

PORT COMMISSION OF THE PORT OF EDMONDS
MINUTES OF REGULAR MEETING

October 27, 2008

Commissioners Present

Fred Gouge, President
Bruce Faires, Vice President
Mary Lou Block, Secretary
Jim Orvis
Marianne Burkhart

Staff Present

Chris Keuss, Executive Director
Marla Kempf, Deputy Director
Tina Drennan, Finance Manager

Others Present

Bradford Cattle, Port Attorney
Karin Noyes, Recorder

CALL TO ORDER

Commission President Gouge called the 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.

APPROVAL OF CONSENT AGENDA

Item B was removed from the consent agenda.

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

- A. APPROVAL OF AGENDA.**
- C. APPROVAL OF ELECTRONIC TRANSFERS IN THE AMOUNT OF \$142,162.90.**
- D. APPROVAL OF CHECK NUMBERS 66790 THROUGH 66813 INCLUDING DIRECT DEPOSITS D00209 THROUGH D00220 IN THE AMOUNT OF \$42,212.95 FOR PAYROLL.**
- E. APPROVAL OF CHECK NUMBERS 66814 THROUGH 66872 IN THE AMOUNT OF \$224,560.48 FOR ACCOUNTS PAYABLE.**
- F. APPROVAL OF VOIDED CHECK NUMBER 66856 IN THE AMOUNT OF \$196.02 FOR ACCOUNTS PAYABLE.**
- G. APPROVAL OF VOIDED CHECK NUMBER 66866 IN THE AMOUNT OF \$832.98 FOR ACCOUNTS PAYABLE.**

- H. APPROVAL OF CHECK NUMBERS 66873 THROUGH 66875 IN THE AMOUNT OF \$1,246.27 FOR ACCOUNTS PAYABLE.**
- I. APPROVAL OF CHECK NUMBERS 10792 THROUGH 10801 IN THE AMOUNT OF \$32,346.76 FOR HARBOR SQUARE ACCOUNTS PAYABLE.**
- J. APPROVAL OF EDMONDS YACHT CLUB – HOLIDAY ON THE DOCKS.**
- K. APPROVAL OF PORT RECORDER CONTRACT.**
- L. APPROVAL OF PORT ARBORIST CONTRACT.**

COMMISSIONER BURKHART SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

APPROVAL OF OCTOBER 13, 2008 COMMISSION MINUTES (Item B on the Consent Agenda)

COMMISSIONER FAIRES MOVED TO APPROVE THE MINUTES OF OCTOBER 13, 2008 AS CORRECTED. COMMISSIONER BURKHART SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

PUBLIC COMMENTS – NON AGENDA ITEMS

Jack Bevan suggested that the next time the Commission wants to schedule an afternoon meeting, they should do it on a day when there are no football games and the World Series on television in the evening. He suggested that may be the reason there are so few people in attendance at the meeting.

Herb Anderson referred to the Commission Minutes of October 29, 2007 in which he questioned the need for raising permanent moorage rates. At that same meeting, he pointed out that the Port tried to keep the rates at a level that would allow marina operations to function without being subsidized by the tax payers and other lease revenues. If this is still the Port Commission's goal, he said he was unable to find information to support the proposed rate increase. He asked for more detailed information about how the budget is broken out into the various expenses. He said it appears from the draft budget that there would be a surplus of about \$500,000. Again, he questioned the need to raise moorage rates and noted that the Port's rates are already 9.1% higher than the Port of Everett's rates. Even if they implement a 4% increase, the Port's rates would be 11% higher. Ms. Drennan pointed out that the detailed information requested by Mr. Anderson can be found in the 3rd Quarter 2008 Financial Report that is scheduled for review later in the agenda.

PUBLIC HEARING ON DRAFT 2009 OPERATING BUDGET

Mr. Keuss announced that this is the first of two public hearings on the Port of Edmonds 2009 Draft Operating Budget. The public would have an opportunity to make comments on any of the elements of the 2009 Marina and Property Budget, the 2009 Harbor Square Budget, and the 2009 Combined Operating Budget. In addition, the public is invited to comment on the proposed moorage and dry storage rates, marina operations rates, and the proposed tax levy. Comments made by the public should be taken under consideration by the Commission as they review the elements of the draft budget later in the meeting. He emphasized that formal notification of the public hearing was made in the appropriate publications and locations. He noted that the second and final public hearing would be held on November 10th, after which staff would recommend the Commission approve the final budget. Ms. Drennan reminded the Commission that the budget must be submitted to the Snohomish County Treasurer by November 30th.

