

## PORT COMMISSION OF THE PORT OF EDMONDS

### MINUTES OF SPECIAL MEETING

October 10, 2016

---

---

#### 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 special meeting to order at 6:00 p.m.

#### EXECUTIVE SESSION

Upon commencement of the special meeting, Commissioner Faires immediately announced that the Commission would adjourn to an executive session pursuant to:

- RCW 42.30.110(1)(i) to discuss with legal counsel representing the agency matters relating to agency enforcement actions or to discuss with legal counsel representing the agency litigation or potential litigation to which the agency, the governing body, or member acting in an official capacity is, or is likely to become, a party, and;
- RCW 42.30.110(1)(g) to evaluate the qualifications of an applicant for public service or to review the performance of a public employee.

Commissioner Faires further announced that the executive session would last approximately 50 minutes. Following the executive session, the public portion of the meeting would resume. He indicated that no action would be taken following the executive session. The executive session concluded at 6:54 and the public portion of the special meeting resumed at 7:02 p.m.

#### PLEDGE OF ALLEGIANCE

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

#### CONSENT AGENDA

Item B (Approval of September 26, 2016 Meeting Minutes) was pulled from the consent agenda.

**COMMISSIONER ORVIS MOVED THAT THE REMAINDER OF THE CONSENT AGENDA BE APPROVED TO INCLUDE THE FOLLOWING ITEMS:**

- A. APPROVAL OF AGENDA**
- C. APPROVAL OF PAYMENTS IN THE AMOUNT OF \$815,064.81**

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

**APPROVAL OF SEPTEMBER 26, 2016 COMMISSION MEETING MINUTES (Item B on Consent Agenda)**

**COMMISSIONER GOUGE MOVED THAT THE MINUTES OF SEPTEMBER 26, 2016 BE APPROVED AS PRESENTED. COMMISSIONER JOHNSTON SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.**

**PUBLIC COMMENTS**

There were no public comments.

**STRATEGIC PLAN REVISIONS**

Mr. McChesney reviewed that during recent discussions concerning the 2017 budget process, it was suggested that the Commission revisit two specific areas of the Strategic Plan: Communications (Sections 4.7 and 5.6) and Economic Development (Section 5.5). He further reviewed that, at the request of the Commission, he met with Commissioner Johnston to discuss proposed changes to the communications sections and with Commissioner Gouge to discuss proposed changes to the economic development section. He referred the Commission to the proposed revisions/deletions that were attached to the Staff Report, and reviewed the new language in each section as follows:

***Section 4.7. Communicate openly, frequently and consistently with Port District residents and tenants.***

- ***Provide information on a regular basis to Port District residents, tenants, and the community at large on Port issues and activities that bring economic and environmental benefit to the community and region.***
- ***Provide regular and frequent opportunities for residents, tenants and others with standing on Port issues to communicate directly with the Port.***

Mr. McChesney advised that the proposed changes expand upon the intent of the provision and provide more specific direction as to what the Port is trying to communicate and to whom. No additional changes were recommended for Section 4.7.

***Section 5.5. Provide opportunities for economic development by:***

- ***Promoting and investing in economic development programs and projects, including infrastructure, facilities, marketing and tourism.***
- ***Planning for redevelopment at Harbor Square and marina-side properties.***
- ***Partnering with the City of Edmonds' programs and other agencies in the region for economic development.***
- ***Marketing and promoting Edmonds as a preferred destination for visitors and business opportunities.***
- ***Promoting tourism programs to expand and leverage Port waterfront assets and public activities for the benefit of Edmonds/Woodway communities.***

Commissioner Faires voiced concern that the proposed language does not adequately address that the Port's intent is to represent the economic well-being of the community in addition to the environmental conditions at Harbor Square. He asked if the proposed language would cover situations where the Port has to spend money to defend the economic opportunities at Harbor Square. The Commissioners agreed to change the first bulleted item in Section 5.5 to read:

