

## **PORT COMMISSION OF THE PORT OF EDMONDS**

### **MINUTES OF REGULAR MEETING**

**January 25, 2010**

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#### **COMMISSION PRESENT**

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

#### **STAFF PRESENT**

Bob McChesney, Executive Director  
Marla Kempf, Deputy Director  
Tina Drennan, Finance Manager

#### **OTHERS PRESENT**

Karin Noyes, Recorder

#### **CALL TO ORDER**

Commission President Block 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.

Commissioner Block welcomed new City Council Member, Diane Buckschnis, who was appointed as the City Council's Port Liaison.

#### **CONSENT AGENDA**

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

- A. APPROVAL OF AGENDA AS AMENDED.**
- B. APPROVAL OF JANUARY 11, 2010 COMMISSION MEETING MINUTES.**
- C. APPROVAL OF \$266,517.87 FOR DECEMBER ELECTRONIC TRANSFERS.**
- D. APPROVAL OF CHECK NUMBER 69098 IN THE AMOUNT OF \$478.77 FOR PAYROLL.**
- E. APPROVAL OF CHECK NUMBERS 69099 THROUGH 69122 INCLUDING DIRECT DEPOSITS D00592 THROUGH D00604 IN THE AMOUNT OF \$43,684.99.**
- F. APPROVAL OF CHECK NUMBERS 69123 AND 69124 IN THE AMOUNT OF \$355.65 FOR PAYROLL.**
- G. APPROVAL OF CHECK NUMBERS 69125 THROUGH 69177 IN THE AMOUNT OF \$237,383.02 FOR ACCOUNTS PAYABLE.**

- H. APPROVAL OF CHECK NUMBERS 11134 THROUGH 11141 IN THE AMOUNT OF \$16,493.41 FOR HARBOR SQUARE ACCOUNTS PAYABLE.**
- I. AUTHORIZATION OF EXECUTIVE DIRECTOR TO WRITE OFF \$1,616.66 AND SEND ACCOUNT TO COLLECTIONS.**

**COMMISSIONER FAIRES 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.

### **TRAVEL POLICY REVIEW**

Mr. McChesney reminded the Commission that an annual review of Port policies has become a generally expected and standard administrative procedure. This year the Port will have an audit by the State Auditor, and one policy that typically comes under scrutiny is the Port's Travel Policy. In anticipation of the audit, he suggested the Commission review the existing Travel Policy and note any specific provisions for discussion and/or revision as may be appropriate. He noted that, unless there are recommended changes, no further action would be required.

Commissioner Faïres observed that the document refers to both Commissioners and employees. He suggested that perhaps the term "employees" would be sufficient since Commissioners are considered employees of the Port, as well. Ms. Drennan recalled that when the document was reviewed by the Audit Committee in 2009, they specifically indicated their desire to use both terms. Commissioner Orvis added that there are a few places in the policy where Commissioners are allowed to make some decisions when other employees are required to obtain Executive Director approval. The Commission agreed to leave both terms in the policy as currently written.

Commissioner Gouge inquired if it would be appropriate to update the policy to address situations where Port Commissioners may need to drive Port vehicles. Ms. Drennan advised that the Port's current vehicle policy would require the Commissioners to provide a driving abstract and proof of insurance in order to be eligible to drive Port vehicles. She pointed out that the travel policy is not intended to deal with vehicles. If the Commissioners want to make changes related to their ability to drive Port vehicles, they must amend the vehicle policy. The Commission indicated their desire to review the vehicle policy in the near future.

The Commission agreed that the travel policy, as currently drafted, was appropriate.

### **COMMISSION MEETING SCHEDULE**

Mr. McChesney announced that the February 8<sup>th</sup> meeting agenda would include a review of the Harbor Square Landscape Maintenance Project and the Workboat Paint and Repair Project. In addition the Port and Harbor Square Quarterly Reports would be presented.

