorney fees and all costs incurred in connection therewith, including, without limitation, the fees of accountants, appraisers and other professionals, whether at trial, on appeal or without resort to suit.

29. **HOLDING OVER:** Any holding over by the Lessee after the expiration of this Lease shall be construed as a tenancy at sufferance (unless such occupancy is with the written consent of the Port) in which event the Lessee will be a tenant from month to month, upon the same terms and conditions of this Lease, except at a rent for such holdover period of 125% of the rental rate in effect for the month preceding such holdover. Acceptance by the Port of rent after such termination shall not constitute a renewal.
30. **ADVANCES BY PORT FOR LESSEE:** If Lessee shall fail to do anything required to be done by it under the terms of this Lease, except to pay rent, the Port may, at its sole option, do such act or thing on behalf of Lessee, and upon notification to Lessee of the cost thereof to the Port, Lessee shall promptly pay the Port the amount of that cost.
31. **LIENS AND ENCUMBRANCES:** Lessee shall keep the leased premises free and clear of any liens and encumbrances arising or growing out of the use and occupancy of the said premises by Lessee. At the Port's request, Lessee shall furnish the Port with written proof of payment of any item that would or might constitute the basis for such a lien on the leased premises if not paid.
32. **NOTICES:** All notices hereunder may be delivered or mailed. If mailed, they shall be sent by certified or registered mail to the following respective addresses:

To Lessor:
THE PORT OF PORT TOWNSEND
P.O. Box 1180
Port Townsend, Washington 98368

To Lessee:
MARINE SURVEYS & ASSESSMENTS
c/o Ms. Amy Leitman
380 Jefferson Street
Port Townsend, WA 98368

or to such other respective addresses as the parties hereto may hereafter from time to time designate in writing. Notices sent by mail shall be deemed to have been given when properly mailed, and the postmark affixed by the United States Post Office shall be conclusive evidence of the date of mailing.

33. **JOINT AND SEVERAL LIABILITY:** Each and every party who signs this Lease, other than in a representative capacity, as Lessee, shall be jointly and severally liable hereunder.

34. **"LESSEES" INCLUDES LESSEE, ETC.:** It is understood and agreed that for convenience the word "Lessees" and verbs and pronouns in the plural number and neuter gender are uniformly used throughout this Lease, regardless of the number, gender or fact of incorporation of the party who is, or of the parties who are, the actual Lessees or Lessee under this Lease Agreement.
35. **CAPTIONS:** The captions in this Lease are for convenience only and do not in any way limit or amplify the provisions of this Lease.
36. **SEVERABILITY:** If any term or provision of this Lease Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease Agreement or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby and shall continue in full force and effect.
37. **NON-DISCRIMINATION SERVICES:** The Lessee agrees that it will not discriminate by segregation or otherwise against any person or persons because of race, creed, color, sex, sexual orientation, or national origin in furnishing, or by refusing to furnish, to such person, or persons, the use of the facility herein provided, including any and all services, privileges, accommodations, and activities provided thereby.

It is agreed that the Lessee's noncompliance with the provisions of this clause shall constitute a material breach of this Lease. In the event of such noncompliance, the Port may take appropriate action to enforce compliance, may terminate this Lease, or may pursue such other remedies as may be provided by law.

38. **NON-DISCRIMINATION EMPLOYMENT:** The Lessee covenants and agrees that in all matters pertaining to the performance of this Lease, Lessee shall at all times conduct its business in a manner which assures fair, equal and non-discriminatory treatment of all persons without respect to race, creed or national origin and, in particular:
- a. Lessee will maintain open hiring and employment practices and will welcome applications for employment in all positions from qualified individuals who are members of racial or other minorities, and
 - b. Lessee will comply strictly with all requirements of applicable federal, state or local laws or regulations issued pursuant thereto relating to the establishment of non-discriminatory requirements in hiring and employment practices and assuring the service of all patrons or customers without discrimination as to any person's race, creed, color, sex, sexual orientation, or national origin.

