

PORT COMMISSION MEETING – January 14, 2009

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 arrived at 1:35 PM
Senior Accountant/Recorder – Hawley

I. CALL TO ORDER

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

II. APPROVAL OF AGENDA:

The agenda was amended as follows: addition to Old Business of Item C – Employee Salary Survey, Item D – Jefferson County International Airport Rezone, Item E – Quilcene Conditional Use Permit Application, and the addition to New Business of Item G – Liquor License Approval for the Blue Moose Café, Item H – Puget Sound Express Request and Item J – Development of Lot Adjacent to Spruce Goose Café at the Jefferson County International Airport.

Commissioner Thompson moved to approve the Agenda, as amended.

Motion carried by unanimous vote.

III. ELECTION OF OFFICERS:

Commissioner Thompson moved to nominate Commissioner Beck as Commission President, Commissioner Collins as Commission Vice President and himself as Commission Secretary for 2009. Motion carried by unanimous vote.

IV. CONSENT AGENDA

- A. Approval of Minutes – December 29, 2008
- B. Resolution No. 515-09 – Authorizing the Sale of Abandoned Vessels
- C. Operations Reports – December - 2008

Commissioner Thompson moved to approve the Consent Agenda, as presented.

Motion carried by unanimous vote.

V. PUBLIC COMMENTS (Not related to agenda):

None

VI. Recess to a Meeting of the Industrial Development Corporation of the Port of Port Townsend:

Commissioner Beck recessed the regular meeting into the meeting of the Industrial Development Corporation of the Port of Port Townsend at 1:04 PM. The regular meeting reconvened at 1:08 PM.

VII. OLD BUSINESS:

A. Northwest Hangars Lease:

Mr. Pivarnik provided historical background regarding the topic advising that originally the hangar pad development had been awarded through a lottery system and Port Staff had realized that two lottery winners were business partners: Northwest Hangars and Vodry's Home Improvement. The developer, stated Mr. Pivarnik, desired to consolidate those three leases into one lease (and Condo Association) overseen by Northwest Hangars as the managing partner. Mr. Pivarnik informed that Commission action was needed to formally cancel the original leases with NW Hangars and Vodry's Home Improvement and approve the new lease, encompassing Hangar #2, #7 and #8, to be managed by Northwest Hangars.

A short discussion followed regarding points of the lease and the necessity of keeping July 2007 as the beginning date for the lease.

Commissioner Collins reminded that the term "sexual orientation" needed to be added to the lease language.

Commissioner Thompson moved to cancel the original leases with NW Hangars and Vodry Home Improvement and approve the new lease for NW Hangars, with noted language modification, as presented.

Motion carried by unanimous vote.

B. Building #5 Hangar Lease:

Mr. Pivarnik informed that Rhody Drive Development built the hangar and they had sold each of the three units to different owners who wished to have separate leases. Mr. Pivarnik informed of details associated with having three separate leases. Commission action needed was to cancel the original lease with Rhody Drive Development and approval of new leases with Richard J. Grandy, Hood Canal Aviation LLC and Warren and Karen Erickson Trust for Hangars #5A, 5B & 5C.

Discussion followed to include that each hangar was originally designed to house six airplanes, the size of the hangars and the liability insurance requirements.

Commissioner Beck moved to cancel the original lease with Rhody Drive Development and approve new, individual, leases with Richard J. Grandy, Hood Canal Aviation LLC and Warren and Karen Erickson Trust as presented.

Motion carried by unanimous vote.

C. Salary Survey:

Mr. Crockett provided background regarding the topic reminding that Ross Ardrey of NW Management Consulting Inc. had been hired to provide an Organization and Compensation Study of all Port employee positions and informed the study was complete.

Mr. Taylor informed that he had asked Mr. Ardrey to help prepare a salary range for the eight exempt (non-union) Port positions. Mr. Ardrey, stated Mr. Taylor was prepared to offer his assistance in defining those positions at no extra charge to the Port

A short discussion followed regarding points of the Salary Survey.

Commissioner Collins moved to accept NW Management Consulting Inc. Draft Organization and Compensation Study dated January 7, 2009 as the final report.

Motion carried by unanimous vote.

