

PORT COMMISSION OF THE PORT OF EDMONDS

MINUTES OF REGULAR MEETING

April 27, 2009

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

The Commission pulled Item I (Approval of E-mail Archiving System) from the consent agenda.

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

- A. APPROVAL OF AGENDA.**
- B. APPROVAL OF APRIL 13, 2009 COMMISSION MEETING MINUTES.**
- C. APPROVAL OF MARCH ELECTRONIC TRANSFERS IN THE AMOUNT OF \$131,499.60**
- D. APPROVAL OF CHECK NUMBERS 67703 – 67720 INCLUDING DIRECT DEPOSIT NUMBERS D003890 THROUGH D00390 IN THE AMOUNT OF \$38,236.94 FOR PAYROLL.**
- E. APPROVAL OF CHECK NUMBER 67626 IN THE AMOUNT OF \$209.15 FOR ACCOUNTS PAYABLE.**
- F. APPROVAL OF CHECK NUMBERS 67721 THROUGH 67768 IN THE AMOUNT OF \$201,655.54 FOR ACCOUNTS PAYABLE.**
- G. APPROVAL OF CHECK NUMBERS 10920 THROUGH 10932 IN THE AMOUNT OF \$54,093.00 FOR HARBOR SQUARE ACCOUNTS PAYABLE.**
- H. APPROVAL OF NORTHEAST PARKING LOT GRADING PROJECT.**

COMMISSIONER ORVIS SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

APPROVAL OF E-MAIL ARCHIVING SYSTEM (Item I on the Consent Agenda)

Commissioner Block inquired if the fee would be based partially on volume. Ms. Drennan explained after the E-mails have collected for a long-period of time, the Port may need to purchase another hard drive to store the data. However, the cost of equipment would be the same regardless of volume.

Commissioner Orvis asked if the system would allow the Port to retrieve data based on certain key words or subjects. Ms. Drennan answered that the system would not index the data, but it would allow the Port to access via subject, title, sender, receiver, etc.

Commissioner Orvis inquired if emails that are sent and received by the Commissioners would be stored, as well. Ms. Drennan answered that E-mails sent through the Port to the individual Commissioners' personal E-mail accounts would be archived, but the system would not archive E-mails that are sent from personal computers. She suggested the best solution would be to log into the Port's website and send e-mail through the Port's system. The Commission agreed it would be helpful to have a workshop discussion with staff to learn more about the appropriate method for them to send and receive E-mails.

COMMISSIONER ORVIS MOVED THE PORT APPROVE THE E-MAIL ARCHIVING SYSTEM AS PRESENTED (Item I on the Consent Agenda). COMMISSIONER BURKHART SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

PUBLIC COMMENTS

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

SPECIAL PRESENTATION BY PAUL SORENSEN REGARDING THE STATE OF MARINAS IN WASHINGTON STATE

Mr. Keuss introduced Paul Sorensen, BST Consulting, who is considered an expert in the State on the subject of trends and statistics in the marina industry. He was present to provide a brief report regarding the state of marinas in Washington State.

Paul Sorensen, BST Consulting, said he lives in Kenmore, and he and his wife come to the Port of Edmonds nearly every week to walk. He commended the Port on their beautiful facility that everyone in the region is able to enjoy.

Mr. Sorensen explained that boating expenditures are discretionary and when the economy is bad, people cut back on boating. He reminded the Commission that there has been a significant loss of wealth over the past several months due to the decreasing house values and stock market, coupled with rising unemployment and problems in the credit markets. This has resulted in a staggering loss of wealth for United States households, which has had a negative impact on boating. During good times, people were refinancing their homes or getting second mortgages to purchase better cars and boats, but this is no longer an option. In addition, gas prices increased 60% from 2006 to 2008. While they have dropped back down again, there is a question as to how long they will stay at their current level.

Mr. Sorensen reviewed that medium households with persons between the ages of 45 and 54 saw net worth fall by more than 45% between 2004 and 2009, and the situation for early baby boomers is somewhat worse. Median households with persons between the ages of 55 and 64 saw their wealth fall by almost 50%. Also, as a result of the plunging housing prices, many baby boomers now have little or no equity in their homes. He said it is important to keep in mind that the majority of boat owners are people between the ages of 31 and 64.

