



## PORT COMMISSION OF THE PORT OF EDMONDS

### MINUTES OF REGULAR MEETING

September 10, 2018

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#### COMMISSIONERS PRESENT

David Preston, President  
Steve Johnston, Vice President  
Bruce Faires  
Angela Harris

#### STAFF PRESENT

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

#### COMMISSIONERS ABSENT

Jim Orvis, Secretary (excused)

#### OTHERS PRESENT

Bradford Cattle, Port Attorney  
Karin Noyes, Recorder

#### CALL TO ORDER

President 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 JOHNSTON MOVED THAT THE CONSENT AGENDA BE APPROVED TO INCLUDE THE FOLLOWING ITEMS:**

- A. APPROVAL OF AGENDA**
- B. APPROVAL OF AUGUST 27, 2018 MEETING MINUTES**
- C. APPROVAL OF PAYMENTS IN THE AMOUNT OF \$291,704.40**
- D. APPROVAL OF EXECUTIVE DIRECTOR CONTRACT AMENDMENT**

**COMMISSIONER FAIRES SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.**

#### PUBLIC COMMENTS

**Denise Miller, Edmonds**, Edmonds Neighborhood Action Coalition (ENAC), commented that although she found a lot of great environmental information for Port customers on the Port's website, she was unable to locate the draft Environmental Policy, which is on the agenda for potential adoption. She recalled that, at their last meeting, the Commission discussed the goal of being more transparent and engaging the community more, but it is important to recognize that "community" includes more than just boat owners and tenants of the Port. She suggested that many people do not have a clear understanding of just how large the Port's influence is. For example, the Commission previously discussed that many of the goals in the draft Environmental Policy have already been achieved. However, the Port has failed to inform the public of these efforts and achievements.

Ms. Miller said that in addition to her work with the ENAC, she also works with the Corporate Climate Alliance and Sierra Club Environmental Commission, and she shares what she learns on the ENAC's website and newsletter. She suggested the Port is missing a lot of opportunities to engage the community and alert them of how much the Port has done and is doing to benefit the community. For example, when the Port completes the proposed landscape improvements at the corner of Dayton and SR-104, they should take credit for the work by informing the public. The Environmental Policy, once approved, should also be posted on the Port's website.

Commissioner Faires asked Ms. Miller to share her thoughts on the best forums for communicating with the public. Ms. Miller said the ENAC's website has a "Greatest Hits and Highlights" page that reports on what the group has done and is doing. She noted that the Port received a lot of coverage for the anniversary event and the kick for Puget Sound Express's new vessel, but not that many people look at the Commission's meeting agendas that are published in the local newspapers. Commissioner Faires advised that the Port now publishes a twice-yearly public relations piece about what is going on at the Port. He asked Ms. Miller to share her thoughts on whether or not this is an effective form of communicating with the public. Ms. Miller responded that the ENAC has a webpage, a newsletter and a Facebook account that help them get the word out so that people pay attention. They usually have new visits to their Facebook page about 66% a week because people are finding out what they are doing and seeking more information. She summarized that the Port has received more notice over the past year, particularly regarding elections and environmental issues. Whenever she learns something of interest relative to the Port, she posts it on the ENAC's website to inform their members.

Commissioner Johnston advised that the Port adopted a Communications Policy in 2016 and a Communication Committee was formed, as well. Current members of the Communications Committee include Commissioners Harris and Preston, Ms. Kempf, Mr. McChesney, and Ms. Williams. Ms. Miller suggested the Port also include one or more citizen representatives. Including members of the community in the discussions makes it easier to get communications out to the public using their contacts.

#### **PRESENTATION BY RICHARD (DICK) SCHOBER, PIPER JAFFRAY**

Ms. Drennan introduced Richard Schober, Managing Director for Piper Jaffray, who was present to talk about property tax levies as they relate to Limited Tax General Obligation (LTGO) Bonds. She shared information about his extensive experience and background, noting that he earned a bachelor's degree from Washington State University and currently resides in Edmonds.

**Dick Schober**, advised that he was present to provide information for discussion purposes only and not as a financial or municipal advisor. He said he grew up in Seattle and his father was a Port of Edmonds dry storage tenant for many years. He provided a brief market update, noting that interest rates are still quite low and attractive from a borrowing perspective. He shared statistical information about bond interest rates from 1991 to the present time. He also provided data about municipal bond issuance for 2017 and 2018, pointing out some of the factors that caused the spikes to occur.

