

## **PORT COMMISSION MEETING – November 12, 2008**

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

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

### I. CALL TO ORDER

The meeting was called to order at 1:03 PM.

### II. APPROVAL OF AGENDA:

The agenda was amended to reflect the addition to New Business of Item F – Proposition #1 (Local Electrical Power) Passage and Item G. – Quilcene Chamber of Commerce.

**Commissioner Thompson moved to approve the Agenda, as amended. Motion carried by unanimous vote.**

### III. CONSENT AGENDA

- A. Approval of Minutes – October 22, 2008  
Approval of Minutes – Special Meeting – November 3, 2008
- B. Operations Reports – October 2008

**Commissioner Collins moved to approve the Consent Agenda, as presented. Motion carried by unanimous vote.**

### IV. PUBLIC COMMENTS (Not related to agenda):

None

### V. PUBLIC HEARING ON 2009 OPERATING BUDGET, 2009 RATES AND 2009 PROPERTY TAX LEVY:

Mr. Crockett informed that the Public Hearing would be continued tonight at 6:30 PM in the Point Hudson Marina Room.

At 1:05 PM Commissioner Thompson opened the Hearing and reminded attendees of the Port's Public Hearing procedures.

Commissioner Collins asked if he might offer a few comments before the Public Hearing commenced. Reminding that this was the first Budget cycle in which he had taken part since becoming Commissioner he advised that one issue, that of how to determine what increase in rates was appropriate in order to be both fiscally responsible and yet fair to the users who pay for Port services, remained a perplexing one to him.

He provided historical information regarding the continued use of the Federal Department of Labor Statistics Consumer Price Index (CPI). He also offered information regarding another method used to determine inflation that of the Implicit Price Deflator which, he informed, was a measure that attempted to define the overall increase in Gross Domestic Product (GDP), which was a summary of all goods and services.

The CPI index for Seattle/Tacoma/Bremerton was currently running, he informed, 4.9%, however if energy costs were removed from the equation the rate reduced to 3%. The GDP index was 2.6% as of July 1, 2008.

Another method to determine a fair and equitable rate increase, he advised, was to look to the actual cost of expense worksheet prepared by Director of Finance, Mr. Taylor, that provided a historical look of how costs had increased from 2002 through 2008.

Commissioner Collins advised that he did not have a counter proposal in mind for using CPI as a method of rate adjustments and asked for suggestions and ideas from those citizens present. He noted, however, that CPI (not to exceed 5%) was used to determine the amount of increase given in 2009 to the Teamsters Union Port employees as negotiated in the current contract.

In summation, Commissioner Collins advised that, in his opinion, the 5% rate increase was probably higher than was needed to recapture the true expenses increase and that a common sense figure to him was in the 3% to 3.5% range. He reiterated that he did not, as yet, have a good way in which to pin down the most accurate increase but that the Port was looking for some fairly objective indicator of what were the real costs and what would be the most accurate way in which to pass those costs along to the consumer to remain fiscally responsible.

A very thorough discussion about the topic and Commissioner Collins comments followed.

Mr. Taylor reminded that this was the first Public Hearing on the 2009 Proposed Budget, the 2009 Operating Rates and the 2009 Property Tax Levy. He advised that discussion of the budget had begun in August and had been a topic of each Commission Workshop since then. The first twelve pages of the proposed Budget (the Budget summary), he stated, were on the Port website and that, to date, only one hard copy of the Budget had been requested and that was by a member of the Press.

Mr. Taylor informed that the Budget had to be formally adopted by November 30, 2008 and reminded that this year that day fell on a Sunday preceded by the Thanksgiving Holiday; therefore, he had only one day, November 26 to incorporate any changes adopted by the Commission at the November 25, 2008 meeting.

