

PORT COMMISSION OF THE PORT OF EDMONDS

MINUTES OF REGULAR MEETING

May 26, 2009

Commissioners Present

Bruce Faires, President
Mary Lou Block, Vice President
Marianne Burkhart, Secretary
Fred Gouge
Jim Orvis

Staff Present

Chris Keuss, Current Executive Director
Bob McChesney, New Executive Director
(Effective June 1st)
Karin Michaud, Accounting Supervisor
Tina Drennan, Finance Manager

Others Present

Bradford Cattle, Port Attorney
Theresa Ocfemia, Student Rep.
Karin Noyes, Recorder

CALL TO ORDER

Commission President Faires called the meeting to order at 2:00 p.m.

PLEDGE OF ALLEGIANCE

All those in attendance participated in the Pledge of Allegiance to the American Flag.

CONSENT AGENDA

COMMISSIONER BURKHART MOVED THAT THE CONSENT AGENDA BE APPROVED TO INCLUDE THE FOLLOWING ITEMS:

- A. APPROVAL OF AGENDA.
- B. APPROVAL OF MAY 11, 2009 COMMISSION MEETING MINUTES.
- C. APPROVAL OF APRIL ELECTRONIC TRANSFERS IN THE AMOUNT OF \$941,739.20.
- D. APPROVAL OF CHECK NUMBERS 67839 THROUGH 67869 AND DIRECT DEPOSITS D00417 THROUGH D00420 IN THE AMOUNT OF \$44,406.47.
- E. APPROVAL OF CHECK NUMBERS 67870 THROUGH 67913 IN THE AMOUNT OF \$57,315.10 FOR ACCOUNTS PAYABLE.
- F. APPROVAL OF CHECK NUMBERS 10947 THROUGH 10956 IN THE AMOUNT OF \$14,212.75 FOR HARBOR SQUARE ACCOUNTS PAYABLE.
- G. APPROVAL OF RESOLUTION NUMBER 09-06 – AUTHORIZING THE INCREASE OF PORT IMPREST FUNDS.
- H. APPROVAL OF RESOLUTION NUMBER 09-07 – APPROVING EMERGENCY REPAIR OF THE TRAVELIFT AND WAIVING COMPETITIVE BIDDING REQUIREMENT.
- I. APPROVAL OF MID MARINA INSPECTION BY GREENMAN-PEDERSEN, INC.

COMMISSIONER ORVIS SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

PUBLIC COMMENTS

No one in the audience expressed a desire to address the Commission during this portion of the meeting.

SPECIAL PRESENTATION BY JOHN HJORT – 2009 FISHING SEASON UPDATE

Mr. Keuss advised that John Hjort, a Port Tenant, was present to give a report on the annual process for setting the salmon season. He is a member of the North of Falcon Process, which sets recommendations for the upcoming fishing season for all marine and fresh waters north of Cape Falcon on the north Oregon Coast to the United States/Canadian border.

Mr. Hjort thanked Mr. Keuss for his many years of service to the Willow Creek Hatchery and Laebughten Salmon Chapter. He has always been ready with his support, and the Port staff has helped them set up their net pens each year. He wished him well in his future endeavors.

Mr. Hjort announced that in conjunction with the Waterfront Festival on May 29th through 31st, The Willow Creek Hatchery is sponsoring an open house where children would be offered an opportunity to fish for trout and feed the baby salmon before they are released. Popcorn, juice and cookies would be available, and the event is free to all. The purpose of the event is to let the public know what is being done on a voluntary basis.

Mr. Hjort advised that for several years he has participated on the Salmon Advisory Board of North of Falcon, and their purpose is to work with commercial and recreational fisheries and the tribes to set the fishing season. He is one of two representatives for the area between Seattle and Everett, and his goal is to get the most fishing opportunities possible for the Edmonds area. He reported that there will be more fishing in the area than has been available since 1990, and all reports are that there will be quite a few fish back (mainly Pink and Coho Salmon). There will also be a longer Chinook season, starting on July 16th. A catch and release season will start on June 1st in Area 10 from the Port south to Seattle. Starting July 16th, fishermen will be allowed to keep the Chinook until the quota has been filled in both Areas 9 and 10. Also this year, fishermen will be allowed to keep wild Coho in Areas 9 and 10, and the limit will be two Coho and two pink salmon per person. He summarized that the Port would likely receive a lot of business as a result of the good fishing season, particularly since Area 9 would be open for fishing of one species or another from June 1st of this year until April 15th of next year. He emphasized that a good fishing season not only benefits the sport fishermen, it also brings people into the businesses at the Port and downtown Edmonds. He thanked the Port for paying attention to the fish openings and making the launcher available on an extended schedule.

