

MINUTES OF EVERETT PORT COMMISSION WORK SESSION  
November 3, 2009

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

CALL TO ORDER: Commissioner Phil Bannan called the meeting to order at 9:00 a.m.

1. EXECUTIVE DIRECTOR'S REPORT

**Properties Report**

Executive Director John Mohr reported that Port staff will provide a comprehensive Port Properties presentation at the November 10, 2009 Commission Meeting.

**Flu Season Policy**

John Mohr presented a Flu Season Policy to the Commission regarding precautions being taken by the Port to address the H1N1 Virus and seasonal flu. The Flu Season Policy extends through May of 2010. Executive Director John Mohr asked the Commission to adopt the 2009 / 2010 Flu Season Policy.

Commissioner Michael Hoffmann moved to adopt the Flu Season Policy 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

**Bauer Evans Purchase & Sale Agreement**

Port attorney Brad Cattle presented the Second Addendum to the Purchase and Sale Agreement between the Port of Everett and Bauer Evans for the purchase of the Bond Street Administration Building via an installment purchase. The Second Addendum identifies the proposed installment purchase through a real estate contract. Per the Port's authority, the Port can enter into an installment purchase, but the purchase has to be through a real estate contract.

The Second Addendum sets forth the terms of the real estate contract, which is at 6-1/2 percent interest over the course of an amortization schedule of 300 months, with a 10-year payoff. The Second Addendum also extends the closing date that was originally scheduled to be for October 1, 2010, to December 31, 2010.

Commissioner Bannan said he attended a candidate forum two weeks ago, and each Port Commissioner candidate said that they would revisit the new port administration building issue. Commissioner Bannan recommended that the Commission wait until January to decide this matter.

Commissioner Duane Pearson said that the negotiations have already been completed with the exception of the term sale for the administration building.

Brad Cattle stated that there is an existing Purchase and Sale Agreement for the sale of the Bond Street Administration Building, as a cash transaction. The buyers have indicated that they would like to negotiate the terms, and have asked for a deferred payment transaction where the Port converts the cash transaction that would occur in 2010 to a real estate contract where the port carries the paper. There has been a tentative negotiation and a tentative willingness to consider that, but no formal commitment. The Port has entered into a Purchase and Sale transaction for the

ORIGINAL

building, and if the buyers wanted to proceed with the current purchase and sale agreement, they could on the cash terms.

Commissioner Duane Pearson said the sale of the building is a transaction that makes sense for the Port. This is a difficult piece of property and it is a difficult market. There is a willing purchaser and no issues are pending. It is an "AS IS, WHERE IS" transaction, and there have been numerous evaluations in the past. There is a desire to consolidate staff in one building, but these are two separate issues. The sale of the administration building makes sense. The Port should proceed with the transaction as presented.

Commissioner Michael Hoffmann said that the Port would lease the space if the Port does not occupy it, and other port properties will be made available as well. Basically, the equity is transferring from the old building to the new building and resetting the clock on maintenance. There is also merit to consolidating staff in one area. Decisions should not be made on the basis of politics.

John Mohr suggested that the Commission carry this matter over to the next Commission meeting. The Commission concurred.

Mark Olson, Everett, supported Commissioner Bannan's position.

2. CHIEF ADMINISTRATIVE OFFICER'S REPORT

**Weyerhaeuser Mill A Upland Characterization**

Chief Administrative Officer Jerry Heller reported that the Weyerhaeuser Mill A site is a designated Puget Sound Initiative cleanup site under the Model Toxics Control Act. It was primarily used as a lumber mill from the 1930's to the 1980's. The Port acquired the property in the mid-1980's. The property is now being used as a storage yard and marshalling area. The Port has learned about the contamination for the in-water portion of the site, but very little information is known about the condition of the uplands. In anticipation of future development, a characterization of the uplands is necessary. The Port needs to begin remediation discussions with the Department of Ecology as to what is going to be expected in the future with regard to this site's cleanup. The upland site characterization will provide data to determine cleanup costs, and provide information necessary in discussions with Weyerhaeuser regarding responsibility and contribution to cleanup costs.