- 39. EASEMENTS:** The Parties recognize that the Port facilities are continuously being modified to improve the utilities and services used and provided by the Port. The Port or its agents shall have the right to enter the demised premises of the Lessee, and to cross over, construct, move, reconstruct, rearrange, alter, maintain, repair and operate the sewer, water, and drainage lines, and the electrical service, and all other services required by the Port for its use. The Port is hereby granted a continuous easement or easements that the Port believes is necessary within the leased premises of the Lessee, without any additional cost to the Port for the purposes expressed hereinabove; PROVIDED however, that the Port by virtue of such use does not permanently deprive the Lessee from its beneficial use or occupancy of their leased area.

In the event that the Port does permanently deprive the Lessee from such beneficial use or occupancy, then an equitable adjustment in rent or in the cost required to modify its premises to allow the Lessee to operate its business, will be negotiated and paid by the Port to the Lessee. In the event that such entry by the Port is temporary in nature, then the Port shall reimburse the Lessee for the cost required to modify its premises for the temporary period that the Lessee is inconvenienced by such Port entry. The Port will not be responsible to the Lessee for any reduced efficiency, or loss of business occasioned by such entry.

Lease Agreement dated this 15th day of February 2019, is hereby approved by the Port of Port Townsend, on this 15th day of February 2019 and effective upon the receipt of a deposit and liability insurance documentation from the Lessee.

LESSEE

Amy Leitman, Owner
Marine Surveys & Assessments, Inc.

ATTEST:

PORT OF PORT TOWNSEND

APPROVED AS TO FORM

Jim Pivarnik, Executive Director

Port Attorney

STATE OF WASHINGTON

COUNTY OF JEFFERSON

I certify that I know or have satisfactory evidence that AMY LEITMAN signed this instrument and that she is authorized to execute the instrument and acknowledged it to be her free and voluntary act for the uses and purposes mentioned in the instrument.

Dated: _____

Signature of
Notary Public: _____

My Appointment Expires: _____

**STATE OF WASHINGTON
COUNTY OF JEFFERSON**

I certify that I know or have satisfactory evidence that JIM PIVARNIK signed this instrument and that he is authorized to execute the instrument as Executive Director of the Port of Port Townsend and acknowledged it to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: _____

