



PORT COMMISSION OF THE PORT OF EDMONDS

MINUTES OF SPECIAL MEETING & RETREAT

March 1, 2016

COMMISSIONERS PRESENT

Bruce Faires, President
Fred Gouge, Vice President
Jim Orvis, Secretary
Mary Lou Block
David Preston

STAFF PRESENT

Bob McChesney, Executive Director
Marla Kempf, Deputy Director
Tina Drennan, Finance Manager
Brian Menard, Facilities Maintenance Manager
Megan LeBlanc, Administrative Assistant

OTHERS PRESENT

Bradford Cattle, Port Attorney

CALL TO ORDER

Commission President Faires called the special meeting to order at 9:00 a.m.

PLEDGE OF ALLEGIANCE

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

CONSENT AGENDA

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

- A. APPROVAL OF AGENDA**
- B. APPROVAL OF FEBRUARY 8, 2016 MEETING MINUTES**
- C. APPROVAL OF PAYMENTS IN THE AMOUNT OF \$561,332.44**

COMMISSIONER PRESTON SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

PUBLIC COMMENTS

Doug Haldeman, Port Tenant, asked to clarify that the public would have time to comment during the fuel survey, as he felt there was pertinent information relating to the survey that needed to be addressed. Commissioner Faires confirmed, and noted that comments will be held to three minutes unless a need was seen for more time. Mr. Haldeman requested a copy of the fuel survey results. Mr. McChesney noted that the results will be discussed during the retreat portion of the meeting, and that these are still preliminary results. He further noted that once the survey is complete, the results will be made available to the public. Commissioner Faires stated that the Commissioners have not seen the results yet either.

2015 YEAR END FINANCIAL STATEMENTS

Ms. Drennan noted that attached are the preliminary 2015 Year End Financial Statements. All major transactions that staff are aware of have been recorded. Staff will be preparing the final 2015 Year End Financial Statements in the budgeting, accounting, and reporting system (BARS) format in the next couple of months. Occasionally during this process staff finds other transactions that need to be recorded. Staff will notify the Commission of any changes when the 2015 Year End Financial Statements are presented. Ms. Drennan specifically noted the following:

- Revenues have slightly increased over the past 5 years, and expenses have slightly decreased

- Net income trend for the past 5 years shows an increase
- For 2015, actual revenues are slightly higher than budgeted, and actual expenses are slightly below budget
- Gross profit for 2015 was \$6,977,619, which is \$258,319 or 3.8% greater than budget. Net income for the same period was \$1,634,172
- Net fuel sales were \$175,806, which is \$72,806 greater than budget. Ms. Drennan explained this was due to lower than expected fuel prices
- Permanent moorage revenue was \$3,114,625, which was \$36,625 greater than budget. Ms. Drennan explained it was at 97% occupancy
- Dry Storage revenue was \$664,399, which was \$15,399 greater than budget. Ms. Drennan explained this is 92% occupancy
- Harbor Square Property revenue was \$1,625,038, which was \$24,462 less than budgeted
- Anthony's rental revenue was \$286,441, which was \$23,441 greater than budget. Ms. Drennan explained this was Anthony's first full year with the extra space of the banquet room
- Operating expenses without depreciation for 2015 were \$3,684,951, which is \$145,849 or 3.8% less than budget
- Cost of goods sold expenses were \$13,989, which was \$68,011 below budget. Ms. Drennan explained this was attributable to originally budgeting to accept credit cards, but deciding not to proceed with that
- Employee benefits were \$624,116, which was \$39,116 over budget. Ms. Drennan noted that OPEB was \$28,662 over budget.

The Commission asked for clarification on the OPEB (Other Postemployment Benefits) line item. Ms. Drennan answered that this is a requirement from the Governmental Accounting Standards Board (GASB), requiring government agencies to record future benefits, when the activity is occurring now. It is a liability, based on our health insurance, because our health insurance has two different benefits. One benefit is indirect subsidy (retirees can get benefits through the state but they get it at state rated amounts), and the other area includes employees getting retiree benefits, due to the Port being with the Health Care Authority.

