

**PORT COMMISSION OF THE PORT OF EDMONDS**  
**MINUTES OF REGULAR MEETING**

**February 9, 2009**

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**Commissioners Present**

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

**Staff Present**

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

**Others Present**

Bradford Cattle, Port Attorney  
Theresa Ocfemia, Student Rep.  
Karin Noyes, Recorder

**CALL TO ORDER**

Commission President Faires 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.

**CONSENT AGENDA**

Commissioner Gouge suggested the Commission consider modifying the agenda (Item A on the Consent Agenda) by eliminating Item V.A (Edmonds Yacht Club Building Plan – Final Review/Approval). He expressed concern that even after three years of negotiation, the proposed loan documents represent some fairly significant changes from the approved lease document. He further expressed concern that the Commission is being asked to approve the loan documents prior to having any discussion with the Port's legal counsel. He cautioned that the agreement is associated with a significant public asset, and a careful review of the impacts of the proposed changes should be conducted prior to approval.

Mr. Keuss pointed out that representatives from the Edmonds Yacht Club (EYC) were present to discuss the proposed building design, as well as other issues of concern. He recommended the Commission allow them an opportunity to speak during the meeting, recognizing that the Commission may not approve the loan documents at this time. Commissioner Gouge expressed concern about negotiating a contract in an open public meeting. He expressed his belief that it would be more appropriate for the Property Committee to discuss the issues with representatives from the EYC and the Port Attorney.

Commissioner Orvis noted that the agenda lists the item as a possible action, which means it would be appropriate for the Commission to have a discussion with the EYC without taking action. He agreed it would be appropriate to allow the EYC representatives to comment, recognizing the Commission would not likely be ready to take action at this time. The remainder of the Commission concurred.

**COMMISSIONER BURKHART MOVED THAT THE CONSENT AGENDA BE APPROVED TO INCLUDE THE FOLLOWING ITEMS:**

- A. APPROVAL OF AGENDA.**
- B. APPROVAL OF JANUARY 26, 2009 COMMISSION MEETING MINUTES.**
- C. APPROVAL OF CHECK NUMBERS 5381 THROUGH 5388 IN THE AMOUNT OF \$515.06 FOR TENANT REFUNDS.**
- D. APPROVAL OF CHECK NUMBERS 67299 THROUGH 67327 INCLUDING DIRECT DEPOSITS D00297 THROUGH D00309 IN THE AMOUNT OF \$64,879.43 FOR PAYROLL.**
- E. APPROVAL OF CHECK NUMBERES 67328 THROUGH 67383 IN THE AMOUNT OF \$28,053.39 FOR ACCOUNTS PAYABLE.**
- F. APPROVAL OF CHECK NUMBERS 10859 THROUGH 10869 IN THE AMOUNT OF \$18,679.47 FOR HARBOR SQUARE ACCOUNTS PAYABLE.**

**COMMISSIONER GOUGE SECONDED THE MOTION, AND THE MOTION CARRIED UNANIMOUSLY.**

**PUBLIC COMMENTS**

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

**EDMONDS YACHT CLUB (EYC) BUILDING PLAN – FINAL REVIEW/APPROVAL**

Mr. Keuss reviewed that for the past several years the Port and the EYC have been working together on a proposal to build a new yacht club building on Port property. A Letter of Intent for the land lease was signed on August 30, 2005, which lays out the intent of the EYC to pursue negotiations of construction of a building on Port property and enter into a long-term Lease Agreement for the purpose of constructing and operating a new building that would house the EYC and a possible sub tenant. He further reviewed that the Port and the EYC entered into a Letter of Agreement on September 29, 2005 for the purpose of extending the existing Lease Agreement between the Port and the EYC until such time as a new EYC Building was under construction.

Mr. Keuss recalled that the Port and EYC entered into a Ground Lease Agreement on December 8, 2006, which set up a Lease Agreement between the two parties that allows the EYC to construct and operate a yacht club facility on Port property located on the waterfront. The Lease Agreement also addresses rent and rent adjustment, security deposit, use of the building, parking, and other associated requirements. He reported that the EYC is currently going through the permit process with the City of Edmonds. They have submitted building plans for review by the City and recently completed plan review by the Architectural Design Board. A meeting with the Hearing Examiner is scheduled for February 19, 2009.

Mr. Keuss summarized there are three issues currently before the Commission for discussion regarding the project:

- **The building plans.** Copies of the building plans were provided to each of the Commissioners prior to the meeting, and these documents include the associated landscaping and parking plans for the property on the west side of Admiral Way.

- **Loan Agreement between the EYC and Prime Pacific Bank.** A copy of the agreement titled “Re Assignment of Lease” was provided in the Commission’s packet. However the Port Attorney, Commissioners and staff have all raised some concerns about the document as currently drafted.
- **Parking on the east side of Admiral Way.** The Property Committee met with representatives from the EYC last week and came up with a tentative agreement. Each group was charged with taking the tentative agreement back to their respective members for review. As a result, the EYC has submitted a revised agreement for the Commission’s consideration.

