

PORT COMMISSION OF THE PORT OF EDMONDS

MINUTES OF REGULAR MEETING

September 28, 2009

Commissioners Present

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

Staff Present

Bob McChesney, Executive Director
Marla Kempf, Deputy Director
Tina Drennan, Finance Manager

Others Present

Bradford Cattle, Port Attorney
Karin Noyes, Recorder

Commissioners Absent

Bruce Faires, President

CALL TO ORDER

Commission Vice President Block called the meeting to order at 7:00 p.m.

PLEDGE OF ALLEGIANCE

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

CONSENT AGENDA

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

- A. APPROVAL OF AGENDA AS AMENDED.**
- B. APPROVAL OF SEPTEMBER 14, 2009 COMMISSION MEETING MINUTES.**
- C. APPROVAL OF AUGUST ELECTRONIC TRANSFERS IN THE AMOUNT OF \$138,814.64.**
- D. APPROVAL OF CHECK NUMBERS 68509 THROUGH 68536 INCLUDING DIRECT DEPOSITS D00502 THROUGH D00512 IN THE AMOUNT OF \$45,883.54 FOR PAYROLL.**
- E. APPROVAL OF CHECK NUMBERS 68537 THROUGH 68538 IN THE AMOUNT OF \$686.23 FOR PAYROLL.**
- F. APPROVAL OF CHECK NUMBERS 68539 THROUGH 68579 IN THE AMOUNT OF \$53,825.57 FOR ACCOUNTS PAYABLE.**

G. APPROVAL OF CHECK NUMBERS 11043 THROUGH 11048 IN THE AMOUNT OF \$48,168.46 FOR HARBOR SQUARE ACCOUNTS PAYABLE.

H. APPROVAL OF HARBOR SQUARE WINDOW REPLACEMENT.

COMMISSIONER BURKHART 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.

ANTHONY'S BUILDING ROOF REPLACEMENT PROJECT

Mr. McChesney introduced Jeff Arnot and Steve Burns from Anthony's Homeport Restaurant, and George Pfeiffer, the materials supplier. He explained that, over the past several years, Anthony's and the Port have discussed various strategies for replacing the roof, it being generally understood the roof is now in need of replacement. By previous side agreement, Anthony's accepted the task of developing the design specifications for the new roof, and the Port agreed to be the primary contracting agent. In August, Anthony's hired MulvannyG2 Architects to produce drawings and bid specifications. The project was put out to bid under Washington State Public Works contracting rules and advertised starting on September 9th. The bids were received and opened on September 23rd, and six responsive bids were received. The apparent low bidder was Meyer Brothers Roofing in the amount of \$216,983 plus Washington State sales tax. The architect's estimated cost was \$185,016 plus tax. He pointed out that the project was budgeted at \$400,000, with the Port's share being \$200,000. Assuming the Commission authorizes and awards the contract, the project amount, including tax, would be \$237,597.00, and Anthony's would reimburse the Port 50% upon completion. The Port's share would be \$118,798.50. Mr. McChesney summarized that the proposal meets the Port's strategic purpose of economic development, promotion of facilities and public access. He recommended the Commission approve the bid results and authorize contract award to Meyer Brothers Roofing as presented.

Mr. McChesney reported that he has been working closely with representatives from Anthony's, who were part of the bid opening process. He provided samples of the proposed roof materials, and advised that they have had lengthy discussions with the architect and materials supplier to address drainage, warranties and the quality of installation. Both parties are very comfortable with the proposal. He summarized that the representatives from Anthony's have been wonderful to work with, they have a good project, and it is time to move forward.

Commissioner Burkhart asked Mr. McChesney to share information regarding the contractor's history and quality of work. Mr. McChesney replied that Meyer Brothers Roofing is a relatively large company operating out of Tacoma, and staff checked their references and found everything in order. The contractor has worked previously with the materials supplied and effectively met all their requirements to be a qualified installer of their materials. Mr. Pfeiffer explained that, as per state law, the contractor would be responsible for the work for two years and the materials carry a 20-year warranty. Should the company go out of business, they would still be responsible for the roofing warranty as stated.

