

MINUTES OF EVERETT PORT COMMISSION SPECIAL MEETING

October 20, 2009

PRESENT:

Philip B. Bannan	President
Michael 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.

1. COMMISSION PRESIDENT'S REPORT

There was no Commission President's report.

2. CHIEF ADMINISTRATIVE OFFICER'S REPORT

Union Contract - Administrative Support Staff

Chief Administrative Officer Jerry Heller reported that the Port has reached mutual agreement with the Union regarding the 2009 - 2011 Local 32 B Administrative Support contract. This is the third and final agreement. The wage increases and health care benefits are consistent with the terms set forth in the Security and Maintenance contracts that were approved in July 2009.

Jerry Heller asked the Commission to authorize the Executive Director to sign the Local 32 B Administrative Support contract.

Commissioner Michael Hoffmann moved to approve the Administrative Support contract between the Port of Everett and Local 32 B. Commissioner Duane Pearson 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

Chief Finance Officer Karen Clements announced that the Port is holding a public hearing for comments on the 2010 Operating Budget, the 2010 Capital Improvement Plan, and the 2010 Property Tax Levy. Karen Clements presented the Notice of Public Hearing, the 2010 Preliminary Budget, the Port Property Tax Memo and Cash Flow Analysis. The Cash Flow Analysis was produced to analyze the effect of budgeted capital and operating expenditures on the cash flows of the Port over the next five years. These projections were used to assess the magnitude of the budgets and the adjustments necessary to balance the budget. One set presents expected cash flows, assuming continued collection of property tax within the port district, and one set presents cash flows without the property tax.

Karen Clements recommended that the Commission open the Public Hearing to receive public comments on the proposed budget and tax levy.

**OPEN PUBLIC HEARING:**

Commissioner Phil Bannan opened the public hearing and asked for comments on the proposed 2010 Operating Budget, 2010 Capital Improvement Budget, and the 2010 Property Tax Levy.

David Mascarenas, Everett, questioned the amount of jobs and revenue generated by the Port of Everett.

Valerie Steel, Everett, questioned the validity of the information contained in the 2008 Martin report, and that it appears that the only other Port that has a higher tax rate than

ORIGINAL

Everett is the Port of Bellingham at \$.033 per 1,000 of assessed value. Due to the current recession, she asked the Commission to vote no on the proposed tax levy.

Executive Director John Mohr responded that the information contained in the economic analysis of the Port of Everett prepared by Martin & Associates included information obtained directly from the aerospace industry. One of the larger aerospace employers assigned one of their staff to work directly with Martin & Associates to provide the employment and financial numbers, and it was with the participation of the aerospace employer that the numbers were derived. This additional participation from the aerospace industry accounted for most of the job growth over the previous economic analysis.

John Mohr said that while the Port of Everett's tax levy rate is higher than the ports of Tacoma and Seattle, they are county-wide port districts. The dollars that the Port of Everett generates are significantly less than what other county-wide ports are generating from their taxes.

Chief Finance Officer Karen Clements reported that in 2009, the Port of Seattle's tax rate was at 19.7 cents per \$1,000 assessed value, and generated \$75.9 million in its tax levy. The Port of Tacoma was at 18.4 cents, generating \$16.9 million; the Port of Bellingham was at 30.6 cents, generating \$7.4 million; the Port of Vancouver was at 32.4 cents, generating \$9.7 million; and the Port of Longview was at 40.4 cents and generating almost \$3 million, while the Port of Everett is proposing 28.3 cents in 2010 to generate \$4.1 million.

Mark Olson, Everett, said that the appropriate uses for public taxation are public amenities, and the Port needs to look at funding public amenities and not just capital improvements. It is also an enormously bad time to be raising taxes due to the current economy.

Bob Jackson, Everett, commented that this is the wrong time to be raising taxes and asked the Commission to vote no on the property tax levy.

Jeff Gibson, Everett, commented that he thought the Port of Everett should install video cameras for the Port meetings because many of the port district residents cannot attend the morning meetings.

