

MINUTES OF EVERETT PORT COMMISSION WORK SESSION
September 7, 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

Consent Agenda

Commissioner Michael Hoffmann proposed a consent agenda format to the Commission and provided several examples for review. Commissioner Mark Wolken said there are benefits to a consent agenda such as ensuring that the Commission is focusing on items that the public should have input.

Commissioner Troy McClelland suggested that the Commission review the consent agenda forms and come to conclusion at next month's meetings as to a preferred format. Commissioner Michael Hoffmann said the Commission should solicit staff comments as well. The Commission concurred.

Economic Discussion

Commissioner Hoffmann suggested that the Commission schedule a day to have an open public discussion about economics and how the Commission establishes policies related to the Port's economic development structure.

Commissioner McClelland said it would be important to define the conversation of economics as it relates to ports. Commissioner Wolken agreed.

Commissioner Hoffmann requested that the Commission consider having the economic discussion, and then consider a format to follow. Fundamentally, the discussion would be to establish a position to be poised for any sort of significant changes that may be coming up in the future.

Commissioners Wolken and McClelland asked Commissioner Hoffmann to prepare an outline for the discussion.

Commissioner Hoffmann said he would provide information to the Commission.

Executive Director John Mohr said that Port staff would be available to work with Commissioner Hoffmann as necessary. Commissioner Hoffmann responded that he would provide the information to the Commission by making a case as to relevance for their review. He did not need staff involvement at this point.

2. EXECUTIVE DIRECTOR'S REPORT

Everett Maritime Bankruptcy Update

Chief Administrative Officer Jerry Heller reported that on August 18, the judge in the Everett Maritime bankruptcy issued an order that lifted the automatic stay within the bankruptcy and established the amount and set a due date for the Master Option Consideration payment to be paid to the Port; and if not paid to the Port, then the Port could take appropriate action under the terms of the agreement. The amount was not paid to the Port and based upon that, the Port issued a notice of termination of the contract with Everett Maritime which was served on August 31, 2010.

The bankruptcy itself is still pending. There is also a complaint that Everett Maritime filed against the Port alleging certain defaults within the underlying

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contract. The final disposition of the complaint is still pending. There is a hearing scheduled for September 8 related to this claim.

Executive Director John Mohr said that due to the bankruptcy stay, the Port has been stalled in terms of any planning for the property, and any contacts that the Port received have been referred back to Everett Maritime. The Port has not taken any overt action with another developer to avoid any type of default under the lease agreement. Now that the bankruptcy stay has been lifted, Port staff would like to get direction from the Commission for use of the property. John Mohr presented four items for the Commission's consideration as a general planning guide: 1) Review and Reconnaissance; 2) Engage the Port Futures Group; 3) Alternatives Discussion; 4) Commission formulates plan.

Commissioner Troy McClelland made further inquiries about the pending bankruptcy and asked if the Port can engage in this type of conversation despite the remaining claims that are still open.

Port attorney Brad Cattle responded that the bankruptcy is still pending and part of the action that the judge has taken was lifting the stay in bankruptcy as to the Port's ability to move forward and seek its remedy for the default under its Master Option Agreement. The remedy that the Port elected to pursue was issuing the notice of termination. This action did not terminate the bankruptcy proceeding, so the bankruptcy proceeding as to the other secured and unsecured creditors is still pending. Brad Cattle stated that the Port has issued its notice of termination, but still pending within the bankruptcy is the complaint that Everett Maritime has initiated claiming damages back against the Port. A motion to dismiss that complaint is still pending. Port staff believes that the notice of termination that has been issued allows the Port to look forward and start to cautiously examine the options. There will not be any immediate steps other than the Port did exercise a remedy and it is expected that the remedy will be effective.

Commissioner Wolken said he agreed with the general approach that has been laid out and said it would be appropriate to have a broader values discussion about how the Port analyzes its rate of return as well as value to the community. During the Collins Building discussion, there was a lot of good information about public places and activities that bring people down to the waterfront. If there is an opportunity, it would be important to integrate that into the planning process and in a form of insuring that there is a return to the community. Input from the Futures Group and Marina Users would be beneficial to insure that the Port is serving the huge investment that it has on each side of the Port Gardner Wharf development. It would be beneficial to develop a broad vision based on what the Port has in terms of permits now, what the Port can accomplish and then define the best way to go about that.

Commissioner Hoffmann commented that the existing development agreement needs to be considered when considering the planning process. John Mohr agreed that it needs to be used as a baseline.

Commissioner Wolken stated there needs to be a positive monetary rate of return on the development as a whole, but at the same time consideration given for the return to the community.

Commissioner McClelland commented there is a point at which the Port needs to go into a form of master planning process that indicates the way in which the Port reviews its return and its values. This type of planning would be appropriate within the alternatives discussion. Commissioner McClelland indicated he wanted to better understand the next steps as it relates to the termination, and then have a conversation about a timeline.