***“Promoting, investing, and advocating for economic development programs and projects, including infrastructure, facilities, marketing and tourism.”***

***Section 5.6. Communicate openly, frequently, and consistently with Port District residents and tenants.***

- *Invite the public to provide feedback and ask questions at the Port Commission meetings, which are held on the second and last Mondays of the month starting at 7:00 p.m. at the Port of Edmonds Administrative Building at 336 Admiral Way.*
- *Update its website to allow modern browsers and mobile devices to display the Port’s website correctly, which will further the Port’s visibility on the internet.*
- *Communicate efforts with Port District residents and residents outside the Port District (when appropriate), including efforts to provide Port services, economic development, public amenities, environmental stewardship and other benefits to the community. The Port may employ a wide spectrum of communication strategies, including preparation of informational materials for public distribution (using in-house and contracted resources), meetings with groups, distribution of an annual report and public workshops. The Port may also provide Port information at Edmonds festivals, in articles and letter submitted to local online and print newspapers, and possibly through special Port-sponsored events, such as a community breakfast or Port open house. Any and all effective means and methods of informing the public of the Port’s functions, activities and benefits to the community should be evaluated and used as appropriate.*
- *Improve its interaction with marina tenants. This may include a broad spectrum of tools, including customer satisfaction surveys, town hall meetings, monthly newsletters and others.*

Commissioner Preston suggested that the phrase “using in-house and contracted resources” should be removed from the third bulleted item in Section 5.6. Commissioner Orvis agreed and noted that the Commission’s ability to take action can be limited if the language is too precise. The Commissioners agreed to change the third bulleted item to read:

*“Communicate efforts with Port District residents and residents outside the Port District (when appropriate), including efforts to provide Port services, economic development, public amenities, environmental stewardship and other benefits to the community. The Port may employ a wide spectrum of communication strategies, including preparation of informational materials for public distribution, meetings with groups, distribution of an annual report and public workshops. The Port may also provide Port information at Edmonds festivals, in articles and letter submitted to local online and print newspapers, and possibly through special Port-sponsored events, such as a community breakfast or Port open house. Any and all effective means and methods of informing the public of the Port’s functions, activities and benefits to the community should be evaluated and used as appropriate.”*

*Last sentence of Section 7. Involvement in the greater Edmonds and Woodway Communities. The Port plays an important role in fostering and creating economic development, environmental stewardship and public amenities.*

Commissioner Preston suggested that a reference to tourism should be added to the sentence. The remainder of the Commission concurred that the sentence should be changed to read:

*“The Port plays an important role in fostering and creating economic development, tourism, environmental stewardship and public amenities.”*

**COMMISSIONER PRESTON MOVED THAT THE COMMISSION APPROVE THE SUGGESTED CHANGES TO THE STRATEGIC PLAN AS PRESENTED BY STAFF AND DISCUSSED BY THE COMMISSION. COMMISSIONER GOUGE SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.**

**PRELIMINARY 2017 ANNUAL BUDGET**

Mr. McChesney reviewed that the Commission and staff have been working on the 2017 Budget since August. Staff has met with the Finance Committee and the budget proposal has gone through several versions. Tonight’s meeting is not intended to be a public hearing, but an opportunity to present the preliminary budget to the Commission for discussion.

Ms. Drennan reviewed that the budget process began with a discussion about the budget baseline conditions, the property tax levy, and economic development expenses. The Cash Flow Model was used as the baseline for the

budget process. Staff has calculated and compiled the marina budget, rental property budget, overhead budget, capital budget and Projected Cash Flow Schedule. Staff has also reviewed moorage rates, dry storage rates and marina operations fees and recommended appropriate rate adjustments. The Finance Committee met to discuss the preliminary budget, and their recommended changes were incorporated into the documents attached to the Staff Report. Subsequent changes were highlighted in yellow.

