

PORT COMMISSION MEETING – April 15, 2010

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

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

I. CALL TO ORDER/PLEDGE OF ALLEGIANCE:

Commissioner Collins called the meeting to order at 3:30 PM.

II. APPROVAL OF AGENDA:

The Agenda was amended to include the addition of an Executive Session, duration twenty minutes, for discussion regarding a potential legal issue, with possible action.

The addition under New Business of Item G – Yard Overtime Authorization and Item H – Caicos Update

New Business – Item A – Team Jefferson Update was moved to after the first Public Comment period and New Business – Item C – Additional Point Hudson Commercial Moorage was moved to Old Business below Item A – Community Advisory Committee List.

Commissioner Collins moved to approve the Agenda as amended.

Motion carried by unanimous vote.

III. CONSENT AGENDA:

A. Approval of Minutes – March 24, 2010

B. Write Off Register

C. Operations Reports – March 2010

Commissioner Thompson moved to approve the Consent Agenda as presented.

Motion carried by unanimous vote.

IV. PUBLIC COMMENTS (Not related to agenda):

None

VI. NEW BUSINESS:

A. Team Jefferson Update:

Team Jefferson Director Bill Wise provided a thirty minute power point presentation and update on Team Jefferson projects. Mr. Wise informed that the update had precipitated out of a number of different things and that he and Commissioner Collins had thought it would be a good idea to update the Commission on what Team Jefferson was up to, with particular emphasis on the business roundtable and the shared economic development effort that was getting underway.

V. OLD BUSINESS:

A. Community Advisory Committee List:

As part of the ongoing dialogue about the topic (since formal adoption by the Commission of the Port's Strategic Plan), Commissioner Collins offered that he wished to develop a name for the group which more clearly defined its purpose and was less "generic" than CAC. He offered a suggestion of PSAC – Port's Strategic Advisory Committee.

Mr. Crockett provided an update, referring to the draft listed in the Agenda Packet developed by Strategic Plan Consultant, Eric Toews and which provided a grouping of nine categories comprised of various groups: Marine Trades, Moorage Tenants, Airport, Retail, Environmental, Trailer Boaters and three Citizen At Large positions (each of the Commissioners would select a representative from their individual District).

A thorough discussion followed regarding the Community Advisory Committee which included: how often should the committee meet, annually? More often? Called in by staff and/or the Commission for input into special projects and that the members would be ultimately appointed by the Commission.

Eric Toews provided information and clarification regarding the whys and wherefores of the proposed draft.

Mr. Crockett advised that staff thought it was critical that the CAC should elect their own leadership – which could rotate on an annual basis. He stated that the Port would provide a meeting space but that the CAC should be responsible for their own

administrative duties – such as minute taking and record keeping although he stated, in his opinion, the CAC meetings would be more like the Port Workshops and would not require the depth of record keeping. He added that formal adoption was not sought at this meeting – merely a sense if the Commission believed that staff was heading in the right direction.

A discussion followed amongst the Commission regarding the representative from each of their districts that they needed to recruit with Commissioner Thompson advising that he liked the concept and enjoyed talking with different folks about the idea. One obstacle, he noted, was finding someone with enough time and energy to fully participate in the process.

Commissioner Erickson noted that the advantage of having only one meeting a year was a real plus when it came to recruitment.

However, Commissioner Collins viewed participation a little differently, since he thought there might, ultimately, be more than just an annual meeting. He suggested that a provision be added to the draft, which advised that Port management staff, or members of the group, could call for additional meetings themselves or by the Commission.

Discussion then followed regarding that each meeting would be subject to the Open Public Meetings Act with Attorney Klose advising that if the Advisory Committee was an adjunct to the Commission function, then all the same rules applied as to a regular or special Commission meeting.

Gary Rossow suggested that the final draft state that any additional meetings had to be approved by the Executive Director.

After further discussion, it was agreed that Staff would try to bring back a Resolution for possible adoption to the April 28, 2010 meeting.

VI. New Business:

C. Additional Point Hudson Commercial Moorage:

Mr. Pivarnik introduced Captain Lloyd Baldwin, owner of the vessel “SUVA” presently moored in Port Hadlock advising that Mr. Baldwin would like to relocate to Point Hudson. He reminded that there had been ongoing discussions about designating Point Hudson, at least during the summer months, as a charter destination where visitors to the community knew that they had options to get out onto the water.

Lloyd Baldwin provided a brief background and his goal, he stated, was to provide day sails and dinner cruises, sail training, corporate entertaining and family and youth sails. His vessel carried six passengers, but was not limited to a certain number of cruises each day. He advised that he really wanted to relocate into Point Hudson as it was, in his opinion, right in the middle of town and activities.

