

PORT COMMISSION MEETING – September 22, 2004

The Port of Port Townsend Commission met in regular session at the Tri-Area Community Center, Chimacum, WA.

Present: Commissioners – Beck, Pirner and Sokol
Deputy Director – Pivarnik
Operations Manager – Radon
Auditor – Taylor
Attorney – Harris

I. CALL TO ORDER: The meeting was called to order at 7:00 PM.

II. APPROVAL OF AGENDA:

Upon motion of Commissioner Pirner, the Agenda was unanimously approved as amended with the following additions under New Business:

- B. Quilcene Camping and Dog Control Policies
- D. 1996 Revenue Bond Refunding

III. CONSENT AGENDA:

- A. Approval of Minutes – September 9, 2004
- B. Approval of Warrants:
 - #30906 through #30921 in the amount of \$16,531.51
 - #30922 through #30960 in the amount of \$20,853.92
 - #30961 through #30984 in the amount of \$28,965.69
 - #30985 through #30987 in the amount of \$13,368.81

Upon motion of Commissioner Sokol, the Consent Agenda was unanimously approved.

IV. PUBLIC COMMENTS (not related to Agenda):

Gary Rosso of Cape George:

He gave the Commission a letter with some suggestions for addressing inequities he believes exist in the Boat Haven moorage waiting list policy and recommended the Commission address this issue at a future meeting. Mr. Radon noted that Staff has previously spoken with Mr. Rosso about his concerns and the Port's current policies and procedures.

V. OLD BUSINESS:

A. Jefferson County International Airport Engineering and Planning Services Update

Mr. Pivarnik reported on a recent meeting with the FAA and consultant Reid Middleton in which they discussed the possibility a non-precision approach might be arranged with the present runway, making a runway extension unnecessary. Staff is researching details in order to provide FAA further information to substantiate an application for a non-precision approach. He provided the Commission with an estimate of costs for hangar-area and taxiway engineering and utility infrastructure, including electrical, stormwater and fire flow, as well as relocating the beacon. The FAA would receive the same estimate and provide an opinion on which elements could be covered by FAA funding. The Port would also contract to have an independent audit of these costs. The Port has not yet formally applied for FAA funding.

B. Point Hudson Marina Redevelopment Project Update

Mr. Pivarnik noted that Staff had met today with Reid Middleton and they provided the Commission with a copy of the bathymetric survey from Clarke Survey. In two to three weeks, conceptual designs should be available for review. An advisory committee meeting would be held the first week of November at which input on the drawings would be gathered.

C. Pygmy Kayak Lease Update

Mr. Pivarnik provided an update on Staff's review of Pygmy's request for changes to their lease of the Point Hudson pavilion as raised at the last Commission meeting. Staff has concerns about extending the existing 10-year lease. As Pygmy is a valued tenant and has invested over \$50K in the building, Staff would support a first right of refusal at the end of the lease and the first two months this year rent free to recognize the leasehold improvements of new windows and the addition of an ADA restroom. Pygmy hopes to move in by October 6. Dave Grimmer asked that instead of two months of no rent, the Commission consider there be no rent increases for 5 years.

Commissioner Sokol believed that Pygmy should be eligible for a \$2,200 tax credit for the ADA restroom. Mr. Harris questioned the rationale behind giving the tenant a reduction of rent because they desired to improve the building. He suggested there be a right of first offer instead of a right of first refusal so that the Port could present what it needs in rent and Pygmy would decide whether or not to accept. Mr. Pivarnik noted that during construction the tenant discovered powder post beetles, raising the question of whether the Port should handle structural issues. The Commission agreed with providing a right of first offer for an additional 10-year extension..

Commissioner Sokol moved that Staff continue with modifications to the Pygmy Kayak lease, the general framework being two months rent abatement and legal words pertaining to the end of the lease and the potential extension as developed by the Port Attorney. The motion carried by a unanimous vote.

D. 2005 Operating Budget Update

Mr. Taylor reviewed the 2005 Operating Budget that is based on discussions at the last two Commission workshops. The 2005 budget goal is to achieve a balanced budget without using any reserves. If the 2005 operating budget generates as much cash as did this year's Port would be within \$10-20K of breaking even as long as it accommodates the current debt service, builds in the debt service for a new travel lift machine, addresses \$500K for capital projects, and borrows from the existing Point Hudson reserve an amount equal to the marina design project. Not included in the cash flow analysis (as listed) were either airport construction costs and associated grant funds or capital financing and construction costs at Point Hudson. These items need to be added to the capital budget.

