

PORT COMMISSION MEETING – May 14, 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 reflect the addition of an Executive Session for discussion of four topics, thirty-minute duration, total, and with a possible decision.

There was an addition to Old Business of Item G – Quincy Street Dock Re-design and to New Business the addition of Item C – Solar Motive’s Wind Generator Proposal and Item D – Point Hudson Project Update.

Commissioner Collins moved to approve the Agenda as amended.

Motion carried by unanimous vote.

III. CONSENT AGENDA:

A. Approval of Minutes – April 28, 2010

B. Operations Reports – April 2010

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. A/B Dock Update:

Mr. Crockett informed that on May 4 and 6, 2010 potential, interested bidders were allowed to tour the proposed A/B Dock project site advising that there had been a lot of interest from both major contractors and sub-contractors. He expressed optimism that the amount of interest shown might lead to numerous, competitive bids. The actual bid opening was scheduled for Thursday, May 20 at 1:00 PM.

Mr. Pivarnik advised that flyers had been sent out with the monthly billing statements asking tenants to list their preference regarding how they wanted to be relocated during the construction, i.e. did they want to be upland or relocated to Point Hudson. He advised that most responses indicated that people wanted to stay in water. He asked for Commission direction on policy regarding the various fees advising that staff needed direction regarding what fees should be charged and outlined some of the issues and concerns. Staff believed that the Port should pay for the haul out as long as people continued to pay their moorage fees and that the time in the Yard would be without charge. However the question of whether to charge environmental fees, electricity and wash down fees remained.

A thorough discussion followed regarding possible scenarios for clarifying policy for use during the construction, with the idea being that boats could start being pulled 9/1/2010 and with construction set to begin 9/20/2010.

Commissioner Collins moved to authorize staff to take care of the boats that choose to relocate upland, to waive the haul out fees and lay day fees, (continuing to pay their normal moorage fees) but that they incur electrical, environmental fees and washdown charges; and that this policy is separate and apart from normal policy and is for the A/B Dock Construction project only.

Motion carried by unanimous vote.

Mr. Pivarnik advised that another issue in need of Commission direction was the idea suggested by the Moorage Tenants Union that repopulating the docks should be opened up to the entire Marina, allowing anyone from C/D or the Commercial Basin to have their boats hauled out (at no charge) and be allowed to work on them during the construction project. Staffs recommendation, stated Mr. Pivarnik, was that it would be extremely difficult to manage all of the slips and since the tenants on A/B Dock were the ones being displaced, the policy should be applicable only to them.

After discussion, consensus was reached to work with the A/B dock boaters right now and not to include the C/D Dock or Commercial basin tenants.

Additionally, advised Mr. Pivarnik, the Moorage Tenants had suggested that after the project was complete, slip assignment should be based on seniority in the Boat Haven.

Commissioner Thompson stated that, in his opinion, it should be opened for the present A/B dock tenants and if, for some reason, the slips were not all filled, open it up to others. There was a consensus of agreement amongst the other two commissioners to handle placement in that way.

Mr. Taylor provided an overview of the bond process to date, distributing three handouts to the Commissioners. One handout was the Preliminary Official Statement that Seattle-Northwest Securities had emailed to all their institutional investors and customers today (5/14/10) to solicit interest in the Bond. He provided an overview of the document and stated that \$5,765,000 was listed as based par amount on the most recent estimate from PND Engineers. The final amount could vary, he stated, depending on the bids received. The amount contained \$4.8 million for the A/B Dock, \$800K for the travelift pier, \$100,010 in Issuance Costs and \$65K for application for Bond Insurance – which may, or may not, be needed ultimately. He explained the process and informed that the schedule was that on 5/25 Seattle-Northwest Securities would take orders for the bonds, which could actually be purchased the following day, 5/26, after approval by the Commissioners at the regular Commission Meeting. For those local citizens interested in purchasing bonds, they should contact Seattle-Northwest Securities for information.

A thorough discussion followed between the Commissioners and Staff regarding the process involved in selling the bonds and other pertinent details of the proposed bond issue as well as discussion regarding the Port's existing debt.