Commissioner Bannan said that the Port has held night meetings in the past, and the same people who attended the morning meetings attended the night meetings. The Port does currently hold night meetings based on the agenda.

Executive Director John Mohr said that the new Administration Building will be wired with fiber optic cable and there will be an opportunity for the Commission to consider installing cameras in the new meeting room.

Marilyn Boyd asked how the Port leverages private investment. John Mohr responded that the Port developed facilities at the Mt. Baker Terminal to handle oversized aerospace parts. Part of the facility was paid for by a large aerospace company over a 20-year contract, and the remaining balance was paid for by grants through the State of Washington. The Port is also engaged in the wind energy business, and through the investment of its cargo handling facilities, the Port is able to handle more of that business, generating jobs for longshoremen and truckers. There are also new local businesses that are able to service the gold mining activities that are taking place in the Arctic Circle area of Far East Russia, in addition to a number of folks that are doing the repair and staging.

Michael Hoffmann commented that the economic analysis report prepared for the Port is information and suggests the impacts the Port has on its activities. The Port plays a role in the community and the tax dollars support the economic activities in the region.

#### **CLOSE PUBLIC HEARING**

Commissioner Phil Bannan closed the Public Hearing at 9:46 a.m.

4. BUDGET APPROVAL

Chief Finance Officer Karen Clements reported that staff is recommending that the Commission consider the resolutions with a separate vote on each resolution.

**Resolution No. 923 – Substantial Need for Property Tax Levy**

Chief Finance Officer Karen Clements presented Resolution No. 923, a resolution allowing the Port to bank unused property tax levy capacity if the Port Commission does not levy the maximum amount allowed by law. Future Commissions may or may not need to draw on the bank, but this resolution preserves the right to do so. Commissioner Duane Pearson moved to adopt Resolution No. 923 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.

**Resolution No. 924 – 2010 Property Tax Levy**

Karen Clements presented Resolution No. 924, a resolution levying and increasing the regular property tax levy on property within the boundaries of the Port District for fiscal year commencing January 1, 2010. The Port District has an assessed value of approximately \$14.6 billion. The resolution calls for a .78% increase from the previous year, and amounts resulting from the addition of new construction and improvements to property and any increase in the value of state-assessed property, for a total amount of \$4,141,000. The levy rate has been calculated to increase slightly from the current rate of \$.267 per \$1,000 of assessed value to \$.283 per \$1,000 of assessed value.

Commissioner Hoffmann said the Port's tax levy is a good investment for the community and is close to the same as last year.

Commissioner Duane Pearson moved that Resolution No. 924 be approved as submitted. Commissioner Michael Hoffmann seconded the motion.

Commissioner Hoffmann commented that if the Port does eliminate the tax levy in the future, it should be done in a way that is sensitive to the issues of the economics of the Port.

Commissioner Phil Bannan said that this is the 12<sup>th</sup> year that he will cast a "no" vote for the Port's property tax levy. He said he was of the strong opinion that with the current asset base, the Port should be earning enough money to completely fund Port operations without "picking the pockets of the taxpayers."

Commissioner Duane Pearson commented that it is his experience that capital creates jobs. The Port's capital projects are funded by the tax levy. If the Port is going to be competitive, the port needs to be funded properly from a capital investment standpoint. The proposed budget is basically going to be break even. There is a cost for prosperity and the costs need to be spread around. At some point, the port district should be expanded to the whole county. The capital improvements need to move forward.

A vote was called for:

Vote: 2-1  
Yes: Hoffmann, Pearson  
No: Bannan  
Abstained: None

Motion Passed.

**Resolution No. 925**

Karen Clements presented Resolution No. 925, a resolution establishing the 2010 Operating Budget and the 2010 Capital Improvement Budget for the Port of Everett. A summary of the budget is attached as Exhibits "A" and "B".

Commissioner Michael Hoffmann moved to adopt Resolution No. 925 as presented. Commissioner Pearson seconded the motion. A vote was called for:

Vote: 3-0

Yes: Bannan, Hoffmann, Pearson

No: None

Abstained: None

Motion carried.