Signature of
Notary Public: _____

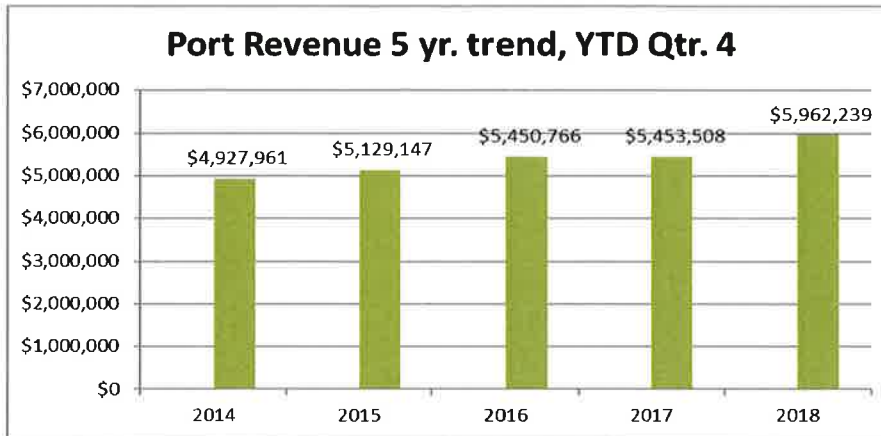
My Appointment Expires: _____

PORT OF PORT TOWNSEND

AGENDA COVER SHEET

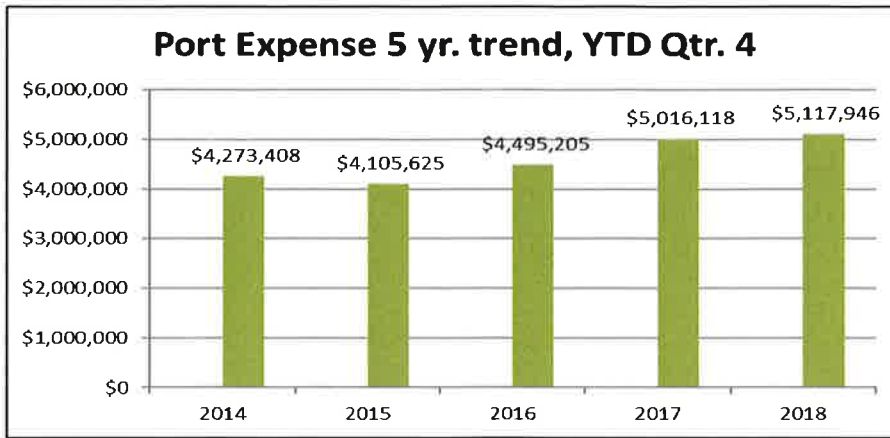
MEETING DATE	February 13, 2019
AGENDA ITEM	<input type="checkbox"/> First Reading <input type="checkbox"/> Second Reading <input checked="" type="checkbox"/> Regular Business
AGENDA TITLE	VII. B) December 2018 Preliminary Financials
STAFF LEAD	Abigail Berg, Director of Finance & Administration
REQUESTED	<input type="checkbox"/> Action <input checked="" type="checkbox"/> Discussion
ATTACHMENTS	A. December 2018 Financials

DATE: February 13, 2019
TO: Commissioners and Directors
FROM: Abigail Berg, Director of Finance & Administration
SUBJECT: Port Operating Results as of Quarter 4, 2018 - PRELIMINARY



Revenue Highlights:

- ✓ The Port ended 2018 with Operating Revenues surpassing 2017 revenues by \$508,731, this is a 9.3% increase.
- ✓ Total Operating Revenues are ahead of the 2018 Budget by \$87,164.
- ✓ Marinas & RV Parks revenue are the sector lead in revenues, not only from the rate increase implemented in January, but the new vision of maximizing capacity in all marinas and the Point Hudson RV park. Staff is doing a great job. Compared to 2017, Marinas & RV Parks revenue are ahead by \$263,685 and more than budget by \$209,034.
- ✓ Overall, Yard revenues ended the year at \$1,627,169, and continue to be ahead of the prior year, by 14.5%, an increase of \$205,461. However, this was less than budgeted by \$141,215.
- ✓ Ship Yard Hoist revenues ended 2018 ahead of 2017 by \$69,154, and ahead of budget by \$48,389.
- ✓ Ship Yard revenues (lay days) ended 2018 ahead of 2017 by \$92,122, but below budget by \$66,361.
- ✓ Work Yard Hoist revenues ended 2018 just ahead of 2017 by \$8,002 and were ahead of budget \$3,405.
- ✓ Work Yard revenues (lay days) ended 2018 just below 2017 by \$17,766 and were below budget by \$77,643. It appears the heavily discounted rates contributed to this reduction in revenue and not making budget.
- ✓ Property Leases & Use Revenues are ahead of the prior year by \$15,380, and just ahead of budget by \$3,207. Boat Haven properties continue to be strong, but the vacancies at Point Hudson are pulling down the trend.
- ✓ Fuel Sales & Leases fell below 2017 revenues by \$4,456 and missed budget by \$6,500. Both PTBH and JCIA are on par with YTD 2017 and budget. It is Quilcene that fell short of the previous year and budget. Some of this is due to staffing at this location and some is due to the shut-down of about a month and a half when there was a necessary fuel dispenser part replacement, and there was difficulty in obtaining the parts.
- ✓ Ramp revenues are less than YTD 2017 by \$5,292 and less than budget by \$5,870. Most of this variance (\$3,000) is directly related to a reduction in tribal openings and Dept. of Fish & Wildlife (DFW) regulated seasons in 2018 when compared to 2017, in both PTBH and Quilcene. These cannot be predicted by the Port and are reflected in Commercial Use Fees reductions. Actual Ramp Fee revenues, both annual and daily, are on par with 2017, though slightly below budget by \$1,788. These are also affected by the tribal and DFW openings.
- ✓ Utilities Revenue ended the year ahead of last year by \$33,955 and ahead of budget by \$28,510.