Ms. Drennan emphasized that this is the first time the 2017 budget has been presented to the Commission and public, and the documents have been available on the website since October 5<sup>th</sup>. After the workshop, the Port Commission may accept public comment about the budget, and a public hearing will be held on October 31<sup>st</sup>. Updated budget packets will be available on the website no later than the Friday prior to the hearing. The final budget is scheduled for approval on November 14<sup>th</sup>, and the budget is due to the County on November 30<sup>th</sup>.

Ms. Drennan explained that the Combined Operating Budget summarizes the results of the other budget documents. She specifically noted that:

- The **Marina Operating Budget** shows the revenues and expenses for the marina. Moorage and Dry Storage rates are budgeted with an increase of CPI + 1%, which is a 2.8% increase. The Marina Operating Budget notes provide the assumptions and explanations for the line items. A property tax of \$50,000 was allocated to the marina to support the public launcher.
- The **Rental Properties Operating Budget** shows the detailed revenues and expenses for the Harbor Square Property, Anthony's Restaurant, Bud's Bait, Edmonds Yacht Sales, Harbor Square Athletic Club land lease, the Landing, POE 2/Jacobsen's, and the Yacht Club. The Rental Property Operating Budget notes provide the assumptions and explanations for the line items, and the Rental Properties Operating Budget shows a \$200,000 property tax carry.
- The **Overhead Operating Budget** shows the revenues and expenses that cannot be specifically allocated to a cost center. The Overhead Operating Budget notes provide the assumptions and explanations for the line items.
- The **Capital Budget** shows the projected capital improvements for 2017 through 2021, as well as the budget and actual capital improvements for 2016. The Commission approves the Capital Budget for 2017, and then Port staff returns to the Commission for final approval to proceed with each individual project.
- The **Projected Cash Flow Schedule** shows the estimated inflows and outflows of cash for 2016 through 2021. It includes Operating Budget and Capital Budget items, as well as required bond payments and cash reserves.
- **Moorage and Dry Storage Rates** are shown at an increase of CPI + 1%, which represents a total increase of 2.8% in 2017. The documents also show the dollar amount increases. The **Moorage Rate Survey** shows the Port's rates compared to other marinas as of September 2016.
- The **Marina Operations Fee Schedule** shows the Marina Operations fees history and proposed increases, if any.
- The **Port of Edmonds Pay Table** shows staff pay rates at a CPI increase of 1.8%, which is June 2016 CPI. The salaries and wages expense budget also shows a merit pool of approximately \$42,000, which equals a 2.5% increase.

Ms. Drennan specifically reviewed the following:

- **Note M4** – Ms. Drennan said there was a significant increase in fuel sales in 2015, which was primarily due to the whale-watching vessel. The 2017 estimate was adjusted downward based on changed 2016 projected sales. Commissioner Faires asked if it is true that fuel sales are also dependent on the fishing season and weather. Ms. Drennan answered yes and added that a significant increase in the fuel price could also have an impact.

- **Note M5** – Ms. Drennan advised that launcher revenue is very dependent on fishing and weather. The 2017 budget was adjusted downwards based on changed 2016 projected revenues. Commissioner Gouge suggested that the budget notes should include a caveat that makes it clear that the launcher revenues were significantly impacted by the fishing closure. Ms. Drennan agreed that an additional note could be added, but the notes do not generally carry forward from year to year.
- **Note M8** – Ms. Drennan advised that Permanent Moorage revenues were presented as an increase of CPI + 1%, with a 4% vacancy. CPI is 1.8%. The increase in a revenue for 2017 would be \$89,000 over 2016 projected revenues.
- **Note M9** – Ms. Drennan said Passenger Fee revenues were estimated based on 2016 projected revenues plus \$1,000. The passenger fee for 2017 will be \$1.20 per passenger.
- **Note M10** – Ms. Drennan reviewed that Dry Storage revenues were presented as an increase of CPI + 1%, with a 12% vacancy. As CPI is 1.8%, the increase in a revenue for 2017 would be \$17,000 over 2016 projected revenues. She referred to the 2017 Open Moorage Rate Schedule (Page 27), the 2017 Covered Moorage Rate Schedule (Page 28), the 2017 Dry Storage Seasonal Rates (page 29), and the Moorage Rate Survey Results (Page 30).
- **Marina Operations Fees** – Ms. Drennan advised that the Deputy Director has recommended that the separate fee for hydraulic jacks be eliminated and included in the fee sling time without wash. She also recommended that the guest moorage and loan-a-slip fees be increased to recover the cost of the new restroom facility and electrical improvements. The electrical fee would also be increased from \$4 to \$4.50 per day. Mr. McChesney explained that the new shower facility is offered to tenants and guest moorage visitors free of charge. The cost recovery strategy is to make up the cost in the fees that are charged to guests. Ms. Drennan said staff is recommending that the reservation fee for guest moorage be increased from \$10 to \$12.50, and the fee to launch a dinghy be added, as well. She noted that dinghies are more difficult to launch and the risk is greater. As proposed, the parking fee for vehicle/trailer combinations and recreational vehicles would also increase.

