

PORT COMMISSION MEETING – May 26, 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 Lake - Goodstein Law Group
Senior Accountant/Recorder – Hawley

I. CALL TO ORDER/PLEDGE OF ALLEGIANCE:

Commissioner Collins called the meeting to order at 6:30 PM.

II. APPROVAL OF AGENDA:

Mr. Crockett advised that an Executive Session was necessary for discussion of a possible litigation matter, duration of thirty minutes with no expected decision.

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

III. CONSENT AGENDA:

- A. Approval of Minutes – May 14, 2010
- B. Resolution No. 541-10 – Authorizing the Sale of Abandoned Vessels
- C. Approval of Minutes of Special Meeting – May 20, 2010 (added)

**Commissioner Thompson moved to approve the Consent Agenda as amended.
Motion carried by unanimous vote.**

Gary Rossow advised that he was concerned with a section in the May 14, 2010 Minutes and advised that he would like a change made to those Minutes. The section he was contesting was Old Business, Item F. Port Revenue/Expense Review. The section he was concerned about began “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 12, 2010 meeting.” and to which it was stated that “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”. Mr. Rossow informed, for the record, that the Moorage Tenants Executive Committee had submitted an e-mail letter to all the Commissioners in which the Committee spoke to the issue of looking at the Port’s expenses and if necessary, raising revenues, including Moorage rates across the board. He advised that the email was the Moorage Tenants Union formal recommendation to the Commission. He noted that, in his opinion, the Moorage Tenants Union had not lapsed in their commitment to provide the requested information and asked that the May 14, 2010 Meeting Minutes be changed to reflect that information.

There followed a thorough discussion between Gary Rossow, Bertram Levy, the Commission and staff. During the discussion it became apparent that the Commission had not been aware that the email from the Moorage Tenants was meant to supply the information requested of (and offered by) the Moorage Tenants during the May 14th Meeting. The email had been thought to offer general observations in which the Moorage Tenants had advised that Port Staff and/or the Commission should develop a strategy for reduction of expenses in conjunction with an overall rate increases. An apology from the Commission to the Moorage Tenants was offered for its misinterpretation of the correspondence.

Attorney Lake advised that the May 14, 2010 Minutes could not be changed as they were a record of what had been said during that meeting, but that the comments offered tonight would be included in the Minutes of this meeting.

IV. PUBLIC COMMENTS (Not related to agenda):

Rosemary Sikes inquired as to the progress made, if any, toward development of the Conservation Easement.

Mr. Pivarnik advised that he had met with City of Port Townsend Manager Timmons and that work on the resolution was ongoing with nothing new to report at this time.

V. OLD BUSINESS:

- A. Resolution No 539-10 – Authorizing L.T.G.O. Bond Issuance and Sale:

Mr. Crockett informed that both Port Bond Counsel Cynthia Weed of K & L Gates, and Port Financial Advisor Alan Dashen of A. Dashen & Associates, were present to

provide information to the Commission regarding what had taken place over the last two days, which had proven to be very educational regarding the world of the bond market. He offered that the result was good news for the Port.

Alan Dashen stated that Lindsay Sovde of Seattle-Northwest Securities, the bond underwriter, was unable to attend the meeting and advised that he would provide information from his perspective and from Seattle-Northwest Securities.

He began by informing the Commission about the bond sale itself. The final result was that the Port would be receiving \$5.6 million into its construction fund, and that the true interest costs, all expenses included, was 3.90% for 20 years, which, he said, was a phenomenally low rate. He provided details of the bond sale, which had started at 6:00 AM on Tuesday, May 25, and finished today, May 26 at 2:00 PM. The final bond issue was made up of two series. Series A is \$3,170,000 of non-taxable L.T.G.O. Bonds, and series B is \$2,345,000 of taxable Build America Bonds. Cynthia Weed passed out copies of Resolution No. 539-10, the Bond Resolution, as prepared by K & L Gates, and The Bond Purchase Agreement, as prepared by Seattle-Northwest Securities. She then reviewed the major details included in both, and also reviewed some of the reporting details that will fall on Port staff in the future, especially in Series B, the Build America Bonds, which include a semi-annual 35% interest rebate from the IRS.

