

PORT COMMISSION MEETING – September 25, 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; Commissioner Beck arrived at 6:39 PM

Executive Director - Crockett

Deputy Director – Pivarnik

Auditor – Taylor

Senior Accountant/Recorder – Hawley

Absent: Marine Facilities Director – Radon

Attorney – Harris

I. CALL TO ORDER

The meeting was called to order at 6:30 PM.

II. APPROVAL OF AGENDA

The agenda was amended to reflect the addition to Old Business of Item F – Duplex Furnace and Item G – Post Dredge Survey for Hudson Point. **Upon motion of Commissioner Thompson, the amended agenda was unanimously approved by vote of the two Commissioners present.**

III. CONSENT AGENDA

A. Approval of Minutes – 9/12/07

B. Approval of Warrants

#37818 through #37848 in the amount of \$38,242.66

#37849 through #37853 in the amount of \$39,083.10

#37854 through #37924 in the amount of \$116,659.26

C. Resolution No. 495-07 – Authorizing Sale of Abandoned Vessels

Commissioner Thompson made a motion to approve the Consent Agenda as presented. Motion carried by unanimous vote of the two Commissioners present.

IV. PUBLIC COMMENTS (Not related to agenda)

John Collins inquired about the date listed in the RCW which stated that Port's are supposed to have a preliminary budget published by September 15th and wondered if that date was still correct or if it had been waived.

Mr. Taylor informed that the RCW stated that the September 15 date was not binding if certain criteria were met and that the only binding date was November 30 by which time the adopted budget had to be filed.

V. OLD BUSINESS

A. Hudson Point Marina Project Update:

Mr. Crockett informed on the meeting held September 24 between Reid Middleton, Port Senior Management, Commissioner Thompson and Little & Little Construction. He advised that the Hudson Point Marina project had been discussed in depth and the final punch list reviewed in detail. He stated that Shannon Kinsella, Reid Middleton Engineer was going through the punch list and would categorize each of the items listed into levels of importance or urgency. When returned from Reid Middleton, staff would review the list and bring it back to the Commission for its input and review. Once that was completed, Mr. Crockett advised that he would draft a letter to Caicos Corporation listing the items that needed to be resolved and give them a time period in which to respond.

Commissioner Thompson inquired if the dredge specifications were specific.

Mr. Crockett responded that the dredge specifications had been specific but that the post dredge survey specifications stated only that there would be a post dredge survey. Mr. Crockett advised that last week Dave Barry of Caicos Corporation, had sent a person here to begin the survey but that it had been unclear if the person had been sent to actually perform the post dredge survey or if he was doing it as an internal quality control check for Caicos Corporation. Mr. Crockett informed that staff expected an underwater, full detail contour map (similar to the survey performed at the project start by Clark Land Survey). He advised that the concept held was that the second survey could be overlaid on the original survey and would allow determination of whether the specified dredging depths had been obtained. Mr. Crockett asked for authority from the Commission to pursue hiring Clark Land Company (since they had data on file) to perform an independent underwater survey

if the one performed by Caicos did not meet staff's expectations. The cost, he estimated, would be between \$3,500 and \$4,000.

Commissioner Beck arrived at 6:39 PM.

Mr. Crockett strongly advised that although there were project items that needed to be resolved, as, he stated with most projects, the Marina had never been, nor was it now, unsafe.

A short discussion followed regarding the punch list, the resolution process involved and the overall project.

Commissioner Sokol made a motion to authorize Staff to proceed with an independent in water survey to be performed by Clark Land Company for not more than \$4,000 in the event that the post dredge survey performed by Caicos Corporation did not meet expectations. Motion carried by unanimous vote

B. JCIA Taxiway Update:

Mr. Pivarnik provided an update on the airport project stating that, unlike other projects, every item needed to be approved by the FAA. He informed that an asphalt sample had been submitted to the FAA for testing. The taxiways, Mr. Pivarnik, stated, should be paved on September 27 and 28, weather permitting.