Commissioner Faires suggested the Commission focus on each of the above mentioned issues one at a time. Commissioner Gouge disagreed and suggested it would be difficult for him to separate the financial issues from the building plan issue. He said he cannot approve a building plan if he doesn’t know that funding would be available for construction. He felt it would be more appropriate to negotiate the terms of the Lease Agreement in Executive Session.

Mr. Cattle clarified that the Lease Agreement is security for the loan, and the loan documents must conform to the Lease Agreement. He advised that it is likely the EYC provided the bank with a copy of the Lease Agreement when applying for the loan, and the Lease Agreement became the security the bank evaluated. He said that because he assumed there were some timing issues related to the necessary approvals, he recommended the proposed motion be amended to include language that would make the Commission’s approval subject to final approval by the Port’s legal counsel. He agreed with the Commission and staff that the bank’s proposed loan document was not entirely consistent with the Lease Agreement. Instead, it is a standard lender’s document that needs to be adjusted to fit the situation. He suggested the Commission has two options for addressing the inconsistencies. One option would be to direct the Port Attorney and staff to work with the EYC and their lending institution to correct the inconsistencies and present updated loan documents to the Commission for final review and approval at their next meeting. Another option would be to approve the loan documents subject to necessary adjustments by the Executive Director and Port Attorney.

At the request of the Commission, Ms. Drennan briefly reviewed her analysis of the EYC’s Operating Proforma dated August or September of 2008. She summarized that if the information provided by the EYC is still correct, it appears they would have a very small cushion for their projected profit and loss. If the EYC cannot meet their projected revenues, it appears they may have trouble meeting their financial obligations assuming there are no other revenue sources. She concluded that the bottom line profit or loss for the first year would be \$1,188, which is basically at break even. Commissioner Gouge noted that this proforma information does not include the new numbers for parking, which could result in a net loss of about \$8,000.

Mike Jones, EYC, pointed out that the proforma document does include the cost of 15 parking stalls, but he agreed the number would increase as a result of the EYC’s recent discussion with the Property Committee that 33 total parking spaces must be provided. He noted that the loan amount includes reimbursement for expenses the club has already incurred (about \$200,000). While the EYC understands that the first few years would be fairly tight, it is important to keep in mind that they would receive top dollar from their anchor tenant. They understand that profits and losses could go either way during the initial years after construction, and they are doing their best to manage the expenses. However, they will have some reserve to cover potential losses of up to \$50,000 per year. If the losses extend beyond that time period, the EYC would have to figure out a way to address the issue. He emphasized that because they already have an agreement with the anchor tenant, the rent numbers identified in the proforma are no longer estimates. He advised that the EYC has long-range plans for increasing their membership, raising revenues, and reducing debt. He noted that these numbers should not be a surprise to the Commission, since they were presented to them previously. He said that while he could provide updated numbers, the end result would not be significantly different.

Mr. Jones reported that he has had numerous conversations with representatives at Prime Pacific Bank regarding potential funding for the project. He explained that the loan documents that were submitted to the Port started out as

a boiler plate agreement. While the bank's attorney did spend time reviewing the documents for consistency with the Lease Agreement, he fully expects the Port to come back with some modifications.

Commissioner Orvis agreed that the EYC's current financial situation should be no surprise to the Commission. He said that although he doesn't anticipate future problems with the EYC, the Port has been burned before when things were not quite right and issues came up later. He agreed with Commissioner Gouge that the loan package is not quite ready for Commission approval. He suggested the Property Committee meet to discuss the inconsistencies and recommend changes to update the document for the Commission's review in the future. Commissioner Faires asked how this delay would impact the EYC's ability to move forward with the project. Mr. Keuss answered that if the Commission does not formally approve the building design plans, he would be unable to speak in favor of the proposed project at the hearing before the Hearing Examiner next week. Commissioner Faires pointed out that the Hearing Examiner's review would primarily focus on the building plans as opposed to the administrative and financial aspects of the project. He suggested that, for the purpose of the Hearing Examiner hearing, the Commission could approve the proposed building plans without approving the financial documents.

Commissioner Burkhart emphasized that the Commission has had numerous opportunities to review the plans, and they have all expressed support for the design as proposed. However, she agreed there are still some administrative and financial issues that must be resolved.

Ernie Collins, EYC, recalled that the Commission has already indicated their support for the proposed building plans. However, they have never formally approved the plans, and this would be helpful as the EYC moves forward with Hearing Examiner review. He summarized that the EYC needs assurance from the Commission that the design and general layout of the building is acceptable to them. They need to be able to tell the Hearing Examiner that the Port supports the plans and that they have negotiated with the Port in good faith.

