

PORT COMMISSION MEETING – November 7, 2007

The Port of Port Townsend Commission met in regular session in the Port Commission Chambers, 375 Hudson Street, Port Townsend, WA

Present: Commissioners – Sokol, Thompson, Beck
Executive Director - Crockett
Deputy Director – Pivarnik
Marine Facilities Director - Radon
Auditor – Taylor
Senior Accountant/Recorder – Hawley
Attorney – Harris

I. CALL TO ORDER

The meeting was called to order at 1:00 PM.

II. APPROVAL OF AGENDA

The Agenda was amended to defer New Business: Item B – Double D Electric Contract – Sail Loft Building until after January 1, 2008 and to add to New Business: Item F – Herb Beck Marina Septic. **Upon motion of Commissioner Beck, the revised agenda was unanimously approved.**

III. CONSENT AGENDA

- A. Approval of Minutes – 10/24/07
Commissioner Sokol’s “Talking Points from the 10/24/07 Meeting”
- B. Approval of Warrants
#38137 through #38167 in the amount of \$41,256.53
#38168 through #38177 in the amount of \$80,558.35
- C. Resolution No. 496-07 - Increasing Amount of Auditor’s Revolving Fund
Resolution No. 497-07 - Declaring Certain Items Surplus and Authorizing Their Sale and/or Disposal

Commissioner Beck made a motion to accept the Consent Agenda as presented. Motion carried by unanimous vote.

IV. PUBLIC COMMENTS (Not related to agenda)

Glen Paris-Stamm, in reference to Commissioner Sokol’s “Talking Points from the 10/24/07 Meeting”, asked that the wording on page 9, paragraph 5 “Current tenants are taking advantage of the past artificially low rates” be changed. She stated, that in her opinion, the current moorage tenants were paying the rates that had been set by the Port Commission and were, therefore, not taking advantage of anything, although, perhaps, enjoying the results of previous Port actions.

Discussion followed. Ms. Paris-Stamm’s comments were noted.

V. PUBLIC HEARING ON 2008 OPERATING BUDGET, 2008 RATES & 2008 PROPERTY TAX LEVY AND POSSIBLE ADOPTION OF BUDGET RESOLUTIONS

At 1:04 PM Commissioner Sokol opened the hearing and reminded attendees of the Port’s public hearing procedures.

Mr. Crockett informed that over the past five months the proposed 2008 Operating Budget had been discussed at both public workshops and regular Commission meetings. He reminded that the Commission had voted at the October 24, 2007 meeting to delay increasing Permanent Moorage rates until May 1, 2008 pending further evaluation and data collection.

Mr. Taylor informed that proposed document layout was very much the same as the one used in previous years. One notable change was the inclusion of the Fuel Dock Operation at Boat Haven. As the Port had taken over operation of the Fuel Dock in March 2007, it was not included in the 2007 Operating Budget but was in the proposed 2008 Budget. Mr. Taylor reviewed the proposed budget. He reiterated that the Consolidated Budget (on pages 3,4 and 5) brought forward all the information provided in the individual cost centers and summed up all proposed Port revenues and expenses for 2008.

He reviewed the graphs and charts which started with the “Revenue and Expense Summary for the Years 2000 – 2008” shown on page 7 and which tracked an eight year running history of Port growth showing the operating revenues, expenses and how it all translated through to Net Income. Page 8: “2008 Sources of Funds Total = \$6,628,310” was a chart showing from where the revenue funds are proposed to come from. Page 9: “Budgeted Sources of Funds for the Years 2004 – 2008” showed revenue during the last five years by

Cost Center. Page 10: “2008 Uses of Funds Total = \$6,628,310” indicated the proposed uses of the funds. Page 11: “Budgeted Uses of Funds for the Years 2004 – 2008” was a five year summary of the Uses of Funds by the major expense categories. Mr. Taylor advised that the next most important item was the information provided on page 12: “Direct Cash Flow Analysis – 2008” which essentially stated that if everything that was included in the proposed Budget document occurred as forecast, the bottom line for 2008 for potential funds available to be distributed into capital projects and into reserve funds was \$764,494. He advised that although that amount was \$78,000 less than the 2007 Budget forecast it was still better than any year actuals prior to 2006.

