



PORT COMMISSION OF THE PORT OF EDMONDS

MINUTES OF REGULAR MEETING

May 14, 2018

COMMISSIONERS PRESENT

David Preston, President
Steve Johnston, Vice President
Jim Orvis, Secretary
Bruce Faires
Angela Harris

STAFF PRESENT

Bob McChesney, Executive Director
Marla Kempf, Deputy Director
Tina Drennan, Finance Manager
Brittany Williams, Manager of Properties and Marketing

OTHERS PRESENT

Bradford Cattle, Port Attorney
Karin Noyes, Recorder

CALL TO ORDER

Commissioner Preston 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 ORVIS MOVED THAT THE CONSENT AGENDA BE APPROVED TO INCLUDE THE FOLLOWING ITEMS:

- A. APPROVAL OF AGENDA**
- B. APPROVAL OF APRIL 30, 2018 MEETING MINUTES**
- C. APPROVAL OF PAYMENTS IN THE AMOUNT OF \$1,266,766.58**

COMMISSIONER FAIRES SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

PUBLIC COMMENTS

No one in the audience indicated a desire to comment during this portion of the meeting.

1ST QUARTER HARBOR SQUARE REPORT

Ms. Williams presented the 1st Quarter Harbor Square Report, specifically noting the following:

- Gross revenue for the 1st quarter was about 2.7% or roughly \$12,660 greater than the same period in 2017.
- The occupancy rate at the end of the 1st quarter was 3.82% greater than the same period in 2017.
- There were two new leases and three extensions during the quarter. One tenant terminated some warehouse space during the quarter, but it was picked up the following month by another existing tenant.
- Projects completed during the quarter include standpipe inspection in January and root removal from storm lines to reduce the puddles in the Building 2 parking lot in February.
- The landscaping work at Harbor Square was internalized beginning in February. This allows the Port to have better control over the work, and the tenants have appreciated this change.
- Tenant improvements during the quarter include painting, drywall repair and cleaning in Building 4 Suite 201, painting and cleaning in Building 5 Suite 102A, and repairing warehouse ceiling and insulation in Building 5 Suite 102 B-D.
- The conference room was only rented once during the quarter.
- The only incident was a water leak in Building 4 Suite 101 caused by a neighboring tenant's dishwasher. Staff assisted with cleanup and the damage was repaired by the responsible tenant.

Mr. McChesney clarified that the Port did not hire additional maintenance staff for landscaping work. However, the Port's previous maintenance person moved on and the vacant position was recently filled. The duties of the position were expanded to include Harbor Square landscaping.

Commissioner Faires noted that there is only one vacant space at this time. Given the current economic cycle, he asked how the Port establishes the lease rates. Ms. Williams answered that there is a baseline rate. She advised that she recently completed a market analysis of the lease rates for commercial space in downtown Edmonds compared to the Port's lease rates for Harbor Square. The analysis showed that the Port's rates were very affordable, but it is somewhat difficult to compare because most of the commercial space in downtown Edmonds is of a different class. The Port also has some of the only warehouse space available in the downtown core. Commissioner Faires summarized that lease rates are based on an assessment of competitive rates available elsewhere with a bias towards keeping Harbor Square full. Mr. McChesney commented that the occupancy rate is currently the highest it has been during his time at the Port.

Commissioner Johnston asked for an explanation about why "other" expenses were so high in March. Ms. Williams answered that this number identifies the common area maintenance (CAM) costs. Mr. McChesney added that asphalt repair will be a big driver for the CAM costs going forward given the recent discovery that the existing pavement was not properly installed. Rather than continuing to repair potholes, the Port has decided to repair larger areas. Most tenants understand the need for this additional cost, and he anticipates that CAM costs will be greater going forward. Ms. Williams added that because the costs are so much greater, some tenants have been allowed to pay the cost in installments.

Commissioner Harris asked if it is doable for the Port to take on landscaping maintenance at Harbor Square without hiring additional staff. Mr. McChesney explained that, in the past, the Port had one landscape person for the marina side and contracted out landscape maintenance at Harbor Square. The previous employee was not physically capable of handling all of the landscape maintenance work, and the Port has never really been satisfied with the quality of the work done via a contract. When the previous employee left the Port, they were able to hire a new person who can handle landscaping on both sides of Admiral Way with the help of other maintenance staff. They will also hire a part-time, seasonal employee for the summer months.