Commissioner Gouge asked if there are other salmon derbies planned for the area this summer besides the Coho Derby in September. Mr. Hjort answered that the Coho Derby is the only large event, but the Laebughten Salmon Chapter would likely hold a smaller derby. Commissioner Gouge asked if it would be possible to organize a kids-only derby from the fishing pier. Mr. Hjort recalled that, years ago, he worked hard to keep the fishing pier open year round, and that is one of things that is no longer negotiated. The Laebughten Salmon Chapter would like to sponsor a kid's event, but they are having a difficult time getting enough volunteers to run the fish hatchery right now. In addition, because they are a chapter of Trout Unlimited, there would likely be some insurance problems with an event of this type. Commissioner Gouge agreed to take on the project of trying to organize a kid's event, if not this year, then in 2010. He observed that they really need to get the kids more involved to encourage boating and fishing in the future. Mr. Hjort said some of the Laebughten Salmon Chapter members would likely be willing to help in this effort. He noted that their numbers are dwindling, as well, and they are having a tough time getting young people to participate. He agreed it would be a good idea to have an event that attracts kids and their families.

EDMONDS YACHT CLUB (EYC) AGREEMENT

Amendment to Ground Lease Agreement

Mr. Keuss reported that the Finance Committee met a week ago to review some of the outstanding issues related to proposed agreements between Prime Pacific Bank, the Edmonds Yacht Club and the Port of Edmonds. It was suggested that the Port Attorney draft an amendment to the Ground Lease Agreement that would address three primary issues they felt comfortable Prime Pacific Bank would not agree to as originally proposed. He reviewed the issues as follows:

1. Section 5.3.1 of the Ground Lease Agreement requires rent to be raised to fair market value in the event of foreclosure. Prime Pacific Bank disagrees with this rent adjustment, and the Ground Lease Agreement Amendment proposed by the Port Attorney offers a possible solution to the situation.
2. Prime Pacific Bank wants to put conditions on the ability to apply the insurance proceeds to repairing the building. The basic issue, as laid out by the Port Attorney, is the extent to which they have the discretion to apply the insurance to pay off the loan balance instead of repairing the building. The Port feels it needs some protection in case this situation were to occur. The Ground Lease Agreement Amendment proposed by the Port Attorney would address this issue.
3. Prime Pacific Bank is asking for the EYC members to be guarantors for a portion of the loan. Under the current Ground Lease Agreement, if the EYC defaults, the guarantors would be at risk. The Port Attorney's proposed amendment would allow the EYC guarantors to step in the place of the Port if the Port were to decline to assume the loan. The guarantors are asking that the Port make this adjustment to the Ground Lease Agreement.

Mr. Cattle explained that the proposed Ground Lease Agreement Amendments are necessary in order to make it fit with the way the bank has styled the Agreement Re-Assignment of Lease. He reviewed the three amendments as follows:

1. Rather than having an automatic fair market rent adjustment, the EYC suggested they are willing to put an approximation of what the likely rent adjustment would be (about \$1,500) into a security deposit. As per the Ground Lease Agreement, rent adjustment would occur annually after the 5th year based on CPI, and every 5 years based on a market analysis. Therefore, if a default were to occur, the rent would be adjusted based on CPI within one year, and a market analysis would be completed sometime between the next one and four years. The proposed amendment would modify the language to say the alternative to the automatic market rate adjustment would be to create an alternate security deposit, and the bank has agreed that would be acceptable.
2. Language was added that requires annual certification by the EYC's insurance broker that the insurance is sufficient to cover rebuilding the premises. The proposed amendment would require the insurance to be fully applied to rebuilding the premises. The annual certification requirement would ensure that coverage is keeping up with what would be required to rebuild the premises.

Mr. Cattle further explained that if there is enough insurance money to rebuild the premises and the damage occurs within the last year of the loan, the current agreement would reserve the bank's right to apply the insurance to the outstanding loan balance. However, there are other provisions that prior to the last year of the loan becoming due, the EYC must fund in their security account an amount equal to the remaining balance of the loan so there would be sufficient funds to rebuild in the last year. The loan balance would be relatively low at that time, and the bank could only take the remaining balance of the loan. He said he believes the proposed amendment covers all avenues.

3. The bank has asked for guarantors from members of the EYC. The guarantors have asked for additional protection in that they would like to have the option of assuming the loan in the event that the EYC defaults and the Port declines to step in and pay off or assume the loan. In order for this provision to be applicable, the Port would have to decline their option, in which case the loan document would give the guarantors the option of assuming the loan or paying it off. The proposed amendment would address the guarantor's concerns.

Mr. Cattle said he was contacted by a Commissioner who was concerned about what would happen if the guarantors assume the loan, but later default. He explained that based on the existing language, the Port would

no longer have the ability to take over the loan. A language amendment would be required to allow the Port the ability to revitalize their option if a second default were to occur. The purpose of the third amendment is to allow the guarantors the option of assuming or paying off the loan if the Port declines.

Commissioner Gouge asked if the Ground Lease Agreement would remain in full force if the EYC were to default. Mr. Cattle answered that whoever assumes or pays off the loan would inherit the existing lease agreement and would be subject to all the terms and conditions of the lease. Presumably, whoever assumes the loan would be interested in finding someone to take over the building as quickly as possible. The tenant must be approved by the Port Commission, but they would not have the ability to unreasonably withhold their approval. He summarized that the current terms of the lease would continue to be applicable.

