

MINUTES OF EVERETT PORT COMMISSION WORK SESSION
May 4, 2010

PRESENT: Michael F. Hoffmann President
Mark Wolken Vice President
Troy McClelland Secretary
John Mohr Executive Director
Karen Clements Chief Fin. Officer
Brad Cattle Port Attorney

CALL TO ORDER: Commission President Michael Hoffmann called the meeting to order at 5:00 p.m.

1. COMMISSION PRESIDENT'S REPORT

Collins Building Review Process

Community Values Discussion

Commissioner Michael Hoffmann provided a draft outline and objectives for the Community Values portion of the Collins Building Review Process scheduled for June 5, 2010.

Community Resources Discussion

Commissioner Mark Wolken reported that the Port received some requests for additions to the list of Charitable and Community Organizations for the Community Resources portion of the discussion, which have been added to the list. The suggested organizations that were not included on the list are organizations that are not in Snohomish County.

Engineering and Economic Analysis Discussion

Commissioner Troy McClelland reported that he attended a meeting with KHA Architects, and progress on the economic study and engineering cost study is underway and on track to be ready for the June 5 meeting.

2. EXECUTIVE DIRECTOR'S REPORT

Commission Governance Structure Overview

Executive Director John Mohr reported that the second Commission Governance Structure Overview meeting to solicit public comment will be held on May 13, 2010 at the Mukilteo Water District from 6:30 – 8 pm.

June Commission Meetings

John Mohr announced that the June Commission meetings will be held June 8 and June 15 due to the Memorial Day holiday. A Special Meeting will be held for the Collins Building Review Process on June 5, 2010, tentatively scheduled for 8:15 a.m. to 4:00 p.m. at the Everett Station Weyerhaeuser Room.

Marina Staffing

John Mohr reported that Marina Director Cyndy Olson has submitted her resignation to focus on her family. Director of Facilities and Security Scott Grindy will be the acting Marina Director as well as managing Security and Marina Maintenance until the Port is able to find a replacement. Marine Terminals Director Dave Madill will now manage the Terminal Maintenance crew.

Quiet Zone

As of March 19, 2010, the Mukilteo Quiet Zone is fully operational. The effort has taken over five years to complete and has gone through all regulatory reviews and acceptances. Train Engineers have been notified by Burlington Northern Santa Fe Railroad that they no longer need to blow their horns near Mount Baker Terminal unless a security or safety issue arises.

ORIGINAL

3. CHIEF ADMINISTRATIVE OFFICER'S REPORT

12th St. Marina Memorandum of Agreement – Interpretive Program

Chief Administrative Officer Jerry Heller reported that the Port is moving forward with the North Marina Redevelopment Interpretive Program as one of the conditions set forth in the 12th Street Memorandum of Agreement. The Interpretive Program process originally began last summer, but was placed on hold pending the outcome of the dispute resolution process. There have been some organizational changes with the consultant, so the Port will enter into a letter of understanding with the firm and move forward with the program.

Everett Maritime Bankruptcy Update

Jerry Heller said that the federal bankruptcy court was to rule on the amount of Everett Maritime's Master Option payment on April 27, 2010. On April 26, Everett Maritime filed a complaint against the Port claiming the Port had breached its contract with Everett Maritime. Jerry Heller stated that the Port believes the claim has no merit. The bankruptcy judge has set the matter over to May 11, 2010. In the meantime, the Port is analyzing the complaint.

4. CHIEF FINANCE OFFICER'S REPORT

Frontier Bank

Chief Finance Officer Karen Clements reported that on April 30, 2010, Frontier Bank was acquired by Union Bank. Karen Clements said that she received an e-mail from the Public Deposit Protection Commission of the State Treasurer's Office indicating that the Department of Financial Institutions closed Frontier and appointed the Federal Deposit Insurance Corporation (FDIC) as receiver. The FDIC entered into an agreement with Union Bank to assume all of the deposits. Depositors of Frontier will automatically become depositors of Union Bank. The Port's agency funds are not at risk as all public deposits at Frontier Bank were fully secured through FDIC insurance and/or pledged collateral. Union Bank is a qualified Washington Public Depository. The FDIC is working to insure Frontier's branch is reopened during normal business hours as Union Bank and that depositors have customary access to their funds. The Port has been involved with Union Bank since 2008 for the Port's subordinated lien revenue bond – the \$26 million line of credit.

In response to Commissioner Wolken, Karen Clements said approximately 15 years ago, the Port went through a selection process for banks to bid on the Port's business. Commissioner Wolken indicated that it might be appropriate to go through another selection process next year.

Draft Schedule for 2011 Budget

Karen Clements presented the draft schedule for developing the 2011 Operating Budget and 2011 – 2015 Capital Improvement Projects and Plans to the Commission for their review.

GASB 49

Senior Accountant Bob Marion provided a power point presentation on Environmental Remediation Liability Reporting (GASB 49) to the Commission outlining the effect that GASB 49 has on the Port's financial statements.

