

## PORT COMMISSION OF THE PORT OF EDMONDS

### MINUTES OF REGULAR MEETING

May 27, 2014

#### COMMISSIONERS PRESENT

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

#### 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 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 THE CONSENT AGENDA BE APPROVED TO INCLUDE THE FOLLOWING ITEMS:**

- A. APPROVAL OF AGENDA**
- B. APPROVAL OF MAY 12, 2014 MEETING MINUTES**
- C. APPROVAL OF PAYMENTS IN THE AMOUNT OF \$396,898.75**

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

#### PUBLIC COMMENTS

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

#### 2013 ANNUAL REPORT

Ms. Drennan reviewed that the 2013 year-end financial statements were presented to the Commission on February 24<sup>th</sup>. The financial statements contained in the 2013 Annual Report have been prepared in the format required by the State of Washington, and they were reviewed by the Finance Committee between May 6<sup>th</sup> and May 18<sup>th</sup>. The report will be available on the Port's website in early June, and staff expects that the 2012 and 2013 Annual Reports will be audited by the State Auditor's Office late in the 3<sup>rd</sup> quarter or early in the 4<sup>th</sup> quarter of 2014.

Ms. Drennan advised that there were no additional journal entries since the year-end financial statements were presented on February 24<sup>th</sup>. She referred to the Statement of Cash Flows, which illustrates the sources and uses of cash in 2013. She reported that operating activities provided net cash of \$2,878,005. She also reported that noncapital financing activities include proceeds from property tax income, changes in customer deposits, operating grants, damage expenses, and insurance reimbursements. These activities provided net cash of \$742,497. She

further reported that capital and related financing activities used net cash of \$3,002,959, and explained that cash flows include the capital grant for the launcher, purchases and construction of capital assets, and principal and interest paid on debt. Investing activities used cash of \$1,478,323, and activities included the purchase of long-term investments and interest from the Port's investments. She summarized that the total cash decreased in 2013 by \$860,780. However, without the purchase of the long-term investments, total cash would have increased by \$639,296. As per the Cash Flow Model, staff will move that amount into the capital Replacement Reserve in the 2<sup>nd</sup> quarter of 2014.

Ms. Drennan advised that State Law requires the 2013 Annual Report to be submitted to the State Auditor's Office by May 30<sup>th</sup>, but she actually submitted the report on May 19<sup>th</sup> to ensure that any unforeseen problems are resolved before the deadline.

Commissioner Block noted the wide variation in rental income (Page 33). Ms. Drennan explained that the numbers are based on what the Port is actually committed to receive as per the current lease terms. Anticipated lease extensions were not included.

Commissioner Faires suggested that the next major financial decision that will need to be made is how much money is available to pay down the Harbor Square loan. Ms. Drennan she has this issue on her calendar as something that needs to be addressed. However, the information needed to make the final decision will not be available until December.

Commissioner Preston requested clarification on the numbers for rental income revenue (Page 33), which are projected to significantly increase in 2019. Ms. Drennan pointed out that, until 2019, the numbers represent the rental income for a single year. Beginning in 2019, the numbers represent a five-year period.

#### **PUBLIC LAUNCH**

Mr. McChesney reviewed that, as previously discussed, the installation of the new public launch has not gone as smoothly as expected. Without reviewing the details again, he summarized that the design and installation of the festoon track were both flawed and resulted in work that was not acceptable to the Port. The festoon track was redesigned and reworked to be exactly like the one it replaced. The work was finished and the launch was approved for full operation on May 14<sup>th</sup>. However, it failed on May 18<sup>th</sup>, and the Facilities Maintenance Manager was called in to evaluate the situation. He was able to determine the problem and make temporary repairs to stay in operation, and staff met with the contractor (IMAC) and the supplier (Tom Wells) on May 20<sup>th</sup> to confirm the problems and determine the best course of action. It is now believed that the final solution has been defined. The needed parts have been delivered and the work has started.

