

MINUTES OF EVERETT PORT COMMISSION REGULAR MEETING
August 11, 2009

PRESENT:	Philip B. Bannan	President
	Michael F. Hoffmann	Vice President
	Duane Pearson	Secretary
	John M. Mohr	Executive Director
	Karen Clements	Chief Fin. Officer
	Brad Cattle	Port Attorney

CALL TO ORDER: The meeting was called to order at 9:00 a.m. by Commission President Phil Bannan.

APPROVAL OF MINUTES:

Commissioner Michael Hoffmann moved to approve the minutes of the Special Meeting of July 2, 2009; Port Commission Work Session of July 7, 2009; Port Commission Regular Meeting of July 14, 2009; and Port Commission Special Meeting of July 24, 2009. Commissioner Phil Bannan seconded the motion. A vote was called for:

Vote: 2-0
Yes: Bannan, Hoffmann
No: None
Abstained: None

Motion carried.

Commissioner Michael Hoffmann moved to approve the minutes of the Special Meeting of July 28, 2009. Commissioner Duane Pearson seconded the motion. A vote was called for:

Vote: 3-0
Yes: Bannan, Hoffmann, Pearson
No: None
Abstained: None

Motion carried.

1. EXECUTIVE DIRECTOR'S REPORT

Port Properties Presentation

Commissioner Duane Pearson and Mark Wolken of the Port Properties Future Committee provided a presentation of the group's recommendations on future use for properties held by the Port to the Commission. Commissioner Pearson was a member of the Properties Committee prior to his being appointed to the Port Commission.

Bauer Evans Purchase & Sale Agreement

Executive Director John Mohr reported that the Commission had asked that staff do an analysis on the two alternatives proposed by Bauer Evans for an installment sale of the Administration Building.

Chief Finance Officer Karen Clements provided an analysis for both alternatives. For Alternative 1, the sale price is \$2.5 million, 5 percent down payment, 10 year-term, 6-1/2 percent interest rate, payments based on a 300-month payment schedule. The net present value for the first alternative is at \$2,489,068.

The sale price for alternative 2 is based on a current appraisal with \$2 million minimum value, 5 percent down payment, 5-year term, interest calculated based on the 1-year Libor rate plus 3 percent, with a minimum interest rate of 6 percent, adjusted annually at the anniversary of the inception of the loan, and principal and interest calculated using a 300 month payment schedule. Alternative 2 has a couple of variables in it as the appraised value is unknown but has a \$2 million minimum; and the other being the rate which is the 1-year Libor rate plus 3 percent with a minimum interest rate of 6 percent.

For alternative 2, Karen Clements provided two scenarios: \$2 million minimum, 6 percent minimum for five years, with the payoff at the end of 5 years resulting in a net present value of \$1,995,646. The next scenario for alternative 2 is based on an appraised value at

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\$2 million minimum, with interest rates of 6 percent for the first 2 years, 8 percent for the next 3 years and then payoff at 5 years resulting in a net present value of \$2, 077,092.

Commissioner Bannan said his concern is with the interest rates. The first alternative might be a better choice for the Port. Commissioner Pearson said there was approximately \$.5 million variance between the two alternatives. If alternative 1 is acceptable to the buyer, the Port should go with that alternative.

The Commission directed staff to further discuss the alternatives with the Buyer and report back to the Commission in the next month.

Special Filing for Port Commissioner District 2

John Mohr reported that the Special Filing period for Port Commissioner District 2 is August 19 – 21, 2009.

September Commission Meeting Dates

The September Commission meeting dates are confirmed for September 1 and September 8, 2009. The Port Commission determined that there was no conflict with the Labor Day holiday on September 7, 2009.