COMMISSIONER BURKHART MOVED THE COMMISSION AUTHORIZE THE EXECUTIVE DIRECTOR TO SIGN THE GROUND LEASE WITH THE EDMONDS YACHT CLUB AND FURTHER AUTHORIZE THE EXECUTIVE DIRECTOR, IN CONSULTATION WITH THE PORT ATTORNEY, TO MAKE MINOR ADJUSTMENTS AS MAY BE DEEMED NECESSARY BY THE COMMISSION PRESIDENT, THE EXECUTIVE DIRECTOR AND THE PORT ATTORNEY. COMMISSIONER ORVIS SECONDED THE MOTION.

Commissioner Burkhardt recalled the Finance Committee's discussion that they would never be more than 2½ years away from a market adjustment, either the one that was done previously or the one scheduled for the future. She summarized that it would cost more to obtain a market appraisal to bring the rent to market value than it would to continue the current rates until the next scheduled market appraisal. She advised that the Finance Committee believes the three amendments are in the best interest of the Port. She said she would prefer to have an EYC member (guarantor) be responsible for finding a tenant for the building than the Port with their wonderful history of filling Harbor Square. She said she intends to support the proposed amendments as presented.

Commissioner Orvis said he would rather someone who has a financial stake look for a building tenant than the bank, who could sit on the situation for a few years and write off the cost. He observed that the Port would lose nothing by agreeing to the proposed amendments. The amendment requiring insurance certification is something that was missed in the original agreement. The current Ground Lease Agreement does not require the EYC to verify the building could be rebuilt. He summarized that all three amendments would result in positive gains for the Port and the EYC.

Commissioner Gouge, referring to the proposed amendment to Section 5.3.1.1 of the Ground Lease Agreement, questioned the use of the word "shall." He expressed concern that future Commissioners might not understand this language. Mr. Cattle said the purpose of the amendment is to make it clear that the Port Commission would be making a conscious decision not to exercise its option. The only way the guarantors would have the ability to exercise their option would be if the Port declines to do so. Commissioner Gouge said it is important to make sure the Ground Lease Agreement language is clear for future Commissioners. Mr. Cattle suggested that the guarantors would likely be very happy if the Port were to exercise their option because they would be off the hook.

Commissioner Block recalled that, originally, the Commission discussed the sequence that if the guarantors were to default on the loan, the Port would once again have the opportunity to exercise their option. If the Port chose not to exercise their option, the bank would assume the loan. Commissioner Orvis said the entire process would be one sequence that would happen at the same time. If the Port decides they are not interested in assuming the loan, the guarantors would have to make an immediate decision or the bank would assume the loan. He emphasized that if the EYC were to default, the bank would want to know the Port and/or guarantor's decision immediately. If the Port Commission declines their ability to assume the loan, they would not have another opportunity if the guarantors decide to decline, as well. Commissioner Block said her concern was related to what would happen if the guarantors were to assume the loan but default at a later time. Would the Port have the ability to assume the loan at the time of the second default? Commissioner Orvis answered that the Port would no longer have the first right to assume the loan. He cautioned that the bank would not likely allow the loan to be repeatedly flipped. If the Port Commission declines their first opportunity to assume the loan, the bank would assume their decision would stand.

Commissioner Faires said he read through the proposed amendments and supports the recommendation and advice of the Port Attorney and Finance Committee.

Mr. Keuss asked the EYC representatives if the EYC supports the proposed amendments. The EYC representatives answered affirmatively.

THE MOTION CARRIED UNANIMOUSLY.

Prime Pacific Bank Loan Agreement

Mr. Keuss referred the Commission to the document titled, Agreement Re Assignment of Lease, which establishes a loan agreement between the primary parties (Prime Pacific Bank, the EYC and the Port). He advised that he and the Port Attorney have worked with Prime Pacific Bank to negotiate language that protects the Port's interest as the landowner, and their issues of concern have been addressed by the Ground Lease Agreement Amendments the Commission just approved. He recommended the Commission authorize the Executive Director to sign the document. He noted that the synopsis of the agreement dated April 16, 2009 shows a loan amount of \$3,222,000, but the actual amount for the final lease agreement is \$2,899,800 which is identified in the draft agreement that was provided for the Commission's review.

Commissioner Gouge inquired if approval of the recommended motion would allow the Executive Director and Port Attorney to make scrivener changes to the document. Mr. Keuss answered affirmatively.

COMMISSIONER ORVIS MOVED THE COMMISSION AUTHORIZE THE EXECUTIVE DIRECTOR TO SIGN THE AGREEMENT RE ASSIGNMENT OF LEASE, WHICH IS AN AGREEMENT BETWEEN PRIME PACIFIC BANK, THE EDMONDS YACHT CLUB, AND THE PORT OF EDMONDS, FOR A LOAN FOR THE EDMONDS YACHT CLUB TO BUILD THE NEW EDMONDS YACHT CLUB BUILDING. HE FURTHER MOVED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE DIRECTOR AND PORT ATTORNEY TO COORDINATE ANY MINOR CHANGES TO THE AGREEMENT BETWEEN PRIME PACIFIC BANK AND THE EDMONDS YACHT CLUB. COMMISSIONER BURKHART SECONDED THE MOTION.

