

PORT COMMISSION REGULAR BUSINESS MEETING – Wednesday, November 10, 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
Finance Director & Port Auditor Berg
Deputy Director Toews
Director of Capital Projects and Port Engineers Love & Klontz
Port Recorder Erickson
Port Attorney Woolson

I. CALL TO ORDER (00:00:02)

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

II. APPROVAL OF AGENDA (00:00:10)

Commissioner Putney moved to accept the Agenda as presented and the the motion was approved unanimously.

III. PUBLIC COMMENTS (00:00:34) ~ submitted via email, posted online and noted during the meeting:

Anne Ricker wrote to correct some misunderstandings in the letter from the Linger Longer Advisory Committee (LLAC), saying that everyone in Quilcene was eager to take part in the planning process and is grateful for the Port's interest. She stated that the LLAC's mission is to "to establish all current uses, needs, and deficits of the Port's Quilcene property and then determine which improvements will create the highest and best aesthetics, safety, and economic potential for all commercial and recreational users."

Keith Meyer commented on the Herb Beck Marina budget proposals saying he hoped that more money would be invested in the Quilcene facility to make it as nice as any other marina under the Port's umbrella.

Andrea Hegland wrote about the Sims Way tree removal, saying the poplars are the official tree here and should not be removed, instead suggesting that the money be spent fixing the roads.

Jeff Chapman, Jefferson County Assessor, wrote in with information regarding raising the IDD tax level.

Scott Freeman commented that the Commission and Port staff should give careful consideration to giving higher priority to the Port property and facilities in Quilcene Bay.

Susan Freeman commented that she was dismayed to learn that work on the Quilcene Marina would be delayed and asked that some of the taxes she paid be spent there in Quilcene.

IV. CONSENT AGENDA (00:03:10)

A. Approval of Regular Business Meeting Minutes from October 27, 2021.

B. Approval of Warrants

Warrant #064396 in the amount of \$15,534.29 is declared void for Accounts Payable.

Warrant No. 064413 in the amount of \$3,511.80 for Accounts Payable.

Warrant #064414 through #064422 in the amount of \$34,771.05 and Electronic Payment in the amount of \$144,278.39 for Payroll & Benefits.

Warrant #064423 through #064471 in the amount of \$141,663.71 for Accounts Payable.

C. Jeffco Hangar Association Lease

D. Pete Stein/Compass Woodwork, LLC Lease Amendment No. 1

Commissioner Putney moved to accept the Consent Agenda subject to discussion.

Commissioner Petranek asked about the avigation easement, and it was explained that it's a fairly standard notation in leases that port districts have on properties near airports just to make it clear that the tenant can't make a claim about any condition of the airport (noise, etc.).

A vote was taken, and motion carried by unanimous vote.

V. SPECIAL PRESENTATION: LEGISLATIVE PRIORITIES (FIRST READING) (00:05:44)

Executive Director Berg introduced Chelsea Hager of Insight Strategic Partners, who represents the Port in Olympia, saying that she would orient us on what's happening in Olympia and then share with Commission the draft legislative priorities document, get any feedback, adopt those priorities and then go to work on advocating.

Chelsea Hager of Insight Strategic Partners updated Commission on changes in the makeup of the state legislature, the nature of the hybrid session (committee meetings, taking votes), what and how pieces of legislature might get passed. She said the biggest objective of the legislature is to pass supplemental budgets for the operating, transportation and capital budget. She went over the 2022 Legislative Priorities:

- Additional **Capital Budget funding for the Point Hudson Jetty replacement project.**
- Return to **full ferry schedule** of boats for the Port Townsend-Coupeville and Kingston-Edmonds routes.
- Extending **0.09% sales tax (PIF)** for rural economically distressed counties to fund public facilities for economic development purposes.
- Support **Aviation Fuel Tank Removal Funding.**
- Support investments in **broadband infrastructure** and **maintain current tax rate for the leasing of fiber.**
- Expand funding for **derelict vessel remediation.**
- Support funding for the **Model Toxics Control Act (MTCA)** and **reduce regulatory barriers to accessing MTCA funds.**

Commissioners discussed whether or not the derelict vessel remediation should be moved up on this prioritized list. Deputy Director Toews said the concern is possibly seeing an acceleration of the number of jurisdictions and local entities seeking reimbursement for obtaining custody and disposing of vessels. The Port wants to make sure that the account is adequately funded; so far this hasn't been a problem, but certainly could be in the future.