TIGER Grant Application – Resolution No. 915

Lisa Lefeber of Port staff presented the criteria and application process for the U.S. Dept. of Transportation surface transportation infrastructure grant known as the TIGER grant. The project proposed by the Port is the reconstruction of the South Terminal estimated at \$43.1 million, which would upgrade the South Terminal Wharf, reconstruct the South Terminal rail line, and upgrade lighting and extend high voltage power to the South Terminal for cold ironing capabilities which would reduce diesel emissions in the area. Port staff asked the Commission to consider adopting Resolution No. 915 to authorize the Port to submit the TIGER grant application for the South Terminal intermodal freight shipping facility improvements.

John Klekotka, Chief of Engineering & Planning, said that the project is consistent with the Marine Terminal Master Plan previously adopted by the Commission. The upgrades would move a significant amount of the cargo operation to the South Terminal and would allow the Port to move more quickly to the next phase of expansion at the South Terminal. No matching funds are required for the TIGER grant.

Commissioner Michael Hoffmann moved to adopt Resolution No. 915 authorizing Port staff to submit the TIGER grant application for the South Terminal intermodal freight shipping facility improvements as presented. Commissioner Duane Pearson seconded the motion. A vote was called for:

Vote:	3-0
Yes:	Bannan, Hoffmann, Pearson
No:	None
Abstained:	None

Motion carried.

Collins Building – Resolution No. 917

Executive Director John Mohr presented Resolution No. 917 to the Port Commission which authorizes the Port to levy an additional tax to provide a total of \$15 million for renovations to the Collins Building. Subsequent to the presentation of Resolution No. 917 to the Port Commission, revisions were made to the resolution by the Port's attorney and bond counsel to clarify the intent of the funding set forth in the resolution.

Port attorney Brad Cattle reported that to address the issue of how the tax revenues would be utilized in a default situation if the Collins Building could not be rebuilt, revisions were made to narrow the default scenario to very limited circumstances in which the Port would not utilize the tax to renovate the Collins Building. Under the default scenario where the Tax Levy proceeds could not be used to renovate the Collins Building, the Port would have to contact the Washington State Historic Preservation Officer to develop a list of historic capital projects within the Port District upon which the levy funds could be expended. The Port Commission would have to apply the funds to the historic projects first, and any

remaining funds would be applied to public access projects. Brad Cattle stated that these were the substantive revisions made to the resolution.

Executive Director John Mohr said that Port staff also performed a review to see if the levy could be extended to a three-year levy, but learned that a capital tax levy for a port district constitutionally cannot go beyond one year. He also stated that the \$15 million estimated renovation cost was based on the Collins Building Redevelopment Group's 2007 estimate of \$14.7 million. The Port is bound by prevailing wage laws and most of the work is labor. Port staff believes that \$15 million is a reasonable cost estimate.

Commissioner Michael Hoffmann moved to adopt Resolution No. 917 as presented. Commissioner Duane Pearson seconded the motion.

David Mascarenas, Everett, commented that he felt the revisions to the tax levy resolution regarding the default language were deceptive and misleading to the public.

Commissioner Phil Bannan stated that it is clear that the Port's intent, if the tax levy passes, is to renovate the Collins Building. Commissioner Pearson commented that the default language is necessary to address the scenario if the renovations cost less than the expected \$15 million; the Port needs direction as to where those additional funds should be applied.

Commissioner Michael Hoffmann commented that the tax levy proposal is an opportunity for the public to vote on the matter. Commissioner Phil Bannan called for the vote:

Vote:	3-0
Yes:	Bannan, Hoffmann, Pearson
No:	None
Abstained:	None

Motion carried.

Collins Building – Resolution No 918

Port attorney Brad Cattle presented Resolution No. 918 to the Commission which stays the direction to the Executive Director and Port staff provided in Resolution 914, pending the results of the election process on the tax levy for the Collins Building pursuant to Resolution No. 917.

Commissioner Michael Hoffmann moved to adopt Resolution No. 918 as presented. Commissioner Duane Pearson seconded the motion. A vote was called for:

Vote:	3-0
Yes:	Bannan, Hoffmann, Pearson
No:	None
Abstained:	None

Motion carried.

