

PORT COMMISSION MEETING – September 9, 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 – Ralph Klose – arrived at 1:23 PM
Senior Accountant/Recorder – Hawley

I. CALL TO ORDER/PLEDGE OF ALLEGIANCE:

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

II. APPROVAL OF AGENDA:

The Agenda was amended with the addition to Old Business of Item C – Update on Discussions with City of Port Townsend re: Kah Tai, etc and the additions to New Business of Item B – Moorage Past Due Accounts/Collection Policies Discussion and Item C – Quilcene Community Fair Sponsorship

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

III. CONSENT AGENDA:

- A. Approval of Minutes – August 26, 2009
- B. Operations Reports – August, 2009

**Commissioner Thompson 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. Crockett opened the topic by informing that 2010 Budget information packets had been provided to the Department Managers asking for their input as appropriate.

Mr. Taylor informed that the Department Managers had until Wednesday, September 16 to submit their initial input to him and after he received that data, he would begin the process of compiling the first draft of the 2010 Consolidated Budget and present it to the Commission for their review during the October 14, 2009 meeting.

He stated that although the August 2009 Financial Reports would not be completed until the September 23 meeting, the August Operations Reports and August Revenue figures were available now for review. He advised that he wanted to review those figures and monitor the Yards, over the next three to four weeks, to see if there were any dramatic changes.

Commissioner Thompson requested of Mr. Taylor input of how he foresaw the Port having a sustainable future including the A/B Dock Renovation with the end point of Port financial solvency.

Mr. Taylor informed that even budgeting very conservatively, given the current activity levels and using the assumptions reviewed at the September 9 meeting, he anticipated that the Draft Budget would have a negative bottom line of approximately \$150K. He reminded that there had been a backward trend over the past three years of \$300K a year and, in his opinion, 2010 was going to be a continuation of that trend. He reminded the negative \$150K would be covering the \$225K in new debt service (for the A/B Dock) and would continue to fund the PTBH Renovation Reserve account by at least 50%, or more, depending on when the new debt was issued. He advised that there would need to be adjustments made for the lost revenue while shuffling boats at Boat Haven during A/B Dock construction, which he anticipated to begin around September 2010.

He reminded that the Commission needed to provide direction on how much of the PTBH Renovation Reserve Fund they wanted used for the actual construction of A/B dock next year, or could help cover some of the first year Debt Service. He also reminded of the two balloon payments due next year: one to Fish and Wildlife for the Coast Seafood building in Quilcene and the other to Frontier Bank for the Sperry Buildings in Boat Haven. The total of those two balloon payments amounted to almost \$850K.

Mr. Taylor reviewed the July and August Yard revenue figures stating that the Work Yard lay day revenues were \$71,500 for 2009 vs. \$88,000 for 2008 or 18% less than last year, which indicated, he informed, that the first two months of the Yard Incentive programs did not dramatically increase activity volume when considering the 20% rate reduction. The Ship Yard stood at \$21,600 vs. \$26,000 for 2008 or 16% less than last year.

Bertram Levy asked if staff knew if, in the Ship Yard, were vessels going some other place; was the Port losing business to other facilities or were people just not using the Port facilities? It appeared, he stated, that there had been a progressive decline in activity levels and revenue over the past three years.

Mr. Pivarnik responded that the industry, overall, was down everywhere due to the economy. He speculated that some business was being lost, perhaps, to the new Alaska yards that had become operational making it possible for vessels that in the past might have traveled down to Port Townsend to remain in Alaska to get the necessary service work performed.

Mr. Crockett reaffirmed that there was a downward trend throughout the economy because other Yards were not showing great performance either.

A general discussion followed.

Commissioner Thompson remarked that it appeared as though the commercial fleet continued to require service regularly. We were, he stated, not showing a marked decline in commercial vessels, but we were showing a marked decline in the number of recreational vessels who haul out and stay in the Work Yard for a longer period of time than just a week or two.

Bertram Levy inquired if it might be time to start thinking about alternative uses for the Ship Yard in a proactive way now. He suggested that it might be time to build a concept of how that space could be used to bolster income and other ways in which to achieve that goal.

Mr. Crockett reminded that if we indeed starting thinking along that route, we should approach the Marine Trades Association and start discussion with them because we had long-term, 30-year leases, with businesses that depended on the 300-ton travelift for their employment and livelihood.