Mr. Collins said the City staff clearly understands that parking is a commercial issue between the Port and the EYC, which has nothing to do with the plans they are being asked to approve. The City's concerns related to parking diminished when they reviewed the Port's parking study, which indicated there would be ample parking available. However, the City would like some assurance that the Port Commission supports the EYC's proposed new building as per the plans. He asked that the Commission separate the building plan, parking and financial issues and offer formal approval of the building plan now. If the EYC cannot offer the Hearing Examiner this assurance, the building permit process could be held up.

**COMMISSIONER BURKHART MOVED THE COMMISSION APPROVE THE DESIGN PLAN OF THE NEW EDMONDS YACHT CLUB BUILDING AS PRESENTED. COMMISSIONER ORVIS SECONDED THE MOTION.**

Commissioner Gouge said he wants to be clear that while the Commission approves the proposed building design, there has been no agreement that would allow construction to begin. Mr. Cattle clarified that the Port currently has a Lease Agreement with the EYC, which identifies a process that leads to design approval and eventual building construction. The funding component of this process is still missing. The EYC has presented a proposal for funding, but the Port has not approved the lender documents for some very justified reasons. Approval of the loan documents would depend on future negotiations with the lender. Mr. Keuss added that all parties would be required to sign off on the loan agreement.

Commissioner Block reminded the Commission that parking issues must still be resolved. She also recalled that the Port's design review guidelines require the EYC to work with the Port's Landscape Coordinator. Mr. Collins reported that the EYC's landscape architect recently met with the Port's Landscape Coordinator to discuss the landscape plan, and they have addressed all of the items raised by the Architectural Design Board.

**THE MOTION CARRIED UNANIMOUSLY.**

Commissioner Gouge reported that the Property Committee met with representatives of the EYC to discuss parking issues. While a potential resolution was outlined, the EYC has not indicated their support for the proposal.

Dick Potter, EYC, explained that he raised some concerns about the Property Committee's parking resolution. However, he expressed his belief that the EYC and Port have been working on the project too long to hold it up over a \$6,000 disagreement. He summarized that the EYC representatives have agreed to support the Property Committee's resolution as proposed so the project could move forward. Mr. Jones pointed out that the EYC had already agreed to the number of parking spaces required, as well as the ultimate cost of each space. However, they have concern about whether or not the additional parking spaces would be improved in the future since they would be required to pay the paved rate indefinitely. Commissioner Faires pointed out that the proposed cost for the spaces is close to the cost for gravel spaces. Ms. Drennan noted that the rate charged for the eight spaces on the west side of Admiral Way is a land lease rate, which does not even include gravel. It is a rate for the bare dirt, only.

The Commission and the EYC representatives reached a consensus that the parking agreement presented at the February 6<sup>th</sup> Property Committee Meeting would be acceptable to both parties. Commissioner Gouge noted that, as part of the agreement, the Port would make a commitment to improve the lot. Mr. Cattle agreed to prepare an amendment to the Lease Agreement that would implement the new parking agreement. The Commission agreed it would be appropriate to consider all of the Lease Agreement and financial document changes as one complete package.

Commissioner Faires noted that the only issue left to resolve is the loan documents, which must be revised to be consistent with the approved Lease Agreement. Commissioner Orvis summarized that the Commission is in full agreement with all aspects of the project, including the new parking agreement language, pending the Port Attorney updating the loan documents to make them consistent with the Lease Agreement.

Commissioner Faires pointed out that there is no language in the current Lease Agreement that says the current agreement would supersede all previous agreements. He questioned if it would be appropriate to add this language. Mr. Cattle explained that the purpose of the Memorandum of Understanding is to outline deal points that should go into the Lease Agreement, and the Lease Agreement would automatically supersede the Memorandum of Understanding. However, he agreed to review the two documents to determine if there are substantial provisions in the Memorandum of Understanding that may survive independently of the Lease Agreement. Commissioner Faires suggested the Commission consider adding language that states the new Lease Agreement would supersede the Memorandum of Understanding and all previous Lease Agreement drafts.

#### **RESOLUTION 09-03 – AUTHORIZING EXPENDITURES FOR COMMISSIONER AND EMPLOYEE TRAVEL**

Mr. Keuss reported that the Audit Committee met on September 9, 2008 to review the Commissioners' and Executive Director's travel reimbursements. The Committee also reviewed the Port's current travel resolution, which has been in effect since February 12, 1996. They agreed that the policy needed to be updated, and the Finance Manager was asked to complete this task. He referred the Commission to draft Resolution 09-03, which would supersede all previous travel resolutions related to authorization of expenditures for Commissioner and employee travel.