Mr. McChesney announced that staff is planning a dedication event on June 14<sup>th</sup>, which is National Marina Day. He expressed consternation that the machine was supposed to have been installed in four or five days, but there has been one problem after another. While it is typical to expect some problems, the types of defects they have been working through are beyond what would be considered reasonable. The contractor is stepping up and making it right, and there will be no additional financial cost to the port. However, some customers have become discouraged that the new machine was not operational for some of the recent fish openings.

#### **WASHINGTON PORTS AID AGREEMENT**

Mr. McChesney referred the Commission to the Washington Ports Omnibus Mutual Aid Agreement, which is intended to allow participating ports to share resources during an emergency in order to expedite relief and recovery. The agreement would not supersede other Port policies nor override the Commission's authority to declare an emergency in accordance with Revised Code of Washington (RCW) 39.04.280(1)(e) and 39.28. Rather, it would simply provide an additional tool for responding to unforeseen circumstances as defined in the draft agreement.

Mr. McChesney specifically pointed out that, as written, execution of the agreement would not be legally binding on a member until the member agrees to become a lender or borrower in accordance with the terms of the agreement. In addition, the agreement would operate under the principles of the National Incident Management System and the Incident Command System, and the Washington Public Port Association (WPPA) would serve as the lead

coordinating agency. Mr. McChesney expressed his belief that the agreement could be a useful tool; but he requested Commission feedback and comments as to how the agreement would apply to the Port of Edmonds.

Commissioner Preston questioned the date of December 2014 that is printed at the bottom of each page of the agreement. Mr. McChesney explained that this may be the perspective date for finalizing the agreement.

Commissioner Preston asked if the Port Attorney has reviewed the agreement and provided feedback. He said it appears that by signing the agreement, the Port would have the ability to participate, but would not be obligated to participate. He asked if the agreement would allow the ports to work with other municipalities, as well. Mr. McChesney answered that the agreement would only apply to ports.

Commission President Orvis recalled recent reports that a fire district was unable to immediately help at the Oso mudslide because there was no agreement in place. He said he finds this appalling. While participation in the program would always be voluntary, the agreement would help ports avoid similar situations in the future.

Commissioner Faires said he has read through the agreement and did not see anything that would bind the Port to participate. Commissioner Block agreed that participation in the program would be voluntary, and she pointed out that small ports are likely to benefit more from the agreement.

Mr. Cattle said he supports the concept outlined in the agreement. He agreed to review the document and bring it back to the Commission for further discussion if he notes any significant concerns. Otherwise, he will make minor edits for the Executive Director's signature.

**COMMISSIONER FAIRES MOVED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE DIRECTOR TO SIGN THE WASHINGTON PORTS OMNIBUS AGREEMENT, SUBJECT TO APPROVAL BY THE PORT ATTORNEY. COMMISSIONER PRESTON SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.**

#### **HARBOR SQUARE BUILDING 1 HVAC**

Mr. McChesney recalled that Port staff conducted a comprehensive condition survey of all the buildings at Harbor Square and reported their findings to the Commission on January 13<sup>th</sup>. One of the high-priority recommendations was to continue the HVAC replacement program that has been ongoing incrementally since the Port took ownership of the buildings in 2006. Mr. McChesney advised that Building 1 has become a top priority because of the new lease and extensive remodel for Hart Crowser, as well as the anticipated roof replacement. The goal is to sequence the projects so they can be done within a reasonable timeframe. He reminded the Commission that the Port has an existing contract with D.K. Systems for ongoing HVAC maintenance, and 6 HVAC units at Harbor Square have been replaced to date.

Mr. McChesney advised that the anticipated cost for replacing the HVAC units on Building 1 is \$92,792.10. He recommended the Commission approve the project.

**COMMISSIONER FAIRES MOVED THAT THE COMMISSION APPROVE AND AUTHORIZE THE EXECUTIVE DIRECTOR TO ACCEPT THE PRICE QUOTATION FROM D.K. SYSTEMS FOR REPLACING THE HVAC UNITS AT HARBOR SQUARE BUILDING 1 IN THE AMOUNT OF \$92,792.10 UNDER THE EXISTING AND CURRENT HVAC MAINTENANCE AGREEMENT, AND TO PROCEED TO COMPLETE THAT WORK ACCORDINGLY. COMMISSIONER PRESTON SECONDED THE MOTION.**

Commissioner Block noted that the staff report identifies two different costs for the project. Mr. McChesney clarified that the correct number is \$92,792.10.