Commissioner Harris requested more information about why staff has not been satisfied with the Harbor Square landscape contractors. Ms. Williams responded that the contractors typically allotted a set amount of time to work at Harbor Square, and they were unable to accomplish all of the tasks that were needed. Also, they worked on weekends to avoid disturbing tenants, but then staff didn't really know if they actually showed up or not. Having the work done in-house allows the Port more control.

1ST QUARTER PORT OPERATIONS REPORT

Ms. Kempf presented the 1st Quarter Port Operations Report, specifically noting the following:

- Round-trip launch activity was up by 34%, but one-ways decreased by 20% from 1st quarter 2017.
- The fuel gallons sold remained about the same, and the Port's fuel prices were slightly higher than the 7 other locations the Port regularly surveys.
- Guest moorage decreased by 55 boats during 1st Quarter, and the number of nights decreased, as well. The number of groups stayed the same and the number of boats and nights associated with group visits was about the same.
- Water moorage turnover ratios have gone down, and so have turnover ratios in dry storage.
- The wait list continues to grow and is up from 128 names at the end of 1st Quarter 2017 to 141 at the end of 1st Quarter 2018. Most of the names are people who are waiting for slips rather than waiting to upgrade. About 119 of the people on the list are waiting for slips 34 feet or larger, with the 40- and 50-foot open slips being the most popular.
- Insurance and registration remains about the same as in 2017. The numbers provided in the report illustrate a snapshot of the final day of the quarter and not a cumulative total for the entire quarter.
- Reports of theft and other security problems remain low due to the Port's excellent security staff.
- The Port participated in the Seattle International Boat Show. There were 54 slips available for moorage on the walk-in availability list, and 41 slips were assigned in conjunction with the show. Three dry storage spaces were also assigned in conjunction with the show. In addition, 15 wait list applications were completed. A chart illustrating the demographics of the boat show sign ups was included in the report for the Commission's information.
- Boatyard travelift activity was up during the 1st quarter, with 50 customers taking advantage of the "March on In" promotion.

Commissioner Preston asked if the Port has demographical information for the people currently on the wait list and for current tenants. Ms. Kempf said staff usually prepares this information during the 1st quarter of each year. However, the project is labor-intensive, and there was not enough staff time to complete the task. The information will be prepared and presented as part of a future marketing report. Ms. Drennan advised that it can take up to two days for a staff person to gather all of the demographic information for the report. Commissioner Preston suggested the Port should be able to quickly gather the data using computer software, and Mr. McChesney agreed to research these options further. Commissioner Orvis questioned the value of demographic information given the amount of staff time needed to collect and present the data. Commissioner Preston commented that it would be helpful to understand where existing tenants and those on the waiting list live. The information could be compared from year to year to identify changes that occur.

Commissioner Johnston recalled that there was significant tenant concern when the Port recently implemented changes to how dry storage boats are managed on the docks. He asked if the occupancy rate at dry storage has been impacted by this change. Ms. Kempf pointed out that the changes were not implemented until April 1st so there is no statistical data to answer this question. However, the changes are working so far, and the majority of tenants are being accommodated well.

Ms. Williams provided a slide presentation to illustrate recent activities at the Port, including the christening and maiden voyage of Puget Sound Express' new boat, the Saratoga, and the debris clean up dive that took place in the guest moorage area by Annie Crawley's scuba diving team. The public was invited to provide shore support for the dive event.

Commissioner Preston said he attended the dive event and someone from the port industry asked him if other marinas do this. He was able to share that the Port of Edmonds is the only one in the area that does. He said he is excited for the Port to continue its relationship with Ms. Crawley and her team of students.