Commissioner Faires asked if staff has received any feedback from launch customers relative to the fees the Port charges. Ms. Kempf said there were significantly fewer launches in 2016 due to fishing closures, and staff recognizes that the launcher users are a very price sensitive group. She explained that although the public launch customers use the restroom facility, too, staff felt it would not be advantageous to increase the launch fee at this time. They determined that a better approach would be to increase the fee for vehicle/trailer parking in order to spread the cost to a wider range of users as that fee is also used for daily parking. She noted that the vehicle/trailer parking fee has not increased for several years.

Commissioner Faires said it is important to keep in mind that people who use the launch have other options, such as Shilshole Marina and Everett Marina. Although it is difficult to compare the Port's launch fee with these other locations because the services offered are significantly different, the Port must also be sensitive that the fee does not reach an amount that it becomes more desirable for people to trailer their boats to other locations.

Commissioner Gouge said he could not support an increase in the fee for vehicle/trailer parking since it would increase the total fee for launching a boat and parking a vehicle and trailer to nearly \$50. Commissioner Johnston agreed. Commissioner Orvis pointed out that it is easier to raise rates a small amount on a consistent basis than having to raise rates significantly after a long period of time. Ms. Kempf pointed out that the parking fee applies not only to vehicle/trailer parking, but to all parking. The intent is to spread the usage fee beyond the public launch customers by raising parking fees across the board. As proposed, the parking fee would increase from \$6 including tax to \$6.50 including tax. She reminded the Commissioners that launch customers would still have an opportunity to take advantage of the Port's promotion that offers customers a free launch after the purchase of five launches. She also reminded the Commissioners that launch rates have not increased for a number of years. The majority of the Commissioners indicated support for the staff's proposed parking rate increase.

Ms. Drennan said staff is proposing that the fee for a workboat tow be set at \$100 for tenants and \$150 for non-tenants. Staff is also proposing a \$10 per/day impound fee as a method of encouraging boats owners whose accounts have been terminated to remove their vessels from Port property. As proposed by staff, liveaboard fees would increase to \$125 to help recover the cost of the new restroom facility. The liveaboard tenants are the primary beneficiaries of the new restroom and shower facility. Staff is also working to provide a laundry facility.

Commissioner Faires said he supports the proposed increase to the liveaboard fee, but he asked if the liveaboard tenants have voiced any concerns. Mr. McChesney said that staff has not specifically notified the liveaboard tenants about the proposed increase. However, they have surveyed other marinas and the Port's proposed new rate would be consistent with what is charged elsewhere. Liveaboard tenants use more of the services and facilities, and the proposed increase puts the fee where it should be in terms of the market and provides an opportunity for cost recovery, as well. Commissioner Gouge commented that liveaboard tenants should be required to pay for the utilities they use, just as a homeowner has to do. Ms. Drennan said the Port's recent calculation indicates that liveaboard tenants use about \$121 in utilities per month.