Commissioner Preston pointed out that the Port's ability to lease space at Harbor Square should improve as current and prospective tenants see that the Port is working hard to maintain the buildings. Mr. McChesney agreed and noted that the Building 2 Roof Replacement Project was essential in the Port's ability to retain its existing tenants.

## **THE MOTION CARRIED UNANIMOUSLY.**

### **CALENDARING**

The Commissioners reviewed their summer schedules and identified the meetings they would be unable to attend.

Commission President Orvis announced that the annual Washington Public Port Association (WPPA) meeting is scheduled for December 10<sup>th</sup> through 12<sup>th</sup> at the Hyatt Regency in Bellevue. He also announced that Commissioner Preston would attend the WPPA Small Ports Seminar on October 23<sup>rd</sup> and 24<sup>th</sup> in Leavenworth. He advised that he and Commissioner Preston would also attend the WPPA's Environmental Seminar on October 2<sup>nd</sup> and 3<sup>rd</sup> in Walla Walla.

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

Mr. McChesney reported on his attendance at the WPPA Spring Meeting, at which he attended the Marina and Environmental Committee meetings, as well as the Washington Tourism Alliance Dinner that was hosted by the Port of Seattle. He said he was recently contacted by the Snohomish County Tourism Bureau to be on their Board of Director's.

Mr. McChesney announced that the Waterfront Festival is scheduled for this weekend, May 30<sup>th</sup> through June 1<sup>st</sup>. It appears that the event is well planned and coordinated.

Mr. McChesney reminded the Commissioners that the Anderson Hunter Law Firm is hosting an "open government" training session on June 11<sup>th</sup> at 2:30 p.m. in the Blue Heron Room at the Port of Everett. Mr. Cattle emphasized that all Commissioners are required to complete the training, which can be done either on line or by attending a training event. He provided additional details about the training event and also agreed to send the Commissioners information on how to do the training online.

Ms. Drennan reminded the Commissioners that the next payment for the 2005 General Obligation Bonds is due on June 1<sup>st</sup> in the amount of \$726,417.

### **COMMISSION COMMENTS AND COMMITTEE REPORTS**

Commissioner Faires advised that the Washington Ports Omnibus Mutual Aid Agreement, which was discussed earlier in the meeting, was also a topic of discussion at the recent meeting of the WPPA Trade and Economic Development Committee. The agreement has been well reviewed by a variety of positions and people over the past year, and he was pleased to see the Port of Edmonds jump on board.

Commissioner Faires reported on his attendance at the WPPA Spring Meeting, where there was quite a bit of discussion on tourism, particularly the Washington State Tourism Alliance's effort to work out a process by which the Department of Revenue could collect funds for the group. He observed that the Port of Seattle has awakened to the fact that they are a portal to the state for national and international travel; and if other entities in the state, both public and private, are attractive, they will get more people to their portal. The Port of Seattle is making an honest effort to work with other ports to improve the attractiveness of the state to national and international tourism.

Commissioner Faires reported on his attendance at the May 21<sup>st</sup> Edmonds Economic Development Commission (EDC) meeting where an update on the Business Improvement District (BID) was provided. It was reported that the BID has successfully collected money, but they are still trying to figure out how to spend the available funds. The BID is working diligently this year to identify the demographics they are trying to attract. He suggested that the Port of Edmonds and the BID should work with the Port of Seattle to ensure that Edmonds gets a share of the Port of Seattle's efforts related to national and international travel. He said he was pleased to learn that both organizations are working in the same direction.

Commissioner Faires reported that the EDC also discussed the draft Westgate Plan and form-based code that is scheduled for a public hearing before the Edmonds Planning Board on May 28<sup>th</sup>. He advised that the plan is very similar to the one that was presented in 2013, but with some refinements. At the meeting, he announced the City

Council's decision (4-3 vote) to require that members of the EDC be residents of the community. He suggested that they might take this action as positive reinforcement, in that at least four City Council members view the EDC as a viable group. He encouraged them to make their position on the draft Westgate Plan known to the City Council as early as possible instead of waiting.