Commissioner Collins moved to approve Resolution 539-10 A Resolution of the Port of Port Townsend, Jefferson County, Washington, Providing for the Issuance and Sale Of Two Series of Limited Tax General Obligation Bonds of the Port in the Principal Amount of \$5,515,000 Purpose of Providing Funds for Improvements to Port Facilities Within Its Comprehensive Plan, Providing for the Annual Levy of Taxes to Pay The Principal of and Interest on Said Bonds, and Approving the Sale of Such Bonds.

There was no public comment on the motion.

Motion carried by unanimous vote.

Ms. Weed informed that staff could collect the necessary signatures on the Resolution and mail the forms to her. She stated, however, that Mr. Dashen did need to take the Bond Purchase Agreement, signed by Commission President Collins, with him.

Mr. Dashen offered that he would notify Seattle-Northwest Securities and inform them of the Commissions official approval of the Bond Sale.

A very thorough discussion of the details of the bond sale followed.

Mr. Dashen informed that Seattle-Northwest Securities had provided \$250K of Bonds to Edward Jones Brokerage for sale to interested local community purchasers in \$5K increments. He cautioned, however, that the Commissioners were not eligible to purchase any of the bonds because they had just approved the sale and the Bond interest rates.

B. Expense/Revenue Discussions:

Commissioner Collins provided historical background regarding the on-going expense/revenue discussions advising that at the April 14, 2010 Commission meeting, Commissioner Thompson **had moved to increase moorage rates by 5% and had provided five substantiating reasons for his motion.** The motion was tabled until a future meeting.

Commissioner Collins informed that during the May 14, 2010 Commission meeting he had presented a substitute motion to the one made by Commissioner Thompson and that the concept behind the motion was to equalize the cost of lay-days in the Yard for boats regardless of whether they were moored in Port Townsend or moored elsewhere. He reminded that his motion, currently still on the table, was as follows:

Commissioner Collins moved with a substitute motion to the one presently on the table, 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 below for vote**

Mr. Crockett reminded that there had been at least three meetings in which the topic had been discussed. He advised that per Mr. Taylor's estimate the annual cost to the Port in lost revenue for the free lay-days offered to permanent moorage customers at Boat Haven, in 2009, was approximately \$38K. The policy currently in place offered permanent moorage tenants free lay days in the Yard from July through

February of each year as long as they continued to pay their permanent moorage slip fees.

Commissioner Collins stated that the amount budgeted in 2010 was \$35K (so far for January and February the policy had cost \$7.5K) and since it was a revenue the Port was not going to receive it actually became an expenditure and so it seemed reasonable to him that, in essence, the Port was actually giving something (a service) away, spending money on something without a legitimate mission involved to support the policy. In his opinion, the policy was written as an entitlement.

After a very thorough discussion between staff and the Commission, Mr. Crockett advised that he held to his previous recommendation of whether the policy was actually mindful of the actual expenses incurred and future projects and costs. He reminded that the original policy had been to offer thirty days of free lay-days in the Yard and that the policy had been changed numerous times to the current status of covering the months of July through February.

Bertram Levy offered that the Moorage Tenants Union had no objection to the Port rescinding the free lay-day Yard policy if that was what staff thought needed to be done to accomplish revenue and expense goals. However, the Moorage Tenants main objection was that there had been no notice given them that the policy change was under discussion. He explained that they had been made aware of the proposed policy change through a casual discussion with another moorage tenant. He advised that it would have seemed more beneficial to the process if the Moorage Tenants had been brought into the process from the beginning and had been allowed to participate in the policy discussions.

Commissioner Collins noted that the change in policy and the motion had been discussed thoroughly during the May 14, 2010 meeting.