Bertram Levy hastened to advise that he was not implying that the Port should take away the Ship Yard, but rather that we should be looking at different directions now to increase revenue instead of waiting a year from now to see how the economic climate had changed.

Lastly, he inquired if there had been thought given to selling the Sperry Buildings instead of making the balloon payment, and wondered if there would be an economic advantage to doing that.

Mr. Crockett reminded that the overriding reason why the Port had purchased the Sperry Buildings was the control factor so that, in the eventuality of redoing the entire Boat Haven, the Port would have flexibility to move the buildings or even to construct new buildings.

Commissioner Collins reminded that since Galmukoff Marine had sold there were no local service people federally certified to perform the annual service work on the Coast Guard Cutter “Osprey”, for example. He suggested that perhaps there might be ways for the Port to locate businesses and people interested in becoming certified and thereby broaden services being offered by Marine Trades businesses.

Mr. Crockett stated that he had discussed it with several of the different Marine Trades but had been told by them that the Federal certification criteria were extremely difficult.

Further discussion followed.

Commissioner Collins noted that, in reviewing the August Operations Reports, the number of boats on the Wait List for August had declined 6% from the last three years and wondered if that represented a trend.

A short discussion followed regarding the wait list and that other marinas were experiencing the same situation, for example, Anacortes does not now have a wait list at all for 45 to 50 foot slips.

B. Jefferson County Comp Plan Amendment:

Mr. Crockett provided an update on the status of the Comp Plan Amendment for the ECO Park at the airport stating that the Jefferson County Planning Department, at the September 2, 2009 meeting, had recommended approval and moving forward with the process to the Jefferson County Board of County Commissioners. He informed that a Public Hearing on the matter would be held September 16, 2009. Public comments would be taken during the Hearing regarding the proposed amendment.

A short discussion followed regarding the limited number of available land parcels zoned for manufacturing light industrial. There were twenty acres in Quilcene and some in the Glen Cove Area just outside the Port Townsend city limits.

Mr. Crockett advised that even though those parcels were designated light industrial it was unclear exactly how much of the land was actually usable as there might be wetlands present, or a bluff or other hindrances to the total amount of property. He had often speculated, (and had brought up the subject with the new EDC, Team Jefferson) he stated, that someone could actually “walk” the parcels and provide an accurate determination of the land available and if it was actually usable land and if any infrastructure was present.

C. Update on Discussions with City of Port Townsend Re: Kah Tai, etc:

Mr. Crockett informed there was little forward movement regarding the matter since the discussion during the September 9 Commission meeting. He reminded that City Manager Timmons had passed the Port’s Wetland Mitigation analysis regarding the wetland on Port property on to Judy Surber for her review. Mr. Crockett advised that he had not yet had a follow-up meeting with Mr. Timmons nor had Mr. Timmons contacted him regarding the topic.

Commissioner Collins inquired if, as suggested by Port Attorney Goodstein, a Memorandum of Agreement would be more appropriate than the Resolution the City had sent and inquired if there had been a response from Mr. Timmons on the matter.

Mr. Crockett advised that he had not yet heard back from Mr. Timmons but that he would press for a meeting and/or conversation regarding the matter.

VI. NEW BUSINESS:

A. Approval of Warrants and Voided Warrant:

Warrant #042639 in the amount of \$-132.16 Void Accounts Payable

Warrant #042697 through #042727 in the amount of \$41,814.96 for Payroll

Warrant #042728 through #042737 in the amount of \$55,963.45 for Payroll Benefits and Accounts Payable

Warrant #042738 through #042812 in the amount of \$240,965.22 for Accounts Payable

Commissioner Thompson moved to approve the warrants as presented.

Motion carried by unanimous vote.

B. Moorage Collection Policies and Discussion:

Mr. Pivarnik informed that after discussion with the Moorage Staff recently the issue of past due moorage accounts came up. He advised that, as Mr. Taylor had previously remarked, the majority of collection issues resulted from past due Yard customers, however with current state of the economy, the problem of past due moorage customers was developing. At present, he stated, twelve moorage customers were more than sixty days late on their moorage payments. As a rule staff tried to work with the customers to resolve the delinquencies in a timely manner. He was concerned, however, with someone being late in payment on an ongoing basis, bringing the account current and having all his or her rights as a slip holder reinstated. He advised that with the number of customers on the wait list, and in anticipation of the A/B Dock reconstruction (with the loss of forty slips) that it might be timely to review the collection policies for customers in the water. He provided additional details regarding the policies already in place and ideas for changes.