Commissioner Block asked how the change in the loan amount would impact the EYC's project. Ernie Collins, EYC, explained that this adjustment was based on the market conditions. The EYC received a bid from the contractor that was below the original estimate.

THE MOTION CARRIED UNANIMOUSLY.

Parking Amendment

Mr. Keuss reported that the Property Committee met with representatives of the EYC to negotiate parking reimbursement for loss of parking space due to the building of the new EYC. The concern was that the new building would take a number of parking spaces that currently exist on the west side of Admiral Way. The Property Committee felt the EYC should reimburse the Port for the lost space. The proposed agreement would replace the lost spaces on the west side of Admiral Way with spaces on the east side. He noted the parking agreement would be subject to the rent adjustment required by the Ground Lease Agreement.

Commissioner Gouge inquired if the parking agreement would go into effect at the same time as the EYC breaks ground for the new building. Mr. Keuss answered affirmatively and indicated the effective date is clear in the lease agreement language.

Mr. Keuss noted that a signature page was not attached to the proposed agreement. He asked that as part of the motion, the Commission approve the agreement with the understanding that a signature page would be added for the Executive Director and EYC representatives to sign. Mr. Cattle clarified that the motion should be to approve the amendment to the ground lease and authorize the Executive Director to sign.

Commissioner Orvis pointed out that the Commission hashed out the issue of parking with the EYC a while ago, but they have been waiting to approve the agreement until all of the other documents were available for approval.

COMMISSIONER BLOCK MOVED THE COMMISSION AUTHORIZE THE EXECUTIVE DIRECTOR TO SIGN THE AMENDMENT TO THE EDMONDS YACHT CLUB GROUND LEASE AGREEMENT OF OCTOBER 30, 2006, WITH THE NEW SECTION 10.1.2.C REIMBURSEMENT TO PORT OF EDMONDS FOR PARKING EAST SIDE OF ADMIRAL WAY. THE AMENDMENT WOULD SET UP AN AGREEMENT WITH THE EDMONDS YACHT CLUB TO PAY THE PORT OF EDMONDS FOR PARKING SPACE ESTABLISHED ON THE EAST SIDE OF ADMIRAL WAY. COMMISSIONER BURKHART SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

Commissioner Faires congratulated the EYC for their tenacious effort to move the project forward.

Mr. Keuss pointed out that they would be unable to sign the documents at this time because the Port has not received the final draft from Prime Pacific Bank. Mr. Cattle noted that the document currently before the Commission is a draft. He does not anticipate any problems and the bank should forward the final document once they have received confirmation that the EYC and Port Commission are ready to sign.

Mr. Collins thanked the Port staff and Commission for working with them to push the project forward. He announced that they were recently notified by the City of Edmonds that the development permits have been approved. While they could technically start the project tomorrow, they have decided to wait until after the Waterfront Festival. He suggested that construction would likely start sometime between June 1st and 15th, and he agreed to coordinate the starting date with Port staff. He advised that they have an opportunity for the anchor tenant to occupy the building by the end of the year, and the EYC would move in by the end of January or early February. However, the EYC would be required to pay a slight premium to make this early completion happen. Worst case, he said they anticipate the building would be fully operational by March 1st of 2010.

2009 ANNUAL FINANCIAL REPORT

Mr. Keuss recalled that the Finance Manager presented the draft 2008 year-end financial statements at the February 9th Commission Meeting. Subsequently, she prepared the financial statements in the format required by the State of Washington and they have been submitted to the State Auditor's Office. He invited Ms. Drennan to provide a report of the changes that were made to the draft documents that were reviewed by the Commission earlier.

Ms. Drennan explained that the Port participates in the Washington State Health Care Authority, which provides health care benefits for retirees at a reduced cost. As the cost of medical premiums for working employees is greater than the cost of medical premiums for retirees, retiree medical premiums are subsidized. The Governmental Accounting Standards Board (GASB) Statement Number 45 requires that government entities providing programs like this record a liability for Other Post-Employment Benefits. She further explained that as part of year-end processing, staff accrued a liability of \$99,347 for Other Post-Employment Benefits. However, they later found the calculation was not complete and was not required until the 2009 financial statements. Therefore, staff reversed the entry for 2008 and will begin recording the liability in 2009, working up to the total accrued liability over a period of 7 to 10 years. Staff estimates the accrual amount would be approximately \$650,000.

Ms. Drennan reported that invoices that were received after February 9th and before staff completed the Annual Report were included in the Annual Report. Staff estimates these additional expenses were \$16,000.

