



## PORT COMMISSION OF THE PORT OF EDMONDS

### MINUTES OF REGULAR MEETING

September 12, 2016

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#### COMMISSIONERS PRESENT

Bruce Faires, President  
Fred Gouge, Vice President  
Jim Orvis, Secretary  
Steve Johnston  
David Preston

#### 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 Faires 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 PRESTON MOVED THAT THE CONSENT AGENDA BE APPROVED TO INCLUDE THE FOLLOWING ITEMS:**

- A. APPROVAL OF AGENDA**
- B. APPROVAL OF AUGUST 29, 2016 MEETING MINUTES**
- C. APPROVAL OF PAYMENTS IN THE AMOUNT OF \$224,301.10**

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

#### PUBLIC COMMENTS

Edmonds City Council Member Dave Teitzel advised that in June, the Department of Ecology (DOE) issued a new, more conservative wetlands rating report that identifies Category II Wetland buffers of 110 feet. While this should not be considered the final number, he felt the Port should be aware of what the report is recommending. At this time, the City Council is considering how to incorporate this new science into the City's Shoreline Master Program (SMP).

Commissioner Faires said his understanding is that the wetlands rating report would impact the Critical Areas Ordinance (CAO), but not the SMP. Council Member Teitzel answered that it would apply to both the CAO and the SMP. Commissioner Faires asked if the DOE has changed its stance relative to the City's SMP. Council Member Teitzel answered that it has not changed its recommendation yet. They are still recommending a 65-foot buffer for the Edmonds Marsh.

Mr. McChesney advised that he received a copy of the wetlands rating report from Council Member Teitzel, and staff has reviewed it. It is important to keep in mind that there has been no final decision, and the Port hopes that the significantly larger buffer requirement does not make its way into the City's final SMP. The City Council and City staff have a clear understanding of the Port's position relative to buffers and setbacks.

Commissioner Johnston made the point that more could be done in a much smaller area than 110-foot setbacks, and scientists have indicated that setbacks are of limited usefulness when it comes to protecting seawater marshes. However, there are effective engineering solutions to address the problems.

Commissioner Orvis cautioned that once the larger buffers are adopted into the City's SMP, it will be virtually impossible to reduce them if the City finds it has done something that is, in fact, detrimental to the process it claims it wants to conduct. He pointed out that a 110-foot buffer would exclude the public from the marsh entirely, and he is not sure that is what the community wants. He questioned if the City Council has given careful thought as to what they would really get if they adopt the larger buffers, or is it more a matter of pleasing a few, vocal people.

Commissioner Faires pointed out that increasing the buffers will significantly reduce the footprint available for redevelopment, and a large portion of Harbor Square would fall within the buffer area. It would not make sense or be consistent with the Port's mission statement to eliminate the current development so it would be locked in place. He does not believe that is what the public really wants.

#### **DRY STORAGE HOIST FORKLIFT TIRES AND RIMS**

Mr. McChesney reported that staff discovered flaws in the rims of the Hoist forklift, which is six years old and used to lift boats in dry storage out of the racks and onto the launcher. The front left rim was cracked, requiring that it be replaced. In the process of attempting to fit the existing tire on the Hoist forklift's new left front rim, it was discovered that the tire was stretched and worn and would not successfully fit. This added to the urgency to replace the tires. Cracks were also discovered on the front rim front during the inspection. Staff authorized the replacement of one rim, with the remaining rim on order. He recalled that the tires had been scheduled for replacement in 2017, but the order was expedited since replacement is now critical to bring the forklift back into service. He advised that three quotes were solicited for six new tires. The low quote came in under \$9,700, and they are asking for a budget of \$15,000 for the tires and rims. He recommended the Commission authorize the purchase of six tires and two rims to complete the repair and bring the forklift back into service.

Commissioner Orvis asked how long it would take to receive the new tires and rims and repair the equipment. Mr. McChesney advised that he authorized the purchase on a preliminary basis, and the tires should arrive on September 14<sup>th</sup> and the rims by September 19<sup>th</sup>. In the meantime, the equipment will remain out of service.

