



PORT COMMISSION OF THE PORT OF EDMONDS

MINUTES OF REGULAR MEETING

November 13, 2017

COMMISSIONERS PRESENT

Fred Gouge, President
David Preston, Vice President
Steve Johnston, Secretary
Bruce Faires
Jim Orvis

STAFF PRESENT

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

OTHERS PRESENT

Bradford Cattle, Port Attorney
Karin Noyes, Recorder

CALL TO ORDER

Commission President Gouge called the regular meeting to order at 7:00 p.m..

PLEDGE OF ALLEGIANCE

All those in attendance participated in the Pledge of Allegiance to the American Flag.

CONSENT AGENDA

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

- A. APPROVAL OF AGENDA**
- B. APPROVAL OF OCTOBER 30, 2017 MEETING MINUTES**
- C. APPROVAL OF PAYMENTS IN THE AMOUNT OF \$148,563.18**
- D. APPROVAL OF WPPA SEMINAR OVERNIGHT STAY IN SEATTLE**

COMMISSIONER JOHNSTON SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

PUBLIC COMMENTS

Ken Davis, tenant, recalled that, last year, the Port increased its liveaboard rate by about 68%, and the proposed 2018 budget includes an additional increase of \$25. He expressed his belief that these two increases combined are quite hefty and may present a hardship for some tenants. He said he has never used the new restroom/shower facility, yet his rates are being raised to pay for it. He said he uses the restroom below because it is closer to his slip, and he uses his home and gym to shower. He voiced concern that the cost of constructing the proposed new laundry facility would also be passed on to the liveaboard tenants. He concluded that the proposed 2018 increase is a bit much for the liveaboard community to bear.

APPROVAL OF RESOLUTION NUMBER 17-07, ESTABLISHING THE AMOUNT OF TAX TO BE LEVIED

Ms. Drennan said the Commission reviewed the 2018 Tax Levy needs on August 28th, October 16th and October 30th. A public hearing was held on October 30th, as well. She explained that the Port may levy a property tax of approximately \$567,701, the 2017 highest lawful levy, plus the estimated amount of new construction, less the estimated refunds. The tax levy for 2017 was set at \$400,000, and the proposed tax levy for 2018 would also be \$400,000. The proposed millage rate for 2018 is approximately \$.074. She recommended the Commission approve the resolution as presented.

Commissioner Faires said he would vote in favor of the motion, but he wants to go on record reminding the Commission that they agreed to discuss the topic at their 2018 Spring Retreat. As discussed at a previous meeting, the Commission was in agreement that property taxes should be reduced when the Harbor Square loan is paid off. He plans to hold his fellow Commissioners to that commitment.

COMMISSIONER JOHNSTON MOVED THAT THE COMMISSION APPROVE RESOLUTION NUMBER 17-07, ESTABLISHING THE AMOUNT OF TAX TO BE LEVIED IN 2018 IN THE AMOUNT OF \$400,000. COMMISSIONER ORVIS SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

APPROVAL OF RESOLUTION NUMBER 17-08, BANKING EXCESS LEVY CAPACITY FOR 2018

Ms. Drennan explained that Washington State Law allows the Port to bank the additional amount it could levy in an amount equal to the rate of inflation or 1%, whichever is lesser. In order to protect the Port's ability to issue and repay Limited Tax General Obligation Bonds (LTGO), the Port has established that there is a need to bank 1% of the highest lawful levy. Banking the additional 1% will allow the total legal levy to grow without assessing the full amount. She recommended the Commission approve the resolution as presented.

COMMISSIONER ORVIS MOVED THAT THE COMMISSION APPROVE RESOLUTION NUMBER 17-08, BANKING EXCESS LEVY CAPACITY FOR 2018. COMMISSIONER FAIRES SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

APPROVAL OF RESOLUTION NUMBER 17-09, ADOPTING THE 2018 BUDGET

Ms. Drennan reviewed that the Commission and staff discussed elements of the 2018 Preliminary Budget at the August 28th, October 16th and October 30th Commission meetings. A public hearing was also conducted on October 30th. As a result of Commission direction provided at the October 30th meeting, property taxes were allocated as follows:

- Marina -- \$50,000 for the launcher subsidy.
- Rental Properties -- \$170,000 to pay down the Harbor Square loan more quickly, saving the taxpayers \$620,000.
- Overhead -- \$150,000 for the Commission costs and \$30,000 for responding to public records requests and for public records training.