5. OPERATIONS REPORT

Chief Operating Officer Carl Wollbek provided an overview of his recent business trip to Japan, the Port's largest trading partner. Carl Wollbek said he met with several suppliers, and also the new plant manager for Mitsubishi Heavy Industries (MHI), one of Boeing's largest suppliers in Nagoya. Boeing Japan is gearing up for production increases for the 777. Boeing had previously announced they were reducing this activity for 18 months, and they have now announced the business will increase early next year.

The Port has been trying to secure wind energy business for a number of years. Currently, wind energy is largely dependent on the U.S. Congress passing an

energy bill, which will open up financing for the wind energy business to increase. Most of the business that the Japanese have done for wind energy has been focused in the south, but now they are looking for the growth to be in the northern regions. The Port has worked very hard to be the gateway for this business, and is positioned well when business turns around.

Carl Wollbek met with the Ministry of Defense in Japan to discuss the possibility of their agency utilizing the Port of Everett for transport of its military equipment.

Marine Terminals Report

Marine Terminals Director Dave Madill reported that for the month of April, Port calls were down by six vessels compared to the same time last year. Tonnage was down 60 percent and containers were down 40 percent compared to last year due to the decrease in Port calls.

6. PROJECTS UPDATE

Riverside Business Park North Site Shoreline Restoration

Chief of Engineering and Planning John Klekotka reported that in order to comply with Department of Ecology regulations and protect the future public safety interest for the public access trail at the Riverside Business Park, Port staff took a conservative approach to remove all existing contaminated slag material which had previously been used as a road base for the existing roadway. Staff has been working with DMSL, the Port's contractor, to excavate, stockpile, and load-out the material, and then backfill the area with clean sand from the Port's dredge material stockpile.

Because of the extent of this additional work, project change orders are now near the maximum amount of the Executive Director's authority to amend DMSL's contract, and Staff needs Commission concurrence to proceed with this additional change order work to reconstruct the path. To date a total of \$42,813 in additional work has been authorized to DMSL, and they have quoted the Port an additional \$19,200 to reconstruct the trail. Bid Item B-1 for an asphalt overlay is now no longer needed, and \$7,500 will be deducted from the change order, for a net amount of \$11,700. John Klekotka asked the Commission to approve the change order request.

Commissioner Mark Wolken moved to authorize Change Order No. 5 to reconstruct the trail in the net amount of \$11,700 with DMSL for the Riverside Business Park North Site Shoreline Restoration project. Commissioner Troy McClelland seconded the motion. A vote was called for:

Vote:	3-0
Yes:	McClelland, Hoffmann, Wolken
No:	None
Abstained:	None

Motion carried.

Rail Access Recovery

- **Interlocal Agreement with City of Everett**
- **WSDOT Rail Bank Loan Agreement**
- **HDR Contract Amendment**

Chief of Engineering and Planning John Klekotka reported that the Port received a Department of Homeland Security (DHS) grant for the recovery of railroad access in the event of catastrophic damage to its rail facilities or other rail facilities in Puget Sound. The TSA Round 7A grant required a 25-percent Port match to the 75 percent TSA funds, which the Port used the prior rail bank loan to provide for its funding. In mid-2009, the Port received a \$1,168,600 direct federal transportation appropriation, which helps pay for extending the project from Pacific Terminal to the existing bulk load-out facility.

John Klekotka reported that Staff is seeking approval of three items: 1) Approval of an interlocal agreement with the City of Everett; 2) Authorization to enter into a second WSDOT Rail Bank Loan; and 3) Approval of a contract modification for additional engineering work.

The federal transportation funding flows from the Federal Highway Administration (FHWA) to WSDOT, and then to the "certified" local agency. Since the Port is not a "certified" agency, the City of Everett has agreed to act in this role for the Port. To formalize this working relationship, an interlocal agreement needs to be established defining the parties' roles and responsibilities.

Due to the flow of funding through FHWA and WSDOT, those agencies require that the bid specifications be revised to their standards. To accomplish this, Port staff recommends amending HDR's current scope of work to revise the specifications along with some portions of the plans and cost estimate.

Under the Washington State Department of Transportation's Rail Bank Program, the Port had previously been awarded a loan of \$250,000, and is now being awarded a second loan in the amount of \$1,200,000. This is a maximum loan amount, and the final amount of the loan will be based on actual construction expenditures. This second loan carries an interest rate of 1-1/8 percent, and is to be repaid to WSDOT over a period of 10 years. The loan must be spent by the Port prior to June 1, 2011, which will be done during the construction phase of the project.

John Klekotka asked the Commission to approve an Interlocal Agreement between the Port and City of Everett for the Rail Access Recovery project.

Commissioner Mark Wolken moved to approve the Interlocal Agreement between the Port and the City of Everett for the Rail Access Recovery project. Commissioner Troy McClelland seconded the motion. A vote was called for:

Vote:	3-0
Yes:	McClelland, Hoffmann, Wolken
No:	None
Abstained:	None

Motion carried.

John Klekotka requested that the Commission authorize a second Rail Bank Loan from WSDOT in the maximum amount of \$1,200,000 for the Rail Access Recovery Project.