Ms. Drennan reported that the current resolution contains a lot of duplicate language, which was eliminated in the new draft document. The language was updated to identify a minimum travel area of 50 miles for reimbursement. The language was also updated to make it clear the Port would not reimburse for alcoholic beverage expenses. She noted these two changes were at the recommendation of the State Auditor. In addition, the entire document was reorganized to make it easier to read and understand.

Commissioner Gouge referred to Section 6.A, which provides a list of conditions that must be met in order for the Port to reimburse a Commissioner or employee for expenses incurred when the travel location is less than 50 miles

away. Ms. Drennan explained that expenses for travel less than 50 miles away must meet the reasonable test (i.e. one of the conditions listed in the document).

Commissioner Faires said his understanding of State Law is that the Port is allowed to reimburse for alcoholic beverages in certain situations. Ms. Drennan explained that reimbursement is only allowed in promotional hosting situations. Commissioner Faires suggested this language be made clearer. Ms. Drennan noted that the draft language is not intended to address rules related to promotional hosting. Mr. Keuss added that the Port does not currently have a regulation related to promotional hosting, but staff would draft possible language for future Commission consideration.

**COMMISSIONER BURKHART MOVED THE COMMISSION APPROVE RESOLUTION NUMBER 09-03, SUPERSEDING ALL PREVIOUS TRAVEL RESOLUTIONS AND AUTHORIZING EXPENDITURES FOR COMMISSIONER AND EMPLOYEE TRAVEL. COMMISSIONER GOUGE SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.**

### **2008 YEAR END FINANCIAL REPORT**

Mr. Keuss referred the Commission to the 2008 Year End Financial Report. He noted that operations revenue was less than budget in nearly all categories. He noted that the total net income is negative, primarily as a result of a new accounting requirement that the Port book the environmental liability in 2008. He explained that the Port suspects there is contamination under some of the buildings on the Harbor Square site, but they do not know the extent of the contamination at this point. The Port has made a commitment to set aside funding to address the clean up when the time comes. He noted this is a paper amount rather than a cash amount. Ms. Drennan explained that the Government Accounting Standards Board changed their rules, which increased the amount the Port was required to book. She summarized that the requirement is complicated; and fortunately, the Port only has two areas of potential contamination.

Commissioner Gouge inquired if Port staff has researched options for obtaining Model Toxic Control Act (MTCA) funding for the clean up projects. Mr. Keuss answered that the Port must obtain a No Further Action (NFA) Letter for the two properties in order to obtain MTCA Funding. Commissioner Orvis explained that in order to obtain the NFA Letter the Port would have to demonstrate that what they have done eliminates all hazard to the marsh, and this requires drilling in the marsh, which the Department of Ecology (DOE) doesn't want them to do. Mr. Keuss explained that staff has tried to work with the DOE to tap into the MTCA Funds, and it has always come down to the NFA Letter requirement.

Commissioner Faires observed that without the two large non-cash items related to other post employment benefits and environmental liability, the bottom line would be about \$175,000 greater than budget. He further observed that while revenues were down a bit, the Port staff did an outstanding job of controlling expenses. He commended staff for their efforts.

Commissioner Orvis requested further information regarding the electrical service charge. Ms. Drennan explained that this number represents the difference between what the Port bills the tenants and what they actually pay to the public utility district. She noted that, normally, this is a negative difference.

Ms. Drennan reviewed the report and specifically noted the following:

- Gross profit for the 12-month period ending December 31, 2008 was \$5,756,110 or 3% less than budget.
- Net loss for the same period was \$212,984.
- Permanent moorage was \$2,553,544 or .06% less than budget.
- Dry storage revenue was \$612,006 or .16% less than budget.