The estimated cost of the upland site characterization is \$200,000. The characterization includes consultation work, testing and some site history analysis. It will also pay for gathering data analysis and development of a final report. This step is the first step in a process which would go from site characterization to a more rigorous definition as to what needs to be done on the site in terms of the cleanup, and then ultimately the cleanup. The Port has a contract with an on-call consultant at the South Marine Terminal who has the capability to do the work.

Commissioner Duane Pearson moved to authorize staff to proceed with the upland characterization of Weyerhaeuser Mill A site, utilizing the port's on-call contractor for the south terminal development, in an amount not to exceed \$200,000. 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. OPERATIONS REPORT

**Marine Terminals Report**

Marine Terminals Director Dave Madill reported that Port calls were down about 14 percent from this time last year. Tonnage is down approximately 39 percent from last year due to the lack of cement.

For container statistics, the Port is almost par with last year's percentages.

For the month of October, the Mt. Baker Terminal handled 91 containers inbound and 102 outbound containers.

**Boatyard Equipment Request for Proposals**

Chief Operations Officer Carl Wollebek presented a request to the Commission to solicit Requests for Proposals for a mobile marine boatlift. In 2010, the Port will be closing the 14<sup>th</sup> St. Travelift and boatyard. The Port operates boat yards at 12<sup>th</sup> Street and 14<sup>th</sup> Street and requires a secondary boatlift. The Port currently has two older units that were built in 1981 and 1984, which have been operating at the older yard. In 2008, the Port purchased a 75-ton lift. Port staff intends to surplus the 30-ton unit and keep the 35-ton for use in the yard to assist in optimizing space.

Carl Wollebek requested authorization to go out with a Request for Proposals for a 50-ton mobile marine boatlift.

Commissioner Michael Hoffmann moved to authorize staff to go out with Requests for Proposals for a 50-ton marine boatlift. Commissioner Duane Pearson seconded the motion. A vote was called for:

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

Motion carried.

4. **PROPERTIES REPORT**

**Bay Wood Site, Puget Sound Initiative Cleanup (PSI)**

Erik Gerking, Environmental Cleanup Administrator, reported that the Port is currently under an Agreed Order with the Department of Ecology for completing a Remedial Investigation and Feasibility Study (RI/FS), Draft Cleanup Action Plan (DCAP), and consent decree negotiations in advance of the cleanup for the Port's Bay Wood property. Over this contracting period, SLR and Anchor QEA (subcontractor to SLR) completed and implemented the RI/FS work plan, and conducted a preliminary evaluation of the results which have been submitted to the Department of Ecology. The agreement recognized that additional phased work scope would require future contract modifications to the original contract as the PSI cleanup activity progressed.

Erik Gerking reported that the additional work includes completion of sediment sampling, completion of the RI/FS report, and completion of the DCAP. The modification for these services is estimated at \$125,153, and anticipates additional future scope of work to include completion of the final cleanup action plan, completion of the engineering design report, cleanup action permitting, remediation construction monitoring, and construction monitoring.

The existing Professional Services Agreement (PSA) for these services has a current limitation of \$147,142. The requested modification to SLR's agreement will add an additional \$125,153 for a new total of \$272,295.

Staff recommends that the Commission approve the modification to the existing PSA. Staff also recommends the Commission approve an exemption from the competitive solicitation process for the work identified and for possible future modifications necessary to complete the work required under the Agreed Order. It has been determined that the competitive solicitation process would not be cost effective as the current scope of services will build upon the previous investigation work undertaken by SLR and Port direction.

Commissioner Duane Pearson moved to authorize the modification to the Professional Services Agreement with SLR International Corporation in the amount

of \$125,153, and is recommending an exemption from the competitive solicitation process for the work identified in the modification and for possible future modifications necessary to complete the work required under the Agreed Order. Commissioner Michael Hoffmann seconded the motion. A vote was called for:

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

Motion carried.

## 5. PROJECTS UPDATE

### **Marine Terminal / Marina Pavement Repairs Project Closeout**

Project Manager Poli Luis reported that the Marine Terminal and Marina Pavement Repairs 2009 construction project is now complete. The scope of work included repairs of damaged asphalt pavement in the South Terminal within the Marine Terminal facilities, South Marina parking and 10<sup>th</sup> Street Boat Launch areas.