Mr. Sorensen recalled that Boeing has hinted that they would move jetliner production out of Washington unless labor relations, business climate and technical education improves. It is likely that Boeing would decide this year or next where to build a second line to assemble the new 787 now in production in Everett. If it is assembled outside the Puget Sound region, replacement models for the 737 and 777 would likely follow. This would result in roughly three impacted jobs for each Boeing job lost.

Mr. Sorensen reported that consumer confidence is quite low at this time and people do not expect the economic situation to get much better in the near future. This has created problems for the marine industry, particularly the manufacturing industry. As of late March, unemployment in the marine manufacturing industry was 50%. He noted that a boat manufacturing plant in Arlington closed a few months ago, resulting in a loss of approximately 800 jobs. He summarized that until consumers start feeling more confident about the future, they will hold off on purchasing discretionary items like boats.

Mr. Sorensen reviewed graphs illustrating the number of boats sold by length between 2003 and 2008. He noted that even though they are currently experiencing a downturn, there was still some growth in the number of boats. He noted that the large boat categories grew more than the small boat categories, which suggests that larger boats should be the focus of new marinas.

Mr. Sorensen summarized the marina trends for Puget Sound as follows:

- **Increasing Vacancies.** Vacancies would continue to increase, especially in the smaller slips. This change would impact dry storage as well as wet moorage, and the shoulder season would be softer. New marinas would take longer to fill up and wait list numbers would decline. All of these factors would put pressure on the moorage rates.
- **Declining Waitlists.** He shared several examples of marinas where the waitlists have shrunk dramatically or disappeared altogether. He explained that while there is pressure to build small slips, he would not recommend marinas build any new slips that are less than 35-feet in size. He summarized that even using a graduated rate system, the smaller slips do not typically pay for themselves. He shared several examples of marinas that have experienced success by providing more large slips.
- **Pressure on Moorage Rates.** Boat owners have complained about increased rates, and many Ports have elected to have a very small rate increase or no increase at all in 2009. Some marinas have even offered new tenants a deal where they only have to pay for nine months of a one-year moorage agreement. He expressed his belief that in order to maintain financial stability it is important to have at least some amount of rate increase.

Commissioner Faires pointed out that the Port of Anacortes has proposed no rate increase in 2009, and he asked if their marine operations would have to be subsidized. Mr. Sorensen pointed out that Port of Anacortes fuel dock is doing well right now. Commissioner Faires questioned if their fuel dock revenue is able to cover the cost of overhead, as well. Mr. Sorensen answered that he is not sure. While larger boats at Port of Anacortes used to receive fuel deliveries, that is no longer the case and the service is now provided by the Port of Anacortes. Because they have a major fuel operation, they are likely able to obtain fuel at a volume discount.

Mr. Sorensen summarized that he anticipates the marine industry would be in a tough situation for the next one to two years. At this stage, it is important that existing marinas function well and are maintained properly. His biggest fear is for marinas that are just breaking even because their rates are too low and they need to do significant capital improvement projects. He said history indicates that the economy falls and then there is a rapid increase, but it appears that the improvement will not be as robust as has occurred after previous recessions. They are in for some tough times, and it will be important to figure out how to deal with the situation by being conservative and offering good facilities and services, which is what the Port of Edmonds already does.

Commissioner Orvis asked if Mr. Sorensen anticipates the trend for larger boats would continue given the current economy or if the smaller boats would become more popular. Mr. Sorensen answered that while there may be some

gain in the 30 to 40-foot boats, he anticipates there would still be more strength in boats that are 40 feet or larger. He pointed out that the marine industry anticipates that beam width would continue to increase each year.

Commissioner Gouge referred to the chart illustrating the current demographics for boat owners based on age. He inquired if the 31 through 49 range includes couples with children. Mr. Sorensen said he could obtain this data from the Oregon Marine Board.

Commissioner Faires thanked Mr. Sorensen for sharing his experience and knowledge. He said the information he provided would help the Commission in future discussions.