A short discussion followed.

C. EDC contract for JCIA:

Mr. Pivarnik provided an update on the topic by stating that during a recent meeting with Ian McFall of the EDC, a work statement had been developed which would allow the EDC to move forward in soliciting aviation related manufacturing business to the airport. He advised that as originally presented, the upfront compensation would be \$5,000. The next phase would be for compensation to the EDC for traveling to interview prospective companies at \$50.00/hour. Although various scenarios had been discussed, stated Mr. Pivarnik, the final compensation to the EDC, should it be successful in bringing a company here, would be based on the total number of employees of the firm at December 31st each year, and payments made to the EDC each year, based on a five year average, with a cap of \$20,000. Therefore, advised Mr. Pivarnik, the total, final commitment due from the Port would be \$25,000 maximum.

A discussion followed which included the development of jobs for the community, the mechanics of recruitment of a business to the airport, the zoning at the airport, the possibilities for future development and that a recruited business would probably wish to construct a building so that a substantial investment would be made on their part.

Forrest Rambo inquired if other Ports had been contacted and if so, what kinds of arrangements had been made with their community Economic Development Councils.

Mr. Crockett responded in the affirmative and briefly informed on the various existing situations.

Further discussion followed regarding the different types of EDCs around the state.

John Collins expressed the need for caution in paying the compensation amount based on an employee head count because, in his opinion, that figure could vary across the seasons and might involve family wage jobs as well as contract workers and suggested that a figure based on gross employment or wage dollar figure might be more accurate.

Mr. Crockett informed that the legal paperwork to be developed by Attorney Harris would state specifically "full-time employee" and that a half time or contract person would not be counted.

It was decided, after further discussion, that a motion was not needed at this time.

D. Nurse's Quarters Building Cost Estimate:

Mr. Crockett provided background on the topic. He advised that in order to move forward with T's Restaurant leasing the 3500 sq. ft. building (the last building at the end of Hudson Point and in the worst shape), a walk through had been done, gratis, by Richard Berg and Aldergrove Construction, himself and the Port Maintenance

Supervisor. Aldergrove was the company contracted by the Port to work on the Port Administration building reconstruction and they had a thorough knowledge of how to proceed with reconstruction of the structures at Hudson Point. Mr. Crockett informed that a list of items necessary to restore the building was compiled and that the estimated bottom line cost for restoration was \$463,000.

Mr. Crockett stated that items like the structural integrity of the building, exterior protection, windows and utility infrastructure were items that the Port should provide.

Discussion followed regarding the various costs and that the owner's of T's Restaurant would meet with Richard Berg to discuss details and possible alternatives.

Mr. Pivarnik advised that the estimated cost attributable to the Port would be \$185,000 with the remainder borne by the tenant based on a long-term lease.

A brief discussion followed which included the fact that restoration of the building had been included in the 2007 Capital Budget and that it was going to be necessary, whether the building was leased or not, to stabilize the exterior to prevent water leakage into the walls and causing further damage.

Commissioner Sokol commented that with the City Demolition Ordinance in effect costs of between \$50,000 to \$60,000 could be expected just to go through the studies to justify tearing down the building.

Mr. Pivarnik advised that the building could not be leased in its current condition.

Tim Hoffman, Steelhead Marine, stated that he was curious about the commitment of restaurant owners for a five-year lease, which, he stated was the maximum lease length in the Boat Haven.

Mr. Pivarnik reminded that the Townsend Bay Marine lease was a 30-year lease and that anyone who built a building was extended a long – term lease. He stated that although, technically, this would not be a completely new building that enough of it would be rebuilt to put the building into that classification.

Forrest Rambo stated that of prime interest was that of preservation of the building. He questioned resolution of the potential parking problems if a third restaurant was added to Hudson Point.

A brief discussion followed regarding possible parking solutions. Also discussed was the use of the buildings and that the Port was limited in Hudson Point to marine related use.