The Statement of Cash Flows was added to the report, showing the sources and uses of cash during 2008. Operating activities provided net cash of \$2,438,656. She cautioned that it is important that organizations regularly produce positive cash flow from operations, as this is the daily activity of the organization. She reported that non-capital financial activities provided net cash of \$487,705, and these activities include proceeds from property tax income, FEMA and insurance reimbursements from the December 3, 2007 storm, settlement of the Department of Revenue audit in the Port's favor, storm damage repair costs, and the decrease in customer deposits. She further reported that

capital and related financial activities used net cash of \$3,139,567. Cash uses include capital contributions for the upgrade of lighting at the Administration Building and Harbor Square Buildings, the purchase and construction of capital assets, and principal and interest paid on debt. She noted that cash flows from investing activities include maturity and purchase of the bond reserve certificate of deposit and interest from the Port's investments. She concluded that between December 31, 2007 and December 31, 2008, total cash decreased by \$37,284.

Commissioner Gouge said he found the report to be very comprehensive and easy to read. Commissioner Orvis agreed and added that it can be used as a good reference source over the next year. Commissioner Gouge suggested the report be posted on the Port's website. Ms. Drennan advised that, typically, the year-end reports are posted on the website, and she would make sure it is done this time, as well.

Commissioner Burkhart referred to the second paragraph of Page 2 of the report, which talks about the uses of property tax revenue. She noted that the language does not specifically call out Harbor Square. She recalled the Commission previously discussed the numerous expenditures that needed to be made at Harbor Square. She suggested the language be updated to specifically call out these expenses. Ms. Drennan advised that it is too late to change the language, but she would add the verbiage in the 2009 Annual Financial Report.

Commissioner Burkhart noted that the bottom percentage on the second table on Page 5 should be identified as negative. She also noted that the third table on Page 24 indicates the Port's margin of indebtedness available without a vote is \$7,241,633. She asked if staff has researched the option of issuing bonds to pay off the Harbor Square loan. Ms. Drennan explained that because of the outstanding Harbor Square loan, the Port would likely be unable to issue another bond at this time. While the table shows it would be legally possible, investors would not likely want to purchase the bonds because they would be considered too risky. Because previous Commissions did not bank the Port's capacity to tax, their ability to tax is not sufficient to pay the bond insurance. The Commission agreed staff should continue to look for opportunities to exchange higher interest debt for lower interest debt whenever possible. They further agreed it would be appropriate to invite their bond counselor to a future meeting to review the Port's bonding status.

REPORT ON EXECUTIVE DIRECTOR'S GOALS

Mr. Keuss recalled that during the Commission's interview of the Executive Director last year, they identified goals they wanted him to work on and complete during 2009. He referred to the written recap of each of the goals and provided the following explanation of each one:

- **Decrease vacancy at Harbor Square.** Mr. Keuss referred to a recap of lease activity that was prepared by the Harbor Square Property Manager for the months of January through May 2009. He summarized that four leases were terminated for a loss of 2,385 square feet, four tenants extended their leases for a gain of 6,411 square feet, and four new leases were signed for a gain of 6,157 square feet. One tenant reduced his leased space by 790 square feet. He summarized that the lease percentage was 66.76% in January compared to 69.63% in May.

Mr. Keuss reported that the Property Manager is currently working on three additional leases: Waterfront Brewery is interested in 3,486 square feet in Building 4, TrueNorth is interested in 4,685 square feet in Building 1, and Mark Rahill Software is interested in 400 square feet in Building 2. Commissioner Gouge observed that the Property Manager is doing more to lease the space than the broker, Colliers. Mr. Keuss explained that people often drop in to talk to the Property Manager and staff about potential lease opportunities. In addition, Representative Marko Liias signed a lease with the Port after learning about the space from Commissioner Orvis at a WPPA Meeting.

- **Reroof Anthony's HomePort Restaurant or develop and have signed a Hold Harmless Agreement.** Mr. Keuss reported that he met with the owners of Anthony's HomePort Restaurant, and they agreed to move forward with the roof project. They are anxious to meet with the new Executive Director to start putting together the specifications as soon as possible. They want to go out to bid for the project this summer, with the goal of moving forward with construction in early fall of 2009. The restaurant owners would have to set the timeline since their business would be impacted during the project.

- **Develop a time schedule with the City for resolving stormwater issues at Harbor Square.** Mr. Keuss referred to letters and memorandums from Noel Miller, Edmonds Public Works Director. The City has agreed to review the reports on the data points at Harbor Square and redo the report so they know exactly what the levels are. They have identified funding in this year's budget to accomplish the task. The City proposes to come back to the Port with a new mapping of data points and the option and costs to resolve the potential flooding situation.

Mr. Keuss said he has also talked to the City's Public Works Director regarding the storm drain line on the southern end of the east side of Admiral Way, which the Port owns. The City is still interested in taking over this line. They have proposed that this year they want to map out all of the storm drain lines on Port property and anticipate coming back with a plan and recommendation to take over that portion later in 2009.