LETTER OF INTENT (LOI) – ROBERT FORD

Mr. Keuss advised that Robert Ford with 3 Square Feet LLC has submitted a Letter of Intent (LOI) for the purpose of constructing an approximately 10,000 square foot building on Port property on the east side of Admiral Way. He is proposing use of approximately 36,000 square feet of property and has agreed to the terms drafted in the LOI, which has been reviewed by the Property Committee, staff and the Port Attorney. He recalled that the Commission briefly reviewed this topic at their April 13th meeting. They agreed to table the item for any action until Mr. Ford was available to answer some questions and explain more about the development.

Robert Ford, 3 Square Feet LLC, advised that he has been in the real estate business for a number of years, and he formed his current company (3 Square Feet LLC) in 2004. He advised he is proposing a building that would provide approximately 20,000 square feet of rental space, with a footprint of 10,000 square feet.

Mr. Keuss reminded Mr. Ford of their previous discussion in which Mr. Ford indicated he may be interested in a two-phased project, which would result in another building of similar size adjacent to the proposed building at some point in the future. Mr. Ford agreed he would be in favor of constructing two buildings on the property, but he would like to start with one to make sure it is viable before proceeding with an additional building. The first building could be duplicated at some point in the future if it is determined to be successful.

Mr. Keuss asked Mr. Ford if he has talked to potential businesses or companies who are interested in leasing space in his proposed new building. Mr. Ford answered that he has not had these discussions yet. However, in talking with a friend at Washington Partners, they believe there is plenty of demand for commercial space because companies are moving out of the high rise developments into the suburban areas in an effort to reduce costs. He pointed out that it would take at least two years to complete the new building. Once building permits have been obtained, he would start aggressively looking for potential tenants.

Commissioner Burkhart expressed her belief that the market for office space in Edmonds is not robust. She cited the example of Harbor Square, which is only 2/3 full, and noted there are other condominium office buildings with vacant office and commercial space throughout the City. Mr. Ford pointed out that one of advantage of his proposal, which would be a land lease situation, is that he would not have to capitalize the land so he could offer a better rate structure to perspective tenants.

Commissioner Faires informed Mr. Ford of the Commission's predilection to control the uses on Port property. For example, Commissioner Burkhart pointed out that the Commission would not likely be in favor of creating more office space that would compete with Harbor Square. It would not make sense to create more office space that would allow the Harbor Square space to remain empty. Commissioner Faires added that it is the Commission's desire that whatever is built on the waterside of the railroad tracks provides higher class office space than what is available at Harbor Square. Mr. Ford said his proposal would very definitely result in high-class office space, and he noted that the proposed site is a prime location for office space given the view, etc. Commissioner Faires pointed out that in order to locate a restaurant on the subject site, Mr. Ford would have to obtain support from Anthony's Homeport and Arnies Restaurants.

Commissioner Gouge reminded Mr. Ford of issues related to the existing water table. He also cautioned that parking would become an issue, particularly when the Edmonds Yacht Club Building is completed. He said he foresees the need for a parking structure to accommodate a large building. He said he would like to see an overall parking plan before he could offer approval of the LOI. He would also like some idea about what the ultimate design scheme would be and how Mr. Ford would address the parking requirement.

Commissioner Gouge asked if Mr. Ford has explored the option of redeveloping the Harbor Square property. He recalled that the Commission recently directed staff to proceed with the Master Plan process for Harbor Square, and they hope to implement some type of mixed-use development concept. He noted that height on the property on the west side of the railroad tracks is limited to 30 feet, but the Harbor Square property has a height limit of 35 feet. He reminded the Commission that the Port has not gone out to bid for proposals for the Harbor Square property or the property that is the subject of Mr. Ford's proposal. However, he recognized that they have asked the Executive Director to look at opportunities for redevelopment of Port properties.

Mr. Keuss said he discussed the option of redevelopment of Harbor Square with Mr. Ford, and Mr. Ford asked if the Port Commission would consider selling the buildings and the land. However, he reminded the Commission of the current economic situation and the fact that land speculators are looking for good deals on land so the market value is quite low. He suggested it would probably not be a good idea for the Commission to seriously consider this option at this time. Commissioner Gouge said he is not in favor of selling Port property that belongs to the public. He felt a ground lease option would be the more appropriate course of action.

