



PO Box 1180 • Port Townsend, WA 98368

Administration: (360) 385-0656

Operations: (360) 385-2355

Fax: (360) 385-3988

**Port of Port Townsend
2nd Monthly Meeting Agenda
Wednesday, August 28, 2019, 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 Public Workshop Minutes – August 14, 20191
 - B. Approval of Regular Business Meeting Minutes – August 14, 2019.....2-5
 - C. Resolution 706-19: Boat Auction – authorization for sale of abandoned vessels.....6
 - D. Approval of Warrants
- V. Second Reading
- VI. First Reading
- VII. Regular Business
 - A. Fishery Point, LLC Lease7-10
 - B. July 2019 Year-to-date Financial Report.....11-14
 - C. Change in Commission Meeting date for from Wednesday, 9/11/19 to Thursday, 9/12/19
- VIII. Staff Comments
- IX. Commissioner Comments
- X. Next Public Workshop / Regular Business Meeting:
Wednesday, September 11, 2019. Workshop at 9:30 AM, Meeting at 1:00 PM
Port Commission Building, 333 Benedict Street, Port Townsend, WA
Note possible move of this meeting to September 12, 2019, pending approval of agenda item VII. C. of this agenda.
- XI. Executive Session
- XII. Adjournment

PORT COMMISSION PUBLIC WORKSHOP – August 14, 2019

The Port of Port Townsend Commission met for a Public Workshop in the Port Commission Building: 333 Benedict Street, Port Townsend, WA 98368

Present: Commissioners Hanke, Putney & Tucker
Executive Director Pivarnik
Deputy Director Toews
Recorder Erickson
Maintenance Manager Sparks
Yard Manager Khile
Business Manager Quandt

I. CALL TO ORDER:

Commissioner Putney called the Workshop to order at 9:30 a.m.

II. AGENDA:

2020 Budget Workshop Discussion

Discussed issues, goals and assumptions, including review of 2019 mid-year operating budget.

III. ADJOURNMENT:

The Workshop adjourned at 10:47 a.m.

ATTEST:

Stephen R. Tucker, Secretary

William W. Putney III, President

Peter W. Hanke, Vice President

PORT COMMISSION REGULAR BUSINESS MEETING – August 14, 2019

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

Present: Commissioners – Putney, Hanke & Tucker
Executive Director Pivarnik
Finance Director & Port Auditor Berg
Minutes – Exec. Asst. Erickson
Attorney Chmelik (via phone)

I. CALL TO ORDER/PLEDGE OF ALLEGIANCE:

Commissioner Putney called the meeting to order at 1:00 p.m.

II. APPROVAL OF AGENDA (00:01:01):

Commissioner Putney proposed an amendment to the agenda, under regular business, item B. Ken Collins, Commissioner of the Jefferson County Public Utility District, is here to speak about collaborative work with the Port.

Commissioner Hanke proposed an amendment to the agenda, under regular business, item C. Discussion of the Budget Schedule, and adding more time.

Commissioner Tucker moved to approve the Agenda as amended.

Commissioner Hanke seconded the motion.

Motion carried by unanimous vote.

III. PUBLIC COMMENTS (00:00:53):

Bertram Levy commented on the excellent workshop and commended the Port employees for their hard work making the Port efficient, and for looking for a fair way to charge for electricity. Pam Petranek commented that the marine trades are all in favor of seasonal yard rates proposed today.

IV. CONSENT AGENDA (00:10:48):

A. Approval of Special Meeting Minutes – July 25, 2019

1. Commissioner Putney had a correction to page 1, section III, Public Comments. Please replace economic impact study with “review of the economic impact to the marine trades.”

B. Approval of Warrants

Warrant #060854 through #060866 in the amount of \$a68,502.93 for Payroll & Benefits

Electronic Payment in the amount of \$112,183.79 for Payroll & Benefits

Warrant #060867 through #060945 in the amount of \$107,415.30 for Accounts Payable

Commissioner Hanke moved to approve the Consent Agenda with corrections to the minutes.

Commissioner Tucker seconded the motion.

Motion carried by unanimous vote.