Commissioner Burkhart noted that when the Edmonds Library Building was reroofed with the same type of membrane, there were problems with leaks. Mr. Pfeiffer explained that the library building roof is different in that it allows pedestrian access. He suggested that many manufacturers would likely have a disclaimer in place so they would not be responsible for damage that occurs as a result of pedestrian activity on the roof materials. Again, he noted this would not be an issue on the Anthony's roof.

Commissioner Gouge asked if all parties have personally inspected the roof so that everyone has a clear understanding of the existing conditions and the location of the mechanical equipment, etc. He expressed concern about a bid that is

significantly lower than the others. He said it is important to make sure the contractor and the architect are aware of all the pertinent issues. Mr. McChesney reminded the Commission that there were two pre-bid meetings, and representatives from the Port and Anthony's, as well as the architect and materials supplier have accessed the roof. Mr. Pfiffer agreed with Commissioner Gouge that it is important that the contractor has a clear understanding of the project requirements. He reminded the Commission of the close out interview with the contractor to make sure the project is complete and in compliance with the specifications. Mr. McChesney added that a representative from Meyer Brothers Roofing also inspected the roof, and he sees no reason to doubt the bid submittal. The specifications are good and the project architect has reviewed the quality control and project management programs. However, that does not mean there is no possibility of a change order, but everyone has seen the mechanical equipment that must be removed and reinstalled as part of the project. He noted that the contract would not include replacement of any of the mechanical, electrical or plumbing systems.

Commissioner Gouge asked who would be responsible if the roof is damaged when the mechanical equipment is being reinstalled. Mr. Cattle answered that the contractor who is hired to reinstall the equipment would be responsible for any damage that occurs. Commissioner Gouge asked if the restaurant would remain open during the construction period. Mr. Arnot explained that the criteria in the contract would allow the upstairs or downstairs portions of the restaurant to be closed for up to two days, but not at the same time.

Mr. McChesney said the goal is to complete the project by the end of October, weather permitting. However, there is a two-week lead time required for ordering the materials. If the Commission authorizes the contract tonight, a notice of award would be sent out and the contractor would order the materials and provide submittals. The Port would then give notice to proceed. Because the project is weather dependent, it may not be completed by the end of October, but it is in everyone's best interest to perform the contract in the time allowed.

Commissioner Orvis said it is his understanding that the mechanical equipment would be replaced at a future time as necessary. Mr. Arnot agreed that Anthony's would address the issue of mechanical equipment upgrades in the future, and it would not be part of the roofing project. They felt it would be best to separate the two contracts.

Commissioner Block requested information about how the architect proposes to resolve issues related to drainage in some of the low spots on the roof. Mr. McChesney said he met with the partners and the architect to consider this issue, and the fix would likely involve building up the low areas on the roof with crickets. He noted this solution would probably not eliminate the entire drainage problem, but the architect has agreed to provide a further assessment and come up with an appropriate solution. He noted the change would not be noticeable.

Mr. McChesney noted that Anthony's has been working with the City of Edmonds to obtain the necessary permits for the work to move forward, and permit issuance is pending and likely to occur later in the week. He emphasized the work could not proceed until the permits are in hand.

COMMISSIONER BURKHART MOVED THE COMMISSION AUTHORIZE THE EXECUTIVE DIRECTOR TO AWARD A CONTRACT TO MEYER BROTHERS ROOFING, INC. IN THE AMOUNT OF \$216,983.00 (PLUS WASHINGTON STATE SALES TAX), FOR THE ANTHONY'S BUILDING ROOF REPLACEMENT PROJECT. THE COMMISSION RECOGNIZES THE BID PROCESS WAS IN CONFORMANCE WITH THE COMMISSION POLICIES AND APPLICABLE RCW'S FOR PUBLIC WORKS CONTRACTING. COMMISSIONER ORVIS SECONDED THE MOTION.