- Interest expense for 2015 was \$389,296, which was \$42,704 less than budget. Ms. Drennan explained the variance comes from the Port paying off bonds faster than the bond requires
- Loss on fixed assets for 2015 was \$36,510. \$22,028 of this is attributable to the old weather center. Ms. Drennan explained the old weather center was capitalized with a fairly long life, but did not last as long as anticipated
- Net income for 2015 was \$1,634,172, which was \$555,372 greater than budget

Commissioner Gouge noted that the Port has been very steady on expenses for the past 5 years.

Ms. Drennan noted that the Commission reviews the balance sheet annually and not quarterly, and the following should be noted:

- On August 1, 2015, the Port called and retired the remaining \$615,000 of the 1998 Revenue and Refunding Bonds, which now show a \$0 balance. The balance sheet no longer shows any restricted assets as of December 31, 2015.

Commissioner Gouge noted that the Port saved roughly \$40,000 in interest when the Port paid this bond off.

- The Port has \$6,210,289 remaining in outstanding debt. \$931,338 of that is due within one year. Ms. Drennan noted this is comprised of the Harbor Square bond, and the 2005 LTGO Refunding bond. The 2005 LTGO Refunding bond requires a \$735,000 payment to be made in 2016, and the remaining \$765,000 to be made in 2017

Commissioner Faires commented that the Port has paid the Harbor Square bonds down as rapidly as we are able with regard to the restrictions of the bond, as this is the best investment. He asked Ms. Drennan if the Port knows of anything of material consequence that could change the 2015 Year End Financial Statements. Ms. Drennan answered that Port staff has booked everything they are aware of.

RESTROOM PROJECT & CHANGE ORDERS

Mr. McChesney noted that the Port is at the closeout stage on the restroom project, but are about two months behind schedule, which is attributable to weather and other factors. One issue arose with Snohomish County PUD. The Port completed all of the modifications requested, but the system could not be energized until payment was made. This new fee was not previously known. Payment was made, and now the Port is waiting for PUD to dispatch crew.

Mr. McChesney further noted that previous change orders have been reviewed and modified, which include COP 4 in the amount of \$4953.62, to install electrical service required by PUD, and COP 9 in the amount of \$7,389.53, to install a 3-phase meter base not originally anticipated and later required by PUD. After review, it was discovered that COP 9 included COP 4, which reduced COP 9 to \$435.91. PUD also required payment of \$3,892.00 to connect and energize the new system.

Mr. McChesney went on to note that during the final inspection walk through, some items were discovered that the Port found unacceptable. Two major defects became apparent during this final inspection; grading at the Cheyenne building, and drainage at the Taos building. Port staff reviewed both of these conditions with contractor ICI and Project Engineer Reid Middleton. It was determined these construction defects are a reflection of incomplete plans and contract specifications, and fundamental engineering flaws. The number and type of change orders for a small construction job like this one indicates incomplete drawings. In addition, the Project Engineer failed to properly survey the site conditions before submitting the bid specifications. Instead, they chose to use an old drawing for the grading plan. This turned out to be a mistake and the results are apparent by the awkward slope and angularity of the finish grade with the Cheyenne building in place. In consultation with the Project Engineer, corrective measures have been identified. The Port is encouraged that Reid Middleton has accepted full responsibility for both of these problems. Consequently, COP-12 in the amount of \$21,048.25 is submitted for Commission approval. The full cost is reimbursable by Reid Middleton.

Mr. McChesney recommended that the Commission approve Interwest Construction Inc. COP 12 in the amount of \$21,048.25 as presented.

Commissioner Orvis asked if this will complete the project.

Mr. McChesney answered that one other issue is the overcut that occurred when this project was just getting started, which again reflects incomplete drawings. There was an overcut through the bulkhead, which sliced through the driveway surface, and left the surface in a weakened condition. Mr. Menard explained that this was submitted to Interwest Construction last week, and Port staff will follow-up on this later this week. Port staff does not expect there to be any issues for completion, and they are mostly waiting on scheduling and supplies.

