

PORT COMMISSION MEETING – August 26, 2009

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

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

I. CALL TO ORDER/PLEDGE OF ALLEGIANCE:

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

II. APPROVAL OF AGENDA:

The agenda was amended with the additions to Old Business of Item C – Spruce Goose Restaurant Update and Item D – Yard Incentive Program Updates.

Commissioner Collins moved to approve the Agenda, as amended.

Motion carried by unanimous vote.

III. CONSENT AGENDA:

A. Approval of Minutes – August 12, 2009

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

Motion carried by unanimous vote.

IV. PUBLIC COMMENTS (Not related to agenda):

None

V. OLD BUSINESS:

A. 2010 Budget Update:

Mr. Taylor informed that there were really three issues to discuss. #1 was a summary of overarching assumptions for development of the 2010 Budget, #2 the July 31, 2009 Financial Reports and #3 a brief overview of cash and the cash reserve accounts, requested by Commissioner Thompson.

Mr. Taylor noted that with the larger than normal amount of customer refunds (due to the Incentive Programs) July Work Yard revenue was overstated by \$4K to \$6K. He pointed out that an analysis of actuals to budget on gross revenues or gross profit from operations might be misleading because of leasing out the Fuel Dock operation, which became effective July 1. The Fuel Dock, he stated, represented a large amount of revenue and a fairly substantial gross profit from operations. That said, he recommended, for the remainder of the year, to focus on the expense side and the bottom line.

Mr. Taylor continued with the Consolidated Statement of Revenues and Expenses report, stating that July had turned out to be a fairly good month. The net income of \$78,318 which was within \$2,000 of what had been budgeted, and was \$2,000 better than July, 2008 resulting in the first time in seven months that we were in the “black” with net income of \$47,579 year to date. He advised that number was exactly 50% of what had been budgeted which meant that we were behind the budgeted amount by \$47,000. However, he cautioned, we were behind 2008 figures by \$132,000, but at least the results were not as bleak as the first couple of the months indicated they could be.

Moving onward, Mr. Taylor informed that the Point Hudson revenues for the nightly guest moorage guest traffic for July was within a couple of dollars of 2008, and the nightly guest RVs were actually \$5,000 better than last year. The result was that year to date combined figures for those two items amounted to exactly the same dollar figure as 2008 although, he stated, the nightly moorage boat traffic was down \$7,000 year to date from 2008, but the RV nightly guest was up by \$6,000.

As an aside, Mr. Crockett reminded of the excellent weather we enjoyed during July, which, in his opinion, probably brought more folks into the RV Park than normal.

Mr. Taylor pointed out that every one of the expenditure line items was under budget year to date, with the exception of promotion expense inflated due to the Incentive Program advertising, utilities and bad debt; staff costs were \$98,000 under budget so far in 2009

Mr. Taylor reminded that there were 100 boats hauled out during July this year, compared to 80 in July 2008; we hauled out 25% more boats but the hoist revenue slid backwards by a little over \$6,500 for July. He advised that a better indicator of how well the Incentive programs were working (or not working) would be reflected in the September financials due to the refund checks processed for July and August.

A short discussion followed about the July financial statements.

Mr. Taylor briefed on the 2010 Operating Budget Preliminary Assumptions based on information and direction gathered during preceding Budget Workshops.

A discussion followed between staff and the Commission regarding each of the Assumptions.

Mr. Taylor informed that the 2010 Budget Schedule should be amended because November 11, 2009, listed as the Public Hearing date in November, was actually a Federal Holiday – Veterans Day and the Port would be closed in observation of the Holiday, as were other financial and governmental agencies.

Discussion followed with Commission agreement that the first meeting of November should be changed from November 11 to Tuesday, November 10, 2009.

Additionally, it was decided to reschedule the second Port Commission Meeting from November 25, 2009 the night before Thanksgiving to Monday, November 23, 2009 at 6:30 PM. Although no formal motion was put forward, the opinion was to move forward with the revised dates.