A thorough discussion followed between staff, the Commission and Mr. Klose regarding the present policies, possible changes and directions with the consensus of agreement that staff would develop changes to the current policies and present a draft to the Commission at the September 23, 2009 meeting for review.

Mr. Taylor remarked that twelve past due customers out of a total of five hundred moorage customers in 3 Marinas was a very low percentage and advised that the biggest problem, in his opinion, was the number of past due accounts and collection

issues in the Yard. Additionally, he advised, that making sure all the necessary paperwork (Washington State registration and a Certificate of Insurance) would be thoroughly completed at the time someone applied for moorage or space in the Work Yard would eliminate a many of the problems encountered. He stated also that he thought most of the twelve delinquent accounts belonged to monthly guest moorage, which had been discussed as a policy numerous times in the past. He advised, in his opinion, if the monthly guest policy was tightened up and the seaworthy policy was enforced that there would be very few sixty day past due customers in moorage.

A very thorough discussion followed regarding monthly guest moorage, which lead into a discussion on the current difficulty staff had in assigning a permanent slip with the current, restrictive, policies.

Commissioner Collins recommended getting input from the Moorage Tenant's Union and seeking their help in coming up with creative ways in which to resolve some of the problems.

Commissioner Thompson stated that he would like to see the collection policies tightened up along with changes to the way in which empty slips are assigned to wait list customers; ways in which to speed up the process so that a slip did not sit empty.

Mr. Pivarnik stated that he would bring back some draft language addressing the different issues of monthly guest assignment, collection procedures and ways in which to speed up the empty slip assignments.

Mr. Taylor added that, in his opinion, the current credit system policy also needed to be reviewed, updated and revised.

Mr. Klose offered that it sounded like more of a policy matter than a legal matter, but just listening to the discussion, he thought there was room for a lot more aggressive enforcement of the policies already in place. The policies could be more assertive, he offered, particularly since the Port had a Wait List.

In summation, agreement was reached to support Mr. Pivarnik, and staff, in development of revised policies and agreement to tighten up the billing cycle.

C. Quilcene Fair Sponsorship:

Mr. Crockett advised that a citizen had dropped off a sponsorship form asking that the Port contemplate sponsoring the Quilcene Community Fair event in the amount of \$250.00. Mr. Crockett reminded that the Port normally did not sponsor community events with the exception of the Wooden Boat Festival and (on a much less formal basis) the Airport Fly-In. With the Wooden Boat Festival, he reminded, the Port logo was on the Event poster so there was a tangible benefit to the Port in the way of advertising. The Port provided sanicans for the Fly-In event. He reminded that there was no cash exchanged in either case and both of the events took place on Port facilities.

Commissioner Collins reminded that the Port had been approached to help sponsor the annual 4th of July fireworks display and had declined. He suggested that perhaps a policy needed to be in place that clearly stated that it was not Port policy to sponsor events away from Port facilities.

Commissioner Beck thought a written policy might be wise, he reminded that the Port, as a public entity could not give "gifts" sponsorships without getting something tangible (i.e. advertising, etc) in return.

Commissioner Thompson noted that in order to be tangible benefit there needed to be obvious advertising space. He suggested that if the fact that the Port had sponsored the Quilcene Community Fair and if the Port were given recognition that sponsoring the event might be a feasible idea especially in light of the taxpayers present in Quilcene who paid taxes to the Port.

Commissioner Beck suggested that since the Quilcene Fair was to be held the weekend of September 19 and 20, there was not enough time to decide and develop a policy.

There was continued discussion between staff and the Commission.