Ms. Drennan emphasized that the total property tax levy of \$400,000 remains unchanged. She recommended the Commission approve the resolution as presented.

Commissioner Orvis referred to a letter the Port received from tenant, Joe Catalano, voicing concern about the proposed liveaboard fee increase of \$25. Commissioner Orvis recognized that a \$25 increase is not significant, but it would represent an increase of more than 80% in just two years. He referred to Page 35 of the Staff Report, and noted that the liveaboard fee increased only slightly from 2013 through 2016. However, the fee was substantially increased in 2017. In light of this large increase, he suggested that the budget be amended to eliminate the proposed increase for 2018.

Commissioner Preston inquired how the Port's liveaboard fee compares with other marinas, and Ms. Drennan provided the following information: Anacortes - \$145.75, Everett - \$125.00, and Shilshole \$177.35. Neither LaConner nor Elliott Bay allow liveaboards.

Commissioner Faires suggested that the biggest mistake was made when the Port failed to increase the liveaboard rates sufficiently on a yearly basis. This required them to implement a significant increase in 2017 to bring the rates closer to market value. However, he agreed with Commissioner Orvis that they should not increase the rates further in 2018.

Commissioner Gouge said the problem initially came about because the Port failed to increase the fee by an appropriate amount each year. He noted that all other fees are increased by the Consumer Price Index (CPI) plus 1%. Rather than eliminating the entire proposed rate increase, he suggested that the rates simply be raised by CPI plus 1%. Ms. Drennan commented that this formula was used to increase the rates from 2013 through 2016, but the problem was that the rates were too low to start with. The 2017 rate increase was intended to bring the rates up to market value.

Ms. Drennan reviewed the cost analysis for liveaboard tenants based on utility, restroom and laundry facility costs. This same approach was used when allocating associated costs to guest moorage and Puget Sound Express. Commissioner Orvis said the increase proposed by staff appears to be rational based on the analysis. In addition, the fee cannot be based on whether or not a liveaboard tenant uses the restroom, shower and laundry facilities. The facilities are there and a tenant can choose to use them or not, but the cost should be allocated to all. He expressed his belief that there are additional costs associated with liveaboard tenants, and that is why some marinas no longer allow the use. He agreed that the Port should have been raising the rates more consistently each year. Because they didn't, a huge jump was needed in 2017, and this created a bad perception.

COMMISSIONER PRESTON MOVED THAT THE 2018 LIVEABOARD BE RATE BE INCREASED BY CPI PLUS 1%. COMMISSIONER FAIRES SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

Commissioner Gouge asked if any Commissioners or staff received additional public comments relative to the 2018 budget, and none were noted.

COMMISSIONER JOHNSTON MOVED THAT THE COMMISSION APPROVE RESOLUTION NUMBER 17-09, ADOPTING THE 2018 BUDGET AS AMENDED. COMMISSIONER ORVIS SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

APPROVAL OF RESOLUTION NUMBER 17-10, DECLARING ITEMS SURPLUS AND AUTHORIZING SALE AND/OR DISPOSAL

Mr. McChesney reviewed that on April 24th, the Commission authorized the purchase of a 2017 Chevrolet Silverado to replace an aged and damaged 2000 Chevrolet S10. It is now time to surplus and sell the 2000 Chevrolet S10. As proposed, the truck will be entered in the December 2nd James G. Murphy auction. He recommended the Commission approve the resolution, as presented.

Commissioner Johnston asked how much staff anticipates the truck will sell for, and Mr. McChesney estimated about \$500.