- Net guest moorage revenue was \$114,007 or 16% less than budget, which is not surprising given the Deputy Director's recent report that activity was down in most categories.
- Net fuel sales are \$95,282 or 26% less than budget. When fuel prices change quickly, the Port does not do well.
- Launcher revenue was \$61,964 or 15% less than budget.
- Harbor Square Property revenue was \$1,492,587 or 9% less than budget.
- Anthony's revenue was \$232,121 or 29% greater than budget. The 2008 budget anticipated that Anthony's would be closed for a period of time to accommodate the roof project, which did not take place.
- Operating expenses without depreciation for the 12-month period were \$3,420,587 or 3% less than budget.
- Accounting expenses were \$14,732 or 26% less than budget. The Port expected the audit would be completed in 2008 and that the fees would be higher due to the performance and audit requirement. The Audit Exit Conference is scheduled for February 11<sup>th</sup>. As a result, some audit expenses would be recorded in 2009.
- Bad debt expenses were 189% greater than budget. In 2008 staff noticed an increase in the number of tenants who terminated, leaving a large unpaid amount. Therefore, staff has accrued bad debt expenses for the three boats impounded for non-payment, those tenants who terminated before year end and left a large outstanding balance, a workyard bill that is over 60 days and \$4,600 past due, a Harbor Square tenant who declared bankruptcy, and a Harbor Square tenant who is over 90 days and \$12,000 past due.
- Employee benefit expenses were \$494,914 or 31% greater than budget. The Port of Edmonds participates in the Washington State Health Care Authority, which provides health care benefits to retirees at a reduced cost. Therefore, the cost of retiree medical premiums is subsidized. The annual accrual for 2008 is \$99,347, with a total actuarial accrued liability of \$632,150. It appears the Port would need to record a liability of a similar amount until it reaches the total actuarial accrued liability. The Commission questioned how this amount would be shown on the balance sheet. Ms. Drennan referred to the Balance Sheet (Page 8 of the Staff Report) and noted that the amount is identified as "Other Post Employment Benefits" under Long-Term Liabilities, along with Environmental Liability. She agreed to separate these numbers out at least once a year.
- Repair and maintenance expenses were \$354,011 or 29% greater than budget. If the \$114,000 for the Harbor Square Building 4 and 5 crack repair project (approved in the 2007 budget) were removed, the repair and maintenance expenses would be close to budget.
- Interest income was \$177,248 or 16% less than budget.
- Interest expenses were \$1,051,548 or 8% less than budget as a result of the large prepayment of the Harbor Square Business Complex loan.
- FEMA and insurance reimbursement funds were received for the damage done during the December 3, 2007 storm. The Port received the last FEMA Payment on February 6<sup>th</sup>. Commissioner Gouge inquired if there are specific requirements attached to the FEMA money. Ms. Drennan answered that the Port must allow FEMA access to the building and their records. In addition, the Port must keep the building fully insured to meet FEMA requirements. Mr. Keuss said he would encourage the Port to think very carefully before applying for FEMA funding in the future because the process is very time consuming.

Ms. Drennan recalled that the Commission discussed the Sound Transit lease agreement at their last meeting. She noted that since the last meeting, the Port has received their January and February lease payments from Sound Transit. She noted the Commission also requested clarification about why the Harbor Square Athletic Club revenues were less in 2008 than in 2007. She noted that the parking lot near the Harbor Square Athletic Club was resealed during 2007, and these costs were reimbursed by the club.

Commissioner Block requested clarification about why advertising and notice expenses were 51% greater than budget. Ms. Drennan said this line item includes several categories: advertising Commission meetings, advertising projects, advertising in publications, and advertising for job vacancies. She noted that the Port increased their advertisements in publications in 2008, and they had more projects to advertise that were not included in the 2008 budget. She agreed to provide more specific information about this line item at a future Commission meeting.

Commissioner Gouge recalled that at the last meeting, the Commission and staff discussed that the joint City of Edmonds/Port of Edmonds Parking Lot near the Fishing Pier was posted as a parking area for the Sound Transit Project. He inquired if staff learned any more details about this situation. Mr. Keuss said he spoke with Brian

McIntosh, Edmonds Parks, Recreation and Cultural Services Director, regarding this situation. He learned that someone from the City allowed the cars to park in this lot, but there does not appear to be any formal agreement. Mr. McIntosh requested a copy of the Port's lease agreement with Sound Transit for the gravel parking lot. Mr. Keuss expressed his opinion that Sound Transit would probably not be interested in another agreement to use this jointly owned lot because they are already paying the Port to park in the gravel lot that no one is using at this time. Commissioner Faires noted that the Fishing Pier parking lot would soon be utilized by people who want to fish and visit the park, and it would no longer be available for Sound Transit's use.

Mr. Keuss announced that the project that is currently taking place on Dayton Street is related to the City's lift station project. The City has indicated they would pave the street with an asphalt lid and then put a new top layer down in a year.

Commissioner Orvis asked how much longer the Port would be amortizing the purchase of the dry stack storage facility. Ms. Drennan advised that the Port is on year 8 or 9 of a 15-year debt.

Ms. Drennan referred the Commission to the Management Report (Page 11 of the Staff Report), which summarizes the cost center revenues and expenses. She noted that some cost centers are doing well, and others are not. She referred to the Electric Service Cost Center and reminded the Commission that the Port is not allowed to charge tenants more than they pay for the electricity. She recalled that five or six years ago the Port charged tenants a \$5 hook up fee, which included 100 kilowatts of electricity. The Port charged an additional fee for more kilowatts. She said that she and the Executive Director have considered the option of reestablishing the \$5 hook up fee. She recommended the Commission consider this option as part of the 2010 budget process.

Ms. Drennan advised that the Environmental Cost Center is doing well right now, and the Port is saving money in anticipation of new workyard requirements. She advised that the Fuel and Oil Products Cost Center is not doing well due to the dramatic fluctuation in price. She suggested the Commission spend some time at a future meeting discussing a possible solution that would improve the bottom line of this cost center. She advised that the Workyard Cost Center contributed to its own overhead costs and supported the overhead of other programs.