Council Member Wambolt said he assumes the proposed work would include replacement of the fence that hides the existing mechanical equipment. Mr. McChesney answered that the project would include replacement of the parapet.

THE MOTION CARRIED UNANIMOUSLY.

MR. CATTLE LEFT THE MEETING AT 7:17 P.M.

STATEWIDE STORMWATER RETROFIT AND LOW-IMPACT DEVELOPMENT (LID) GRANT PROGRAM

Ms. Kempf advised that the Department of Ecology (DOE) has announced a grant program for stormwater retrofit improvement projects. She recalled that the last grant program of this type was over two years ago, when staff felt it was premature to commit to a stormwater improvement project before the Boatyard General Permit issue was resolved and new benchmarks established. She reminded the Commission that the DOE was supposed to complete a small business impact study based on the permit changes, but the results of this study are not yet available for public review.

Ms. Kempf referred to the timeline she prepared to provide a brief history of the issue and reported that the Northwest Marine Trade Association (NMTA) Boatyard Committee met last week and were informed that the Puget Soundkeepers Alliance (PSA) has grown impatient with the lack of action on the part of the DOE and has reopened the appeal. A hearing has been scheduled with the Supreme Court in January 2010. She announced that the Port received an intimidating and threatening letter from PSA, notifying them of their decision to reopen the appeal. The letter indicated that action could be taken against those boatyards that are at a Level 3 Response and haven't filed a response with the DOE and those boatyards that haven't filed discharge monitoring reports with the DOE to let them know the results of their water samples. She said she does not believe the Port of Edmonds would be high on the PSA's list of boatyards to file a lawsuit against because they likely have the most compliant and cleanest boatyard in the state.

In talking with Joe Kalmar, Landau Associates, staff believes now is a good time for the Port to apply for grant funding. She reported that the Port's recent water samples have provided good news, and she referred to a graph that was prepared to show the findings. She noted there has been no discharge at the pressure wash (Outfall 4) facility since January of 2008 when the DOE inspector found blue paint and required the Port to turn the valve and send the water to the treatment facility. However, the samples taken from Outfall 2 near the administration building have been below the current benchmark of 24 parts per billion (ug/l) since May of 2008. However, they have not always met the proposed new benchmark of 14 parts per billion. She suggested the low numbers are totally related to the best management practices employed by the Port. They resealed the workyard and staff cleans out the trenches frequently. In addition, they clean the oil/water separator three times instead of the required one time per year. Weather could also have an impact, but staff is very pleased with their efforts to lower the numbers. She explained that one of the grant criteria is that it be used for projects that can make the biggest impact towards improving the current situation, and the Port could end up being penalized because their numbers are fairly good right now.

Commissioner Burkhart asked if it would be possible to obtain grant funding to correct the stormwater problem that currently exists at Harbor Square. Ms. Kempf answered that this situation is the City's responsibility to resolve. Mr. McChesney added that he would be meeting with City staff on September 29th to discuss a variety of items, including the Harbor Square stormwater issue.

Ms. Kempf advised that staff received a preliminary estimate of \$7,000 from Landau Associates to assist with completion and submittal of the grant application. If the Port receives grant funding, they would be notified in the spring of 2010 and would have until June of 2014 to complete the project. Should technology or other factors change in the meantime to preclude the Port from installing the best available technology, approximately 70% of the work performed by Landau Associates would still be usable in the Level III response. She explained that staff does not know whether the State would offer the grant program in subsequent years, and staff recommends the Port move forward with having Landau assist with completing the application for the Stormwater Retrofit and LID Grant Program. If received, the funding would be used to install a passive infiltration system in the workyard, which is the

test system that performed the best. They might also look at adding an ion exchange at the other end of the outfall, which might get them to the lower levels identified in the new permit.