Commissioner Gouge inquired if the Commission has the ability to modify the budget that was advertised for the public hearing, or if they would be required to have additional hearings if changes are made. Mr. Cattle clarified that the Commission has the ability to make whatever changes to the proposed budget they want. Their obligation is to

hold a public hearing pursuant to the notice provided and then approve a final budget within the time lines outlined by the statute. Mr. Keuss recommended the Commission open the public hearing and allow the public to comment. Once the hearing has been closed, the Commission could move forward with their workshop discussion on the 2009 Draft Operating Budget. They could recommend changes for the staff to make prior to the next and final public hearing at that time.

The Public Hearing on the draft 2009 Operating Budget was opened.

Jack Bevan referred to the original 2009 Draft Operating Budget which identified a tax revenue of \$300,000. He noted that the current proposal calls for \$400,000 in tax revenue. Commissioner Faires pointed out that the 2008 Operating Budget includes \$400,000 in tax revenue, and the draft proposal identifies this same amount for 2009. He agreed that one of the three budget options that were initially presented to the Commission identified a \$300,000 tax revenue.

Mr. Bevan also pointed out that one draft budget for Harbor Square identified a \$255,000 loss in net income before additional fees. This number was changed but no explanation was provided. Ms. Drennan explained that as per the Commission's recent discussion, \$150,000 of the tax revenue was allocated to the Marina and Property Operating Budget, and \$250,000 was allocated to the Harbor Square Operating Budget. Previously, the tax revenue was allocated all towards the Marina and Property Operating Budget.

Mr. Bevan urged the Commission to approve the reduced budget because of the current political and economic climate in the United States. He complimented Ms. Drennan for doing such a thorough job of preparing the proposed budget. However, he asked that the budget specifically break down how the professional fees budget would be allocated. The Commission agreed this would be appropriate.

Herb Anderson referred to Page 10 of the Quarterly Financial Report and asked for an explanation of the line item "interest allocation." Ms. Drennan answered that this line item identifies the interest on the bonds that were issued to build the marina. There is a separate category for interest expenses associated with Harbor Square.

THE PUBLIC HEARING WAS CLOSED.

WORKSHOP DISCUSSION ON DRAFT 2009 OPERATING BUDGET

Ms. Drennan briefly reviewed the items that were provided in the 2009 Operating Budget Packet. Mr. Keuss specifically drew the Commission's attention to the two versions of the 2009 Marina and Property Operating Budget. He noted that the initial version identifies a 5.8% increase in all areas, including a 5.8% increase in moorage and dry storage rates. A reduced budget was prepared at the request of the Commission, and it identifies a 4% increase in dry storage and moorage rates. In addition, it identifies several areas for reducing expenses. He reviewed each of the proposed reductions as follows:

- **Employee Benefits** – Mr. Keuss pointed out that Employee Benefits were reduced by \$1,000, Payroll Taxes by \$2,000, and Salaries and Wages by \$12,000. This change would result in the reduction of one part-time landscape seasonal staff position. This can be accomplished by eliminating the fall planting program.
- **Supplies** – Mr. Keuss explained that this line item was reduced by \$45,000. The largest reduction in this line item would be the elimination of several landscape contractors. However, he cautioned that this would result in a deferred maintenance program, which is a philosophy he doesn't agree with. The reduction would require the Port to discontinue their regular maintenance program of trimming trees and shrubs. It would also require the elimination of the fall planting program.

- **Advertising and Notices** – Mr. Keuss advised that the reduced budget identifies a \$2,000 reduction in the Advertising and Notices Budget. He noted that the Port has already made advertising commitments for 2009. While staff could attempt to reduce this budget further, he cautioned that significant reductions might not be possible until 2010.
- **Master Plan** – Mr. Keuss advised that because Port staff does not anticipate hiring any consultants for 2009, they are recommending the Master Plan Budget be reduced by \$10,000. If approved, the Port would probably not be able to hire any new consultants to do master planning in 2009.
- **Office** – Mr. Keuss announced that staff is proposing that the Office Budget be reduced by \$15,000, which is a significant change. He agreed it is appropriate for staff to reduce these costs. He reminded the Commission that over the years the Port has sent out mailings to tenants for various reasons, and this is a costly program. He suggested that these mailings be reduced as much as possible. Commissioner Gouge noted that notices to the tenant could be posted on the Port's website rather than sent through the mail.
- **Repair and Maintenance** – Mr. Keuss reported that the reduced budget proposes a reduction of \$40,000 in the Repair and Maintenance Budget. However, he cautioned that this would result in the need to defer some maintenance projects (i.e. replacing whalers, restriping parking lots, and resealing docks) to future years. He assured the Commission that staff would not defer any maintenance programs that are necessary to address safety or health concerns.