Commission President Orvis said the Planning Board's public hearing on the draft Westgate Plan (May 28<sup>th</sup>) was also announced in myedmondsnews.com. He noted that the only comment received to date was from Michael Plunkett. Although Mr. Plunkett no longer lives in Edmonds, he speaks for a vocal group of the community. Mr. Plunkett cautioned that form-based zoning lends itself to more people and more crowding. Commission President Orvis observed that there is a strong resistance to planning amongst a vocal group of citizens because it might lead to development. They prefer that development happen situationally, one project at a time. He expressed his belief that this approach leads to strip malls rather than attractive, welcoming and cohesive development.

Commissioner Faires said he reviewed the initial Westgate Plan, as well as the current proposal. He said it is important to keep in mind that the area will not all be redeveloped next year as a result of the plan. The purpose of the plan is to focus on the future to create a more urban community with sidewalks and shops on the street.

Commissioner Preston reported on his attendance at the WPPA Spring Meeting. He said he was disappointed in the presentation made by Washington State's Insurance Commissioner, Mike Kreidler, who talked about transparency over and over again in a non-transparent way. He talked about the cost shifts created by health care reform, but failed to note that the shift has been going on for years. He specifically commented that rate increases are at about 8 or 9%, but he failed to note that deductibles have increased significantly. Although he stated that a lot more carriers are involved now, there were actually more carriers before he got into office. He said he wanted to talk about the future of health care, but he failed to talk about the concept of creating medical homes that place everything in one place electronically.

Commissioner Preston advised that he attended the Enduris Meeting where they discussed employee human relations issues. He said he received some good information, and he is glad the Port is part of that group. He also reported that the lunch meeting with Roger Woodworth, Chair of the Washington Economic Development Commission, was eye opening and provided good ideas for thinking differently about how to be leaders in the community.

Commissioner Preston reported on his attendance at the Economic Alliance Snohomish County Luncheon where Troy McClelland, President and CEO of the Alliance, was the keynote speaker. Commissioner Gouge said he also attended the luncheon and was happy to hear Mr. McClelland mention Edmonds and south Snohomish County a number of times. He said he invited Mr. McClelland to provide an update on the Alliance's activities to the Commission at a future meeting. Mr. McChesney advised that he and Commissioners Orvis and Faires are scheduled to have lunch with Mr. McClelland on May 29<sup>th</sup>.

Commissioner Gouge reported that there is a lot of discontent amongst members of the Business Improvement District (BID) regarding how the funding that has been collected and will continue to be collected will be spent. Many are unhappy that there has been very little effort to promote businesses in Edmonds.

Commissioner Gouge announced his plan to attend the WPPA Finance Seminar with Ms. Drennan on June 11<sup>th</sup>.

Commissioner Faires said he also learned at the WPPA Spring Meeting that, contrary to what the Commission has been told, port districts can purchase and own land outside of the port district. However, it must be included in the scheme of harbor improvements. He requested confirmation from the Port Attorney. Mr. McChesney recalled that legislation was approved 12 to 15 years ago that favored an arrangement between the Ports of Tacoma and Olympia whereby the Port of Tacoma purchased a parcel of land outside of Pierce County to create an off-site intermodal yard in conjunction with the Port of Olympia. Mr. Cattle explained that the statute allowed the two port districts to purchase and develop property outside of either district. However, he cannot find a statute that allows a port district to purchase and develop property on its own outside of its district boundaries. He agreed to research the matter further and report back to the Commission. Commissioner Faires agreed to provide Mr. Cattle with contact information for the person he spoke to at the WPPA meeting.