Commissioner Thompson inquired whether the Historical Society had any funds available to help in renovation.

Mr. Crockett responded that, in most cases, grant money wasn't free money in that a match was usually required. He also stated that since so much revenue had already been given to Port Townsend over the past decade that the idea was now to spread grant funds to other communities within the State. He advised that staff would continue to pursue any and all possibilities.

Glen Paris-Stamm suggested that the Port advertise and seek individuals who were willing to put up funding for building restoration.

E: 2008 Operating Budget Update:

Mr. Taylor requested input from the Commission regarding permanent moorage rates, guest moorage rates, Work Yard and Ship Yard rates, Marine Trades 3% contribution revenue, property taxes, staffing levels and separation of travel and training before final preparation of the 2008 Draft Operating Budget.

Regarding permanent moorage rates, he reminded that 2007 was the final year of the permanent moorage rate policy that was adopted in November, 2004. He informed that some alternatives to that policy had been discussed and that continuation of that policy was one option. An additional option was to postpone rate increases until after the first of the year. He stated that, in addition, Paul Sorensen, of BST Associates, had been invited to attend the October 10, 2007 workshop and brief the Commission.

Commissioner Beck stated that he was in favor of continuing with the 3 year rate plan.

Commissioner Sokol remarked that the bottom line decision was that rate increases could be postponed until 2008 and then to proceed with a one or three year plan.

Mr. Crockett advised that he recommended that the moorage rate issue be postponed until at least January 1 in order to gather more information from the consultants and allow time for the new commissioner to come on board.

Commissioner Beck stated his belief that Mr. Sorensen was going to want to increase the rates more than was acceptable to the moorage tenants. He stated that he wished to get the rate issue over and done with and not have to deal with it again in the future. He reminded that the rates could be changed in the future if it was believed necessary.

A lengthy discussion followed.

Commissioner Thompson, when asked his opinion, stated that he suspected that the figure that Mr. Sorensen would present would be unpalatable to the moorage tenants. He was in favor, he said, of raising the permanent moorage rates by, at least, the CPI amount plus moving toward an equal square foot rate.

Additional discussion took place.

Gary Rossow stated that he had sent a letter to the Commission in which he advised that he had an issue with the application of the rate formula as it moved into the 2nd phase of the permanent moorage rate structure and believed it was important to structure the rates according to the slip sizes. He provided background and a summary of his dispute. He advised that, in his opinion, if the Port was going to have a progressive rate structure and said that it was being done for equity reasons, then it should be implemented on an equitable basis.

Mr. Crockett clarified that Mr. Rossow meant to include more break points.

Mr. Rossow stated that he did not think there should be a break point for every foot of boat, but that there should be additional break points.

Mr. Taylor stated that he understood what Mr. Rossow was saying and then he clarified that in our particular case, the Port did not have any 25, 35 or 45 foot slips it had 20s, 30s, and 40foot slips that, previously, the Commission had redefined as 25s, 35s and 45s slips, however, he informed, if someone was to go through the marina and look across the slips, behind Mr. Rossow are 45 foot slips, but they were exactly the same width as his slip.

Mr. Rossow stated that those slips must be longer.

Mr. Taylor informed that they were not longer. He stated that the docks were exactly the same size but since the fairways were so wide because the Commission, back in the early 1990s, redesignated a large number of slips into longer categories in order to move boats off the waiting lists.

Discussion followed regarding the slip sizes, linear footage and the charges for those slips.

After further discussion, Mr. Rossow stated that there was a rate according to the size slip one had. He stated that the Port had 40 foot slips and that it had 45 foot slips.

Mr. Taylor reiterated that there were, actually, no 45 foot slips.

Additional discussion followed.

Tim Hoffman suggested that, in his opinion, the equitable way to charge was based on a square foot for the entire length of the vessel.

Mr. Rossow stated that he was not suggesting that every boat be measured but that if we were marketing two different slip sizes in the principal of a square footage based rate structure then, in his opinion, there ought to be a different rate.

