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PORT COMMISSION OF THE PORT OF EDMONDS

MINUTES OF REGULAR MEETING

September 9, 2013

COMMISSIONERS PRESENT

Jim Orvis, President
Mary Lou Block, Vice President
David Preston, Secretary
Fred Gouge

STAFF PRESENT

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

COMMISSIONERS ABSENT

Bruce Faires

OTHERS PRESENT

Bradford Cattle, Port Attorney
Karin Noyes, Recorder

CALL TO ORDER

Commission President Orvis 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 CONSENT AGENDA BE APPROVED TO INCLUDE THE FOLLOWING ITEMS:

- A. APPROVAL OF AGENDA**
- B. APPROVAL OF AUGUST 12, 2013 MEETING MINUTES**
- C. APPROVAL OF AUGUST 26, 2013 MEETING MINUTES**
- D. APPROVAL OF PAYMENTS IN THE AMOUNT OF \$206,275.17**

COMMISSIONER PRESTON SECONDED THE MOTION, AND THE MOTION CARRIED UNANIMOUSLY.

PUBLIC COMMENTS

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

SEPTEMBER 2013 – AUGUST 2014 INSURANCE

Ms. Drennan advised that the Port belongs to Enduris, a risk-sharing insurance pool for public entities in Washington State, which offers its members liability and property coverage. In addition, the Port purchases Marine Operators Legal Liability Insurance and Underground Storage Tank Liability Insurance through Enduris’

broker, Alliant Insurance Services, Inc. She referred to the chart that was provided in the Staff Report to illustrate the change in premiums for the various types of coverage. She noted that while the premium for liability coverage increased by more than 11%, the premium for property coverage decreased by more than 13%. She explained that the Port's property is insured at replacement value, and Enduris annually calculates the estimated replacement value based on the materials and square footage of the Port's assets. This year, Enduris hired an appraiser to review the Port's assets and the replacement value was adjusted down accordingly.

Ms. Drennan reported that the Port was required to change carriers for their storage tank pollution liability coverage because the carrier indicated they were unable to write facilities that are located less than 2,000 feet from the nearest recreational swimming area. They are also unable to write facilities that have piping that extends underwater. The Port's new carrier is the American Safety Indemnity Company. She noted that the Port was unable to obtain insurance retroactive to April 1, 1996 as the underwriters pulled up data in the State of Washington's system indicating that the Port reported a leaking underground storage tank in 1995. Because the complete cleanup was limited the State won't give the Port a No Further Action Letter and the leak report will remain in the State's system.

Ms. Drennan referred to the Staff Report, which contains a letter from Mark Kammers, Executive Director for Enduris, explaining what has taken place over the past year; a chart outlining proposals for Storage Tank Pollution Liability coverage; and a letter from Steve Johnson, Landau Associates, Inc., dated July 1, 2008, in response to the 1995 tank spill report.

Commissioner Orvis referred to the chart outlining proposals for Storage Tank Pollution Liability coverage and asked what is meant by the term "Non-Admitted." Does it mean that the company is not authorized to do business in the State of Washington? Ms. Drennan agreed to seek additional information about the term and report back to the Commission.

Commissioner Preston asked if staff has considered the option of increasing the limits to a higher amount. Ms. Drennan agreed to work with Port Attorney Cattle to come up with a recommendation regarding insurance limits.

Mr. McChesney inquired if any of the deductible amounts would be changed. Ms. Drennan answered that all deductibles would remain at \$5,000 per occurrence, except the Storage Tank Pollution Liability deductible would remain at \$25,000 per occurrence.

Commissioner Preston questioned why the Commerce and Industry Insurance Company decided to no longer offer Storage Tank Pollution Liability coverage. Ms. Drennan said they informed her that they never offered this coverage. Commissioner Preston suggested it might be helpful to share this information with other marinas so they can check to make sure their coverage is valid. Ms. Drennan agreed to research the issue and provide a better answer about why the carrier does not offer Storage Tank Pollution Liability coverage.

COMMENT BY COUNCILMEMBER BLOOM – EDMONDS CITY COUNCIL LIAISON

Because she had to leave the meeting early, Councilmember Bloom requested an opportunity to address the Commission. She noted that in the August 12th Port Commission Minutes, she was not listed as being present as the City Council's liaison to the Port Commission. She noted that, typically, minutes for City boards and commissions identify when a council representative or liaison was present. She asked that, in the future, the minutes acknowledge her presence at Port Commission meetings. The Commission agreed to take the matter under consideration.