Commissioner Zagorski asked if the workboat paint and repair project would go beyond the service that is typically provided by the Sea Scouts. Ms. Drennan answered that it involves welding a new bottom on the workboat and then painting it. Ms. Kempf noted that the Port would still rely on the Sea Scouts to paint the bottom of the other workboat.

Commissioner Orvis inquired if Deborah Knutson would present the Snohomish County Economic Development Council's report on February 8<sup>th</sup>. Mr. McChesney answered affirmatively. Commissioner Orvis also expressed dismay that the WPPA Commissioner's Seminar is scheduled for the end of July when not as many Commissioners would be available to attend.

### **WORKSHOP – FINANCIAL SYSTEMS REVIEW**

Mr. McChesney reviewed that the Finance Committee met on January 19<sup>th</sup> to develop an agenda for the workshop from the outline of issues already presented and proposed alternative methods where appropriate. The Finance Committee's goal was to maximize transparency and accountability in the formulation and presentation of the Port's financial information. The stated purposes are to identify specific areas and issues that might require improved clarity in order to facilitate managerial and policy decisions, develop alternative models for expediting the budget process, and achieve a common vocabulary for discussing financial issues. He reported that the Finance Committee engaged the exercise with three basic guiding principles:

1. Don't fix what is not broken.
2. Keep it simple.
3. Make it fair and transparent.

Mr. McChesney said the Finance Committee also felt it was important to design a reporting model that could be easily implemented without re-inventing the Port's entire accounting system. He reported that the Finance Committee is recommending that the monthly "Statement of Revenues and Expenses Report" be only slightly modified. While the line item categories would remain the same, the dollar amounts reported would be for the year-to-date accruals based on "Actual," "Budget," and "Prior Year." He noted that the monthly "period-to-date" comparable amounts were thought to be less relevant and mostly extraneous. The main benefit of the proposed change is to make the report simpler and easier to read.

Mr. McChesney said the Finance Committee also discussed how the Port defines existing cost centers and how they relate to operating centers. One approach would be to redirect emphasis to the operating centers, within which most of the cost centers are embedded. He referred to the alternative model that was developed by staff for discussion purposes. He explained that the revisions illustrate two main operating centers (Marina and Rental Properties) and a derivative (Tax Levy/Public Amenities). The line items are specified, but staff felt it was premature to insert the actual numbers until the framework was fully vetted and agreed by the Commission. For example, the formula for allocating administrative overhead has not yet been defined, nor has the basis for allocating the Tax Levy. Staff hopes the workshop will provide some direction for these two critically important issues. He concluded that while the review of the financial and accounting system is a work in progress, staff's goal is to achieve a consensus on the reporting model framework so they can go to the next level and start putting in the real numbers.

Commissioner Orvis explained that, unlike most government agencies, the Commission gets right into the middle of the Port's finances. They carefully track the budget throughout the year, and starting in August they work individual parts of the next year's budget. Last year, the Commission conducted three public hearings on the draft 2010 Operating Budget instead of just the one required. They found that because they got so deep into individual items, the public had a sense that the process was confusing and not transparent. The purpose of this exercise is to create a financial reporting system that is simple and easy for the public to understand. Commissioner Zagorski added that the Commission would also like to revisit a number of decisions that were made previously.

Commissioner Faires expressed concern that the five Harbor Square Buildings that were purchased three years ago by the Port should be a separate category rather than being lumped in with all other rental properties. Commissioner Gouge explained that, as proposed, all rental properties would be lumped together into the same category, with separate subsets for the various rental properties such as the athletic club, Anthony's, the five buildings at Harbor Square, etc. He pointed out that the lending institution would continue to require the Port to keep a separate budget for the five buildings at Harbor Square, regardless of the changes the Port makes to their financial reporting system.