D. Airport Rezone:

Mr. Crockett provided historical background on the topic. A Jefferson County Commissioner had recently approached him advising that due to the current economic environment it might be an appropriate time to revisit requesting a rezone of the Port owned thirty acres. Due to the timeline involved, stated Mr. Crockett, Port Staff had two weeks in which to prepare an application and submit it to the Jefferson County Planning Commission for review during the 2009 cycle for Jefferson County Comp Plan Amendments. He advised that Eric Toews would assist in preparation of the application. Acknowledging there were no guarantees that a rezone would be granted, Mr. Crockett stated he felt strongly about pursuing it as the potential pay off, should it be granted, would be enormous in terms of economic stimulus and job creation for the community. The process, including the permit application fee, consulting time for Mr. Toews and Staff time would cost approximately \$10K.

Commissioner Collins moved to direct Staff to begin, expeditiously, to apply for a Comp Plan Amendment with Jefferson County for the two airport sites and to authorize an expenditure of up to \$10K, as necessary, for the process.

Motion carried unanimous.

Commissioner Beck noted, in his opinion, the process was long over due. He sited several ideas for various businesses that could result if Jefferson County granted the rezone request.

E. Quilcene Conditional Use Permit:

Mr. Crockett noted that for a number of years ways in which to get more flexibility for RV use at the Quilcene facility had been discussed. He informed that in order to begin the process the Port had to apply for a Conditional Use Permit (at a cost of \$400.00) with Jefferson County, which, he stated, did not have an application deadline. In his opinion, the process should be started as soon as possible. He noted Port Staff might consult with Eric Toews for aid in preparation of the application.

Discussion followed about the process and the possible length of time before the facility would be up and running which would probably be the summer of 2010.

Also discussed was that, as part of the application process, a SEPA would be

performed which would allow neighboring property owners opportunity for formal comments to Jefferson County.

**Commissioner Thompson moved to direct Staff to pursue obtaining a Conditional Use Permit for recreational activity at the Quilcene facility.
Motion carried by unanimous vote.**

VIII. NEW BUSINESS:

A. Renewal of Skookum Janitorial Service Agreement:

Mr. Crockett advised that the current Skookum Janitorial Service Agreement had expired on December 31, 2008 and that negotiations with Skookum had begun for the 2009 contract. The proposed contract, he noted, was increased by 6.1% over 2008. The majority of the increase was due to the CPI increase for the Skookum staff wages; however, a portion of the increase was due to the Port request for expanded services, which included the addition of 26 hours per year for cleaning of the Port Work Yard Office. He suggested the Commission might want to delay action on the proposed contract until additional research and negotiation had occurred regarding the possible cut back of some services or even going out to bid to see if there were other janitorial services available.

Discussion followed which included that the services received from Skookum were excellent, details of the contract, review of the \$10K credit given to the Port for allowing Skookum to reside in the Port building at no charge, those services given by Skookum in exchange that were no longer viable or usable, possible reduction in services and other contract details. There was a general reminder that the Skookum of 2009 was not the same as the Skookum of 1995 since the company has grown and broadened its economic base.

Commissioner Beck suggested the topic be tabled and resumed at the January 28, 2009 meeting allowing time for Staff to engage in further discussion with Skookum.

A short discussion followed about the possibility of Port Staff taking on some of the cleaning chores such as vacuuming but the resulting savings would only reduce the proposed contract by a minimal amount and would be, perhaps, an inefficient use of Port Staff time.

B. Ramp Fee for Fishing Derby:

Mr. Crockett stated the annual Discovery Bay Salmon Derby was going to take place this year the weekend of February 14 – 16 and reminded that in the past the Port had waived all ramp fees for that event. He asked for Commission direction regarding this year's Derby.

**Commissioner Collins moved to waive the ramp fees for the Discovery Bay Salmon Derby on a regular, annual basis until the decision was revoked by the Commission.
Motion carried by unanimous vote.**