Commissioner Faires asked if Mr. Schober is knowledgeable about the legal constraints that public entities face relative to investments. Mr. Schober said they cannot invest in equities so they are limited to fairly secure debt instruments such as U.S. Treasury Bonds, government agency securities, and other municipal bonds that have a rating of AA or better.

Mr. Schober advised that the Port District's current assessed value is nearly \$5.4 billion, and its non-voted debt capacity (1/4 of 1% of assessed value) is about \$13.5 million. The Port has no outstanding non-voted debt, so 100% of that capacity is available. The Port also has a voted debt capacity of about \$27 million (3/4 of 1% of assessed value). However, it is important to note that ports rarely issue voter-approved debt because it requires approval from a supermajority of voters in the district. It also requires support via a tax levy. The Port's total voted and non-voted debt capacity is \$40.3 million. The Port's only outstanding debt is a special revenue bond secured by Harbor Square property. The balance at the end of 2018 will be about \$1.5 million, and the bond will be paid off in 2020.

Mr. Schober shared general information about the Port's levy, noting that assessed value within the Port District has been growing at a tremendous rate, but the Port's levy amount has remained constant at \$400,000 since 2009. That means the levy rate has declined each year, and is now at \$0.074. He explained that the tax levy can only be increased

by 1% per year. However, because the Legislature wanted to avoid governments raising taxes beyond what was needed, they enacted a law in the mid-1990s that allowed government agencies to bank their levy capacity, giving them the ability to regain their taxing ability if needed in the future. The Port's current banked levy capacity is \$575,000, which means the Commission could raise the levy to this amount without voter approval.

Mr. Schober advised that most port districts use their tax levy to subsidize operations, pay LTGO debt service, save for anticipated future capital expenses and seed capital for economic development. He suggested that developing a policy related to the use of tax levy dollars can create transparency with taxpayers and guide future decisions related to levy amount and use. He explained that rating agencies and bond investors view the tax levy as a valuable source of funding that enhances the credit quality of the particular port district. A demonstrated willingness on the part of a commission to use the tax levy matters with the credit agencies and investors, and inconsistency in the tax levy may raise red flags with the rating agencies and potential bond investors. Bond investors require that the tax levy be sufficient to make bond payments, but the Port may agree to increase the levy in the bond agreements. He cautioned that it is real easy to lower a levy, but much more difficult to raise it. Therefore, port districts should go through a very careful cost/benefit analysis before making any changes to tax levies.

To further illustrate the Port's position, Mr. Schober shared a hypothetical capital funding need that involves major dock and piling replacement in 2036 at a cost of \$60 million. The Port's LTGO capacity in 2036 would be about \$10 million and its estimated revenue bond capacity would be about \$24 million, resulting in a funding gap of about \$26 million. Potential options for funding this gap include:

- Setting aside about \$1.5 million annually for the next 18 years, resulting in about \$27 million.
- A voted levy lid lift that increases taxes. This option would result in about \$22 million, but would require majority voter approval and still leaves a \$4 million funding gap.
- A voted Unlimited Tax General Obligation (UTGO) Bond. A voter-approved excess levy would provide the entire \$36 million of needed funding. However, it would require a 60% plus one majority vote.

Because the latter two options require voter support, Mr. Schober suggested that the safest approach is to continue to set aside reserves as much as possible. Again, he said it is important to remember that once a tax levy has been lowered, it is difficult to raise it again. While the Commission could raise the tax levy back up to the banked amount without voter approval, it would not be possible to recover the funds that were lost from previous years when the tax levy was less. These lost funds could have been set aside for future capital replacement.

If the Commission were to reduce the tax levy amount at some point in the future, Commissioner Faires asked how difficult it would be for them to raise taxes back up to the banked capacity. He recalled that the Port decreased the tax levy amount to \$150,000 in the early 2000s, and he does not remember any public outcry when the Commission made the decision to raise the levy amount to \$400,000 in 2009. Mr. Schober responded that, in his experience, not many of his clients like to raise the levy rate or the tax dollar amount. However, in the Port's case, they are not talking about a significant portion of a homeowner's tax bill in Edmonds. More importantly, the Port will not be able to recover the lost revenue that results from a tax decrease.

Commissioner Faires reviewed that, based on policy, the Commission doesn't want the people who built the marina the first time to have to pay for it to be rebuilt, as well. The goal is to have enough money available when capital replacement is needed without relying on a voter-approved tax levy strategy. He asked if this is a reasonable expectation. Mr. Schober said he cannot speak about whether or not the voters would support a tax levy increase to rebuild the marina. The Port has within its control the ability to continue to set aside reserves that will be sufficient to fund future capital needs, but the Commission needs to be careful about reducing the tax levy amount too much or they could find themselves in a position of having to look at voter-approved alternatives. Commissioner Johnston said the Port has been very fortunate to continuously increase its net income, and the Commission hopes to continue to do so in the future.