In summary, Mr. Taylor informed that the gross proposed revenues budgeted in 2008 were \$6,628,310 which was an increase of \$831,000 over the 2007 Budget and the direct result of the addition of the Fuel Dock Operation. He advised that other than the Fuel Dock there was very little growth in proposed revenues. He clarified that the proposed Work Yard revenues were budgeted at \$170,000 less than in 2007 because of the uncertainty of how the Work Yard rate reduction, adopted by the Commission on October 10, 2007 and effective November 1, 2007, would affect revenues.

Mr. Taylor informed that there were three items incorporated into the proposed 2008 Budget, which had taken place during 2007. #1 was the reduction in the Work Yard rate for boats staying in the Yard longer than 30 days and which went into effect November 1, 2007; #2 changes to the Hudson Point Marina Business Rates policy changes adopted in August, 2007, and #3 the Motion adopted at the October 24, 2007 meeting to defer Permanent Moorage Rate increases until May, 2008. The result of the third decision, reflected Mr. Taylor, was that in the proposed 2008 Budget the Permanent Moorage revenues were reduced by \$5,000 a month for the first four months of 2008, or \$20,000. That figure was carried through and reduced the amount of the transfer to the Boat Haven Renovation Reserve Fund by the same \$20,000.

Mr. Taylor proceeded to the total projected operating expenses, including what was proposed to be available for Capital Projects and put into the reserves and explained that it was the same figure as total proposed revenues of \$6,628,310. He referenced the pie chart on Page 10: “Uses of Funds” stating the amount represented an increase of \$1,090,000 from the 2007 operating expenses attributable to the addition of the cost of fuel sold at the Fuel Dock of \$687,000, and increased staff costs of \$253,000. Mr. Taylor reminded that, as had been discussed at previous meetings, most of the increase in staff costs were to pick up the staff positions that were created in 2007 to staff the Fuel Dock and which increased total FTE's from the 2007 Budget by 3.25 FTE's in the 2008 Proposed Budget. He advised that there was proposed for 2008 another staff position in the Finance Department as well as one additional summer temporary with additional budgeted hours.

Mr. Taylor advised that the Proposed Budget forecast a total of \$17,000 actual Net Income from Operations, which was, he stated, \$470,000 less than in 2007. The two largest contributions to this reduction was the reduction of revenue expectations in the Work Yard due to the rate reduction by \$170,000 and the other was the increase in Depreciation Expense by \$160,000.

In regard to the Non-Operating items, the 2008 Proposed Budget included the full amount of the property tax levy which included the 1% increase plus new construction and which was estimated to increase tax revenues by approximately \$32,000 in 2008. Other issues of note, he explained, were that the Debt Service Interest Expense was reduced by \$39,000 in 2008, and the Investment Interest was expected to be a little higher in 2008. The bottom line Net Income proposed for 2008 was projected to be \$389,830 compared to \$649,350 in 2007 resulting in a reduction from the 2007 Budget of \$260,000.

Commissioner Sokol opened the Hearing to public testimony.

Forrest Rambo stated that he did not understand how the \$55.00 a month liveaboard fee was calculated when, in his opinion, the only additional costs associated with living aboard one's boat was the solid waste stream. He informed that the weekly, residential rate for garbage pick-up within the City limits was around \$29.00 a month and he doubted that liveaboards generated that much solid waste. He stated that he was opposed to liveaboard fees but added that if they were based on the amount of solid waste generated, then, in his opinion, the City rate should be used for the basis of the liveaboard fee.

There being no other Public comments, Commissioner Sokol closed the Public Hearing at 1:20 PM.