Commissioner Faires pointed out that the proposed LOI talks about the idea of mixed-use development on the subject site. However, it is important for Mr. Ford to understand that no residential uses are allowed on the west side of the railroad tracks. Mr. Ford said he understands this limitation, but said he would be hesitant to develop ground floor retail space in this location. Commissioner Faires further pointed out that the Commission has previously expressed a desire for marine related uses on the west side of the railroad tracks. While the proposal appears to be a good idea, the Commission would likely have some thoughts with regard to who the tenants will be. It is important that Mr. Ford understand the Commission's position so he is not surprised by it later in the process.

Commissioner Block expressed her belief that the parking requirements for the proposed project would go well beyond what is required by the City. She reviewed that the City would basically allow the Port to lump their parking together to meet the needs of all of their uses. However, it is important to keep in mind that the Port already has commitments for a good deal of the existing parking spaces. Mr. Ford reviewed that the City would require approximately three parking spaces per 1,000 square feet of rentable area. Therefore, a 20,000 square foot building would require about 60 parking spaces. He said his initial thought would be to provide parking underneath the building, but there would only be space for about 25 stalls under a building footprint of 10,000. He suggested that transient parking could be provided directly across the street since parking for office uses would not conflict with the restaurant parking which would have greater demand for space during the evening hours. Commissioner Block pointed out that the parking located across the street is reserved for tenant parking, and additional parking space would disappear when the Edmonds Yacht Club Building is completed. Mr. Ford pointed out that the subject site is located close to the Sound Transit station. He recalled he has worked on a few projects where they were able to negotiate with a jurisdiction to provide alternative opportunities to attract ridership via Sound Transit. He agreed that parking would definitely be an issue.

Commissioner Burkhart recalled that the Commission has indicated they really like the design of the new Edmonds Yacht Club Building better than the design concepts outlined in the Port's Master Plan. She said the Commission has discussed using the Edmonds Yacht Club building design as an example for future development on Port property. Mr. Ford agreed it would make sense to tie the buildings on Port property together architecturally.

Commissioner Orvis said he does not care so much about the type of office uses that are allowed in the proposed new building, but he agreed that retail space would probably not be a feasible option. He also expressed concern that downtown Edmonds is very plain right now, and he doesn't want the same thing to occur at the Port. He said he

would like Mr. Ford to provide more information about the proposed design and uses before the Commission approves the LOI. He said he would also prefer Mr. Ford identify an anchor tenant who would occupy the building long-term before moving forward with the proposal. If an anchor tenant were identified, he said he would be more willing to accommodate Mr. Ford's needs.

Mr. Ford said he anticipates office uses such as graphic designers and architects to occupy the proposed building. Another option would be to provide a small executive suite that could be used on a temporary basis by boaters visiting the marina, but this would be management intensive. He referred to a building he helped move forward in Kirkland and noted that the proposed new building would likely be similar in design.

Commissioner Block agreed with Commissioner Orvis that it would be great if Mr. Ford could identify a long-term anchor tenant. She recalled that the Commission was excited about the prospect of Jacobsen's Marine developing a marine-related building on Port property. She said it would be desirable for the anchor tenant in Mr. Ford's proposed building to be marine related, if possible.

Commissioner Burkhart pointed out the close proximity of the railroad tracks and the resulting noise. She asked Mr. Ford if he has visited the site when a train is passing through. Mr. Ford answered that he has not. He said that while it would be possible to sound proof the inside of the building, they would not be able to do anything about the noise on the outside. Commissioner Orvis pointed out that, with the exception of the passenger trains, trains go through Edmonds 50 miles per hour, and they have to sound their whistle twice at each of the two crossings.

Commissioner Gouge asked if Mr. Ford has received a copy of the soils report that was previously prepared for the subject site. He noted the report indicates that pin piles would be required. Mr. Ford said he has not received a copy of the report, but he already anticipated that pin piles would be necessary. Commissioner Gouge said it is also important for Mr. Ford to have a clear idea of the setback requirements from the road and train tracks. Commissioner Faires added that Mr. Ford should keep in mind that he would be dealing with a public agency, and all action must take place in an open public meeting. In addition, because the property is a public asset, all rents would be market rate with escalation based on the market, as well.