The Port has recently established a program of resealing two docks per year. Commissioner Orvis suggested that the \$10,000 identified for master planning should be transferred to the Repair and Maintenance Budget. Commissioner Faires requested information about how the resealing program would help extend the life expectancy of the docks. Commissioner Orvis answered that if the docks are resealed, the water would not be able to intrude into the cracks and damage the surface. He summarized that sealing the docks would significantly extend their life.

Mr. Keuss said the reduced budget would also require the Port to defer their plan to resurface the travelift pad. He noted that while the Port put down a seal coat on the travelift, this fix did not really address the concerns related to meeting the environmental standards. Resurfacing the pad would result in a smooth surface so particles no longer get stuck in the cracks. Commissioner Orvis pointed out that the Department of Ecology has not reached a decision regarding the permit requirements, so he would support postponing the travelift resurfacing program as long as it would not result in a safety concern or reduce the life of the asset. Ms. Kempf explained that if any paint particles are found on the travelift pad, the Department of Ecology will not allow them to discharge stormwater from the pad into the bay. Instead, they have to send it to the treatment system. This places a significant burden on the treatment system, which was not designed to handle stormwater runoff, too. Resurfacing the pad would reduce situations where particles are trapped in surface cracks. She summarized that, at this time, the Port must treat all of the stormwater runoff, which puts more wear and tear on the treatment facility. It was noted that the estimated cost of resurfacing the pad is \$20,000.

- **Harbor Square Maintenance** – Mr. Keuss advised that the reduced budget identifies a \$20,000 reduction in the Harbor Square Maintenance Budget. This would require the Commission to defer some of their plans to resurface parking areas at Harbor Square. Instead, they would have to prioritize the projects and do the worst areas first.

Commissioner Faires expressed his belief that staff did a good job of presenting a reduced budget for the Commission's review. Some of the reductions make both the staff and Commission uncomfortable, which means they are dealing with reality. The reduced budget proposal would also place the Port in a good position to react appropriately in the future. However, he suggested that programs that extend the life expectancy of Port assets should not be deferred or eliminated.

Mr. Keuss said staff estimates it would cost about \$75,000 to replace the whalers on the docks. However, staff is hoping the actual cost would be lower. He emphasized that the poor condition of the existing whalers is becoming a safety issue. However, it may be possible to spread the project out over a two-year period.

Mr. Keuss explained that his goal in preparing the reduced budget was to provide a proposal that would allow the Commission to make adjustments during 2009 if the economy were to significantly change one way or another. If the economy improves, it may be possible for the Port to move forward with some of the projects that were originally identified for deferral. He suggested the Commission review the budget mid year, and make changes as appropriate. Commissioner Burkhart recalled that the Commission already made this commitment.

The Commission agreed to move forward with the reduced budget, which identifies a 4% increase in moorage and dry storage rates. They further agreed that they would not support the elimination or deferment of any repair and maintenance projects that would reduce the life expectancy of a Port asset. They agreed that projects such as resurfacing the travelift pad, resealing the docks, and replacing whalers should not be postponed. However, projects such as landscape pruning and parking lot restriping could be deferred without significant consequences. They further agreed that the Master Plan Budget should be reduced to zero, recognizing that money could be allocated for this purpose later in 2009 if appropriate.

Commissioner Gouge announced that he received telephone calls from Port District Residents asking why the Port Commission is proposing to keep the tax revenue at the same level as 2008 when they are not proposing to increase moorage and dry storage rates based on CPI. They raised the question of whether tax revenue would have to be used to subsidize the marina if they do not increase the rates based on CPI.