Port staff requested that the Commission accept the contract as complete and authorize staff to closeout the contract with Northwest Asphalt, Inc. in the amount of \$142,631.03, including Washington State Sales Tax (WSST).

Commissioner Michael Hoffmann moved to accept the contract with Northwest Asphalt, Inc. as complete and authorized staff to closeout the contract in the amount of \$142,631.03, including WSST. Commissioner Duane Pearson seconded the motion. A vote was called for:

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

Motion carried.

### **Quiet Zone**

Chief of Engineering & Planning John Klekotka provided an update on the status of the Quiet Zone project to the Commission. He reported that the purpose of the project was to create a Quiet Zone on the mainline BNSF tracks at the grade crossing with Mt. Baker Avenue in conjunction with Federal Railway Administration (FRA) regulations. The overall budget for the project was \$600,000 as was agreed to between the Port and Citizens for a Quality Mukilteo (CQM). The City of Mukilteo is the lead agency for the project as dictated by FRA rules. The Port's responsibility for the project was defined in the agreement with CQM and with the Port's agreement with the City of Mukilteo. The Port's role was to provide funding for the project and to perform an initial study of the alternatives. Because of staff shortages at the City of Mukilteo, the Port agreed to take on further responsibility in the form of getting the engineering done and also to help the City with the inspection phase that is currently in process.

The City bid the project and the construction contract is directly between the City of Mukilteo and its contractor, Traver's Electric. After the contract work is completed, the City of Mukilteo will have to petition BNSF to activate the Quiet Zone. This triggers an on-site conference to be held between the City, BNSF, the Utilities and Transportation Commission and the FRA. The purpose for the site inspection is to demonstrate and inspect the system to make sure it is working properly to the satisfaction of these entities. After that, the system can be activated.

### **S. Terminal Bio-swale Improvements Phase 2**

Brandon Whittaker, Engineering & Planning, provided an update on the bio-swale improvements running parallel to Pigeon Creek public access trail which drains a large amount of the Marine Terminals storm water. The work consisted of regrading the swale inlet structure to allow for more efficient treatment of storm water, and maintains the Port's permit compliance with the Industrial General Storm Water Permit that was issued for the Marine Terminals.

**Terminal Lighting Improvements**

Grants Administrator Nancy Overton announced that on September 29, 2009, the Port was awarded \$1,501,617 under the American Recovery and Reinvestment Act Port Security Grant program. This program is part of the Department of Homeland Security's infrastructure protection activities and is administered by the Federal Emergency Management Agency. The program goals are to provide a coordinated national effort to strengthen the security of America's critical infrastructure, and unlike previous security grants requiring the Port to provide a percentage match of eligible project costs, this grant reimburses 100 percent of eligible costs. Over 800 applications were received for the \$150 million in available funding.

This funding will be utilized to install security lighting within the Terminal area. These lighting improvements will include both manual and automatic controls, allowing security staff to automatically light areas of the Terminal from one central location. This will also reduce the need for ships at berth to use their dockside lights when handling cargo.

Engineering and Planning staff are currently working with the on-call engineer to refine the placement of these lighting improvements. Funding under this grant expires on August 31, 2012. The Port has submitted an application for South Terminal Intermodal Freight Improvements under the Transportation Investment Generating Economic Recovery or Tiger Grant program, and should the Port receive funding, this project would be constructed concurrently with those improvements.

**Grants Update**

Nancy Overton provided a comprehensive update on the various grants the Port has secured over the past two years. The report is attached hereto as part of the record.

6. COMMISSIONER COMMENTS

Commissioner Pearson said he was excited to see the article in The Herald about the Port's four-plus mile trail system.

7. CITIZEN COMMENTS

There were no Citizen comments.

THE WORK SESSION was recessed into Executive Session at 10:30 a.m. for approximately 1 hour to discuss with legal counsel a pending litigation matter, and to discuss issues pertaining to real property, public discussion of which could disadvantage the Port's negotiation. No action was taken by the Commission and no announcements were made.

THE WORK SESSION WAS ADJOURNED at 11:35 a.m.