B. Joint Economic Strategy:

Commissioner Collins provided an update regarding the Joint Economic Strategy process providing background information and details. He reminded that on February 16, 2010 the Port had signed, along with the City of Port Townsend and Jefferson County a Memorandum of Understanding (MOU) committing the joint agencies to develop a process for development of a Joint Economic Development Strategy. An Agreement had been drafted setting forth a frame of activities culminating with a Joint Economic Development Planning Agreement. He outlined the six separate steps, or objectives, listed in the Agreement. He informed that the City of Port Townsend City Council had unanimously approved the Agreement on Monday, 5/10 and that Jefferson County would most probably approve it on Monday, 5/17. The Agreement did commit each of the Governing Entities to share in the cost of the data collection research to be provided by the outside research firm of Hovee and Associates not to exceed \$31K (the last estimate was \$26,250) split three ways.

Commissioner Collins moved for approval of the Planning Agreement, as presented.

Motion carried by unanimous vote.

C. 2010 Fly-In:

Mr. Crockett provided background and briefed the Commission advising that the Pilots Association had talked to him regarding their planned Fly-In or Airport Days, scheduled for July 16 – 18, 2010. In previous years, he stated, the Pilots had secured insurance for the event and had named the Port as additional insured. This year, however, the Pilots had asked if the Port would consider securing the insurance (approximate cost of \$1,200 for a \$2 million liability insurance policy for the three-day event) and naming them additional insured. The Port's insurance policy was through an Insurance Pool and when approached in previous years about whether it would be willing to cover the event the response had been negative because, as part of a pool, other participants in the Insurance Pool would be at risk. Although the event is not particularly hazardous as there are no acrobatic air shows, etc, there is still an insurance risk with all the adults and children walking around on the tarmacs and on the airfield.

Commissioner Collins reminded that the FAA Conference he and Mr. Crockett had recently attended had stressed how important it was to bring attention and understanding regarding general aviation airports, like ours, to the general public.

The Fly-In, he advised, seemed to him an excellent opportunity in which to educate the public and promote understanding of the airport.

A thorough discussion followed regarding the event, the Pilots Association, advertising, the Port acting as a sponsor for the event and that paying for the insurance could be considered a legitimate expense on the Port's behalf to enhance the value of the airport.

Mr. Crockett stated his recommendation was to advise the Pilots Association to secure the necessary insurance and that the Port would either split the cost or pay the entire premium cost.

Commissioner Thompson advised that he thought the Port should cover the cost of the insurance.

Commissioner Erickson concurred, as did Commissioner Collins.

A discussion followed which included that the Port could probably justify putting on the Airport Days itself as a way in which to promote the airport.

Attorney Klose advised that in that event, the participating parties would want to be sure that it was adequately insured and that it would make sense to purchase insurance specific to the event rather than as a rider to the Risk Pool.

Commissioner Collins responded that he did not view it as a donation but a way in which to educate the public on the importance of the airport to the local economy.

Commissioner Collins moved to authorize staff to split the insurance cost for Airport Days with the Pilots Association to a maximum amount of \$640.

Mr. Crockett informed that he was going to meet with the Pilots Association and that there was still time to obtain further details as to what they had in mind for the Fly-In, and advised against making any formal commitment until he had additional information.

Commissioner Collins withdrew the motion on the table.

D. Administrative Authority Policy:

Mr. Crockett reminded that the topic had been discussed previously and after a short discussion with the Commission recommended obtaining copies of Administrative Authority Policies from some other Port Districts that were similar in size to ours and then bring the topic back for discussion.

E. Boatyard Stormwater Upgrades:

Mr. Crockett provided an update on the Department of Ecology Grant the Port received in 2009 to use towards the purchase of two stormwater RX systems, using the latest technology for meeting Boatyard stormwater standards for copper and zinc levels. Enclosed in the Commission packet was a price quote for the systems and Mr. Crockett sought Commission approval to move forward with a deposit in the amount of \$105,750. This amount would allow the company to begin manufacturing the two units. The funds will be reimbursed from the Grant proceeds.

Commissioner Collins moved for authorization of the deposit as presented in the amount of \$105,750.

Motion carried by unanimous vote.

F. Port Revenue/Expense Review:

Mr. Crockett provided background regarding the topic and advised that it was part of the continuing discussion, which would lead into the building of the 2011 Budget by reviewing all the revenue and cost items to arrive at a Budget that met the needs of the Port and was fiscally responsible given the additional debt for the A/B Dock project. He reminded that during the April 28 meeting, discussion had taken place regarding the policy of giving free Yard lay-days to permanent moorage tenants from July to February each year, with an idea of discontinuing that policy. He now understood from the Commission that it wished to defer action on the item until the May 26 meeting.