Commissioner Orvis asked if the position of the DOE and the PSA is still indifference as to whether or not it is actually possible for boatyards to meet the benchmarks. He expressed concern that the DOE has pulled a number out of the hat without doing studies to determine if it is even possible for boatyards to meet the new numbers with existing technology. He asked if the NMTA would become involved in the Supreme Court Hearing and if they would raise the issue of how impossible it will be to meet the new benchmarks. He voiced his belief that the DOE is not really doing anything to resolve the situation. Ms. Kempf reported that NMTA is not planning to hire legal counsel to represent the boatyards at the Supreme Court Hearing. They have already spent \$180,000 arguing the boatyards' position and reaching a settlement agreement. Most of the boatyards feel the important part of the settlement is the fact that the numbers are benchmarks and not limits, and they don't want to give ground on this issue. If the DOE is going to identify such unreasonable targets, they need to be benchmarks and not limits because there is currently no technology available that would consistently allow boatyards to comply.

Commissioner Orvis asked who would argue the benchmark issue at the Supreme Court Hearing. Ms. Kempf explained that boatyards do not have funding to fight the issue any more. Commissioner Orvis expressed concern that the WPPA has not been able to understand the implications associated with the new permit requirements and how marinas without boatyards would also be impacted in the future. Ms. Kempf said the boatyards that are members of NMTA have taken the approach of trying to do what they can with existing technology to lower the numbers. She reminded the Commission that the current recession was not a factor when the settlement agreement was negotiated, and it required the DOE to complete a small business impact study, which has not been done. The Port's best opportunity to comply with the new requirement is to obtain grant funding to install new technology. The boatyard does not generate sufficient revenue to absorb this cost without passing a significant rate increase on to their users. The Commission agreed that Port should pursue grant funding.

Commissioner Gouge suggested staff prepare a white paper with pertinent data to explain the situation and then present the information to the WPPA with a request for help. The DOE and PSA are both looking out for their own best interests, and the boatyards need to be prepared. This is a serious situation, and the boatyards need to have representation at the hearing, as well. He suggested the Port present information to the WPPA Members at the next general meeting. Commissioner Orvis observed that the outcome of the hearing could set a precedent for applying the higher standards to other properties besides boatyards. He expressed concern that the WPPA has done little to advocate the position of the boatyards. Commissioner Gouge suggested the Port take the lead in getting something started. The remainder of the Commission concurred and Commissioner Burkhart pointed out that the permit requirements could eventually trickle down to the City, and it would cost them a substantial amount of money to meet the benchmarks.

Commissioner Orvis emphasized that the issue is not a matter of the boatyards not wanting to comply, but the DOE needs to do more than write a permit. They need to have a program to develop or at least determine what technology is appropriate. Ms. Kempf explained that the DOE's original thought was to wait until the new permit is available at the end of 2010 rather than issuing a modified permit. If the modified permit is issued at 14 parts per billion, none of the boatyards would be in favor of spending a significant amount of money to install a new system when they do not know what the new permit requirements will be. However, PSA is now threatening to reopen the appeal hearing, and the DOE may decide to issue the modified permit. That means boatyards would have to collect 12 water samples per year and attempt to meet the lower benchmark.

Commissioner Orvis said he learned from the WPPA's representative to the Puget Sound Partnership (PSP) that the director of the DOE believes they are fully in compliance with the way the Governor thinks the program should be run. He recalled that when he and Ms. Kempf testified at the permit hearing for the old permit, they found that the DOE had not sent any decision makers to the hearing; only the person who physically wrote the permit. The DOE was not particularly happy with their testimony because they pointed out that the permit numbers were identified using the best sample under the most ideal conditions. That means they knew when they wrote the permit that the

requirements could not be met. He and Ms. Kempf distributed copies of their testimony to the other boatyard representatives.