**COMMISSIONER ORVIS MOVED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE DIRECTOR TO PURCHASE TIRES AND RIMS FOR THE HOIST FORKLIFT IN THE AMOUNT NOT TO EXCEED \$15,000.00. COMMISSIONER GOUGE SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.**

Ms. Kempf commented that the Hoist forklift is particularly important because it is the only one that can fit under the public launch.

#### **2017 BUDGET BASELINE CONDITIONS**

Ms. Drennan advised that staff is working on the 2017 Operating and Capital Budgets, and the Finance Committee met on August 19<sup>th</sup> to discuss the 2017 budget baseline conditions and Cash Flow Model. She reminded them that the Commission approves operating and capital budgets on an annual basis, and the budget is a plan that: identifies resources for operations and capital projects; communicates the sources of revenue and costs of services; and allows the Commission and staff to review and prioritize repairs, improvements and other projects. She cautioned that actual results may differ from the budget due to changed facilities or equipment conditions, changed priorities, and changed economic environment. Facilities or equipment may break unexpectedly and funds may need to be reallocated to pay for the fixes.

Ms. Drennan explained that the baseline budget is the Cash Flow Model, which was implemented in 2012 as a method of determining moorage and dry storage rates and planning for future large capital expenditures such as rebuilding the marina. The Cash Flow Model estimates future cash and investments based upon projected revenues and expenses and known major capital improvements, and 2016 is the fifth year the model has been used. She reported that, upon review of the Cash Flow Model this year, staff recognized that there are some omissions that are causing distortions that make it appear that the Port will be increasing its cash reserves by an average of \$1.7 million per year. Over the past five years, the Port has actually increased its cash reserves by an average of \$136,000 per year. She reviewed the omissions as follows:

- The capital budget for the current year is well thought out. Capital budgets for future years show the major marina items from the depreciation schedule, but are otherwise not detailed. For example, the new restrooms were not contemplated by the Cash Flow Model. Some of the costs will be mitigated by increased fees and revenues over a number of years, but the project costs occurred over two years and affected the Port's cash projections.
- The capital budget is a plan, but sometimes the Port has to vary from the plan. For example, the Port budgeted to replace the forklift tires in 2017, but the project had to be done earlier than anticipated. Also, the Harbor Square roof overlays and HVAC replacements were projected over a number of years, but due to the increased occupancy, they were completed much sooner than projected.
- The Cash Flow Model began with only marina revenues, expenses and capital items, and it showed the marina revenues would need to increase at 5.25% annually to cover marina expenses and capital items. Due to market constraints, the Commission agreed to increase moorage and dry storage revenues by CPI plus 1% and the remainder would be covered by rental property revenues that exceed expenses. The Cash Flow Model did not contemplate rental property capital improvements. For example, the Port spent \$1.4 million on Harbor Square improvements over the past five years. These costs were mitigated by the additional revenue from new tenants and will be recovered over a number of years, but the initial cash outflow not contemplated by the Cash Flow Model causes deviations from the cash projections.

Ms. Drennan reminded the Commission that they agreed to maintain the CPI plus 1% for five years, and 2016 is the end of the 5<sup>th</sup> year. During the Spring Retreat, staff will present the Commission with an update of the Cash Flow Model and a reconciliation of the projected 2012 to 2016 to the actual results. The Commission will have an opportunity to review the architecture of the Cash Flow Model at that time and recommend changes to reflect reality.

Commissioner Gouge recommended that the Commission focus on coming up with a new moorage rate policy now rather than waiting for the Spring Retreat in 2017. Mr. McChesney said that, at this time, the baseline assumption is that an increase of CPI plus 1% will continue, and they are not anticipating that the increase will grow beyond that amount. The intent was to simply point out the omissions so the Commission is aware of what the Cash Flow Model says. Commissioner Gouge clarified that because of the expenditures at Harbor Square, the Cash Flow Model is out of sync. Mr. McChesney advised that all five roofs were repaired, and more HVAC units were replaced than originally anticipated. The goal was to replace the HVAC units when new tenants come on board and there was revenue coming in, but it still required a large cash outlay that will be paid back over time. This distorts the model.

Ms. Drennan explained that, given the omissions, it is difficult to know if there are problems with the current Cash Flow Model. It is important to correct the omissions in order to determine their impact and correct the model. Mr. McChesney recalled that when the Cash Flow Model was created, it did not contemplate anything that was real estate related. It was basically marina centric. With five years of experience, the Commission and staff can reevaluate and perfect the model to be a better guide over the next five years.