Per the agreement with Puget Sound Express, Ms. Drennan advised that the passenger fee will increase from \$1.10 to \$1.20 per passenger in 2017. Commissioner Gouge asked if the fee applies to all charter vessels that operate out of the Port. Ms. Kempf answered that only one other charter vessel operates from the Port, and they have agreed to pay the passenger fee, as well.

Ms. Drennan advised that, as proposed, parking permit fees would remain the same, with the exception of the 4<sup>th</sup> permit, which would increase in cost from \$25 to \$50. She explained that the 3<sup>rd</sup> and 4<sup>th</sup> permits do not necessarily mean that tenants are parking four cars at the Port. It's a convenience factor so they don't have to move permits between vehicles.

Lastly, Ms. Drennan advised that staff is proposing an increase in the fuel mark up from \$.70 to \$.72 per gallon. The intent is to breakeven without overhead. She reminded the Commission that, in the next few weeks, the Port will implement new point-of-sale and pay-at-the-pump systems and the increase in fuel markup will help the Port recover its investment. Mr. McChesney reviewed that the Port has also spent a lot of money upgrading the fuel dock over the past several years. The lines have been replaced and they are planning to replace the dispensers in 2017.

Commissioner Faires asked if the Port was able to integrate the sales systems. Ms. Drennan explained that the fire department and Coast Guard require that tenants who use the self-serve program must be properly trained on how to use the system and what to do in the case of a spill. In order to restrict who has access to the self-serve program, a special credit card is required to operate the pump. This special card requires a different system than the point-of-sale system. Currently, there are no programs on the market that can coordinate the two systems together. The Commission previously agreed that they wanted to continue the self-serve fuel program, and a separate system is required to operate it.

- **Note M16** – Ms. Drennan advised that fuel and oil expenses includes fuel dock credit card fees. Based on the average difference between sales and cost of fuel, pay-at-the-pump fuel will require tenants to have a credit card on file to participate in the program. The credit card will be charged when the tenant's fuel charge is entered into the billing system. Commissioner Faires recalled that the Commission previously indicated they were uncomfortable with going to a charge system that would be at the convenience of the customers but the Port would incur a substantial cost. Ms. Drennan clarified that the system described above would only be used for charges at the fuel dock and not the monthly moorage costs. When last calculated, using a credit card system for monthly charges would increase the credit card fees by about \$80,000 per year.
- **Note M32** – Ms. Drennan announced that staff has budgeted for Labor and Industries (L&I) cost increase of 5% and no change in unemployment rates. Commissioner Faires asked if the Port has had any L&I claims in recent years, and Mr. McChesney answered that there have been no "time-lost" claims in the past five years. Commissioner Preston asked if the L&I insurance could be outsourced, and Mr. Drennan answered that the Port can self-insure but cannot use a private carrier. Commissioner Faires asked about the feasibility of self-insurance. Ms. Drennan advised that the Port pays about \$40,000 per year for L&I insurance, and she felt that

self-insuring would be a bad bet from a risk management point of view. She commented that the Port is not a large enough entity to self-insure.