Commissioner Orvis agreed with Commissioner Gouge that the Port needs to do something. He noted that the WPPA Legislative Committee has not met for a year, and Ms Kempf added that the Marina Committee has not met either. Mr. McChesney said the Legislative Committee would be responsible for getting the issue on the WPPA's agenda. He suggested the issue is very complicated because of the number of players involved (DOE, PSP, private and public workyards, and various advocacy groups). Commissioner Orvis expressed concern that it is difficult to get the people who will be most impacted by the permit requirements (the boaters) to talk about the issue. He said it would be helpful if boaters would write their local legislators.

Commissioner Block advised that she will attend the WPPA Environmental Policy Committee Seminar later in the week, and "green ports" is the main issue of discussion. Many of the players involved with the boatyard permit issue will be in attendance. Perhaps there will be some opportunity for her to talk to people about some of the Port's main points of concern. She suggested staff provide a position paper outlining potential topics of discussion. Commissioner Orvis suggested Commissioner Block read through the testimony that he and Ms. Kempf provided at the permit hearing for background information.

Mr. McChesney summarized that the Commission would like staff to forward a copy of the PSA's letter to each of them. In addition, they would like staff to prepare a white paper that could be used by the Commissioners to get the attention of the WPPA. The Commission was in favor of the Port moving forward with the grant application in anticipation of the revised permit in 2010 and the likelihood they will have to do some type of capital project. In addition, Ms. Kempf will provide background information to Commissioner Block prior to her attendance at the WPPA Environmental Policy Committee.

Commissioner Orvis observed that if every boatyard did as much as the Port of Edmonds has done to comply with the benchmark requirements, impacts to the Sound from boatyards would be minimal. He suggested it would be more helpful for the DOE to identify what they expect boatyards to do. Once a boatyard has demonstrated they are following the requirements, they could take samples to identify benchmark numbers that are reasonable and possible to obtain.

COMMISSION MEETING SCHEDULE

The Commission discussed that a special public meeting would be scheduled for the latter part of October to have a thorough discussion about the Harbor Square Master Plan and other issues related to Harbor Square. They stressed the need to involve the public in the discussion as much as possible, and they agreed the special meeting should be held during the evening hours when more members would be available to attend.

Mr. McChesney reminded the Commission that their next few meetings would involve budget discussions, and they previously indicated their desire to have an additional special meeting or public hearing in order to be as transparent as possible in their discussion about marina rates. In response to the Commission's discussion, Ms. Drennan noted the public hearing that was originally scheduled for November 9th has been moved to October 12th. An additional hearing has been scheduled for October 26th. Commissioner Gouge expressed concern that the Commission would not have seen the draft budget prior to the public hearing on October 12th. Ms. Drennan noted this is a common practice at other ports.

Commissioner Orvis observed that the Port is not legally required to conduct two public hearings prior to adopting their operating budget, but he felt it was an appropriate approach. He recalled that at their last meeting, Mr. Ostlund inaccurately noted that in the past the only public hearing has been the one held on the same night the Commission adopts the final budget. He suggested the Commission conduct three hearings. At the October 12th hearing, the Commission could solicit general input from the public. At the October 26th hearing, they could present a revised

draft budget and invite the public to respond. Staff could present a clean draft on November 9th, and the Commission could offer one more opportunity for the public to comment before they take formal action to approve the document. The Commission agreed to schedule public hearings on October 12th, October 26th, and November 9th.

The Commission agreed the November 9th hearing should be on a “clean” draft of the budget with all of the amendments, and copies should be made available to the public. Mr. McChesney pointed out that the “clean” draft would result from the October 26th public hearing and Commission discussion. Staff agreed to schedule the special meeting as soon as possible, and the Commission agreed that Ms. Conner, Harbor Square Property Manager, should be invited to attend, as well.