V. SECOND READING (Action Items) (00:07:20):

A. Seasonal Yard Rates

Executive Director Pivarnik introduced his proposal for this year's seasonal yard rates as another year following the recommendation of the study done a year and a half ago. Using this formula (using last year's \$.35 and add API percentage, and that adds up to \$.36 for this year. Since the Port lost money due to offering free electricity, the proposal is to make electricity usage optional, and to charge either \$1.50/day, or \$30/month. He advised the commissioners to act on this proposal to enable the Port to advertise rates for the season.

Ways to charge per kilowatt hour of usage were discussed. The need for new power boxes and approximately 85 new pedestals was discussed. Executive Director Pivarnik reminded the commissioners of the deadline for the advertising of the yard rates. Commissioners agreed that the timing with advertising was essential. Everyone agreed that metering is the way to go, but we need time to implement that -- we can advertise the \$.36/foot and implement the metering when we can. Yard losses last year in September indicate that the lower seasonal rates should not begin until October.

Commissioner Tucker moved that we start in October with the seasonal rate of \$.36/foot and \$1.50/day or \$30/month for electricity (if they choose to use it) until we get the meters in. Commissioner Hanke seconded the motion with the caveat that we add meters when we can. Motion carried by unanimous vote.

VI. REGULAR BUSINESS:

A. Brion Toss Yacht Rigging, Inc. Proposed Lease Agreement (00:26:10):

Mr. Toews introduced the documents by saying the Brion Toss Yacht Rigging is a long-time, anchor tenant of the Maritime corridor Port. This new lease agreement is consistent with recently enacted policies, and their rate is commensurate with the other rates paid by tenants also situated in the armory building. They're asking for a five-year term lease agreement with no renewals. 58.5 cents per foot; ensure stable home for coming years.

Commissioner Tucker asked about our parking priorities for the lease.

Executive Director Pivarnik reminded the commissioners that it is not a parking-intensive business. As for the question of our parking priorities, he referred to the convening the parking committee in the future, which can decide these questions.

Commissioner Hanke made a motion for approval of the Lease. Commissioner Tucker seconded the motion, and the motion carried unanimously.

B. Commissioner Ken Collins from Jefferson PUD (00:29:35):

Commissioner Putney introduced Mr. Collins and said he'd like to talk to us about the possibility of collaboration.

Commissioner Collins spoke about the final stages of a strategy study that the PUD is in (the final report will be issued in about a month) regarding expanding broadband throughout the county. This project will take cooperation and coordination across governmental agencies and will be expensive. The Washington State Legislature passed SB 5511, the Governor's broadband bill. Public Works Administration funding will be made available to various forms of government, like the PUD and the Port.

Commissioner Collins invited the Port to participate in a half-day broad band colloquium to discuss options in Jefferson County, to be held in 4 to 6 weeks. Other invitees include Mason 3 PUD folks, to talk about their business model; Kitsap County, who use limited utility

districts for broad band; OPALCO on Orcas Island, who have developed processes by which consumers have funding available for payback over several years. The goal is to find out more about these plans that work in other places, and come up with a plan that would generate interest from an ISP that would have the capacity to take advantage of the opportunity.

Commissioner Collins felt it would be useful to have a joint meeting of the Port Commissioners and the PUD commissioners to discuss what we can do together, generate ideas, because working together would substantially increase our leverage when applying for grant funding.

Commissioner Hanke agreed that everyone wants better broadband service, and asked what the Port can do to help the PUD. He also suggested that the Port of Skagit be invited to the half-day colloquium, because they've done a lot in this area.

Commissioner Putney commented that the Port of Skagit is one of the ports that has a very active broadband project plan and they collaborate with their PUD, and they have done some interagency agreements that might be interesting to study.

Commissioner Hanke remarked that he would like to see the Port and PUD staffs talk beforehand about our limitations, so that as we talk about ideas, we know what we can accomplish.

Executive Director Pivarnik commended the PUD staff for bring 483 phase electrical to the Port and for working so well with our marine trades.