Mr. Taylor detailed the major Budget assumptions briefly. He advised that in 2009, assumption was that the JCIA fuel operation would be leased out as of January 1, 2009, therefore, there were no line items aside from a revenue flowage fee incorporated into the Budget, and all costs associated with it had been deleted. Essentially, he informed, there were no changes to the Budget document from the one presented at the October 22, 2008 Commission meeting. The Budget did include (should the Commission decide to take it) the 1% Property Tax Levy increase (generating \$8,180) the estimate for new construction (\$20K) and a 5% increase to all major user rates. He advised that all the additional revenues generated from any rate increase on Boat Haven Permanent Moorage would be transferred into the Boat Haven Renovation Reserve Fund (an estimated amount of \$45K). Also transferred into the reserve fund would be the revenues associated with the 1% Property Tax Levy increase. Also funded and put into the reserve, would be the Commission authorized \$250K annual transfer therefore resulting in a total into the Boat Haven Renovation Reserve fund of \$303,180. The total proposed 2009 Budget was \$6,377,160.

Additional discussion followed.

Moving forward to the proposed operating expenses for the 2009 Budget, Mr. Taylor informed that the Budget called for 2.05 F.T.E. less staff in 2009 (he outlined what made up the reduction) resulting in staff cost reduction of \$40K, reduction of the costs associated with the JCIA fuel operation and reduction in the Boat Haven Fuel dock costs due primarily to the way in which the Cost of Goods Sold (fuel) would be accounted. There were other reductions to expenses, he noted, legal expense was proposed to go down as were both travel and training, the cost of operating supplies was budgeted to remain the same as for 2008.

Discussion followed about the proposed budget and economic trends.

Commissioner Thompson opened the Public Hearing to public testimony.

Gary Rossow stated that he represented the Moorage Tenants Union and on their behalf read a prepared statement listing five points of concern expressed by the Moorage tenants. Essentially, the Moorage Tenants, he stated, believed that using the Consumer Price Index (CPI) as the basis for the proposed 5% rate increase was arbitrary and inappropriate; they asked that the Commission hold the line on fees for 2009 and focus on expenses; the Port was on secure financial footing with significant reserves and did not need to increase rates to cover debt service payments in 2009; there was a \$1.8 million in reserves which was projected to increase in 2009 to \$2 million; lastly that the Boat Haven moorage revenues (without fee increases) minus expenses and before depreciation was projected (by calculation of the Moorage Tenants) to be a gross profit margin of 40%. He offered information and statistics on each of the points.

Don Havilland stated that he did not believe the Port should use CPI as an index for raising rates and thought that doing so was inappropriate, offering that increasing rates should tie directly with increased expenses. He stated that, in his opinion, the Moorage tenants were not treated with respect and that the Boat Haven was used both in the past and currently, as a “cash cow” that had brought the Port out of financial difficulties in the past and continued to fund other projects. He suggested that instead of raising rates that the Port reduce further its expenses and tighten its belt.

Ed Barcott thanked the Commissioners for scheduling two meetings so that citizens who worked could participate in the Public Hearings. He inquired when the vote would be taken on the proposed Budget and informed that in the past an item had to appear on the agenda three times before a vote was taken. He suggested that all Port Commission meetings be evening meetings.

Karen Sullivan stated since it was a Public Hearing, therefore, in her opinion, it was all about “hearing” and that she was hearing many different numbers, which made the process very confusing to her and made it difficult to understand why a 5% increase in rates was

necessary. She advised, additionally, that the Port needed to understand that Port Townsend was unique with a great sense of place and a deep feeling of community and that it was a maritime community which, in her opinion, could be found no where else. Ms. Sullivan expressed deep concern that the Port would turn into a parking lot full of expensive boats from other places and that all the small boats and boaters would be driven out. She spoke to the financial situation of many Jefferson County residents. In conclusion, Ms. Sullivan asked that the Commission really listen to the statements made by citizens during the two meetings and expressed hope that the Commission would hold the line on rates in 2009.

Susan Moffat stated that she really did not have an agenda regarding the proposed rate increase one way or another, she did not wish to see people pushed out of the marina due to an increase in rates but she also thought it was really important for the A/B Dock reconstruction project to move forward.

Commissioner Thompson closed the Public Hearing to public testimony at 1:58 PM and opened it to discussion.

Mr. Crockett advised that there would be a continuation of the Public Hearing on the 2009 Proposed Budget at 6:30 PM in the Marina Room.