APPROVED: THIS 8<sup>th</sup> day of December 2009. EVERETT PORT COMMISSION

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

Michael Hoffmann  
Michael Hoffmann, Vice President

Mark Wolken  
Mark Wolken, Secretary

### ***ARRA PSGP AWARD***

On September 29<sup>th</sup>, we were awarded \$1,501,617 under the American Recovery and Reinvestment Act Port Security Grant Program. This program is part of the Department of Homeland Security's Infrastructure Protection Activities and is administered by the Federal Emergency Management Agency (FEMA). The program goals are to provide a coordinated national effort to strengthen the security of America's critical infrastructure. Unlike previous Port Security Grants requiring the port to provide ¼ of eligible project costs, this grant reimburses 100% of eligible costs. Over 800 applications were received for the \$150,000,000 in available funding that was then awarded to 212 recipients throughout the nation.

This funding will be utilized to install security lighting within the terminal area. These lighting improvements will include both manual and automatic controls, allowing security staff to automatically light areas of the terminal from one central location. Port security will be able to quickly respond to requests for more or less lighting in specific areas of the terminal, eliminating the need to physically flip a switch at every pole location. This will also reduce the need for ships at berth to use their dockside lights when handling cargo.

As this is an ARRA related grant, quarterly reporting is required and our first report was filed on October 7<sup>th</sup>. This reporting requirement will necessitate careful monitoring of all resources utilized on the project in order to correctly report the total number of jobs created or maintained due to this investment.

Engineering and planning staff are currently working with our on call South Terminal engineer to refine the placement of these lighting improvements. Once this preliminary engineering is complete, we will be able to perform a federal Environmental and Historic Protection review and a State Environmental Protection Analysis. Funding under this grant expires on August 31, 2012. We have submitted an application for South Terminal Intermodal Freight Improvements under the Transportation Investment Generating Economic Recovery (TIGER) grant program and should we receive funding, this project would be constructed concurrently with those improvements.

This leads to the next topic, which is a summary of reimbursements awarded to the Port over the past two and 1/2 years in the form of grants, loans, and cooperative agreements.

Since April 2007, the port has been awarded \$17.6 million towards \$23.4 million in project costs.

It is important to understand that grants are not free money. They all come with strings attached; some more stringent than others. There are restrictions related to use, schedule completion, and equipment inventory and disposal that result from acceptance of a grant award. The process of deciding to apply for a grant and the actual preparation of the grant application are very much a group effort. We hold quarterly grant committee meetings to determine if any current port projects match the criteria of any upcoming

grant opportunities. The committee must sometimes meet more often if a grant opportunity presents itself between the quarterly meetings.

The port has received funding support from the Washington State Recreation and Conservation Office (RCO), formerly the IAC, the Washington State Department of Ecology, The Department of Homeland Security, the Federal Emergency Management Agency, the Washington State Department of Transportation, the City of Everett and Snohomish County.

#### **RCO**

The Recreation and Conservation Office solicits grant applications yearly for a variety of programs. These programs fund land acquisition and development for public recreation and habitat conservation opportunities, such as parks, trails, off road recreational vehicle sites, transient moorage facilities, farmland conservation, and habitat restoration projects. Most of these grants require at least a 50% match, requiring the port to match dollar for dollar the amount received, with a maximum grant of \$500,000 to \$1,000,000. The selection process can take from six months for a project funded with state funds to one year for a project funded with federal funds. Historically, the port has received grants from this agency to purchase and construct the 10<sup>th</sup> street boat launch and Marine Park, the Port Gardner Wharf visitor float and most recently, to construct the visitor docks and restrooms & laundry facilities located in the new 12<sup>th</sup> St. Yacht basin.

The RCO requires that all land purchased with grant funds be dedicated to public use in perpetuity and that any facilities developed with grant funds must comply with the RCO usage rules for the useful life of the asset.