In summarizing major revenue issues, Mr. Taylor explained the average of 5% increase in hoist rates and 7% in yard rates. Long-term storage rates would remain the same and shipyard would roughly stay the same, but there would be a consolidation and simplification of the rate structure. The nightly RV rate would increase from \$25-\$30 and beachfronts from \$30 to \$37, but might not be the same all year long. The Commission has stated its interest in keeping the property tax levy as is (\$688,500), plus new construction, which would add about \$17,500.

Expense items remain roughly the same as 2004. The Port has now contracted with Skookum for its custodial work and would be budgeting for one less FTE than it did this year and proposed adding two new seasonal positions. Assuming there would be some modification to the moorage rate, it was suggested that there be a new reserve account for future design and permitting costs for the Boat Haven renovation. The primary item on the Equipment Budget is the \$275K travel lift replacement. Under Capital Projects, two new items are property acquisition at the airport (\$25K) and the Jackson Street infrastructure improvements (\$60K). Commissioner Beck recommended Staff obtain an estimate for maintenance dredging of the Quilcene marina entrance. Mr. Taylor indicated that this project is on the list. There would need to be a dedicated workshop to discuss capital projects.

Mr. Taylor then explained a "progressive moorage rate structure" Staff had developed, which would set rates for 2005-07. The adoption of a multi-year plan

would be separate from the budget process and be done by resolution. However, for the budget, Staff needs guidance on whether it is the right program and whether the rates laid out for year one are the right rates. The desire behind the rate structure was to achieve a 6% spread at the end of three years between 20 and 25-foot slips, a 12% spread between ranges 25-30', 30'-40', and 40'-50', which would work out to roughly a 48% spread between small and big boats. A 20' slip would go up 1% for inflation and a 30-ft. slip would go up 7.1% (which is 1% inflation and the 6% on the graduated scale). Rates for slips 30' and above would be lower than other regional marinas except John Wayne Marina. Based on the current marina configuration, this pricing would generate \$60K in new revenue.

Staff then responded to questions from Gloria Bram confirming the price break for active commercial fisherman and from Gary Rosso about the calculation of slip rates. Mr. Rosso suggested the Port consider lowering the rates for the 20-25" slips to maximize utilization. Staff noted they have proposed holding the line on the 20-ft. slips because they are not fully occupied year-round.

Mr. Taylor noted a change in the budget schedule that reflects a workshop three weeks from today. He hopes there can be a draft budget available at that meeting.

VI. NEW BUSINESS:

A. Winter Monthly RV Incentives – Point Hudson

Mr. Radon reviewed that at the last workshop, there was support for a price break for RVs wintering over. After reviewing several incentive scenarios, Staff proposed a one-year trial of a "sixth-month free" program. If monthly payments were made on time, customers would be able to receive the sixth month free. Commissioners stressed that this program is an attempt to increase RV traffic during winter months.

Noting that an RV park in Anacortes is booked a year in advance, Clair Candler said some people would reserve their spot and pay in advance.

With Commission concurrence, Staff agreed to create a program offering a sixth month free, conditioned on not occupying the prime waterfront spot and accounts remaining current for the first five months.

B. November/December Commission Meeting Dates

After a discussion of possibly shifting Commission meeting dates to accommodate the November and December holidays, there was Commission support for scheduling a second monthly meeting on Monday, November 29 at 1:00 PM. In December, the first meeting would be moved to Wednesday, December 15 at 1:00 and the second meeting on Wednesday, December 29 at 1:00 PM.

C. Quilcene Camping and Dog Control

Mr. Pivarnik reported that at the request of Commissioner Beck, Staff had researched, but found no Port resolution about camping at Quilcene. Staff recognized the Port might need a camping policy as well as policy about dogs on leash. The Port has dog poop bag dispensers and signs that it could install stating that dogs must be on leash. Commissioners felt that the same regulations that apply at Point Hudson and Boat Haven should apply at the Quilcene marina. Staff noted that the agreement with site manager gives the Port 25% of camping and boat storage revenues. Site manager, Ken Dressler has reported that during shrimp season there is demand for camping.

Commissioner Beck moved to reaffirm the Port's policy to allow camping in Quilcene. The motion carried by a unanimous vote.