Commissioner Collins thanked the citizens present for their participation and comments and advised that, in his opinion, having cash reserves was prudent fiscal management especially in light of the proposed A/B Dock Renovation Project. He advised that, in his opinion, it would not be fiscally responsible to hold the line on raising rates as the cost of labor alone was going to increase in 2009 by 2.7%. He did not want to see a situation develop as had in the past where there had been no rate increases for a number of years and then there had been a “catch-up” time of rate increases. He offered that he was still perplexed as to exactly how much the rate increase should be.

Commissioner Beck reminded that the Port had been involved and had encouraged bringing 300 to 400 jobs to the community through construction of the 300-ton lift and other projects. Stating that the operating expenses of the Port continued to rise, just like for other members of the community, he advised that the cash reserves built over the past years was a positive thing and that the money would be used for the A/B Dock Renovation and other projects that were coming on line. In his opinion, he thought it was necessary to have cash reserves to handle emergencies also.

A thorough and lengthy discussion followed.

Commissioner Thompson noted that, in his opinion, the economic drama now occurring was going to affect the entire world and the aftermath would, he thought, result in a shifting of economic levels and lifestyles and ultimately lead to a much different kind of world.

Commissioner Thompson called a recess of the Public Hearing at 2:15 PM and advised that the meeting would reconvene at 6:30 PM this same day.

## VI. Old Business:

### A. Fire Station Update:

Mr. Pivarnik provided an update to the Commission regarding the proposed project. He distributed conceptual drawings prepared by Frank Lawhead, Architect, and offered information regarding the drawings and site plans. The next phase of the project, he informed was for the Fire District to seek available Grant revenues to fund the proposed project which, he estimated, would cost approximately \$2.6 million. Mr. Pivarnik reminded that originally \$35K was allocated for the project first phase with the Port and the Fire District partnering with Port contributing \$10K and the Fire District \$25K.

A lengthy discussion followed regarding the proposed Fire Station location, the proposed three buildings, details regarding the Fire Station 24/7 operation and other details of the proposed project.

### B. T's Restaurant Lease:

Mr. Pivarnik related that he had hoped to have T's Lease ready for Commission review but that it had been delayed. He advised that Gary and Nancy Tocactlian owners of T's had approved it but had wanted their Attorney to review it. He provided details and information regarding the proposed lease terms.

### C. JCIA Fuel Contract Update:

Mr. Crockett updated the Commission and provided details on the proposed JCIA Fuel Contract with Tommy Wacker DBA as Tailspin Tommy's, stating that Mr. Harris was in process of drafting the agreement. Discussion followed.

Commissioner Beck inquired if the fuel equipment (pumps and tanks) had to be declared surplus before proceeding with the agreement.

Further discussion followed during which it was decided to surplus the credit card equipment, the fuel management software and the computer and then sell the items to Mr. Wacker.

## VII. NEW BUSINESS:

### A. E&R Aviation Hangar Request:

Mr. Crockett provided historical information about the Hangar lease stating that the lease term was originally for ten years (there were eight more years on the current lease and one extension granted previously) and that the term length was unusual because the other hangar leases were for thirty, forty or fifty years. He advised E&R Aviation had approached Staff with a request for a twelve year lease extension (added to the current lease) to enable them to make improvements to the hangar. Mr. Crockett advised that Staff did not have a problem with granting the request.

Mr. Harris expressed concern that as the original lease with E&R Aviation was for a ground lease only and that in most cases with airport hangar leases after expiration of the lease the land and buildings reverted to Port ownership, that the Port was giving up its right to ownership of those buildings at the lease expiration. He suggested that it might be wise to wait until the lease expired and then draft a new lease, with a new rate, which included both the land and the buildings.

A very thorough discussion followed including specifics about what E&R Aviation wanted to do with the hangar, the fact that the lease was different from other existing airport hangar leases and the appearance of equality in light of the fact that the other existing leases were for forty to fifty years.