Chelsea Hagar asked if prioritization should be discussed now or separately later. Executive Director Berg said that since all these issues are worked on, and since it's a fairly short list, the goal is to make progress on all of them, but certainly from his perspective the top priority in the sessions is the Capital Budget Fund for the Point Hudson project. Then working the others is more of a team effort—the ferry with ferry communities, the PIF with the other counties that see it expiring. He said the fuel tank replacement would be another one where special emphasis is needed on identification of funding and Broadband is really a follow up from last year partnering with the PUD, and the last two, derelict vessel and MTCA funding, are really more general, and otherwise he didn't see a need to have them prioritized. He suggested that if the Commission has other priorities that aren't on the list or wants to really emphasize some key priorities, they could change a bullet point to an asterisk and recognizing that this is a two-tier effort, hit the asterisk items on the list more than the others.

Commissioner Hanke suggested possibly moving PIF farther down on the list since the Port has IDD funds. Executive Director Berg said that ensuring the Port has long-term viability of this fund is what opens the door to our ability to compete for these dollars in the future, and particularly if we can help the community come to a new understanding that priority for Port investments is job creation, then the Port could be a primary recipient of job-creating infrastructure funding in the future.

Commissioner Hanke asked whether with Washington Public Ports Assoc. (WPPA) spending a lot of resources to work with the legislature on the MTCA issue, does the Port still need to have Insight Strategic Partners working on that, or is it sufficient just to have WPPA working on that issue? Chelsea Hagan replied that it helps reinforce things for the legislature to hear from individual constituents what's most important to them. She said that with MTCA there is likely to be both a bill and a budget item they would track through the process and sign in the Port in support at various intervals and then send notes on the budget item to legislators and budget writers indicating that we're supportive as well as the WPPA. She thought that the little bit of extra work does help move the needle on issues like these.

VI. SECOND READING: 2ND PUBLIC HEARING: DRAFT 2022 OPERATING & CAPITAL BUDGET, RATES, PROPERTY TAX LEVY & IDD TAX LEVY (00:39:08)

- A. Res. 756-21 To increase the general property tax levy by 1% as allowed by statute.
- B. Res. 757-21 To increase the IDD tax levy by \$1,000,000, for a total of \$2,634,289.
- C. Res. 758-21 To adopt the 2022 budget as presented
- D. Adopt the 2022 Rates as presented

Commissioner Hanke opened the Public Hearing at 1:39 PM to discuss the draft 2022 operating and capital budget, rates, property tax levy, and IDD tax levy. He said property tax and IDD levy had already been discussed at the first public hearing, and said what's left is to comment on this and possibly approve the budget today.

Commissioner Putney said that despite having read emails and spending some time on the phone with the county assessor, he didn't understand the increase in the IDD tax levy by \$1 million. He asked what that was to engender? Executive Director Berg stated that staff recommendation was to fund the five-year Capital Improvement Program (CIP) using nothing other than short-term line of credit financing for those anticipated projects. He said he thought the assessor was expressing a concern about a number of taxing districts potentially increasing taxes that would impact the taxpaying community. He said he'd understood there was a concern about the Port's message and transparency; however, this is at least the 7th or 8th time just since the summer that the IDD and IDD funding amounts has been discussed at our public meetings. He said that from his perspective, the Port has been very clear about what the staff recommendation to the Commission is and our intended goal of funding; the priority project list is identified in our CIP and these dollars were intended by voters to address problems and commission direction to staff has been very clear: fix the problems, fix them as quickly as possible. He felt that the Port is better off owning piling in the water than money in the bank.

Commissioner Hanke introduced Finance Director Berg, saying that he'd like to start with her going over the latest draft of the Budget, and then take public comment afterwards.

Finance Director Berg said this fourth draft of the 2022 Budget has not really changed substantially from the prior draft. She noted starting on page 61 where her memo discusses the assumptions to the budget that the changes in this version are highlighted in red. She then discussed these minor changes.

Commissioner Petranek asked about the salaries and wages, payroll taxes, and employee benefits on page 78, the operating expenses. Finance Director Berg explained the variance between the 2021 August year-to-date actual plus remaining budget and the 2022 budget numbers is a variety of things, but basically they follow whatever changes occur in FTEs and/or increases in pay (health care, PERS contributions, taxes, retirements) and said that this is an estimate. Some of these changes include: an anticipated \$56,000 in vacation/sick leave payouts at known 2022 retirements, replacing the engineer with a full-time position increased costs by about \$65,000, about \$30,000 increase when consolidating the union wage matrix in October, and about \$57,000 for salary increases for staff promotions or merit increases that were not in last year's budget, so they wouldn't be reflected in that variance. She said she had included about \$15,000 for potential overlap in filling these positions next year.

Commissioner Hanke asked the public if they had any questions, and there were no questions.