Commissioner Beck thought that it was just getting too complicated. His recommendation was to precede with the three year formula already in place and have the rate increase January 1st as had been done in the past.

Moving forward, Mr. Taylor informed that no changes were proposed for nightly guest moorage rates, and that monthly guest rates would increase proportionate to permanent moorage % increase.

Discussion followed regarding the monthly guest moorage category and the permanent moorage waiting lists.

Gary Rossow stated, that in his opinion, the policy which defined the amount of reimbursement for permanent moorage tenants who use the credit system, needed to

be adjusted and stated that it was too low. He advised that often permanent tenants leave their slip and don't notify the office that they are out for a period of time because they don't see enough financial incentive in the program. He suggested making an adjustment to the policy.

Discussion followed regarding the credit system policy.

Commissioner Thompson inquired if the numbers were readily available for the total number of slips that were reimbursed and for the number of days the permanent tenant was gone. He recounted hearing that some boaters had notified the moorage office that their slip would be available while they were on vacation but that no one had rented their slips during the entire time the permanent tenant was out of the slip.

Discussion followed regarding how some slips were more popular than others.

Progressing on to the Work Yard, Mr. Taylor advised that revenues were down somewhat compared to last year. However, he stated, we had actually only hauled out one boat less than in 2006. The cause of the decreased revenues he stated appeared to be related to the fact that a lot of long-term projects were gone and people were staying for shorter times in the Yard. The significant rate increase in 2007 apparently was having an impact and that the budgeted revenues probably would be missed by approximately \$100,000. His recommendation was to resume the two-rate structure (one rate for short-term projects and another rate for projects over 30 days) in the Work Yard, or perhaps some other type of incentive program.

Discussion followed which included how we had gone to the single rate in order to move some of the long-term project boats that were not being worked on out of the yard with the anticipation that we might generate three projects to replace that one and that there were no proposed rate increases for either the Work or Ship Yards.

Mr. Crockett suggested offering some type of incentive, or discount program and informed on various ways to go about it. He stated that he would like to explore a tie in to the Marine Trades possibly with a discount given to the boat owner who used Marine Trades businesses or contractors who were registered with the Port. He suggested that administrative details for that sort of incentive program still needed to be resolved.

Discussion followed.

Gordon Neilson, Marine Trades Association, stated that a letter had been sent to the Commission in which the Association supported a 20% reduction be given to boats that come into the Yard for work done on them by Marine Trades businesses. He stated that he thought that the Marine Trades had already shown the Port that they were accountable and would keep staff current as the work progressed. He advised that the fishing fleet might choose to come here from Alaska for the winter and if they did, it would be a wonderful opportunity for the Marine Trades. He suggested that if the Commission decided to offer a discount that advertising of that fact be done as quickly as possible to get the word out through the trade journals and at the Fish Expo. He stated that the Trades wanted to go on record regarding what they needed and that they needed it sooner than later. He advised that 40% to 60% rate increases were hard to sustain especially in light of the high fuel costs.

Commissioner Beck wanted to clarify that the 20% discount would be given to just those vessels that were worked on by Marine Trade Businesses but not to boat owners who did the work themselves.

Mr. Crockett stated that the proposed discount would be given if the work was performed by Port's leaseholders or registered contractors.

Discussion followed regarding the discount, who would qualify, how it would be administered (perhaps a single page form), and how the boat owner who does the work on his vessel himself might not qualify for the discount but that it might be an incentive to him to hire one.

The discussion turned to the possibility that Commissioner Thompson, as a Marine Trade Businessperson and one who might stand to benefit from the proposal, might wish to recuse himself from the conversation and from the meeting, however he remained stating that he was participating as a Commissioner and was concerned with the lost revenues.

Glen Paris-Stamm stated that in her opinion he was not going to gain from the proposal.

Forrest Rambo suggested that Commissioner Thompson could recuse himself from the vote but could remain as a participant in the discussion.