Expense Highlights:

- ✓ Total YTD 2018 Operating Expenses are more than 2017 by \$40,905 or 0.81%, yet below budget by \$142,699.
- ✓ Personnel costs are \$60,065 more YTD 2018 when compared to 2017, and over budget by \$34,478. We expected to be over budget and 2017 due the changes in staffing and a 29-year port employee retirement, both of which resulted in large payouts. Some of these payouts were off-set by staff vacancies we had during part of the year.
- ✓ Many of the budget variances in Operating Expenses are largely related to timing, which aren't always predictable (such as Contract Services, Consulting Services, and Facility & Operations).
- ✓ Facilities & Operations expenses are less than 2017 by \$24,252 and compared to budget are less by \$39,797. Though there are other offsets to the YTD budget comparisons of Facilities & Operations expenses, Repair and Maintenance is the largest at \$85,828 below budget. This is why in the 2019 budget we've moved \$100,000 from Repair/Maintenance Operations to Capital.
- ✓ Utilities were just more in 2018 than 2017 by \$1,153, though more than budget by \$26,027. Budget had been projected at less because of anticipated cost recoveries (e.g. garbage), however this program has not been implemented yet.
- ✓ Marketing costs increased from YTD 2017 to 2018 by \$22,426 which was expected due to the increased emphasis on ads as well as other marketing tools. It is below budget, however since the contract for the website design was cancelled. A new approach that is less costly, is now in the works.
- ✓ Cost of Goods – Fuel is less in 2018 than 2017 by \$4,139 and below budget by \$5,409. These results are in alignment with the decrease in fuel sales noted on the revenue side (Quilcene).

YTD Net Operating Income is \$844,293 which is a \$467,826 increase from YTD 2017. When including Non-Operating Revenues and Expenses, there is a Net Profit of \$1,875,314, which is an increase of \$53,313 over YTD 2017 (this is before debt service and capital expenses). In 2017, there was a significant non-cash, non-operating revenue recognized when the Port received the replacement 75 Ton Travelift from the insurance company as the result of the January 2017 Travelift incident. This non-cash revenue, when removed, makes the increase in Net Profit from 2017 to 2018 increase to \$451,430.

Non-Operating Revenues:

- ✓ Capital Contributions / Grants revenue ended the year less than 2017 due to the Point Hudson South Jetty Replacement project being halted in April (grant billings were not submitted since February activity).
- ✓ Interest income was greater in 2018 than 2017 by \$27,256 and ahead of budget by \$31,364. Part of this was an almost doubling of Investment Interest (greater in 2018 by \$10,815) and part was from the timing of the Bond Interest Subsidy received for the 2010 LTGO Bonds.
- ✓ Property and other taxes were more in 2018 than 2017, which is attributable to increases in property tax, as well as State Forest Revenues and State Timber Excise Tax, which tend to fluctuate.

Non-Operating Expenses:

- ✓ In accordance with the amortization of current debt, the Port's bond interest is less in 2018 when compared to 2017.
- ✓ The Miscellaneous Non-Operating expense for 2017 includes Quilcene Feasibility Study expenses.

Capital Projects:

During quarter 4, 2018, the Port expended \$156,612 in WIP (capital project "Work in Progress"). These WIP expenses were for the 2018 Workyard Resurfacing (51%), JCIA Runway Rehabilitation (47%), PTBH Water Meters (1%) and PTBH Restroom Remodel (1%) projects.

Capital Purchases:

During quarter 4, 2018, there was \$79,530 capitalized in Equipment/Vehicles assets. This includes \$23,758 for a new Maintenance truck, \$23,435 for 300-Ton Travelift straps, \$23,085 for a PTBH Fuel System Upgrade and \$9,252 in Yard blocking.

Debt Service Obligations:

During quarter 4, the final two (2) debt service payments were made for 2018. This included the following:

- ✓ November 1st - \$209,372 for principal and interest on the 2013 Revenue Bond (*final payment*)
- ✓ December 1st - \$338,619 for principal and interest on the 2010 LTGO Bond

These totaled \$547,991 (\$441,278 of this amount is principal).