Commissioner Putney said he thought one thing that might be good to explain to the public is the 1% tax levy increase that the Port is allowed. He said that with an average of 3% cost-of-living increase over the last 18 years there has been a 1% cap in play, so the Port has been losing about 2% per year of the value of that tax levy, compounded over 18 years. Commissioner Hanke commented that it was like trying to go backwards up an escalator. He then moved to the next item on the Budget agenda – rate cards. (00:53:46)

Finance Director Berg said that there was very little change for the rate cards (p. 108 of the packet):

- Changing the name to 70/75-ton **repair** storage discount to help dissuade people from just storing their boats and not working on them.
- Noted the seasonal rate ends March 31, 2022, with the understanding that Commission would discuss early next year whether or not to continue the discount in winter 2022-23.
- Added the water charge to Quilcene rate cards—they have been charged for water in the past, it just wasn't noted on the rate card.

Commissioner Petranek referred to page 72 of the packet where the Port's organizational chart is located, and said it was her understanding that this Operating & Capital Budget would be adopted with this existing org chart and that at the next Port meeting we will look at adopting a new one. Executive Director Berg said that was what he was anticipating, although the Commission is certainly free to adopt this budget with the org chart presented at the workshop today. Commissioner Hanke said that Commissioners propose to do that, as time is of the essence, it would save a topic on a future meeting, and all commissioners were comfortable with the new org chart.

Commissioner Petranek referred to page 73 and noted that she needed to update her bio, and asked if it is customary to have a placeholder for a new Commissioner? Executive Director Berg said no, but that staff has referenced the Commissioner-elect under Commissioner Putney's bio, recognizing that his term is ending and he'll be succeeded by Commissioner Hasse.

Commissioner Petranek noted that on page 74 of the packet under organizational initiatives, a new bullet had been added, "creating and maintaining a communications plan." She said she was hoping it could be more broad range rather than just reporting on capital projects and impacts—actually creating and maintaining a communications plan. Commissioner Putney said the budget document doesn't define the extent of the communications plan, just that there should be one and it should be funded. Commissioner Hanke said the Commission definitely wants to know who the audience is and who the resource is that's going to supply this plan. He cautioned against creating a newspaper that needs to have content and time to make it a success. Commissioner Petranek thought it was a good start to a communications plan, allowing Commission to make changes as we go along, as needed.

Commissioner Hanke closed the public hearing at 2:04 PM and said he would entertain motions at this time.

Commissioner Putney made a motion to adopt Resolution 756-21 to increase the general property tax levy by 1% as allowed by statute, Resolution 757-21 to increase the IDD tax levy by \$1,000,000 for a total of \$2,600,289; Resolution 758-21 to adopt the 2022 budget as presented with org chart revisions discussed in the workshop on this date, and to adopt the 2022 rate cards as presented.

Commissioner Hanke asked for any comments or discussion on those resolutions which are printed out on pages 105-107 of the packet. Not hearing any comments, he called a vote. **Motion passed unanimously.**

VI. FIRST READING ~ *None*

VII. REGULAR BUSINESS (01:07:13)

A. September (3rd Quarter) YTD Financial Report

Finance Director Berg referred to page 120 and the graph in her informational memo which shows that overall, the Port is doing really well; revenues are up quite a bit (approx. 15%) and expenses are also up, but at 8.6%. She said that the Port had finally made the last payment to Scarsella for the runway overlay and she was working with the FAA on getting reimbursement from the additional grant for the overlay.

Finance Director Berg then went on to page 122 of the packet and said the Port had to-date spent \$1.3 million this year in capital work and equipment. She said that was a lot of money, but that there is a lot going on—everything from JCIA to work on the Point Hudson jetty. She said the maintenance crew is doing lots of work including the commercial dock at New Day Fisheries, the Sperry Buildings, the Pavilion remodel, and the Nomura building remodel. The funds also include equipment: an excavator, the down payment on the new 75-ton Travelift (which will hopefully arrive at the end of January), the tractor, and the mower tractor.

Commissioner Putney said he wanted to note that for the amount of money that we've spent, we've probably gotten far more work done with the combination of having a project manager/engineer and a maintenance manager and crew doing what heretofore would have been contracted out—we're spending the public money frugally getting a lot of things done.

Finance Director Berg thought the Port was looking good towards the end of the year and going into the new year with our cash balances and reserves. She was glad to see Port cash balances going up, and said the Port is on target for operating reserve to be funded by the end of next year, and emergency reserves to be fully funded by the end of this year.