COMMISSIONER GOUGE MOVED THAT THE COMMISSION ACCEPT CHANGE ORDER PROPOSAL 12 IN THE AMOUNT OF \$21,048.25 AS PRESENTED. COMMISSIONER ORVIS SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

Commissioner Faires commented that this is an example of competent and mature processes and people, and that he commends Port staff and Mr. McChesney for having due process and following it well.

Commissioner Orvis reaffirmed this notion, and noted that this is another example of public works projects becoming so incredibly expensive and long delayed, because of everything from rules that staff are working under, to dealing with organizations that do incomplete work. He also noted that these problems arise when having to deal with public utilities and public places, who have no investment in seeing that anything is accomplished besides the meticulous application of their rules, which are brought up throughout the process instead of upfront. This project came about successfully because of Port staff, and Mr. Menard and McChesney weaving their way through this process.

RETREAT INTRODUCTION: PORT POWERS & PURPOSE

Mr. McChesney stated that we wanted to start this retreat with a reflection and review on the purpose of the port, what do we do, and where does that authority come from. He felt the best place to start is with the mission statement, because that accurately reflects what the Port wants to do.

Mr. Cattle, Port Attorney commented that Port Districts are authorized to engage in economic development per RCW 53.08.245. Port districts are involved in a fairly wide array of situations (trade, marine, leasing/building, tourism, etc). The statute itself allows for all Port Districts to engage in economic development programs, which by definition is one of the things that the Port of Edmonds is called to do.

Commissioner Orvis noted that the line in RCW 53.08.245 states, "...in existence on June 10, 2010", and he believed the legislature was trying to have this item removed.

Commissioner Faires stated he would like to see this on a future Commission agenda, with a discussion relative to submitting the Port's stance on this to WPPA or legislature.

Mr. Cattle referred the Commission to RCW 53.08.255, "Tourism Promotion and Tourism-Related Facilities Authorized". He noted this RCW has a somewhat narrower focus than some may think, referring to the section which states, "Any port district in this state, acting through its commission, has power to expend moneys and conduct promotion of resources and facilities in the district or general area by advertising, publicizing, or otherwise distributing information to attract visitors and encourage tourist expansion."

Mr. Cattle commented that the distinction in the RCW between the Port district and the general area is important, as there are parts of Edmonds that are not within the Port district. He further noted that in regards to parks and recreation, the RCW is very limiting in the investment and building of parks, and states that a Port district is only able to do so "when such facilities are necessary to more fully utilize boat landings, harbors, wharves and piers, air, land, and water passenger and transfer terminals, waterways, and other port facilities authorized by law pursuant to the port's comprehensive plan of harbor improvements and industrial development" (RCW 53.08.260).

Mr. McChesney noted that this discussion directly relates to the Port's mission statement, which also serves as a prologue to the Port's strategic plan. The mission statement has been discussed several times, and accurately reflects how the Commission wants to represent the Port of Edmonds to the public, and is consistent with everything that is discussed.

Commissioner Faires asked the Commission to review the mission statement, to be discussed at a future Commission meeting. He noted that one change he would like to see would be to the economic development section, noting that the Port has evolved, and that section does not accurately describe what the Port feels is their mission at this time. He further commented that the Port has a responsibility for the economic vitality of the Port district.

CASH FLOW MODEL ASSUMPTIONS

Mr. McChesney stated that several years ago the Port built a cash flow model as a basis for our budget discussion, to anticipate what our capital replacement would be and what the Port's necessary income would need to be to finance some of these improvements. He noted the following assumptions as they relate to revenue:

- Moorage and Dry Storage rates will increase annually at 3.0%
- Moorage and Dry Storage rate increases are restricted by external market factors
- Other marina revenues will increase annually at the most current 5 year average
- Rental property revenues will increase annually at the most current 5 year average

Ms. Drennan noted that the 5 year average is valuable, in that it takes the most recent 5 years and projects it forward, in a way that is self-adjusting.