Mr. Pivarnik reminded that the Commission had approved 305 feet for commercial moorage and that the “SUVA” would extend that by approximately 50 feet. He suggested that, as a test, bring Mr. Baldwin in for the summer, and moor it right behind the “Olympus” with the obvious stipulation that he would have to move during the A/B dock renovation because Boat Haven boats would be relocated to Point Hudson during that time. He offered further details of the proposal and recommended approval.

Commissioner Collins moved to approve the addition of the vessel “SUVA to Point Hudson.

Motion carried by unanimous vote.

Mr. Baldwin asked if he might have an option to return to Point Hudson after the A/B dock was completed.

Mr. Pivarnik responded that there might be an option and that staff was going to try to make it happen, but further discussion would need to take place, as there were many details yet to be sorted out.

V. OLD BUSINESS:

B. 2010 Capital Budget and 5-Year Capital Forecast:

Mr. Taylor referred to pages 9 and 10 of the Commission packet and advised that he had updated the document based on the discussion that had occurred during the March 26 Workshop. He reminded that the Commission had not approved a Capital Budget since 2007. He provided details regarding the document.

A very thorough discussion of the proposed Capital Project document (and each of the listed projects) followed as well as the probable financing of the projects. There

was also discussion regarding the examples of other Port's Capital Expenditure Projects lists as provided by Commissioner Collins.

The consensus was that although the document was on the right track more refinement was needed.

C. Management Authority:

Mr. Crockett advised that staff had asked for developmental help in preparation of a Master Policy Directive on Administrative Authority for the Executive Director, department heads and senior management document. The document before the Commission was a draft and one to solicit input and ideas from the Commission before progressing to the final document. The Policy would bring a number of different polices together under one Resolution, essentially rescinding all previous documents and establishing a new one. Mr. Crockett provided details about the proposed document and advised that there was no action needed at this time.

Commissioner Erickson expressed his opinion that the topic should become a workshop item.

D. Economic Strategy Update:

Commissioner Collins informed that he had attended the Economic Strategy meeting held April 9, 2010 along with members of the Jefferson County Commission and City Council, City Manager and County Administrator. The meeting was scheduled for discussion of time line intervals, meeting places and times, and the Memorandum of Understanding that had been signed. Also discussed was the scope of the agreement that was to be signed by June. He provided further details.

Mr. Crockett confirmed that the entire process could take a year or two to accomplish all the goals.

E. Rates:

Mr. Crockett informed that the topic had been added at the request of a Commissioner.

Commissioner Thompson stated that he would like to make a proposal and connect it to a motion to increase moorage rates by 5%, giving five reasons that, in his opinion, made raising rates necessary. The reasons, in his opinion, were #1 the net income from operations from all Port operations has gone from a plus \$600K to a minus \$320K in the last three years, #2 was that Lindsay Sovde, of Seattle Northwest Securities had expressed questions about the Port's financial capabilities on its position on acquiring the bond that is needed to do the A/B Dock Renovation project, citing that it seemed we would not have enough revenue to cover operations, #3 the Port's rates were lower than neighboring marinas, i.e. John Wayne Marina, Port Hadlock, Port Ludlow, #4 there was a really strong waiting list which indicated that the Port may not be at market rate for what it was selling here, and #5 the adopted Strategic Plan called for the Port to be a good steward of its finances and to create reserves for each of its operations and projects.

Commissioner Collins wondered why 5%.

Commissioner Erickson expressed his opinion that 5% seemed a little stiff. He advised, additionally, that he had understood through earlier discussions regarding the bonding for the A/B dock that the project could be funded without an increase to rates and wondered how we had now turned around and were talking about raising rates.

Mr. Taylor informed that ongoing discussion with Port Financial Advisor, Alan Dashen the observation was that if we continue operations as we have the last couple of years we should have approximately \$500K per year in cash after servicing the new debt but that figure had to fund everything else in the Port – including the Capital Projects list, any new equipment purchases as well as provide for any emergencies and reserves.

A very thorough discussion developed between staff, the Commission and the citizens present regarding the Port's current financial condition including the fact that in the last three years the gross revenues from Yard operations have decreased by about a half million dollars a year.

Commissioner Collins offered that a 5% increase on an annualized basis would increase moorage revenue by about \$38K.

Mr. Taylor advised that the action taken at the last meeting to raise Yard revenues by taking away the 20% discount, based on the level of operations right now, would have about \$80K or more impact in a calendar year.

