



PORT COMMISSION OF THE PORT OF EDMONDS

MINUTES OF REGULAR MEETING

September 29, 2014

COMMISSIONERS PRESENT

Jim Orvis, President
David Preston, Vice President
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

COMMISSIONERS ABSENT

Bruce Faires, Secretary

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 SEPTEMBER 8, 2014 MEETING MINUTES
- C. APPROVAL OF PAYMENTS IN THE AMOUNT OF \$387,066.97

COMMISSIONER PRESTON SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

PUBLIC COMMENTS

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

PRESENTATION BY TROY McCLELLAND, ECONOMIC ALLIANCE OF SNOHOMISH COUNTY (EASC)

Mr. McChesney introduced Troy McClelland, Chief Executive Officer for the EASC and an Everett Port Commissioner. He advised that Mr. McClelland was present to share with the Commission and public the things the EASC has been working on and its plans for the future.

Troy McClelland, EASC, Chief Executive Officer, briefly shared some of the trends that are taking place in Snohomish County as follows:

- In 2010, salaries and wages in Snohomish County were at \$11.5 billion, and in 2013 they were at \$14.1 billion. This clearly represents significant growth.
- In 2011, there were 2,500 residential building permits issued in the County, and the number jumped to about 4,000 in 2013.
- The 2011 employment figure for Snohomish County was 246,000. It increased to about 263,000 in 2013, which represents the most employment in the County since 2008.
- Snohomish County continues to hold the position of first in manufacturing in the western United States.
- Snohomish County also continues to hold second place in the state for the most dollars in terms of technology jobs.
- In the last year, the EASC foresees much more interest in advanced manufacturing (non aerospace) in locations in and around Snohomish County.
- The EASC anticipates more robotics businesses around Paine Field in associated with 777 manufacturing. He also anticipates there will be more green technology and energy businesses in the southern portion of the County, as well as a more robust market for retail and financial services.
- Overall, the trends are favorable for Snohomish County.

Mr. McClelland reported that the EASC is finding a much more vocal employment sector regarding the need for people with critical technical skills. While engineering and four-year technical skills are needed, it has become clearer over the past 18 months that a number of employers are concerned that the State and County are not producing enough technical employees to fill the positions. For example, the maritime industry has indicated there are not enough people learning skills such as motor repair, electrical driven systems, and composites. The maritime industry has repeatedly encouraged the EASC to work with the community colleges to address this concern. In response, the EASC is working with the Edmonds Community College as it relates to their Science, Technology, Engineering and Math (STEM) Program. They are also working with Everett Community College to address the issue. Recently, the Everett Community College created an Advanced Engineering and Technology Center. In addition, the EASC offers support to the University of Washington Bothell Campus in an effort to grow its STEM Program. At this time, the campus is ranked 32nd in the nation as the most effective degrees, which means that graduates of the college are the best trained and receive the highest pay for a degree out of a public system.

Mr. McClelland advised that the newly created University Center has multiple universities and is a very important part of Snohomish County's future. Maritime businesses are working with the Advanced Technology Center at Everett Community College and the University Center to integrate the programs that are available in the engineering and manufacturing fields. Edmonds Community College has integrated maritime skills into its programs, as well.

Mr. McClelland announced that Snohomish County is the 7th county in the state to receive a STEM network. This will provide funding to hire a director to bring school districts together to create curriculum that is more reactive to future industry needs.

Mr. McClelland said infrastructure continues to be a concern of businesses that are located or are considering locating in Snohomish County. Manufacturing businesses, in particular, are interested in having a robust rail system. This does not necessarily equate to more tracks, but the mechanisms to do low-volume pickups in Maltby, Arlington, Snohomish, and other areas of the County. These businesses have freight mobility as part of their future business plans, and they have some concern that the existing private rail system will not allow this to occur.

Mr. McClelland advised that there has been some talk that the Legislature will introduce a transportation package, but he expects it will be primarily for maintenance. It is not likely that any additional corridors will be added and/or expanded in Snohomish County. He noted that expanding the corridors in Snohomish County is very important and vital to businesses, but these will likely be secondary to larger projects such as the I-90 corridor. He noted that there is plenty of time for the EASC, Port Commissioners and others in the County to have a robust conversation with not only their local legislators, but other legislators, as well. He reported that he has attended 18 meetings with legislators over the last several months, urging them to support transportation projects, particularly in South Snohomish County.