Cash & Investment balances:

At the end of the 4th quarter, the cash and investment balances totaled \$1,885,761, just \$60,179 more than end of year 2017. Reserve balances totaled \$992,234 and Unreserved Cash & Investments totaled \$893,527.

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

	YTD Dec 2017	YTD Dec 2018	Variance to prior year - 2017 v 2018	notes	YTD Budget 2018	Variance to Budget YTD
REVENUES						
Marinas and RV Parks	2,549,888	2,813,573	263,685		2,604,539	209,034
Yard Operations	1,421,708	1,627,169	205,461		1,768,384	(141,215)
Property Leases & Use	1,154,349	1,169,729	15,380		1,166,522	3,207
Fuel Sales & Leases	45,056	40,600	(4,456)		47,100	(6,500)
Ramp Use	60,322	55,030	(5,292)		60,900	(5,870)
Utilities	222,185	256,140	33,955		227,630	28,510
Total Operating Revenues	5,453,508	5,962,239	508,732		5,875,075	87,164
OPERATING EXPENSES						
Salaries & Wages	2,103,069	2,163,134	60,065		2,128,656	34,478
Payroll Taxes	217,816	217,140	(677)		298,102	(80,962)
Employee Benefits	731,355	745,646	14,291		776,916	(31,270)
Uniform Expense	6,736	6,960	224		9,311	(2,351)
Contract Services	306,052	320,872	14,820		290,000	30,872
Consulting Services	177,941	59,756	(118,185)		165,000	(105,244)
Legal & Auditing	123,061	204,731	81,670		137,500	67,231
Facilities & Operations	746,165	721,913	(24,252)		761,710	(39,797)
Utilities	552,180	551,027	(1,153)		525,000	26,027
Marketing	32,737	55,163	22,426		81,450	(26,287)
Economic Development	30,000	30,000	-		30,000	-
Travel & Training	30,590	29,014	(1,576)		35,000	(5,986)
Cost of Goods - Fuel	16,730	12,591	(4,139)		18,000	(5,409)
Community Relations	2,610	-	(2,610)		4,000	(4,000)
Total Operating Expenses	5,077,041	5,117,946	40,905		5,260,645	(142,699)
Income from Operations w/o Depr	376,467	844,293	467,826		614,430	229,863
Non-Operating Revenue						
Capital Contributions/Grants	352,929	113,713	(239,215)	(a)	1,187,727	(1,074,014)
Interest	45,108	72,364	27,256		41,000	31,364
Property & other taxes	1,037,038	1,089,762	52,724		1,041,000	48,762
Misc Non-Operating Revenue	424,804	61,639	(363,165)	(b)	35,000	26,639
Total Non-Operating Revenues	1,859,879	1,337,479	(522,400)		2,304,727	(967,248)
Non-Operating Expenses						
Bond Interest	341,943	304,900	(37,043)		332,127	(27,227)
Bond Mgmt, Issuance & Misc Exp	72,401	1,558	(70,844)		1,500	58
Election Expense	-	-	-		-	-
Total Non-Operating Expenses	414,344	306,458	(107,886)		333,627	(27,169)
Net Non-Operating Income (Expense)	1,445,535	1,031,021	(414,514)		1,971,100	(940,079)
Net Income (Loss)	1,822,001	1,875,314	53,313		2,585,530	(710,216)

Notes:

(a) Point Hudson Jetty project halted April 2018, last grant billing February.

(b) Non-Cash Insurance Recovery in 2017 for replacement 75 Ton Travelift.

Port of Port Townsend Cashflow Report

	note	<u>YTD December</u>
Net Income w/out Depreciation		1,875,314
Net Change in Accruals from Balance Sheet	(a)	<u>(91,765)</u>
Less: Capital Expenses:		
Storm-water Rx project		(46,126)
Point Hudson South Jetty project		(177,919)
JCIA Runway Replacement project		(180,911)
Yard/Moorage Office Remodel project		-
PTBH Restroom - HVAC	(b)	19,678
PTBH Water Meters project		(3,610)
2018 Workyard Resurfacing		(82,811)
2019 PTBH Restroom Remodel		(1,409)
Land		-
Buildings		-
Improvements		(25,485)
Equipment replacement		(150,270)
Total Capital Expenses		<u>(648,863)</u>
Less: Principal Payments on Debt:		
Point Hudson Marina Refunding Bond (2015 LTGO Bond)		(430,000)
PTBH Marina Bond (2010 LTGO Bond)		(235,000)
Administrative Building Bond (2013 Revenue Bond)		(409,507)
Total Principal Payments		<u>(1,074,507)</u>
Increase (Decrease) in Cash Y-T-D		60,179
Beginning Cash at 1/1/2018		1,825,582
Ending Cash at 12/31/18		<u><u>1,885,761</u></u>