Commissioner Thompson reiterated his concern about having enough capital for operations. His concern was that there would not be funds available in the event of an emergency advising that we have been reducing our cash reserves for the last several years and he saw that trend continuing.

Further dialogue followed about the situation.

Commissioner Collins stated that, in his opinion, the view had to be long-term, that a zero increase could not be sustained indefinitely, and that rates would need to be increased at some point and at a sustainable level. He suggested revisiting the square footage concept again. He advised that we needed to develop some type of longer-term sustainable strategy for rate increases.

Gary Rossow advised that, in general, he thought the Moorage Tenants understood that rates would need to increase. He reminded that the Strategic Plan also focuses on community access and affordable access, so, in his opinion, focusing on just the Moorage Tenants because the Yard was not living up to its potential was asking the Moorage tenants to subsidize and expand the subsidy of other assets that were, for a lot of reasons, the economy and so on, had not been raising a lot of revenue. He asked for a chance to digest the information and offered to come back with a proposal from the Tenants side saying what might be a reasonable approach to this. He further advised that, in his opinion, the Port needed to develop other sources of revenue.

Discussion followed about property leases and the yearly CPI adjustments built into the lease language and also about the market analysis that is performed every three – five years.

Commissioner Thompson reminded that initially when the A/B Dock, Commercial Dock project had first been discussed he had been very concerned when Paul Sorenson made his rate presentation because he could see that to do that project, as discussed, was going to result in a huge moorage rate increase to pay for the project and he was very much against that – and was strongly in favor of using local people with expertise to develop a new design – which led to the development of the proposed A/B Dock Renovation project.

Gary Rossow advised that he was not against anyone doing an analysis of what they thought the market would bear but reiterated that the Moorage Tenants would like to see the scope of the revenue raising approach on long-term raises to service the debt and to provide for the new infrastructure be broadened. He advised that they would like a chance to participate in proposing what to them would be a reasonable approach to rate increases.

Commissioner Thompson advised that he wished to keep his motion on the table, and suggested that the Moorage Tenants develop a five-year plan of rate increases so that the Port could accommodate its expenses.

Commissioner Collins agreed that there should not be final action taken on the motion today, and that the Moorage Tenants be given time to provide input and ideas.

Tamara Conway reminded that the overall economy was unstable and reminded that those receiving Social Security benefits had not received even a small cost of living increase for 2010.

Commissioner Collins then proposed that if moorage rates were increased that the Port should commit itself to doing an across the board cutting of budget expenses for this year by 1% which would result in an approximate savings of \$31K.

Mr. Crockett advised that he would like to have what staff had already cut looked at, also, stating that we had already done a lot to reduce costs to include reducing staff by 20%. He continued by saying that the Port was a victim of the economy also, and that we needed to keep in mind that living in Port Townsend really hurts us, as we live in a more expensive community and the cost of goods increases because items have to be brought in from a distance away. He reminded that no one group was being singled out but that it was a fact of life that things cost more here and that when we do these major types of infrastructure improvements somehow the costs have to be recouped. In addition, he reminded, although he understood that folks did not want to hear it, that boating was a privilege, it is not a “right”. He provided the analogy that he owned and drove a Harley Davidson motorcycle but was not at the Jefferson County Assessor’s office asking for his property taxes to be reduced to

support his motorcycle habit. The plain truth, he stated was that we had to look at the final bottom line. He liked the idea of a multi year plan of rate increases.

Commissioner Thompson advised that he, too, liked the idea of a multi year plan.

Gary Rossow advised that the Moorage Tenants would come back to the Commission with ideas.

Further discussion followed, and then **Commissioner Collins moved to table the motion on the floor until the April 28, 2010 meeting.**

Motion carried by unanimous vote.

VI. NEW BUSINESS:

A. Team Jefferson Update:

This topic was moved to beginning of meeting.

B. Banking Services:

Mr. Crockett provided a quick update on the topic advising that with all the unrest in the banking arena and with the Port using Frontier Bank as its depository of credit card and other cash and check deposits that there had been some alarm especially since the FDIC had cited April 15, 2010 as the “drop dead” date for Frontier to either raise enough capital or find a buyer. After talking with the folks at Frontier, he stated that he saw no cause for immediate alarm although there was continued uncertainty regarding Frontier’s future. He advised that at some point this summer we might want to consider going out for banking services with another financial institution. He closed by saying he did not see any immediate risk to the Port, at this time and that no action was necessary.