Mr. McClelland said the EASC is working to diversify industry in Snohomish County. The first couple of years, the EASC's focus was on shoring up the aerospace industry, and specifically the Boeing 777 Program. The focus has now shifted to include other types of industry. Just today, he met with a technology company whose business is only 15% related to aerospace at this time. They are interested in a northwest location, and they are pleased that Snohomish County is working with schools to create a pipeline of skilled workers. The EASC has spent a great deal of time building a relationship with this company and other companies who are considering the possibility of expanding to the West Coast. It is important to look for opportunities to diversify the economy, and the EASC will continue its effort in this regard.

With regard to the military sector, Mr. McClelland reported that the Naval Station in Everett looks sound for a few years, but this may change in 2017. About half of the people associated with the naval station live and work in Mukilteo, Edmonds, and other areas of South Snohomish County, and it is estimated they bring about \$200 million to the economy in South Snohomish County.

Mr. McClelland recalled that just last year the manufacturing, engineering and building industry was in a "wait and see" mode as they waited for a decision on the 777 Program. Since the program was awarded to Washington State, there have been positive trends in Snohomish County in not only aerospace, but also opportunities for diversification. The future of both the County and the State relies on providing infrastructure that allows for greater freight mobility, which is made up of roads, rail and ports. If this infrastructure is not provided, the State and County will lose opportunities. The EASC and Port Commissioners can take a leading role in telling the story of the importance of infrastructure as it relates to business in the County.

Commissioner Gouge asked Mr. McClelland to provide an update on when he anticipates air service will be expanded at Paine Field. Mr. McClelland answered that the EASC's Board recently adopted the following position: *"In an effort to achieve world class infrastructure, the Board recommends that they continue to strengthen Paine Field as a strategic asset, including scheduling air service for freight mobility and passengers."* Again, he said the EASC has consistently heard that businesses want more freight mobility. They are concerned that, right now, the only significant opportunity for airborne freight service is at SeaTac, which is too far away. He advised that, at this time, County Commissioners are speaking with a private investor, but the decision is really up to the County Council and the County Executive. He anticipates a decision sometime within the next year. Commissioner Gouge pointed out that expanding Paine Field to provide for more freight mobility and commercial use would result in numerous additional service jobs for County residents. He pointed out that approximately 30% of the County's young people do not obtain degrees, and it is important to provide employment opportunities for this segment of the community.

Mr. McClelland again said a number of maritime companies in the County have indicated they are having a difficult time getting young adults to realize the good career opportunities that are available, even without four year degrees. There has been discussion about the need to market these opportunities. Many feel the community is not doing its best to inform young adults how important these jobs are for the future of the State. Snohomish County is proud to have a high concentration of these high-tech jobs, but they are having a hard time filling the positions with their own young adults. He pointed out that Snohomish County has the second highest population growth in the State, which means there are people to support the industry. The key is to encourage young people to get the needed training. He reported that he will meet with several superintendents later in the week to discuss this very issue.

Mr. McChesney asked if there has been an influx of companies that do composite work. Mr. McClelland said this field has grown substantially and is a skill required for not only the aerospace industry, but the green technology and energy industry and the medical device industry. There is an enormous emphasis on this training at both Edmonds and Everett Community Colleges. However, they are still not keeping up with the demand. He reported that the EASC was part of a Washington State consortium to establish an Advanced Composite Center in Snohomish County. They have applied for grant funding from the Federal Department of Energy for a facility located somewhere between Edmonds and Paine Field. If the grant is not funded, the consortium will look for other mechanisms to get the center in place. He shared how this type of program has been used successfully in the United Kingdom for a number of years.

Commissioner Orvis reported that at a recent Washington Public Ports Association (WPPA) Legislative Meeting, Eric Johnson, WPPA Executive Director, reported that the Legislature is considering a very small transportation

package, but it would be for corridor maintenance rather than putting money in individual districts. They are recognizing that too many public officials on the committees are dictating where the dollars will be spent and they tend to be interested only in their jurisdictions and not the State as a whole. Mr. McClelland said that is good news. There are a number of incomplete corridors in Snohomish County, which are as important as starting a mega project.