Mr. Ford asked the Commission to postpone taking action on the proposed LOI to allow him an opportunity to review all of the information provided by the Commission, as well as the soils report. He would also like an opportunity to talk with a sound engineer about the close proximity of the railroad tracks. The Commission agreed to table the proposal until a future meeting. Commissioner Gouge indicated he would contact Mr. Keuss to share his concerns about the proposed LOI language.

Mr. Cattle left the meeting at 8:40 p.m.

HARBOR SQUARE QUARTERLY REPORT

Jan Conner, Northwest Country Management, referred the Commission to the written Harbor Square Quarterly Report and specifically noted the following items:

- Space in Building 5 was leased to a tenant who signed up for a 3-year lease with two 1-year extensions.
- Space was leased in Building 5 on a 6-month basis. It is hoped that once he gets moved into the space he will want to stay longer than 6 months.
- One tenant signed a 1-year lease extension for space in Building 2 and a tenant in Building 2 has agreed to continue to lease on a month-to-month basis.
- Tenant improvements associated with the 3-year and 1-year lease agreements included new carpet and paint, as well as cleaning the woodwork.
- The revenue comparisons for 2008 and 2009 are skewed somewhat by the tenant in Building 1 who had a \$32,000 advance rent payment. In addition, Skippers was still on the lease in 2008 even though they were not paying.
- Occupancy at the end of March 2009 was 69.01% compared to 69.80% at the same time in 2008.

- The Broker, Colliers, was a little more active during the 1st quarter. The two new leases were both commissionable.
- A pre-application meeting is being planned between staff and a perspective tenant (Breakaway Brewery) for Building 4. The company is seeking a place to manufacture their product, with the long term vision of having a tasting room at Harbor Square.
- A tenant who had been at Harbor Square for 20 years has decided to retire and vacate the space. He plans to continue in a small office space at home. Another tenant has indicated plans to vacate space and move into a home office during the 2nd quarter, as well.
- They are continuing to maintain the larger tenants.

Mr. Keuss reported that over the past several months, a few tenants at Harbor Square have asked to downsize into smaller space, and staff is working to accommodate these requests. Ms. Conner emphasized that it is better to maintain the tenants and accommodate their needs rather than hold firm on lease agreements and cause tenants to go into default. Being flexible is allowing the Port to maintain their current tenants as much as possible.

Commissioner Orvis summarized that while he would like Harbor Square to do better, it is doing as well as can be expected in the current economy. Ms. Conner said she has contacted brokers of high rise developments in Seattle and Bellevue who have indicated they are also trying to accommodate their tenants' requests to downsize, defer payment, etc. They indicated they are not seeing tenants move from Class A to Class B space, but there has been some downsizing activity taking place.

Jack Bevan asked that Ms. Conner number the pages of her report so it is easier to follow along. He also asked what percentage of occupancy would be necessary in order for the Port to break even. Commissioner Faires suggested the break even occupancy would be between 75% and 80%, depending on the mixture of uses and what is happening in real time with rents. He noted that cash flow is positive right now if depreciation is not considered as part of the equation.

Commissioner Block requested a status report on the Harbor Inn. Ms. Conner said revenue was down by 10% in the 1st quarter, but March was better than expected. At this time, they are maintaining their rates.

PORT QUARTERLY REPORT

Ms. Kempf announced that, as per the Commission's request, many of the items that had previously been included as part of the quarterly report were eliminated. She noted that she met with Commissioners Burkhardt and Orvis to review the items in the report before presenting it to the Commission. She advised that staff would continue to collect all of the same reports, but they would not be mass produced for the Commission packets. However, Commissioners Burkhardt and Orvis recommended it would be helpful to present statistics to illustrate current trends on at least an annual basis.

Ms. Kempf reviewed the quarterly report and specifically noted the following:

- Activity was down in every area.
- The security report was good, with fewer 911 calls and no reports of theft.
- Dry storage occupancy was 86.4%, which is the lowest ever. However, as of today, the occupancy rate is 92%, which indicates that people are starting to sign up for dry storage again. Four additional boats have been qualified, but the owners have not signed agreements yet. Staff anticipates that tenants would be drawn back because the fishing season will be good this year. In addition, fuel prices are significantly lower than this same time last year.
- Wet moorage occupancy was lower than it has been since 2004 or 2005. However, just because there are 28 vacant slips does not mean the Port is not collecting revenue from the slips. Staff is working hard to rent the spaces on at least a short-term basis. All of the vacant slips are in the under 30-foot size. There is no wait list in these categories.