Commissioner Faires recalled that a similar event was held in 2017. He asked if it would be worthwhile for the Port to conduct dives throughout the entire marina. Mr. McChesney cautioned that one of the dangers of doing a cleanup dive is that it can leave the impression that the marina is really dirty. While he acknowledged that stuff falls off boats

from time to time, the marina has not been compromised or fouled by debris. He suggested that the Port continue to do incremental dives and noted that the next one is scheduled for August as part of the Port's 70th Anniversary Celebration. He advised that Ms. Crawley sponsors the dives pro bono. If the Port wants to expand the number of dives, he felt it would be appropriate to compensate her for the work she does. Commissioner Faires recommended that the Commission have a future discussion about whether or not the program should be expanded to take place more frequently. Commissioner Orvis observed that the debris collected during the dive was relatively small and does not really warrant running diving operations through the entire marina. He agreed with Mr. McChesney that the work should continue on an incremental basis. Commissioner Preston concurred and pointed out that the dives can be used as an educational tool.

2017 ANNUAL REPORT

Ms. Drennan presented the 2017 Annual report, advising that the report has been prepared as per the Budget Accounting and Report Standards (BARS) format as required by the State Auditor. Following the presentation, the report will be submitted to the State Auditor and posted on the Port's website. She specifically referred the Commissioners to the Statement of Cash Flows (Page 12), which identifies where the Port's cash flow comes from and where it goes to. She summarized that:

- Net cash provided by operating activities was about \$3.6 million, which is quite good.
- Net cash provided by noncapital financing activities was about \$410,000, which includes property tax proceeds, grants and election expenses.
- Net cash used by capital and related financing activities was about \$2.4 million.
- Net cash used by investing activities was about \$2.6 million.
- There was a decrease in cash and cash flow equivalents of about \$998,000.
- The cash balance at the beginning of the year was approximately \$8 million, and at the end of the year it was about \$7 million. If you take out investments, the number looks much better. This amount will go into the capital reserve in the 1st quarter of 2018.

Ms. Drennan provided a brief explanation of the pension liabilities, pension expenses, deferred outflow of resources and deferred inflow of resources related to pensions (Page 29). She advised that this report is required by the Government Accounting Standards Board (GASB) and is intended to measure the amount of unfunded retirement benefits the state owes. Starting in 2019, the Port will also be required to do a similar report for "post-employment benefit" liabilities, which will likely be three times higher than the pension liabilities. She advised that these numbers basically show up as a liability on the balance sheet that the Port cannot do anything about. The intent is to promote transparency and accountability, but it just seems to make it more confusing. She emphasized that the numbers do not represent a real liability for the Port, but they must be recorded on the financial statements.

Commissioner Orvis asked why the fixed assets actually decreased between 2016 and 2017. Ms. Drennan briefly discussed the process required by the State Auditor's Office for adjusting fixed assets, which is different from the Port's previous process.

Commissioner Preston asked for more information about the \$1 million deductible on liability loss (Page 35). Ms. Drennan said this number indicates the insurance carrier's (Enduris) portion of the deductible. The Port, as a member, is responsible for the first \$5,000 of the deductible amount for each claim, and Enduris is responsible for the remaining \$995,000 liability loss. She added that Enduris recently notified the Port that it anticipates a 10% increase next year because of pool losses and losses the insurance market, in general, has suffered.

Ms. Drennan concluded her presentation by noting that the Finance Committee reviewed the report before it was present to the Commission, and she will submit it to the State Auditor's Office in the morning. The report will also be posted on the Port's website starting tomorrow.

Commissioner Orvis commented that if anyone wants to learn more about the Port's financial standing, they need to read the report. Commissioner Faires added that the report is as transparent as possible given the rules it must comply with.

THE PORT OF EDMONDS 30-DAY CHALLENGE TO REFUSE SINGLE-USE PLASTICS

Ms. Williams announced that starting May 10th, the Port launched a 30-Day Challenge to Refuse Single-Use Plastic. The event will conclude on June 8th, which coincides with World Oceans Day. The purpose of the challenge is to raise awareness about ocean pollution and provide tools and inspiration for making environmentally-friendly decisions to refuse single-use plastics. She noted that single-use plastics include plastic straws, utensils, water bottles, etc. Statistics indicate that by the year 2050, there will be more plastic by weight in the ocean than fish. The Port wants to continue to be a leader on environmental policy by encouraging its staff, tenants and the community to be more aware. The following activities are planned throughout the challenge:

- Articles about the 30-day Challenge, single-use plastic, and marine debris will be published in the May and June editions of the Port of Edmonds newsletter.
- Information about single-use plastic and the 30-Day Challenge, including a calendar with daily tips, will be published on the Port's website.
- There will be twice-weekly Facebook posts with tips, information and videos regarding the 30-Day Challenge.
- Annie Crawley has produced three videos the Port can use for the challenge, and these will be posted on social media sites.
- Information will be posted on the Port's website and social media highlighting the Port's current environmental practices.
- She and other interested parties will attend the National Oceanic and Atmospheric Administration (NOAA) Open House on June 8th to celebrate World Oceans Day.
- On June 8th, the Port will formally announce on its website and through social media that Annie Crawley and her dive team will return to the Port on August 4th for another cleanup dive at the marina.
- Emails will be sent to staff this week, encouraging them to participate in the challenge, and she plans to take pictures of "people in action" to post on social media to raise additional awareness.

Ms. Williams encouraged the Commissioners to visit the "Challenge" page on the Port's website and follow along with the different communications throughout the month.

Commissioner Orvis commented that not only do plastics harm fish in the oceans, marine industries are also harmed when they have to remove plastics from their mechanical equipment. Industrial pollution in saltwater is worse in Asian ports, and it needs to be considered above and beyond the damage done to sea life. The pollution also creates significant economic impacts on shipping. Ms. Williams pointed out that it takes up to 1 million years for plastic to break down in the water. Commissioner Preston said he read that 95% of the total plastic pollution comes from rivers in China and Russia.

EXECUTIVE DIRECTOR'S REPORT

Mr. McChesney recalled that the Port has been seeking the necessary permits to complete the landscaping project at SR-104 and Dayton Street for over a year. Last spring, Port staff started work to re-landscape this blighted corner, but the project was stopped by the Washington State Department of Transportation (WSDOT) pending a permit. The permit process required the Port to prepare project drawings at a cost of about \$3,000. After waiting for several months for a response to the Port's permit application, he finally was notified that the property was actually deeded to the City of Edmonds and is no longer under WSDOT's control. He is currently working with the City of Edmonds to put together a Right-of-Way Entry and Maintenance Agreement that will allow the Port staff to access the property to implement the landscape plan. He said he expects to have the necessary permits in hand within the next few weeks.

Mr. McChesney advised that the plan is to create an elegant rain garden that is attractive but low maintenance. Someone needs to maintain the corner and it is in the Port's best interest to do so because it detracts from the properties at Harbor Square. The City does not have a budget or the manpower to do the project, but they perform a fair amount of maintenance around the marsh buffers.

Mr. McChesney also announced that the Snohomish County Tourism Bureau is sponsoring a Tourism Summit that he and Ms. Williams will be attending on May 15th. The Tourism Bureau is working to put together a tourism program, and the Port of Edmonds participates on its Board of Directors. Commissioner Orvis asked if the City is contributing to the effort. Mr. McChesney answered to his knowledge that the City has not allocated funding for a permanent staff position to promote tourism, but various consultants are working on it and the City's Economic Development Director is also very involved in tourism. Commissioner Faires suggested that the Chamber should be actively participating in the process, as well.

Ms. Kempf announced that the Edmonds Coho Derby is scheduled for September 8th. She reminded the Commissioners that there was no derby in Edmonds in 2016 and 2017.

COMMISSIONER'S COMMENTS AND COMMITTEE REPORTS

Commissioner Faires reminded the Executive Director, staff and Commission that prior to the retreat, they agreed to have a major discussion about the tax levy and moorage rates in 2018. He suggested that this discussion needs to be scheduled on the Commission's agenda soon.

Commissioner Faires reported on his attendance at the May 9th Washington Public Port Association's (WPPA) Spring Conference. He particularly enjoyed the planning session where he found that the Port is already implementing most of the applicable ideas. He said he learned that the State Legislature has given ports new powers relative to broadband infrastructure, which the Commission has discussed on a number of occasions. He said he does not believe the changes would apply to the Port of Edmonds in their present state. At the Economic Development Committee meeting there was discussion about how best to market real estate and opportunities for leasing. Rather than primarily involving brokers, a new company, Port Engine, works with individual ports to lease and sell properties without using a broker. This service is similar to what is offered by companies such as CoStar, but it might be a less costly alternative that may work for the Port of Edmonds.