Commissioner Orvis reported that he had a conversation with the owner of a small engineering company who indicated that retirement is on the horizon for many mechanics, and there is no one being trained to replace them. Young people will have opportunities to fill these high-tech jobs, but only if they get the necessary training.

Commissioner Preston asked Mr. McClelland to share his thoughts on how rail use will increase as more goods and services are moved throughout the State. Mr. McClelland said he anticipates significant increases in rail traffic. Adding rail as part of a freight mobility strategy could be a positive differentiator for the County and the State. The West Coast was largely built on port infrastructure, and businesses have come to Snohomish County with the idea that rail freight would be important to their future. Over-the-road transportation is becoming more costly, and there is a lack of supply as it relates to adequate trucks to transport goods. Low-volume freight on rail is, without question, part of the growing core of industry in Snohomish County.

Mr. McClelland reported that 60% of Snohomish County's jobs are tied to exports, and the County is ranked Number 2 in the nation behind Washington County in Oregon where Intel and Nike are currently located. The County is a manufacturing region that exports large items to other countries. This requires freight mobility. It is important to shore up every asset for freight mobility.

FUEL DOCK UPGRADE CONTRACT

Mr. McChesney reviewed that the Port owns and operates its own fuel dock, and the current fuel dispensers were installed in 1999. Shortly thereafter, the Port installed new point-of-sales and pay-at-the-pump systems that allowed them to provide 24-hour fueling services. At that time, the Commission also decided that users who are trained to use the pay-at-the-pump system would receive a \$.10 per gallon discount on fuel. This initial system was replaced with two systems in 2009: Verifone Ruby processes point-of-sale transactions by cash, check and credit card, and the Gilbarco Gasboy processes pay-at-the-pump transactions that are charged to tenants' accounts. Port staff has been unable to find one reliable system that will allow them to restrict unattended credit card sales only to properly-trained tenants.

Mr. McChesney advised that the Department of Ecology (DOE) annually inspects the fuel dock, and the Port has passed all of its inspections. However, the inspector recently expressed great concern about the condition of the fuel pipes leading from the underground storage tanks to the dispensers. He instructed the Port to make several improvements in the fuel dock equipment, including updating the fuel tank monitoring system, replacing the rusty fuel lines, and replacing the rusty and antiquated dispensers. The fuel monitoring system was replaced in April of 2013, and the remaining upgrades were budgeted in the 2014 Capital Budget at a cost of \$186,000.

Mr. McChesney reviewed that the project included replacing the supply line from the head of the dock, replacing the four dispensers and accessories, replacing or adding system controls and connecting to the fuel monitoring system. Bid alternatives included upgrading the water service on the dock, adding hose reels, and replacing the Ruby and Gasboy systems. The package went out for bid on September 4th, and bids were due September 25th. However, there was some confusion in the middle of the bidding process. The Port specified an industrial dispenser and there were three different answers about whether or not the dispensers will work with the Ruby point-of-sale system. Even at the time of bid opening, there was no answer to this question.

Mr. McChesney reported the Port only received one bid at a total cost of \$290,000 for all of the items in the package. This high bid caused staff to take pause and step back. Staff is now proposing that the project be done in phases, addressing the issues identified by the DOE first. Staff is recommending the Commission reject the bid. This will allow staff an opportunity to adjust the specifications to retail dispensers that will work with the current point-of-sale and pay-at-the-pump systems, as well as new systems that may be implemented in the future.

Mr. McChesney recalled that the Commission has had several discussions about how to integrate transaction infrastructure that serves both the dock-and-pay and pay-at-the-pump customers and still maintains the notion of the

\$.10 per gallon discount for those who do the dock-and-pay system. Rather than a complicated transaction infrastructure that is prone to failure to accommodate this extra service, staff is discussing whether the transaction infrastructure can be simplified. The Port could change from a discount system that requires them to monitor and keep track of sales to a rebate program. The customers would still receive the benefit of a discount by showing their receipts. The proposed concept would simplify the fuel dock system while preserving the intent of the program to provide a discount to customers who have been trained to use the service.

