



PORT COMMISSION OF THE PORT OF EDMONDS

MINUTES OF REGULAR MEETING

March 9, 2015

COMMISSIONERS PRESENT

David Preston, President
Bruce Faires, Vice President
Fred Gouge, Secretary
Mary Lou Block
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

CALL TO ORDER

Commission President Preston called the regular 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**
- B. APPROVAL OF FEBRUARY 23, 2015 MEETING MINUTES**
- C. APPROVAL OF PAYMENTS IN THE AMOUNT OF \$141,751.84.**

COMMISSIONER FAIRES SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

PUBLIC COMMENTS

No one in the audience indicated a desire to address the Commission.

2015 EDMONDS ARTS FESTIVAL

Mr. McChesney recalled that in years past, the Port has provided use of the vacant gravel lot (across from Jacobsen's Marine) to help support van transportation to and from the Edmonds Arts Festival (EAF). In exchange, the Port has been shown as an event sponsor. He reviewed that the EAF Foundation is in its 57th year and is a 501(c)(3) organization that offers scholarships to support local student art programs. The Port's \$1,000 sponsorship would be dedicated to the Student Art Exhibit Awards. In exchange, the EAF Commission would organize, promote, and coordinate a summer arts program at the marina during the summer months. He explained that this "Artists in Action" Program would take place on Sunday afternoons in conjunction with the Sea Jazz Concerts. He recommended the Commission approve the proposal from the EAF Foundation's Board of Directors for a Summer Arts Program at the Marina and authorize \$1,000 to sponsor the 2015 EAF.

Commissioner Gouge asked Mr. McChesney to clarify the dates of the EAF. Mr. McChesney advised that the festival is scheduled for June 19th through 21st (Father's Day Weekend).

COMMISSIONER BLOCK MOVED THAT THE COMMISSION APPROVE THE EDMONDS ARTS FESTIVAL SUMMER ARTS PROGRAM AT THE MARINA FOR 2015 AND FURTHER AUTHORIZE \$1,000.00 SPONSORSHIP TO THE EDMONDS ARTS FESTIVAL.

Commissioner Orvis advised that, as the current EAC Foundation Director, he would recuse himself from voting on the motion on the floor.

THE MOTION CARRIED, 4-0-1, WITH COMMISSIONER ORVIS ABSTAINING.

T DOCK ELECTRICAL REPAIR CONTRACT

Mr. McChesney reported that on February 10th, maintenance staff investigated and then turned power off to a portion of T Dock. Upon further inspection, it was determined that a feeder cable had failed and staff identified the cable to be replaced. Because staff felt the project was beyond its capabilities to repair, the Port requested an opinion from Harbor Power Engineers to evaluate the situation. It was determined that the most efficient way to get the power back on was advertise on the Port's small works roster, rather than going through the competitive bid process. A request for quotes was sent out to 93 vendors on the roster. Staff hosted a project meeting on February 20th and published additional clarifications based on questions received.

Mr. McChesney advised that the Port only received two quotes for the project on March 3rd, and the low amount was quoted by Elite Electrical Contractors, Inc. for \$6,370 plus tax. He explained that the project was too small for many of the larger electrical contractors the Port has used in the past. In addition, the job requires Longshore Harbor Workers Compensation Insurance, which is a challenge for some of the smaller contractors.

Mr. McChesney summarized that it is anticipated work would be substantially completed within 10 days after notice to proceed is given to the contractors. It is generally expected to be completed by March 27th, and staff will work with the contractor to minimize the disruption to tenants and guests. He concluded that the fiscal impact of the project would be \$6,975.15, including sales tax.

Commissioner Faires asked about the other quote the Port received for the project. Mr. McChesney said he does not have the exact figures before him, but it was nearly twice as much as the quote from Elite Electrical Contractors, Inc.

Commissioner Faires asked how long T Dock would be out of service. Mr. McChesney responded that some tenants on T Dock have been without service since the failure occurred on February 10th, and they are understandably concerned about the potential of freezing conditions and pumps not working because batteries are dead.

Commissioner Preston suggested it might be appropriate to have a discussion at their upcoming retreat about the general condition of the electrical infrastructure on the remaining docks. Mr. McChesney agreed and noted that the Commission would discuss their retreat agenda later in the meeting.