Ms. Drennan reported that the Launcher Cost Center did not do well, particularly because significant repairs were necessary in 2008. Commissioner Gouge requested that staff consider possible solutions for improving the bottom line in the Launcher Cost Center over the next few months. It was discussed that because the launcher was funded by grant dollars, the Port does not have the option of closing it down. The Commission agreed to conduct a workshop discussion regarding options for improving the bottom line of the Launcher Cost Center.

Ms. Drennan referred the Commission to the Investing Report (Page 24 of the Staff Report) and reminded them that the benchmark to determine performance levels is the one-year Treasury Bill, which was .49% on December 31, 2008. She noted that liquid Port funds earned between 1.72% and 2.55%. She further noted that the Port's annual certificate of deposit, which matures on June 7, 2009, is earning 3.46%.

Ms. Drennan advised that she recently met with the Senior Vice President for Northwest Securities, the company that sold the Port's last three bonds. The purpose of the meeting was to discuss the current bond market, which is not doing well. At this time, pricing is very volatile. She indicated that only one governmental entity has gone out for bonds in the past few months, and they paid a high interest rate. She recommended that if the Port does not have any real urgent needs, they should avoid issuing bonds until the market has a chance to recover. She said they also spoke about the possibility of refunding the Port's 1998 Revenue Bonds. Because these bonds were issued at a good time and have an extraordinary interest rate, the Port would probably not be able to refund them to get a better interest rate. Ms. Drennan concluded that staff would continue to monitor the situation.

## **2009-2010 COMMISSION GOALS**

Mr. Keuss recalled that at their January 12<sup>th</sup> meeting, the Commission asked him to defer the subject of setting goals and discussing topics to a future workshop session. He referred the Commission to the list of topics and requested feedback on those the Commission wanted to pursue. The Commission and staff reviewed each of the items on the list as follows:

- **Specific goals for the Executive Director prior to his retirement on May 31, 2009.** Mr. Keuss said he would like an opportunity to discuss specific goals the Commission would like him to accomplish before he retires at the end of May.
- **Harbor Square Buildings and space renovation.** Mr. Keuss reported that in a recent meeting with the Property Committee, the broker (Colliers) brought up concerns about the appearance of some of the vacant spaces at Harbor Square. The broker felt some were not cleaned adequately. The carpets needed to be vacuumed and/or cleaned, the windows were dirty, mold was starting to form in some locations, and some of the ceiling tiles were stained. In addition, the broker mentioned that some of the windows needed to be replaced. Mr. Keuss recalled that he and the property manager discussed the possibility of “dressing up” one office in a large vacant space as a “show” office.

Mr. Keuss reported that he met with staff and informed them that there was no excuse for rooms to be dirty and they will be working to resolve this situation. He asked staff to prepare a list of recommended improvements and he would present a recommendation to the Commission at their February 23<sup>rd</sup> meeting.

Commissioner Burkhart expressed concern that real estate agents have been finding it difficult to gain access to the vacant spaces. She suggested the Port consider rekeying all of the locks so that one master key can provide access. She also emphasized the need to improve communication between the property manager, the Port and the broker.

Commissioner Gouge voiced disappointment that the broker did not identify any of these issues when he took over the job. When representatives from Colliers toured the buildings, they should have made their recommendations for change at the onset. Commissioner Faires encouraged the Commission to look forward to resolve the problems. The Port must do what is necessary to make the property more appealing. He suggested the Commission authorize the Executive Director to proceed with these improvements as soon as possible.

Mr. Keuss said he recently met with the property manager, who agreed that some of the items were his crew’s responsibility. Mr. Keuss said he doesn’t know why the buildings were not keyed to a master key system when they were constructed, but right now every building has a different key. They discussed the possibility of installing a contractor’s core that has no pins for the vacant spaces. This would give the broker access to the spaces using a single key. The property manager has agreed to send a letter to the broker outlining the issues and how they plan to resolve them. The property manager is taking the issues seriously and has made a commitment to resolve the problems as soon as possible. Mr. Keuss said staff plans to have much of the initial clean up work completed by the Commission’s next meeting on February 23<sup>rd</sup>, when he would provide a recommendation on what additional renovations could be done to improve the space. He advised that staff would also gather cost data related to the concept of creating a model office space.

- **Harbor Square properties and possible redevelopment opportunities/Master Plan and Strategic Plan update and review.** Commissioner Burkhart recommended the Commission conduct a workshop discussion as soon as possible regarding possible redevelopment options for the Harbor Square Business Complex property. She reminded the Commission that Colliers offered to come before the Port Commission to discuss potential joint venture opportunities. Another option would be to approach the City of Edmonds with a request to rezone the property. She summarized that it is important for the Port to develop a clear plan for what they want to do with the property. The remainder of the Commission agreed.