COMMISSIONER ORVIS MOVED THAT THE COMMISSION APPROVE RESOLUTION NUMBER 2017-10, DECLARING ITEMS SURPLUS AND AUTHORIZING SALE AND/OR DISPOSAL. COMMISSIONER FAIRES SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

APPROVAL OF RESOLUTION NUMBER 17-11, AUTHORIZING THE ISSUANCE OF CHECKS BEFORE APPROVAL BY PORT COMMISSION

Ms. Drennan explained that, currently, the Commission is required to approve payments prior to the issuance of the checks. When Commission meetings are cancelled or rescheduled, the Port is often unable to avoid late fees

charged by vendors because payments are made beyond the invoice due date. There are also other occasions when payment must be made before the Commission is able to approve them. An example is when the Port submits permit applications to the City of Edmonds. She reminded the Commission that the Revised Code of Washington (RCW) allows the Commission to authorize payment prior to Commission approval under certain conditions:

1. The auditing officer and the officer designated to sign the checks or warrants shall each be required to furnish an official bond for the faithful discharge of his/her duties in an amount determined by the Commission but not less than \$50,000. This requirement is met by the Port's Crime Blanket Coverage of \$1 million purchased through Enduris.
2. The Commission shall adopt contracting, hiring, purchasing and disbursement policies that implement effective internal controls, which has already been done.
3. The Commission shall provide for its review of the documentation support claims paid and for its approval of all checks or warrants issued in payment of claims at its next regularly scheduled public meeting; and
4. The Commission shall require that if, upon review, it disapproves some claims, the auditing officer and the officer designated to sign the checks or warrants shall jointly cause the disapproved claims to be recognized as receivables of the Port and to pursue collection diligently until the amounts disapproved are collected or until the Commission is satisfied and approves the claims. To date, there have been no situations of this type.

Ms. Drennan advised that approval of the resolution would allow the Port staff to continue making timely payments if the Commission meetings are cancelled or rescheduled, and Commission meetings only to approve accounts payable would no longer be necessary. Other ports have adopted similar policies to address these situations.

Ms. Drennan recalled that she mentioned the challenges to the Commission on June 26th and suggested that they consider a resolution to address them. The Commissioners directed staff to prepare a policy proposal for their consideration. She recommended the Commission approve the resolution as presented.

Commissioner Faires asked what would happen if the Port Commission did not approve an expenditure that had already been paid out. Ms. Drennan answered that, as per the policy and resolution, staff would approach the person the check was sent to and ask to be paid back. Commissioner Faires asked if the payee would have a legal obligation to pay the Port back. Ms. Drennan said she does not anticipate this will be a problem. While there could be a situation where the Commission has a beef with a contractor, it is not likely that these situations would reach the payment stage without additional Commission feedback and approval. If the resolution is adopted, Commissioner Faires asked if invoices would be paid subject to final approval by the Commission. Ms. Drennan answered no, they would just be paid. If there are questionable invoices or something staff is just not sure about, they will not pay the invoices until Commission approval.

At the request of Commissioner Gouge, Ms. Drennan clarified that accounts payable only meetings would no longer be necessary. However, the Port would continue the same schedule of issuing checks every other Monday. All checks written will be placed on the next consent agenda for approval.

COMMISSIONER FAIRES MOVED THAT THE COMMISSION APPROVE RESOLUTION NUMBER 17-11, AUTHORIZING THE ISSUANCE OF CHECKS BEFORE APPROVAL BY THE PORT COMMISSION. COMMISSIONER PRESTON SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

AWARD OF CONTRACT – RESTROOM REMOVAL (NUMBER 2017-282)

Mr. McChesney reviewed that the Commission was formerly briefed on maintenance issues for the public restrooms adjacent to Marina Operations in 2016, and \$200,000 was budgeted to remodel them. In July 2017, the Commission approved a design consultant, NAGELSport LLC, to assist with renovation design, permitting and architectural services to move the project to bid. The building permit was secured in October.

Mr. McChesney further reviewed that staff advertised the project for bid on October 27th to Municipal Research Service Center (MRSC) Roster members and in *THE EVERETT HERALD*. Six qualified bids were received on November 9th, and the low bidder for the project was A to B Builders, LLC. As proposed, work shall be completed by February 28, 2018, and staff will work with the contractor to minimize the disruption to tenants and customers during the remodel. He summarized that the fiscal impact of the project will be \$147,328 plus sales tax for a total cost of \$162,502.78. The project is consistent with the Port's strategic purpose of providing and fostering quality services and facilities for tenants and customers and being responsible financial stewards. He recommended the Commission authorize him to enter into a contract with A to B Builders (Contract Number 207-282) as described above.

Commissioner Orvis asked if staff is familiar with the contractor, and Mr. McChesney said he has not worked with them, but staff will check the references and make sure that bonds and insurance are in good order.