C. Additional Point Hudson Commercial Moorage:

This topic was talked about earlier

D. FAA Conference Update:

Mr. Crockett provided a quick update on the annual FAA Conference attended last week along with Mr. Pivarnik and Commissioner Collins. He informed that it had been an excellent conference and that they had met with their counterparts from various other Ports around the State.

Commissioner Collins informed that he found the conference to be a useful education for him on various levels and certainly with all the acronyms used for the various projects. Of note, he stated, was one session in which the speaker addressed some of the threats seen to general aviation and they were the general encroachment, both on air space and land space, as a widespread problem. He stated that, in his opinion, the Port has taken good action to preserve our air and land space, but it was a constant reminder of an ongoing problem. Another session talked about the need to somehow change the public’s perception and attitude that airports were not just places for hobbyists or hobbies for rich people but that they serve an essential public purpose. He advised that events like the Airport Days put on by the Pilot’s Association were crucial and stated that he believed anything we could do to help them would help also to preserve the general aviation in our entire community.

E. Clean Marina:

Mr. Pivarnik informed that we are at the last piece in the puzzle regarding being certified for both Boat Haven and Point Hudson earning the “Clean Marina” certification. The three remaining steps, he stated, were as follows: #1 was a letter to all Port employees asking them to use environmentally safe materials whenever possible – a letter would be inserted with the April 16, 2010 paychecks. #2 was to require liveaboards to log (record) their pump outs. With various options available, staff chose to include in the Liveaboard Contract a new line (Item G) which, basically, states that all liveaboards would be required to do a monthly report, self-monitored, but to provide to the Port a report of when they use the pump out. Mr. Pivarnik provided details of how he envisioned the system to work and hastened to advise that staff would not monitor the actual pump outs. #3 was that the Port’s Best Management Practices (BMPs) should provide ways in which to handle sewage, gray water and boat washing issues, with some specific things wanted from all tenants in the marinas. As he provided all three documents, he advised that the first (the letter to the employees) required no action but that the other two items did require Commission Action as they were changing Port policy.

A thorough discussion followed between the Commission and staff regarding the issues. The Puget Soundkeeper Alliance was the agency in charge of certifying

Marinas as “Clean Marinas”, and Boat Haven and Point Hudson would become #49 and #50 on their list. Announcement would be made on Earth Day, April 22, 2010. Commissioner Thompson requested that notices be sent in the next billing cycle to inform tenants of the new requirements.

Commissioner Collins moved to adopt the policy in regard to liveboards logging and completing a monthly form informing of their monthly pump outs and refining the language relating to gray water and boat washing in the Port’s Best Management Practices.

Motion carried by unanimous vote.

F. Yard Overtime:

Mr. Pivarnik stated that the Yard haul-outs were now booked four weeks out and staff, customers and the Marine Trades were feeling the strain. Although the offer had been to schedule overtime on Saturdays (and pass the fee along to the customer), there were few takers as most folks wanted the service but did not want to pay the extra for it. In a way to reduce the bookings to one week, Mr. Pivarnik recommended that Yard Manager, Doug Lockhart, be allowed to use his discretion to schedule overtime at no charge to the customer – in other words the Port would absorb those costs.

A short discussion followed about how the Yard was short staffed, that overtime would be less expensive than hiring another full time operator (considering benefits, etc) and that staff was willing to work overtime (with limits).

Commissioner Thompson moved to authorize Yard overtime.

Motion carried by unanimous vote.

G Caicos – Point Hudson Update:

Mr. Pivarnik provided an update on the topic reminding that Caicos had until midnight, this date to resolve the outstanding issues. He informed that it was clear that the deadline would come – and go, however. He advised that Caicos was not going to redo the fire system and that staff would be getting another contractor to complete that system. However, Caicos would be providing, stamped, engineering drawings as requested and was one of the Ports biggest contingents. He advised that he had met a few times with the engineer and everything, for the most part, was done correctly. The engineer hoped to have the drawing completed and to staff within the next two weeks.

Mr. Klose, in response to Commissioner Collins’ inquiry, informed that it was not yet certain whether we would have to move toward the formal legal process yet.

Mr. Taylor stated that there was still the unresolved issue of the \$100K in labor issues with the Department of Labor and Industries and that the bond would remain open until that issue was resolved.

Attorney Klose informed that potentially the project issue could be resolved outside of the L&I issue since Caicos was appealing the L&I issue.

