

PORT COMMISSION REGULAR BUSINESS MEETING – Wednesday, October 13, 2021

The Port of Port Townsend Commission met for a regular business session via Zoom online.

Present via Zoom online video: Commissioners Hanke, Petranek and Putney
Executive Director Berg
Deputy Director Toews
Finance Director Berg
Port Engineer Love
Port Recorder Erickson
Port Attorney Woolson

I. CALL TO ORDER (00:00:13): Commissioner Hanke called the meeting to order at 1:00 p.m.

II. APPROVAL OF AGENDA (00:00:29)

Commissioner Hanke moved to approve the agenda; vote was taken and motion was approved unanimously.

III. PUBLIC COMMENTS (00:00:45): *Comments sent in via email are posted online and summarized below.*

Ioni Blanchard, “Marine Tradeslady who hauls out along the fence line every spring” commented on Sims Way Tree Replacements offering some information to be considered about what trees to use to replace the poplars.

LD Richert commented on the unavailability of haul out, saying that as a longtime customer of the Port and Marine Trades members he is disappointed by lack of availability for haul-out and work-yard scheduling. He suggested it was time to review of yard policies—if the yard is at maximum capacity, why are the rates still discounted? If the yard is full of boats using discounted storage, and haul-outs for work to be done are not happening, the Travelifts are not running and generating income and the trades people are not getting work.

IV. CONSENT AGENDA (00:06:58)

A. Approval of Workshop and Public Meeting Minutes from September 8, 2021.

B. Approval & Ratification of Warrants

Warrants #064270 through #064279 in the amount of \$34,836.47 and Electronic Payment in the amount of \$148,961.28 for Payroll and Benefits.

Warrants #064280 through #064360 in the amount of \$115,186.73 for Accounts Payable.

Electronic Debit for \$1,640.25 to WA State Employment Security Dept. for paid family medical leave.

Electronic Debit for \$21,439.93 to WA state Dept. of Labor & Industries, 3rd Qtr. Tax Return

C. Resolution Number 753-21 Authorizing Warrant Cancellations

D. Resolution Number 754-21 PIF Grant Authorization Resolution

E. Blue Moose Café Lease

Commissioner Putney moved to accept the Consent Agenda; vote was taken, and motion carried unanimously.

V. SECOND READING (00:09:00)

A. 2nd Draft of 2022 Budget with CIP & Proposed Rates

Finance Director Berg reviewed this second draft of the 2022 budget, which had departmental budgets and a high-level cash-flow projections for five years added to it, which combines capital projections with operational projections. She said when the departmental budgets were added, there were no significant adjustments necessary on the revenues; however, there were some minor adjustments needed on the expenses side. She noted that starting on page 47 of the packet, the column for the 2021 YTD actual and remaining budget were changed to include August numbers (the first draft only had July numbers available). She said that with the budget assumptions starting on page 42 of the packet, wherever possible the additions/changes (which were very small) on this second draft were made in bold blue.

Commissioner Putney asked why the Operating Revenues were projected to be down. Ms. Berg said that these revenues look like they’re trending down when you compare them to the current year; however, they’re trending up when you compare to our original 2021 budget made last year. She said that early on in the 2022 budget she made reductions in the Point Hudson revenue projections because of the big Jetty project next year, the revenue reduction amounts to about \$250,000, which is significant. She hoped it wouldn’t be that much, but would rather be more conservative than be caught short. Commissioner Putney asked if it would be better to compare 2021 to 2019 than to such an idiosyncratic year of the pandemic. Ms. Berg said that that comparison showed 2021 was doing better than 2019, but the pandemic is still affecting business, and there is still a lot of uncertainty.

Commissioner Hanke asked about the extra costs associated with staff retiring from the Port beyond retirement, sick leave and vacation. Finance Director Berg stated that there is the time it takes for training for new employees, and overlap, advertising costs, etc.

Commissioner Petranek asked about the increase of \$72,000 in operating expenses from the 1st draft. Ms. Berg stated that travel and training was increased because we anticipate that staff will be travelling more in 2022; a Mainstreet donation this year for \$15,000, which is new, and will result in a 75% credit on this amount towards our excise taxes paid in 2022, with a net effect of about \$5,000 to support local businesses; and bank charges were increased \$4,000 because of the volume that has grown in credit card payments online (more payments are being made online, which means we're getting charged the fees, but we are also getting the money more quickly). She went over other increases like environmental supplies, salary increases, etc. Commissioner Petranek asked if Ms. Berg had explored a way to charge a service fee for online bank charges like the city and county do. Ms. Berg said that the city and county will take cash or check for payment, but if you want to pay with a credit card, they have an outside vendor that processes those for a fee, so it's the vendor that passes on the fee. She said that in 2019 57% of total revenues were paid through credit card, in 2021 to date, 65% of revenue comes from credit card payments, which is a big jump, hence the increase in fees.

Finance Director Berg then continued with each of the changes to the 2nd draft of the 2022 budget.