Commissioner Orvis said he supports the proposal to raise moorage and dry storage rates by a lesser amount based on the current economic situation. He suggested the economy could have an impact on tenants' ability to retain their moorage and dry storage spaces. He pointed out that the proposed budget does not increase taxes, since the 2008 budget also identifies a \$400,000 tax revenue. Commissioner Burkhart noted that many of the proposed budget expense reductions are associated with the moorage and dry storage programs. Port tax revenue would be used to support improvements necessary at Harbor Square, which should pay off in the long run.

Ms. Drennan pointed out that the difference between a 4% and 5.8% moorage and dry storage rate increase would be no more than \$15 per month per tenant. The rates for smaller spaces would only increase by \$2 or \$3 per month. She summarized that she does not believe a rate increase of 5.8% would drive tenants out of the marina. Commissioner Burkhart said she is more concerned about how the tenants perceive the rate increase. Maintaining the tenants' goodwill would likely result in a much better situation for not only the tenants but for the owners of the marina (taxpayers) who want the marina to be self supportive. Ms. Drennan cautioned that the Commission may be surprised when the Port completes their review of the cost recovery program in 2009.

Jack Bevan suggested the Port invite community groups such as the Edmonds Floretum Society to provide volunteer support for the Port's landscape program. Commissioner Burkhart noted the Port has used volunteers for their planting programs in the past.

MARINA OPERATIONS OFFICE REMODEL

Mr. Keuss recalled that at their last meeting the Commission reviewed a draft plan of the proposed Marina Operations Office Remodel Project. He reminded them that this project was identified as a high priority by both the staff and Commission at the retreat that was held in April. At that time, the Commission invited staff to develop a short-term and long-term plan to resolve the concerns surrounding the situation. He said that at the October 13th meeting, staff presented a short-term plan, with a potential layout of the offices to accommodate a private office for the Port Operations Supervisor and the relocation of the Moorage Coordinator's office.

Since the October 13th meeting, Mr. Keuss reported that he met with the Deputy Director and Maintenance Manager to review the various elements of the short-term plan and prepare a cost estimate. Staff anticipates the total cost of the project would be approximately \$18,100. The draft motion asks for the Commission to approve an amount not to exceed \$20,000. Mr. Keuss emphasized that although a long-term plan was provided as part of the packet, staff is not asking the Commission to approve it at this time. It was provided to illustrate how the short-term plan could be expanded into a long-range solution if the Port is able to use a portion of the Edmonds Yacht Club space. He particularly pointed out that the long-range plan includes a common area in the middle that could be utilized and accessed by all staff.

Commissioner Gouge inquired if building permits would be required. Mr. Keuss answered affirmatively. He said that staff is hoping they can obtain the permits in a timely manner. Commissioner Faires emphasized that if the Commission authorizes staff to move forward on the short-term solution, it is important to ensure that the majority of the work would not have to be redone to implement the long-term solution.

COMMISSIONER BURKHART MOVED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE DIRECTOR TO PROCEED WITH THE PROPOSED REMODEL OF THE MARINA OPERATIONS OFFICES IN AN AMOUNT NOT TO EXCEED \$20,000. COMMISSIONER ORVIS SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

HARBOR SQUARE QUARTERLY REPORT

Jan Conner, Property Manager, was present to review the Harbor Square Quarterly Report. She noted that things were stable during the third quarter of 2008, and there was not a lot of tenant movement. She reported that one month-to-month tenant that had a small office space, left after just two months. In addition, a tenant in Building 2 got caught up in the subprime offshoot. Although this was a 4-year tenant who had been in business for 23 years, his business was wiped out in six months. He was able to continue paying rent, with the exception of one month (\$2,800). He still has not filed bankruptcy, and she is working to set up a payment plan with him. She reviewed that some tenants have also exercised their lease options, and one tenant picked up additional space.

Ms. Conner reported that Harbor Square revenues were down in the 3rd Quarter by 15.61% compared to the same time period last year. A tenant in Building 1 did their own improvements and the Port offered him a time period in which to get the work done so there was a small portion of rent abatement. However, the tenant replaced the floors in the space with hardwood, which increased the value of the asset. Mr. Keuss added that Gifford Industries is a premier hardwood floor installer in the Puget Sound region. They do many of the high school and college gymnasiums in the State. They do high-quality work in upper level residential development, as well.