Washington Finance Officers Association

Chief Finance Officer Karen Clements earned the "Professional Finance Officer Award" for the State of Washington from the Washington Finance Officer's Association. She has been a recipient of this award for 20 years.

Puget Sound Regional Council

Commissioner Michael Hoffmann was appointed to the Puget Sound Regional Council Board to replace former Commissioner Connie Niva, who resigned.

2. CHIEF ADMINISTRATIVE OFFICER'S REPORT

Small Public Works Roster – Resolution No. 916

Contracts Administrator Charlotte Walther presented Resolution No. 916, which authorizes Port staff to use the Small Works Roster process for projects with an estimated cost of \$300,000 or less. The Port Commission retains the authority to approve projects estimated at more than \$100,000 to go out to bid, and to award contracts for more than \$100,000.

Commissioner Duane Pearson moved to adopt Resolution No. 916 as presented. Commissioner Michael Hoffmann seconded the motion. A vote was called for:

Vote: 3-0
Yes: Bannan, Hoffmann, Pearson
No: None
Abstained: None

Motion carried.

3. CHIEF FINANCE OFFICER'S REPORT

2008 Audited Financial Statement

Chief Finance Officer Karen Clements announced that the Port has received a clean Washington State Auditor's report for the 12th consecutive year, and that both the financial audit report and accountability audit report are now available on the Port's Web site.

2010 – 2014 Capital Improvement Projects

Senior Accountant Robert Marion presented the 2010 – 2014 Capital Improvement Projects to the Port Commission. After the presentation, he provided the budget schedule to the Commission. The Consolidated Budget will be presented to the Commission on October 6, Preliminary Budget on October 13, and the Public Hearing on the Budget and Tax Levy and Final Budget and Tax Levy Resolution is scheduled for October 20, 2009.

4. OPERATIONS REPORT

Marine Terminals Report

Marine Terminals Director Dave Madill provided a brief report on the Marine Terminals, explaining that activity was down 18 – 20 percent from this time last year. Tonnage is down because the Port is not receiving any cement. Container activity is down approximately 20 percent. A ship is due in August 12 carrying 500 empty containers. The containers will be loaded throughout the year and back into service for the Russian mining business next year. At Mt. Baker Terminal, 109 containers were brought into the facility and 111 containers were sent out.

5. PROPERTIES REPORT

Lease Brokering Services Update

Properties Manager Steve Hager provided a lease brokering services update to the Commission related to the MSRC / Administration Building. The first week of June, the Port signed an agreement with Eclipse Real Estate for lease brokering services.

Port staff has also been working on a lease proposal package for presentation to existing tenants before going to the open market. Staff has completed an estimated common area expense spreadsheet that will prorate the cost of operating the building based upon the percentage of the space of tenant leases. There has been local interest in leasing the building before marketing. Once the construction bids are received in mid-September, Port staff will begin negotiations with existing tenants for lease space in the building.

Commissioner Pearson inquired about the total square footage of the MSRC / Administration Building. Steve Hager estimated the square footage at 54,000 square feet.

6. PROJECTS UPDATE

Pier 3 Pile Repairs 2009

Chief of Engineering & Planning John Klékotka reported that the Pier 3 Pile Repair 2009 project is to replace piling under Pier 3 required under the Port's lease agreement with Lehigh Cement. Port staff received bids last Thursday, and the engineer's estimate was \$498,007. The low bid was received from Ballard Diving and Salvage in the amount of \$378,004.34, and that bid was found to be non-responsive. The bid from Richard Phillips Marine was also non-responsive.

Port attorney Brad Cattle said that the apparent low bidder, Ballard Diving and Salvage, submitted a bid that did not include the unit price information, and staff is recommending that the Commission find that bid as non-responsive because it was an incomplete bid submittal. The second low bid was submitted without the qualifications that were requested in the bid specifications, and staff is recommending that the Commission determine that the second low bid from Richard Phillips Marine, Inc. be rejected as non-responsive. The third low bid is in excess of the budget that Port staff has identified for the project. The recommendation to the Commission by Staff is to reject all bids and direct staff to review the project design and rebid the project.