The discussion then moved to Rate cards (00:29:35). Finance Director Berg said there were no significant changes here, staff adjusted the daily yard charge for the 70/75 ton and references the daily (not the monthly) charge, also the cards now refer to the yards as 70/75 and 300 ton areas to be clear. She said one thing not on the rate card was something that the Port had not changed in a long time; it's been almost 20 years since we changed the late/non-payment fee which is currently 1.5%, minimum of \$10. She suggested that we adjust that to be a 5% late/non-payment fee, minimum of \$25 dollars to incentivize people to pay on time, and commission agreed.

Commissioner Petranek said that the proposed rate card in this second draft shows the seasonal discount increase from 2021 to 2022 is 11% not 5% and the monthly (April – Sept.) work yard rate is an increase of 16%. In addition, she said she was advocating for a 3% increase, because the primary goal of the seasonal rate is a full boat yard that equals jobs for marine trades. Finance Director Berg said the monthly rate adjustment to 5% was missed in the updates, and would be changed to be a 5% increase (66¢/ft./day). Executive Director Berg said the seasonal discount rate is set as half the daily rate, so the daily rate is increased by 5%, then the seasonal discount is half of that. He went on to say that he was advocating on behalf of staff that we really need to talk more about the very full yard and customers we're turning away; this rate is problematic from staff perspective and the yard is too full. Commissioner Hanke said he's hearing from trades that this is not helping them, that the yard is filled up with boats just sitting there, and not being worked on. He'd like to see actual data and hear names of tradespeople who are advocating for reduced rates.

Commissioner Petranek suggested steps on how to deal with a full boat yard: 1) we need customer service to focus on retaining, serving and welcoming customers, improving communications first (not rates); 2) we need consistent, predictable rates that are increased incrementally, this will build trust, repeat business, stability and overall ease of working relationship between customers and staff – takes less time, streamlines service, yard workers & marine trades people know the boats, they understand the BMPs, so it saves time and money. 3) we need to improve our day-to-day operations—communications with employees, customer service, improve the day-to-day responsibilities between customer service, yard and maintenance (right now it's operating more like three separate entities causing a lot of confusion and extra steps) with one staff member overseeing labor, customers and tenants. 4) We need to wait for the boatyard working group to propose ways to expand our boat yard capacity. 5) We need to consider yard priorities; the proposed rates show we are incentivizing storage of boats. She suggested at intake, don't take any more storage boats, unless it's an emergency, raise the rates and proactively move out the boats being stored (and not worked on). She said we should state everywhere that working on boats in the yard is our priority.

Commissioner Hanke said that it is too difficult for staff to discern if a boat is not being worked on or, for instance, is just waiting for a part. He said the Port is losing money by turning away paying customers when we can't even predict when we will have space to accommodate them.

Commissioner Putney said that it doesn't matter what we say, it matters what we do.

Executive Director Berg said that the 300 ton yard is full and we don't have a discount rate for that yard, so he didn't understand the premise that we're going to lose customers if they pay the going rate.

Commissioner Petranek said she was advocating for a 3% increase in rates based on the Washington State Revenue forecast for 2022, it is estimated to be an average of 2.4% and for 2023 the estimate is 1.8%. The last time we did a rate increase of 11% in 2017 we had an empty boat yard in 2018, and there is an 11% increase in the seasonal discount rate.

Commissioner Putney we will have to spend 5% more on goods and services, so the Port will lose at both ends of that spectrum.

Executive Director Berg asked if the Commission was thinking of the seasonal discount rate as a permanent rate, and not a temporary measure to address a concern. He is thinking of a cessation of a discount rather than an increase and realizes that the effect is the same.

Commissioner Hanke said he'd like to see a change to the rate card and dates on the discount for January 1, 2022; everyone who's booked would be grandfathered in, but no others will be allowed to utilize the 50% discount. Customer service needs to improve, but in their defense the staff is frustrated because there is nothing they can do to help the customer. Redesigning the yard won't happen this fall, so we need a way to increase our revenue and remedy the situation we're in.

Commissioner Putney said that fundamentally more boats do not necessarily mean more work for the marine trades, and a discount means less revenue to the Port. Maybe those who are hauled out during the slower months could get "Port bucks" to spend at marine trades to promote them.

Finance Director Berg suggested that the discount might be given for only 2 months. Commissioner Hanke asked how to accomplish that with the current (2021) rate cards. Executive Director Berg said there were two issues – one is the current time period (Oct-Mar) and the other is that we need to discuss next year's busy season discount. He said the Commission can change the rate as of January 1 and honor those in the yard now; the change would apply to new reservations only, and then work on a program for 2022-23 work window.

Commissioner Hanke moved to eliminate the discount rate for the 2022 season, asking staff to revise the draft rate cards to remove the discount rate for service effective January 1, 2022 and change the percentage increase for monthly yard rates to 5%. This would in effect mean having simply a daily and monthly rate (no discount January to March, and no discount for the 2022-23 season) and honoring everything that has been booked to date for the 2021-22 season.