The Commission agreed it would be appropriate to conduct a workshop discussion in the very near future regarding the possibility of moving forward with a rezone proposal for the Harbor Square property. This workshop discussion could be in conjunction with a workshop discussion regarding the Master and Strategic Plans. They

asked staff to attempt to schedule the workshop sometime in early March. They agreed that any changes to the Master and Strategic Plans should be made before the new Executive Director comes on board. The plans could be reviewed again at a later date once the new Executive Director has had an opportunity to become familiar with the Port operations. It was noted that most of the changes would likely be associated with the Harbor Square Business Complex property.

- **Burlington Northern Santa Fe Railroad impact on Port property.** Commissioner Orvis expressed concern that when Burlington Northern Santa Fe (BNSF) decides to move forward with their project, it will happen quickly and there are some important things the Commission needs to know and understand. For example, if the fence is moved out to where the existing orange markers are located, the dry storage area might have to be relocated to accommodate the 60-foot right-of-way for Admiral Way. He expressed the need for the Port to have a plan in place as soon as possible, and the remainder of the Commission concurred.

The Commission agreed it would be appropriate to hold a workshop discussion on this issue within the next ten days. They noted that Stephen Clifton, Edmonds Community Services Director, would be a likely resource for obtaining helpful information such as when BNSF plans to start the project. The Commission agreed it would be appropriate to invite Mr. Clifton to join their workshop discussion. They also suggested it would be appropriate to invite Mayor Haakenson and representatives from BNSF to participate, as well. They asked that staff communicate the Port's concerns via a letter to Mr. Clifton prior to the workshop discussion. Commissioner Burkhart requested staff provide the Commissioners with a map showing the exact locations of the right-of-way and easements.

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

Mr. Keuss reported on the following items:

- The Port has advertised the Executive Director position in 13 publications, associations and websites, including Craigs List, Washington Public Ports Association, Pacific Coast Congress and Northwest Marine Trade Association. In addition, Mr. Blossy has submitted a release to 19 various publications and radio stations regarding the position.
- The Sustainable Edmonds Group is scheduled to meet on February 22<sup>nd</sup> from 2 to 4 p.m. in the Port Commission Meeting Room. The topic of discussion would focus on planning for climate change in the Edmonds Downtown Coastal Zone, and some guest speakers have been invited to participate.
- The Edmonds Art Walk is scheduled February 19<sup>th</sup>, and the MAX Foundation has indicated their plan to participate. They will present artwork done by patients and family members from around the world.
- The Port has received the required permits for the M/N Dock Project from the Corps of Engineers. However, they may not be able to complete the entire project before the fish window that is scheduled to occur between February 15<sup>th</sup> and July 15<sup>th</sup>. While the engineers currently believe the project should not fall under the fish window guidelines, the project may require some additional floats, which cannot be installed during this time period.

Ms. Kempf thanked all of the Commissioners who helped staff the Port's booth at the Seattle Boat Show. While the attendance was down about 13%, most of the dealers reported that the people who attended were quality customers and boat sales were up in most cases. The Port's booth was in the far corner, and she has provided feedback to the NMTA about this poor location. She summarized there were some good results. Staff signed up new tenants for a 28-foot open slip and a 30-foot covered slip. A yacht club also made reservations to visit the marina for a weekend in August, and interest was sparked amongst other yacht clubs. The joint promotional giveaway, which included a \$500 gift card from West Marine and a haul out certificate for the Port of Edmonds workyard, was awarded to an Edmonds resident.

Ms. Kempf reported that she and Commissioner Orvis attended the Department of Ecology's (DOE) public hearing regarding the new boatyard permit. Commissioner Orvis testified and talked about the various talking points that were submitted in writing, as well. The Boatyard Committee met following the public meeting, and concern was expressed that the DOE disregarded the fact that they scheduled the public hearing during the boat show. Members of the Committee felt there would have been a much larger attendance at the public meeting had it been held on a different week, and they have requested the NMTA talk to the DOE about the possibility of rescheduling the hearing. She reported that groups would meet with the DOE on March 4<sup>th</sup> to discuss this possibility further. The philosophy is that the permit would be temporary for 17 months, and no one sees any reason to invest in expensive technology for such a short time period. They are hoping that rescheduling the public hearing would result in the permit becoming a five-year permit. This would give boatyards time to recover the costs of their investments.

Commissioner Orvis summarized that because the permit requirements are unattainable, there is no point in anyone investing money to purchase new equipment. He said it seems as though the DOE is under a tremendous amount of pressure to prove they are doing something. He noted that the permit writer acknowledged many of the points that were raised at the hearing, but he indicated he only writes the permit based on what he is told to do. None of the people who were responsible for creating the policies were present at the hearing. He expressed his frustration that the policy people are setting limits without any record as to what is possible or permissible. He summarized that it appears the DOE is attempting to push their authority and power over the boatyards, but there has really been no significant effort to improve the stormwater in Puget Sound.