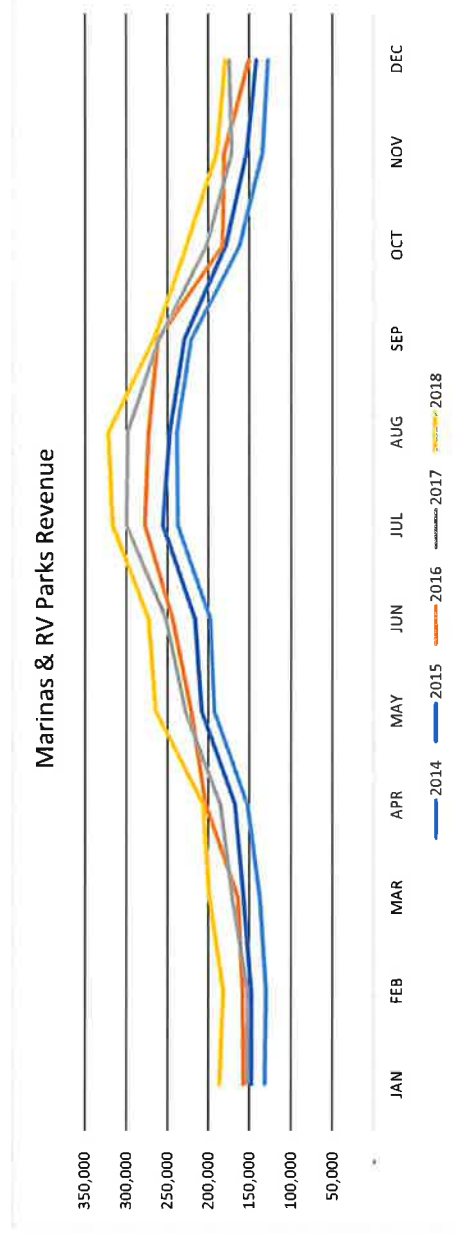
Notes:

(a) These are current assets and current liabilities.

(b) Project had no 2018 expenses and was removed from Work in Progress (WIP) account in December 2018 as it is not moving forward.

**5 Year Trend of Marinas & RV Parks Revenue
Monthly as of December 31, 2018**

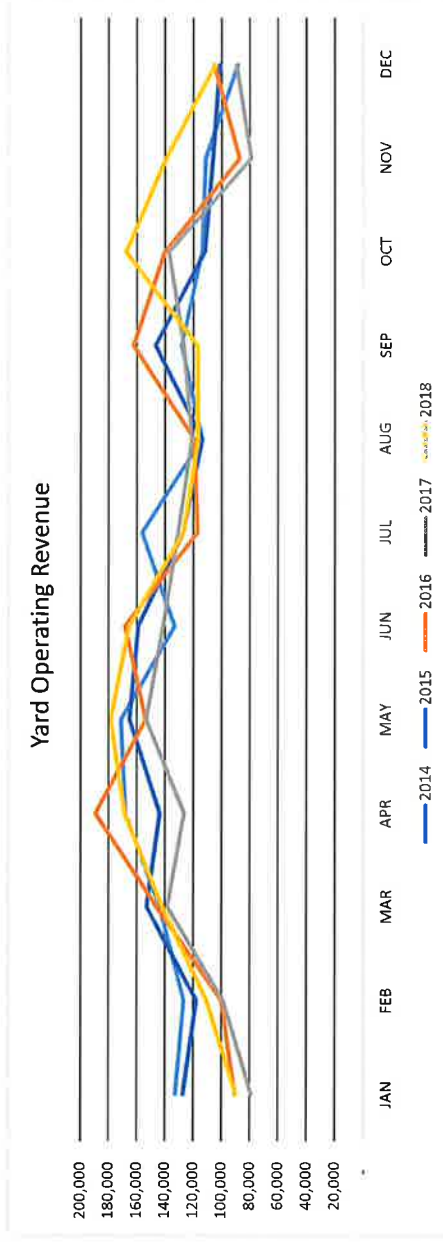
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
2014	131,442	130,010	137,478	152,463	192,635	197,895	237,634	238,748	220,935	161,991	134,187	127,526	2,062,944
2015	147,223	147,807	157,043	167,880	208,212	216,181	255,773	247,654	229,114	179,008	153,353	141,406	2,250,653
2016	157,265	158,331	163,963	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	264,186	273,174	316,799	322,207	267,010	226,937	189,793	179,664	2,813,573