A brief discussion followed regarding the different rate sheets, (Mr. Taylor noted that footnotes had been added where applicable), the desire to consolidate and simplify the rate sheets, the possibility of having a rate sheet that included all costs (including State Leasehold Tax) and that the Port was required by RCW to publish all rates and have them posted on the wall of every operations office so that all rates were readily available for customer information.

Commissioner Beck made a motion to adopt Resolution No. 498-07 – Adopting the Operating Rates for the Year 2008. Motion carried by unanimous vote.

Commissioner Thompson made a motion to adopt Resolution No. 499-07 – Setting the Actual Property Tax Levy Amount for the Year 2008.

Commissioner Sokol noted that Resolution No. 499-07 differed from the one in the Commission packet with the inclusion of a third “whereas” and which clarified that the 1% property tax increase for 2008, of \$7,920.00 would be transferred into the PTBH Renovation Reserve Fund which was created in November, 2004 by Resolution No. 433-04, for future PTBH Marina design, engineering, permitting, and renovation work.

Motion carried by unanimous vote.

Commissioner Beck made a motion to adopt Resolution No. 500-07 – Adopting the Final Year 2008 Operating Budget. Motion carried by unanimous vote.

Commissioner Beck noted that the budget process was far removed from when he voted on his first budget while with the Port. At that time, he informed, the budget was for a total of \$260,000 and Commission information was provided through a large ledger book with two boxes full of bills, statements and other supporting documents.

VI. OLD BUSINESS:

A. Change Order for Coast Guard Dock:

Mr. Pivarnik informed that this change order was for the addition of a rust inhibitor to the concrete used to protect structural steel rebar at the Coast Guard float. The inhibitor was recommended on the day of the actual pour with Fred Hill with the information that it would keep the steel rebar from rusting prematurely and would increase the longevity of the float from twenty-five to forty years. Mr. Pivarnik advised that Staff considered the additional \$4,000 plus WSST to be completely worthwhile. Additionally, he advised, that although the subject had been previously discussed, no formal Commission approval had been given and that was the reason behind bringing it to the Commission now.

A brief discussion followed about the benefits of adding the rust inhibitor and the Coast Guard dock in general.

Commissioner Sokol made a motion to approve the Change Order to the Coast Guard Float for the addition of rust inhibitor to the concrete in the amount of \$4,000 plus WSST. Motion carried by unanimous vote.

VII. NEW BUSINESS:

A. Operations Report – Month of October, 2007

Mr. Radon reported, beginning with Boat Haven, that the numbers were much the same as reported all year and that additional permanent moorage slips had been assigned. Nightly guest totals for October were 236 vs. 356 during October 2006, attributable, he advised to the fact that the Hudson Point Marina was closed last October for the beginning of the Reconstruction project. Boat Haven nightly guests, cumulatively, for the year were 5,944 vs. 5,625 for 2006 year to date. Ramp fees were still strong at 1160 dailies, year to date compared to 1036 for 2006 year to date. Annuals were below 2006 figures slightly at 327 vs. 353 for 2006. He reminded that the daily ramp fees were those collected at Boat Haven, Mat Mats and Quilcene during the shrimping season there and that no ramp fees were charged at Port Hadlock or for Gardiner.

Continuing on to the Work Yard activity, Mr. Radon advised that although the first week in October had been strong, business quickly leveled off and 52 boats were hauled out compared to 80 during October 2006. Year to date figures 771 this year compared to 792 for 2006.

Mr. Radon advised that the Ship Yard was fairly full now. The yearly cumulative total was 101 vs. 116 for 2006. He informed that there would be one more Navy project due to come in and that the Chillcat fleet was back in for the winter, with work scheduled with the Marine Trades businesses.

Mr. Radon noted that a new spreadsheet had been added to the operations report per request of Commissioner Thompson and it tracked the number of slips available on a nightly basis and then an estimate of the linear footage available.

A brief discussion followed regarding the new worksheet and the information it provided.