2010 DRAFT BUDGET – HARBOR SQUARE BUDGET

Mr. McChesney referred the Commission to the first draft of the Harbor Square Budget and noted that staff has already made some preemptory cuts on the expense side. The HVAC line item was programmed to be about \$72,000, and the proposed new budget would cut this in half based on the theory that it is not likely the Port would have to replace five units in 2010. Instead, staff proposes the units be repaired and maintained until it is no longer economically feasible to do so. In addition, the roads and paving budget was also scaled back because the existing pavement is serviceable. While it is not necessarily new or attractive, it is not the main marketing tool for Harbor Square. Staff believes the Port can do quite nicely without spending a lot of money to repave. He observed that there is some upside potential if the market improves and the Port is able to lease the vacant spaces, but this is difficult to anticipate and indications are that the commercial real estate market would remain very soft for the next year or two. Staff would continue to market the property to the best of their ability.

Ms. Drennan referred to the proposed budget, which also includes the 2006 annualized budget, the 2007 and 2008 actual budgets, and the 2009 projected budget. She specifically reviewed the following items:

- The numbers for property rent were provided by the Property Manager based on existing conditions and anticipated conditions for 2010.
- The CAM line item is up slightly based on the Property Manager’s recommendation.
- Staff identified a property tax allocation of \$250,000, which would be consistent with the 2009 allocation.
- About 1/5 of the Commission costs were allocated to Harbor Square, which is the same as the 2009 budget.
- Employee costs include employee benefits, payroll taxes and salaries and wages and were based on 1.5 full-time equivalent employees to perform maintenance, security and staff supervision.
- Management fees are based on the amount of property rent collected.
- Lease fees are expensed over the life of the lease term.
- The \$5,000 budgeted for professional fees would cover the cost of the Port Attorney reviewing lease agreements and assisting Port staff when dealing with tenant situations as necessary.
- The utility budget was based on a 4% increase.
- Interest income is low because they do not have a lot of money in the bank for Harbor Square and interest rates are low.
- The debt coverage ratio of the current draft budget would be 1.43 and Cascade Bank requires a 1.20 debt coverage ratio on total Port property.

Ms. Drennan reported that the Finance Committee specifically discussed the Harbor Square Master Business Plan and agreed to reduce the budgeted amount in 2010 from \$50,000 to \$20,000. Commissioner Orvis added that the Finance Committee expressed concern about reducing this line item to zero but they agreed the expense would be much less than \$50,000. Mr. McChesney advised that the Port already has enough materials to submit a Comprehensive Plan amendment proposal to the City of Edmonds in 2010. Commissioner Orvis recommended that \$20,000 remain in the budget as a placeholder.

Ms. Drennan explained that the repair and maintenance line item was broken out depending on the way the CAMS are allocated.

Commissioner Block questioned the large amount that was allocated for professional fees in 2008. Ms. Drennan explained this was a special situation involving the Skippers property.

Commissioner Burkhart noted that with the proposed changes to the master business plan allocation, the net income would be nearly \$50,000. She questioned if the Commission would be justified in allocating \$250,000 in property taxes to Harbor Square or if would be appropriate to reduce the property tax allocation to \$200,000. Commissioner Orvis cautioned that the draft budget does not identify additional funding to pay down the loan, which is the Commission's goal. Commissioner Gouge agreed the Port should continue to pay down the loan. Commissioner Burkhart suggested the Commission make a note to themselves that it is their intent to make an extra loan payment next year. The Commission agreed this should be a high priority.

Jack Bevan asked what rate the Port is receiving for interest income. Ms. Drennan said the rate is very low, about 1% or less. Commissioner Orvis explained that under the old system, public funds were guaranteed in all banks in Washington by the other banks in the pool. After a few bank failures and big loses of public money, the law was changed and banks are now required to keep 100% reserves for all public money. As a result, public fund interest rates have fallen dramatically below private interest rates. Mr. Bevan inquired where the interest income related to the \$1 million cleanup fund would be allocated. Ms. Drennan answered that this would be shown in the Cash Flow Projections Report.