C. Policy Regarding Sensitive Credit Card Information:

Mr. Taylor informed of new regulations put forth by the Credit Card Industry for the primary purpose of trying to cut down on identity theft. Informing that the acronym for the new regulations was PCIDSS (Payment Card Industry Data Security Standards), he advised that the Port's I.T. consultant, Dave Olsen, of Berry Hill Software, had been working on guiding Staff through the regulation requirements for compliance with the new standards. He informed that if compliance was not reached, the credit card industry could cut off the Port's ability to process credit card transactions. The first deadline for beginning the compliance requirement (indicating that the Port was serious in becoming compliant) had been reached in November and currently Mr. Olsen was in the process of meeting the next requirement of January 25 when a series of issues needed resolution. He provided details of the new requirements one of which was that a formal Credit Card Processing Policy would need adoption by the Commission. Mr. Taylor anticipated bringing a draft policy for Commission review to the January 28 meeting. He provided more information and details about the new requirements. He reminded that when the new Administration building was designed there was a central room designated for all computer and internet access for the Port offices and for the building tenants. He informed that it could become necessary to change that room and to segregate the Port Tenants from the Port's computers. He advised that one of the first steps taken to meet the level three requirements was to purge the Marina

Software (originally designed to store encrypted credit card numbers) of all credit card information and to update the Marina software so that it would block any data fields from accepting credit card information. One issue still in need of resolution was that, historically, copies of credit cards had been made for use for payment of bills in both the Moorage and Work Yard Offices and all of those files had to be destroyed. He advised there might be complaints from customers who would no longer be allowed to pay their monthly bills automatically with their credit card, which until now, had been kept on record.

Mr. Harris cautioned that his understanding was that it was most important that credit card number never be e-mailed because there was liability if someone's credit card data was not adequately protected.

Discussion followed about the details of the regulations, the importance of not storing in any fashion the security code on the back of the credit card, policy issues and other information pertaining to the subject.

In conclusion, Mr. Taylor informed that if it was ascertained that that a customer's identity had been compromised by some shortfall in the Port's handling of the transaction there could be up to \$500K fine for each documented transaction.

Commissioner Beck recommended preparation of a Resolution, which would outline the proposed Credit Card Processing Policy.

Commissioner Collins stated, in his opinion, it would be wise to include in the draft language specifying the policy would be reviewed and renewed by the Commission annually.

D. Establishing New Bank Account for Quilcene:

Mr. Taylor informed that since the Port took over operation of the Quilcene facility getting the receipts collected from Mr. Speer (approximately \$20K, a mix of cash and checks, annually) had been problematic because of the distance involved. The RCW, informed Mr. Taylor, stated that receipts should be deposited on a daily basis. The State Auditor had suggested that the receipts, although not high risk due to the volume, should be deposited on a more timely and regular basis. In accordance with those recommendations, Mr. Taylor was in the process of establishing a bank account with US Bank in Quilcene, the only bank located there, and asked Mr. Speer to prepare and deposit the daily revenues. Mr. Taylor informed that the signers on the account would be the same as the other Port Accounts.

Commissioner Collins recommended getting an after hours deposit bag for Mr. Speer to enable him to deposit funds on the weekends.

Commissioner Collins moved to approve Resolution No. 516-09 authorizing the establishment of the Port of Port Townsend Quilcene Revenue Account with U.S. Bank.

Motion carried by unanimous vote.

E. Coast Guard Facility Update:

Mr. Crockett provided an update on the topic informing that discussion had taken place with the Coast Guard for a number of years regarding the US Coast Guard building at Boat Haven. The building had originally been intended to be part of the A/B Dock, Commercial Dock Renovation but since that concept had been changed to just A/B Dock Renovation, the Coast Guard was very interested in replacement of the existing building. Mr. Crockett informed that the building was one of the oldest in Boat Haven, gave historical details and remarked that the building was in need of many repairs. The Coast Guard would like to demolish the existing building and replace it with a new two-story structure. They would also like to install a fence, with a gate, which separated Benedict Spit from the rest of Boat Haven as a security measure. Mr. Crockett informed that the Coast Guard was committed to remaining in Port Townsend since this part of Puget Sound was a critical area for them as well as the proximity to Indian Island and Navy traffic.

Mr. Pivarnik suggested it would be wise to allow the community the opportunity to move the structure (for a nominal fee) instead of expending funds on building demolition.

A short discussion followed with the Commission consensus that the Coast Guard was important to the area and to move forward on further discussion with them.

Commissioner Collins inquired why the Coast Guard Station was not part of Indian Island.

Commissioner Beck responded that Indian Island was controlled by the U.S. Navy and the Coast Guard was controlled by the U.S. Department of the Treasury.

F. Approval of Warrants:

Warrant #041080 through #041110 in the amount of \$42,124.61 for Payroll
Warrant #041111 through #041118 in the amount of \$51,714.59 for Payroll Benefits and Accounts Payable.