D. 1996 Revenue Bond Refunding

Mr. Taylor provided background about the Port's 1996 Revenue Bond Issue and reported that in January 2001, Dave Trageser with Bank of America Securities had spoken with the Commission about the possibility of advance refunding of the callable portion of the bonds. While Mr. Trageser was unable to find much interest in these bonds at that time, the Port now looks financially healthier than it

did in 1996 or 2001. Today, the Port could sell bonds at 4% and the present value net savings would be about \$201K over the next 12 years or about \$1,500 a month (after costs, underwriting fee, bond counsel, etc.). Mr. Trageser would recommend doing a refunding that is not rated and not insured. Mr. Taylor asked for Commission direction about whether to pursue the issuance of new bonds for roughly \$4.6 million. With Commission support, he agreed to explore obtaining a second opinion and/or requesting oversight from an independent financial consultant.

Commissioner Sokol moved to direct Staff to begin work as soon as possible on an advanced refunding of the 1996 revenue bond. The motion carried by a unanimous vote.

VII. STAFF COMMENTS:

Mr. Taylor:

The state audit is going well and the fieldwork should be finished by October 13. The audit report should be available by the end of the year.

Accounts receivable staff Jean French came back from medical leave yesterday.

On October 7, he would again have shoulder surgery.

Mr. Radon:

Today, there was an unsuccessful attempt to test the (AHAB) All-Hazards Alert Broadcast system. The test was rescheduled for October 22 at 11:00.

The Lowest Hadlock Dinghy festival is scheduled for this Sunday from 2:00 till dusk. Co-organizers, Laura Ferguson, co-owner of Ajax, and the Northwest School of Wooden Boatbuilding met all terms as reviewed at the last meeting, including naming the Port as an additional insured. Port Staff reviewed their safety guidelines.

Mr. Pivarnik:

Staff has met with Rotary Club representatives to talk about a Rotary trail at Point Hudson. Using an acetate overlay on aerial photographs, Staff drew in the beach trail, signage, benches, etc., so that representatives could further discuss this project with the Rotary.

The County and Port websites now show and allow zooming into certain properties that are affected by the 55 DNL contour airport overlay zone. In addition, Attorney Winter's detailed review of this issue is also posted. He complimented County Staff working with the Port.

VIII. PUBLIC COMMENT:

Gloria Bram:

She suggested that the Pygmy restroom would be the most wheel chair accessible restroom in Point Hudson. Although Staff noted that the restroom is on Pygmy's leased premises, she asked that the Port consider stipulating that it be accessible to Port patrons with wheelchairs. Mr. Pivarnik noted that as part of the marina rehabilitation, the Port is proposing an ADA-accessible public restroom next to the Wooden Boat Foundation.

Gary Rosso:

He asked if the Port has taken any action to prevent derelict and abandoned vessels as a part of the derelict vessel law. Staff explained that while the Port has not tapped into the derelict vessel fund, the Port has its own derelict vessel policy and can require a deposit on any boat. Mr. Taylor also responded to questions from Mr. Rosso about what the Port invests its reserve in and what returns it gets. Mr. Russo asked if there is an opportunity for the Port to buy its bonds back on the open market. Mr. Taylor noted that of the money the Port has the majority of it is in restricted funds. Only roughly \$500K is not restricted.

IX. COMMISSIONER COMMENTS:

Commissioner Pirner:

Addressing previous Commission objections to the 1994 Master Plan, he asked what has been done on that matter. Mr. Pivarnik said he believes Mr. Crockett is working on a response.

Commissioner Sokol:

In meeting with the Fort Worden Advisory Committee as the Port's representative, he noted there was discussion of 100-year anniversary of State Parks. He noted Ft. Worden is one of the few parks in the state that had an increase in visitors over last year. However, not much was mentioned about the parking fee supported by LTAC funds. At the EDC quarterly membership meeting, there were few in attendance. The interim director did not provide a positive report. The County's budget report at this meeting talked about keeping shopping here and industrial development to create jobs. At yesterday's Growth Management Steering Committee meeting, there was discussion about including representation from the Tri-Area UGA. There was also discussion of the Port's settlement as part of the seven-year City and County Comp. Plan review and the possibilities for creating an industrial land bank. He believes it was important for the Port to go forward with the settlement without the industrial land bank. Some discussion ensued about airport expansion and infrastructure needed to be listed on an industrial land bank.

Commissioner Beck:

He is enjoying the fishing activity in Quilcene.

X. NEXT MEETING:

Wednesday, October 13, 2004 at 1:00 PM at the Point Hudson Marina Room, Port Townsend, WA. A workshop would begin at 9:30 AM.

XI. EXECUTIVE SESSION:

At 9:10 PM, the Commission recessed into an Executive Session with Commissioners and Executive Director only for 10 minutes to discuss a real estate issue, with no expected decision.

XII. ADJOURNMENT:

The meeting was adjourned at 9:20 PM, there being no further business to come before the Commission.

ATTEST:

President

Secretary

Vice President