STRATEGIC PLAN REVIEW

Mr. McChesney advised that it has been the usual practice at the beginning of the annual budget process to review the Port's Strategic Plan to refresh the Commission's mutual understanding of its principles and goals in order to inform and guide important budget decisions. He noted that the budget is a forecasting process that anticipates spending priorities to optimize efficient allocation of the Port's financial and human resources for the benefit of their customers and public stakeholders.

Mr. McChesney reviewed that over the past year, the Commission and staff discussed the Mission Statement with a focus on clarifying the intent of the first principle of Financial Stewardship pertaining to marina facilities. In order

to clearly express the understanding and consensus of the Commission, they agreed to slightly modify the language in one particular policy that guides the budget to read: *“Operate and develop marina facilities with the goal that it be fully self funded.”* He advised that no other changes were made to the Mission Statement, which reads as follows:

“The Port will continue to:

- 1. Be a responsible environmental steward.*
- 2. Provide and/or foster quality services and facilities for tenants and the boating community.*
- 3. Play a leadership role in ensuring that the waterfront is a vibrant, active centerpiece for the Edmonds and Woodway communities.*
- 4. Provide opportunities for economic development.*
- 5. Communicate openly, frequently, and consistently with Port District residents and tenants.”*

Mr. McChesney advised that other motivating factors for Strategic Plan actualization during 2014 include:

- 1. Customer service is Job 1 for all employees and in everything we do. That job never ends.*
- 2. The Port of Edmonds Marina brand is **“Quality, Value, Destination and Convenience.”** In a competitive market for moorage and marina facilities, brand recognition is a critical element to achieving successful operations. This includes maximizing occupancy, revenues and customer satisfaction.*
- 3. Innovative and targeted marketing and promotions will continue in 2014.*
- 4. The Strategic Plan for properties and real estate development is **“Marketing, Retention and Recapitalization.”** This applies to Harbor Square, as well as the marina side.*

Mr. McChesney expressed his belief that some elements of the Strategic Plan need to be updated. The current plan was prepared in 2005, and some elements may have been overtaken by more recent events. For example, the plan talks about a 10-year financial plan, which was accomplished with the Cash Flow Model that was adopted three years ago and updated every year. The plan also talks about building the Destination Port of Edmonds Program, which has become part of the Port’s regular practice. He recommended the Commission schedule a workshop discussion after the budget process has been completed to review the Strategic Plan in its entirety.

Commissioner Orvis suggested that it would be best to hold the workshop in early 2014. This would be a better time to engage the public in the discussion. The remainder of the Commission concurred.

2014 BUDGET BASELINE CONDITIONS/CASH FLOW MODEL

Mr. McChesney advised that the first step in the Commission’s budget discussions is a review of the 2014 baseline conditions and Cash Flow Model. These two items will guide future budget policy discussions. He recalled that the Cash Flow Model was adopted three years ago and has proven to be a very useful tool for budgeting, as well as other decisions. However, it does not address projects that need to be done at Harbor Square that will clearly have an impact on the baseline conditions of the Port’s cash.

Ms. Drennan reported that staff is currently working on the 2014 Operating and Capital Budgets, and the Finance Committee met on August 15th to discuss the 2014 budget baseline conditions and the Cash Flow Model. She explained that the Port Commission approves operating and capital budgets on an annual basis. The budget 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.

Ms. Drennan explained that actual results may differ from the budget due to changed facilities or equipment conditions, changed priorities, and changed economic environment. For example, in 2013, the Port intended to patch the Harbor Square Building 2 roof at a cost of \$50,000. After review of the previous patches, staff found they were failing and recommended that contractors install a complete overlay at a cost of \$480,000. Also in 2013, staff found that electrical wiring in Guest Moorage was not up to code, and the Port paid \$95,000 to upgrade the facility. These items were not included in the 2013 budget. On the other hand, some projects were postponed until 2014.

Ms. Drennan referred to Figures 1 and 2 in the Staff Report, which illustrate that Port staff made progress in reducing the differences between budget and actual in 2012, with operating revenues exceeding budget by 1.38% and operating expenses coming in at 0.68% below budget.