**Commissioner Collins moved to authorize extending the existing land lease with E&R Aviation for another twelve years after the current lease term expires with the proviso that they would make improvements to the building and that it be retained as rental space.**

**Motion carried by unanimous vote.**

### B. Aero Museum Signage:

Mr. Pivarnik informed he had been approached by Mr. Jerry Thuotte of the Aero Museum with the request that the Port allow the Museum to place a 4 x 8 sign advertising the Aero Museum on Port airport property. The sign, suggested Mr. Pivarnik might (should the Commission approve) be placed on the Port property traded a few years back with Seton Construction on Highway 19. The sign would indicate that the next left turn was the way to the Museum. Mr. Pivarnik provided additional details regarding the proposed sign and advised that Staff did not have a problem with it especially since the Museum was non-profit. The Aero Museum, he informed, would be required to obtain the necessary signage permit from Jefferson County.

Discussion followed.

**Commissioner Beck moved to allow placement of a 4 X 8 foot directional sign on the Port owned property on Highway 19 as requested by the Aero Museum; without charge to the Museum by the Port provided the Museum obtained proper signage permits from Jefferson County, maintained the sign in good condition and that the duration would be for as long as the Museum retained its non-profit status. The Aero Museum was not to sub-lease advertising space on the sign at any time.**

**Motion carried by unanimous vote.**

Discussion followed regarding the signage in general, that an exception had been made in this situation because of the organization's non-profit status and that the sign would accommodate tourist activity.

### C. Boat Ramp Committee Update:

Mr. Crockett informed that as a spin off of the A/B Dock Citizens Advisory Committee a separate Boat Ramp Committee had formed to research and develop ideas regarding the Boat Haven boat ramp and the other Port owned ramps

throughout Jefferson County. Mr. Crockett provided information regarding the Committee and offered topic background.

A short discussion followed which included the topic of the Point Hudson boat ramp and the little used ramp at Fort Worden and that the Port might be able to partner with Fort Worden State Park to make that ramp more usable.

D. WPPA 2009 Trustee and Alternate:

Mr. Crockett informed that it was the time for the Commission to select its WPPA (Washington Public Ports Association) Trustee and Alternate for the upcoming year. He reminded that in 2008 Commissioner Beck was the Trustee and Commissioner Collins was the Alternate. The primary duty of the position was to attend the annual WPPA meeting as the Port of Port Townsend voting member.

After discussion it was decided that Commissioner Beck would retain the post of Trustee and Staff would research to see if both Commissioner Collins and Commissioner Thompson could serve as Alternate and if that was not possible than Commissioner Collins would retain the position.

E. Approval of Warrants:

Warrant #040655 through #040656 in the amount of \$95,808.39 for Accounts Payable

Warrant #040657 through #040688 in the amount of \$45,313.46 for Payroll.

Warrant #040689 through #040697 in the amount of \$61,844.82 for Payroll Benefits.

Warrant #040698 through #040787 in the amount of \$81,578.32 for Accounts Payable.

Warrant #039132 in the amount of (\$2097.90) and Warrant #040319 in the amount of (\$192.99) as Voided Warrants in Accounts Payable.

**Commissioner Thompson moved to approve the warrants as presented. Motion carried by unanimous vote.**

F. Proposition #1 Passage:

Commissioner Collins noted that with the recent voters approval of the Proposition #1 which authorized the Public Utility District #1 to study the possibility of assuming control and providing electrical power to Jefferson County; he thought it would be helpful and important for the Port to communicate to the PUD its willingness to partner with the PUD and to participate in the process as examiners of the proposal.

Mr. Crockett advised that Staff would draft a letter to the PUD expressing that proposal and make the letter available for Commission review and signatures if approved.

G. Quilcene Chamber of Commerce Update:

Commissioner Beck informed that he had attended the Quilcene Chamber of Commerce Meeting and stated that Quilcene was experiencing an influx of new community members who wished to participate in the Quilcene Chamber and help promote the area. He explained one advertising idea was that of a colorful banner (of which there were several designs and the cost each was \$50.00) which would be imprinted with the purchasing agency's logo/name in order to promote and advertise the area's diverse recreation venues.