Mr. Klose advised that the idea was really a legal matter and was not justifiable, not allowable, because it went back to two things: #1 the Port was governed by a set of statures which very strictly laid out the things that Ports could do and #2 Ports were restricted by the Washington State Constitution and not permitted to make gifts of its

funds. Therefore, a sponsorship of a Community Fair was essentially a gift, and there was not anything listed in the Statute that said one of the Port's permanent activities was sponsorship of county fairs. He stated there were Ports and other governmental organizations that participated financially, or in kind, in numerous kinds of community type of activities but it was always then justifiable by something that was connected back to the activities that the Port District was permitted to conduct. He advised that helping to support a fishing derby, which was marina related with the boaters using Port boat ramps, slips etc, made sense for development of the Marina community. Sponsoring the annual fire works display, he advised, would be a bit of a stretch.

VII. STAFF COMMENTS:

Mr. Pivarnik provided an update on the proposed Quilcene Harbor dredging project stating that six contractors had been contacted and to date there were none interested in bidding on the job. The main reason, he said, was that the project scope was too small. He informed that Manson had suggested that he call them after we have secured the necessary permits and they may consider the project depending on their workload at the time.

Mr. Crockett informed that he had been in contact with John Hicks, with the Corp of Engineers based in Seattle, and as part of the Boat Haven entrance dredging they had received two bids for the dredging project. The Boat Haven dredging project, he stated, was for a little less than 2,000 cubic yards of material compared to the 4,000 cubic yards at Quilcene, and both responses were for a full quarter of a million dollars. The bids included deep-water dredge disposal. He reminded that in order to comply with the deep-water dredge disposal specifications for Quilcene, the distance from Quilcene to the disposal site located off Protection Island was much farther than from the Boat Haven.

Mr. Pivarnik reminded that when Caicos dredged the Point Hudson Marina two years ago the cost had been \$20.00 a cubic yard, best guess estimate by the engineers now was that it would cost approximately \$40.00 per cubic yard for Quilcene, but the actual bids for the Boat Haven Marina entrance, per Mr. Hicks, were for \$150.00 per cubic yard.

Commissioner Collins remarked that he understood there was the possibility that the deep-water disposal site would be closed down and that upland disposal would be required instead raising the cost dramatically.

A short discussion followed about the topic.

Mr. Crockett reminded that the Maritime Center was having their opening ceremony celebration at the new building starting at 5:00 PM, Thursday, September 10, 2009.

He informed that he would be in Seattle all day September 10, at the Northwest Marine Trades Association Offices attending the Washington Boating Alliance meeting. He reminded that he participated through the Washington Public Ports Association as a Marina Committee Chair.

On Tuesday, September 15, 2009, he would again be in Seattle, same location, for a meeting with other boat yard operators to review where the Department of Ecology was on their process of updating all the new boat yard permit criteria. From there, he stated, he would go directly to Walla Walla to attend the WPPA Economic Development Committee Conference.

Lastly, he briefed the Commission regarding the Jefferson County Shoreline Master Program Public Hearing that took place Tuesday, September 2. He informed that the meeting had closed the final comment period at 10 PM. This morning he received an e-mail from the attorneys representing Coast Seafood, Penn Cove and Taylor Shellfish to inform him that they were submitting a fairly lengthy set of comments on the SMP in reference to aquaculture. He reminded that the Port had been supportive of the endeavor and had sent an e-mail to the Jefferson County Commissioners essentially underscoring that the Port endorsed and is supportive of aquaculture in Jefferson County and looked upon it as a future job producing industry. He reminded, additionally, that the Port had fought long and hard through numerous Committee meetings to have language included in the SMP supporting aquaculture in Jefferson County.

A brief discussion followed.

Commissioner Collins asked if it was generally known that the Primary Election cost the Port \$24K.

VIII. PUBLIC COMMENTS:

None

IX. COMMISSIONER COMMENTS:

Commissioner Collins remarked that he was looking forward to attending the Washington Public Port's Association Economic Development Conference beginning September 16th in Walla Walla, WA.

Commissioner Thompson stated that he was interested in seeing the billing cycle tightened up and getting some of the Moorage Agreements simplified which would make them easier to administer and for people to understand.

Commissioner Beck stated that he was looking forward to a very successful Wooden Boat Festival.

X. NEXT MEETING: Next regular meeting will be held Wednesday September 23, 2009 at 6:30 PM with a special Strategic Planning Workshop from 2:30 PM to 4:30 PM, in the Port Commission Chambers, 375 Hudson St, Port Townsend.

XII. ADJOURNMENT:

The regular meeting adjourned at 2:33 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