5. OTHER PORT BUSINESS

Executive Director John Mohr addressed a letter to the editor recently published in The Herald that resulted from conclusions drawn by an October 14, 2009 Snohomish County Tribune article on the Collins Building. The letter writer inaccurately stated that the Port used taxpayer money to pay for a public relations strategy to tear down the Collins Building. This is not true. The Port of Everett did not solicit, endorse or spend taxpayer dollars on such a strategy. The document the letter writer is referring to is a memorandum from a public relations firm to Maritime Trust. This strategy does not reflect the Port of Everett's opinions on the matter. In 2005, the Port entered into a Memorandum of Agreement with the historical community that set the regulatory framework for all future dealings with the Collins Building, and eliminated the role of Maritime Trust in that regard. The letter also mentions rethinking the plans for the North Marina Redevelopment area. It is important to note that we must be mindful that there is a current development plan for the North Marina area, and that plan has been reviewed and approved by the Port Commission, the Everett Planning Commission and the Everett City Council. This plan is tied to the Everett Maritime redevelopment plan. Everett Maritime is currently in a Chapter 11 Reorganization bankruptcy proceeding in the Northern Illinois Federal Court. No new planning process can reasonably be considered as long as the Everett Maritime Reorganization is under the protection of the federal court.

6. COMMISSIONER COMMENTS

There were no Commissioner comments.

7. CITIZEN COMMENTS

Valerie Steel said that she saw the list of unsecured creditors for Everett Maritime. The Port of Everett was listed as the only unsecured creditor that was a disputed creditor. Valerie Steel asked the Port to respond. Also, she asked why the Port entered into an oral lease agreement with Everett Maritime for the use of the Yacht Club as their sales center.

John Mohr responded that the disputed amount listed on the bankruptcy filing was the way the option payment was calculated. When the bankruptcy was filed, Maritime said they wanted to review how the option payment calculation took place, and that is the basis for the dispute. Maritime invested close to \$1 million in their sales center and model. The conference center was scheduled for removal within the development plan, so the idea was to use that facility for the model and reduce some of the overall expenses that would have occurred. The Port is to recover its expenses in infrastructure as part of the development plan, and also Maritime is to recover their expenses as well. The thought process was that it would reduce the overall cost of the project to both Maritime and the Port.

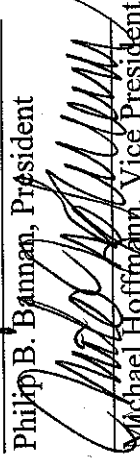
No Executive Session was held.

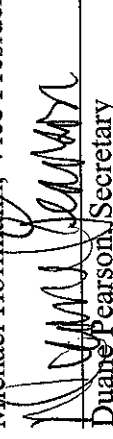
THE SPECIAL MEETING was adjourned at 10:12 a.m.

APPROVED: this 10<sup>th</sup> day of November 2009. EVERETT PORT COMMISSION

By:

  
Philip B. Bannan, President

  
Michael Hoffmann, Vice President

  
Duane Pearson, Secretary

# Port of Everett

## 2010 Budget

Exhibit "A"