Commissioner Faires asked how the Port of Edmonds compares with other public and private marinas in the state. Mr. Schober cautioned that there are a lot of variables to consider, but he could do some research and provide that information. Financially, the Port appears to be in a great position, but again, they need to be careful given the real future capital needs.

Mr. Schober said he would also work with Ms. Drennan to come up with ideas for a potential financial policy for the Port. He noted that a number of ports like to limit their debt to a certain percentage of the levy capacity so there is always some amount of levy available for emergencies.

**Greg Baugh, Edmonds Yacht Club Judge Advocate and Port Liaison**, noted that Mr. Schober has worked with a number of different ports. He asked about the receptiveness of constituents when it comes to tax levies. Mr. Schober said he has not seen any ports put forward a proposal to lift a levy lid. Currently, taxpayer confidence in the general economy is good, but there appears to be some taxpayer fatigue in the greater Puget Sound area. He said he has seen some support for levy lid lifts around the State of Washington, but voter-approved levies are always a tough sell because they require 60% voter approval. He noted that school districts only have about a 40% passage rate for bond issues.

**Susan Paine, Edmonds**, asked about the purpose of Mr. Schober's presentation. Mr. McChesney advised that, at this time, the Commission is not anticipating going into the bond market to borrow funds for any specific projects. It is the Commission's established year-to-year policy to review the tax levy during the budget process. The Commission has capped the tax levy amount at \$400,000 for the past ten years. This year, the Commission has questioned whether reducing the tax levy amount when the Port finishes paying off its bonds in 2020 would impact the Port's future bonding capacity.

Mr. Schober cautioned against changing the levy amount on a frequent basis. Tax levy changes should be driven by policy. It is possible for the Port to increase the tax levy in order to sell bonds, and the impact to Port District residents would be minimal. Lowering the tax levy amount next year would not limit the Port's access to capital because it clearly has the ability to increase the levy up to the banked capacity in the year following a bond sale.

Mr. Schober advised that the Port's LTGO Bonds were previously highly rated with Aa2 credit ratings from Moody's. He explained that a higher credit rating for a local government results in a lower borrowing cost, and investors view the credit rating as an indication of risk. The Port's Revenue Bond rating would be lower. Currently, the difference between LTGO bond interest rates and revenue bond interest rates is 50 basis points.

### **ENVIRONMENTAL POLICY AND GREEN PORT STRATEGIES**

Mr. McChesney reviewed that the draft Environmental Policies and Green Port Strategies were presented to the Commission at their last meeting. At the request of the Commission, the document was reformatted and some minor, non-substantive changes were made. Unless the Commission has more questions or changes, the Environmental Committee recommends the Commission adopt the document as presented.

**COMMISSIONER FAIRES MOVED THAT THE COMMISSION APPROVE AND ADOPT THE ENVIRONMENTAL POLICY AND GREEN PORT STRATEGIES AS PRESENTED. COMMISSIONER HARRIS SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.**

Commissioner Faires observed that the document is not perfect and cannot be perfect at this point. It is a living document, and it is up to the Port Commission, Port staff and public to make sure it is being implemented and updated as necessary.

Ms. Kempf advised that the Environmental Policy and Green Port Strategies were added as the lead pages of the Environmental Management Manual. The manual also includes the Port's current boatyard permit, oil spill prevention plan, etc.

### **ELECTRIC VEHICLE CHARGING STATION REPORT**

Mr. McChesney reviewed that, at their April retreat, the Commission suggested staff investigate the possibility of installing electric vehicle charging stations at various locations on Port property. Harbor Power Engineers was asked to research and detail the requirements and factors for charging station installation with the existing electrical infrastructure in place. He referred the Commissioners to the complete report that was attached to the Staff Report, and provided the following summary:

- Electric vehicle supply equipment (EVSE) generally come in three types: AC Level 1, AC Level 2 and DC Fast Charging (3-phase power, quickest, but costly). The north and south marina power sources are adequate to power DC Fast Charging, but not the mid marina area.
- Components required for EVSE include a circuit breaker in an existing distribution panel, a branch circuit to the EVSE, and the EVSE itself.
- Installation requires a pedestal EVSE that is close to the power source. There must be sufficient area around the EVSE with protective bollards. Providing power to the EVSC requires asphalt cutting, trenching, backfilling, patching, and surface restoration of a 12-inch wide path between the power supply and EVSE.
- Pricing for complete EVSE installation varies considerably. Factors that affect the price include the type of equipment chosen, the mounting configuration and location, contractor bid price for preparation and installation, signage and additional lighting.
- Return on investment is a complex issue. Variables include the type of payment for usage, how payment for usage is calculated, who would be using the equipment, and reasonable expectations for how popular and how often the stations would be used to garner a return. It appears that most stations being implemented by public and private entities at this time are still being subsidized as profitability is not widely established. A sample scenario of \$2/hour to connect and assumed usage of 2 hours a day yields \$1,000 net per year. Oftentimes, the stations are located in front of malls and restaurants as loss leaders to bring people in. From the owner's perspective, it helps increase the overall sales. However, it is difficult to make a case for them as stand-alone facilities.

Based on the report, McChesney concluded that changes and trends in the electric vehicle industry will be materially different in the next 7 to 15 years. It would be assumed the install would be subsidized, as profitability is difficult to predict. The sample scenario outlined in the report equates to a breakeven period of more than 15 years. Even when higher values are applied (higher usage charges and times) the breakeven period still exceeds 7 years. At this point, staff cannot make a business case for EVSEs. There may be different policy objectives that come into play, but it is staff's recommendation not to go forward based on the investment and payoff calculations.

Commissioner Johnston agreed that there may be policy considerations that come into play in the future, such as EVSEs simply being the right thing to do. Mr. McChesney agreed that it is not a dead-end issue. The report is preliminary to identify the technical issues and answer infrastructure questions. While they cannot make a business case for EVSEs at this time, that doesn't mean they cannot move the project forward based on different objectives.

Commissioner Preston asked if staff has contacted the City of Edmonds for information about their EVSE facilities. Mr. McChesney answered no, but said he would contact the City's Public Works Director for more information. Commissioner Preston suggested that the Port could approach Anthony's and Arnies at some point in the future to discuss partnership opportunities and potential locations.

Commissioner Faires observed that potential EVSE users can be divided into three categories: Port customers, Port District Residents, and patrons of the two restaurants. So far, no one from these three groups has come forward with a strong request for a facility. However, he would like to continue to explore the idea. He said he would also like staff to explore opportunities for potential partnerships with Anthony's and Arnies.

Commissioner Johnston commended the author of the report. It was very thorough and he learned a lot. Mr. McChesney said staff has a high level of confidence in the findings, and they will continue to explore partnerships, collaborations and other opportunities. Commissioner Harris commented that customer need and environmental impacts will be important factors to consider going forward.

## CITY OF EDMONDS CROSSWALK: ADMIRAL WAY

Mr. McChesney reviewed that the Commission has been discussing options for a sidewalk across Admiral Way for a number of years. The need is obvious. The problem is how to get it done and where it should be located. The Port Commissioners and staff have had several discussions with the City's Public Works Department about a crosswalk at the bend of the road where Dayton Street turns into Admiral Way, but there are some technical issues related to this location. He advised that the City Council budgeted money for a crosswalk in 2018, leaving open the question of where it would be located, and Councilmember Tibbott was present to share additional information with the Commission.

**Councilmember Tibbott** recalled that the crosswalk project was identified in the City's 2018 Capital Improvement Plan, which is a budget tool for the next six years. The Council is currently considering whether or not to include the project in the 2019 budget. He advised that three things have happened over the past year that will impact the project going forward:

- The City received a grant of \$1.5 million for crosswalk improvements throughout the City. One identified location is on Dayton Street just a bit east of the railroad tracks, which would provide a connection between the Harbor Square and Salish Crossing properties. This would be an enhanced crosswalk with signage and blinking lights to make it highly visible to cars and pedestrians as an obvious crossing point.
- The City is prohibited from using grant funds on the City's prevailing version of warning lights at crosswalks. Previously, the only option was the large yellow orbs that required hard wire. The preferred option is rectangular bands that have solar-powered LED lights. This option opens the door for putting them in more places and people tend to like this design better.
- Given that a crosswalk will be located on Dayton Street east of the railroad tracks (Harbor Square to Salish Crossing), it is likely that a better location for another crosswalk would be further south on Admiral Way. Using the newer technology described above, it would be possible to install this additional crosswalk for a lower cost. The City could work with the Port to identify a logical place for a new crosswalk that is ADA accessible and connects to other sidewalk systems.