- **Note M25** – Ms. Drennan advised that employee benefits include a Public Employee Retirement System (PERS) contribution of 11.18% and a medical insurance premium increase of 11%. There was no increase in medical insurance premiums in 2016.
- **Note M36** – Ms. Drennan reviewed that Salaries and wages include a CPI increase of 1.8% and merit increases for a combined increase of \$48,500. The merit pool is established as per the revised compensation plan that was adopted in 2013, and the amount of the pool is subject to performance reviews. She reported that, through July 31, 2016, salaries and wages were reported and recorded as follows: Marina (64%), Properties (6%), Overhead (28%), and Capital Projects (2%).
- **Note M40** – Ms. Drennan announced that the Limited Tax General Obligation (LTGO) Bond will mature on June 1, 2017. She also announced that she is preparing a Request for Proposals to refinance the Harbor Square loan, which could result in a significant cost savings.
- **Note M43** – Ms. Drennan advised that \$50,000 of property tax was allocated to the public launch to cover launcher expenses that exceed revenues.
- **Note P1** – Ms. Drennan said Harbor Square property rent will increase by about \$133,000 in 2017. This increase is due to lease agreements that allowed some tenants time to make improvements in lieu of rent.
- **Note P6** – Ms. Drennan announced that the Bud's Bait lease expired on June 30<sup>th</sup>, but the tenant requested and the Port granted an extension to December 31<sup>st</sup>. Staff will remove the facility in early 2017 and the estimated cost for disposal is about \$10,000.
- **Note P25** – Ms. Drennan noted that \$50,000 was budgeted for the development of vacant marina property in 2017.
- **Note P26** – A large item in the Repairs and Maintenance Budget includes \$40,000 for road repair at Harbor Square.
- **Overhead Budget** – Ms. Drennan explained that the overhead budget includes revenues and expenses that cannot specifically be allocated to any one cost center.
- **Economic Development/Tourism and Communications Budgets.** Commissioner Gouge recommended that the Economic Development/Tourism Budget should be increased by an additional \$20,000 as a placeholder. Commissioner Orvis also suggested that an additional \$20,000 be added to the Communications Budget as a placeholder. He emphasized that identifying additional funding would not obligate the Commission to spend the total amount, but the budget would be available if needed. Rather than adding \$20,000 to each account, the Commission agreed to add \$40,000 to the Economic Development Budget, recognizing that the additional money could be spent on communication programs that promote economic development, as well.

**Jack Bevan, Edmonds,** observed that the Economic Development/Tourism Budget has increased 500% since 2012. Commissioner Faires clarified that the budget did not significantly increase in 2013, the Port just changed the way the money was allocated as a line item.

- **Note O1** – Ms. Drennan advised that Miscellaneous Revenues include stormwater system reimbursements from the City, which have increased by 33%. Mr. McChesney explained that the Port owns a pipeline that the city uses in exchange for credit to the stormwater fees. There have been discussions for a number of years about how this exchange works, and the City would like to take ownership of the pipeline at some point.
- **Note O8** – Ms. Drennan reminded the Commissioners that three of their terms expire in 2017, so election costs have been included in the 2017 budget.

- **Note O25** – Ms. Drennan advised that dollars were budgeted for a communications piece, which is a yearly report to the Port District residents.

Ms. Drennan referred to the preliminary 2017 Capital Budget (Page 25), noting that the total budget for both Marina items and Harbor Square items would be \$307,000. This includes \$50,000 for Phase 2 of the Administration Office Remodel Project that will include another restroom and improvements to the Commission meeting room. It also includes Phase 2 of the promenade bench floor replacement, vehicle replacement, fuel dock dispenser replacement, gutter replacement, workboat engine replacement, Travelift cable load cell replacement, and A Dock improvements.

**Jack Bevan** observed that the Capital Budget identifies a \$100,000 budget for Harbor Square Capital Projects in 2018, 2019, 2020 and 2021. He asked how this money would be spent. Ms. Drennan said the budget was established as a placeholder, and they do not have details as to how the 2018 through 2021 funds would be spent at this time. The estimate is based on how much the Port has spent in previous years.

Commissioner Faires recalled that the intent was to replace the gutters this year, but it didn't happen. Mr. McChesney said the project is in progress now. They have received complaints from tenants about rust from the gutters getting on their boats and causing stains. The original design engineer, PND, is putting together specifications to go out to bid to replace the gutters on C and G docks, and gutters on additional docks will be done in 2017. Commissioner Gouge asked if gutters are required, and Mr. McChesney answered affirmatively due to the design of the marina. Staff considers the gutter replacement to be normal capital maintenance.

Relative to the Travelift repairs, Mr. McChesney advised that the Port already purchased a new hydraulic pump for the Travelift. In addition, the cable load cell will be replaced and the engine will be overhauled. He advised that the Travelift is a critical piece of equipment that cannot tolerate down time. It has been used more in recent years because of Jacobsen's Marine, and it is time for an overhaul. Staff is working with K.C. Martin and are confident they can do the work with one or two days of downtime during the winter months.