Ms. Drennan reviewed that at their August 8, 2013 meeting, the Commission recommended a moorage and dry storage rate increase of CPI plus 1%. At its August 19, 2016 meeting, the Finance Committee reaffirmed this recommendation. CPI for the year ending June 30, 2016 is 1.8%, which calculates to a moorage and dry storage rate increase of 2.8%. The Port's policy for wages, salaries and pay dispersal is that staff will receive an annual pay increase of CPI plus a merit increase, and CPI is 1.8%.

Commissioner Faires summarized that the intent is to set up a set of conditions and assumptions to develop the 2017 budget, and the assumption is that moorage rates would increase by 1% over CPI. He recalled that in past years, the Commission found that forgoing a moorage rate increase for one or more years resulted in the need to increase the moorage rates significantly at some point in the future. A steady, rational increase works better. However, he cautioned that the upper limit for moorage rates is set by the market.

Commissioner Gouge expressed an interest in continuing to track terminations and keeping an eye on what is going on in the marketplace. However, he still believes that the increase of CPI plus 1% may not meet the end goal and the Port might fall behind the curve. If they experience a significant increase in terminations or fishing is further impacted, they may have to do something different. There is a paradigm shift going on. While he supports staying with the current policy of CPI plus 1%, the Port must remain vigilant.

Commissioner Johnston asked how the Port tracks what is going in the market. Mr. McChesney answered that staff conducts a survey of the different marinas in the area on a yearly basis. They also rely on Paul Sorenson, who is a recognized expert on marina market conditions. Mr. Sorenson has repeatedly reminded the Commission that the Port cannot outrun the market and they need to be aware of changes in demographics, etc. Staff believes the Port is on a good track and they pay careful attention. They also participate in the Washington Public Port Association (WPPA) Marina Committee. He cautioned against the Port being lulled into a false sense of comfort and then having to dramatically raise rates five to seven years later. He recommended the Commission stay the course and continue with steady incremental rate increases.

Commissioner Faires said one leading indicator he has tracked closely is the waiting list. Over the past five years, the waiting list has dropped, but it has started to recover a bit in the last six months. Commissioner Orvis said he saw a recent television interview in which a boater described how he was pushed out of Lake Union because of rate increases. He was a tenant at the Port of Edmonds for a while, but eventually moved on to the Port of Everett. Commissioner Orvis suggested that perhaps the Port's waiting list has improved because boats in the Seattle marinas are being pushed out by rising costs.

Ms. Drennan advised that, as part of the budget process, she will provide a comparison between other marinas' 2016 rates and the Port of Edmonds' proposed 2017 rates. She noted that many other marinas increased their rates between 3% and 5% in 2016, and the Port of Edmonds' rates only increased by 2.6%.

Mr. McChesney reminded the Commission that the Port's brand is all about quality, service, value and convenience. That is what they try to do every day, and the Port must continue to reinvest in this brand. The revenues that are generated go right back into the facility to keep the Port a top marina on Puget Sound.

Ms. Drennan referred the Commissioners to the Cash Flow Schedule that was provided in the Staff Report for the Commission's information as the budget process continues.

## **2017 PROPERTY TAXES**

Ms. Drennan advised that this item is on the agenda so the Commissioners can have policy discussion about property taxes. The 2017 Preliminary Operating Budget will be presented to the Commission on October 10<sup>th</sup>. She reviewed the items in the Staff Report as follows:

- The **Tax Levy History** (Page 3) shows the Port's taxable assessed value, actual tax levy amount and actual tax levy rate (millage rate) from 1985 to projected 2017. The millage rate for 2016 was approximately \$.0921. The 2017 property tax valuation is based on preliminary assessed value provided by the Snohomish County Assessor's Office. If the 2017 tax levy is \$400,000, the millage rate would be approximately \$.0817.
- The three figures on Page 4 show the **Edmonds Port District Assessed Value**, the **Port of Edmonds Tax Levy Amount** and the **Port of Edmonds Tax Levy Rate** from 1985 to 2017.