Following Commissioner Thompson's request for input, Mr. Taylor provided an overview of the Port Reserves, stating that there were four reserve accounts currently: #1 The Hazardous Waste Reserve, established in 1999 shortly after completion of the 300-ton travelift project. Funding had ceased in December 2003 and the fund currently had a balance of \$25K. #2 a Contingency Reserve Fund was established in 1999 and funded through December 2003; it currently had a balance of \$75K. #3 was the Boat Haven Renovation Reserve Fund, established during the 2005 Budget process, had been funded each year since then, and as of July 31, 2009 had a balance of \$577,939. Mr. Taylor informed that \$275,000 was designated for the fund in 2009. The last reserve account #4 was the Revenue Bond Reserve Fund. This fund had been funded out of the proceeds of the 1996 Bond for the Ship Yard project and it was obligated to stay intact through November 2016 when the Ship Yard bonds would be fully redeemed. As it had to be funded at the amount of the highest single year's debt service, the fund held \$445,500. The four Reserve Funds totaled \$1,123,439.

A very thorough discussion about the reserve funds, capital projects and how the proposed no rate change increase for the 2010 Budget would continue to impact currently declining cash available for Capital Projects or emergency situations in 2010 and beyond. Also discussed were the two balloon payments (one to Fish and Wildlife of \$242K for the Coast Seafood Building due in November 2010 and the other to Frontier Bank of \$586K for the Sperry Buildings due in January 2011). Mr. Taylor reminded that the Port still had \$11 million in long-term debt.

B. Ongoing Port of Port Townsend and City of Port Townsend Discussions Regarding the Kah Tai and Other Related Issues:

Mr. Crockett provided historical background on the topic. He informed that on August 12, a packet from the City, including a letter of response from City Manager, David Timmons and a proposed Draft Joint Resolution, which Mr. Timmons suggested should be signed by both the City Council and the Port Commission, had been received.

Mr. Crockett reminded that in March 2009 there had been a joint meeting of the two elected bodies to discuss a number of issues precipitated by the expiration of the Kah Tai Lagoon lease in July 2012. The process began, he reminded, in 2000 when he had written a letter to the City advising that there were issues the Port wished to discuss with the City. Based on discussion which took place during the March joint meeting, the Port had hired a consultant to perform a Wetland Mitigation report because one of the topics discussed was the possibility of mitigating the wetland (man made as it was created by storm water runoff from upper Sims Way) between the Ship Yard and the Maintenance Shop on what some call the Balch Property. Mr. Crockett had suggested to Mr. Timmons that, perhaps, the two staffs should meet to discuss the results of the wetland study because, in his opinion, it would have

dramatic impact on what had been discussed during the March meeting regarding the possibility of mitigating that wetland in trade for part of the Kah Tai.

Evidently, per Mr. Crockett, the City felt that it had not received enough direction from the elected bodies and had developed a draft Resolution they wished signed by both the City Council and the Port Commission. The Resolution would give the two staffs direction to proceed in the discussions. However, Mr. Crockett was of the opinion there should be more discussion at the staff level before moving forward to a Resolution.

Mr. Goodstein expressed concerns regarding the proposed Resolution, which, he stated, suggested that you as a Commission had reached a determination as to the direction on all the underlining issues that were discussed in the minutes. He advised that, in his opinion, the Commission had not reached resolution on the issues expressed and did not believe signing the Resolution was appropriate at this time. He suggested that, at some point in the future, a Memorandum of Understanding or Agreement would be useful.

Mr. Crockett offered the recommendation that he and Mr. Timmons (along with Mr. Goodstein and City Attorney Watts if possible) continue with staff discussions to facilitate reaching some sort of agreement about the many, complex issues before bringing the results of those meetings back to the Commission.

Discussion followed regarding the different elements of the topic.

Commissioner Collins moved that permission be given to support the Executive Director in proceeding with discussions with the City Manager about the Port and City's mutual interests of the Kah Tai and related issues.

Motion carried by unanimous vote.

C. Spruce Goose Restaurant:

Mr. Crockett provided an update on the topic reminding that the Commission had previously approved selling the Spruce Goose Restaurant building to the current owners for \$10K and converting the building lease to a land lease. He advised of the recent meeting with the Restaurant owners who had expressed their desire to move forward with the project. The major hurdle to overcome, he stated, was the owners had wished to avoid dealing with a financial institution for obtaining the \$10K and had hoped to be able to handle the transaction "out of pocket". Ongoing discussion and negotiation led to an offer by the restaurant owners asking if the Commission would consider reducing the amount to \$7.5K from the original \$10K. Staff informed that the idea would be presented to the Commission. Staff, advised Mr. Crockett, recommended accepting the offer for a number of reasons, the main one being that once ownership of the building was transferred, all maintenance items would fall to the restaurant owners to resolve. Additionally, he advised, the new land lease would be for almost the same amount as the restaurant owners were currently paying for the building lease based on the .04 cents per foot per month that was charged to all other facilities at the airport. Moving forward would allow the Restaurant owners to proceed with their planned building improvements.