Discussion followed. Ideas and issues brought out by commissioners and staff were: the timing of the discount—winter is the time when people work on their boats and summer when they use their boats—so we ought to be incentivizing people to pull their boats out in summer, not winter; the inability of marine trades people to hold spots for boats not yet booked; the inability of staff to haul boats because other boat projects are not complete and cannot leave; the supply-chain issues caused by the pandemic; the inability of boat owners to predict how long their projects will take.

Commissioner Putney encouraged marine trades to come to the next meeting and share their views.

Vote was called and Commissioners Hanke & Putney voted yes, and Commissioner Petranek voted no. Motion passed.

VI. FIRST READING ~ none

VII. REGULAR BUSINESS (01:24:04)

A. Resolution Number 755-21 regarding Commissioner Compensation

Port Attorney Woolson explained the need for this Resolution the legislature changed the compensation increases to start in January instead July to tie in with normal Port budget process, but didn't make it clear that the next inflation adjustment scheduled for 2024 would be done using current rates. We've brought it to the Office of Financial Management and State Auditor's Office and they both agree that it was not the intent of the new statute, and it won't be enforced that way; however as your counsel, we recommend that you adopt this resolution that keeps the rate where it is currently, and get the adjustment based on that rate in 2024.

Commissioner Petranek moved to adopt Resolution number 755-21 to maintain commissioner compensation. The motion passed unanimously.

B. August Year-to-date Financial Report (01:28:28)

Finance Director Berg said these numbers are in the current draft of the 2022 Budget. Overall we're doing well, we are up almost \$700,000 in revenues compared to budget, with expenses, we're almost on target with budget. Our capital project expenditures are close to \$500,000 year to date—the Port is getting a lot of things done, mostly by maintenance staff. She said Port cash balances are looking good. She said she had added the purpose under debt services as requested.

VIII. STAFF COMMENTS (01:31:06)

Executive Director Berg commented that he attended a good meeting with the Moorage Tenant Group where they discussed customer service, near derelict boats in the yard for years, the updated moorage waiting list—now at 5 years estimated time to wait for a slip—is posted to the website, and a discount for annual quick maintenance haul-outs during slow summer season. He said he had met with Marine Science Center executive director, Jeanine Boire to talk about the Point Hudson Jetty project, and coordinate with them and volunteer divers who would help species get to the right spot during the jetty project. He then announced that the Port had hired a new Port Engineer and Director of Capital Projects, Matt Klontz, who starts November 1st, and that the Port now has another person on the list of employees retiring soon: Terry Taylor will retire mid December.

Deputy Director Toews is working to better align standard forms and agreements with Port rules and regulations (hoist, yard & moorage license and use agreements). He said they were working with Jefferson County staff to advance progress on Moderate Risk Waste (MRW) facility to have documents to Commission in early December for their early termination of the ILA and lease agreement.

Finance Director Berg commented that she was looking forward to the WPPA Small Ports Conference being held in person in Leavenworth next week.

Port Engineer Love said he would have a smooth transition with newly hired Matt Klontz; they plan to talk for an hour each week until he starts work in November and after that Mr. Love plans to be available for questions as needed. Update on projects: removal of asbestos from Tommy Tailspin's hangar and sprayed 90 gallons of coating material onto the roof, for which FEMA should compensate the Port. The crew and Terry Taylor did some good work on the stormwater filtration system; the Port learned from good rains in September, adding new sand and possibly adding pre-settling tank to unit 1. Commissioner Hanke gave kudos to Mr. Love for a job well done in his short tenure at the Port.

IX. COMMISSIONER COMMENTS (01:42:20)

Commissioner Petranek commented that on October 11 there was a KPTZ Working Waterfront interview, a podcast on the Quilcene planning process with guests Eric Toews and Jeannie McMacken. She attended the MRC meeting this week, discussed working with MSC & jetty & diving project. She said October 15 is the interview for the EDC Executive Director, in person as well as Zoom.

Commissioner Putney commented that he had 80 days left in his tenure as Commissioner.

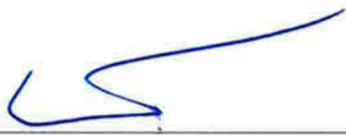
Commissioner Hanke commented that he took soon to be commissioner Carol Hasse on a flight to see all Port properties from Quilcene, past Mats Mats, to Port Townsend and in between. He commented on the yard rates and remembers when the Port increased rates by 11% and realizes that we have to be careful in the balance of long-term storage, maintenance, and rates.

X. Next Special Meeting later today regarding Quilcene Outreach Results Report at 6:00 p.m. (01:49:10)
Next Regular Business Meeting: Wednesday, October 27, 2021 at 5:30 p.m., via Zoom


XI. EXECUTIVE SESSION: Discussion of real estate transaction - RCW 42.30.110(1)(b); expected to last approximately 15 minutes with no follow up at the end, no action requested.

XII. ADJOURNMENT: Meeting adjourned to Executive Session at 2:49 p.m.
Executive Session ended at 3:07 p.m. with no action taken.

ATTEST:



William W. Putney III, Secretary



Peter W. Hanke, President



Pamela A. Petranek, Vice President