- The **Programs Supported by Property Taxes** are outlined on Page 5 and include the Commission costs, annual public access costs (1/2 of landscape program, public launcher subsidy, participation in Rail Crossing Public Process, public access to park, Sea Jazz, 1/3 of parking lot maintenance, and Artists in Action), and public amenities (boardwalk, promenade, benches, tables, 1/3 of parking costs, public plaza, public restrooms, wetland walkway near the Marsh, and Weather Center).
- The graph on Page 6 shows **Property Taxes Compared to CPI Increases and 1% Increases** from 2008 to 2017. Page 7 shows the value of property taxes in 2008 dollars.
- The **Port District Resident Sample Property Taxes** (Page 8) show a sample of what a tax bill may look like for residents in the Port District. It was pointed out that it would difficult to find a \$300,000 property in Woodway. In Edmonds, it would likely be a condominium and not a single-family residence.

Ms. Drennan recalled that at their August 8<sup>th</sup> meeting, Commissioner Preston reported that a commissioner from another port told him that even if the Port of Edmond banks its tax levy capacity, it can still only raise its taxes by 1%. Therefore, if the Port wants to raise its taxes into the banked capacity, it could only raise it to \$400,000 plus 1% instead of up to the \$552,000. The Commissioners asked her to research the matter and report back. She emailed Chris Huyboom, Levy Comptroller for Snohomish County, and his response was provided on Page 9 of the Staff Report. Basically, the Port can increase property taxes up to the maximum amount of \$552,000.

Ms. Drennan summarized that the tax levy has remained at \$400,000 since 2008. Unless tonight's discussion indicates otherwise, staff will include \$400,000 for the property tax levy in the 2017 Preliminary Budget, with allocations of \$50,000 to the public launcher, \$200,000 to Harbor Square, and \$150,000 to overhead. The Commission is scheduled to approve the 2017 property tax levy at its November 14<sup>th</sup> meeting.

Commissioner Gouge questioned if the Commissioners would support an increase in tax revenue to fund increased spending on tourism or economic development. Commissioner Faires said he could not offer his support for a tax increase to fund tourism or economic development without knowing exactly what the money would be used for. He would need to see a proposal and cost estimate before he could make this decision. Commissioner Orvis said he would not be averse to increasing taxes to support tourism. He commented that tourism is closely tied to economic development, and the Port should look for opportunities to use its unique ability to deal with economic development in a wider area than just downtown Edmonds. However, he would need to see a proposal that demonstrates viability not only for success but to produce value for the Edmonds and Woodway communities.

Commissioner Gouge commented that he does not anticipate any opportunities for significant economic development at Harbor Square in the near future, and the community values indicate a desire to maintain the large setbacks and buffers. The taxpayers have spoken that it is okay to use tax dollars to fund other types of economic development and tourism activities. If the Port cannot do any more economic development via redevelopment or job creation, it must take another approach such as tourism and development opportunities outside of the marina. Commissioner Faires said it is important to consider the public benefit to all residents of the Port District.

Commissioner Faires said he has a hard time justifying the \$400,000 tax revenue, but he will continue to support it because that is how much it costs to operate the public marina. However, any increase in taxes should go towards capital investment in a major economic development project or maintaining the present facilities in a functional state. Other than those two uses, he cannot see any reason for a special purpose district, such as the Port, to take money out of the public's pockets. It says they are being lazy and they are not smart enough to figure out how to run the Port without subsidy from the public. He commented that the Port has competitors throughout the state who are in the marina business, and some are doing very well without any tax revenue. The Port Commission's job is to figure out how to run the port as a business without going to the public for funding when there are difficult decisions to make.

Commissioner Preston said he could support using the maximum tax revenue allowed for tourism purposes since the incremental change to taxpayers would not be significant. Commissioner Faires said he could support increased tax revenue, as well, if there would be a clear benefit to the Port District residents, but the Commission should remember that the public paid money to build the marina in the 1960's and their investment should result in a

dividend through higher property values, increased beauty of the waterfront, etc. The Port should not continue to ask the Port District residents to subsidize moorage tenants.