Commissioner Beck moved to accept the offer made by the owners of the Spruce Goose Restaurant for the purchase of the Restaurant building in the amount of \$7.5K.

Commissioner Collins inquired if there was a possibility that the owners would move ahead with the purchase of the building and then sell the business in a few months and make a large profit.

Mr. Goodstein offered that scenario was a concern because there would be a larger value in selling the business when it included the building as well as the business, which would increase its value.

A thorough discussion followed that included the fact that the Commission would have the option to approve any new lease and that the scenario was the same with all other business enterprises within the Port.

****Motion on the floor carried by unanimous vote.**

D. Incentive Program Update:

Mr. Crockett provided history regarding the reasons behind development of the Yard Incentive Programs and advised that the changes made to it during the August 12, 2009 Commission Meeting had resulted in an administration quagmire. The changes

had been to offer the 20% lay day discount to customers who were in the Yard as of July 1, 2009 (and in effect through March 31, 2010), who stayed at least thirty days, whose accounts were “in good standing” and who had “active projects”. Interpretation of the terms “in good standing” and “active projects” necessitated Yard personnel to determine, almost on a case-by-case basis, which project would qualify for the lay day discount and which ones would not qualify and had resulted in unhappy customers if it was ascertained that late charges had been accrued on the account or if the customer’s idea of “an active project” differed from staff’s. Staff, advised Mr. Crockett, recommended, essentially, reducing the lay day rate to 34 cents per foot per day and applicable to all customers in the Work Yard who were there as of July 1 and who were staying at least thirty days. Impounded boats would not qualify. The same policies are being offered to the Ship Yard customers, with a 20% discount off their adopted respective lay day rates.

A very thorough discussion between the Commission and staff followed about the proposed Incentive Program revisions.

Commissioner Collins moved to set the Work Yard lay day rate at 34 cents per foot per day (not to include any impounded boats) for projects in the Work Yard as of July 1, 2009 and who stayed for thirty or more days and that the rate continue through March 31, 2010.

Motion carried by unanimous vote.

VI. NEW BUSINESS:

A. Approval of Warrants and Voided Warrant:

Electronic Debit – Frontier Bank in the amount of \$8,212.57 for Accounts Payable
Warrant #042599 through #042626 in the amount of \$36,807.07 for Payroll
Warrant #042627 through #042630 in the amount of \$16,464.49 for Payroll Benefits
Warrant #042631 through #042696 in the amount of \$63,780.51 for Accounts
Payable

Commissioner Thompson moved to approve the warrants as presented.

Motion carried by unanimous vote.

VII. STAFF COMMENTS:

Mr. Crockett informed John Hicks with the Army Corp of Engineers had contacted him stating that today was the bid opening for contractors for the dredging project of the Boat Haven Harbor entrance. He stated that a project start date would be after the Wooden Boat Festival and was tentatively scheduled for September 16 or 21, 2009 and was expected to take two to three days.

A short discussion followed regarding details of the dredging project.

Mr. Crockett reminded of the Department of Transportation Open House was scheduled for Thursday, August 27 between 4:00 PM and 7:00 PM at the Chimacum Primary School located next to the Jefferson County Public Library in Port Hadlock. The topic was the study that DOE was doing on the State Route 19/20 Corridor Plan, which encompassed the highway from the Visitor’s Center at Highway 104 through to the Ferry Terminal in downtown Port Townsend. The study was, he stated, primarily based on safety issues and the expected increase in traffic over the next twenty years to twenty-five years. Mr. Crockett reminded that he sits on the Committee and has been attending ongoing meetings along with representatives from the City of Port Townsend and Jefferson County.

Lastly, Mr. Crockett informed that the work schedule for staffing the Port booth during the Wooden Boat Festival was prepared and that interested participants should see Executive Assistant, Sue Nelson to sign up for work slots.

VIII. PUBLIC COMMENTS:

Gary Rossow asked that Mr. Taylor clarify regarding information regarding declining Work Yard and Ship Yard revenues in the amount of approximately \$400K.

Mr. Taylor informed that the data compared current Work and Ship Yard revenues to the 2006 revenues.