- Terminations in wet moorage went from 15 to 28. However, three of these tenants were terminated because they were unable or unwilling to make their boats seaworthy, which is a requirement of the Port.
- The credit hold list is larger than it has been for a while, and there are several people who are over 60 days past due.

Commissioner Faires said he would be interested in data to illustrate the current wait list trends, particularly when the lists are shrinking in size. He agreed to meet with Ms. Kempf regarding this issue.

Ms. Kempf recalled that a tenant recently compared the Port's current moorage rates with those of the Port of Everett. She referred the Commission to a chart that illustrates how the Port of Everett's rates compare to the Port of Edmonds' rates. She summarized that the Port of Everett's rates for their older marina slips have always been slightly lower than the Port of Edmonds rates. However, their newer 12th Street Marina rates tend to be higher, and they do not have any covered slips. She noted that all ports have different charges, so it is difficult to compare one with another.

Ms. Kempf advised that staff prepared a report for the Port's participation in the Seattle International Boat Show. She summarized that the Port signed up three wet moorage tenants and two dry storage tenants as a result of their participation in the show, which is exceptional given that attendance was down significantly.

The Commission agreed they like the contents of the report. Commissioner Faires suggested it might be constructive for staff to provide more information whenever there is an anomaly that should be brought to the attention of the Commission. Commissioner Block suggested that staff highlight significant changes.

Commissioner Gouge asked if the Coho Derby would take place at the Port this summer. Ms. Kempf answered affirmatively and noted that it appears Edmonds would be the last stop in the series again.

FINANCE QUARTERLY REPORT

Ms. Drennan referred the Commission to the 1st Quarter Financial Report and highlighted the following:

- Gross profit for the three-month period ending March 31, 2009 was \$1,364,634, which was 5% less than budget.
- Net income for the same period was \$54,297.
- Net electrical service charge was a loss of \$4,534. Staff believes there is an issue with either the PUD billing, Port allocation of costs, or electrical usage. They are currently reviewing the situation.
- Net fuel sales were \$998 or 90% less than budget. Staff intends to review the markups and pricing policies of other fuel docks in the area this year.

Commissioner Block asked if there is any way the Port could take on less fuel when it is expensive so they can avoid having to wait too long for a new shipment when prices go down. Mr. Keuss recalled that several years ago, the Port Commission adopted a policy of averaging the cost of the fuel left in the tank and the cost of fuel delivered. Staff believes this may no longer be a viable approach. Staff will research how other marinas handle the situation, and they may present recommendations for change in the near future. He emphasized that the cost center is losing money at this time.

- Permanent moorage revenue was \$652,976, which was 1.6% less than budget. The difference between this and the Port quarterly report is that they count vacancies based on one point in time and this was the revenue over the entire month.
- Dry storage revenue was \$144,328 or 9.5% less than budget.

- Workyard revenue was \$32,894 or 106% greater than budget. Approximately \$6,400 of the charges are December 2008 charges posted in January.
- Operating expenses without depreciation for the three-month period were \$771,148 or 13% less than budget. This is definitely due to staff watching their expenses and being conscientious about what they are buying.

Mr. Keuss explained that at the end of 2008, staff implemented a program of allocating part of the budget to supervisors. He explained that with the reduced budget, staff felt the supervisors and managers needed to be more responsible for the budget. The program has had a positive impact.

- Bad debt expense was not exceptional during the 1st Quarter, but the credit hold list is getting longer.
- Repair and maintenance is \$23,093 or 77% less than budget. This does not include project costs to upgrade Harbor Square or the waler replacement project.
- The Port received the final FEMA payment of \$8,802 for the December 2007 storm damage.
- Net income for the three months was \$54,297, which was \$35,997 greater than budget.