	2008	2009	2009	2010
	Actual	Budget	Year End	Budget
<b>Operating Revenue</b>				
Marine Terminal *	12,902,553	14,556,334	13,004,437	13,507,518
Marina	8,067,132	7,989,500	8,000,429	8,035,300
Security	86,216	78,000	97,898	100,000
Property Management	1,650,321	2,725,920	1,646,788	1,544,625
<b>Total</b>	<b>22,706,222</b>	<b>25,349,754</b>	<b>22,749,551</b>	<b>23,187,443</b>
<b>Expenses</b>				
Salary	5,872,189	6,017,045	5,921,563	5,947,536
Benefits	2,627,820	2,719,816	2,727,285	2,777,181
Outside Services	3,317,191	4,458,215	3,578,780	3,869,972
Supplies	894,639	1,051,470	885,114	757,590
Equipment Rentals	591,909	355,100	318,145	253,000
Facility Rentals	83,919	102,000	101,060	109,200
General & Administrative	985,190	1,311,355	1,203,603	1,278,393
Utilities	1,174,468	1,219,230	1,279,158	1,264,410
Other	277,000	569,001	563,589	248,650
<b>Total Expenses</b>	<b>15,824,325</b>	<b>17,803,232</b>	<b>16,578,296</b>	<b>16,505,933</b>
<b>Income Before Depreciation</b>	<b>6,881,897</b>	<b>7,546,522</b>	<b>6,171,256</b>	<b>6,681,510</b>
Depreciation	4,730,921	5,796,404	5,058,141	6,314,040
<b>Operating Income</b>	<b>2,150,976</b>	<b>1,750,118</b>	<b>1,113,114</b>	<b>367,470</b>
<b>Non-Operating Revenue</b>				
Interest Revenue	536,719	300,000	200,000	100,000
Tax Revenue	4,013,703	4,109,000	4,100,000	4,141,000
Other	511,739	61,000	100,500	61,000
<b>Total Revenue</b>	<b>5,062,161</b>	<b>4,470,000</b>	<b>4,400,500</b>	<b>4,302,000</b>
<b>Expenses</b>				
Interest Expense	1,576,570	1,894,000	1,600,000	1,800,000
Public Access Depreciation	183,713	183,713	183,500	185,854
Other	2,538,831	110,000	188,665	127,355
<b>Total Expenses</b>	<b>4,425,705</b>	<b>2,412,876</b>	<b>2,129,202</b>	<b>2,668,710</b>
<b>Total Non-Operating Income</b>	<b>636,457</b>	<b>2,057,124</b>	<b>2,271,298</b>	<b>1,633,290</b>
<b>Total Income</b>	<b>2,787,433</b>	<b>3,807,242</b>	<b>3,384,412</b>	<b>2,000,760</b>

\* Includes contributed capital in the amount of \$825,827 that will be received as contribution toward the mount baker terminal facility.

10/2/09

2010 CAPITAL BUDGET AND 2011-2014 CAPITAL IMPROVEMENT PLAN

Exhibit "B"