In conclusion, Mr. Radon informed that there were 260 nightly guests at Hudson Point during October. The number of nightly RVs were still down, following the trend established all year, at 454 compared to 495 during October, 2006.

Mr. Radon asked Commissioner Thompson if the spreadsheet provided, which listed the slips and linear footage available, was along the lines of the kind of information he was interested in.

Commissioner Thompson answered that it seemed like usable information and would be interesting to observe those numbers over the next year.

On that note, Mr. Crockett stated that at the beginning of the year, perhaps during a workshop, Staff and the Commission should discuss what sorts of information and types of graphs/worksheets would be most beneficial and that changes could and should be made when desired.

Commissioner Beck calculated that close to 40,000 visitors had come to Port Townsend through the Port's marinas and RV Park and advised that \$500,000 (conservatively) had been generated into the local economy.

B. Double D Electric Contract – Sail Loft Building

Delayed to a future time after January 1, 2008.

C. Hangar G. Condo Lease Extension

Mr. Crockett informed that a letter had been received from Jerry and Peggy Thuotte in which they requested that the lease for Hangar G be extended by ten years from a forty-year term to a fifty-year term. Mr. Crockett advised that other hangar leases were for fifty years and stated that Staff saw no problem with the extension other than that adding on ten years did add quite a bit of value to that building and to the individual units and advised that Staff thought that the rental rate for the land underneath the building should go to the market rate of \$.48/foot per year. Mr. Crockett further advised that all of the new hangars would have fifty-year leases.

Commissioner Beck made a motion to approve the Hangar G Condo Lease extension for an additional 10 years for a total of 50 years with a new rate of .48/foot per year increasing the rent to \$410.00 per month plus L.E.T. Motion carried by unanimous vote.

D. Key City Players Rental Request

Mr. Pivarnik informed that the Key City Players wished to expand their building and that the City of Port Townsend was requiring them to have an additional exit from their building over by the Skateboard Park. He advised that the only logical location for such an exit/entrance be off the backside of building which was on Port property. In order to install the exit/entrance and to meet all of the City Codes and requirements, the Playhouse would encroach onto Port property by approximately two to three feet. He advised that the situation could be handled in the same manner as that of the easement granted to the Swan Hotel for its balcony which was on Port property and for which the Port bills an annual charge for the easement. Mr. Pivarnik advised that Staff would like to help the Key City Players until they are able to build their new facility uptown and suggested the same solution as that used by the Swan. He proposed that we charge Key City Players \$10.00 a month (\$120.00/yr) to lease the land and give them an easement for five years for those three feet of land. At the completion of the five years and the new Key City Playhouse finished on Lawrence Street, all structures/ramps would be removed. He advised that the Port was not currently using the land and that it was not expected to be needed in the future.

Mr. Crockett advised that the easement would not impede the fire lane.

Mr. Harris advised that the easement should state that it could be terminated by either party before completion of the five year term.

A brief discussion followed.

Mr. Pivarnik advised that the City sought a standard agreement and would not issue Key City Players a permit until agreement with the Port was completed.

Commissioner Sokol made a motion to authorize Staff to enter into an agreement with Key City Players for the establishment of an additional exit to follow City requirements. Motion carried by unanimous vote.

E. Approval of Additional Warrants

Mr. Taylor informed that there were three additional batches of Accounts Payable warrants that needed approval. Warrant #38178 through #38243 in the amount of \$294,849.70, voided warrant #38196 for \$1,468.83 and reissued warrant #38244 for \$1,468.83 due to the need to change a vendor name.

Commissioner Thompson made a motion to approve the additional warrants. Motion carried by unanimous vote.