Commissioner Thompson inquired if Mr. Rossow had provided input regarding what the Moorage Tenants Union thought would be an equitable rate increase as he had suggested he would do during the April 14, 2010 meeting.

Mr. Pivarnik responded that no recommendations had been received from the Moorage Tenants Union and that, in fact, they had missed their last scheduled meeting with Port staff.

Commissioner Collins advised that he envisioned developing a system now that would tie together changes in moorage rates, yard rates, (both ship and boat yard), land leases, RVs and Point Hudson moorage, stating that they were all sensitive to different things and needed to be thought of as separate; at the same time he wanted to think about ways in which to reduce expenditures. He reminded of the 5-year cash analysis graph Mr. Taylor had developed and stated that he wished to find a way in which to bring the total revenue and the total expenses at least parallel, if not back together again, at least in a sustainable fashion and that was his goal to develop a plan that would get the Port's finances to that point.

An in depth discussion followed regarding the free lay days offered to permanent moorage tenants and the lost revenue to the Port.

Commissioner Collins reminded that there was a motion on the table from the April 14th meeting in which Commissioner Thompson had moved to increase rates 5% and advised that he wished to move with a substitute motion to the one presently on the table, and which could then be acted on, and that is to charge lay days rates for Boat Haven based boats the same as non Boat Haven based boats. In addition, he wished to postpone action on the motion until the May 26, 2010 meeting.

***** Please see vote on the motion below.**

Postponing the motion, he advised, would give opportunity for the proposed policy change to be announced and would allow time for public response. A thorough discussion followed between staff and the Commission regarding the original motion on the table, the substitute motion and Commissioner Collins' reasoning behind making the substitute motion.

Commissioner Collins noted that as with other non Boat Haven boats, his boat was not eligible for the free lay day discount and therefore he was required to pay full yard rates, as did other non-permanent Boat Haven tenants, when he hauled out his vessel. He advised that, in his opinion, the policy was discriminatory.

Discussion followed regarding various other Ports and rate increases.

Commissioner Erickson suggested that a good beginning to development of such a plan would be to amend the lay-day policy.

Rob Sanderson stated that he was concerned financially. He advised that if the policy were changed, he would hurry up his project and try to get back into the water quickly. He stated that, in his opinion, other boat owners would also try to be more creative about ways in which to speed up their projects and perhaps do more work in water and using more chemicals for washing down their topsides, sanding and varnishing more, etc.

Mr. Crockett informed that there would be strict enforcement of all the Port's environmental standards and that "in water" work would be closely monitored to be sure regulations were met.

Don Haviland stated that he had just heard of the issue this afternoon and that was why he was attending the meeting and stated that he was angry both about the proposed change in policy and because there had been no advance warning to tenants regarding the issue. He stated that he found the idea offensive. He stated additionally that he thought there should be better planning in place. He wondered if the recently adopted Strategic Plan would be respected and advised that changing the lay-day policy would do nothing to improve relationships with the moorage tenants. He expressed additional concerns and voiced his overall displeasure with the approach taken in dealing with economic development and rate increases which always seemed to fall onto the moorage tenants. He stated also that it seemed to him that anytime a citizen voiced an opinion there was an immediate argument and stated that, in his opinion, it showed lack of respect.

Commissioner Collins responded to Mr. Haviland's comments stating firstly that the comments and ideas presented were appreciated. He advised that changing the free lay-day policy was not about making a budgetary decision but, rather, a policy that had budgetary complications or at least revenue complications, advising that policies were made throughout the year. He provided additional details and information and stated that the Commissioner was not proposing changing rates but rather changing a policy that in his mind gives unequal opportunity to a certain class of boaters vs. others, i.e. those people who have their boats in Boat Haven as opposed to those who

do not. He advised that the Port had a boat yard that depends heavily on traffic and markets beyond Port Townsend, Boat Haven and Point Hudson, but also from Port Ludlow, Port Hadlock and further outside of the area. The Port, in his opinion, was dependent on boaters bringing their boats here for service and that it was necessary to treat all boaters equally.

Additional discussion followed. Both Commissioner Thompson and Erickson stated that, in their opinion, the free lay-day policy for Boat Haven permanent moorage tenants needed to be eliminated.