Commission President Orvis reported on his attendance at the WPPA Spring Meeting, as well. At the Environmental Committee Meeting, he learned that the Port of Port Townsend is looking at constructing a boat demolition facility. Also at the meeting, Eric Johnson, Executive Director of the WPPA, expressed concern about the turmoil and lack of direction that is taking place within the State's government. A considerable amount of time was spent discussing the Department of Ecology's proposal to boost the current fish-consumption rate, which has Governor Inslee's support. Commission President Orvis explained that the higher consumption rate could have huge ramifications for the state because it drives water-quality standards. A higher number would mean that fewer toxic pollutants would be allowed in the waters. He further explained that studies have shown that Washington residents eat more fish than other people nationwide, making it necessary for the state to update its fish-consumption rate. The issue has received attention from Boeing, business groups and other municipalities who are concerned that technology is not yet available to allow them to meet the higher standards. Environmental groups, on the other hand, argue that the higher standards would drive new technology.

Commission President Orvis said he attended the WPPA Legislative Committee, where they discussed House Bill 1260, which was vetoed by Governor Inslee. As proposed the bill would have required that any project funded by Community Economic Revitalization Board (CERB) dollars must pay at least the median wage for the county in which it is located. This requirement would have ruled out any projects in rural counties that rely on CERB funding.

Commission President Orvis said he also learned at the WPPA Spring Meeting that the Northwest has the largest public utilities in the world, and the net export of energy is greater than the amount of energy that is consumed in the region.

Commission President Orvis reported on his attendance at the recent Economic Alliance Snohomish County meeting where he learned that Paine Field is expecting a ruling in June from the 9<sup>th</sup> Circuit Court on the appeal of the Federal Aviation Administration's (FAA) ruling. However, they recently learned that the Department of Justice is requiring them to show reason why the appeal is needed, which may slow the process. If the court doesn't rule on June 18<sup>th</sup>, it could be three more years in the process. It was also reported that Snohomish County is driving manufacturing in the State of Washington, and the community colleges in the County are doing spectacular work. Snohomish County is leading in aeronautics, not only because of Boeing, but because there are a number of research contractors, as well.

#### **EXECUTIVE SESSION**

Commission President Orvis announced that the Commission would recess into an executive session at 8:03 p.m. for review of a public employee, the decision of which would not be announced at the conclusion of the meeting. He advised that no action would be taken at the conclusion of the executive session, which would last about 30 minutes. The executive session was publicly extended by 10 minutes.

#### **RECONVENE REGULAR SESSION**

The special meeting session was reconvened at 8:40 p.m., at which time Commission President Orvis stated that he had an additional item to add to the agenda of the Special Commission Meeting, which was a discussion and possible approval of an amendment to the Executive Director Contract, including a salary increase and a possible revision to the provision concerning payment of accumulated sick leave upon termination. Upon the announcement that Commission President Orvis intended to add an additional agenda item to the agenda of the Special Commission Meeting, Commissioners Gouge, Faires, Block, Preston and Orvis each, respectively, acknowledged for the record that they were waiving 24-hour advance notice of the agenda item and agreed to proceed with discussion and possible action of the agenda item at the Special Meeting on May 27, 2014.

**DISCUSSION AND POSSIBLE APPROVAL OF AMENDMENT TO THE EXECUTIVE DIRECTOR CONTRACT**

**COMMISSIONER FAIRES MOVED TO INCREASE THE EXECUTIVE DIRECTOR'S SALARY BY 5% COMMENCING JUNE 1, 2014 AND TO REVISE THE EXECUTIVE DIRECTOR'S CONTRACT TO REMOVE THE REFERENCE IN THE CONTRACT TO AN INCENTIVE CLAUSE AND ALSO CHANGE THE PROVISION THAT DOES NOT PROVIDE FOR PAYMENT OF ACCUMULATED SICK LEAVE UPON TERMINATION WITHOUT CAUSE SO THAT IT DOES ALLOW FOR PAYMENT OF ACCUMULATED SICK LEAVE UPON A TERMINATION WITHOUT CAUSE. COMMISSIONER GOUGE SECONDED THE MOTION, WHICH WAS UNANIMOUSLY APPROVED.**

The Commission directed the Port Attorney to prepare an amended Executive Director's contract consistent with the motion and present it back to the Port Commission.

**ADJOURNMENT**

The regular meeting was adjourned at 8:45 p.m.

Respectfully submitted,



Bruce Faires  
Port Commission Secretary