Mr. Keuss reported that he attended the International Marina and Boatyard Conference in Fort Lauderdale, Florida on January 25<sup>th</sup> through 28<sup>th</sup>. For the first time, no handouts were provided. All of the accompanying documents and information was provided on a USB flash drive for each participant. He specifically highlighted the following:

- An economics professor from Florida University gave a presentation on the State of the economy. He said that, in his opinion, housing starts stability would begin later in 2009 and they should start to see the start of a recovery in late 2009 or early 2010.
- He attended a presentation titled, "Overcoming the Crisis." The presenter expressed his belief that gas prices would go up again in 2009, and he noted there is a \$28 billion tax incentive from the Federal Government for alternative energy sources.
- A vendor for KECO Pump Stations indicated the State of Washington would reimburse agencies 100% for new energy efficient pump systems.
- Another presenter noted the concern that boats are getting more sophisticated in their technology, and there are insufficient trained laborers to maintain the new technology.
- It was also noted that public marinas across the country are disappearing to make room for high-rise development along the waterfront.
- The Executive Director from the Port of Edmonds provided a customer service presentation and received some great feedback from the participants. He has been invited to make the presentation again at an event in Ontario, Canada in December.

Mr. Keuss referred the Commission to the Legislative Report and particularly noted the initiative related to a feasibility study to explore the option of consolidating major ports in the Puget Sound Region (King, Snohomish, and Pierce Counties) into a single Puget Sound Port Authority. This proposal would likely include the Port of Edmonds. Commissioner Orvis said that although the initiative is only a study of the concept, the Port of Edmonds should make sure the WPPA is involved in the discussions. He recalled previous situations where unified government agencies have been given authority over County and City regulations. He summarized that it is important for the Port to remain apprised of this proposal. Mr. Keuss agreed to contact Eric Johnson from the WPPA to discuss the concept further.

## **COMMISSIONER COMMENTS AND COMMITTEE REPORTS**

Commissioner Orvis reported that the Legislature would also consider proposals related to prevailing wage and executive sessions. In addition, House bill 1903 would require refineries to continue to make non-ethanol fuel for marine and aviation uses. He also announced that March 25<sup>th</sup> is Legislative Port Day.

Commissioner Block recalled that at their last meeting, the Commission discussed the “Waiver of Notice of Special Meeting” that was recently approved by the Commission. The idea was to make this a document the Commissioners signed on an annual basis rather than for every special meeting. Mr. Keuss said he has already drafted a revised document that would be signed by Commissioners at the start of each new year. The new draft is currently being reviewed by the Port Attorney.

Commissioner Gouge reported on his attendance at the Edmonds City Council Meeting of February 3<sup>rd</sup>, where the Council formed a Transportation Benefit District Board. He explained that the City would collect approximately \$700,000 from a \$20 per car tax, and the money should be available by the end of 2009 or early 2010.

Commissioner Gouge reported that he also attended the Annual Snohomish County Economic Development Council’s breakfast. He noted that the Port was recognized in the brochure that was recently published. It was reported that there is a lot of job creation taking place in the County right now, and there has been a lot of growth. A panel of editors from *THE SEATTLE TIMES*, *THE EVERETT HERALD* and *THE PUGET SOUND BUSINESS JOURNAL* were present for a very good discussion about where the economy is going and the future of newspapers.

Commissioner Gouge announced that the Puget Sound Regional Council would meet on Thursday, February 12<sup>th</sup> from 9:30 to 11:30 a.m. It is anticipated that a report would be given on the routine amendments that were made to the 2007/2010 Transportation Plan. A status report on the projects that have been recommended for the economic recovery funds would also be provided.

Commissioner Gouge thanked staff for the fine job they did at the Seattle Boat Show. He particularly noted that Susan Wade did a great job of manning the booth, attracting customers and sharing helpful information. He suggested the Commission consider changing the Port’s letterhead logo to use the one that was provided on the back of the booth. He asked Ms. Kempf to forward a copy of this logo to each of the Commissioners.

The regular meeting was adjourned into an executive session at 9:38 p.m.

### **EXECUTIVE SESSION**

An executive session was conducted to consider a proposal to develop and lease Port property and the minimum price for such, discussion of which in public would disadvantage the Port and risk a decreased price. Those present included all five Commissioners, as well as Mr. Keuss, Ms. Kempf, Ms. Drennan and Mr. Cattle. No action was taken. The executive session was adjourned back to the regular session at 9:50.

### **ADJOURNMENT**

The regular meeting was adjourned at 9:51 p.m.

Respectfully submitted,

Marianne Burkhart  
Port Commission Secretary