Commissioner Putney said he had a comment from Kit Kittredge who wanted to know why Quilcene doesn't get as much maintenance done as other Port property; he felt that the Port is working on that. Commissioner Petranek said the Port will create plans, then create the budget to back those plans up. She didn't want to just throw any number out there, but instead wanted to go into this with community planning, saying that it would be discussed later. Commissioner Putney said he thought the maintenance crew had been down there working on docks and small projects to reduce hazards, we just haven't embarked on any huge projects.

Commissioner Hanke commented that he was thinking of Quilcene while talking about the capital project expenses for 2021 and reminded everyone that capital projects are not the same as maintenance projects. He said the Port was doing maintenance projects in Quilcene, but as he looked through the list, he wanted to see Quilcene projects listed there, as they are listed in the Capital Improvement Program, and the commission wants to prioritize them in a way that's agreeable to Quilcene.

Commissioner Petranek reminded everyone that the in-water projects, due to permitting, are years out. Deputy Director Toews said that the distinction between ordinary repair / maintenance work and larger-scale capital investments is a critical one; Port maintenance crew has been conducting repairs in Quilcene throughout this time, but the Port wants to make sure that whatever is done in terms of significant capital expenditures is entirely aligned with Community needs and desires. He said that last summer the listening process was really focused on identifying the community perspective before starting to plan significant capital projects. He said that he and Executive Director Berg were planning a low-key, in-person meeting at the Quilcene Community Center from 5:00 to 7:00 PM on Tuesday November 16th to continue that conversation and to try to bounce some ideas off one another. They would then try to make sure that that is in fact reflective of the Community perspective before bringing back to Commission a more comprehensive slate of proposed capital projects that would be funded in the capital budget. He agreed that for now the focus has been pretty modest, with Port maintenance crews working on enhanced maintenance over the past couple of years, and that for some of the larger in-water projects the permitting lead times are quite substantial.

VIII. STAFF COMMENTS (01:17:03)

Executive Director Berg commented on the following:

- Thanks to Director of Capital Projects and Port Engineer Mike Love for his time and support—this is his last Commission meeting, and he has helped us make a giant leap forward; he is handing the baton to Matt Klontz and has set us up for success as we move into this next phase.
- The U.S. Congress infrastructure bill that the president signed includes \$790,000 for the Port for JCIA over the next five years. As he knows more he'll bring back to the Commission recommendations and thoughts about how we might spend it.
- The Port has notified two hanger tenants at the airport of termination of their tenancy at the end of the year for non-compliance with the active aircraft provision. The plan moving forward into 2022 is to offer hanger tenants and condo hanger tenants the opportunity to provide the Port with aircraft registration documents that demonstrate an active aircraft or alternatively to participate in doors-up day when staff can take a tour, in order to comply with the Federal Aviation Administration's requirements and to have a vibrant airport community with active aircraft engaged in flying, utilizing the FBO services, buying pies, buying fuel, etc.
- He attended a Town Hall meeting the night before that the City hosted and included a number of commissioners, as well as officials from the PUD and the county. The four government entities were represented to talk about the Sims Way Gateway project and the Port's boatyard expansion plan. It was well attended, managed well by City Manager Mauro, there was a good constructive dialogue with the community, and he felt that people gained some new understanding as to the Port's purpose and engagement in the project, and some of the safety concerns that are out there. The County Commission voted this past Monday to fund this project through the PIF grant, and staff are assured of a fully funded project, based upon the engineers estimates from that application.
- The Intergovernmental Collaborative Group (ICG) will meet November 18th at 5:00 PM where he will be presenting a joint resolution of the four governing bodies to extend the life of the ICG for one more year, with the expectation that the four governing bodies will all adopt it and keep this group and the collaborative process going for year number 3.

Deputy Director Toews updated the Commission on a couple of active lease negotiations that are in process—one with a nascent tenant group at Point Hudson who might move forward with a master lease on the Armory building with a kind of tenant cooperative serving as a master lessee for a longer-term lease. He said another matter involves Armstrong Consolidated Inc. (ACI) here at Boat Haven and Port staff met with employees of ACI and outlined some options that they hoped would be mutually agreeable. Staff are happy to have Armstrong Consolidated here at Boat Haven and remain hopeful for a mutually agreeable conclusion to negotiations; we know how important these jobs are to our community. It's a business that is a little bit different than some of our other marine-based trades here at Boat Haven that feed a whole lot more work to our haul-out lifts, and in consequence, may not need a location that's front and center on the Marina. Mr. Toews then reported that the Port would be moving forward with a CERB planning grant application in the upcoming cycle for design, planning and permitting of the 3.7-acre westward expansion to Boat Haven shipyard and said to expect an authorizing resolution at the final November meeting.