Warrant #041119 through #041180 in the amount of \$116,132.42 for Accounts Payable.

Commissioner Thompson moved to approve the warrants as presented.

Motion carried by unanimous vote.

G. Liquor License for the Blue Moose Café:

Mr. Pivarnik informed that although the Blue Moose Café already had a beer and wine liquor license, it was necessary to obtain Commission approval for the assumption of the liquor license by Tana Kettle from Maggie Dahlberg who recently sold her share of the business to Ms. Kettle. New regulations, stated, Mr. Pivarnik required that the transfer of a liquor license needed approval by the Commission in open session.

Commissioner Thompson moved to authorize the Executive Director to sign the liquor license for the Blue Moose Café in which ownership was put into the name of Tana Kettle, D.B.A. as the Blue Moose Café.

Motion carried by unanimous vote.

H. Puget Sound Express – Peter Hanke:

Mr. Pivarnik informed that he had received a request from Pete Hanke, Puget Sound Express, to take the “Olympus” and “Glacier Spirit” out of Point Hudson Marina and put them into the Work Yard while the Marina was being dredged. The project, advised Mr. Pivarnik was scheduled to begin January 17 (Caicos Corporation has until February 15, 2009 to complete the dredging). The dredging project was expected to take up to two weeks and Mr. Hanke had been informed that he would need to be flexible in placement of his vessels during that time to allow the dredge barge access to the areas in need of dredging. Mr. Hanke’s request was to pay the hoist fees and asked that the Port forgive the Work Yard lay days. Mr. Pivarnik, while hesitant to set a precedent, had informed Mr. Hanke that he would bring the proposal to the Commission for discussion.

Mr. Taylor suggested that if Mr. Hanke waited until the barge was actually here that the time needed to be out of the water would be reduced to ten days instead of the full six weeks.

Discussion followed about the details of the proposal, if dock space would be available to moor Mr. Hanke’s vessels, the speculated reasons why Mr. Hanke wanted to be in the Yard and the cost to the Port if it granted the proposal.

Commissioner Collins remarked as there was already vacant space in the Work Yard there would be no lost revenue for the lay days and there would be revenue gained from the payment of the haul out fees.

Commissioner Thompson informed that he would be inclined to grant the request during the period of the actual dredging, perhaps for a period of two weeks, allowing that it would give Mr. Hanke time to work on his vessels. It would also free up space in the Marina for the dredging equipment to maneuver.

Commissioner Beck stated that the dredge barge would be working with the tides and that he would consider approving Mr. Hanke’s request for the time Caicos was actually dredging.

Further discussion followed.

Commissioner Thompson moved to grant to Puget Sound Express their request for relief of their lay day charges for the period of time that Caicos Corporation was mobilized for the dredging in Point Hudson, up to a two-week period.

Motion carried by unanimous vote.

I. Airport Development Wills House Property:

Mr. Pivarnik provided an update on the subject advising that two years ago the owners of the current Spruce Goose Restaurant at the airport had expressed interest

in building a new restaurant on the old Wills House site at Jefferson County International Airport. He informed that he had received a request from Richard Grandy to develop the property. During the morning workshop, discussion had involved finding out if someone else was interested in developing the site and posting a “For Rent” sign on the property. Mr. Pivarnik sought Commission direction on how to proceed.

Discussion followed which included whether the Spruce Goose owners were still interested in the property, placement of newspaper ads in the local papers regarding the availability of the property and putting the “For Rent” sign on it. A time line of 30 days was established to entertain other proposals and allow time for Mr. Grandy to present a specific proposal.

Commissioner Collins moved to direct Staff to proceed with solicitation of the Wills House site development at the airport to include newspaper ad placement and “For Rent” signage on the property.

Motion carried by unanimous vote.

As a follow up, Mr. Pivarnik advised he would like Commission input and direction on what direction should be taken in development of the site.

IX. STAFF COMMENTS:

Mr. Taylor briefed the Commission on Staff action taken in regard to the Commission action to limit property lease CPI increases to 3% for 2009. He informed that twelve letters had been sent to property lease owners during December and that the lease increases had been recalculated with revised letters sent to the tenants. For the month of January, he stated, the revenue difference was \$183.64 per month, which was representative of 1/12 of the 140 Port leases and amounted to approximately \$2,204 dollars a year. The decrease in rent should act as a stimulus to those twelve businesses, he reflected.