Ms. Conner said there is currently a burp in the water system in Building 2. Whenever there is any pressure difference from the City water system, the water flow alarm goes off. Staff is still trying to track the problem.

Commissioner Faires invited Ms. Conner to share her forecast for Harbor Square Revenues given the current economic climate. Ms. Conner said she is out about six months on extensions, and a number of tenants have already exercised their option to extend. She said she does not anticipate the Port would lose a significant number of tenants as a result of the economy.

Mr. Keuss referred the Commission to the report that was prepared by the Port's Broker, Colliers. He noted that Ms. Conner has been working with Mitch Gilbert from the restaurant Grinders, who has expressed an interest in leasing the space that was previously occupied by Sailors. Some issues must still be resolved, and tenant improvements would be costly. If the potential tenant is serious, the Port would also have to modify their lease with Las Brisas, since the current lease offers Las Brisas an exclusive restaurant at Harbor Square. Ms. Conner said she is still not seeing as much activity from the broker as she would like, but there has been more activity.

CLARIFICATION FROM THE PORT ATTORNEY ON THE PUBLIC RECORDS ACT

Mr. Keuss reminded the Commission of their previous request that the Port Attorney research the requirements of the Public Records Act and how it would impact the Port and their tenants. Mr. Cattle said he believes that any records that are in the hands of the Port's property manager would be considered part of the public record. However, this would depend on whether Ms. Conner and her company is the functional equivalent of a local agency, as the term is defined under the Public Records Act. He concluded that Ms. Conner would likely meet this definition because she is effectively doing what the Port would do if they were managing the property for themselves. It is likely the Port would be required to provide any records related to tenants upon request, and this would most likely include the records that are in the property management company's files. However, unless and until a public records request comes in and he is able to look at any and all records and files that might initially be within the scope of the request, he cannot absolutely know what his position would be. He concluded that, at this time, his broad general rule is that probably the records would be subject to the Public Records Act.

Ms. Conner explained that she typically asks prospective tenants to provide financial information to make sure they have the ability to pay the terms of their lease. Many companies keep their financial information confidential, and they may have concerns if the Port were required to release this information to the public. She suggested that a solution would be for the property manager to review the documents and return them so they are not part of the lease file. Mr. Cattle agreed that would be an appropriate option. Another option would be to rely on certification from the tenant's accountant, without providing information the tenant would not want subject to the Public Records Act. The property manager could review the materials and return all documents that are not necessary for the file. Ms. Conner said that, in most cases, she asks for tax returns or other information that has been prepared by a third party. She could still request the tax returns, but also ask the accountant to provide a letter certifying that the documents are authentic. The letter could become part of the file, and the remaining documents could be returned.

Commissioner Faires said he assumes the Public Records Act would also apply to internal documents that are kept by the property manager. Mr. Cattle answered affirmatively. The Commission and Ms. Conner expressed the need to keep the emails and other documents from Port staff in a file that is separate from the Northwest Country Management files.

HARBOR SQUARE BEST WESTERN EDMONDS HARBOR INN REPORT

Jan Conner, the Property Manager from Northwest Country Management, provided an update to the Commission on the Harbor Square Best Western Edmonds Harbor Inn. She advised that the conversion process was long. Best Western is being very particular with new properties coming in. The Inn has gone through a couple of assessment inspections, and they received a score of 945 from a total of 1,000 on their last assessment, which is a passing score. However, in a photograph of a room they had a chair, which is no longer approved by Best Western. This put them in the category of less than 100%, so they are still waiting for final approval. She reported that they have finished renovating the two original wings that were constructed in 1985, and this spring they plan to replace the carpet and soft goods in the portion that was constructed in 2000. A hot tub and swimming pool were installed last fall, and these amenities have been well received by the Inn guests. They have experienced an increase in occupancy since last year as projected. However, the first quarter of 2009 will be a telling mark of how much affect the Best Western logo has on their reservations.

Commissioner Orvis inquired about the demographics of the guests who visit the Inn. Ms. Conner answered that many are manufacturing representatives who are associated with tenants at Harbor Square. In addition, many of their guests choose the Inn because it is away from the freeways, Seattle, etc. In the summer their businesses switches to more leisure guests.