F. Herb Beck Marina Septic

Mr. Pivarnik informed that Jefferson County was now requiring the Port to have professional monitoring of the Quilcene septic system. The monitoring would include going up to the tanks and monitor flow and water intakes. Currently the Public Utility District #1 (PUD) was the only agency qualified to perform the service for us. The PUD has helped design an agreement at a cost of \$1,800.00 with them to contract with the PUD to monitor the septic system on a monthly basis for this year. During that year, informed Mr. Pivarnik, either one or two of the Port maintenance staff would be trained and become certified by the State so that the Port could provide the required septic monitoring for both Quilcene and the airport.

Discussion followed regarding the septic certification training to be offered by Jefferson County and that in order to get the water turned back on at Quilcene and get the project completed we had to enter into the agreement with the PUD.

Commissioner Beck made a motion to authorize Staff to enter into the agreement with the PUD to inspect and monitor the Quilcene Septic System in the amount of \$1,800.00.

Discussion followed to include that the PUD did not really want to be involved in the septic monitoring business, training for the maintenance staff would begin as soon as classes were available through Jefferson County and that Port certification would take place within six months – if all went well.

Motion carried by unanimous vote.

VIII. STAFF COMMENTS:

Mr. Harris requested an Executive Session for discussion of a real estate matter.

Mr. Radon announced that the planners of the Discovery Bay Fishing Derby (scheduled for February 16 through 18, 2008) had approached him about scheduling their event. He provided background for the Derby and stated that it was a fundraiser for the Discovery Bay Fire Department. In 2007, the event was moved from the Gardiner launch ramp into town at the Fuel Dock and had been very successful. In previous years, advised Mr. Radon, the Commission had voted to waive ramp fees for the event and wondered if the Commission would want to do so again this year.

After a short discussion, it was decided that the topic would be brought back to the Commission for formal action at the next Commission meeting.

Mr. Radon provided an update on the 70+ foot commercial fishing vessel “Cape Flattery” and which was now in the temporary possession of the Department of Natural Resources after going aground. He informed that the Boat Haven had heard over the Coast Guard radio station during the windstorm of a couple of weeks ago, that the “Cape Flattery” had drug anchor and that the Coast Guard was asking for assistance from any mariner large enough to grab hold of the vessel as the Coast Guard was not going out there. “Cape Flattery”, informed Mr. Radon, did eventually go aground and then swamped. The Coast Guard, once it had gone aground, would not allow the owner to move it until a raising and towing plan had been developed because once a vessel of that size had gone aground the Coast Guard wanted to be sure that any efforts to move it were going to be successful in getting it to a destination where work on it could be accomplished. The Coast Guard also initiated bringing in the National NCR, the spill responders, who pumped off fuel and took care of containment problems on the beach.

Mr. Radon informed that the Department of Natural Resources had stepped in and taken possession of the vessel as the Coast Guard would not and the Port had serious issues

previously with the boat owner due to his, historically, lack of resources to deal with this vessel. The Department of Natural Resources on November 2nd faxed a letter to the Port, which informed that they would take full responsibility for the vessel and that the vessel would be temporarily in their possession until they were able to determine whether the vessel owner could meet the DNR criteria.

Commissioner Thompson asked if Staff had requested that to take place.

Mr. Radon responded in the affirmative and stated that the Port had requested that someone step forward to take responsibility for the vessel since previously it had been necessary for the Port to contact the Jefferson County Sheriff's Department to evict that vessel. The Port needed someone to accept financial responsibility before we hauled the boat. DNR was actually in the loop before the boat was ever raised, had known about it as soon as it had sunk and placed the vessel on their list of vessels of concern and so was in contact with the Port before November 2. November 2, however, was when the vessel owner had been able to get the vessel raised and headed into Port Townsend. Staff had been in communication with the contact person for the State Derelict Vessel Program and we had been faxed contracts and the terms by which the State would guarantee the bill for that boat and then a contract for the vessel owner to sign agreeing to the terms appropriate to which they would guarantee that. Basically, he stated, the agreement gave the vessel owner 30 days to get repairs done on the vessel and then remove it from the Port. At the time the vessel was removed from Port property, DNR would sign off on their temporary possession. If, however, the owner was not able to affect repairs and remove the vessel within 30 days then the temporary possession by the State became permanent possession and DNR would move forward with either reusing, rebuilding, or demolishing the vessel.