Commissioner Orvis commented that the Port has demonstrated that the marina can pay for itself, but he reminded everyone that that Port's cost of doing business is significantly higher than a private marina because of rules the taxpayers wanted and the politicians they supported have put in place. They are saying they are willing to pay for these extra rules and regulations. He said he does not foresee the Port ever eliminating the tax revenue entirely. He felt the Port was in a good place now because the Commission can demonstrate how the tax dollars are being used. He summarized that, although he would not be averse to using increased tax revenue to fund economic development and/or tourism, he is not ready to support it without a clear proposal in place.

## **2017 ECONOMIC DEVELOPMENT BUDGET**

Ms. Drennan advised that the purpose of this discussion is for the Commission to review and discuss the proposed Economic Development budget items for 2017. She referred the Commission to the Economic Development Summary that was attached to the Staff Report showing actual results for 2012 through 2015, projected expenses for 2016, and the proposed budget for 2017. The summary shows the different economic development expense items and where they are located in the budget and financial statements. She reviewed that the Port participates in economic development through the Economic Alliance of Snohomish County (EASC), Destination Port of Edmonds (DPOE), Sea Jazz, Artists in Action, and Bird Fest. The Port invites guests to the marina through advertising in publications and through the boat show, and promotes tourism through participation in the Washington Tourism Alliance and Snohomish County Tourism Bureau. Also attached to the Staff Report is the Port's Economic Development Guidelines that were adopted on August 23, 2002 and Resolution Number 95-2 regarding promotional hosting.

Ms. Drennan advised that, as proposed, the Port's economic development budget would be allocated as follows: EASC (\$5,000), DPOE (\$6,000), Sea Jazz (\$2,500), Artists in Action (\$1,500), Bird Fest (\$500), advertising (\$10,110), marketing (\$5,500) membership dues for the Washington Tourism Alliance (\$500), and promotional hosting (\$2,500). The total economic development budget would be \$32,960.

Commissioner Preston inquired if the Port's support of the Edmonds Arts Festival should also be included in the Economic Development Budget. Mr. McChesney advised that this contribution falls under the Artists in Action Program. He reviewed that the Port Commission has authorized a direct contribution to the Arts Festival's student artist scholarship program. In exchange, the Arts Festival provides the Artists in Action Program.

Ms. Drennan noted that none of the items in the Economic Development Budget include staff time, which is recorded as salaries and wages. Promotions are not included in the boat show budget, either. The DPOE is a two-year program, and costs should be less in the 2<sup>nd</sup> year as some guests already have their bag and booklet. Lastly, as per RCW 53.36.120, promotional hosting expenses must be approved by the Port Commission at the annual public hearing on the budget.

Commissioner Gouge pointed out that the Waterfront Festival was not included as a line item in the economic development budget. Mr. McChesney explained that the Port does not sponsor the Waterfront Festival. The Rotary Club actually pays the Port a \$1,500 facility use fee and also reimburses the Port for direct expenses. Commissioner Johnson asked staff to describe some of the direct expenses that the Rotary Club reimburses the Port for. Mr. McChesney answered that these expenses include staff time for maintenance work, traffic control, etc. He commented that the reimbursement does not cover the Port's full opportunity costs of having the event. These are revenues the Port foregoes because they have to shut down the public launch and guest moorage is fully subscribed by the Classic Yachts. There is also lost revenue from fuel sales, guest moorage, travelift, boatyard, etc. Ms. Kempf added that the Port only bills the Rotary Club for overtime costs and not the normal working hours that staff spends on the festival.

Commissioner Preston referred to the 1<sup>st</sup> bullet point in Guideline Principle B and asked if the Port would be allowed to do more promotional activities for Puget Sound Express. Ms. Drennan said that is not her interpretation of the guideline or RCW 53.08.255. Her understanding is that the Port cannot publicize an activity that would

benefit just one organization or business. The Port's promotional and advertising efforts must be more generic to avoid the "gifting of public funds."

Commissioner Faires suggested that it is time to review and update the Economic Development Guideline Principles, and the remainder of the Commission concurred. They agreed to revisit the guidelines at their next retreat in the spring of 2017.

Commissioner Faires summarized that, as currently proposed, less than .5% of the Port's total budget will be allocated for economic development activities. While he would support spending more on economic development if they can find a way to do it that has reasonable and probable value to the constituents and the Port District. Commissioner Johnston suggested that staff contact other special purpose districts that are similar in size and attitude as Edmonds to see what they are doing to expand economic development in their communities.