Ms. Drennan explained that, currently, Dry Storage tenants prefer to use the north launcher on B Dock over the south launcher on A Dock because there are no lights or water on A Dock. The 2017 Capital Budget identifies \$20,000 for improvements on A Dock. Right now, the north launcher receives about 85% of the work, and the intent is to even out the workload between the two launchers. Mr. McChesney summarized that the proposed improvements will make A dock more user-friendly for their customers.

Ms. Drennan reported that 54 of the 106 HVAC units at Harbor Square still need to be replaced, and money has been set aside each year in the Capital Budget for this purpose. As proposed, three units would be replaced in 2017.

Ms. Drennan reviewed the Projected Cash Flow Schedule (Page 26), noting that it would be updated as part of the Commission's spring retreat in 2017. She advised that 2016 is Year 5 of the Cash Flow Model Projections. Commissioner Faires asked if the Commission has good criteria for determining when to spend the money in the reserve. Ms. Drennan said the money is reserved for large projects. It is first projected to be spent to replace the whalers on the docks, at a cost of \$4,000,000 over a 4-year period. Breakwater repairs will need to be done every 10 to 15 years, and the docks will eventually need to be replaced, as well. She noted that one flaw in the Cash Flow Model is that the capital replacement of rental property buildings has not been accounted for.

**Jack Bevan** recalled that, in the past, the Port has been able to pay additional principal each year on the Harbor Square Loan. He asked if the Port has always paid the maximum amount allowed without a penalty. Ms. Drennan answered yes. However, the Port is currently pursuing the option of refinancing the loan to obtain a lower interest rate and reduce the timeframe to five years. This approach would save the Port a considerable amount of interest expense.

Ms. Drennan summarized that the Commission's only recommended change is to increase the Economic Development/Tourism Budget by \$40,000 to a total of \$56,000.

## **EXECUTIVE DIRECTOR'S REPORT**

Mr. McChesney reported that he has been meeting with representatives of the Rotary Club to discuss a contract for the 2017 Waterfront Festival. He also met with representatives from the Department of Ecology (DOE) at their Northwest Regional Office to discuss the City of Edmonds' Shoreline Master Program (SMP). In addition, he has been working with the Snohomish County Tourism Bureau to establish a 2017 budget, which must absorb a \$40,000 cut in funding from the Tax Advisory Committee.

Mr. McChesney reported that he and Ms. Kempf are working with Peter Hanke from Puget Sound Express to start planning for 2017, and that also includes meetings with the Edmonds Yacht Club to talk about the potential for reconfiguring their reciprocal moorage space.

Ms. Drennan reported that she is in the process of preparing a Request for Proposals for banking services. Port staff is not happy with the Bank of Washington, and they are raising their fees. Staff is looking for other options and perhaps a bank with more services. The Port must choose a bank that is authorized by the Public Deposit Protection Commission, and staff would like the bank to have a branch in Edmonds with parking and a drive through. The bank must also have a method for getting deposits that go to the Port's lockbox program in Seattle. Banks will have three weeks to respond, and then she and Mr. McChesney will review the applications and discuss potential candidates with the Finance Committee.

**Jim Blossey** announced that Kemper Freeman will be speaking at the Edmonds Rotary Club Meeting at 7:00 a.m. on October 11<sup>th</sup>. He suggested that Commissioners may be interested in attending the event to hear what he has to say about the new Sound Transit initiative.

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

Commissioner Gouge announced that he will attend the Pacific Coast Congress Conference in Bremerton, along with a few staff members. He will also attend the Washington Public Port Association (WPPA) Small Ports Seminar next week.