Commissioner Zagorski pointed out that providing public amenities is an important program for the Port, yet it is not really accounted for in either of the two categories found in the model. Commissioner Orvis cautioned against having a separate category for public amenities. This could land the Commission once again in the position of having to track everything into its own unique cubicle. He suggested there are a number of public amenities that overlap. For example, the flower program around the marina should be paid for by the tenants, and the public plaza

was funded by the capital budget and tax revenue. Once built, public amenities should become part of the shared cost of rental properties and marina operations. He voiced his support for a financial reporting system that includes just two categories: marina operations and rental properties. These two categories could be broken into subsets as appropriate, and public amenity expenses could be allocated to each of the categories.

Commissioner Zagorski explained that, as proposed, the marina report would include all the items that are considered part of a full-service marina operation. Rather than having separate cost center reports for each of the marina operation items, the report would consolidate the information into a single-report.

Commissioner Faires said he would like “public amenities” to be a separate report so the Commission can clearly identify expenditures for public amenities. Perhaps this report could be separate from the “official” financial report. Commissioner Orvis expressed opposition to this approach since it could lend confusion and make it appear to the public as though the Port were trying to hide something. He also cautioned that everyone has a different idea about what is and is not a public amenity. Mr. McChesney suggested that perhaps it would be helpful to define the term “public amenity.” He suggested that the first criteria should be whether or not the public is required to pay to use the amenity. Public features that require a fee should not be considered a public amenity. The Commission expressed support for Mr. McChesney’s proposed definition for “public amenity.” Some agreed that it would be helpful to track public amenity expenditures as a separate report, but not place the numbers on the actual balance sheet. They agreed to allow the Executive Director to make decisions about what is and is not a public amenity.

The Commission discussed the most appropriate way to report tax revenue and expenditures. They agreed that a separate Tax Levy Report would not be necessary. Instead, the tax revenue and expenditures would be incorporated as line items in the other two categories.

The Commission once again discussed whether it would be appropriate to provide a separate report for the five Harbor Square Buildings rather than lumping them into a general “Harbor Square” category. Ms. Drennan pointed out that the Port does not currently allocate expenses to each individual building. Commissioner Faires stressed the importance of carefully identifying expenses associated with the five Harbor Square Buildings so the Port can justify future redevelopment proposals and management decisions. Commissioner Zagorski agreed and reminded the Commission that the Port is required to continue to provide a separate report for the five buildings, as per the Bank’s requirement. The information provided in this report has been adequate to date, and should be adequate in the future, as well. Commissioner Faires once again suggested it would be helpful to break out expenses for the five buildings into a separate report. Commissioner Zagorski pointed out that expenses for the athletic club and hotel are minimal other than a percentage for common area maintenance. Commissioner Orvis agreed with Commissioner Zagorski. He recalled that the Commission previously requested more detailed information based on decisions that had to be made. However, the information they now receive is beyond what they need. If and when the Commission decides to move forward with a redevelopment proposal for Harbor Square, they may decide they need additional information on the five buildings.

Mr. McChesney suggested that staff be allowed to insert revenue numbers into the models as proposed, using just two major categories: rental properties and marina operations. The Finance Committee could meet again to discuss how best to allocate expenses. The Commission could continue their discussion at a future meeting. The Commission agreed that would be appropriate.

### **EXECUTIVE DIRECTOR’S REPORT**

Mr. McChesney reported that he attended the January 19<sup>th</sup> Woodway Town Council Meeting where he provided a general overview of the Port. He also briefly discussed the Port’s direction on Harbor Square redevelopment without getting into any particular scenario.