Commissioner Mark Wolken moved to authorize the second Rail Bank Loan from WSDOT in the maximum amount of \$1,200,000 for the Rail Access Recovery Project. Commissioner Troy McClelland seconded the motion. A vote was called for:

Vote:	3-0
Yes:	McClelland, Hoffmann, Wolken
No:	None
Abstained:	None

Motion carried.

John Klekotka requested that the Commission approve an amendment to HDR's current Professional Services Agreement with the Port in the amount of \$25,000 for the Rail Access Recovery project.

Commissioner Troy McClelland moved to authorize an amendment to HDR's Professional Services Agreement in the amount of \$25,000 for the Rail Access Recovery project. Commissioner Mark Wolken seconded the motion. A vote was called for:

Vote: 3-0
Yes: McClelland, Hoffmann, Wolken
No: None
Abstained: None

Motion carried.

Pier 3 Pile Repairs 2009, Re-Bid – Project Close-out

Chief of Engineering and Planning John Klekotka reported that structural piling supporting Pier 3 require repairs in order to maintain the pier in a serviceable condition, and periodic performance of the repairs is required to be performed by the Port under the Port's contract with Lehigh Cement. The current project repaired 10 prestressed concrete piles and 8 steel pipe piles, and included additive bid items for additional concrete and steel pile repairs should they be found during the execution of work. The re-bid contract was awarded to Ballard Diving & Salvage, and the work was completed in early March of 2010.

John Klekotka requested that the Commission accept the Pier 3 Pile Repairs 2009, Re-Bid project as complete and authorize staff to close out the construction contract with Ballard Diving & Salvage in the final amount of \$336,484.69, including Washington State Sales Tax (WSST).

Commissioner Troy McClelland moved to accept the Pier 3 Pile Repairs 2009 Re-Bid project as complete and authorized staff to close out the construction contract with Ballard Diving & Salvage in the amount of \$336,484.69, including WSST. Commissioner Mark Wolken seconded the motion. A vote was called for:

Vote: 3-0
Yes: McClelland, Hoffmann, Wolken
No: None
Abstained: None

Motion carried.

Chill Warehouse Re-roof – Contract Award

Project Manager Poli Luis reported that 7 bids were received for the Chill Building Warehouse Roof Replacement project. The bid results ranged from \$518,000 to \$946,000 with Krueger Sheet Metal as the low bidder. Poli Luis asked the Commission to award the contract to Krueger Sheet Metal for the base bid plus additives in the amount of \$518,613.73, including WSST, for the Chill Building Warehouse Roof Replacement project.

Commissioner Mark Wolken moved to award the Chill Building Warehouse Roof Replacement contract to Krueger Sheet Metal in the amount of \$518,613.72, including WSST. Commissioner Troy McClelland seconded the motion. A vote was called for:

Vote: 3-0
Yes: McClelland, Hoffmann, Wolken
No: None
Abstained: None

Motion carried.

7. COMMISSIONER COMMENTS

Commissioner Troy McClelland suggested that Staff provide a review of general boatyard requirements at the next meeting.

8. CITIZEN COMMENTS

Former Port Commissioner Connie Niva asked for the costs associated with the Collins Building Review Process engineering study, facilitator contract and Sustainable Seattle contract.

Executive Director John Mohr said the engineering study is estimated at \$65,000, and the cost of the facilitator is estimated at \$20,000. Chief Administrative Officer Jerry Heller said the Port is still working with Sustainable Seattle on cost, but the cost is estimated between \$5,000 - \$10,000. John Mohr stated that the expenditures are currently being billed against the Collins Building capital improvement project (CIP), but the Port is reviewing the process to determine whether these costs conform to a CIP under the accounting regulations. If they do not, the Port will need to do a supplemental budget that will come out of operating revenues to cover the costs.

David Ramsted, Everett, announced that Historic Everett is in Olympia receiving an award from Washington Trust for Historic Preservation for their drive to preserve the Collins Building.

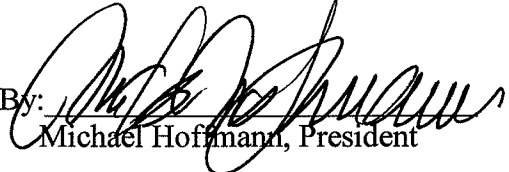
Mr. Ramsted also reported that even though Historic Everett inquired about a recent federal funding opportunity, they received a response from the federal agency explaining why they did not receive the funding. Historic Everett will address this matter at the next meeting.

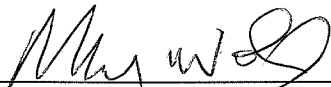
THE MEETING WAS RECESSED into Executive Session at 6:33 pm for approximately 45 minutes to discuss with legal counsel two pending litigation matters.


At the conclusion of the Executive Session, there were no announcements, and there was no action taken by the Commission.

THE WORK SESSION WAS ADJOURNED at 7:20 p.m.

APPROVED: THIS 15th day of June 2010. EVERETT PORT COMMISSION

By: 
Michael Hoffmann, President


Mark Wolken, Vice President


Troy McClelland, Secretary