FINANCIAL QUARTERLY REPORT

Ms. Drennan reviewed the 3rd Quarter Financial Report and specifically noted the following items:

- Gross profit for the nine-month period ending September 30, 2008 was \$4,375,862, which was \$126,213 or 3% less than budget.
- Net income for the same period was \$287,750.
- Marina operations revenues were less in all categories with the exception of dry storage and permanent moorage.
- Operating expenses without depreciation for the nine-month period were \$2,480,539 which was \$149,411 or 6% less than budget.
- Employee benefit expenses were \$292,046, which was 3% greater than budget. This difference is due to the increase in PERS employer contributions from 6.13% at the beginning of the year to the current 8.31%.
- Payroll taxes were \$114,657, or 11% less than budget. The rates budgeted for Labor and Industries taxes and unemployment taxes were greater than those charged in 2008. Based on 2007 and 2008 injuries, staff expects the Labor and Industries rate to increase in 2009.
- Repair and maintenance expenses were \$271,316 or 32% greater than budget. \$114,000 of this amount was associated with the crack repair project at Harbor Square Buildings 4 and 5. This project was budgeted in 2007, but it was not completed until 2008.
- Interest income was \$142,384 or 10% less than budget.
- Bond issuance expense was \$17,610. This amount was formerly recorded as interest expense and was moved to bond issuance expense after further review. This cost is associated with the cost of issuing bonds and is amortized over the life of the bond.
- FEMA and insurance reimbursement funds were received for the damage done during the December 3, 2007 storm. The Port received \$125,373 in FEMA and insurance reimbursements and is still waiting for the final FEMA payment of approximately \$7,500.
- Net income for the nine months was \$287,750, which was \$112,125 greater than budget.

Next, Ms. Drennan reviewed the Cost Center History Report and noted the following:

- The launcher revenue decreased by \$16,257 from 2007 to 2008. Employee expenses have increased by \$12,794, which was 19% greater than 2007. Due to the low activity, some of the seasonal employees did not have a chance to become proficient at the launcher, so extra supervision was required.
- Permanent moorage revenue increased by \$75,432 from 2007 to 2008. Employee expenses increased by \$29,436, which was 8% greater than 2007.
- Both the revenues and expenses in the fuel and oil cost center increased in the first nine months of 2008. Revenue increased by \$110,000, and cost of sales increased by \$121,400. Employee expenses have increased by \$8,925, which was 23% greater than 2007. Staff believes this is because two permanent staff came on board and had to be trained on the fuel dock operations, as well as the dock and pay training system.
- Workyard revenue increased by \$6,097 over the same period in 2007. The workyard cost center covers its costs, depreciation and overhead.
- Dry storage revenue increased by \$2,545 over the same period in 2007. Claims and damages increased by \$3,099. Employee expenses increased by \$17,995, which was 11% greater than 2007. The Deputy Director and she discussed that this was likely due to the injury in that department of a permanent employee. This required extra supervision to train replacement staff to operate the forklift.
- Guest moorage revenue decreased by \$18,717 from 2007.

Ms. Drennan referred to the Management Report – Summary of Cost Center Revenue and Expenses and noted that with the exception of the environmental, guest moorage, workyard and other leases, all other cost centers had a negative bottom line net income. Commissioner Faires suggested that name for the third line “Net Income (Loss)” should be changed to more accurately reflect what the numbers represent.

Ms. Drennan reviewed the 3rd Quarter 2008 Investing Report. She noted that in September 2008, 70% of the Port's deposits were with Cascade Bank. Due to the condition of the market, staff moved \$1.5 million out of Cascade Bank, depositing \$1 million into Evergreen Bank at 2.75% and \$.5 million into Prime Pacific Bank at 3%. At this time, they still have 42% of their funds in Cascade Bank, and their goal is to move some out so there is no more than 30% in any bank.

Commissioner Block asked if staff has a plan for avoiding situations where they don't have enough trained employees to run the launcher program. Ms. Kempf said it is staff's hope that by hiring two new permanent employees, the Port would be able to provide enough trained employees during their busy season.

Commissioner Faires inquired when staff anticipates the Port would receive the last payment from FEMA. Ms. Drennan said staff has not been notified of when the last payment of \$7,500 would be received. Mr. Keuss pointed out that submitting the necessary paperwork to FEMA was an onerous process for staff to complete.

