

## PORT COMMISSION MEETING – October 27, 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  
Executive Director – Crockett  
Deputy Director – Pivarnik  
Auditor – Taylor  
Attorney – Harris

Absent: Operations Manager – Radon

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

II. APPROVAL OF AGENDA:

Upon motion of Commissioner Sokol, the Agenda was unanimously approved as amended with the following additions

Under Consent Agenda:

B. Resolution 428-04 – Surplus of Abandoned Boat

Under New Business:

B. Purchase of Slings for 300-ton hoist

III. CONSENT AGENDA:

A. Approval of Minutes – October 13, 2004

B. Approval of Warrants:

#31101 through #31124 in the amount of \$27,522.81

#31125 through #31127 in the amount of \$12,875.14

#31128 through #31150 in the amount of \$35,501.95

#31151 through #31190 in the amount of \$93,605.75

Resolution No. 428-04 – Surplus of Abandoned Boat

C. Write-off Register

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

IV. PUBLIC COMMENTS (not related to Agenda): None

V. OLD BUSINESS:

A. Jefferson County International Airport Engineering and Planning Services Update

Mr. Pivarnik provided a revised cost estimate and scope of work from Reid Middleton. It was assumed that this would be a \$1M project – \$800K for construction and \$200K for engineering. Reid Middleton’s “turnkey” engineering package priced out at \$208K (preliminary design, engineering, construction, and environmental permitting). Staff solicited Commissioner input before Staff forwards this to the FAA on Monday. The Port will also need to have another engineering firm verify that the charges are appropriate. Reid Middleton will assist Port Staff in the creation of a letter to the FAA initiating a study of whether a 3000’ runway is long enough for a non-precision approach.

B. Point Hudson Marina Redevelopment Project Update

Mr. Crockett reported that several conceptual layouts for the marina design developed by Reid Middleton have been sent to the Advisory Committee. While a meeting with Port staff, Reid Middleton and the Advisory Committee is scheduled for Monday evening in the Marina Room, the committee will have until Nov. 9 to submit its comments. Staff has also been briefed on the concepts and their comments are also due at the same time. At the next public workshop (Nov. 10), the Commission would receive a briefing on comments submitted by that time. In order to begin construction by the fall of 2005, the consultant would need to receive clear direction on the concept in the month of November. Given the Thanksgiving holiday schedule, this might require a special meeting.

Commissioner Sokol noted that Staff wouldn't have much time to summarize comments before the workshop. Commissioner Beck noted that Commissioners are usually purposefully absent from Advisory Committee meetings to avoid inhibiting discussion or adding pressure by their presence.

C. Presentation of Draft 2005 Operating Budget

Mr. Taylor reminded that any additional changes or modifications would be made before the noticed public hearing on November 10. He then provided an orientation of the budget document's various sections before looking at specific changes from previous year's budget assumptions: including progressive moorage rate structure, increase price of launch ramp annual passes, 5% rate increase for 60/70-ton hoist activities and 7% for the yard, some reduced revenue projections in Point Hudson due to potential construction disruptions, increased Point Hudson nightly RV rates. Regarding expenses, although having contracted with Skookum for custodial work would result in one less permanent maintenance person, they proposed to add two seasonal staff (one for shared maintenance work & one in the yard). Mr. Crockett noted that the Teamsters' contract runs out the end of December. Meetings with the teamster rep reflects there are no major issues and there would be a meeting on Nov. 8 or 9, after which there would be a meeting with the Port attorney to discuss any issues. The draft budget also reflects the purchase of the new travel lift. We have proposed to set up a Boat Haven renovation reserve fund to ensure additional revenues from the proposed new moorage rate structure, in excess of CPI, are put into a separate reserve account.

Turning to the Consolidated Budget, Mr. Taylor noted an anticipated revenue increase of about \$217K – \$60K from the proposed new moorage rate structure, \$50K from the 60/70-ton hoist and yard, \$26K from shipyard, \$44K from Point Hudson, a \$58K increase in nightly RV revenue, and \$50K from airport fuel sales. He noted the anticipated increase in fuel expense is \$45K. Mr. Crockett suggested that the Commission at some point discuss the potential impact that a FBO (fixed based operator) might have on the fuel operation. Mr. Taylor recognized that the marine trades contribution on Page 9 has fallen below estimates. Reminding that the guidelines only apply to hired crew projects, Staff noted the difficulty in budgeting for and monitoring these activities. It was also suggested that besides the hassle and potential ill will of such oversight, the cost of auditing the various operations could outweigh the additional revenues. In summary of the budget comparisons, Mr. Taylor said that the revenue increase of \$217K, with only a \$76K increase on Operating Expenses, results in a Net Income from Operations improved by \$141K to \$171K. This, along with the Non-Operating net of \$109K, gives a bottom line Net Income of \$280,800 or an increase of \$120K over this year's budget.