Commissioner Block noted that Mr. Miller referred to both the 1983 and 1984 Reid Middleton studies that were completed for the City of Edmonds. She inquired if the City was able to find the 1984 study. Mr. Keuss replied that Mr. Miller indicated he has not found the 1984 study yet. Once the study has been found, it would be forwarded to the Port. Mr. Keuss said he would contact Reid Middleton and attempt to locate the study. Commissioner Block noted that the 1984 study is quite different from the 1983 study.

- **Pursue tenants for the west side of the tracks and north of the workyard.** Mr. Keuss said he spoke with a few parties regarding the option of locating on the west side of the tracks, and one individual, Mr. Ford, approached the Commission a few months ago to share his ideas. He is still in the process of following up on the questions and concerns raised by the Commission.

Commissioner Burkhart asked if this assignment was also given to the Harbor Square broker, Colliers. Mr. Keuss said he discussed the concept with them and received a contract, but he did not want to sign it until the Commission has resolved the situation with Mr. Ford. He agreed to contact Mr. Ford to follow up on the status of his proposal.

- **Develop a boiler plate for commercial lease agreements.** Mr. Keuss explained that the primary lease agreement the Port uses is the same as the one used at Harbor Square. He reported that he has reviewed the agreement and found some minor changes that need to be made. There are also some larger issues he will forward to the Port Attorney for follow up. One is related to the Port maintaining the right of extensions. The Commission should keep in mind the Port has not negotiated any leases longer than three years in the recent past. Lease agreements that are five years or longer would be presented to the Commission for approval. If there are options to extend, the Port has the right to undertake major redevelopment of the property with one year's notice of termination of the lease agreement.

Mr. Keuss said some of the Port's struggles with leasing space at Harbor Square are related to the current economic situation. However, he also suspects that because the Port has not really committed one way or the other as to the direction they want to go with Harbor Square, this may be hurting their ability to lease the space. He recommended the Commission make a decision as soon as possible so the Property Manager and broker have a clear understanding of the Port's goals.

- **Complete a five-year capital asset assessment for the Port.** Mr. Keuss referred to the synopsis he prepared for the five-year capital asset assessment he recently completed with the help of the Finance Manager. The bottom line replacement cost of Port assets is estimated to be \$1.833 million, and Harbor Square is approximately \$376,000. He summarized that the change between 2008 and 2009 was between \$400,000 and \$450,000.
- **Review the Executive Director's Evaluation Form.** Mr. Keuss referred to a copy of the Executive Director Evaluation Form. He reported that he reviewed the document with the new Executive Director and would make some changes. For example, a section would be added called "communications" covering both verbal and written communication skills. In addition, he would add a section under "community relations" to keep abreast of community issues and their impact on Port programs.

- **Complete mid-year evaluations on management staff.** Mr. Keuss reported that he has completed the mid-year evaluation of all Port management staff.

COMMISSION MEETING SCHEDULE

Mr. Keuss advised that the June 8th meeting agenda would include the following items:

- A presentation by the Puget Sound Regional Council regarding the 2040 Transportation Update
- A contract proposal for the M/N Dock Gangway Ramp Replacement Project
- An update by the Deputy Director regarding the Port's recycling program.
- A recommendation by the Executive Director regarding window replacement at Harbor Square
- A presentation by Jack Tawney, Harbor Square Athletic Club, regarding their future plans for expansion.

Commissioner Gouge recalled that the mitigation session is scheduled to take place June 2nd, and this meeting should be added to the Commission's meeting schedule.

EXECUTIVE DIRECTOR'S REPORT

Mr. Keuss reported on the following items:

- The WPPA Finance and Administrative Committee Meeting is scheduled for June 17th through 19th in Vancouver, Washington. He noted the Finance Manager typically attends this event.
- He received an email from Stephen Clifton, Edmonds Community Services Director, regarding a Washington State Ferries Community Partnership Committee, which includes representatives from the area of the Edmonds Kingston Ferry run. They are looking for people from both sides, and Mr. Clifton recommended the Port as one agency that should be considered for representation. The Commission agreed that would be appropriate, and Commissioner Burkhart was appointed to serve as the Port's liaison to the committee. Commissioner Block reported that Washington State Ferries thinks they have identified an effective plan that would reduce wait lines, etc. In addition, Hank Landau has provided some ideas for how the Ferry System can save energy, and one idea would involve the Port of Edmonds.
- Both dry storage forklifts were out of service over the weekend. The Deputy Director informed him that staff suspected an oil leak in one of the forklifts. The equipment was thoroughly inspected by the contracted mechanic, who was unable to track where the oil was coming from. This vehicle is back in operation, and staff will continue to look for oil problems. The other forklift had a tire blowout, and staff is in the process of obtaining cost estimates for replacing the tire. Staff is also researching to find out if the tire is still under warranty.
- This is his last week as Executive Director of the Port of Edmonds. He and Bob McChesney have talked about a number of things and will work closely on programs and projects that are on his plate. He reported that Mr. McChesney has also been meeting with staff over the past week, as well as spending time to become familiar with Port operations.
- He thanked the Commission for their support and the opportunity to serve as the Executive Director of the Port of Edmonds. It has been an honor, and he appreciates the Commission's faith in him and their support of the programs they were fortunate to implement over the past several years. He emphasized that the Port has a great staff, and he thanked them, as well. He recalled his first day as the Port's Deputy Director 11.5 years ago, when he was particularly impressed by the dedication of the staff. They are not typical public employees. He has worked for King County and the University of Washington and has seen the waste, which he has not found at the Port. The staff would do anything to accomplish their goals and job responsibilities. He said he appreciates their support of him and the Port programs. Without supporting staff, the Executive Director's job would be difficult.