Herb Anderson pointed out there is no cost center report for the travelift. Ms. Drennan pointed out that the travelift is part of the workyard cost center report and parking is combined into the launcher cost center report. While these items are identified separately in the Operating Budget, they are combined with other cost center reports. She noted that more detailed information could be obtained upon request.

COMMISSION MEETING SCHEDULE

Mr. Keuss reviewed the Commission's meeting schedule for the remainder of the year. He noted that the November 10th meeting agenda would include an update from Jack Tawney on the Harbor Square Athletic Club and the second public hearing on the Draft 2009 Operating Budget. Staff plans to ask the Commission to approve the 2009 Operating Budget on November 10th, as well. He noted that the budget must be submitted to Snohomish County by November 30th.

EXECUTIVE DIRECTOR'S REPORT

Mr. Keuss reported on the following items:

- The Edmonds Sister City Delegation from Hekinan, Japan, is visiting in Edmonds this week, and he would provide them with an overview of the Port of Edmonds on October 28th at 11 a.m. He said he would speak to the group through an interpreter.
- The Edmonds Yacht Club (EYC) has submitted their plan for the proposed new building. However, the parking portion of the plan has not been finalized. The agreement states the EYC would have space on both sides of the building, but the Port would have to approve the final configuration. He reported that he would visit the site with Mr. Jones from the EYC and review how the building and parking spaces would be laid out within the leased area. They would also identify the proposed location for ingress and egress and landscaping. Based on the current proposal, it appears that 23 parking spaces would be eliminated to accommodate the plan.
- The EYC has a signed lease agreement from a sublease tenant, and the document would be reviewed and ratified by the general membership of the club in November. He noted that the EYC is required to provide a letter to the Port explaining the conditions of the sub-lease agreement. The Port would also receive a letter from the bank to verify the loan once the building permit has been approved by the City.

- The Mid-Marina landscaping project has been completed, and staff has provided a breakdown of the expenses. The preliminary estimate for the project was \$65,696, and at this point staff has spent about \$59,702. Staff anticipates the project will come in at about \$6,000 less than budget.
- He attended the Northwest Marine Trade Association (NMTA) Governmental Affairs Committee last week. At the meeting, Michael Campbell, NMTA President, reported that the Department of Ecology (DOE) has not issued the boatyard permit and they do not know when this would occur. It appears the DOE is backing off their agreement with the NMTA and the Puget Soundkeepers Alliance. Mr. Campbell expressed concern that the DOE may issue a permit that requires even more stringent levels for the stormwater than was agreed to in the initial plan. Mr. Keuss recalled the diagram that Mr. Campbell provided at the Commission/Staff Retreat in April listing all the departments involved in boating. He explained that on behalf of the boating community, Mr. Campbell would like to pursue the possibility of consolidating activities under one department of boating. While he is not sure the effort would be successful, it is something he feels is important and would be beneficial to the boating community.
- He met with the Mayor of the Town of Woodway last week to discuss the Town Council's concerns about some of the Port's budget line items. They agreed that rather than having him come to one of their meetings to answer their questions, it would be helpful to hold a joint meeting with the Port Commission. The Commission recalled that they previously discussed this option and decided it would be appropriate to schedule a joint meeting sometime in early 2009. Besides the budget and tax levy concerns, they agreed it would be appropriate to discuss other issues at the joint meeting.
- Edmonds Woodway High School recently notified him that there are three candidates who are interested in participating as a student intern on the Commission. He said he plans to interview the three candidates later in the week so that the selected student can start attending meetings within the next month.
- Staff is currently conducting interviews for the security supervisor position. The current security supervisor would retire at the end of December. Interviews with the final three candidates would be conducted this week.
- He and Commissioner Orvis met with representatives from the City of Edmonds regarding the Harbor Square storm drain problems. They learned that the City has done some things to improve the situation. They also learned that the City is waiting for information from the State regarding work they are doing at the Marsh. Both parties agreed it would be best that the City take on the responsibility of monitoring the drainage situation over the fall and winter months. That means they would physically send staff down to Harbor Square during inclement weather and high tides to record the situation. The City would provide a report to the Port at the end of the season. The group would meet again in early spring or late winter and agree upon a plan of attack to solve the problem. Commissioner Orvis added that the group also agreed the City would check the drain that goes under the railroad tracks and into the marsh to make sure it is working properly. Mr. Keuss said the City offered to provide the Port with a load of sand to use in bags if the event of a disaster again this winter. He summarized that the Port is responsible for doing due diligence to protect their properties, and the City is responsible for determining whether or not the system is working properly.
- He has been working with Jack Oharah, President of Edmonds Community College, to tentatively schedule a social event for the Port Commissioners and College Board Members on December 10th at the Edmonds Yacht Club. He noted that the college Board of Directors indicated they would like to have more interaction with other boards and commissions in the Edmonds area.