Mr. McChesney advised that he attended the WPPA Trade and Economic Development Committee Meeting where he had an opportunity to meet with Ginger Eagle, WPPA Government Affairs Representative, regarding funding and the

Community Economic Revitalization Board. He also attended the WPPA Environmental Policies Committee Meeting and brought back handouts for the Commission's information. They talked about the Model Toxics Control Act (MTCA) funding, and the Legislature's agenda for environmental policies. The meetings were both worthwhile. He noted that Johan Hellman, WPPA Assistant Director, expressed frustration that the Legislature used all of the money that was collected for the MTCA account for purposes other than environmental clean up. Commissioner Block questioned how the Legislature could justify spending the voter-approved funds that were intended for clean up. Mr. McChesney observed that every year the Legislature creates more stringent environmental standards, yet no funding is made available to implement the standards. It is hard for the boating industry and the WPPA to fight back to identify meaningful and implementable standards that will not put them out of business.

Mr. McChesney reported on his attendance at the Snohomish County Economic Development Council Meeting where Arun Raha, Executive Director for the Washington State Economic and Revenue Forecast Council, was the keynote speaker. He also attended the board meeting that followed, where the subject was coordinating amongst economic development agencies in Snohomish County.

Mr. McChesney advised that he met with Snohomish County Council Member Mike Cooper, who invited him to become the Port's delegate on the Snohomish County Economic Development Task Force, which will begin meeting on a monthly basis.

Mr. McChesney announced that the Port received a letter written by the Greater Edmonds Chamber of Commerce to the Edmonds City Council as a follow up to the Edmonds Citizens Economic Development Commission's (CEDC) report on January 19<sup>th</sup>. He asked the Commission to review the letter and advise if they want to respond in any way.

Commissioner Zagorski said she is happy that Mr. McChesney is taking on a more active role in economic development in the County. She pointed out that Snohomish County has the highest unemployment rate of the four counties in the region. She noted that the CEDC's presentation to the City Council can be viewed on Channel 21. It is also available on the City's website. She said she has heard from several members of the community who felt the City Council's reception and interest was tepid at best. She concluded that the Chamber's letter to the City Council was intended to emphasize that economic development must be their primary role now and in the future.

Commissioner Faires recommended the Port not take any action relative to the Chamber's letter at this time. He cautioned that the Port will have an opportunity to be a distinct and separate voice. Commissioner Block observed that the Port is a member of the Greater Edmonds Chamber of Commerce, and the letter would reflect the Port's role as a member of the Chamber. The Commission concluded that no response was necessary at this time.

Ms. Kempf announced that the City of Des Moines has closed their public launch facility. They were able to do so because it was not constructed using State funding. She concluded that Anacortes and Edmonds are now the only two public marinas on Puget Sound that offer sling launches to the public.

Ms. Kempf provided a brief overview of the Port's participation in the upcoming Greater Seattle Boat Show, which starts on January 29<sup>th</sup>. She advised that the Port's booth would have a strong focus on marketing and promotion. The focus would be:

- **Filling vacancies and removing the perception that the Port has long waitlists.** Ms. Kempf pointed out that the Port of Everett and Shilshole Marina have a total of 600 vacant slips, and the Port of Edmonds currently has 43. She suggested this demonstrates where the Port stands in the market, but vacancies are still double what they usually are at this time of year. Dry storage vacancy is currently at 18%, which is the highest it has been in five years. She expressed concern that with 600 slips available at other marinas, it will be more difficult to attract tenants who typically return to the Port in the spring. To be competitive with the promotions that are offered at other marinas, Ms. Kempf advised that the Port is offering a promotional program that offers a discount to tenants who sign up for a full year. Tenants would pay just \$20.10 for their first and twelfth months of moorage.

Ms. Kempf advised that the Port will focus on a “Why Wait” program and emphasize that there has never been a better time to obtain moorage at the Port of Edmonds. It is important to get this message across to boaters. There is currently no wait list for the 30-foot and under slips, and the projected wait times for the larger slips is smaller than it has previously been. Staff will be prepared to accept credit card payments from people who want to sign up on the waitlists.

- **Filling the boatyard.** Ms. Kempf pointed out that in prior years, average boatyard days were about 2,532 per year, and this year they are down to 2,227 per year. This is a significant decrease, and staff is hoping to fill the yard by offering a half-price promotion at the Boat Show.