Additionally, Mr. Rossow inquired how far the Commission had progressed during the afternoon workshop on discussion of the Draft Strategic Plan.

Commissioner Beck informed that the Commission and Staff had decided to continue going through the Draft Plan and then reconvene the Advisory Committee to address the changes/additions/deletions the Commission had decided on. He advised another discussion period would take place during the September 9, 2009 Workshop.

Bertram Levy suggested that the Commission might want to consider putting into place an incentive plan when construction of A/B Dock began (tentatively scheduled for September,

2010) in which a plan was offered to allow boats in moorage to be in the Work Yard during the construction time, advising that doing so would free up more moorage space.

Secondly, Dr. Levy advised that on Saturday night, August 22 a large yacht accidentally crashed while coming into the Boat Haven harbor knocking out water and the electrical boxes. As he was present at the time he had rushed to call in the situation and had been unable to find an emergency number to call. Since he was familiar with Port staff he called the Maintenance Manager who was very gracious, advised Dr. Levy, and who took care of the situation. He suggested that emergency numbers should be posted in conspicuous places to allow easy access in the event of accidents.

Mr. Pivarnik advised that JEFFCOM was the organization normally called in the event of an emergency and that their phone number was listed at the head of the gangways. He noted that he would ask staff to assure that the phone number was still available.

Leif Erickson, Marine Trades Representative and a Commissioner Candidate stated that he was pleased to see the Commission authorize Executive Director Crockett to move forward with the City Manager in regards to the Kah Tai Lagoon. He advised that, in his opinion, it was time for movement on the topic rather than to let it sit idle as it was a matter of great concern for many citizens in the community.

Mr. Erickson stated that, in his opinion, granting the discount of lay days in the Work Yard once again kind of left the leaseholders that put boats on their land in the lurch as the program kind of undercut the marine trade business. He asked if the 50% haul out discount was going to continue until March 31, 2010 when the current Work Yard Incentive Program on lay days was going to end. Mr. Erickson stated, in his opinion, the 50% haul out discount should continue to March 31, 2010 also. Additionally, he remarked although the Incentive was good for business in many ways, it did not bring in any more boats to his business.

Discussion between staff, the Commission and Mr. Erickson regarding the incentive program, what led up to it, the ideas behind why the haul out discount ended December 31, 2009 and the lay day discount on March 31, 2010.

Dave Griswold or Port Townsend Shipwrights Co-Op, informed that they would soon be breaking ground to begin construction on their much needed systems shop and thanked staff and the Commission for allowing the additional building.

Mr. Griswold inquired if the Port could determine yet if the Incentive Programs were successful or not.

Mr. Crockett responded that there had been 100 haul outs by the 70-ton lift pier in July, beating the previous record of 99 in 2006, but that it was too early to tell if those haul outs were strictly because of the Incentive Programs. He advised that determination would probably be made after Labor Day when it was seen how many commercial vessels came back to Port Townsend to take advantage of the discounts. He advised, additionally, that he would like to hear from the Marine Trades on how many of their customers advised that they were back because of the Incentives being offered.

Mr. Pivarnik advised that Mark Jochems had been interviewed for the next Port Newsletter edition and had advised that the Incentives had really helped his business.

Bertram Levy informed that he had heard that Admiral Ship Supply was up 20% in July over 2008. He stated that as he had been working on his boat and while doing so had the opportunity to talk to many people who had come to the Port to take advantage of the Incentive Programs, and were so happy with the treatment they have received they had expressed to him that they would return next year.

IX. COMMISSIONER COMMENTS:

Commissioner Thompson informed regarding the Chamber Meeting he had attended today in Port Hadlock stating that the concept was to try to combine the Chambers from Port Townsend, Port Hadlock, the Tri Area and the Brinnon/Quilcene Chambers and advised that the meeting did not go well, with apparently many miscommunications between the various Chambers.

Commissioner Beck informed regarding a recent WIRA 17 meeting he had attended stating that the water drought situation is becoming more critical with the Washington State Legislature developing additional legislation to regulate new wells and the amount of water usage allowances.

X. NEXT MEETING: Next regular meeting will be held Wednesday September 9, 2009 at 1:00 PM, Public Workshop at 9:30 AM, in the Port Commission Chambers, 375 Hudson St, Port Townsend.

XII: ADJOURNMENT:

The regular meeting adjourned at 8:34 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