The Commissioners briefly discussed possible locations, and Commissioner Faires said he would like to hear from Port staff about potential locations for a crosswalk across Admiral Way. Councilmember Tibbott advised that the City's Transportation Engineer would be happy to work with the Port to identify potential locations, as well. One point of the new crosswalk system style is that it would be visible from the corner to both the east and south. As long as there is some proximity to the corner, people will use the crosswalks more often.

Councilmember Tibbott said he understands the Port is about to embark on a parking structure study. He asked that the study also address pedestrian movement if the facility is intended to serve patrons of the train station and the new waterfront center. Mr. McChesney advised that the prospect of a parking garage is several years into the future. He suggested it would make sense to have an interim crosswalk on Admiral Way perhaps near Jacobsen's Marine to serve pedestrians on an interim basis. Commissioner Preston concurred, noting that the volume of cars and pedestrians on Admiral Way continues to increase, and the City needs to address the escalating safety concerns.

Mr. McChesney advised that, although crosswalks are technically the City's responsibility, the Port allocated \$40,000 as a placeholder in the 2018 budget to contribute towards achieving this objective. Commissioner Preston emphasized that the funding was intended to be a cost share for a crosswalk at the corner of Admiral Way and Dayton Street.

Mr. McChesney recalled discussions with the City's Transportation Engineer about the technical challenges with having so many driveways and curb cuts along Admiral Way. Finding an appropriate and safe location is a challenge.

## **EXECUTIVE DIRECTOR'S REPORT**

Mr. McChesney reported that the Harbor Square paving project was supposed to be completed two weeks ago, but it was put on hold because the operating engineers were out on strike. They still anticipate the project will be finished before the end of the month, but he does not have a completion date at this time.

Mr. McChesney reported that last week the travelift experienced mechanical failure and was down for 2.5 days. The hydraulics went into failure mode from wear and tear, and Everett Engineering was able to fabricate some parts to get the machine back into operation. However, they need to order a complete set of hydraulic cylinders and the lead time can be three months or more. Staff feels confident the current repairs will hold up until the new parts arrive.

Mr. McChesney recalled that the Commission discussed the potential remodel of the Commission meeting room and administrative offices at their retreat, and staff is working to prepare base maps and design concepts to move the project forward. However, he does not believe the project will be ready to start in 2018. The intent is to move forward with construction in 2019 or early 2020.

Mr. McChesney advised that the Department of Retirement Systems recently sent the Port a bill for \$5,363.04 plus interest in an effort to recollect retirement benefits for Bill Trimm, who was hired by Makers as a subconsultant to assist with the Harbor Square Master Plan. Apparently, Mr. Trimm had recently retired from the Town of Mill Creek and was part of the State Department of Retirement System, which has rules about how much work you can do after retirement. Port staff submitted a letter of dispute and is currently working its way through the petition process with assistance from the Port Attorney. He said he is confident the Port will prevail since Mr. Trimm never actually worked for the Port.

Ms. Drennan announced that the State Auditor will be conducting a pre-audit meeting soon prior to the entrance interview. She requested that Mr. McChesney and a member of the Finance Committee attend both entrance conference and the exit interview. She said she intends to lay out some expectations to hold the auditors more accountable to the Port's schedule. The Finance Committee will also be invited to attend the exit interview and then report back to the Commission as to any issues or corrections that are needed.

## **COMMISSIONER'S COMMENTS AND COMMITTEE REPORTS**

Commissioner Johnston announced that he would attend the Washington Public Port Association Environmental Conference at the Skamania Lodge on September 27<sup>th</sup> and 28<sup>th</sup>. Commissioner Harris indicated she would attend the conference, as well.

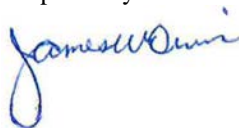
At the request of Commissioner Preston, Ms. Kempf provided a brief report on the Coho Derby that took place on September 8<sup>th</sup>. While attendance was lower than past years, there were 93 launches over the weekend, 115 guest moorage visitors, and 101 parked trucks and trailers. She said she was glad to have the derby back at the Port after a two-year break.

Commissioner Preston announced that September 16<sup>th</sup> will be the last Sea Jazz performance in 2018. He also reported on recent improvements made to the Sea Scout's vessel, noting that the scouts are meeting regularly on Thursday nights.

## **ADJOURNMENT**

The Commission meeting was adjourned at 8:35 p.m.

Respectfully submitted,



Jim Orvis  
Port Commission Secretary