It was explained, in response to a question from Gloria Bram, that the Port spends \$17-20K on elections but that the government agencies involved with the ballot issues pay a percentage of the costs, including printing.

Two sheets were provided, one that summarized the proposed 2005 rate changes and the other the progressive moorage rates, both of which Staff had based on a survey of other marina pricing structures. Incremental adjustments for a range of sizes for next year result in a 14.8% spread in the lineal footage rate between small and large slips. Most of the regions marinas had priced their moorage this way in 2004. Mr. Crockett noted that this topic would be discussed next week during the statewide marina committee meetings. Mr. Taylor noted that the proposed 2005 permanent moorage rates would generate about \$60K in new revenue above the \$690K generated by the current permanent moorage rate system. While \$10K of this new money would go into operations, the remaining \$50K would go into the Boat Haven renovation reserve fund.

Dave Tarr asked for a justification for the larger increase for larger slips. It sounds like an unsubstantiated assumption. Mr. Crockett responded that the Port needs to spread its costs across the board and charge for the proportional space being used in the basin. Larger vessels are actually paying a lower rate per square foot than smaller vessels.

Moorage customer Imants Golts, after complimenting the Port on the budget's

legibility and the profit of approximately \$463K reflected on page 17, asked why the rate increases are necessary. He proposed that the Port include a survey of customers support for the various improvements in the next monthly billing. He is uncertain if the sq. footage rate is good and suggested a decrease in the rates for the smaller slips.

Moorage patron Ed Barcott challenged the Commission to hold the line and find ways to reduce expenses without raising rates. He reiterated his concern that the local small boat owners are being driven out of the Boat Haven by high prices yet there is little evidence of improvement over the years. He is happy there would be a fund for specific tasks in the Boat Haven. He said the Port has placated property owners by not raising their rates, but yet the boaters really “get it.” He suggested there be an evening Port meeting in Port Townsend so local patrons could participate in these decisions. It was pointed out that the Nov 10<sup>th</sup> budget hearing would be in Port Townsend but at 1:00 pm, a time that correlates to increased attendance.

Tike Hillman said he is aggravated at the comparisons to other marinas, citing Port Townsend’s uniqueness. Their rates are their problem. Four of the six marinas mentioned have extensive covered moorage. He alleged that the Commissioners have mismanaged the Port for years, having “skimmed the money” from moorage rates to build the travel lifts, buy buildings and make great improvements to the Boat Haven. These adventures would be fine if they were returning money taken from the floats but so far they haven’t. Bonding for the travel lifts was achieved by bundling all the infrastructure projects into the Marina and now, by his calculations, the travel lift is costing about \$160K, which probably comes out of moorage. Money coming from the Marine Trades should be returned to an account just for the float replacement rather than travel lifts or the airport. He quoted from the Port’s website, that “there is an additional fee of 3% of the value of improvements and enhancements to a vessel made by anyone other than the owner or crew....” Even with the caps, it is evident that the activity in the yard should provide much more revenue than is currently being collected. Rates would increase 40% in three years, but if replacement funds had been built over the past 15-20 years, there should be sufficient funds without a substantial rate increase. Also, because maintenance is already included in other parts of the budget, the replacement fund should include all monies. While revenues are listed in detail expenses are presented so you can’t tell what anything is costing.

Marina patron Gary McNeil agreed with many comments including those regarding policy of “keeping up with the Jones’”. He has generally been happy with the Port, but these huge increases would kill them.

Dave Tarr questioned how much more it could cost to maintain docks for larger boats. The proposed rate sheet reflects marinas very different from Port Townsend. He noted that Kingston and Oak Harbor rates are considerably lower. This is a dramatic increase and he suggested getting others in the County to shoulder the burden. He sees no other business that isn’t positively impacted by Port moorage. He asked the Port to reconsider and abandon the progressive moorage structure and take a hard look at its expenditures.

Commissioners noted that the Port’s various projects have provided many employment opportunities in the community. Since 2000 there has also been a gradual increase in income from operations. In paying down debt, the Port is now back into a solvent position so that reserve funds could be established and there is control over where the money is going. The Port is being financially responsible rather than creating debt as was done in the past. There has also been recognition of the needed work to A/B docks.

Tike Hillman had no argument that it appears the Port has succeeded in attracting business, but the projects are not bringing in enough money to support themselves. The Port must keep increasing rates to keep up with expenses. He expressed concern that the concrete floats would fail as quickly as A/B Dock.