Gary Rossow noted that the agenda for this meeting listed a revenue/expense discussion and did not specify that there was a motion on the floor to revise the policy for free lay-days in the Yard. He stated, in his opinion, the Agenda could have been more clear as to what was actually planned.

A general dialogue developed between staff, the Commissioners and audience members that there would be revisions to the way in which the public was informed of what was included for the Meeting Agendas and that topic information would be included on the Port website.

Bertram Levy advised that the changes were appreciated and that the Moorage Tenants wanted to work with the Port in examination of its revenues and expenditures. He recommended looking at administrative expenses. He thought that perhaps using Skype to communicate with the Port's legal representation might provide a significant savings.

David Griswold of the Marine Trades Association stated that fundamentally he understood why the Commission was considering rescinding the policy. He advised that, in his opinion, that it might hurt some of the smaller Marine Trades businesses who relied a lot on the local boats in the marina. He suggested that folks would probably not haul out for as long a time.

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

Commissioner Collins stated that he now wanted to open up a dialogue for suggestions and ideas on how to reduce expenses and increase revenues. He advised that during the afternoon workshop, there had been discussion regarding starting the Budget process earlier than in past years, actually beginning with the June 9 meeting. He advised that, in his mind, one parameter that he would like the Commission and staff to commit to and work within was that of writing a balanced budget in concern to operating costs. He advised that it had been done in the past but that in 2009, expenses did exceed revenue and referred to the five-year cash analysis graph prepared by Mr. Taylor and discussed at several previous meetings.

A very thorough discussion followed regarding the budget process, the whole system of expenses and revenues and that there was no proposal for any type of rate increase for the remainder of 2010. Also discussed was that it was necessary to develop a policy in which to address the non-profits and development of a multi-year rate policy.

Gary Rossow advised that the Moorage Tenants were in favor of a multi-year rate policy also. He advised, additionally, that staff look at reducing contract services expenses as that line item, to him, seemed high.

Bertram Levy spoke to an idea he had brought forward previously that of offering off site boat storage to boaters who wanted to get out of boating for a while. He suggested perhaps renting a site, or creatively looking at the idea to see if a way could be developed to make it work.

VI. NEW BUSINESS:

A. Resolution No. 540-10 – Authorizing Establishment of “HRA VEBA” Plan:

Mr. Taylor provided details regarding the proposed Resolution to establish a “HRA VEBA” plan, an acronym for a Health Reimbursement Arrangement/Voluntary Employees Beneficiary Association, which, basically, was the name for a program authorized under the IRS code that allows tax-free contributions to be used strictly for medical reimbursements. He informed that the Plan was available in Washington State and was administered by a Company called the VEBA Service Group located in Spokane. About 350 other Washington municipal employers, Cities, Counties and Ports already participate in the program. He informed that there were a number of different ways in which to fund the program but that the most common, and the one chosen by the Administration Group of the Port of Port, was that when an employee separated from employment with accrued sick leave, the leave cash out could be contributed to the employee’s VEBA account, saving both the employer and employee taxes.

He advised that the Commission needed to adopt a Resolution to allow the group to participate. The Port employees had the option to change the parameters of the agreement, through a vote of the participants, on a yearly basis. At this time, he advised, it was being offered to the Administration group of employees with expectations that it would be presented to the Union group during their upcoming contract negotiations. He provided additional details.

A short discussion followed.

Commissioner Collins moved to adopt Resolution 540-10, A Resolution of the Commission of the Port of Port Townsend, A Resolution Authorizing the Establishment of a Health Reimbursement Arrangement/Voluntary Employees’ Beneficiary Association (“HRS VEBA”) Plan.

Motion carried by unanimous vote.

B. Approval of Warrants:

Electronic Debit to Union Bank for Washington State Combined Excise Tax Return in the amount of \$4,896.51

Warrant #044335 through #044361 in the amount of \$37,595.74 for Payroll

Warrant #044362 through #044366 in the amount of \$121,420.29 for Payroll Benefits and Accounts Payable

Warrant #044367 (void) through #044368 in the amount of \$877.60 for Special Payroll

Warrant #044369 through #044425 in the amount of \$67,339.99 for Accounts Payable

Commissioner Thompson moved to approve the warrants as presented.