Finance Director Berg said she appreciated the Commission's attention to the budget this year. She said that the Port is almost done with the state audit field work, and it looks like the Port is on schedule for getting our reports before year end, which is key to maintaining good bond ratings. The audits take a lot of her time as well as accounting staff, but we're almost there.

X. COMMISSIONER COMMENTS (01:28:09)

Commissioner Petranek commented on three things:

- 1) She volunteers on the board of the Marine Resource Committee, and they are looking for a good weather window to borrow the Port boat and go out to remove eelgrass buoys that are sitting all along our waterfront from Point Hudson to towards the mill.

- 2) The four admins and four electeds have met three times in the past couple of months, and are ready to present an economic framework to the public and for all of the jurisdictions to discuss on November 18th at the Intergovernmental Collaborative Group (ICG) meeting. She said she would appreciate the public's input; the idea is to create a unified vision of a healthy economic environment for Jefferson County that all of us can agree on and then list some of our values. The basic theme is to find projects that all four governmental jurisdictions can accomplish better together than one organization alone.
- 3) Cindy Brooks has been hired as the new economic director of Team Jefferson EDC, and will start December 1st. She'll hit the ground running; she's been part of our community and has been working with the North Olympic Development Council (NODC), so she knows she knows our problems and our people and she's ready to start working with businesses and our intergovernmental group.

Commissioner Hanke commented that the Commission could have a special meeting on the Economic Framework. Executive Director Berg said it could be discussed now; the questions being explored are:

- What does each organization do /what's our mission statement?
- What projects could we collaborate on?
- A commitment to complete transparency and effective public engagement on all projects and plans.
- What are our principles of communicating and working together between our four jurisdictions?
- How do we want to define success?

Commissioner Hanke said that the County received a fairly large chunk of money from the state, which was a pass-through from the federal government, and there was really no deliberative process with those monies—the county simply dispersed them as they felt they needed to. He asked whether there were a different take from within the County concerning the ICG and using it as a process for determining where funds should go, if they come into County government. Executive Director Berg said that this hadn't been discussed as part of the group of eight (4 commissioners/council members and 4 directors) but thought that last year as part of the COVID recovery plan and the County used that process and the Community Group ranking as the method. He said that they didn't see that this year, and that it really hasn't been talked about much, so that may be a good question for the larger group next Thursday.

Commissioner Putney thought the value of the ICG is to is build a coalition to move forward together; if we can make decisions and truthfully go to legislators and say our County, City, Port, PUD, and the citizens of Jefferson County want to go forward in this way, we have a lot firmer ground to stand on when we apply for a grant or funding for a project. He said the ICG is a critical body to maintain and he urged the commission to keep it going because it is something that a lot of communities envy us for.

Commissioner Putney commented that he had a lot of things to do in the last 50 days as Commissioner. He said that NODC's last meeting of 2021 will sadly be on December 2nd, when he will be in Bellevue for the WPPA Annual Meeting, so he will miss his last meeting as Port representative. He said he is trying to find someone to take on his committee assignments like the Jefferson Broadband Action Committee, the Washington Public Ports Association broadband committee, the Washington Airport managers association, etc. Mr. Putney then said that he got the impression at the Town Hall meeting regarding the Sims Way Gateway project that people don't think that their elected officials are approachable, and he wanted to dispel that myth. He asked folks to contact their commissioners (emails are available on the Port's website), because he felt a lot of frustration from folks that say they never get to talk to elected officials one-on-one. He didn't think elected officials hold themselves aloof from the public, it's just that they don't get many calls or emails from the public.

Commissioner Hanke commented that this was an amazing budget that the Port is heading into and for the eight years he's been on the Commission, it's truly amazing to look at where we are today compared to where we were then, especially our reserve accounts. He thanked Finance Director Berg for minding the bank and doing a very good job at it, and for getting us through audits with very little fanfare. He said that he was excited about the meeting coming up with Directors Berg and Toews and the folks of Quilcene, and that he was looking forward to an outcome where Quilcene will see some things happen on the ground that everybody is hoping for. He ended his comments by saying he would be attending the WPPA Annual Meeting on December 1st—the first time that all of the ports have gotten together in two years—and there were a lot of important things on the agenda that he hoped to report on this at the next meeting.

XI. Next Regular Business Meeting (01:44:05): Tuesday, November 23, 2021, at 5:30 p.m. via Zoom.


XII. EXECUTIVE SESSION ~ None

XIII. ADJOURNMENT: meeting adjourned at 2:44 p.m., there being no further business before the Commission.

ATTEST:



 William W. Putney III, Secretary



 Peter W. Hanke, President



 Pamela A. Petranek, Vice President