Commissioner Collins addressed the issue raised by Mr. Haviland of the Port's role or mission of economic development stating that it was a major mission and as such meant having cash to invest in infrastructure that could support jobs. Moorage, he stated, did not actually create jobs, the role that moorage has played for the Port has been to create cash to help invest elsewhere which is different from the Yards, which do create jobs. He advised that each Port activity played a different role in the Port's overall picture but all contribute to a common picture of generating cash that can be invested in infrastructure to create jobs and yes we do depend on that cash and that is part of our economic development strategy. He advised that, in his opinion, some people were starting to invoke the bible of the Strategic Plan to justify just about everything, and advised that the Plan said nothing about keeping rates low but it does say we are committed to economic development and to using all resources prudently to advance that, so, what we are proposing today is actually consistent with that part of the Strategic Plan.

The motion on the floor carried by unanimous vote.

E. Quincy Street Dock Re-Design:

Mr. Pivarnik updated regarding the Quincy Street Dock project in the process of development by Kevin Harris. Mr. Harris had appeared before the Commission previously and had presented his development design and concept and the Commission had moved to allow him to proceed and submit permits to build the facility. However, attempts to develop the dock project were stalled because of a technical issue with the City, which claims, and rightly so, stated Mr. Pivarnik, that they own the tidelands in front of the Quincy Street Dock. They had been given to the City by the State of Washington and the City will not allow Mr. Harris to put his dock in front of or over the tidelands. In an effort to proceed with the project, Mr. Harris had significantly scaled down his project. Mr. Pivarnik presented details and asked for Commission approval in agreement to the revised concept.

After a brief discussion regarding the project and the work Mr. Harris had done so far in sprucing up the old Cannery building, **Commissioner Thompson moved to approve the change in Mr. Harris' design, as presented.**

Motion carried by unanimous vote.

VI. NEW BUSINESS:

A. Employee Appreciation Day:

Commissioner Collins approached the idea by saying that he would like to get a sense of what the other Commissioners felt about the idea as he said it seemed to him that the Port was blessed with really competent, dedicated Port employees, Port wide, who do a lot of work and are pushed hard. He wondered if it would be appropriate for the Commission to acknowledge staff with an annual appreciation day for their efforts.

After discussion, (which included some of the things that could not be offered or allowed) it was decided to bring back ideas for possible scenarios.

B. Approval of Warrants:

Warrant #044226 through #044253 in the amount of \$40,242.19 for Payroll
Warrant #044254 through #044262 in the amount of \$53,623.43 for Payroll Benefits
Warrant #044263 through #044334 in the amount of \$108,453.31 for Accounts Payable

Commissioner Thompson moved to approve the warrants as presented.

Motion carried by unanimous vote.

C. Solar Motive – Wind Generator Concept:

Mr. Pivarnik informed that he had received from Solar Motive (the company that took over Key Electric) a proposal to install a wind generator on their roof in an effort to showcase alternative power. When first they had talked, Mr. Pivarnik stated that he had envisioned a small wind generator but the plans Solar Motive had sent to him were for a 32-foot high tower with blades 8 feet across which, he said, lead to

him having misgivings regarding the project. First about the noise produced by the generator and possible building structural damage due to vibration. After a thorough discussion, it was decided that Mr. Pivarnik would ask for additional information (and more detailed engineering drawings) from Solar Motive and bring that back to the Commission for review.

D. Point Hudson Marina Update:

Commissioner Collins asked for an update on the Point Hudson project, asking if there had been a resolution with the ongoing issues with Caicos Corporation as he had read an article in the Port Townsend Leader, which raised some questions.

Mr. Pivarnik clarified some of the issues addressed in the article and advised that Maintenance Manager, Larry Aase, was getting competitive bids to hire a contractor to fix the few remaining outstanding issues to bring the project to those specifications stated by the Port engineering firm, Reid Middleton. The other item lacking right now, per Mr. Pivarnik, is acquiring a set of full Engineer stamped drawings, and he advised that we should have them by next week. The fire system is that final component that needs resolution, stated Mr. Pivarnik, and he was currently working on ways in which to resolve that issue and hoped to have it fixed within the next two weeks. He informed that a complete fix for the fire protection system would cost an additional, approximate, \$30K.