Mr. McChesney reminded the Commission that ports can play a unique role in economic development. For example, they have the ability to do brownfield development, which has a long lead time to accomplish clean up. These opportunities can provide a lot of traction for economic development, but the return is far into the future. There are real opportunities for economic development associated with cleaning properties up and making them available for redevelopment that becomes part of the tax rolls.

Commissioner Faires recalled that the Port was originally created for the purpose of providing a place for boats to moor. Development at Harbor Square offered additional opportunities for light industrial uses, but the community has made it clear that they do not want to redevelop the Harbor Square property to its highest and best use. Commissioner Gouge commented that the Commission's ultimate goal has been to get Harbor Square back on the tax rolls to help the City from a financial standpoint. The Port is currently operating what rightly should be in the public sector. Commissioner Orvis recalled that the Port took over Harbor Square at the request of a significant portion of the City because it was a contaminated dump. People have chosen to forget that the Port cleaned the site up. Now that it is no longer a contaminated dump, no one cares about doing anything to redevelop the property except the Port. The Port District is small and there are limited options for economic development. Currently, development and change are anathema to the people in charge of the City. The Port is doing what it should be doing, maintaining what they have so it can remain as attractive as possible while making sure the facilities are profitable. That is probably what the Port's task should remain for now. They can and should look for other opportunities, but they should keep in mind what is reality.

Commissioner Johnson said he refuses to lose faith. Edmonds residents often cannot see a good project when proposals are placed in front of them. They only appreciate the benefit after a project has been built. For example, the old Safeway site, Five Corners Roundabout, and Sunset Avenue.

### **2017 BUDGET PUBLIC HEARING DATE**

Mr. McChesney reminded the Commission that, at their last meeting, there was some discussion about moving the public hearing on the 2017 Operating Budget from October 31<sup>st</sup> (Halloween) to another date. The Commission discussed potential alternatives, but decided to leave it as scheduled.

### **EXECUTIVE DIRECTOR'S REPORT**

Mr. McChesney recalled that the Commission previously authorized him to move forward with a shoreline permit for the vacant parcel south of the workyard in order to be in a better position to market the land. However, at the pre-development meeting, City staff advised that there must be a project in order to obtain a permit. This will require the Port to hire an architect to design the project, and he has invited Jackson/Main Architecture to present a scope of work and budget. In order to have a complete application for the shoreline permit, it will also be necessary to complete a traffic study, storm drain capacity analysis and landscaping plan, which will require additional consultants. He said he is becoming concerned about the cost to accomplish this speculative venture. However, he does not see any way to avoid it. If the property is going to be marketable, a shoreline permit will be needed. He said he would present a scope of work and budget for the project at the next Commission meeting.

Mr. McChesney announced that he and Commissioners Johnston and Preston will meet with representatives from the Tulalip Tribe on September 16<sup>th</sup> to get acquainted with their environmental resource people and share the Port's plan for Harbor Square. He will present to them the notion that redevelopment of Harbor Square and restoring the marsh are not in conflict and can work together.

Mr. McChesney announced his plan to attend the Chamber's Meet and Greet Event at the Edmonds Yacht Club on September 14<sup>th</sup>. He also reported that he and Commissioners Preston and Johnston met with the public relations firm, Cocker Fennessy last week. The intent is to engage the firm to create a public relations program that tells the story of how the Port has contributed to the environmental stewardship of the Edmonds Marsh. They are looking to move the project forward as soon as possible.

Mr. McChesney reported that Ms. Kempf met with Valerie Claypool, the event organizer for the Edmonds Waterfront Festival, on September 8<sup>th</sup> to discuss a number of issues and provide direction as to what the Port Commission would like to see in terms of change. The one important thing that everyone can agree on is that the fire lane has to be maintained throughout the festival. However, there are other issues that are still not resolved such as what happens inside the gated area, what kind of vendors will be allowed, parking issues, changing some of the activities, and whether or not there should be a free day for residents of the Port District. Some of the issues are easier to resolve than others. The Rotary Club is currently planning for the 2017 festival, and now is an appropriate time for the Commission to weigh in on some of their issues of concern. From staff's point of view, they would like to see better representation from local vendors and artists.