Commissioner Thompson advised that it was his understanding that the vessel owner was financially responsible for the expenses so far incurred, that he was initiating a program to renovate the vessel, and that the 30 days would not be an issue.

Mr. Radon responded that it was his understanding that the State would accept nothing less than the vessel being ready to go in 30 days before they would release their temporary possession of the vessel back to the owner. In fact, he said, the contract reads that DNR would not release their temporary possession back to the owner until the vessel leaves the Port of Port Townsend premises.

Mr. Crockett provided two "hand-outs" from the Department of Natural Resources Derelict Vessel website which stated that in order for the vessel owner to redeem the vessel once DNR had taken custody of the vessel, that the owner must file a written request for a Hearing with DNR Aquatic Resource Division and that it would have to be filed before November 27th. Also, according to the contact person at DNR, only a bonnified, registered, insured marine trade business was allowed to work on the boat. Further discussion followed.

Commissioner Beck asked if the process was now completely out of the Port's hands and into those of the State of Washington.

Mr. Radon responded that yes, although the vessel was in the Port Ship Yard, it was there under the guarantee of the State of Washington.

Further discussion followed.

Mr. Crockett suggested clarification of meeting dates as the holidays approached. He reminded that the first November meeting had been moved up one week from November 14th, because of the Washington Public Port Conference, and that the second November meeting was scheduled for November 28th at 6:30 PM. Going forward into December, the first meeting would be on December 14th at 1:00 PM with a workshop preceding if the Commission had discussion topics. The second meeting in December would then be December 26 and Mr. Crockett suggested that the meeting be held at 1:00 PM instead of 6:30 PM.

After a brief discussion all were in agreement that December 26, 2007 Commission Meeting time would be changed from 6:30 PM to 1:00 PM.

IX. PUBLIC COMMENTS:

Forrest Rambo asked for an update on the Best Management Practices video.

Mr. Radon informed that the CD had been delivered and that the voice selection was the next/last item to finish the draft and that he had not yet viewed the draft. Filming, he stated, had just finished.

Mr. Rambo inquired if the project was still on budget.

Mr. Radon responded that the price had not changed, however, it had taken more time than first anticipated to put together.

A brief discussion followed to include if the Commission wanted to take part in the voice decision process, it was decided that unless Staff encountered problems that the Commission would defer to their opinion on voice selection.

Glen Paris-Stamm stated that 13 months ago she had requested a green sign on the rocks at Boat Haven to inform people coming down the outer channel, 11 months ago the Port finally put up a sign which, in her opinion, was very difficult for boaters to read. She informed that this morning around 8:00 AM the 80-foot “Lady Kate” tried to go down the wrong channel because it was high tide and the sign, which was at, eye level was not discernable to them and the outer channel looked like a nice place to go.

Mr. Pivarnik asked if she was saying the sign was underwater.

Ms. Paris-Stamm informed that the sign was at water level and if it is high tide boaters don’t look down to observe it because it is below eye level. Boaters, she said, are not sure where to go.

Commissioner Sokol informed that Staff would investigate the issue.

Discussion followed regarding how the sign had been recently repainted (still red and black) and possible locations for posting “Do Not Enter” signage.

X. COMMISSIONER COMMENTS

None .

XI. NEXT MEETING: will be held Wednesday November 28, 2007 at 6:30 PM in the Port Commission Chambers, 375 Hudson Street, Port Townsend

XII. EXECUTIVE SESSION

The regular meeting recessed into executive session at 2:16 PM for discussion regarding two real estate matters and one personnel matter update, duration of thirty minutes for all three topics and possible action.

XIII: ADJOURNMENT:

The regular meeting reconvened at 2:46 PM and adjourned at 2:47 PM there being no further business to come before the Commission.

ATTEST:

President

Secretary

Vice President