Proj #	Description	Cat.	Strat	Prior	Pre 2010 Est 6/30/2009	2010 Budget	2011 Plan	2012 Plan	2013 Plan	2014+ Plan	10-14 Plan
<b>Marine Terminals</b>											
10-002-01	Pier 3 Pile Restoration	1	2	1	695,967	552,500	116,000	696,000	122,000	766,000	2,254,500
10-004-01	Marine Terminal Maintenance Dredging	4	2	1	225,084	510,000	115,000	-	890,000	-	1,515,000
10-007-01	Fender Pile Replacement	4	2	1	238,230	282,000	298,000	314,000	325,000	336,000	1,555,000
10-011-01	Terminal Stormwater Upgrades	4	2	2	278,077	15,000	392,500	492,500	-	-	900,000
10-013-01	Wharf and Pier Lighting Corrections, Repairs and U	4	2	2	25,000	2,500	157,500	-	-	-	160,000
10-014-01	Asphalt Repairs	4	2	2	802,072	-	475,000	912,000	1,013,000	-	2,400,000
10-015-01	Dunlap Bulkhead Reconstruction	4	2	3	261,807	30,000	525,000	270,000	-	-	925,000
10-017-01	Crane Relubrication (Hitachi)	4	2	3	384,955	1,120,000	-	-	-	-	1,120,000
10-019-01	General and Electrical Facilities (per FCS)	3	2	1	142,411	690,000	95,000	-	-	-	690,000
10-019-01	Exterior Facilities (per FCS)	4	2	3	20,307	100,000	155,000	-	-	-	185,000
10-020-01	Utilities - Water/Sewer (per FCS)	4	2	2	57,357	100,000	226,000	36,000	-	-	262,000
10-999-01	Vehicle Acquisitions	4	2	2	1,000	-	1,950,000	1,520,000	-	-	98,610,000
18-001-01	South Terminal Wharf & Yard Improvements	2	2	2	696,961	100,000	2,750,000	2,670,000	1,520,000	91,520,000	6,835,000
18-001-02	South Terminal Wharf & Yard Improvements	2	2	2	159,075	415,000	505,000	105,000	-	-	610,000
18-001-03	Cargo Handling Equipment	2	2	2	-	-	-	-	-	-	2,510,000
18-001-04	South Terminal Wharf Extension	4	2	2	1,000	-	1,077,500	1,247,500	-	-	40,930,000
19-004-02	Mt. Baker Terminal (RBTf)	3	3	1	127,541	185,000	90,000	190,000	-	-	265,000
19-006-01	TSA Grant 7a - Mukiteo Barge Pier	1	2	1	28,136,144	311,000	311,000	311,000	-	-	90,000
19-006-02	TSA Grant 7a - TWIC and Access Control	5	2	1	341,003	79,000	97,000	-	-	-	939,000
19-006-05	TSA Grant 7a - Rail Access Recovery, Part A	3	2	1	13,000	60,000	125,000	-	-	-	157,000
19-006-07	TSA Grant 7a - Lighting for Intrusion Detection	4	2	1	25,000	225,000	125,000	125,000	125,000	750,000	2,450,000
MT 1-2008	TSA Grant 7a - Lighting for Intrusion Detection	4	2	2	619,579	847,667	16,667	16,667	-	-	87,500
MT 1-2008	Truck Scale	1	2	1	58,290	22,000	-	-	-	-	1,560,000
MT 3-2008	Longshore Lunchroom Trailer at Pacific Terminal	3	2	1	-	75,000	-	-	-	-	420,000
MT 6-2008	TSA Grant Rounds 7b	3	2	3	-	-	90,000	-	-	-	20,000
MT 12-2008	Hewitt Wharf Bulkheads - Corrosion Protection	1	2	1	200,000	311,000	311,000	-	-	-	134,470,667
MT 13-2008	Existing Rail Upgrades	5	2	1	26,000	79,000	-	-	-	-	20,000
MT 1-2009	Pacific Terminal Storm Drainage Improvements	3	2	1	13,000	60,000	97,000	-	-	-	939,000
MT 1	Rail Access Recovery - Part B	1	2	1	25,000	225,000	125,000	-	-	-	79,000
MT 2	TSA Grant Rounds 8 & 9	4	2	2	-	1,325,000	31,250	30,000	-	-	157,000
MT 3	Security Intrusion Lighting South & Hewitt Terminal	4	2	3	-	6,250	25,000	17,500	-	-	225,000
MT 4	S. Terminal Bulkhead Repairs	4	2	2	-	1,517,500	340,000	-	-	-	1,560,000
MT 5	Munson Work Boat Motor Replacement	4	2	2	-	20,000	-	-	-	-	420,000
<b>Marina</b>											
20-005-04	Replace Marina Guide Piles and Collars	4	4	1	12,000	25,000	145,000	150,000	150,000	110,000	580,000
20-021-01	East Marina Repairs - The Landing N. Wharf	4	4	3	27,007	2,000	2,000	6,000	150,000	650,000	810,000