Commissioner Orvis reported that he and Commissioner Harris attended the Transportation Roundtable that was hosted by Representative Jayapal and Transportation for America. The purpose of the event was to advocate for transit opportunities, particularly light rail. He spoke with one representative who indicated they are very interested in increasing density along mass transit corridors, as they believe this to be a major solution to the transportation problems. He received a letter that was prepared by the coalition asking for more federal transportation funding. Participants were invited to sign and send the letter to their congressional district leaders. In addition to Representative Jayapal, Marilyn Strickland from the Seattle Metropolitan Chamber of Commerce was present. At the meeting, Representative Jayapal made it a point to clarify that she represents Edmonds and Snohomish County.

Commissioner Orvis also reported on his attendance at the WPPA Spring Conference where he participated in the open government training. He suggested that at least one Commissioner should participate in this training yearly to keep the Commission apprised of changing rules. He said he presented handouts from the training to Mr. McChesney. He advised that a lot of the conversation centered around the Open Public Records Act. Although the Port has not had any problems meeting the requirements of the act, it is important to stay abreast of all of the changes. He briefly pointed out some of the new rules and suggested that the staff and Commission carefully review the Port's current practices to make sure they are in compliance.

Lastly, Commissioner Orvis advised that he attended Paul Sorenson's presentation, which was great, as usual. It was noted that a number of Commissioners are unhappy with the prospects for their marinas, as maintenance has been deferred and there is no funding for infrastructure investment. Many have no solutions for addressing problems into the future. He concluded that the Port of Edmonds has done a fair job or better in this regard.

Commissioner Johnston reported that he attended the WPPA Spring Conference, as well, and he concurred with the reports provided by Commissioners Orvis and Faires. He expressed his belief that the Port is doing well in comparison with its peers. He said he attended a session related to environmental planning where it was discussed that the State's environmental rules and the ability to use the State Environmental Policy Act to stop projects has resulted in the State of Washington being a less desirable location for new industrial development. The current system is not set up to be receptive to new businesses at ports in Washington State, and these businesses are locating elsewhere. Lastly,

Commissioner Johnston advised that the fishing season looks grim, and this will impact business at the Port of Edmonds. This situation makes tourism even more important.

Commissioner Johnston announced that he would attend the Economic Alliance Snohomish County's awards ceremony on May 17th. Commissioners Orvis and Harris indicated they plan to attend, as well. Staff advised that the event would need to be advertised as a special meeting.

Commissioner Harris reported that she and Commissioner Orvis are working to set up meetings with City Council Members to talk about what they can do to help each other move forward. She also reported that she attended the WPPA Spring Conference where it was great to talk to other Commissioners and get a broader perspective of issues ports are facing.

Commissioner Harris reported on her attendance at the Transportation Roundtable that was sponsored by Representative Jayapal. A representative from the representative's Public Relations Office suggested that she set up a meeting with Mr. McChesney to talk about parking issues, etc. She also met with Mayor Nichols from the Town of Woodway to get history and connect. She mentioned their annual Woodway Fair is scheduled for August 18th, and she invited the Port to participate by hosting a booth to help people learn more about the Port of Edmonds.

Commissioner Preston reported on his attendance at the WPPA Spring Conference, as well. He attended a session about workforce jobs and apprenticeships. A lot is going on to encourage workforce training and apprenticeships, including offering more shop classes and other similar opportunities in the high schools. He also reported that the WPPA's new website is up and running and the new communications person is much more engaged in providing regular news updates.

Commissioner Preston reported that he met with Joe Scordino to do water measurements in Shell Creek for the Students Saving Salmon Program. He said he spent a lot of time fishing on the creek, but it has changed a lot over the years and is very different now. Mr. Scordino and the students are doing great work. He said he recently learned that there is growing interest in removing the Snake River Dams. A biologist and former Seattle Port Commissioner has voiced his opinion that removing the dams would have no positive impact to the 65 local orcas and would be a tremendous cost. While he agreed that something needs to be done, removing the dams is not the best solution. He felt that there are several reasons on why local orcas are on their way to extinction, and the reason the number is so low is because many were captured and put in aquariums.

ADJOURNMENT

The Commission meeting was adjourned at 8:25 p.m.

Respectfully submitted,

A handwritten signature in blue ink that reads "Jim Orvis". The signature is written in a cursive style with a large, looping initial "J".

Jim Orvis
Port Commission Secretary