EXECUTIVE DIRECTOR'S REPORT

Mr. McChesney reported that on September 16th through 18th, he attended the WPPA's Trade and Economic Development Seminar in Walla Walla. The theme of the seminar was "The Innovative Economy." As chair of the committee, he helped develop the program and recruit speakers, and he was the moderator during the seminar. He announced that Deborah Knutson from the Snohomish County Economic Development Council participated on a panel that discussed emerging industries and technologies.

Mr. McChesney said the seminar started with a great tour and reception hosted by the Port of Walla Walla. They have 27 industrial development projects, including the airport. One interesting policy issue they shared concerns how they market their properties and how they work with the real estate brokerage community. They currently promote their own facilities and market their properties without listing any with an exclusive real estate marketing firm. They collaborate with the general brokerage community and encourage broker participation, which is not a bad strategy.

Mr. McChesney advised that other topics of discussion at the seminar included defining what the "innovative economy means and where ports might fit in." They talked about possible partnerships and innovative solutions for economic development infrastructure. Presenters included Executive Director Egils Milbergs from the Washington State Economic Development Commission, Commissioner Connie Bacon from the Port of Tacoma, and Representative Norma Smith from the 10th Legislative District on Whidbey Island. Representative Marko Lias from the 21st Legislative District was scheduled to speak, but had to cancel with regrets.

Mr. McChesney said the seminar included speakers from high tech industries telling about innovations in energy and transportation. Steve Ausdle, the President of Walla Walla Community College, was a panelist with Larry Williams from the Washington State Commerce Department and Lee Cheatham from the Washington Technology Center. Recurring themes throughout the seminar included issues such as embracing change, developing partnerships, leadership and leverage. Burr Stewart from the Port of Seattle talked about "wicked problems," which are frequently encountered in long-range strategic plan and affect how ports access innovation.

Mr. McChesney reported that he attended several meetings over the last week including a program on economic development sponsored by the Everett Chamber of Commerce Joint Government Affairs Committee, a Cascade Conservancy Awards luncheon, and the South Snohomish County Cities Alliance Dinner.

COMMISSIONER COMMENTS AND COMMITTEE REPORTS

Commissioner Burkhart announced that she would attend the Ferry Partnership meeting on September 29th. At the last meeting, a half dozen of the decision makers from the Washington State Department of Transportation-Ferries Division were present to listen to the participant's ideas and information technology professionals are working to design a ferry reservation system that would meet the needs of frequent commuters, casual travelers, tourists and commercial users.

Commissioner Burkhart reported on her attendance at the Snohomish County Economic Development Council meeting on September 16th at the CMC/Icos Biologics, Inc. building in Bothell. Chris Rivera, President of the Washington Biotechnology and Biomedical Association, reported on the creation of a network for developing capital and obtaining grant funding for biotech start ups. It was discussed that biotechnology and biomedical are two big areas of employment growth in Snohomish County. In addition, Bob Stowe, Bothell City Manager, explained how the City of Bothell has been positioning itself to attract biotechnology and biomedical companies. They haven't been hit so hard by the economic downturn because they have developed a diverse revenue stream. In addition, they have an innovative financial management program and a multi-year program to purchase property so they can create a real downtown with good development. They currently own 25 acres, which they are planning to use for economic development.

Commissioner Burkhart reported on her attendance at the Edmonds Citizens Economic Advisory Commission meeting on September 16th where the group reviewed their goals and broke into committees to work on the various goals. They will continue to meet once a month as a group. In addition, some members will be reviewing all the past consultant reports on economic development to identify the best recommendations. The group discussed an interesting statistic that the City of Edmonds only has half of the employment expected given its population. The source of revenue for Edmonds in 2007 was heavily dependent on the automobile retailers (about 58%). There has been a lot of talk about improving retail sales in the downtown, but it is important to note that the downtown accounts for only a small portion of the City's revenue. She noted that Edmonds is very different than Snohomish County and Washington State who are similar in the way their revenues and employment sources break down.