Clearly, 2018 has the best performance of the past five (5) years. This was due a different approach of managing of the marinas by booking more monthly, rather than nightly, increases in capacity by side ties, as well as the rate increases. In addition, the RV Nightlies and Monthlies were very successful in 2018.

5 Year Trend of Yard Operations Revenue Monthly as of December 31, 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	178,411	165,553	127,052	116,728	117,069	167,753	139,193	104,507	1,627,169

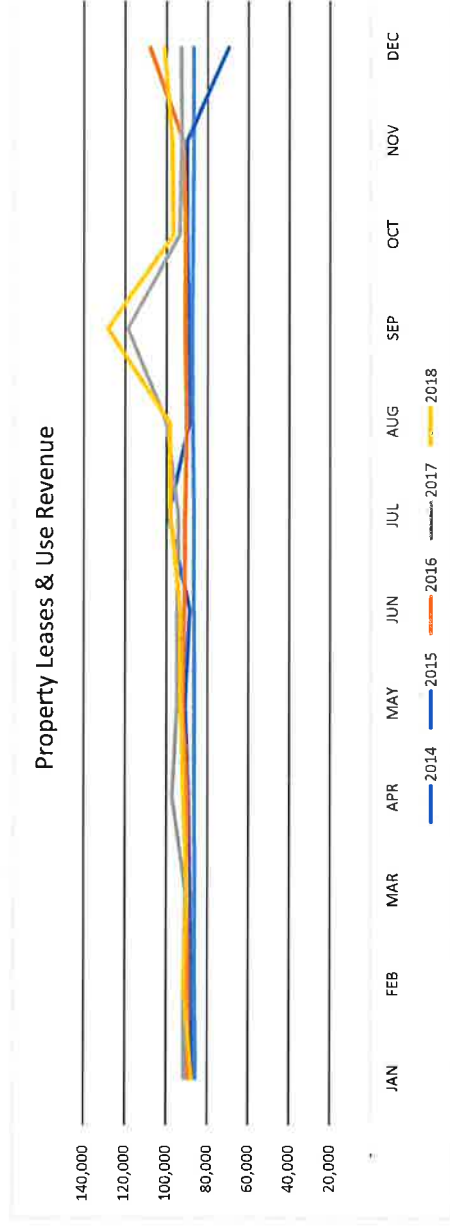


Notes:

1. Yard revenues for 2017 were affected by the failure of 75 ton Travelift. Compared to previous years January - August, 2017 was the lowest, followed by 2016. 2018 Yard revenues during this time period have rebounded being just below 2015 by ~\$8,000 and 2014 by ~\$46,500.
2. Similar to the Marina & RV revenues, Yard Ops revenue in 2018 has shown to have the best performance over the last 5 years. Even though the total actual revenues are lower than the budgeted amounts, some of this was due to the deep Yard discounts given to customers after the budget was already adopted. In addition, even though overall the Yard revenues are the best in 5 years, the Ship and Work Yard revenues (lay days) are below budget by \$144,000 combined, as a result of those deep discounts. These were off-set by 300 Ton Hoist fees, LT Storage fees, and Environmental fees.