Mr. McChesney commented that it would be in the Port's best interest to reevaluate the Capital Replacement schedule annually, while working to keep life expectancy high through continued maintenance.

Commissioner Orvis agreed, and noted that continuous incremental repair or upgrading of facilities essentially means the Port will never have to replace the entire marina at once.

Ms. Drennan noted that one issue with the Cash Flow Model is that it does not anticipate any rental property replacements or improvements, and this might be something we need to consider adding at some point.

Commissioner Faires disagreed that this should be added, and noted that decisions for the Harbor Square buildings will still be based on the Cash Flow Model.

Commissioner Orvis agreed, stating that the Port made the decision not to do anything with Harbor Square until something major changes within the City. He noted that the Port has put new long term roofs on the buildings, as well as new HVAC units, in order to extend the longevity of the buildings' life spans.

Commissioner Faires commented that the Port needs to keep in mind these assumptions are the guidelines and not the rules, and can be preempted by real time thinking and discussion.

FACILITIES & PROJECTS: 2016-2017 WORK PLAN

Mr. McChesney commented that Port staff has been successful in completing many capital maintenance items, and directed the Commission's attention to the project report for completed 2015 projects. He referenced the 2016-2017 work plan, specifically noting the Port's goal for the upcoming year was to refocus and reevaluate the projects that have been completed, and where Port staff would like to focus their efforts for the years ahead. He noted some of the projects expected for completion in 2016 and 2017, including upgrading the fuel dock sales equipment, maintenance and replacement of the promenade bench floor, dock sealing, repairing Harbor Square parking lot areas, public restroom remodel, administration office phase 2 remodel, Sea Jazz stage, Travelift engine replacement, and electrical updates throughout the marina.

Commissioner Faires noted that as the facilities become older, some aspects are becoming less reliable and are beginning to have issues. He asked Port staff if there are any major projects that are worrisome.

Mr. Menard responded that one item of concern are the g cables, as they are the main service feeders for all docks. The Port had issues with them last year on T dock. The Port hired a diver last year to inspect the cables, discovering one cable that had failed, and a couple of other cables that would need replacing soon. As they are rated for roughly 20 years in this environment, they will be ready for upgrades within the next 5 – 10 years.

Commissioner Gouge also noted that in regards to repairing Harbor Square sidewalks and parking lots, the Port wants a nice looking and safe facility, and these are necessary items to accomplish that.

Mr. McChesney agreed, and commented that purchases have been made (cement mixer, tractor, and trucks) to allow Port staff to make some of those repairs in-house.

CUSTOMER FUEL SURVEY

Ms. Kempf presented the customer fuel survey, noting that these were preliminary results as the survey had just closed the night before. She noted that the survey was open from February 11th to February 29th, and was distributed to tenants and customers through the tenant newsletter, a link on the Port's website, and a copy in tenant's February statements. 283 responses were received, with 38% of those being dropped off, emailed, or mailed in, and 62% taken through the online system. Ms. Kempf further noted the following:

- Of the respondents, 31% were non-tenants and 69% were current tenants
- At the time of survey distribution, the Port had 789 tenants. Of this, 25% of tenants responded.
- 85 of the tenants who responded have been a tenant for 10 years or more
- Of the non-tenants who responded, the three most popular services utilized were the public launch, guest moorage, and the fuel dock
- Of the non-tenants who responded, 74% were unverifiable in the Total Marina Package
- 21% of the respondents use diesel in their boats, while 79% use gasoline
- 61% of the respondents primarily purchase their fuel from the Port of Edmonds, 10% from the Port of Everett, 15% from the Port of Kingston, and 14% from other vendors (these included anywhere with non-ethanol fuel, land gas stations, Anacortes, Port Townsend, Shilshole, Bellingham, Elger Bay, Des Moines, Westport, Issaquah Grange, Oak Harbor, Poulsbo, Snohomish Co-Op, Port Angeles, Brownsville, Canada, Misc. Lake Union, and Port Ludlow)
- For those respondents who do not primarily purchase their fuel from the Port of Edmonds, 77% noted it was because of ethanol, 17% because of price, and 6% had other reasons