COMMISSIONER'S COMMENTS AND COMMITTEE REPORTS

Commissioner Burkhart reported on her attendance at the Woodway Town Council Meeting, where they elected a new member, Tom Whitson, who has been on their Planning Board for five years. The Council also approved putting two measures on the ballot: one to ask citizens if they want to pay for the purchase of Rosary Heights to be used as a park, environmental center, and town hall and another to lift the levy lid for operations and emergency medical services.

Commissioner Burkhart reported that she attended the Sea Scout Ship Committee Meeting for adults who help run the program. Last year they did not do all the work they were supposed to do to pay the Port for their moorage, and they have been doing a lot of catch up work. She was given the responsibility of talking to the Port's Finance Manager about the reporting process. They want to make sure all the reports are being formally submitted to the Port.

Commissioner Burkhart reported on her attendance at the Snohomish County Committee for Improved Transportation (SCCIT) on May 19th, where an update on multi-modal transportation was provided. The following people spoke to the group:

- Joni Earl, Chief Executive Officer of Sound Transit, talked about the ORCA Card, which is one regional card that can be used on all the various transportation services. She said a recent study indicates that ridership on transit routes was up 15% in 2009 over last year, but ridership on the north train only increased about 7%. The light rail service would start July 18th and would provide 16-minute service between Seattle and Tukwila. The line extension to SeaTac would open in December of 2009. The service is available from 5 a.m. to 1 a.m. and offers service every five minutes during peak times and every 10 to 15 minutes during non-peak hours.
- David Moseley, Assistant Secretary of the Washington State Department of Transportation Ferries Division, referred to a ridership survey that indicated that riders are interested in better connections with trains, buses, etc. He reported that Washington State Ferries received funding in 2009 from the Legislature to work on the Edmonds Ferry area over the next two years. He further reported that a vehicle reservation system is of prime interest, and Edmonds/Kingston would be the test route. He advised that ridership is declining at most locations. He also advised that 70% of the operating funds is covered by fares, and they have no capital funding source at this time.

Commissioner Burkhart also reported on her attendance at the Economic Development Council's Board of Snohomish County Meeting where Bill McSherry, Director of Economic Development for the Puget Sound Regional Council, provided a summary of a study that was done by Deloitte on Washington State's competitiveness in the aerospace industry. The study was done very rapidly so it could be presented to the Governor and the Legislature before the session ended. Mr. McSherry reported that Washington is not maintaining its competitive edge in attracting and maintaining the aerospace industry. He noted that the aerospace industry represents 5% of overall employment in Washington State, with an average wage of \$82,000. In Puget Sound, the aerospace industry represents 12% of employment and 23% of all wages. The study compared Washington State with other locations in five key areas. The State's B & O tax is comparable and employee trusts and fund balances are strong, but Washington has the most expensive workers compensation system in the country because they pay high benefits and have a high claim rate. However, the main concern is the frequency and high cost of work stoppages. There is a group of people, including the Mayor of Everett, who are working with the unions to make some very serious commitments to change this trend. Boeing added up the cost of the work stoppages over the years and it doesn't take very long until it pays for them to move some place else where work stoppages are less common.

Commissioner Orvis reported on his attendance at the WPPA Spring Meeting where he attended three committee sessions. He specifically reported on the following:

- The WPPA is intending to launch a trial program that allows committee members to communicate via a type of news group. However, questions have come up about whether or not a record of all the communications would have to be kept. WPPA will continue to explore this option.
- The preliminary report on the Aviation Planning Council is available and their final recommendation to the Governor is due by July 1st. The report indicates the State has sufficient capacity through 2030, but it does not

make any recommendations for what to do past that timeframe. While no one expects Paine Field to be a major commercial airport, many believe it should at least be used as a commuter airport.