PUGET SOUND EXPRESS UPDATE

Ms. Kempf reviewed that on January 26th the Commission approved business moorage for Puget Sound Express (PSE) for the purpose of doing high speed wildlife excursions daily from the Port of Edmonds to the San Juan Islands between the months of May and September. At that time, they authorized the Executive Director and/or Port staff to proceed with finalizing agreements.

Ms. Kempf explained that PSE is a 3rd generation, family-run business that has operated for 30 years on the Olympic Peninsula. Their operations will continue there, but they will be adding a vessel to their fleet and expanding their business offering to Edmonds. She reported that Port staff has moved forward with finalizing agreements with PSE,

and Mr. Hanke has signed a moorage agreement for the foilcat, Chilkat Express, to moor on the end of C Dock. The vessel is Coast Guard certified to carry 63 passengers.

Ms. Kempf advised that the Hanks are in the process of introducing themselves to the marina, the Edmonds community and Snohomish County. They plan to hire crew members from the local area and have expressed their desire to operate in collaboration with existing Port tenants and businesses. The vessel is scheduled to arrive at the Port of Edmonds around 4 p.m. on March 12th, and PSE plans to organize several familiarization tours prior to beginning daily trips starting May 23rd. The plan is to operate 152 days this year, and the new service will give the Edmonds community and Snohomish County tourists the opportunity to see five species of whales, including the southern residents which number 80. During peak months, there will be 9:30 a.m. and 2:30 p.m. departures. Whale sightings are guaranteed or they will invite patrons to come as their guest on a future voyage.

Ms. Kempf summarized that PSE and Port staff are working out details for an on-site kiosk for ticket sales. Guests will pay for parking, be directed to the visitor parking areas, and display parking permits in their vehicles. A vessel safety overview will probably take place on land before the captain escorts passengers to the vessel. While there are still some logistical issues to work out, Ms. Kempf said Port staff is excited about PSE coming to the marina, and believes it will be a great thing for the Port, the City and the County.

Commissioner Gouge asked if PSE would use the fuel dock to load and unload passengers. Ms. Kempf answered “no” that, as currently proposed, passengers would gather at the kiosk in the parking lot where they can purchase tickets and receive parking passes. Once all passengers have arrived, PSE will escort them down to the end of C Dock where they will board the vessel.

Commissioner Faires asked if customers would have the ability to purchase tickets on line. Ms. Kempf responded that tickets are already available from PSE’s website.

Greg Bough, Edmonds Yacht Club Liaison, said his boat is moored on C Dock, where PSE’s vessel will be located. He noted that many tenants keep their fishing gear out exposed. Because the possibility of theft exists, it will be important for PSE to escort its customers back and forth to the vessel, making sure to count people at both ends of the dock. Ms. Kempf said this concern has been voiced, and PSE has agreed to escort customers to and from the boat rather than allowing them to meander up and down the dock.

EXECUTIVE DIRECTOR’S REPORT

Mr. McChesney announced that the Commission Retreat is scheduled for April 1st from 9:00 a.m. to 2:00 p.m. in the Commission meeting room. The main topic of discussion will be the Cash Flow Model, which has proven to be a very useful tool that guides the budget process and helps the Port prioritize maintenance and capital projects. He explained that the Cash Flow Model contains numerous elements, and the retreat will provide an opportunity for the Commission and staff to reevaluate the assumptions, talk about projections, and identify any gaps there might be. For example, the current Cash Flow Model only addresses Harbor Square in passing, and more time needs to be spent examining what Harbor Square means in the totality of the Port’s financial position. The fuel dock, public launch, and other various cost centers will also be reevaluated and hard questions asked.

Mr. McChesney reviewed that the Commission and staff have talked a lot about what it will take to recapitalize the marina, which is a collection of assets that have different useful life spans. While these assets are all interconnected, they will not all be replaced at the same time. Using the electrical infrastructure as an example, staff has replaced all of the power pedestals throughout the marina and some electrical upgrades have occurred. He referred to the recent electrical failure on T Dock. Although there was no safety issue with stray current, staff believes upgrading the electrical infrastructure one dock at a time may not be the best approach. Another factor to consider is the market demand for 50-amp electrical service, which is only available at the marina on a limited basis. He said he asked Harbor Power to review the situation and come up with a plan to move forward with the upgrades now. He said it may be possible to optimize the electrical service just by moving feeders and equipment around and upgrading where they can. He anticipates the Commission will spend some time discussing this issue at their retreat.