Commissioner Gouge said he was disappointed in the City Council's decision relative to the Shoreline Master Program (SMP). He doesn't know if their decision was based on ignorance or just politics, but he does not believe that the four council members who voted in favor of the SMP are thinking about what is best for Edmonds and they don't have a clear understanding of the benefits the Harbor Square development provides to the City. He voiced concern that if a catastrophe were to occur at Harbor Square, some or all of the tenants would be forced out of business. This includes the Harbor Square Athletic Club, which serves 7,000 to 8,000 Edmonds residents. He commented that the Commission's responsibility is to not only protect the marsh, but also protect the public's asset and the tenants that have long-term leases. He was discouraged that the four council members did not appear to listen to the recommendation provided by the DOE. Commissioner Johnston agreed with Commissioner Gouge's concerns. The Port has science in its corner, and they are ready to push forward with action, if needed.

Commissioner Johnston reported on his attendance at the WPPA Environmental Seminar, along with Commissioners Orvis and Preston. He reported that Commissioner Orvis did a great job of promoting the Port's water treatment program to the rest of the attendees. He also announced that he would attend the annual WPPA Conference in Tacoma.

Commissioner Orvis also reported on his attendance at the WPPA Environmental Seminar and said he particularly enjoyed the session about environmental liability where he learned the importance of finding people who share liability (i.e. previous tenants and insurance companies). This information can be located via a search of historical records. He also attended a session on environmental compliance programs, where representatives from the Port of Bellingham spoke about their program to audit tenants to make sure the environmental rules are followed. The program essentially keeps both the tenant and the port from having to worry about liability. Commissioner Faires asked if the Port would be held liable if a tenant is not conducting business properly. Commissioner Orvis answered that the Port would have some liability if they do not do what they can to ensure that tenants are following Best Management Practices and the Environmental Regulations. Commissioner Johnston said he authored the program for Bellingham in 1990, and he has done programs for other groups, as well. He offered to work with staff to develop a program for the Port of Edmonds, as well.

Commissioner Orvis said he also learned at the WPPA Environmental Seminar that the Port of Longview has a full-time public relations person who works in conjunction with their city and county to create a program to disseminate information to the public relative to best environmental practices. He suggested that this is a good way for all parties to work together on a single program.

Commissioner Preston reported on his attendance at the WPPA Environmental Seminar, as well. He said it was good to hear how well the Port is doing with treating its stormwater runoff. However, it was disconcerting to learn that the Port could still be considered potential liable party.

Commissioner Preston observed that new lighting is being installed at the Dry Storage Facility, and he would like the Commission to discuss the option of adding security cameras, as well.

Relative to the City's SMP, Commissioner Faires said he was particularly disappointed in the four City Council Members' lack of focus on the primary consideration, which is the environment at the marsh. The focus should have been on what can be done to rehabilitate the marsh to the highest extent possible. The answer has to be based on the DOE's input because they understand science.

Commissioner Faires asked that the last sentence in the September 26, 2016 minutes be deleted. The sentence inaccurately indicated that a subcommittee of Commissioners was working on the annual review of the Executive Director's contract. In fact, the entire Commission is working on the contract.

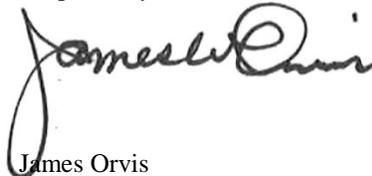
**Jack Bevan** said he understands the problems with the Marsh, but the Port should work to identify the significant impacts that are associated with the Salish Sea Marine Sanctuary. Once the Federal Government gets involved, it will be difficult for the City and/or the Port to have any control over the matter. He agreed to provide information about the boundaries of the sanctuary, etc.

**City Council Member Teitzel** emphasized that the final chapter of the SMP has not been written yet. The City must reply to the DOE by the end of October about their proposed changes, and the DOE will consider the City's comments before providing final input. He recommended that the Port continue to work with the DOE to express their views and talk about how science comes into play. The DOE will make the ultimate decision.

#### **ADJOURNMENT**

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James Orvis". The signature is written in a cursive style with a large, looping initial "J".

James Orvis  
Port Commission Secretary