Commissioner Gouge reported that he and Commissioner Preston have met a number of times with representatives from the Rotary Club, including the President, Doug Lofstrom, and they have presented them with a bulleted list of the Port's concerns, issues and recommendations. He thought that there was agreement on nearly every point, and now Ms. Claypool is voicing significant opposition. He suggested it is time for the Commission to sit down with all of the players to iron out the differences.

Commissioner Preston suggested that rather than having more meetings, it might be useful for the Commission to authorize the Executive Director to sign a contract for the 2017 Waterfront Festival with conditions that stipulate exactly what the Port does and does not want. Commissioner Faires agreed that they must identify what is necessary for the contract to continue, and he felt it should be a Commission function rather than the work of a subcommittee.

Commissioner Orvis agreed that the Port should authorize the Executive Director to negotiate a contract consistent with the bulleted list that was originally presented to the Rotary Club by Commissioners Preston and Gouge. They need to establish a deadline for when the agreement must be signed or the discussion could continue into May of 2017, and it will be too late to incorporate any of the proposed changes. Mr. McChesney understands the Commission's concerns and what points are non-negotiable, and he can prepare a list that the Commission can vote on and then offer a contract that identifies the non-negotiable items.

Commissioner Johnston recalled that, in its early years, the festival had more of a maritime theme. He asked if the current program has resulted in a more financially successful festival. Commissioner Faires answered that the more recent festivals have been more successful financially. Commissioner Johnston agreed that the Port should present the Rotary Club with a list of what the Commission wants to see and let the club decide whether or not they want to continue to work with the Port.

Commissioner Faires noted that, as requested by the Port, the event has included more water-related events in recent years. He said he would be really reluctant to make the festival go away. He wants it to continue, but under a set of conditions as outlined by the Port Commission. He summarized his belief that the Waterfront Festival has value to the community. Commissioner Preston agreed and suggested that perhaps if the structure of the festival was changed, it might be more attractive to families.

At the request of the Commission, Mr. McChesney agreed to bring back an action item that authorizes him to engage in contract negotiations for the 2017 Waterfront Festival with a set of conditions as per the Commission's previous discussions. While a set of conditions would be a good approach, he also cautioned the Commissioners not to overburden the event sponsors, either.

Commissioner Faires suggested that perhaps the Port's requirements could be phased in over a few years. Mr. McChesney recalled that the Commission's approach of making suggestions and requirements has not been successful in years past, and perhaps it is time to layout specific requirements that must be met. Commissioner Gouge agreed to forward Mr. McChesney the list that he and Commissioner Preston presented previously to the Rotary Club. Commissioner Preston said he would prefer to make changes to the festival all at the same time rather than incrementally. He wants the changes to be noticeable to make the festival new and exciting again.

Ms. Kempf reported that the fishing closures had a significant impact on marina activity. The Coho Derby is usually held the second weekend in September, but was cancelled this year. The weekend report tells the story. There were 168 launches in 2014 over the same weekend, 142 in 2015 and just 23 in 2016. Truck and trailer parking was 166 in 2014, 136 in 2015 and 29 in 2016. Guest moorage sales were 141 in 2014, 117 in 2015 and just 37 in 2016. Fuel sales were down from 14,000 gallons of unleaded and 6,000 gallons of diesel in 2014 to 5,000 gallons of unleaded and just 2,000 gallons of diesel in 2016. The number of launches in dry storage was 86 for the entire weekend compared to 257 in 2015. Commissioner Gouge said he was told that the silver season may open up again.

Ms. Kempf reminded the Commissioners that the Foul Weather Bluff event is scheduled for October 1<sup>st</sup>, and the guest moorage area will be full of sailboats. Once again, the Port will offer a half price sling and wash to race participants.

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

Commissioner Preston said he spent time over the past weekend observing marina activity and noticed the large vacancy in guest moorage. He also visited the dry storage area during the evening and found it to be very dark. He asked if there is a way to provide more permanent lighting. Mr. McChesney said the concern is that additional lighting might impact the residential properties uphill. However, he agreed to consider potential solutions.