Commissioner Orvis said he has heard that many people are taking their boats to Canada for the necessary maintenance work since Canada’s boatyard requirements are less stringent than those of the United States. He inquired if any additional boatyards have shut down as a result of the letters sent out recently by an attorney for Puget Soundkeepers Alliance. Ms. Kempf answered that each individual boatyard that received a letter is taking its own approach, but the Lake Union Yacht Center closed recently.

- **Promoting boating in general.** Ms. Kempf announced that the Port is participating in a new program this year called “Passport to Puget Sound” to promote boating. The program will be sponsored by 15 marinas, both private and public. The Port will distribute invitations to participate in the program at the Boat Show, and the program will begin on March 1<sup>st</sup>. As boaters visit the participating marinas, they will receive a passport and stamp. Once they have four stamps in a row (Bingo), they will receive a free t-shirt. The first 15 boaters who fill their entire card will receive a prize valued at \$500.

Ms. Kempf reported that Barry Kellam, an engineer for Northwest Marine Trade Association (NMTA), has calculated that based on all available data, boatyards are responsible for only .3% of all the copper that goes into Puget Sound. This statement is based on numbers from a Hart Crowser study about the total copper load in Washington waters. He summarized that if every boatyard in the State shut down, water quality would not change much. It appears the boatyard industry is being hit hard because they do not have the money to fight back. Commissioner Faires inquired if the major contributors to stormwater runoff are getting the message that boatyards are the test case, and they will likely be next. Ms. Kempf noted that Weyerhaeuser is monitoring the situation closely.

Ms. Kempf announced that she and Mr. McChesney would provide a walking tour and go to lunch with Bob Beckman, Executive Director of the Puget Soundkeepers Alliance. She also advised that the Department of Ecology has acknowledged they received her recent letter, but they have not responded.

Ms. Drennan announced that over the weekend, the Port was notified that Evergreen Bank was taken over by Umpqua Bank, which is based in Oregon. The Port currently has about \$1 million invested in the bank, and they have been assured that the money is 100% insured by the Public Deposit Protection Commission and no action is required. However, after discussions with Mr. McChesney, staff is recommending that the investment be moved to Cascade Bank. She reminded the Commission that the Port has been assured that all investments with Cascade Bank are 100% insured. Mr. McChesney reminded the Commission that once the financial situation stabilizes, Port staff will put out a request for proposals for banking services.

Council Member Buckschnis said she is a former regulator and Oregonian. She expressed her belief that Umpqua Bank would not bring people from Oregon to displace the Washington Staff at Evergreen Bank. However, they would restructure the interest rate to match Umpqua’s current base rate. She cautioned the Port against putting all of their investment into one bank. She also encouraged them to obtain written verification that their investments are fully covered. The Commissioners agreed that it would be prudent to diversify the Port’s investments and to have appropriate written verification regarding insurance coverage.

## **COMMISSIONER COMMENTS AND COMMITTEE REPORTS**

Commissioner Gouge reported that he attended the Snohomish County Economic Development Council's breakfast with Mr. McChesney, where it was reported that they expect unemployment in the County to go even higher. It was noted that 64% of the jobs in the County are created by small businesses. Because banks are not lending money to small businesses, they do not have sufficient payroll to hire additional employees. There is fear of a double dip in the County if they are unable to get banks to lend money to businesses to make payroll. However, it is predicted that Washington State will be one of the first to recover from the recession because of their software and airplane industries. He said that while he was at the meeting, he took the opportunity to talk to several people about the Port's desire to redevelop Harbor Square.