Commissioner Faires agreed that the electrical infrastructure is a good example of upgrading the marina to provide what the market demands. The other aspect is providing reliable service to customers. At some point, the Port must measure the remaining life of the existing infrastructure, which is more difficult to do.

Commissioner Gouge recalled that the electrical infrastructure was replaced when the new docks were built in 1996 and 1997. He asked about the expected life of the existing infrastructure. Mr. McChesney expressed his belief that 50-amp electrical service should have been incorporated on all docks when the marina was rebuilt, but it was not. The current electrical system is in good working order and safe. However, in the scheme of the marina infrastructure, staff feels it is a high priority. They would like to come up with a phased plan for moving forward with the upgrades. He reminded the Commission that the Port has implemented an aggressive maintenance program, which could stretch the life of the existing assets. At this time, the breakwater, floats, etc. are in good condition. Commissioner Gouge stressed the importance of keeping a 20 to 40-year view in mind. Eventually, the docks will need to be replaced, but it is not likely the work will be done all at the same time.

Commissioner Orvis recalled a recent discussion he had with a tenant who questioned why moorage rates were increased to pay for capital projects when the marina is fine now. This tenant had a difficult time understanding that repairing and replacing marina assets over time would allow the Port to avoid having to replace the entire marina at some point in the future. The Cash Flow Model provides an understanding of the total picture by showing how incremental projects have to be done in order to keep the marina going into the future. The Commissioners and staff need to be able to describe what is being done, how much it will cost, and why it needs to be done. Commissioner Orvis summarized that he does not have a great deal of confidence looking at what needs to be replaced in 20 years, but he is much more confident in determining what can be done incrementally so the Port does not have to totally replace the marina in 20 years.

Commissioner Orvis observed that providing 50-amp service will require new transformers. Mr. McChesney said that may not be the case. The electrical engineer is coming up with a plan that will be a more cost-effective solution.

Commissioner Faires observed that Port's guiding philosophy is that the citizens who funded the Port District already purchased and built the marina once, and they shouldn't have to do it again. Rather than wholesale replacement of the marina at some point in the future, the intent is to rebuild elements of the marina as needed. In the past, the Port has tried to protect the lifetime of the system in a conservative way; but the philosophy is to prepare for the future so the owners (taxpayers) do not have to pay for replacement. He said it does not make sense for the citizens to subsidize places for people to put their boats, and the Cash Flow Model is an attempt to run the Port like a business rather than running the facility into the ground and then relying on taxpayer money to rebuild.

Mr. McChesney invited the Commissioners to share other topics they would like to discuss at the retreat. Commissioner Gouge said he would like to discuss potential development options for the Port properties located west of the railroad tracks. Commissioner Preston encouraged Commissioners to email additional topics of discussion to him, and he would work with staff to prepare the final agenda. Commissioner Orvis cautioned against having too many items on the agenda.

COMMISSION COMMENTS AND COMMITTEE REPORTS

Commissioner Faires reported on his attendance at the Washington Public Port Association's (WPPA) Legislative Committee meeting where the following items were discussed:

- The transportation initiative is moving forward. The Senate approved a package, but the House has not. It was noted that transportation and other significant initiatives will likely be held in abeyance until the Legislature has addressed issues related to education funding as mandated by the Supreme Court.
- The Model Toxic Control Act (MTCA) Fund is currently in flux. While the issue is being discussed, no legislation has been proposed.
- Legislation is being considered that would allow ports and other special purpose districts to fund travel with a per diem rate rather than actual costs.
- Legislation related to tourism is moving forward. As proposed, the legislation would not cost the state, but it would remove the stigma of the decision the Legislature made a few years ago to cut funding for tourism.

While the legislation is generally supported, some legislators have voiced concern that imposing a fee on various private business categories could be seen as an additional tax. He explained that the dollars collected from the fee would pass through the state to a privately-run tourism enterprise.