Motion carried by unanimous vote.

VII. STAFF COMMENTS:

Attorney Lake reminded that Goodstein Law Firm did not charge the Port for travel time.

Mr. Crockett informed that he was working on the Department of Ecology response letter for the Boatyard Permit, which needed to be postmarked by 5/28/10. He advised that he would put copies of his letter and also that of a support letter written by WPPA in the Commissioner boxes for their review.

He reminded that last year he had served as the Port Representative on the Alternative Electric Management Committee in which they had decided whether or not the Public Utility District #1 should make an offer to Puget Sound Energy to buy them out. Now that has been done and a meeting is planned by the PUD to provide an update to the Committee on how the effort has progressed so far.

VIII. PUBLIC COMMENTS:

None

IX. COMMISSIONER COMMENTS:

Commissioner Thompson inquired regarding the email he had received regarding a defect in the septic system in Quilcene and in which it was stated the system was out of compliance. Commissioner Erickson noted that he had received the same email.

Mr. Pivarnik responded that it was an ongoing issue with Coast Seafoods in Quilcene and that the septic system alarms were in the process of being recalibrated by the Maintenance Department via the computer access system for the higher summer usage factors. He provided background and reminded the Commission on the long, expensive process of installing the septic system at Quilcene (when the old system had failed) and the requirements of the County for approval of the new septic system.

Commissioner Erickson informed that there had been, in his opinion, a very productive meeting between the Moorage Tenants Union (Representatives Gary Rossow, Bertram Levy and Phil Andrus) Mr. Pivarnik and himself on Tuesday, May 25. He stated that discussion had involved several of the points presented at tonight's meeting as well as some of their concerns regarding the C/D Dock and the Port's handling of the Kah Tai Lagoon.

Commissioner Collins informed that on Monday, May 24, 2010, the Jefferson County Board of County Commissioners had signed the joint Economic Development Strategy Agreement. He and City Mayor Michelle Sandoval had attended. He reminded that one of the provisions in the Agreement was to establish a Rapid Response Team for economic development needs and advised that to him the term "rapid" meant "now" "what can be done now" and wondered if a motion would be advisable or helpful to move forward the establishment of the Team.

Mr. Crockett advised that he would be most willing to draft a letter to the City and the County advising that with the approval of the Agreement, the Port would like to see ideas on how to put together the Rapid Response Team.

Commission consensus was for Mr. Crockett to move forward with the draft letter.

Commissioner Thompson stated that the matter of acceptance of credit cards for payment of permanent moorage had resurfaced and in his opinion, it was a topic that needed to be discussed again.

A discussion followed which included that the Port accepted credit cards for all services except permanent moorage with the reasoning that it kept costs down (there was a fee charged to the Port for each credit and debit card transaction accepted) and that moorage tenants were given 20 days in which to make a payment. Also discussed was that permanent moorage tenants had the option to arrange automatic monthly payments through their bank.

Mr. Taylor informed that a questionnaire had been sent out with the January 1, 2010 billing statements, which had asked customers if they would be interested in one of three payment alternatives: e-mail statements, ACH/Debit, or using a credit card with the customer absorbing the credit card fee. Most of the responses received so far expressed interest in the e-mail statements; there was hardly any interest in the ACH/Debit or in using a credit card if the customer had to absorb the fee.

Mr. Crockett reminded due to new credit card regulations and laws credit card numbers could no longer be kept on file and used each month as many customers had requested.

X. NEXT MEETING: Next regular meeting will be held Wednesday, June 9, 2010 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 7:55 PM, which began at 7:57 PM, for discussion of a possible litigation matter, duration of thirty minutes with no expected decision.

XII. ADJOURNMENT: The regular meeting reconvened at 8:27 PM and adjourned at 8:28 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