COMMISSIONER PRESTON MOVED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE DIRECTOR TO ENTER INTO A CONTRACT WITH A TO B BUILDERS, LLC IN THE AMOUNT OF \$147,328 PLUS SALES TAX FOR THE BASE BID FOR THE RESTROOM REMODEL CONTRACT 2017-282. COMMISSIONER ORVIS SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

EXECUTIVE DIRECTOR'S REPORT

Mr. McChesney reported that the Holiday on the Docks event is coming up. This is a wonderful event that happens every year and the Port is happy to partner with the Edmonds Yacht Club to put it on.

Mr. McChesney advised that Port staff has been working with the Washington Public Port Association (WPPA) to put forward two bills that address items brought forward by the State Auditor having to do with on-call contracts and public works contract bid threshold allowances. Representative Strom Peterson has agreed to sponsor the house bill and Marko Liias will be asked to sponsor the bill in the senate. The legislation related to public works contracts would allow the Port to streamline the bid process for contracts less than \$40,000. On-call contract requirements have been a problem for the Port because the State Auditor has pointed out they are not allowed. However, given the type of equipment, such as the dry storage launcher, the Port does not have the liberty to shut down for a period of time in order to go out to bid to repair the equipment. The proposed legislation would address this concern, but thus far, there has been no agreement on the definition of what an on-call contract is. Unit pricing is another issue that still needs to be resolved. While unit pricing is easy to determine when dealing with specific quantities, it is more difficult when dealing with a piece of equipment. Staff is insisting that the definition be broadly defined to include the totality of a complex piece of machinery. He concluded that he is confident the bills will make it to both floors, but it is always a challenge to make sure they work for the Port and the language does not get so befuddled that the results they are trying to obtain are compromised.

Mr. McChesney suggested that Commissioners may have an opportunity to engage with representatives from the WPPA regarding the proposed legislation when they attend the annual meeting later this week. It is important that they are encouraged to work the bill out in a way that will be effective for the Port. He concluded that the legislation has become a priority on the WPPA's agenda, but it is important to get the language right.

COMMISSIONER'S COMMENTS AND COMMITTEE REPORTS

Commissioner Faires advised that he would not attend the Edmonds Citizens Economic Development Commission meeting on November 15th, as he will be at the annual WPPA meeting. Mr. McChesney agreed to attend as a representative of the Port.

Commissioner Preston reported that he met a few weeks ago with Patrick Pierce from the Economic Alliance of Snohomish County while attending a forum at the Lynnwood Convention Center. They spoke about what is happening in Puget Sound, and particularly the Port of Everett. He also reported that he attended the Edmonds Yacht Club's meeting on November 10th and spoke with an individual who just recently moved his boat into the marina. He was very happy with how he was treated by staff, particularly Kevin Danberg and Kelby Brown. Lastly, he reported that he attended the November 9th Historic Preservation Commission meeting along with Council

Member Teitzel. There may be a tourism element the Commission could consider how it fits in with their future plans.

Commissioner Preston asked when representatives from the Rotary Club would present their report on the 2017 Waterfront Festival to the Commission. Mr. McChesney agreed to contact Ms. Claypool to set up a presentation. Commissioner Preston suggested that her presentation should provide a comparison between the 2016 and 2017 vendors so the Commissioners can see the differences.

Ms. Kempf announced that the Seattle Boat Show is scheduled for January 26th through February 3rd, and the Port's location will be the same as last year, right next to the Edmonds Yacht Club.

Commissioner Preston advised that he plans to visit the Ports of Everett, Whidbey Island and Kingston Commission meetings to talk about potential opportunities for Mosquito Fleet and the Porter Festival.

Commissioner Orvis reported that he attended the Veteran's Day ceremony at the Veteran's Memorial Plaza, which was nicely done. Commissioner Johnston said he also attended the ceremony, which was short but impressive.

Commissioner Johnston said he looks forward to attending the annual WPPA meeting later in the week. He felt it will be a great opportunity to talk with other commissioners and valued port staff. He also advised that he was asked for the fourth year in a row to be one of three judges for Washington State's Environmental Engineering Awards.

ADJOURNMENT

The Commission meeting was adjourned at 7:45 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'SJ', with a long horizontal flourish extending to the right.

Steve Johnston
Port Commission Secretary