C. Discussion about the Budget Schedule. (00:47:22):

Commissioner Tucker commented that we had an excellent workshop earlier today and suggested that we need more time to discuss the budget by expanding our budget schedule a little. He asked if we could add afternoon workshops to the second meeting of the month.

Commissioner Hanke suggested a 3:00-4:00 PM workshop before the 5:30 PM regular meeting scheduled for August 28, 2019.

Commissioner Hanke moved to approve the addition of a workshop to the August 28, 2019 schedule; Commissioner Tucker seconded the motion. Motion carried unanimously.

VII. STAFF COMMENTS (0:49:05):

Mr. Toews commented on the bid opening of the JCIA runway reconstruction project will be this coming Friday, August 16, 2019, at 2:00 PM. The Boat Haven breakwater project bid opening is set for September 18, 2019.

Executive Director Pivarnik reported on a good airport meeting with good turnout, good questions, respectful discussion, and some good ideas. He agreed that we had a good, frank discussion on the budget at the workshop, and asked if anyone had ideas, or topics we could flush out more let us know before the meeting, so we can prepare some back-up data for them.

Commissioner Tucker asked for some of the options that were presented by the staff at the meeting today be flushed out for the next workshop: boat lift trailer, boxes, cameras.

VIII. COMMISSIONER COMMENTS (00:58:05):

Commissioner Putney thought the airport meeting was a good meeting with constructive questions.

Commissioner Tucker mentioned that Marine Resources meeting (MRC – county government group) will need another representative from the Port when he leaves his commission in December.

IX. NEXT PUBLIC WORKSHOP/REGULAR BUSINESS MEETING:

Wednesday, August 28, 2019, public workshop at 3:00 pM and regular meeting at 5:30 PM in the Port Commission Building, 333 Benedict St, Port Townsend.

X. Meeting Adjourned (00:58:21)

ATTEST:

Stephen R. Tucker, Secretary

William W. Putney III, President

Peter W. Hanke, Vice President

RESOLUTION NO. 706-19

A Resolution of the Commission of the Port of Port Townsend

RESOLUTION AUTHORIZING THE SALE OF ABANDONED VESSELS

WHEREAS: The Port of Port Townsend has in its possession five (5) boats described as follows:

<u>VESSEL</u>	<u>OWNER</u>	<u>ACCOUNT #</u>
ORCAS BELLE	Robert Wohleb	34858
INDIGO	Kendon Paegelow	170
SILVERWIND	James & Dawn Senitz	165359
SEA LASS	John Lammerts Van Bueren	41305
BUOYANT GIRL	Bryan Treece	31664

WHEREAS: Efforts have been made to locate the true owner of each said vessel, and proper notices have been sent to the person believed to be the true owner, or to anyone who might claim an ownership interest in the boat and no person or persons or entity has responded claiming ownership and willingness to pay the charges owing for storage, and ninety (90) days have elapsed since the sending of such notices,

NOW, THEREFORE BE IT RESOLVED:

1. That the above designated vessels are declared to be abandoned; and
2. The Port Executive Director is directed to sell the said boats at public sale to the highest and best bidder for cash pursuant to the procedures set forth in RCW 53.08.320 (5); and
3. That the date of public auction shall be September 19, 2019 at 10:00 AM
4. Auction to be held at the Port of Port Townsend Work Yard located at 2790 Washington Street, Port Townsend, Washington.

ADOPTED this 28th of August 2019 by the Commission of the Port of Port Townsend and duly authenticated in open session by the signatures of the Commissioners voting in favor thereof and the Seal of the Commission duly affixed.