Commissioner Gouge reported on his attendance at the Puget Sound Regional Council's (PSRC) Transportation Policy Board Meeting. There were not enough members present to make a quorum, but he was able to obtain information regarding the 2040 Plan. He advised that the public comment period for the 2040 plan is currently open. It was noted that changes to the United States Environmental Protection Act would alter emission rates from the current .075 standard to .06 or .07. The biggest ozone problem in Washington is not in Puget Sound but against the mountains. He said he also talked to Bob Drewel, Executive Director of the PSRC, in an attempt to raise enthusiasm for economic development.

Commissioner Gouge announced that he and Commissioner Orvis would attend Port Day 2010 with the Legislature on February 1<sup>st</sup> in Olympia. They have scheduled appointments with numerous representatives or their aides. He encouraged Commissioners to identify issues they would like them to discuss. He said he plans to raise concern about the MTCA funds, letters to boatyards from the Puget Soundkeeper Alliance's attorney, and the current bench mark requirements for boatyards. He said he would emphasize that boatyards' are a miniscule player in the copper issue, yet they are being used as the test case.

Commissioner Faires asked about the status of previously proposed legislation that would combine all the ports in Snohomish, King and Pierce County into one large port district. Commissioner Gouge said he would discuss this issue with the representatives he meets with on February 1<sup>st</sup>. He said he has not seen this legislation during the current session. However, there is still an attempt to pass prevailing wage legislation that would have a devastating impact on ports and municipalities. Commissioner Orvis said that even the sponsor of the legislation has come to realize that the proposal would be a disaster for ports and cities. However, the unions are pushing for the legislation to move forward.

Commissioner Orvis said he would also attend Port Day 2010 on February 1<sup>st</sup>. He said it is important to understand that the MTCA money is gone. He said he plans to discuss the boatyard permit requirements with the representatives he meets with, and he plans to encourage other port commissioners in attendance to do the same. Both the boatyard permit and prevailing wage issues are important, as is the potential consolidation of ports in the three-county region.

Commissioner Zagorski recalled that she previously mentioned the CEDC's report to the Edmonds City Council. In addition, she reported that the Sea Scouts held a meeting on January 21<sup>st</sup>, where she signed their new charter. Things are going well for the scouts, and they were able to earn their moorage in 2009. They are in fine shape as far as kids participating and funding. They also have a lot of good activities planned for the year.

Commissioner Faires referred to a letter from the WPPA requesting funding for their 100-year anniversary celebration. He recalled that the issue was discussed at the last WPPA Trustees Meeting, at which time he expressed his opinion that rather than creating a book about the history of the WPPA, it would be more helpful to create a book that talks not only of the history of the WPPA, but the present and future of ports in the state. This type of book could be used locally and regionally to talk about what ports do for their communities. He suggested the Commission submit feedback to the WPPA to encourage this direction.

The Commission noted that they discussed the requested \$1,500 donation to WPPA at their last meeting when Commissioner Faires was not in attendance. They were under the impression that the Trustees had voted to move forward with the anniversary program and Commissioner Faires had voted in favor of the contribution. Mr.

McChesney noted that the check to WPPA has not been sent out yet. Commissioner Faires said his recollection of the Trustee Meeting is that they elected to form a committee to put together a proposal that would be forwarded to individual ports in support of the WPPA's request for funding. Ms. Drennan said the letter the Port received indicated that the assessment had been approved by the Trustees. The Commission agreed to hold the check until Mr. McChesney obtains further clarification from the Executive Director of the WPPA.

Commissioner Block reported that she and Mr. McChesney met with Stephen Clifton, Edmonds Community Services/Economic Development Director, and Terry Finn, from Burlington Northern Santa Fe (BNSF), regarding the possibility of BNSF contributing funds to mitigate the impacts associated with the double tracking project in Edmonds. Mr. Finn agreed to put forth the Port and City's case.

Commissioner Block asked that the materials from the PSRC's Transportation Committee Meeting be routed amongst all five Commissioners for review.

### **ADJOURNMENT**

The meeting was adjourned at 8:55 p.m.

Respectfully submitted,

Fred Gouge  
Port Commission Secretary