Ms. Drennan advised that the Cash Flow Model has been updated slightly. While the Finance Committee's recommended moorage and dry storage rate increases have been incorporated, the remaining 2014 budget items have not. She noted that the Cash Flow Model was last reviewed by the Commission on April 8th, and the major changes from that version are:

1. 2014 Moorage and dry storage rate increases were changed to 2.4% (CPI + 1%) as recommended by the Finance Committee.
2. The 2013 Capital Budget numbers were replaced with 2013 numbers to date, including the Harbor Square Building 2 roof and the Guest Moorage electrical upgrade.

2014 BUDGET SCHEDULE

Ms. Drennan advised that staff would present the property tax and the economic development budgets for the Commission's discussion on September 23rd, and they would like to meet with the Finance Committee the week of October 7th to discuss the 2014 Operating and Capital Budgets. Staff will present the draft budgets to the Commission on October 14th, at which time the Commission will conduct the first of three public hearings.

Commissioner Gouge recalled that the Finance Committee scheduled a meeting on September 17th, as well. Mr. McChesney advised that the September 17th meeting was tentatively scheduled as an opportunity to brief Commissioner Faires on what occurred during his absence. It may or may not be necessary. It might be possible for staff to provide Commissioner Faires with a brief summary of the most recent budget discussions.

Commissioner Orvis encouraged the Commissioners to thoroughly review the Cash Flow Model and share input and comments with the Finance Committee as soon as possible. Commissioner Gouge commented that projecting a budget is very difficult, and the Port has come very close in recent years.

Mr. McChesney reminded the Commission that the Port is only required to conduct one public hearing before adopting the 2014 Operating Budget. However, the Commission made the decision in recent years to hold three public hearings. The public hearings have been set for October 14th, October 28th, and November 12th.

Ernie Collins, Edmonds Yacht Club (EYC), said that based on conversations he has had with EYC members, it would be helpful for the Port to clearly identify the dollar amount that the percentage increase in moorage rates will represent in the budget. He noted that the increase will be very small compared to the overall budget, and the information will help tenants understand the impact of the rate increase. Ms. Drennan agreed to provide this information. Commissioner Orvis pointed out that it has been the Port's practice to identify exactly how much the rate for each slip would increase, as well.

COMMISSION MEETING SCHEDULE

Mr. McChesney advised that the majority of the Commission's time at upcoming meetings will be focused on the 2014 Operating and Capital Budgets. However, there are several conferences and events that will be attended by either Commissioners or staff. He advised that in deference to the Candidates Forum that is scheduled for September 30th, the Port Commission's last meeting in September was rescheduled to September 23rd.

Commissioner Block indicated that she would attend the Washington Public Port Association's (WPPA) Environmental Seminar on September 26th and 27th in Vancouver. Commissioner Orvis indicated he would not attend the event.

Mr. McChesney advised that, typically, the Port sends one or two staff members and one Commissioner to the Pacific Coast Congress (PCC) Conference. This year's conference will be held in Eureka, California. Because of costly travel expenses, no staff members will attend the event this year. However, Commissioner Gouge indicated that he may attend the event as the location is within the vicinity of his vacation travel plans.

Commissioner Orvis indicated that he would not attend the WPPA Small Ports Conference in Leavenworth on October 17th and 18th, but Commissioner Preston would attend to represent the Port.

Commissioner Block asked about the agenda for the Environmental Seminar on September 26th and 27th. Mr. McChesney agreed to contact the WPPA and forward the agenda information to Commissioner Block.

The Commissioners briefly discussed their plans to attend the WPPA Annual Meeting, which is scheduled for November 20th through 22nd in Tacoma. Mr. McChesney noted that it is not unusual for several Commissioners to attend the meeting, and he encouraged them to notify staff of their plans to attend so that appropriate arrangements can be made.

EXECUTIVE DIRECTOR'S REPORT

Mr. McChesney recalled that earlier in the year, the Commission requested a baseline condition survey for Harbor Square, and staff is currently working in house to complete the project. He noted that the last baseline condition survey for Harbor Square was completed by CBRE Property Management in 2005. There has been no improvement in recent years, and conditions in several areas are even worse. The 2005 survey noted that the roofs and HVAC equipment needed to be replaced on all buildings. While several HVAC units and the roof on Building 2 have been replaced, there is still a lot of work to be done.