Mr. Crockett informed that it was an ongoing problem since the beginning of the project. He hastened to add that it was not a safety issue for the Marina as he had been assured by the Fire Department that since the Marina was so small most of the water used, should there be an emergency situation, would come from the shore side of Point Hudson.

Mr. Crockett advised that there was the ongoing issue between Caicos Corporation and the Department of Labor and Industries over the prevailing wage issue and that Caicos was disputing that claim.

VII. STAFF COMMENTS:

Mr. Pivarnik informed that he had learned that the Federal Government had awarded grant monies to all private sector boat yards and none to public ones, so our hopes for two more RX systems for the shipyard were not going to happen.

He also informed that he had been notified by the Corp of Engineers that there was no way they would have a permit ready for us for the travelift dock until, at the earliest, January, 2011, therefore dashing all hope of coordinating building the travelift along the same time line as A/B Dock. He advised that the travelift would have to wait until July 2011 when we could remobilize to build it.

On a semi-positive note, he stated, Fish and Wildlife had granted the permit for the proposed Quilcene Dredging project, however the location in which they had wanted us to unload the barges is full of eelgrass and so another location will have to be determined. He reminded the window for that project opens on July 15 and that a contractor was standing ready to move forward. He reminded, additionally, that he had not yet asked formal approval from the Commission for the project because the final project cost had not been ascertained.

Mr. Crockett informed that the Environmental Protection Agency had done a surprise inspection of the underground fuel tank at the Jefferson County International Airport. Even though the fuel facility has been leased out to Tommy Wacker since January 1, 2009, the Port is still responsible for the tank. The computer monitoring system on the tank does monthly reports on the system and last February, 2009, for whatever reason, there was a “failed” test report. Mr. Wacker, being new to the system, decided to wait until the following month to see what would happen with that test. However, legally any failed tests need to be reported to the Department of Ecology and to the Port, within 24 hours as fuel could possibly be leaking underground. The EPA advised us to have someone come out immediately to check the tank with the result that Pacific Environmental came on Monday, 5/10 and did a complete pressure test and now everyone is assured that the tank is fine, no leaks. A copy of that test report will be forwarded on to the EPA. Mr. Crockett informed, additionally, that he was going to authorize the expenditure of approximately \$4,100 for a chip, module, for the computer, which will resolve the ongoing problem of when the fuel level in the tank goes below a 1500 gallons, the leak detections tests say invalid. The computer module should solve that problem.

Mr. Crockett informed of the annual Washington Public Ports Spring Conference held this year in Chelan, WA that he and Commissioner Erickson had attended. He briefed the Commission regarding some of the topics discussed including some issues relating to the upcoming 2011 Legislative session.

VIII. PUBLIC COMMENTS:

None

IX. COMMISSIONER COMMENTS:

Commissioner Thompson briefly informed regarding the recent WIRA meeting he had attended advising that a decision had been made to send two representatives to a Federal Water Quality Course; but that they did not elect to fund any local projects that had been suggested.

Commissioner Erickson stated that he had found the WPPA Spring Conference to be very helpful. He advised that he had found it to be a well-organized group of well-meaning people – all elected officials who were willing to donate a large chunk of their time and make the commitment to go to the Conference and participate fully. He advised that he was very much looking forward to the New Commissioner Seminar.

Commissioner Collins informed that the Peninsula Development District meeting had been rescheduled for Thursday, May 20 as the last meeting had been canceled due to a visit from Norm Dicks.

He advised that he had been asked by Port Newsletter Editor, Shelley Randall, to write a brief section on behalf of the whole Commission for the annual County Wide newsletter and stated that what he had in mind was to send a central message about how we are really proactively pursuing economic development by the various things that we are doing, but there is also the environmental theme that we wanted to message, the clean marina and to mention the two storm water filters on the horizon.

X. NEXT MEETING: Next regular meeting will be held Wednesday, May 26, 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 5:36 PM, which began at 5:38 PM for discussion of four topics: personnel, two real estate and one legal, possible decisions, for a total of thirty minutes.

XII: ADJOURNMENT: The regular meeting reconvened at 6:11 PM from Executive Session and **Commissioner Collins moved to pay to the Port Townsend Aero Museum \$18,257 as reimbursement for improvements made to airport property. Motion carried by unanimous vote.**
The Regular meeting adjourned at 6:16 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