Commissioner Sokol advised that once someone recuses himself, he should leave the room, as they should not be part of the conversation, which can be non-verbal as well as verbal.

Gordon Neilson stated that creation of a document trail would be easy because the Marine Tradesperson would have all of the receipts and invoices to match up with the client who was requesting the 20% discount.

Mr. Taylor informed that in his opinion, it would be far simpler to have two rates in the yard, one for long-term projects (over 30 days) and one for short-term projects.

There followed additional discussion.

Mr. Crockett stated his preference for somehow tying the discount to the Marine Trades.

Diana Talley, Port Townsend Marine Trades Association, advised that it was a big issue for the trades because they had started a survey to be distributed to their customers in which they asked for feedback on all kinds of questions, not just about rates. She stated that the trades were not having the return customer as they had had previously. She really hoped that the Commission would consider the reduction in rates to encourage customers to return as the Marine Trades were feeling the loss of business and long-term customers. Although there were many ways in which to make such a program unworkable, she said, she thought it could be done equitably and that it would really promote economic growth and stability for the trades.

Tim Hoffman stated that it seemed highly unlikely to him that any boat would sit at one of the businesses and be inactive. He said that work would be done so that there would be turn over and another project could be taken on. As far as someone patrolling he suggested that Terry Khile, as he was making his environmental rounds, could keep track of what was happening in the yard.

Gordon Neilson thanked Mr. Crockett for his recommendation that rate increases be postponed to later. He also appreciated the concept of the discount. He advised that the Marine Trades were usually successful in getting projects completed and moved out of the yard so that another project could be started.

Diana Talley asked for some type of advertising to get the word out so that there was a possibility of recouping some of the lost customers, which in turn, would help the economy.

Mr. Crockett suggested that staff would draft some ideas and put them together for the next Commission meeting. In the end, it would need to be in a form that could easily be administered fairly and pass the State Auditor's scrutiny.

Resuming the operating budget discussion, Mr. Taylor advised that no change was proposed for the Long Term Yard rates or in the Ship Yard rates.

A short discussion followed involving the 3% Marine Trades Contribution surcharge, the CERB paperwork and the original businesses involved.

Mr. Taylor resumed by stating that there were no proposed rate increases for Hudson Point for the RVs.

Discussion followed to include the decrease in RVs this year, and possible reasons for the decrease.

Mr. Taylor stated that unless he was directed to do otherwise he would budget the 1% tax levy increase with new construction and continue with the transfer of the 1% tax levy revenue to the Boat Haven Renovation Reserve Fund.

Moving on to staffing levels, he advised, the proposal was for one new position in accounting/finance. The environmental safety position, which was budgeted for in 2007, was still unfilled and was probably going to be filled by a current employee moving into that position. A third seasonal moorage staff was proposed and the total hours for the temporary seasonal employees were expanded from 765 hours a year to 975 during 2008 and for a time period from April through October. Also proposed

was a seasonal, teen, fuel dock helper. All in all the proposed changes would increase staff costs by \$145,000.

Discussion followed.

The final item addressed by Mr. Taylor was that of training and travel which was currently included in one line item in the budget. He asked for input regarding whether or not to separate actual training costs from travel expenses.

Discussion followed.

F. Duplex Furnace:

Mr. Crockett informed that the Gathering Place furnace had been belching out black smoke on Sunday, September 23 and had to be shut down. The furnace, one of two in the duplex building in Hudson Point, was approximately in the 1930 – 1940 vintage. Last year, he informed, the furnace on the other side had to be repaired extensively.

Mr. Pivarnik provided background and reminded that the solution to the duplex building had been an ongoing issue for discussion for a number of years. The Gathering Place furnace, he informed, was not repairable. He advised that there were various solutions to the problem, one was to replace both of the furnaces, the other was to replace the two furnaces with one new one and then, somehow, distribute the charges equitably between the two tenants. Although the Gathering Place did not pay rent, however, they had taken care of all maintenance issues since the beginning of their occupancy. They did not have the money to invest in purchase of a new furnace, which, stated Mr. Pivarnik should actually fall to the Port as building owner. Therefore, he recommended that both furnaces be replaced at the approximate cost of \$7,000 each. He advised that he wished for direction at this meeting because with the weather changing he did not want to allow the building to sit for a period of time without heat.