Commissioner Gouge pointed out that customers are already required to turn in receipts to obtain a refund on the road taxes they pay when purchasing unleaded fuel. The Commissioners offered general support for the concept, and Mr. McChesney agreed to conduct further research and report back to the Commission on the best approach for moving forward with the needed fuel dock improvements.

COMMISSIONER PRESTON MOVED THAT THE COMMISSION REJECT ALL BIDS FOR THE PROPOSED FUEL DOCK UPGRADE. COMMISSIONER GOUGE SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

EXECUTIVE DIRECTOR'S REPORT

Mr. McChesney reported that staff has been working to prepare the 2015 Operating and Capital Budgets for the Commission's review on October 13th. The Finance Committee met earlier in the day and provided additional direction. He also reported that he has been working on the Shoreline Permit for the new restroom and shower facility, and the Port has hired Denny Derrickson to be the planning consultant for the project.

Mr. McChesney pointed out that the weather center has become an essential facility at the Port, and it is time for it to be remodeled. He advised that staff has been working on a scope of work for updating the Weather Center and anticipates a budget of about \$40,000. Some of the work will be structural, but they also need to purchase computer equipment that is suitable for outdoor conditions. This project will be discussed more in connection with the 2015 budgets.

Mr. McChesney announced that Hart Crowser has moved into their new space at Harbor Square. There are still some punch list items that need to be completed as per the contract, and staff will work to address these issues next week.

Mr. McChesney reported on his attendance at a luncheon sponsored by Friends of Economic Development (ED), which is the successor to the Downtown Business Improvement District. The group is working to put together some ideas, and the goal is to collaborate and partner together. He said he also attended a Chamber of Commerce luncheon where Edmonds Public Works Director, Phil Williams, gave a great presentation on City plans and projects.

COMMISSION COMMENTS AND COMMITTEE REPORTS

Commissioner Preston reported that, since the Commission's last meeting, the Technology Committee met to review the updated website. He encouraged the other Commissioners to review the updates and direct their comments to either him or Commissioner Gouge. Mr. McChesney said the Port has received a lot of positive feedback about the updated website.

Commissioner Preston reported on his attendance at the ground-breaking ceremony for the Edmonds Swedish Hospital expansion project. The project will provide additional space for beds and a new emergency room. He said he also attended Mayor Earling's Town Hall Meeting where ideas for Highway 99 were discussed.

Commissioner Preston noted that a crosswalk was painted at the northern end of Sunset Avenue as part of the recent interim improvements. He expressed concern that this crosswalk could be added so easily when the Port has been trying for several months to get the City to install a crosswalk by Arnies Restaurant. He pointed out that there is a lot more two-way traffic on Admiral Way, and the situation is dangerous. Commissioner Orvis reminded the Commission that he and Mr. McChesney met recently with Mayor Earling and Phil Williams, the City's Public Works Director, and the crosswalk issue was discussed. While Mr. Williams indicated that the City could install a

few signs along the roadway, the City was not interested in providing a crosswalk, which would have to meet the requirements of the American's with Disabilities Act (ADA). He suggested they let the situation rest a while and then approach the City again.

Council Member Bloom asked if the crosswalk the Port is seeking is identified on the Transportation Plan. Commissioner Orvis answered that it has not been included in the plan, and the Port has been unable to raise enough interest amongst City staff to have it added. Ms. Kempf pointed out that the safety issue is magnified because the street lights in that area are out, and have been for a couple of years. Mr. McChesney explained that he has contacted both the City and the Snohomish County Public Utility District, and neither has been willing to accept responsibility for fixing the problem. They have been without lights in this area for two years, and they are not closer to having the issue resolved.

Commissioner Block said she enjoyed attending an event sponsored by Community Transit, Puget Sound Regional Council, and 8-80 Cities on September 25th at the Lynnwood Convention Center. Gil Penalosa, Executive Director of the Canadian non-profit organization 8-80 Cities, spoke about how to create vibrant cities and healthy communities for everyone. He emphasized the importance and advantages of providing pedestrian and bicycle facilities for commuters and provided examples of successful programs. Council Member Bloom said she also attended the event. She particularly liked when he spoke about the need to separate pedestrian and bicycle facilities. While this seems obvious, most cities do not do it. The City has received a number of complaints about near misses between pedestrians and bikers, and this could be resolved by having a physical separation (candlesticks or level changes) between the two uses. Commissioner Orvis said he attended the lunch session where it was pointed out that Copenhagen has a good system for bicycle commuters. However, it is important to remember that they did not have to deal with the type of topography changes that exist in Edmonds and other Puget Sound cities. It is also important to understand that these successful systems are accomplished in places where the authorities have far more ability to make things happen quickly. It generally takes much longer to put a system in place in the northwest. Commissioner Block agreed but said the presentation contained a lot of ideas and thoughts for the City to consider.