Commissioner Preston reported that, since the last Commission meeting, he met with Puget Sound Boy Scout leaders to talk about recruiting new members to the Sea Scout Program. He also announced that he would attend the Port's audit exit interview on September 14<sup>th</sup>. On September 15<sup>th</sup> he will meet with Peter Schrappen, Director of Government Affairs for the Northwest Marine Trade Association, to discuss legislative changes that would allow ports to promote youth in boating and how to get some of their vendors to the Waterfront Festival.

Commissioner Orvis announced that he would attend the Washington Public Port Association (WPPA) Legislative Committee meeting, as well as the audit exit interview. Mr. McChesney advised that staff has been discussing an issue that might be appropriate for Commissioner Orvis to bring up at the WPPA Legislative Committee meeting. During the recent audit, concern was raised that the Port bids out the contract for vendors to repair the public and dry storage launches. The intent is to have a vendor on call when problems come up rather than having to go through the bidding process each time. However, the State Auditor's Office raised concerns previously and the Attorney General has advised that on-call contracts are not allowed and there must be a specific scope of work. Port staff would like the WPPA to take this issue on. The Finance Committee will be making a recommendation to the WPPA Legislative Committee to formulate a legislative repair. The Port's situation is not unique, but the equipment is. The Port must have the ability to call a contractor for repair when the launchers break down. Ms. Drennan cautioned that requiring the Port to declare an emergency each time the launchers break down results more paperwork, more time, and the cost can fluctuate. An on-call contract allows the Port to lock in to a certain rate for a specific period of time.

Commissioner Faires agreed that Commissioner Orvis should raise the concern at the Legislative Committee meeting. The issue needs to be addressed in order for the Port to continue to operate in an effective and efficient manner. Commissioner Orvis explained that the Legislative Committee's agenda typically includes only those items that have been referred to them by other committees. It is not likely that the WPPA Finance Committee will make a recommendation in time for the issue be included on the agenda. However, he could be ready to discuss the topic if it is brought up. Commissioner Gouge agreed to raise the issue at the WPPA Small Ports Seminar, as well, to find out how the rule impacts other small marinas. Mr. McChesney expressed his belief that all public ports would benefit from relief of this rule. Otherwise the process can become burdensome and not cost effective. Again, Commissioner Orvis commented that the public must assume this burden and additional costs since they elected the lawmakers who put the rule in place.

Commissioner Gouge asked staff to explain the consequences of receiving a Management Letter from the State Auditor relative to the on-call contracts. Ms. Drennan advised that if the issue raised in the Management Letter is not resolved in a timely manner, it could elevate to a Finding. She cautioned that it is difficult to measure how a Finding might impact public relations. Commissioner Faires emphasized that the Commission has a responsibility to be an advocate for efficient operations. On the other hand, Commissioner Orvis noted that a Finding could impact Ms. Drennan from a professional standpoint.

Commissioner Johnston advised that representatives from the Public Relations Firm, Cocker Fennessy, will likely be contacting each Commissioner for feedback as they begin to create the public relations program that tells the Port's story relative to its environmental stewardship. The intent is to inform the Port's stakeholders of all the Port has done throughout its history to improve the environment. He commented that old reports on Harbor Square are popping up as possible resources. These are public documents that contain information about just how messed up the Harbor Square site used to be. Commissioner Orvis said he contacted the City for information about the cleanup that was done in 2005, but there is not a lot in the City's file. However, it did contain a comment from a City Council Member asking the Port to take over the site. Commissioner Johnston suggested the Port contact Landau Associates, the consultant for the project, to obtain historical documents related to the project if the Port is unable to find its documents.

Commissioner Johnston advised that he will work with Mr. McChesney to prepare language for the communications element of the Port's Strategic Plan.

Commissioner Gouge said he recently met with Representative Strom Pederson regarding the current rules in the Washington Administrative Code (WAC) that limit a port's ability to promote youth in boating. He suggested that Commissioner Preston also contact Senator Maralyn Chase with a request that the two co-sponsor a legislative change. Commissioner Preston agreed to contact Senator Chase and said that he has also discussed the issue with a representative from the WPPA about potential changes to the Revised Code of Washington (RCW) that would allow ports to encourage and even sponsor programs that promote youth in boating.

#### **ADJOURNMENT**

The Commission meeting was adjourned at 8:55 p.m.

Respectfully submitted,



James Orvis  
Port Commission Secretary