- 128 respondents were willing to pay \$0.35 - \$0.50 more per gallon for non-ethanol gasoline (69 of these were current tenants), and 50 respondents were not willing to pay more for non-ethanol gasoline
- When asked if they wanted the Port of Edmonds to switch to non-ethanol gasoline, 75% responded yes, 12% responded no, and 13% had no preference

*Please note, the results presented were preliminary, and the numbers have changed slightly as the remaining survey results were submitted.

Ms. Kempf presented a fuel price comparison for 1st quarter 2016, noting that on average, Port of Edmonds unleaded fuel is less expensive than fuel docks at Des Moines, Kingston, Shilshole, Everett, Elliot Bay, Poulsbo, and Brownsville. She also noted that on average, Port of Edmonds diesel is less expensive than those places named, except for Des Moines, Poulsbo, and Brownsville.

Ms. Kempf provided the fuel program's profit and loss statement, noting that 2010 – 2013 had a loss before overhead, 2014 showed a \$4,650 profit before overhead, and 2015 showed a \$70,162 profit before overhead, and also had the most gallons sold in that six year period.

Ms. Kempf reviewed historical performance trends on the fuel dock which show the relationship between price and gallons sold. Gallons sold for both diesel and gasoline go up when price is low, and down when price is high. Ms. Kempf noted that although survey response was good, 75% of Port tenants did not request a change by responding to the survey. The Port has served ethanol gasoline with ValvTect additive since November of 2010 with no verified problems. This formula is what has led to the fuel dock achieving breakeven. Therefore, staff's recommendation remains to stay on course, continue to serve E-10 with ValvTect additive, continue market pricing, continue with the goal of breakeven before overhead, proceed with necessary upgrades to fuel dock equipment, and continue tenant rewards including Pay-at-the-Pump (allows a \$0.10 per gallon discount and 24 hours fueling privileges) and one free day in the boatyard for every 150 gallons in receipts.

Doug Haldeman, Port Tenant, provided the Commission with handouts listing the 18 main fuel docks in Puget Sound. Of the 18 fuel docks listed, only two of those continue to serve ethanol fuel (Port of Edmonds and Friday Harbor), noting that the remainder have converted to non-ethanol fuel. Mr. Haldeman commented that he spoke with all fuel docks on the list, and found that they had converted to non-ethanol fuel at the request of their customers. He mentioned that since this fuel type is now more readily available, he believes it is a no-brainer to switch. Mr. Haldeman referred to a powerpoint handout that was presented at an earlier Commission meeting, listing the fuel docks that use a ValvTect additive. He said he called each of the fuel docks listed, and learned that although they use a ValvTect additive, most are non-ethanol. Mr. Haldeman concluded by stating that anytime a survey is done, with a 75% change order, it seems pretty clear what the customers are asking for. He noted that many other marinas have addressed this issue in the same way, and have let the customers speak on the matter.

Commissioner Faires thanked Mr. Haldeman for the information presented, noting that the Commission still has a ways to go before arriving at a decision.

Commissioner Gouge stated that he believed the matter should be put on a future Commission agenda, and voted on by the Commission.

Noel Kidd, Port Tenant, brought in Tulip valves from his boat, commenting that he wanted to show what the Port's gas had done to the valves. Prior to 2008, he had his boat and engine examined, and brought his boat to the Port of Edmonds in 2008. He stated that within one year of the Port switching to E-10 gasoline, his motor went bad.

Commissioner Faires commented that he wants to do what the Port's customers want, but that the Commission should not make this change precipitately.

Commissioner Orvis commented that he has done significant research on the matter. He noted that non-ethanol and ethanol gasolines are incompatible, which is an issue that ValvTect cannot correct. He stated that he cannot see any possible reason to put E-10 in your boat if it can be avoided. Commissioner Orvis further commented that the Port made the switch to E-10 because non-ethanol was not readily available at the time, which is no longer the case.