Commissioner Block reported on her attendance at a recent meeting regarding coal trains, where the topic of discussion focused on the potential increase of trains through Edmonds from 35 to 104 by 2030. No one seemed to have a good answer for addressing the potential impacts to the community. She passed around a copy of the materials she collected at the meeting. She also announced that Mayor Earling is having a Town Hall Meeting regarding the topic on Thursday, October 2nd, at 6:30 p.m. in the Plaza Room of the Edmonds Library Building. Representatives from the environmental community, Burlington Northern Santa Fe Railroad, SSA Marine, Fire District 1, Washington State Department of Transportation and Puget Sound Regional Council will be present to provide additional information about the issue.

Commissioner Block announced that she plans to attend the Edmonds Marsh and Shoreline Salmon Recovery Tour on Saturday, October 4th from 10:30 a.m. to 12:00 noon.

Commissioner Gouge reported on his attendance at the recent Technical Committee Meeting, where it was decided to roll out the updated website. He commended Ms. Kempf and Mr. Osterman for their hard work and noted that the new website features should save the Port both dollars and time. He encouraged the Commissioners and members of the public to visit the site and provide feedback.

Commissioner Orvis reported that he attended a recent Edmonds City Council Meeting where he shared the Port's position on the draft Shoreline Master Program update.

Commissioner Orvis also reported that he attended the WPPA's Legislative Committee Meeting where the following was discussed:

- The Legislature is expecting a long session and perhaps no budget by July. The big question is what the Court will do if they do not come up with funding for schools. The Supreme Court found the State in contempt and not the Legislature. One of the comments was whether that means the Supreme Court will fine each citizen a certain amount to cover the bill. Everyone is hoping the Legislature can come up with a solution.

- The Legislature is considering a small transportation package, which will likely emphasize major corridors. Previous packages have scattered money on projects all over the State, and the real problems are in the corridors.
- The Legislature is talking about sweeping the Model Toxic Control Act (MTCA) funding into a program for creating fish culverts.
- It was discussed that ports have far fewer limitations on the taxes they collect than senior taxing districts. They have more flexibility and it is far easier for them to raise taxes than it is for cities and counties. While the Port of Edmonds has not strongly considered these options, other ports have. Currently, ports are allowed to increase the industrial development tax by \$.45 without a public vote. However, they must implement the full tax increase at one time or lose it. Proposals have been presented to the Legislature that would allow ports to increase taxes by a portion of the amount one year, but still retain the ability to increase taxes to the full amount in the future. The concept has been held up in the House Committee, but the new committee chair appears to find the proposal more favorable.
- The Marine Tourism Excise Tax on large boats will be brought up again this year, and there appears to be more support from the Legislature. This tax only allows entity-owned vessels to stay in Washington waters for 60 days without paying the excise tax. The theory is that the tax drives boats out of the state after 59 days. For example, six months ago a large vessel relocated from Washington waters to Los Angeles, where the owner spent \$24 million.
- Governor Inslee will likely use the threat of having the Federal Department of Ecology (DOE) get involved in the stormwater regulations in order to get his proposed new benchmarks approved. The benchmarks are based on fish consumption. The intent is that the requirements should be more stringent so that people who eat more fish do not get sick. It was discussed that the proposed benchmarks would be unattainable, and the DOE will have to allow them to be phased in over a long period of time.
- Both the Department of Resources (DOR) and the Department of Ecology (DOE) are working on Habitat Conservation Plans with the National Oceanic and Atmospheric Administration (NOAA). However, the DOE and the DOR have not talked with each other, and their proposals are quite different.

ADJOURNMENT

The Commission meeting was adjourned at 8:15 p.m.

Respectfully submitted,

Bruce Faires
Port Commission Secretary