20-023-01	NE Corner Marina Reconfiguration	4	4	1	2,123,590	-	-	-	-	8,500,000	8,500,000
20-023-02	NW Corner Marina Reconfiguration	4	4	1	1,942,345	-	-	-	-	5,700,000	6,150,000
20-024-01	S. Marina Covered Moorage Roof Repairs	4	4	1	857,821	65,000	2,770,000	-	2,925,000	3,275,000	9,035,000
20-024-02	South Marina Covered Moorage - Utility Upgrades	4	4	2	-	5,000	15,000	129,000	5,000	1,940,000	3,255,000
20-028-01	Float Surface Repairs	1	4	1	212,575	30,000	127,000	130,000	134,000	135,000	556,000
20-029-01	Fuel Dock Expansion	4	4	2	-	-	165,000	760,000	835,000	-	1,780,000
20-030-01	Upgrade Marina Flotation	4	4	2	211,336	210,000	220,000	240,000	247,500	267,500	1,185,000
20-032-01	Marina Maintenance Dredging	4	4	1	86,557	1,135,000	1,085,000	80,000	55,000	-	2,365,000
20-034-01	South Marina Visitor Dock Replacement	4	4	3	11,152	-	40,000	-	-	-	4,440,000
20-035-01	Marine Asphalt Repairs / Seal Coat	4	4	1	115,524	120,000	124,000	-	133,000	-	505,000
20-999-01	Marine Travelift Equipment	4	4	1	-	315,000	-	-	-	-	315,000
M4-2008	Boatlaunch - Rebuild Lane 13 Dock	4	4	1	-	20,000	105,000	410,000	-	-	535,000
M5-2008	Marina Signage	4	4	2	-	-	30,000	55,000	-	-	55,000
M6-2008	Marina Stormwater Improvements	4	4	3	-	29,000	-	-	-	-	59,000
M1-2009	Travelift Dock Improvements	4	4	1	10,000	-	-	-	-	-	-
M2-2009	South Marina Gatehouses	4	4	1	-	-	-	-	-	-	-
M1	Boatlaunch Maintenance Dredging	4	4	3	-	-	-	-	-	-	-
M2	Marina Master Plan	4	4	1	140,000	610,000	-	60,000	175,000	195,000	420,000
<b>Properties &amp; Development</b>											
30-001-98	Riverside Business Park - Public Access	5	7	1	-	2,784,000	6,461,000	6,458,000	12,164,500	14,102,600	41,625,000
30-003-03	NMRP Construction Management	4	3	1	68,456	315,000	-	-	-	-	315,000
30-003-09	NMRP PH 3 - Site Civil	2	3	1	4,186,108	155,000	-	-	-	-	155,000
30-003-15	MSRC Utilities	2	3	1	16,187,361	215,000	-	8,879,000	18,373,000	35,192,681	62,659,681
30-003-16	MSRC Craftsman Building	2	3	1	225,000	225,000	-	-	-	-	225,000
30-003-21	Collins Building	1	3	1	742,871	9,792,000	-	-	-	-	9,792,000
30-003-26	Relocate Maintenance Shop Building	3	3	3	92,455	400,000	-	-	-	-	400,000
30-005-01	Mukiteo Tank Farm	4	3	1	-	-	30,000	-	28,000	922,000	950,000
30-013-01	North Marina Redevelopment Area Interpretive Pro	1	3	1	604,160	30,000	65,000	70,000	-	-	60,000
38-001-01	Weyernaeuser Building Capital Improvements	5	3	1	83,471	270,000	25,000	25,000	-	-	405,000
PD1	Craftsman District Boatyard - Phase II	3	3	1	85,606	400,000	1,293,000	707,000	-	-	500,000
PD2	Riverside Business Park - Water System Expansion	3	3	1	-	60,000	-	-	-	-	2,060,000
<b>Public Access</b>											
50-001-99	Blue Heron Slough Mitigation Bank	2	6	2	22,765,488	11,954,000	1,413,000	9,709,000	19,320,000	35,217,881	77,813,681
50-005-01	Jetty Island Upgrades	4	7	3	226,029	45,000	-	-	-	-	45,000
50-006-01	Marine Park Improvements	4	7	2	1,615	72,000	93,000	255,000	-	200,000	620,000
50-007-01	Realignment of Lower Settling Basin	4	7	1	639,631	29,000	314,000	585,000	1,215,000	-	2,143,000
<b>Administration</b>											
40-006-01	Vehicle Acquisitions	4	6	1	-	-	26,000	30,000	-	-	56,000
A1-2009	Network Server Upgrade / Disaster Recovery	4	1	1	-	66,000	-	-	-	-	66,000
<b>Total CIPs - Gross</b>											
					64,332,967	23,929,217	19,280,417	27,003,167	35,868,167	163,990,848	289,656,816