5 Year Trend of Property Lease & Use Revenue Monthly as of December 31, 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	93,216	93,436	98,281	98,722	128,520	96,891	97,547	101,275	1,169,729



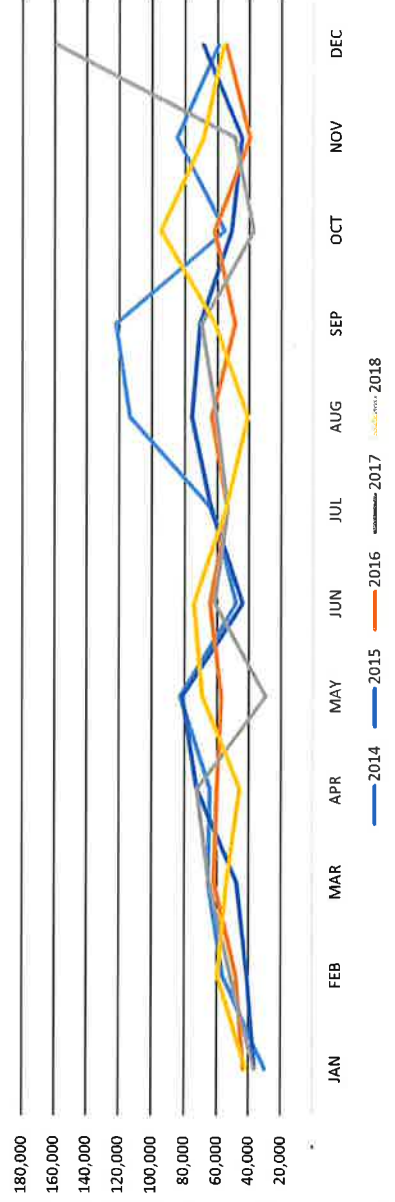
Notes:

1. The spike in September 2017 is related to the use of Port property for the Wooden Boat Festival. The revenue line items used to track the WBF were changed in 2017 as a "property use" under Event Facility Revenue.
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.)
4. Just over half of the \$10,000 spike in September 2018 is related to increases in Boat Haven leases. The remainder is related to a small increase in property use by the WBF.

5 Year Trend of Facilities & Operations Expenses Monthly as of December 31, 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	69,193	74,217	54,754	40,837	61,529	94,664	68,766	56,322	721,913

Facilities & Operations Expense Trends



Notes:

- 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 which would have made it the lowest year of the five (5). 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
- Spike in August 2014 was the settlement payment to Caicos Construction.
- 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).
- Spike in October 2018 is as a result of the Landry bad debt write-off (non-cash).

PORT OF PORT TOWNSEND

AGENDA COVER SHEET

MEETING DATE	February 13, 2019
AGENDA ITEM	<input type="checkbox"/> First Reading <input type="checkbox"/> Second Reading <input checked="" type="checkbox"/> Regular Business
AGENDA TITLE	VII. C) Staff Organizational Chart
STAFF LEAD	Jim Pivarnik, Interim Executive Director
REQUESTED	<input checked="" type="checkbox"/> Action <input type="checkbox"/> Discussion
ATTACHMENTS	A. Info Memo B. Staff Org Chart

PORT OF PORT TOWNSEND

INFORMATIONAL MEMO

DATE: 2/13/2019
TO: Commission
FROM: Jim Pivarnik, Interim Executive Director
SUBJECT: Staff Organizational Chart

BACKGROUND

Our Quilcene facility continues to be a challenge for Port Townsend staff to manage. For the last few months we have hired a part time person to assume all the tasks that need to be done at that facility, i.e. pumping fuel, cleaning restrooms, taking cash and doing dock walks. In the winter a part time position can handle these responsibilities but as spring approaches the tasks become greater with grass mowing and landscaping tasks.

DISCUSSION

Staff is recommending adding a part time/full time staff member to staff that facility. In the fall/winter it would be a 20-hour per week position and in the spring/summer it would be elevated to a full-time position. We have checked with the union and they would support such a position. This position was forecast in our present budget so there would be no increase to the approved budget.

RECOMMENDATION

Adopt new Organizational Chart.

ATTACHMENTS

Organizational Chart

PORT OF PORT TOWNSEND

Organizational Chart