ATTEST:

Stephen R. Tucker, Secretary

William W. Putney III, President

Peter W. Hanke, Vice President

APPROVED AS TO FORM:

Port Attorney

PORT OF PORT TOWNSEND AGENDA COVER SHEET

MEETING DATE	August 28, 2019
AGENDA ITEM	<input type="checkbox"/> First Reading <input type="checkbox"/> Second Reading <input checked="" type="checkbox"/> Regular Business
AGENDA TITLE	VII. A) Fishery Point, LLC Proposed Lease Agreement
STAFF LEAD	Eric Toews, Deputy Director
REQUESTED	<input type="checkbox"/> Motion <input checked="" type="checkbox"/> Action <input type="checkbox"/> Discussion
ATTACHMENTS	A. Memo B. Summary of Key Terms C. Fishery Point, LLC - Lease, including Exhibits "A" and "B"

PORT OF PORT TOWNSEND

INFORMATIONAL MEMO

DATE: 8/28/2019
TO: Port Commission
FROM: Eric Toews, Deputy Director
SUBJECT: Fishery Point, LLC, Proposed Boat Haven Building Lease Agreement

BACKGROUND: On December 17, 2018, Fishery Point, LLC (Mark Burn, Owner), assumed the Cunningham Ships Carpentry building lease following the passing of Mr. Cunningham. The assumed lease is set to expire on August 31, 2019. Mr. Burn has approached Port staff requesting a new one-year lease with two (2) six-month options, to continue to work on various boat projects in the same premises. Mr. Burn has been a long-time property owner in the Boat Haven, as well as a Port tenant. He is an active and well-respected member of the marine trades' community.

DISCUSSION: The premises consist of 2,400 square feet in a portion of Building #13, the former "J&S Building", which is located at 810 Haines Place in the Boat Haven yard, Port Townsend, WA. Due to the condition of the structure, this space is at the low end of the rent range for industrial buildings at Boat Haven, although the Bob and Mary Cunningham previously undertook improvements to the space. The premises are currently leased at 36¢ per square foot. The proposal is to increase the rent consistent with the most recent market rate study.¹ Accordingly, the rent at lease inception would be \$1,200.00 plus Leasehold Tax (LHT) at 12.84% (\$154.08). In the event Fishery Point, LLC were to become a "holdover" tenant at the end of the lease term, the rent would increase to 125% of that paid in the month preceding lease termination. The proposed security deposit is equal to three (3) months' rent at the inception of the lease term.

In all material respects, the terms and conditions of the Port's standard lease agreement apply, including the Port's standard Hazardous Substances Warranty and Agreement.

RECOMMENDATION: Authorize the Executive Director to execute the attached lease with Fishery Point, LLC.

ATTACHMENTS

- Summary of Key Terms – Fishery Point, LLC
- Draft Port-Fishery Point, LLC Lease Agreement (including Exhibit "A", graphic depiction of the premises, and Exhibit "B", Hazardous Substances Warranty and Agreement)

¹ Rent Market Consultation: Boat Haven, Port Townsend, Washington as of April 18, 2018, prepared by Peter K. Shorett, MAI, of Kidder Matthews Valuation Advisory Services
FISHERY POINT, LLC BUILDING LEASE
STAFF MEMO

PORT OF PORT TOWNSEND:
Summary of Key Terms – Fishery Point, LLC Building Lease
(August 28, 2019)

1. **TENANT:** Fishery Point, LLC (Mark Burn, Owner)
2. **PREMISES:** Approximately 2,400 square feet of floor space in building #13, commonly known as the J&S Building, located at 810 Haines Place, Port Townsend, WA, at the Port's Boat Haven facility.
3. **TERM:** One (1) year, beginning on September 1, 2019 and ending on August 31, 2020. Option to extend the lease term by two (2) six-month terms. Notification to extend the Lease will be done in writing ninety (90) days prior to the end of the lease or any extended term.
4. **RENT:** \$1,200.00 per month (calculated at 50¢ per square foot) plus LHT (i.e., \$1,200.00 + 12.84% (\$154.08) = \$1,354.08). Rent adjusted per CPI-U beginning year 2.
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 (e.g., if the rent were \$1,200 + LHT, the rent in holdover status would be + 25%, or \$1,500.00 + LHT).
6. **USE OF PREMISES:** Marine-related light industrial space for boat building, maintenance, service and repair.
7. **SECURITY:** Three (3) month security + LHT (\$4,062.24) at lease inception; lessee already has a deposit of \$1,902.36 on file with the Port from an agreement to be superseded by this lease; thus, \$2,159.88 will be deposited prior to execution of this lease.
8. **UTILITIES:** All utilities are the responsibility of the Lessee.
9. **MAINTENANCE & REPAIR:** All maintenance and repairs are 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 one-hundred and twenty (120) days' written notice, at its sole discretion, for public or private use in connection with the operation of the business of the Port.