Commissioner Faires observed that the Port loses money on the fuel dock, but continues to provide the facility because it is a full service marina, and is provided as a tenant amenity.

Commissioner Gouge noted that as a public marina, the Port needs to be concerned not only with its tenants, but with customers coming up through the Sound as well. He wants the best that we can get, and remarked that he believes it is a no-brainer to make the switch to non-ethanol gasoline.

OPERATIONS & FACILITIES (NON-COMPLIANCE & FISH BUYERS)

NON-COMPLIANCE

Mr. McChesney stated that Port staff have been working to bring all of the marine tenants into compliance on a number of issues. The Port has a set of regulations, and needs to require fairness and consistency on these topics. He noted that the majority of the Port's customers are very good at complying, but there are a number of customers who are not willing or able to comply. He commented that the only recourse for non-compliance is termination, noting that that seems like a harsh statement to a customer that we value.

Mr. McChesney presented the presentation on non-compliance, suggesting a non-compliance fee that would be implemented after a certain period of non-compliance. He explained that the Port is not attempting to make money off of non-compliance, but would instead implement a fee, instead of terminating customers.

Mr. Cattle voiced his concern about the fee. He instead suggested a violation where there is an opportunity for the customer to cure the situation by resolving the violation. He further explained that the violation notice could be presented to the customer, providing them with the opportunity to cure the violation before the consequence.

Commissioner Faires noted that a great deal of time has been spent generating a set of rules that are in place in order to moor your boat at the Port of Edmonds. In the final analysis, those rules are important to a rational process, and not something that a customer should be able to buy their way out of. Instead, he stated that Port staff should be discussing a process for termination due to non-compliance.

Commissioner Gouge stated that the Port should put this on a future Commission agenda, as well as a notice in the newsletter, so all tenants are notified of this. It is a policy change that is not to be taken lightly, and the Port needs an open discussion on the matter, with comment from tenants and the Port's attorney.

Commissioner Orvis commented that the "sneak aboards" is one category that causes worry. Nine days per month that tenants are able to spend on their boats seems a little light.

Ms. Kempf responded that the reason liveaboards are part of this discussion is due to the change in the Port's Liveaboard policy. The policy changed to require Liveaboard tenants to submit to a background check and provide a larger deposit. Currently, the Port is at capacity for the number of liveaboards we accept, and this can create an environment of non-compliance with Port regulations. Ms. Kempf further noted that the Port wants people using their boats, and this is not targeted at those people, but instead at those customers who are actively living aboard their vessel.

Commissioner Faires commented that there is a consensus from the Commission for endorsing termination for non-compliance, but that there may be issues regarding the process that must be discussed.

Commissioner Gouge stated that he wants to see people coming down to their boats, and using their boats, without feeling like they're criminals for staying on their boats. We want people to feel free to come down and stay on their boats, especially in the summer.

Ms. Kempf noted that this is more intended as a fairness and consistency item, for those who have paid the deposit and applied for this Liveaboard status.

Commissioner Gouge concluded that he would like to hear from the tenants who are using the facility and do come down to their boats often, and feels this item should be a public discussion on a future Commission agenda.

FISH BUYERS

Ms. Kempf noted that there has been an increase in the amount of fish buying activity at the Port in the last quarter. She commented that the Marina Operations staff are now receiving advisories if there will be fish openings the following day. Recently, there was an opening on February 17th that really caught Port staff by surprise. There was a very intense amount of activity at the facility, and resulted in a broken dock cart, abandoned vessel, trash

throughout the Port and overflowing from dumpsters, and selling to the public against regulations. For the majority, the Port has a good working relationship with the fish buyers and fisherman, but there is a small group that are difficult to work with.