He updated the Commission on the information regarding the inflow stream WRIA 17 data was starting to trickle in, one major piece of information was that all new drilled wells, after a yet to be announced date in 2009, would be able to draw only 500 gallons of water daily as opposed to the current 5,200 gallons. He advised that, in his opinion, it was not stream flow that was the problem with lack of water during the summer months, but rather a lack of water storage facilities.

Also mentioned during the Chamber meeting, Commissioner Beck informed, was the current zoning of the Quilcene Marina and the new Chamber members expressed interest in petitioning Jefferson County to have the zoning changed.

Discussion of the current zoning, ways in which to change it and possible new zoning was discussed.

H. PTBH Boat Haven Fuel Dock Fuel Lines Degradation:

Mr. Pivarnik informed that Port Maintenance had been noticing degradation of the fuel lines at the Boat Haven Fuel Dock, the old steel lines, and that Pacific Environmental had just finished an inspection and had advised Maintenance Supervisor, Larry Aase, that in their evaluation, a fuel line failure was imminent if something was not done immediately about the rusting. He advised that the quote

received from Pacific Environmental to replace the lines with double walled plastic pipe was \$73K. Mr. Pivarnik advised that if a fuel line break did occur the cost of clean up would far exceed that cost.

Discussion followed after which **Commissioner Thompson moved to authorize Staff to proceed with Pacific Environmental to replace the existing steel fuel lines at the Boat Haven Fuel Dock Facility with double walled plastic fuel lines in the amount not to exceed \$73,000.**

**Motion carried by unanimous vote.**

VIII. STAFF COMMENTS:

Mr. Crockett briefed the Commission on the Jefferson County Park and Recreation meeting he had attended in Chimacum last week and touched on some of the issues raised. One idea brought forth was to the possibility of bicycle registration fees to help pay for some of the costs associated with the funding of Parks and Recreations.

He also informed that he would be out of the office most of the week of November 18 – 21 to attend the Annual WPPA Conference in Tacoma, WA.

IX. PUBLIC COMMENTS:

Ric Brendan, Port Townsend Shipwrights Co-op, stated that he hoped the Staff would talk about the failing Fuel Dock fuel lines at the evening Public Hearing continuation, stating that it might help explain the Port expenses and why cash reserves were maintained. It might, he suggested, inform the general public and allow them a better understanding of the Ports financial situation.

X. COMMISSIONER COMMENTS:

Commissioner Collins informed regarding the Small Ports Conference he had attended along with Commissioner Thompson and Mr. Crockett and spoke specifically to one aspect of the seminar – a simulation game played to illustrate different kinds of decisions that Ports were going to have to make and the results of those decisions.

Another topic discussed at the seminar, he informed, was that of Executive Session and how they should not become routine and to the extent possible for the issue/purpose to be discussed during Executive Session be listed on the meeting agenda so that everyone is made aware of in advance of what is coming up.

There was a brief discussion regarding the issue.

Mr. Crockett informed that he, Commissioner Collins and Administrative Assistant, Sue Nelson, (acting as the Port's contact for Public Records requests) would be attending separate Public Records Requests and the Open Public Meeting Act training seminars.

Commissioner Beck informed a little more regarding the Quilcene Chamber of Commerce meeting and the new people in Quilcene that seemed ready to take part in promoting the area.

Commissioner Thompson addressed the recent passage failure of the local School Bond Levy and talked about the local school system advising that it needed to be improved in order to draw new people into the area.

XI. NEXT MEETING: Next Meeting will be held *Tuesday, November 25, 2008* at 6:30 PM, in the Port Commission Chambers, 375 Hudson Street, Port Townsend, and WA

XII. EXECUTIVE SESSION:

The regular meeting recessed into executive session at 3:29 PM, which began at 3:35 PM for discussion of a potential legal matter, duration 10 minutes with no decision,

XIII. ADJOURNMENT:

The regular meeting reconvened at 3:45 PM and adjourned at 3:46 PM there being no further business to come before the Commission.

ATTEST:

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David H. Thompson, President

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John N. Collins, Secretary

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Herbert F. Beck, Vice President