COMMISSIONER COMMENTS AND COMMITTEE REPORTS

Commissioner Faires reported on his attendance at the Washington Public Port Association (WPPA) Small Ports conference. A presentation was given regarding what the State Auditor would be looking for when they conduct audits at ports. Information was also provided regarding the Public Records Act. The point was made that ports

should have policies in place for handling requests from the public for records. Mr. Keuss noted that the Port does have a policy in place, as well as a designated contact person, and this information is available on the Port's website. Commissioner Faires further reported that a presentation was made regarding the development park that was constructed over the Satsup Plant in 2000. Since that time, \$13.6 million has been generated through grant funding. A wonderful job was done providing communications infrastructure and finding tenants. He summarized that this was a true success story and it would be worthwhile for the Commission and staff to learn more about the project. He said he suggested the WPPA provide this same presentation for their general membership. He reported that the Port of Bellingham's attorney gave a presentation regarding the Open Public Meetings and Public Information Act. It was mentioned that in order for a special meeting to be legal, all commissioners must be notified. It was recommended that all ports have a waiver of notice of special meeting on file in case a commissioner is not available for notification. A sample form could be obtained from the WPPA.

Commissioner Orvis reported on his attendance at the Pacific Coast Congress Conference in SeaTac. The meeting was very good and very different from WPPA meetings. A presentation was provided regarding public speaking, and attendees were invited to participate. The exercise was extraordinarily valuable for many of the people in attendance. As part of the conference, he visited the Des Moines Marina, where a presentation and demonstration was made on erosion and electricity. It was noted that only about 3% of the boats in a marina are properly wired. The culminating event of the conference was a big band show that was very good. He noted that the Pacific Coast Congress has an agreement with the University of Alaska in Fairbanks, which offers on-line marina management courses. Both he and Ms. Kempf won \$150 certificates to pay for the courses, and Mr. Danberg has agreed to participate.

Commissioner Block asked Mr. Keuss if the WPPA Environmental Policy Board would meet at the upcoming WPPA Conference. Mr. Keuss agreed to follow up and provide more information to Commissioner Block. Commissioner Block indicated that she would attend one day of the WPPA Conference if the Environmental Policy Board is meeting. She further announced that she is scheduled to attend the Prosperity Partnership Meeting on November 6th.

Commissioner Orvis announced that he would attend the Enduris Board Meeting in Spokane on November 5th.

Commissioner Faires asked staff to sign him up to attend all sessions of the WPPA Meeting. He said he would also attend the Trustees Meeting on behalf of the Port.

Commissioner Gouge reported on his attendance at the City Council Meeting on October 21st. While two of the City Council Members attempted to pass the 2009 budget, the remainder of the City Council wanted to conduct additional public hearings and postpone a final decision until November 18th. He noted that one big issue before the City Council is whether they are interested in participating in a regional fire authority. He encouraged the Commissioners and public to pay attention to what is going on with this issue.

City Council Member Wambolt reported that a presentation was made to the City Council regarding the concept of creating a regional fire authority, but he was not impressed by the information that was provided. A committee of three City Council Members has been formed to attend the meetings. He said his impression is that a regional fire authority would be good for cities that need to improve their service or if they are experiencing a significant number of annexations. He said Mayor Haakenson claims the City is the standard of excellence for service, and any change would be downward. Commissioner Orvis expressed concern that there are already numerous taxing districts, and this change would result in one more.

Commissioner Gouge reported that Bob Gregg, and local developer, has expressed interest in obtaining a contract rezone for the senior center property. He has offered to rebuild the senior center in exchange for being allowed to develop condominiums on top. Commissioner Gouge said the City Council is currently considering his proposal, and he suggested this may be an appropriate time to ask the City to also consider a new contract rezone for the Harbor Square property.

ADJOURNMENT

The meeting was adjourned at 9:30 p.m.

Respectfully submitted,

Mary Lou Block
Port Commission Secretary