Ms. Kempf further stated that the Port has never had a policy in place for buyers operating out of our facility. Small buyers are realizing Edmonds is a more lucrative place for this business. She noted the following:

- Crab sales ranged from 192 – 5,582 pounds, resulting in \$50,646 being brought across the Port’s facilities
- Geoduck sales resulted in 32,669 pounds or \$355,112.03 being brought across the Port’s facilities
- Contact has been made with the New Fisheries Director, to continue establishing a working relationship

Ms. Kempf presented a possible solution for accommodating buying activities:

- Require buyers to check-in with Port staff and pay a \$200 fee per truck per day
- Continue to gather data
- Add a commercial buyers section to existing rules and regulations

Commissioner Faires asked if there was data suggesting that a significant number of these fishers are from Tulalip. Ms. Kempf answered affirmatively, and explained that all facilities have different agreements and arrangements, but coming to the Port of Edmonds requires payment in advance for guest moorage and use of the facilities.

Commissioner Faires asked for clarification on why the buyers are choosing to come to the Port of Edmonds more.

Ms. Kempf answered that individual buyers are not allowed in certain facilities. Additionally, the location of Edmonds is convenient, and there is currently no fee. Ms. Kempf noted that regulations need to be in place to limit the interruption, especially during the Port’s peak seasons and busy months.

Commissioner Faires commented that as long as the fee is only to cover the costs inflicted on the Port, it makes sense. It is a public facility, and a commercial enterprise should at least cover its costs. He asked Ms. Kempf and Port staff to return to the Commission with a proposed rule change to implement.

ECONOMIC DEVELOPMENT

LAND USE CONSTRAINTS

The Commission commented that a steering committee was formed during the creation of the Harbor Square Master Plan, including redevelopment options for Harbor Square. Commissioner Gouge commented that the Port received great feedback from the public, was able to engage the public, and this resulted in a Master Plan.

Mr. McChesney asked what the future opportunities looked like for Harbor Square, as well as the gravel lot near the waterfront. As it pertains to Harbor Square, the Port has invested in some major capital improvements, there is cash flow from the property, and at the time it is not a burden to the Port. In the short term, he anticipates that the Commission will want the Port to continue to manage Harbor Square as it is. He questioned what the Port and Commission would want to do in the future, and if we would be able to overcome some of the land use constraints. He noted the options appeared to be considering selling Harbor Square, selling the assets and doing a ground lease, or maintaining right now until the Master Plan can be approved.

Commissioner Gouge commented that another option included having the public come to us with ideas for what they would like done with the complex. He noted that he does not believe the Port should spend any more money on planning for Harbor Square unless the City allowed the Port to redevelop.

Mr. McChesney stated that in the meantime, the Port will need to deal with these land use constraints. He noted the Port objected to the City Council’s Shoreline Master Program’s inclusion of 100 foot setbacks, that go well beyond the existing 25 foot setbacks, which the Port made very clear in a letter to the Department of Ecology. It has been almost a year and a half without any action from the Department of Ecology. These issues are directly connected to the Critical Areas Ordinance (CAO), which has been discussed at length lately, when the prior City Council approved several amendments against the recommendation of their own staff.

Commissioner Faires commented that the Port has had informal discussions about possible ways and processes to get out in front of this issues, but on a larger scale this depends on what the City decides to do.

Commissioner Preston noted that one thing he realized while listening to City Council, is that restoration of the marsh seems to be a driving factor.

Mr. McChesney noted that restoration of the marsh and development options for Harbor Square are not mutually exclusive events.

Commissioner Preston presented aerial photos of the marsh from 1940 on, noting that it does not appear to be a particularly healthy estuary until the 1980's. He commented there needs to be a better realization and definition of what "restoring" the marsh looks like.

Mr. McChesney commented that he does not have the answer, but does think the marsh could be restored to some level. He does not dispute the merits of restoration, but believes the issues is how to achieve that goal from the current situation. He further noted that the Department of Ecology and City staff have identified the single biggest obstacle to restoring the marsh is unfiltered storm water. Mr. McChesney noted the solution to this runs directly through redevelopment of Harbor Square.

Commissioner Faires noted that the City does not have a clear vision of what they want the marsh to look like. At the moment, the vision is too obscure, and "restoration" can mean anything.