Ms. Drennan referred the Commission to the Management Report – Summary of Cost Center Revenue and Expenses. She noted that with overhead and principle, most of the cost centers do not look good, which is typical for this time of year. She also referred to the Investing Report, and explained that the Public Deposit Protection Commission now requires banks to make public agencies' deposits whole if one of the banks in the group fails. As a result, the Port was asked to move all its funds in excess of the FDIC limit out of Prime Pacific Bank, as they no longer want to participate in the program. Because they were asked to remove their funds earlier than the maturity date of the Certificate of Deposit, Prime Pacific Bank paid the Port the interest that would have been earned if the deposit remained until maturity. The Port's bond reserve was invested in a 6-month Certificate of Deposit at a rate of 1.49%.

Commissioner Faires asked if all activities related to the Blackwater Legal issue would be expensed. Ms. Drennan answered affirmatively and explained that the Port would not record revenue until they actually get a judgment.

Jack Bevan asked if a court date has been scheduled for the Blackwater Case. Mr. Keuss answered that the attorneys for both parties are still going back and forth with affidavits. They have indicated they would participate in mediation sometime during the summer to try and resolve the suit.

Commissioner Faires commended staff for doing a good job of keeping expenses down.

COMMISSION MEETING SCHEDULE

Mr. Keuss reviewed that the May 11th meeting agenda would include an update on the 2008 Staff Retreat and the projects staff was assigned to work on. In addition, John Hjort would provide a report on the fishing forecast for 2009. Mr. Ford may come before the Commission to pursue the Letter of Intent, as well. In recent conversations with the Edmonds Yacht Club, he had the impression that things were moving along. However, he has not heard back from either the yacht club or the bank regarding the final agreement. If it is available, it would be placed on the May 11th agenda, as well.

Mr. Keuss advised that the last meeting in May has been scheduled for May 26th at 2:00 p.m. to accommodate the Memorial Day Holiday.

EXECUTIVE DIRECTOR COMMENTS

Mr. Keuss reported that he recently spoke with Mike Jones from the Edmonds Yacht Club about the possibility of waiting until after the Waterfront Festival to begin work on their project, given that they are at least two weeks away from starting construction. However, he emphasized he does not want to hold up the project if additional costs would be incurred by the delay. Mr. Jones agreed to discuss the Port's request with the yacht club officers.

Mr. Keuss advised that the Finance Manager has worked hard on his request to secure an appraiser for the Harbor Square Athletic Club Building. She has found someone to do the appraisal, but there is no scope of work or proposal at this time. It is estimated the cost of the appraisal would be between \$5,000 and \$7,000. Recognizing that the market is down, staff does not expect to get a great appraisal. He requested the Commission provide direction on how they want to proceed.

Commissioner Faires inquired if it would be possible to coordinate with Mr. Tawney to accomplish a joint appraisal. Ms. Drennan agreed this would probably not be a problem with the State Auditor, but the bank might not agree to a joint appraisal. She cautioned against moving forward with the appraisal if the Commission has no intention of moving forward with the sale. She emphasized that the appraisal might not be favorable for the Port because it would be based on desperation sales that have taken place lately. She noted that, typically, a buyer would do the appraisal and present a proposal. She suggested the Port could identify the amount they would like to sell the buildings for.

The Commission agreed to review the information at an executive session before the next meeting to identify the figures that would make it worthwhile for the Port to sell the property. An executive session was scheduled for May 11th at 6:30 p.m. They further agreed that Mr. McChesney, the Port's new Executive Director, should be invited to attend the executive session.

Mr. Keuss reported that building permit applications have been submitted to the City of Edmonds for the M/N Dock Ramp Replacement Project. The fish window is July 15th, so no in-water work would be allowed before that time. He is working to clarify whether or not modifications to the handrail on the walkway can move forward prior to July 15th.

Mr. Keuss advised that clean up has taken place in all the vacant spaces at Harbor Square. As part of this work, staff inspected the windows and found that many of the seals had failed and the windows needed to be replaced. Since the initial report, staff has inspected the remaining spaces at Harbor Square and found many other window problems. He has authorized staff to move forward with some window replacement based on the budget approved by the Commission. In addition, staff would prepare a full-scale report on how to proceed to replace the remaining windows.