Mr. Harris said he does not think it is appropriate to look just at direct sources of income from the lifts. Because of infrastructure like the lifts, the Port receives more revenue for ground rents, etc.

Ed Barcott asserted that despite being friendly and listening to the patrons, the Port still does what it wants. He asked the Commissioners to discuss the choices rather than forcing this rate change on its customers.

Imants Golts asked whether the fact that the marina has a net profit and the airport a net loss means that the Boat Haven subsidizes the airport. Mr. Taylor said that before depreciation the airport just about breaks even. Mr. Crockett noted that by law the Port must maintain the airport; there is no such mandate for maintaining the marina. The law also requires profits from the airport to stay at the airport. However, with a little help from fellow governments the airport could be making money with a light industrial park and those profits could come back to the Boat Haven.

In response to a suggestion from Dave Tarr that the Port might be trying to “bite off a pretty big chunk,” Mr. Crockett explained that the Port is not trying to complete these projects based on our cash flow. The current Point Hudson reserve fund will likely only provide for the engineering and permitting. The remaining portion of the Point Hudson marina redevelopment would require a revenue bond of roughly \$2.5 million. The replacement of A/B dock alone would cost approximately \$6–7 million. The Port could only raise taxes a maximum of 1% a year. He described efforts to reduce expenses, including reduced staffing and limiting vehicle use, taking vacation time in lieu of raises, and avoiding wasteful court costs fighting insurance claims. He is proud that in the last five years, the Port has gone into the black. He offered to take anyone on a walking tour of the Boat Haven or Point Hudson. Even though there is over \$10million in deferred maintenance at Point Hudson, the Commissioners have agreed not to take money out of the Boat Haven, but Point Hudson would have to be self-supporting. He is also doing whatever he can to make the airport pay for itself. Never again will another penny from another revenue source go to the airport.

C Dock tenant Stan Howell asked if there was a plan to reduce the 23% in debt service. He also asked if this debt (which will be gone in 12 years) was factored into the progressive moorage rate structure. Mr. Taylor said this 20-year debt was issued in '96-'98 and the only way to affect that percentage is to increase revenues. Mr. Harris assured that the Port takes advantage of opportunities to refinance the date at lower rates. Mr Howell pointed out that the hobby of boating is a luxury and one of the enhancements of living in Jefferson County. If that is “abused” or mismanaged, we might find the waiting list turning into empty slips. He would appreciate having the 23% debt eliminated to offset any moorage rate increases. Total current debt is approximately \$7.8 million. Mr. Pivarnik said that just to redo the docks in the existing marina would cost \$16M, money that would have to come from the boating public. Mr. Howell described this situation as a “death spiral” – by continuing to raise rates, the public will become unwilling to spend their discretionary funds here and there would be empty slips.

Mr. Crockett agreed, adding that this is why the Port needs to be allowed to expand its scope of services with revenue generating activities such as the industrial park.

Gloria Bram suggested the Commission look into using a property tax rate increase to buffer the moorage rate. Commissioners and Staff pointed out the difficulty getting additional tax support from people who do not own a boat or a plane.

D. Fire District Boundaries and JCIA

Mr. Crockett noted that he received a letter from Fire District Chief Boggs, proposing a three-way meeting – Fire District #1, Fire District #6 and the Port Commissioners. While Commissioners are willing to meet, they do not see this as a Port issue. He has made it clear that if the property were to be divided between the Fire Districts, the Port would not be able to contribute more.

E. Aero Museum Parking

Jerry Thuotte is proposing to rent additional land for museum parking. Mr. Crockett said that the Port might negotiate a rate lower than that for a building site, but would not give away property at below market rate. Mr. Thuotte has

sought guidance from Mary Vargas of the FAA. Mr. Harris questioned why the Port is considering a discount on a ground lease. Staff said no rates have yet been proposed. An update might be available at the next meeting.

F. 75-Ton Travel Lift Purchase

Port Yard Supervisor, Doug Lockhart, presented a summary of the proposed 75-ton Travelift purchase and broke down the estimated costs including associated Staff costs. He would like spreader bars instead of the standard sling set-up. It would give better support for larger vessels but would limit the vertical range. Raising the machine up to compensate would also raise the costs. These changes would add just over \$12K. Shipping would be about \$4,600 and the Port would have to supply a 35-ton crane for a minimum of two days and a man-lift with a 40' boom for 4 days of assembly. Mr. Harris suggested and the Commission concurred that Mr. Harris should review the standard warranty for any additions/changes.