Commissioner Orvis reported on his attendance at the South Snohomish County Cities Alliance Dinner Meeting where Bob Drewel spoke about issues such as population growth and transit orientation. Sidebar talks with mayors and council members from other cities were interesting. They are very concerned that Boeing might move a line of plane manufacturing elsewhere. Studies have been done about the impact the resulting loss of jobs would have on Snohomish County. It was emphasized that Snohomish County would take the biggest hit because the flow of dollars from Boeing employees in Snohomish County is substantial. It was suggested that people also do not appreciate the amount of money that Boeing provides to charities and civic organizations in the County. It was expressed that if Boeing moves the line, the existing primary production facilities would eventually be moved, as well.

Commissioner Orvis said that those in attendance at the Alliance dinner meeting also discussed the latest initiative put forth by Tim Eyman. He said he expressed concern to Bob Drewel that there has been no organized opposition to the proposed initiative. The election is getting close, yet there is only limited information about the negative impacts of the proposal. If approved, the initiative would essentially stop any budget growth beyond inflation. Any tax dollars that come in above the previous year's level would have to be returned. He expressed concern that the initiative would take affect at a time when the economy is depressed. Cities would not be able to improve their revenue stream, because they would be required to refund the additional revenue. He questioned how the initiative would impact the Port. Ms. Drennan explained that the initiative would not be applicable to special purpose

districts. Council Member Wambolt added that, if approved, cities would be required to obtain voter approval in order to increase their revenue.

Commissioner Orvis reported that he would not be present at the next meeting where the draft budget would be presented. He observed that if the Commission is opposed to increasing marina rates for 2010 by at least 4%, they will need to have a serious discussion about what other items they would be willing to cut from the budget. He emphasized that the budget margin is getting squeezed below what he thinks is acceptable, particularly given that they have to keep a 1.2% debt coverage ratio for the Harbor Square loan. In addition, the Commission must remember that they postponed scheduled maintenance in the marina in 2009.

Commissioner Gouge recalled that the Commission did not raise moorage rates as much last year as needed because of the poor economy, and now they are behind the cost recovery curve. If they get any further behind, they will be facing large increases in the near future.

Mr. McChesney advised staff would present a draft budget showing incremental rate increases of 1%, 2%, 3%, and 4%. The remainder of the budget numbers would be the same, painting a clear picture of how the various rate increases would impact the bottom line.

Commissioner Gouge reported on his attendance at the South Snohomish County Cities Alliance Dinner Meeting. He said he was disappointed that only two of five of the County Council Members (Dave Gossett and John Koster) were present, and there were only two State Representatives (Mary Helen Roberts and Marilyn Chase) in attendance. On the other hand, every mayor from the participating cities was present, as were many city council members. The intent of the meeting was to provide an opportunity for local officials to talk with elected officials at the State and County level. He reported that everyone he spoke with had the same concern about Boeing, and it was disappointing that the County Council Members and State Representatives were not present to hear their concerns. He suggested the Port send out a letter suggesting that if the County and State elected officials do not want to respect the local officials, it is time for a change. Commissioner Burkhart suggested this information be published in the local newspapers. The public needs to hold their elected officials accountable.

Commissioner Gouge reported on his attendance at the Edmonds City Council meeting on September 15th where they discussed tourism promotions with the Snohomish County Lodging Association. The Mayor also gave a presentation on the contract for Fire District 1. He further reported that he attended the September 22nd meeting, but was unable to stay until the end. They decided the street tree issue would be analyzed more before the City Council makes a final decision. In addition, there was a public hearing on the six-year Transportation Improvement Program. Lora Petso requested another public hearing on the program because she felt something was missing from the announcement of the hearing. In addition, Roger Hertrich expressed concern about the proposal to change Olympic View Avenue, which is a local street that actually serves as a collector street. The discussion continued for more than two hours, but nothing was resolved.

The Commission congratulated Commissioner Burkhart on her recent marriage.

ADJOURNMENT

The meeting was adjourned at 8:54 p.m.

Respectfully submitted,

Marianne Burkhart

Port Commission Secretary