PORT OF PORT TOWNSEND AGENDA COVER SHEET

MEETING DATE	August 28, 2019
AGENDA ITEM	<input type="checkbox"/> First Reading <input type="checkbox"/> Second Reading <input checked="" type="checkbox"/> Regular Business
AGENDA TITLE	VII. B) July 2019 Financial Report
STAFF LEAD	Abigail Berg, Director of Finance & Administration
REQUESTED	<input type="checkbox"/> Action <input checked="" type="checkbox"/> Discussion
ATTACHMENTS	A. July 2019 Financial Report

Port of Port Townsend
Summary of Operating & Non-Operating Revenues & Expenses
2019 Activity with Comparison to Prior Year and Budget

	YTD July 2018	YTD July 2019	Variance to prior year - 2018 v 2019	notes	YTD Budget 2019	Variance to Budget YTD
REVENUES						
Boat Haven Moorage	1,075,086	1,115,257	40,172		1,108,501	6,756
Yard Operations	1,008,309	1,116,210	107,901		1,055,702	60,508
Boat Haven Properties	373,859	420,626	46,767		368,686	51,940
Pt. Hudson Marina, RV & Prop	811,770	841,079	29,309	a	848,001	(6,922)
Quilcene	90,374	100,775	10,401		92,602	8,173
Ramps	35,086	41,318	6,232		36,842	4,476
JCIA	78,405	88,098	9,694		81,349	6,749
Total Operating Revenues	3,472,889	3,723,364	250,475		3,591,683	131,680
OPERATING EXPENSES						
Salaries & Wages	1,189,847	1,172,588	(17,260)		1,239,671	(67,083)
Payroll Taxes	123,687	129,021	5,335		135,572	(6,551)
Employee Benefits	434,754	380,845	(53,909)		383,691	(2,846)
Uniform Expense	1,481	4,397	2,917		4,944	(546)
Contract Services	150,975	163,094	12,119	b	166,183	(3,089)
Consulting Services	40,248	48,249	8,001	c	73,500	(25,251)
Legal & Auditing	105,357	107,657	2,300	d	58,331	49,326
Facilities & Operations	399,795	260,864	(138,931)	e	259,309	1,555
Utilities	314,038	347,512	33,474	f	347,375	137
Marketing	26,769	35,982	9,213	g	24,953	11,029
Economic Development	15,000	-	(15,000)		15,000	(15,000)
Travel & Training	18,067	22,559	4,492	h	19,563	2,996
Cost of Goods - Fuel	5,785	10,113	4,328	i	5,785	4,328
Community Relations	-	35	35		-	35
Total Operating Expenses	2,825,802	2,682,917	(142,885)		2,733,877	(50,960)
Income from Operations w/o Depr	647,087	1,040,447	393,360		857,807	182,640
Non-Operating Revenue						
Capital Contributions/Grants	113,039	226,856	113,818	j	410,528	(183,672)
Interest	28,451	34,715	6,264	k	23,700	11,015
Property & other taxes	613,147	648,658	35,512		606,717	41,941
Misc Non-Operating Revenue	34,415	248,680	214,265	l	20,625	228,055
Total Non-Operating Revenues	789,051	1,158,909	369,858		1,061,570	97,339
Non-Operating Expenses						
Bond Interest	182,172	150,294	(31,879)		143,544	6,750
Bond Mgmt, Issuance & Misc Exp	350	350	-		800	(450)
Election Expense	-	-	-		-	-
Total Non-Operating Expenses	182,522	150,644	(31,879)		144,344	6,300
Net Non-Operating Income (Expense)	606,529	1,008,266	401,737		917,226	91,040
Net Income (Loss)	1,253,615	2,048,712	795,097		1,775,033	273,680

Notes:

- (a) YTD Point Hudson revenues are more than the prior year by approximately \$29,000, but below budget by approximately \$7,000. The RV Park was significantly below budget due to the February cold weather (~\$8,000) which continues to effect the YTD budget results.
- (b) Part of year to year variance is timing related to Cash Basis reporting, while part of the variance is Engineer Rpt on Linear Dock (\$4,382), Stormwater Sampling (\$2,750), Vault Cleaning (\$2,449) and Kidder Matthews appraisal for New Day bldg. (\$2,500). However, this line item is below budget YTD.
- (c) Consulting Services are more than the prior year, though below budget. YTD the most significant cost is for Parametrix who is tasked with the Port's continued efforts to achieve and maintain compliance under the Boatyard General Permit.
- (d) Substantial invoice for legal services related to Seattle Maritime Academy litigation regarding the John Cobb derelict vessel. A settlement payment was received in July that offset the YTD SMA legal fees (~\$47,000).
- (e) The primary reason for the variance to prior year is due to the Cash Basis reporting of payment for the Port's General Liability and Property insurance as it is no longer allocated monthly, but recognized when paid (~September annually). Budget is on target.
- (f) The primary reason for the year to year comparative increase is due to invoice payment timing using Cash Basis reporting rather than accrual. However, this line item is closely aligned to budget YTD.
- (g) Significant increase in Marketing costs, specifically marketing port facilities and services, with emphasis on the Marine Trades (increase of \$6,181). Other costs are related to Promotional efforts, such as \$2,900 newspaper contribution to the Working Waterfront section of the Leader last winter.
- (h) Variance to prior year, 2019 is higher due to Hazwoper training for staff (\$4,181).
- (i) Increase from year to year comparison and YTD budget to actual is changing from accrual based (reporting the cost of fuel SOLD), versus cash based (reporting the cost of fuel PURCHASED).
- (j) YTD July Capital Contributions/Grants are less than YTD budget because it was anticipated the Port would be in construction phase of the JCIA Runway Rehab project at this point when the budget was adopted last year.
- (k) Interest income is higher than budgeted because more cash has been retained since the JCIA Runway Rehab construction hasn't commenced.
- (l) Increases to Miscellaneous Non-Operating Revenue for the \$100,000 paid for the purchase of a surplus building by New Day Fisheries. These monies will be directed to the Port Wide Capital Reserve in July. In addition, there's an increase of approximately \$132,000 for the portion of the SMA legal settlement (\$212,000) that wasn't used to pay down the outstanding accounts receivable for the Cobb vessel.

**Port of Port Townsend
YTD Cashflow report**

		<u>YTD July 2019</u>
Net Income w/out Depreciation	notes	2,048,712
Net Change in Accruals from Balance Sheet*		<u>114,307</u>
Less: Capital Expenses:		
JCIA Runway Replacement project		(293,127)
PTBH Water Meters project		(18,439)
BH Breakwater Repair 2019		(1,892)
PH Moorage Office Exterior Paint 2019		(609)
WorkYard Resurfacing 2019		(1,948)
PH South Jetty 2019-2020		(986)
PH 375 Hudson St. - Air Quality Imprvmts 2019		(8,920)
Land		-
Buildings		-
Improvements		(41,862)
Equipment replacement	a	(75,748)
Total Capital Expenses		<u>(443,531)</u>
Less: Principal Payments on Debt:		
Point Hudson - 2015 LTGO Refunding Bond		-
PTBH Marina - 2010 LTGO Bond		(450,000)
Total Principal Payments		<u>(450,000)</u>
Increase (Decrease) in Cash Y-T-D		1,269,488
Beginning Cash at 1/1/2019		1,632,311
Ending Cash at 7/31/2019		<u><u>2,901,799</u></u>

*These are current assets and current liabilities.

Notes:

- (a) Purchase of the following equipment & vehicles:
 Vactor truck from City of Port Townsend (\$10,432)
 Maintenance pick-up truck (\$24,161)
 full payment of BH Restroom Fob Locking system (\$16,192)
 (2) replacement tires for 300 ton Travelift (\$23,762)
 Materials for BH Ramp Kiosk install (\$1,201)