**Commissioner Beck moved to purchase a 75-ton Marine Travelift at a cost of \$254,490 plus freight, taxes and warranty with overall estimated cost of \$285,778, with 20% down, and remainder due on delivery. The motion carried by a unanimous vote.**

Mr. Taylor reviewed the proposed financing plan. There was some discussion about where to advertise the sale of the 60-ton travel lift.

G. Disabled Veterans and Boat Ramp Fees

Mr. Crockett reported having received a letter inquiring why the Port doesn't offer a free use of the ramps for disabled veterans as the state parks do. He noted the Port does, in fact, give free ramp passes to veterans with VA paperwork verifying the disability. Since this was never adopted as an official policy, he suggested this be done. Staff could note this with an asterisk on the rate structure.

**Commissioner Sokol moved to direct Port Staff to adjust boat ramp rates to indicate that a disabled veteran at the same level disability as required by the park system be offered free use of Port of Port Townsend boat ramps upon proof of formal Veterans Administration disability rating. The motion carried by a unanimous vote.**

H. Update – Insurance Policy

Mr. Pivarnik reported having received 289 insurance policies that name the Port as an additional insured. Boats without either engines or electricity are exempt from this requirement. Of the 48 people who have not been able to respond yet, 45 are recreation boats, 3 are fishing. There is considerable movement with owners getting policies, but at some point after six months for instance, the Port would need to decide whether to issue an ultimatum. A letter was sent on October 22 reminding boaters and many have taken steps to comply.

VI. NEW BUSINESS:

A. Jumping Mouse/Jefferson Rotary

Mr. Crockett noted that Jumping Mouse is a non-profit organization that works with disadvantaged kids or those with disabilities. They will be using the Marina Room for a fundraiser and Ernie Baird had asked if this nonprofit could be granted a reduced rate.

**Commissioner Sokol moved that the Marina Room be offered at no cost to Jumping Mouse/Jefferson Rotary for use on Oct. 30, Nov. 11 and Dec. 2 for this purpose. The motion carried by a unanimous vote.**

B. Purchase of Slings for 300-Ton Hoist

Doug Lockhart reported having replaced four of the six slings and they each cost \$2,900 plus tax. He also needs 5 strap protectors to better shield keels. Mr. Crockett noted these items are currently in the budget, with a total of \$7,200.

**Commissioner Pirner moved to purchase slings as proposed. The motion carried by a unanimous vote.**

Commissioner Pirner also suggested that the Port enter into negotiations to grant the Executive Director authority to approve expenditures of up to \$10K.

VII. STAFF COMMENTS:

Mr. Taylor:

The state audit is now complete. As soon as the draft report is complete, he would schedule an exit conference. It does not appear there are any management recommendations.

Staff continues to work on the bond refunding.

Mr. Pivarnik:

As of October, there were 24 boats and 12 RVs in the Point Hudson marina for wintering over.

Mr. Crockett:

Staff and Commissioners are invited to a grand opening at the Shipwrights Co-op on Friday night from 5-10:00. He said this beautiful building should allow them to capture more projects.

VIII. PUBLIC COMMENT:

Clair Candler:

He would post the proposed moorage rates to the PT Yacht Club.

Gloria Bram:

She asked about the rental fee for the Marina Room. Mr. Crockett informed her that at the rate of \$50 for each night, the gift is valued at \$150. He also pointed out that the State Constitution allows for such charitable contributions.

IX. COMMISSIONER COMMENTS:

Commissioner Sokol:

He will plan to attend an RV summit in Port Angeles on November 3rd.

The mailboxes at Point Hudson have been updated and look nice. Mr. Pivarnik noted that the postal carrier complimented the Port on the new arrangement.

Commissioner Pirner:

The *Peninsula Daily News* Visitor Directory did not list the Port. Mr. Pivarnik's understanding is that directory listings were conditioned upon a paid advertisement.

There is foliage covering up the "Boat Haven" sign on Sims Way and the light on one side is perpetually out. Staff agreed to investigate.

Commissioner Beck:

He understands a new director would be hired for the Research Community and Development headquartered at WSU, but the position would relocate to Port Angeles. Mr. Crockett noted that City and Jefferson Co. EDC do not regularly attend the Jefferson and Clallam Peninsula Development Association meetings.

X. NEXT MEETING:

Wednesday, November 10, 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 9:40 PM, the Commission recessed into an Executive Session for 20 minutes to discuss real estate and legal issues, with possible decisions.

XII. ADJOURNMENT:

The meeting was adjourned at 10:10 PM, there being no further business to come before the Commission.

ATTEST:

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President

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Secretary

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Vice President