Commissioner Preston stated that the City will be addressing the CAO on March 15th, and he believes Port staff or Commissioners should be present to address some of these issues.

Commissioner Orvis commented that anything the Port says at this point will be perceived as negative, and our presence could create more animosity. He believes it is the time for the Port to take care of our current ventures, consolidate our assets, and encourage the Department of Ecology to resolve the Shoreline Master Program.

Commissioner Gouge agreed, but also noted that the Port must protect what they currently have, including the height limits and buffers.

Phil Lovell, Edmonds Resident, commented that he believes Commissioner Orvis' approach is correct. What the City is after is the restoration or reconstituting the ecological feature of the marsh; for salmon to come in to spawn, hatch, etc. This is why the City has put money into the culverts, and engineering and design for storm drainage that dumps into the marsh area. When the city wants to begin restoration on the marsh, and they have the money to do so, they will come to the Port for assistance. In the meantime, he agreed with Commissioner Gouge's approach to protect what the Port currently has.

ECONOMIC DEVELOPMENT COMMISSION

Commissioner Orvis commented that he felt the Port should stay out of this, as it is another area where the Port does not have a voting opinion.

Commissioner Faires stated that the Economic Development Commission (EDC) has been effective, especially during the initial formation of the Commission. Being in compliance with the Port's mission to ensure the economic vitality of Edmonds, he believes the Port needs to be involved in anything that deals with economic development, even if it is just in a monitoring sense.

Commissioner Gouge commented that monitoring is fine, but if the Commission does not engage someone from Port staff into the discussion, it will be another committee with nothing accomplished.

Commissioner Faires said he will go and involve himself to the extent that it makes sense, and will report to the Commission. He noted that he does not imagine a future where the Port does not involve itself in something with the title of economic development.

PUBLIC RELATIONS & MARKETING

Mr. McChesney noted that the Port sent out a mailer to Port District residents which was well received, and will have a more detailed version of this printed for handouts when needed. Some organizations do this quarterly, but he believed an annual mailer would be better suited for the Port.

Commissioner Preston presented information relating to getting more youth involved in boating and maritime fields, and noted that the Port should be engaging other organizations such as Puget Sound Express, Sea Scouts, Annie Crawley's beach camp, NMTA, Salish Sea Expeditions and more. He also noted that the Port should be more actively involved in providing access to the water.

Commissioner Faires commented that there is a general consensus from the Commission that they are fundamentally interested in involving youth in marine related activities, and that he would like to direct Port staff to put efforts into finding a way to implement a youth in boating program.

Mr. McChesney agreed that this should be done, noting that he would particularly like to redirect and engage with Salish Sea Expeditions.

Commissioner Orvis voiced his support for redirecting staff time to a program like this, which fits into what the Port wants to do, and what our mission is.

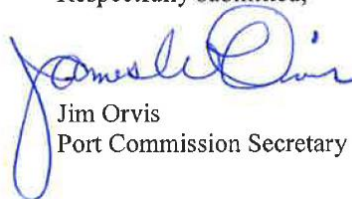
Ms. Kempf presented the marketing plan, noting that this has not changed substantially, but has been updated. It is the Port's goal to stay on course, continuing to offer promotions that focus on keeping existing customers and rewarding longevity and repeat service, increasing activity and a positive impression on customers, shrinking the shoulder seasons, and working together with business tenants and vendors where we can. Port staff engaged Port business tenants and vendors for the 2016 Boat Show, to offer prizes and drawings at the Port's booth, as well as to create a sense of community among waterfront businesses.

Commissioner Gouge asked Port staff to update information on where our boaters are coming from, to narrow down where the Port wants to spend its advertising budget. He would like to see demographics of where the actual tenants and customers are coming from.

Mr. McChesney thanked the commission for spending the day at the Port and Port staff for their participation and preparation of the retreat.

Commissioner Faires adjourned the special meeting and retreat at 2:30 p.m.

Respectfully submitted,



Jim Orvis
Port Commission Secretary