Commissioner Michael Hoffmann announced that based upon the presentation of Port staff and the advice of Port counsel, he moved that the low bid submitted by Ballard Diving and Salvage in the amount of \$378,004.34 be rejected as non-responsive; that the second low bid by Richard Phillips Marine, Inc., for \$389,995.96 be rejected because the bid submittal as of this award did not include the required qualification submittal and is therefore non-responsive; further, that since the third low bid by Nordic Construction, Inc., in the amount of \$590,291.52 exceeds the Port's budget amount for the project, all bids be rejected; and additionally that staff be authorized and directed to review the project design and rebid the project in an expeditious fashion. Commissioner Duane Pearson seconded the motion. A vote was called for:

Vote:	3-0
Yes:	Bannan, Hoffmann, Pearson
No:	None
Abstained:	None

Motion carried.

7. APPROVAL OF BILLS

For the month of July 2009, Claims Voucher Nos. 52662 – 52970, in the amount of \$4,064,144.62, Claims Wire Transfers, IRS, in the amount of \$138,034.04, Union Bank of California in the amount of \$34,074.56, Hirofumi Oshio in the amount of \$9,819.03, Washington State Dept. of Revenue in the amount of \$37,206.48, Payroll Voucher Nos. 30940 - 31247, in the amount of \$394,357.94, and Payroll Wire Transfers, PMA Payroll (Longshore Labor) in the amount of \$118,521.82, with the total amount of \$4,796,158.49, were presented to the Port Commission for approval of payment by Chief Finance Officer Karen Clements.

Commissioner Michael Hoffmann moved to approve payment of the vouchers for the month of July 2009. Commissioner Duane Pearson seconded the motion. A vote was called for:

Vote:	3-0
Yes:	Hoffmann, Bannan, Pearson
No:	None
Abstained:	None

Motion carried.

8. COMMISSIONER COMMENTS

Commissioner Michael Hoffmann clarified that he met with members of Historic Everett to try to find a resolution to the Collins Building issue. He did not author the tax levy, but supported it.

9. CITIZEN COMMENTS

There were no Citizen comments.

There was no Executive Session.

THE REGULAR MEETING was adjourned at 11:31 a.m.

APPROVED: this 8th day of September 2009. EVERETT PORT COMMISSION

By: Philip B. Bannan
Philip B. Bannan, President

Michael F. Hoffmann
Michael F. Hoffmann, Vice President

Duane Pearson
Duane Pearson, Secretary



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**Port of Everett
Voucher Approval List
for the month of
JULY
2009**

We, the undersigned Commissioners of the Port of Everett, Snohomish County, Washington, do hereby certify the following vouchers/warrants have been certified and approved for payment this the 11th day of August, 2009:

	Total
Claims Voucher Nos 52662 - 52970	\$4,064,144.62
Claims Wire Transfers:	
7/1, 7/16, 7/20 Wire Transfer - IRS	\$ 138,034.04
7/22, 7/31 Wire Transfer -Union Bk of Calif	\$ 34,074.56
7/1 Wire Transfer - Hirofumi Oshio	\$ 9,819.03
7/28 Wire Transfer - Wa St Dept of Rev	\$ 37,206.48
Total Claims	\$ 4,283,278.73
Payroll Voucher Nos. 30940 - 31247	\$ 394,357.94
Payroll Wire Transfers:	
7/1,7/8,7/15,7/22,7/29 PMA Payroll (Longshore Labor)	\$ 118,521.82
Total Payroll	\$ 512,879.76
Total Expenditures	\$ 4,796,158.49

Philip B. Bannan President
Carol A. Johnson Vice President
William J. Seaman Secretary

Attest: Karen R.A. Clements Port Auditor