Mr. Keuss announced that Anthony's HomePort Restaurant has notified the Port of their plan to move forward with roof replacement in the fall of 2009. They plan to work with the Port to prepare specifications for the project by the first part of June. He reminded Anthony's that the project would be a public works contract, and they indicated they hope to have the project out to bid by July/August and started in the fall. He reminded the Commission that Anthony's and the Port per the Lease Agreement, each pay half of the costs of the roof project.

Ms. Kempf announced that the Waterfront Festival has been scheduled for May 29th through June 1st, and plans are well underway. The May 10th billing statement would include an announcement regarding parking during the festival. She explained that because of all the things that would be going on, parking would be more confusing this year. The landscape project would be in progress in Lot 2, and the EYC project could possibly be underway in Lot 3. Therefore, no paid parking would be available in the gravel lot since this space would be used for tenant parking. The billing flyer would provide a map on one side and an explanation on the other of where tenant parking would be located during the festival. The Rotary Club has been notified that no paid parking would be available, and they plan to advertise for people to park off site and take the shuttle to the festival.

Ms. Kempf said staff has completed the process of interviewing seasonal staff. They received 50 applications, and interviewed 17 people. Seven individuals have accepted the positions. The first seasonal employee will start May 6th, and all will be on board by June 11th. Most of the new hires would be available from the early part of May until

the end of September and into October. Staff believes they have put together a good team for the summer season. None of last year's seasonal employees were retained since they were only able to work for a very short period of time.

Mr. Keuss reported that he met with the Edmonds Public Works Director to discuss the flooding and storm drain problem at Harbor Square. They have agreed upon a plan and the Public Works Director has agreed to provide a report within the next month on what they observed during the past winter. The Public Works Director indicated he found an old report that was done in 1983 by Reid Middleton, which shows that Building 4 on Harbor Square is two feet below the 100-year flood plain range. Commissioner Block advised that the City of Edmonds challenged the Reid Middleton report and FEMA agreed. Therefore, a subsequent survey was completed. She encouraged Mr. Keuss to locate the newer and more accurate survey. Mr. Keuss advised that the Public Works Director has agreed to ask the Mayor for funding to update the plan, and he promised to provide some recommendations and cost estimates to fix the situation.

Mr. Keuss reported that the City is still interested in pursuing ownership of the storm drain line on Admiral Way. The Public Works Director indicated the City is also interested in mapping out the other storm drain lines on Port property. Commissioner Orvis asked when the City plans to take control of the storm drain on Admiral Way. He recalled that the Port already went through the process of determining it was safe, as required by the City.

Mr. Keuss said the City notified him that they will go out to bid at the end of the month to replace part of the waterline under the railroad tracks on Dayton Street as required by Burlington Northern as part of the double tracking project. By the end of the summer, they plan to have Dayton Street completely repaved.

COMMISSIONER COMMENTS AND COMMITTEE REPORTS

Commissioner Orvis reported that the annual ENDURIS election is coming up.

Commissioner Block reported that she attended the MAX Foundation's mural dedication ceremony, as did Commissioner Orvis. It was very nice, but not well attended. The mural is in place, and she encouraged people to visit the site. She noted the MAX Foundation handed out books that contained stories and art from young cancer survivors, and she would make her copy available to the Commissioners and public in the Port administrative office.

Commissioner Gouge reported that he attended the April 21st Edmonds City Council Meeting at which they received a report from a 60-member citizens tax advisory group. The group provided some good ideas. Most agreed that economic development is needed, and that the City Council must change and no longer work only with special interest groups. It was agreed that the City does not have an expenditure problem, but a revenue problem. He summarized that the group did an excellent job. Edmonds needs economic development, and now is a good time for the Port to move forward with redevelopment of Harbor Square. He further reported that the City Council agreed to fund Yost Pool for the summer of 2009. He said he spoke on behalf of the Commission stating that now is the time for the City Council to consider amendments to the Comprehensive Plan to allow feasible redevelopment of the downtown waterfront area. The City Council passed a resolution to form an Economic Development Commission to study the issue and report back to the City Council in December.

Commissioner Gouge announced his plans to attend the Puget Sound Regional Council Meeting on April 30th at the Seattle City Council's Chamber.

ADJOURNMENT

The meeting was adjourned at 9:55 p.m.

Respectfully submitted,

Marianne Burkhart
Port Commission Secretary