- Prevailing wage legislation is not likely to move forward this session.
- A cap and trade bill is being considered in the context of transportation. This option, similar to what has been proposed by Governor Inslee, may be more acceptable to the Legislature than the tax structure that is currently being considered.
- The safety and environmental impacts associated with transporting crude oil by rail is also a hot topic, but there is some doubt whether anything will emerge because of the many divergent perspectives.
- There is currently an initiative to allow for up to 25% of Community Economic Revitalization Board (CERB) Funds to be used for projects that do not meet the median wage criteria. At this time, at least half of the projects that have been brought forward that result in good jobs in a community do not meet the criteria because of the way it is currently calculated. The initiative does not appear to be a priority at this time.
- Typically, the Washington State Department of Transportation (WSDOT) funds a Marine Cargo Forecast every five years. While funding for the forecast was not included in its budget in 2015, it is anticipated that WSDOT will shuffle money around so that the study can move forward on schedule. It was discussed that the next forecast is supposed to include a review of at-grade crossings in the State, which would be of interest to the Port and the City of Edmonds.
- A bill is being put forward that would allow entities such as the Port to hire a private auditing firm rather than using a State auditor to complete the financial audit. The bill is supported by one town. The bill would also prohibit the auditor's office from releasing any information relative to an audit before the appeal process is complete. Apparently, in some cases, the State auditors have released information after the audit but before the entity has had an opportunity to address and discuss its findings. Ms. Drennan said she read the proposed legislation and noted that entities already have ample opportunity to talk and present their points of view to the State auditors when they are on site conducting their audit. Just because the auditor does not agree with the entity does not mean it didn't have ample an opportunity to discuss issues and concerns.

Again, Commissioner Faires summarized that while legislation related to transportation and other significant issues may move forward, it will be held captive until funding for education has been addressed. At this time, the Legislators appear to have three different perspectives for education funding: address education funding because the constitution says so, address education funding because the Supreme Court says so, or fight the Supreme Court and do nothing. Commissioner Orvis observed that the Education Secretary is proposing a massive increase in education spending to provide more technology opportunities for students within the State. He summarized that the consensus between those who want to expand education and those who decide how education is funded is very wide.

Commissioner Orvis said he recently flew over Los Angeles Harbor and noticed a significant number of shipping containers. He observed there were only a few at the Port of Seattle. He expressed his belief that it will be a miracle if the State recovers from the strike, which has and will continue to impact revenues in many ways. Commissioner Preston said he has spoken previously with vendors in eastern Washington who have been concerned about the strike. He was told that train cars of apples have been dumped into the valleys of Eastern Washington. He, too, expressed concern about the long-term impacts of the strike.

Commissioner Gouge reported on his attendance at the March 3rd Edmonds City Council Meeting, where the Council nominated Mike Nelson to fill the vacant seat. By the second round of votes, Mr. Nelson received the required four votes, and was appointed as the newest Council Member. Commissioner Gouge said he would attempt to set up a meeting with Council Member Nelson, Commissioner Preston, Mr. McChesney and himself. He suggested it would be appropriate to take Council Member Nelson on a tour of the marina. Commissioner Block also suggested he be invited to attend a future Commission meeting.

Commissioner Gouge also reported that the Edmonds City Council conducted a public hearing on a proposal to name the new Fire Station 16 after Betty Mueller. The proposal was approved and a group is now working on funding for a memorial. He said it was also announced that the new children's spray pad at City Park will be open this summer. Lastly, he advised that he would attend a work session of the City Council on March 10th.

Commissioner Gouge announced that he, Commissioner Preston and Mr. McChesney would meet on March 10th to discuss general Port issues. He also announced that Mayor Earling has invited him to attend the Edmonds School District Foundation Breakfast in May.

Commissioner Gouge asked if any figures are available as to the number of boat sales that occurred as a result of the Seattle International Boat Show. Ms. Kempf answered that the final numbers are not available yet on the number of boats sold. However, she noted that the Port received 75 sign ups from the show, which is almost double what they normally get. She noted that 18 of the 75 new tenants live in Edmonds, and the majority of the other new tenants are from the Puget Sound area. She advised that statistics related to demographics would be provided in a future report. Commissioner Gouge commented that it is important to understand who the future tenants will be. He suggested the information could be made available to tenants via the newsletter.

Commissioner Preston announced his plan to attend the WPPA Spring Meeting on May 13th through 15th in Spokane. He also announced that he would attend an event on March 26th where Dr. Robert Gates, Former Secretary of Defense and current President of the Boys Scouts of America, will speak.

Commissioner Preston said he received information from McKinstry, an energy savings performance contractor, which he will pass on to the Commissioners. The information refers to Revised Code of Washington (RCW) 39 which has to do with performance-based contracts.

ADJOURNMENT

The Commission meeting was adjourned at 7:55 p.m.

Respectfully submitted,



Fred Gouge
Port Commission Secretary