Commissioner Sokol stated that, bottom line, if the building was going to be continued to be used there had to be heat available.

Commissioner Beck agreed that it seemed that the only reasonable thing to do was to replace the furnace.

Discussion followed regarding different scenarios other than replacement of both furnaces such as placing a flow meter on each side of the duplex to monitor the amount of fuel used by each or the installation of a propane heater in each building.

Commissioner Beck made a motion to authorize Staff to proceed with replacement of the two furnaces at the Hudson Point duplex in an amount not to exceed \$15,000 including WSST.

Commissioner Thompson stated that he would like to see the most efficient, high quality, system installed.

Motion carried by unanimous vote.

G. Post Dredge Survey:

The item was addressed under Hudson Point Update.

VI. NEW BUSINESS

None

VII. STAFF COMMENTS

Mr. Pivarnik informed that the advertisement for Requests for Qualifications (RFQs) for Architects had been placed in the Daily Journal of Commerce for the fire station at the airport with a closing date of 10/12/07.

Mr. Crockett informed that he and Mr. Pivarnik were meeting with PND on Wednesday, September 26, 2007 to go over facts and figures in preparation for the next Boat Haven Advisory Committee Meeting.

Mr. Crockett informed that he had spent Tuesday, September 18 at Jefferson County in a meeting regarding the County Shoreline Master Program which had been restarted. One thing he had discovered was that most of the Quilcene Bay area had been labeled “natural” and he had informed the Committee that the area was far from natural with the marina, residential development and Coast Seafoods. He explained the different terms, natural, conservancy, residential and intense. The process, he informed, was a lengthy one. A short discussion followed.

VIII. PUBLIC COMMENTS:

Forrest Rambo commended Staff on the good job done in presentation of proposed rates and to Mr. Crockett for his additional attempt to postpone rate adoption until spring of 2008.

John Collins commended the reception of the idea/proposal from the Marine Trades Association for the proposed discount. He stated that it might make a difference to some of the local businesses in that they were financially hurting a bit now.

IX. COMMISSIONER COMMENTS

Commissioner Thompson informed that he had attended a Ferry Advisory Committee meeting wherein they had been trying to ascertain where to put the ferry parking holding lanes. Ten alternative scenarios had been discussed, one of which was the Port's long term storage area. He advised that, in the end, the spot picked was the parking area where the Chamber of Commerce building now sits and alongside the nursery on the Jefferson Street side in front of the art gallery.

Commissioner Beck informed on the Cleanwater District meetings he had been attending.

Commissioner Sokol (in response to questions regarding the Port minutes) stated that he was pleased with the way the Commission minutes were being written; that enough information was being provided without the minutes becoming a verbatim record.

Commissioner Beck stated that he believed the Port Recorder was doing an excellent job and that the correct recording of the motions was the most important thing.

Commissioner Sokol stated that he recently attended a City Council meeting on water policy and water rates and at which he had addressed the Council (as a private individual and not as a Port Commissioner) regarding its policy on sprinkler systems within businesses. He also spoke, again as a private individual, against raising rates for water, wastewater and stormwater, and explained how those kinds of rate increases affected businesses on Port property. He advised that the City Council had delayed adoption of the water policy and rate structure until the October 1, 2007 meeting.

X. NEXT MEETING: will be held Wednesday October 10, 2007, at 1:00 PM; Workshop preceding at 9:30 AM in the Port Commission Chambers, 375 Hudson Street, Port Townsend

XI. EXECUTIVE SESSION

None

XII. ADJOURNMENT:

The regular meeting adjourned at 9:46 PM there being no further business to come before the Commission.

ATTEST:

President

Secretary

Vice President