H. Approval of Warrants and Voided Warrant:

Warrant #043992 in the amount of \$68.00 Void

Warrant #044032 through #044059 in the amount of \$43,052.18 for Payroll

Warrant #044060 through #044068 in the amount of \$55,449.84 for Payroll Benefits

Warrant #044069 through #044147 in the amount of \$98,399.25 for Accounts Payable

Commissioner Thompson moved to approve the warrants as presented.

Motion carried by unanimous vote.

VII. STAFF COMMENTS:

Mr. Pivarnik informed that we’re at 100% for the A/B dock drawings, advising that staff had been to visit PND in Seattle twice and that Consultant, Tike Hillman had been there also to go through the plans with PND. He stated that, in staff’s opinion, we have a good bid document with an estimate (the inexpensive route) of \$4.3 million for A/B Dock, which includes a \$472K contingency amount. Two alternatives have been added which add to the cost but will provide longevity. The #1 Alternative was to use IPE decking instead of select fir – and he advised that the Engineers and our Consultant and the Port’s Maintenance Manager all recommended using that material however, it would add approximately \$230K to the project cost. He advised that the project was being bid in fir, but were also asking for bids using the IPE.

Mr. Pivarnik informed that he also added the parking lot paving as an “additive” advising that staff fully intended to pave the parking lot. Therefore, he informed if the project was

bid for the high price spread, with the parking lot paving, the Engineer estimate would be \$4.8 million (\$525K contingency). It also included about \$40K for 50amp electrical service.

A short discussion followed regarding the need for 50amp electrical service. The original estimate for the travelift project was \$800K.

Mr. Crockett informed that the ad would appear in all of the local newspapers as well as the Seattle Daily Journal of Commerce starting Monday, April 19 and would remain open until May 20, 2010.

Commissioner Thompson reiterated that if there was reticence in the bond market because of our reluctance to raise rates, he wanted to be informed and that in his opinion, servicing the proposed debt was not the problem but funding operations was.

Mr. Crockett advised that the way in which he was going to brief it to the bond markets was that the Port Commission was taking a very hard and serious look at all of the Port's rate structures with servicing the Port's debt as the purpose.

Mr. Taylor informed that two things had occurred within the past two days that would affect the bond issue. #1 was that it appeared that the original cost estimate was too low and that he should use \$5.6 million as a placeholder, at least until bids were received. We had been creating all the documents based on \$5.1 million. #2 was that the bid opening schedule needed to be set back because originally it had been set to open May 14 and it was now going to be by May 20 pushing the whole program back a week.

Mr. Pivarnik informed that he had received an email for the Corp of Engineers informing him that they were writing the permit right now. The US Department of Fish and Wildlife had signed off on all the restrictions therefore, he said, he should have all the permits for the A/B Dock within a week.

Mr. Pivarnik updated as to the progress made toward acquiring the demo permit for the Landfall Restaurant building. He reminded that he had put copies of the architect's opinion on the historical significance of the building in the Commission boxes. He stated that he thought the Port had the required number of votes to move forward with the process and demo the entire building. The HPC meeting was scheduled for Tuesday April 20.

VIII. PUBLIC COMMENTS:

Tamara Conway, she is on the Jefferson Transit Citizens Advisory Committee and stated that she wanted to say "thank you" to Port staff for the flyer which was included with the last moorage billing statement which noted the changes to the bus system routes. She offered that she was very impressed with the flyer and was grateful that staff had taken the time to provide the important information to Transit passengers.

IX. COMMISSIONER COMMENTS:

Commissioner Thompson reported on the Regional Transportation meeting he had attended in which there had been discussion regarding the proposed underpass on Highway 101 in Clallam County by the theatre complex with discussion of how the County had developed the project and gained acceptance of it by the Washington Department of Transportation. There was also a Homeland Security update; a FEMA representative was present, with information regarding possible emergency situations, like a major earthquake. One item he found to be particularly interesting was that the audience was told that most of the stores in this area only stock about 18 hours of food as supplies/food is shipped in each night.

X. NEXT MEETING: Next regular meeting will be held Wednesday, April 28, 2010 at 6:30 PM, Public Workshop at 3:30 PM, in the Port Commission Chambers, 375 Hudson St, Port Townsend.

XI EXECUTIVE SESSION: The regular meeting recessed into Executive Session at 6: 22 PM and began at 6:30 PM for discussion of a potential legal matter, duration of twenty minutes with possible action.

XII: ADJOURNMENT: The regular meeting reconvened at 6:50 PM, there was no action to be noted from the Executive Session, and adjourned at 6:51 PM there being no further business to come before the Commission.

ATTEST:

John N. Collins, President

Leif W. Erickson, Secretary

David H. Thompson, Vice President