Mr. Taylor reminded that the airport fuel operation had been turned over to Tommy Wacker (Tailspin Tommy’s) effective January 1, 2009 and that the transition had proceeded smoothly. One thing requiring attention was that in the original agreement/lease with Mr. Wacker the terms had called for him to obtain a performance bond in the amount of \$10K. As of December 31 Mr. Wacker had not been able to obtain a bond and had submitted a \$10K cashiers check as a deposit. The intent of the deposit was to ensure there would be an uninterrupted fuel supply. Mr. Taylor provided specifics and informed that due to the broad language of the lease Mr. Wacker was having difficulty obtaining a performance bond.

Mr. Harris informed that the language saying the security deposit guarantees all performance under the agreement was a normal provision in a commercial lease.

Mr. Taylor advised that the bonding company had suggested that if we would be willing to revise the language to specify that the bond was to assure uninterrupted fuel supply they would not have a problem. He advised them to contact Mr. Harris directly.

Discussion followed about the pros and cons of both scenarios.

In response to Mr. Crockett’s inquiry about whether the \$10K was earning interest, Mr. Taylor advised that he could set up a separate account for Mr. Wacker’s deposit.

Mr. Harris informed that having a cash deposit, which earned interest, even though he was aware Mr. Wacker had agreed to a bond, would be better for the Port because of the liquidity of the funds should they be needed to guarantee the fuel supply.

The consensus of Commission opinion was for Mr. Taylor talk with Mr. Wacker about the cash deposit rather than a bond and that the funds would be placed in an interest bearing account for Mr. Wacker.

Mr. Pivarnik informed that something he had been investigating was offering free wireless access on the transient facilities. He stated that offering the service was becoming commonplace in the industry. He informed that he had contacted the Port I.T. consultant, Dave Olsen who had introduced him to a company agreeable to doing a site visit and offering a quote on what it would cost to convert to Wireless internet. He stated that Point Hudson (which would include Sea Marine and the Maritime Center) would be the first facility to be made wireless. In order to keep the service available to Port patrons only, he suggested that the restroom code given to transients and tenants should be the access code for the free wireless connection.

A short discussion followed about details of the topic.

Mr. Pivarnik informed that he had just received an e-mail from John Keiser of the A/B Dock Committee and the Committee has developed two designs for the renovation, with a split

decision in the Committee of which design was the better choice. Mr. Pivarnik informed that the engineering firm had been given both designs and tasked to prepare cost estimates and ability to permit quotes on both designs with an estimate of \$5 million for the reconfiguration. He had asked the Committee to make a presentation to the Commission on January 28 to present the details of both designs and allow the Commission to make the final decision. He also asked the Boat Haven Moorage Supervisor to prepare revenue scenarios of both designs.

Discussion followed which included that neither design addressed the boat ramp.

Mr. Crockett updated the Commission on the efforts of the Climate Action Committee on which he has been an active member since the Committee's onset.

X. PUBLIC COMMENTS:

Les Schnick (in response to an inquiry made by Commissioner Collins) informed on ways the economy was affecting the local Marine Trades. He advised that most of the businesses he had spoken with had limited projects, if any, lined up for the future.

XI. COMMISSIONER COMMENTS:

Commissioner Thompson suggested that there be a Commissioner only Executive Session to discuss the wage and salary survey and possible responses and cost implications of it

Commissioner Beck remarked that with all the items scheduled for 2009 it appeared that it would be a very busy year. He advised that he would like to see a goal set of creating 20 more jobs if possible.

XII. NEXT MEETING: Next Meeting will be held January 28, 2009 at 6:30 PM, in the Port Commission Chambers, 375 Hudson Street, Port Townsend, and WA

XIII. EXECUTIVE SESSION:

The regular meeting recessed into executive session at 2:57 PM and which began at 3:00 PM, for discussion of a real estate issue with a possible decision, discussion of a legal issue, no action, and a Commissioner only session, with no action, the proposed time for discussion of all topics was thirty minutes.

XIV. ADJOURNMENT:

The regular meeting reconvened at 3:30 PM, there was no action to announce, and adjourned at 3:31 PM there being no further business to come before the Commission.

ATTEST:

Herbert F. Beck, President

David H. Thompson, Secretary

John N. Collins, Vice President