#### **DOE**

The Department of Ecology funds many environmental grant programs related to water quality, air quality, solid waste disposal, and site cleanup. The port has received funding from DOE for oil response equipment, diesel retrofit equipment and most recently for site cleanup. Some grants reimburse at 100% of project costs (oil response equipment and the diesel retrofit equipment) while others reimburse at 50% of the total project costs (site cleanup). There are two categories of site cleanup assistance, the Voluntary Cleanup Program (VCP), which pays a maximum of \$200,000, and the Remedial Action Program, which pays 50% of eligible project costs and requires that there be a formal Agreed Order process for the site. The Port has three areas defined as VCP sites, two of which have been completed and received a letter of No Further Action required. We currently have four sites under the Agreed Order process, requiring direct coordination with DOE, quarterly reporting and invoicing. These Agreed Orders obligate the port to complete the cleanup process within a set timeframe.

#### **DHS/FEMA**

The Department of Homeland Security offers a Port Security Grant Program (PSGP) to fund infrastructure protection activities. In 2004, the program was changed, and ports designated as Tier 1 were aggregated by region, ours being the Puget Sound Region. A Fiduciary Agent (FA) now administers these grants, and the Coast Guard, the Area

Maritime Security Council, and the Captain of the Port make awards to the regional ports after review. This program is funded annually and the normal reimbursement is 75% of the eligible project costs, requiring a 25% match from the grantee (the port funds \$0.25 of every dollar spent). The equipment and improvements funded under this federal program have continuing usage, inventory and disposal requirements for the life of the asset.

The port is currently managing contracts under the 2007 program which include training, the purchase of radios & programmable locks, construction of a backup emergency rail recovery line, and infrastructure improvements necessary to implement the Transportation Worker Identification Credential (TWIC) program, the terminal security card access program required by the Coast Guard. Additional funding was made available during 2007 to fund creation of a regional risk management plan, which then would be utilized to evaluate additional projects funded by these supplemental funds and all future grant projects.

The Port of Everett was notified in early September that \$1.95 million in projects were awarded funding under the Round 7 supplemental budget. These projects would purchase the readers required for the TWIC program, a Highway Advisory Radio system at the Marine Terminals holding area, training & exercises, and additional security enhancements around the port. The Port of Seattle has been the Fiduciary Agent for Rounds 4, 5, 6, 7a & 7b. The Port of Tacoma is the FA for Round 8 and the Marine Exchange is the FA for Round 9. Funding for Round 10 has just been announced, with projects being funded at 100%.

#### ***WSDOT***

In 2008, the port received funding assistance under the Rail Bank Loan program in the form of a \$250,000, 15 year, no interest loan to fund a portion of the match required for the backup emergency rail recovery line in the FY2007 PSGP. This loan is funded out of the Washington State Freight Rail office. We also were awarded a \$1,200,000, 10 year, low interest (1.1%) loan to help fund the completion of the rail access recovery line. Design engineering is still underway on this project and once completed, the final documentation necessary to accept this award will be submitted.

In March, the port was awarded \$1.9 million in ARRA transportation funding to construct pedestrian improvements along West Marine View Drive from 16<sup>th</sup> to 10<sup>th</sup> Street. As the port is not a certified agency to receive WSDOT funds, the City of Everett, through use of an interlocal agreement, is currently constructing this project utilizing the grant funding.

#### ***FEMA Public Assistance – Disaster Recovery***

In February and March 2009, two disasters were declared, one for the unusual snow and storm events of December 2008/January 2009 and another for the subsequent flooding in January 2009. As a public agency, the port was able to receive \$166,340 in assistance for the expenses arising from these events. Snow removal, marina repairs, roof repairs, Jetty Island dock damage, and dredging related to the silting at the 10<sup>th</sup> Street boat launch were all eligible for 87.5% reimbursement. The receipt of a permit from the Corp of Engineers determines the dredging project schedule. All other projects have been completed.



### ***Cooperative Agreements***

The port has recently completed a shoreline improvement project at the 10<sup>th</sup> Street Park in cooperation with the City of Everett and the Snohomish County Parks Departments. This \$860,000 project included enhancements to the shoreline to reduce erosion and enhance habitat. In addition, it included the construction of an ADA gangway to the float serving the Jetty Island ferry.

We also partnered with the City of Everett; splitting the cost of a \$1,000,000 project to replace and relocate a 60 year old combined sewer outfall line through the North marina area.

Port staff is committed to utilizing grants to leverage available funding, maximizing the value of taxpayer dollars in every project.