Mr. McChesney advised that staff is using the 2005 survey as a reference point. They are going through the buildings inside and out to note the condition of the buildings and their systems. It is no surprise that the Port will be faced with some hefty bills for reconditioning the buildings just to keep them functional. The Commission experienced some of these costs when the Port replaced failed windows. There have also been issues with water intrusion and cracked roof membranes.

Commissioner Gouge asked if the survey would include an inspection of the building foundations. Mr. McChesney answered that the survey would make note of any settlement, but staff would not do an extensive review of the foundations unless they see red flags. He advised that, structurally, the buildings are okay, but the systems have a finite lifespan that can be stretched with good maintenance. However, once they reach a certain point, it is difficult to get them back into proper condition.

Mr. McChesney advised that staff will present the baseline condition survey at a Commission meeting in October.

Ms. Kempf reported that the Port invited the Department of Ecology (DOE) to inspect the boatyard a few months ago. The request was made in response to a public records request of all boatyards. The Port recently received a written report from the inspector indicating that the boatyard was in full compliance.

Ms. Kempf also reported that, last week, the DOE's Marine Fuel Station Inspector, inspected the Port's fuel dock. The Port received his report today, indicating that the fuel dock is in full compliance. However, the inspector did note the age and the single-wall design of the lines and dispensers, as he did last year. Staff informed the inspector that the Port is addressing the two issues in a phased approach. They have installed a new monitoring system, and they are budgeted for replacement of the rest of the equipment in 2014.

Ms. Kempf announced that the Edmonds Coho Derby was held on September 7th and 960 tickets were sold for the event. The grand prize winner was a 10-year-old girl who caught an 11 pound 8 ounce salmon. She noted that several Port customers won prizes during the event, as well. She summarized that the event went well, and fishing seems to be good for everyone. The lower fuel prices and extended good weather will also help.

Ms. Kempf announced that the Fowl Weather Bluff Event is coming up soon, and the Port has offered half price sling and wash to event participants.

Ms. Kempf advised that operating hours will change on September 16th from 6 a.m. to 7 p.m. to 7 a.m. to 5 p.m.

COMMISSION COMMENTS AND COMMITTEE REPORTS

Commissioner Preston asked if the Port has sent out the required notice to employees regarding the health care exchange. Ms. Drennan said the notice has not been sent out yet, but it must go out by October 1st.

Commissioner Preston reported that he spoke with the owner of the American Brewing Company about potential signage on the west façade of the building. The owner indicated that a sign on this wall would be desirable, but it would not be allowed. Mr. McChesney advised that the Port would be willing to work out an agreement with the owner for additional signage, as long as it complies with the City's sign code requirements. **Ernie Collins, EYC**, recalled that the EYC requested approval to place an additional sign on the south side of their building, but the request was denied because the sign would have exceeded the City's allowed sign area. Mr. McChesney agreed to research the issue further and report back to the Commission.

Commissioner Preston announced that he attended the Snohomish County Tourism After Hours Event in Everett on September 5th.

Commissioner Block indicated her plans to attend the WPPA Environmental Seminar in Vancouver on September 26th and 27th.

Commissioner Gouge reported that the Finance Committee met recently. He invited the Commissioners to forward their comments and recommendations regarding the budget to staff as soon as possible so the budget process can run smoothly. Mr. McChesney emphasized that just because an item is included in the initial draft budget does not mean it will be included in the adopted budget. The draft budget will go through a vetting process with staff, the public and the Commission before approval.

Commissioner Orvis announced that he would attend the Economic Alliance Snohomish County Military Affairs Committee meeting on September 10th. He commented that although people assume that the Everett shipyard is safe from closure, he recently learned that if the sequester continues, the Navy may decide to mothball some carriers and Everett could be on the chopping block. If the carrier is eliminated, the Everett Shipyard would have no reason to exist.

Commissioner Block reported that she attended a recent Sea Jazz performance. She suggested the Port needs to find ways to encourage more people to attend the events. Ms. Kempf announced that the last performances will be Wednesday, September 11th, from 5 to 7 p.m. and Sunday, September 15th, from 1 to 3 p.m. Councilmember Bloom agreed to announce the final two events at the next City Council Meeting.

ADJOURNMENT

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

Respectfully submitted,

David Preston
Port Commission Secretary

M. Block
as Vice President