- The Environmental Committee talked about Puget Sound Partnership, which has plans to start defining what a “green port” is. The Environmental Protection Agency has appropriated about \$20 million to implement an action agenda, and the Legislature has approved the expenditure. There is money available and the Environmental Committee wants to be involved in the process of drafting the “green marina” language. It was also noted that the Governor took \$75 million from the Local Toxic Clean Up Fund and used it for bonding. However, she backfilled with \$37 million, which the Department of Ecology would use to save projects that are already underway. The committee emphasized there is no longer a MTCA Fund. They also announced that the Governor issued an executive order related to climate change. In addition, the night before the Legislative Session ended, a bill was introduced regarding storm water that went right to the Ways and Means Committee. The legislation included a \$1.50 tax on oil. It died, but would likely come back at the next session.
- The Neah Bay reserve tug legislation was approved. The big problem is that it essentially requires the oil companies and carriers to figure out how to pay for the vessel. Contrary to the Seattle Times Article, the oil companies and not the legislature have been funding the tug. The only tug they found that could meet the requirements of the legislation is located in the Baltic Sea, and it was so expensive that even the legislature could not fund it.

Commissioner Gouge reported on his attendance at the WPPA Spring Meeting, as well. He specifically reported on the following:

- It was advised that marine cargo forecasted the economic downturn before the financial sector crisis. They started to see a drop off of marine terminal use at all ports two years ago. He pointed out that their reports are available on line.
- Bob McChesney was present and was the head of the Economic Development Committee.
- The WPPA is researching the option of improving communications between committee members by using a networking website. Committee members would be able to communicate back and forth before they go to their meetings.
- He attended a forum where he learned about struggling tenant rent relief programs. The Port of Kennewick’s tenant rent relief program was cited as a good boilerplate for other ports to use. He said he learned that ports need to have policies in place for dealing with rent relief. He encouraged the Port’s Executive Director and Finance Director to talk to representatives from the Port of Kennewick regarding their program.
- The Chief Economist for Washington State presented the State’s Economic and Revenue Outlook. He specifically noted that automotive sales have dropped significantly, and he provided charts to illustrate when the economic downturn started. He indicated that he believes the economy is stabilizing and the recession is bottoming out. However, he cautioned that while Washington’s economy is expected to recovery at the same rate as the rest of the United States, they should no longer expect to be a leader. He said he anticipates the economy would start recovering in late 2009.

Commissioner Gouge reported that he attended the Edmonds City Council Meeting, where David Moseley, Assistant Secretary of the Washington State Department of Transportation Ferries Division, provided an update on their plans for the Edmonds Ferry Terminal. The City Council agreed they would try harder to be amicable to each other, and they discussed the concept of allowing the citizens to vote on whether or not to ban plastic bags in the City. Commissioner Gouge expressed disappointment that the City Council is focusing on plastic bags, etc. rather than dealing with important economic issues. For example, no progress has been made towards forming an Economic Development Commission, as recommended by the Citizens Tax Advisory Committee and approved by a City Council resolution. He expressed his belief that the Port must take the necessary steps to be leaders in the

community to do something about economic development and job creation. That is their mission, so he is glad they are starting their work on the Harbor Square Master Plan.

Commissioner Block reported she attended the American Recovery and Reinvestment Act Committee Meeting where the Prosperity Partnership Group talked about the various projects that are taking place in the Puget Sound Area, particularly the counties and cities that are represented by the Puget Sound Regional Council. She advised that a representative from the City of Seattle provided an overview of the American Recovery and Reinvestment Act and highlighted the accountability requirements, which are many. She also provided an overview of the available resources.

Commissioner Block further reported that the issue of regional coordination efforts was discussed, and there was a review of the Prosperity Clearing House, which is being used as a resource for gathering and disseminating joint review applications and determining where local jurisdictions can fit in. The value of coordination amongst jurisdictions was discussed. For example, the City of Edmonds has approached the Port with the concept of working together on an energy issue. There are many opportunities for local jurisdictions, and it appears the Port would be a likely fit in energy efficiency and conservation block grant programs. She concluded that she gathered a lot of valuable information and a list of resources where the Port can obtain more. She agreed to forward her information to the Executive Director.

Commissioner Faires reported on the meeting he attended with staff and LMN Architects at the request of the Commission. He said he was satisfied that all the Commission's concerns were passed along and addressed and there were no surprises. He summarized there would be as many reality checks throughout the process as the Commission desires. LMN Architects invites input from the Commission.

Commissioner Faires said that he frequently receives comments from tenants regarding the fact that some people are allowed to consistently disregard the Port's parking permit requirement, and the Port does not take action to have the cars towed away. He recalled that the Commission has discussed the issue on previous occasions and decided that, from a liability standpoint and legal perspective, they did not want to tow cars. He said he recently visited a permit parking area and found that approximately 1/3 of the cars parked in the lot did not have the required permits. He suggested perhaps it is time for the Commission to reconsider their position on towing and enforcing the parking policies.

Commissioner Faires complimented Mr. Keuss for getting a lot accomplished during his tenure as Executive Director. Speaking for himself and the Commission, he thanked him for doing such a great job.

Ms. Ocfemia reported that she attended the Memorial Day Service at the Edmonds Memorial Cemetery, where she participated in the program with her high school choir. The choir also performed at the Jazz Connection Festival that took place during the Memorial Day Weekend.

ADJOURNMENT

The meeting was adjourned at 4:20 p.m.

Respectfully submitted,

Marianne Burkhart
Port Commission Secretary