Commissioner Wolken said it would be important to learn about the flexibility within the general uses of the Port's existing entitlements. John Mohr said Engineering and Planning staff can report back to the commission regarding the

permits and zoning. It may take 3 to 4 months to come back to the Commission to provide information on a general landscape from which to work. Commissioner Wolken said a preliminary benchmark would be helpful to respond to questions by the community.

John Mohr indicated that it would be important to discuss timelines. Commissioner Wolken commented it would be beneficial to get feedback from the Port Futures Group and the Marina Users group on this topic. Commissioner Hoffmann suggested that with regard to these discussions, the Port should have a primary focus on what the community may be interested, and not allow the conversation to be directed by a professional opinion.

Jeff Lalone of Bayside Marine said he was glad to hear the discussion. It is a very valuable piece of property and the Port has huge investments on both sides of the property. He said he was hopeful that in the next few months, the Port goes forward with a thorough vetting process for use of the property to come up with a good mix in terms of a monetary return and a return for the community.

Chief Administrative Officer Position

Executive Director John Mohr reported that Chief Administrative Officer Jerry Heller announced in July that he would be retiring in either December 2010 or January 2011. The Port has engaged the firm of Jensen & Cooper for the recruitment of the Chief Administrative Officer's position and they have posted the announcement on the Port's web site, as well as being distributed to other agencies. John Mohr said he would keep the Commission advised as the Port moves forward with the process.

Governance Structure

John Mohr said the Pro and Con Statements as well as the Rebuttal Statements for both of the Port's ballot measures have been filed with the Snohomish County Auditor's office. The Port received notice from the Auditor's Office that all statements have been properly filed and will be placed in the Voter's Pamphlet for the general election. Ellen Hiatt Watson, the Port's Public Affairs Consultant, assisted the committees with the process.

Commercial Use at 10th Street Boat Launch

John Mohr said it has recently come to his attention that one of the repair services that operates and services the boaters at the Marina is giving consideration to a commercial haul out operation at the 10th Street Boat Launch. John Mohr stated that in a conversation with the business owner, he indicated that the boat ramp facility was built largely with grant dollars as a facility designed for recreational boaters, and it is also a facility that is approaching the end of its life. John Mohr said he had a real concern what affect the machinery being discussed would have on the facility as there are a number of unanswered questions that could take place with the operation of a commercial trailer to haul out boats. Congestion and wear issues, and the potential shoaling that might occur from this type of an operation is a concern. The facility was never designed for this type of activity. Currently, there is no specific policy on the part of the Port regarding the use of the facility for commercial trailers for haul outs, as it was never contemplated.

John Mohr stated that it was his recommendation that given the lack of information that the Port has regarding a commercial haul out operation, that it not be allowed at the 10th Street Boat Launch.

Commissioner Mark Wolken said by putting a policy together, it will give the Port the ability to articulate what the issues and concerns are and enable the Commission to make a decision. Commissioner Troy McClelland commented that a policy would help the Commission understand what the nuances are such as the grant and its initial purpose, the historic use and the state of the conditions at the boat ramp.

John Mohr stated that staff would bring this matter back to the Commission for further discussion.

3. CHIEF ADMINISTRATIVE OFFICER'S REPORT

12th St. Marina Interpretive Program Update

Chief Administrative Officer Jerry Heller reported that the Interpretive Program is required by the Memorandum of Agreement associated with the 12th St. Marina Redevelopment project. This project was ready to move forward in the spring and summer of 2009, but some issues came up that centered around the Memorandum of Agreement which delayed the project. The issues have now been resolved, but significant changes have occurred within Belt Collins who was the contractor solicited for the work. The contractor is now not able to perform the work for the project as specified, and it has been determined through conversations with the consulting parties that the Port will initiate a request for proposal. Belt Collins and all the other team members that were involved have been notified.

Jerry Heller stated that the elements of the Interpretive Program will be developed by the contractor.

PSI – Baywood RIFS Consulting Agreement

Jerry Heller reported that Staff is recommending that the PSI – Baywood RIFS Consulting Agreement be carried over to the next commission meeting in order to provide additional information to the Commission. The Commission concurred.

4. CHIEF FINANCE OFFICER'S REPORT

2nd Quarter Financial Report

Chief Finance Officer Karen Clements provided the 2010 2nd Quarter Financial Report which is attached hereto as part of the record.

Petty Cash / Travel Advance Funds – Resolution No. 936

Karen Clements presented Resolution No. 936 that amends Resolution No. 919 to increase the Petty Cash Fund at the 12th St. Marina Change Machine from \$100 to \$200.

Commissioner Mark Wolken moved to adopt Resolution No. 936 as presented. Commissioner Troy McClelland seconded the motion. A vote was called for:

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

Motion carried.

5. OPERATIONS REPORT

Marine Terminals Report

Marine Terminals Director Dave Madill reported that August was a very busy month at the Marine Terminals and the statistics show that port calls, tonnage and containers were up across the board.

Boat Auction – Resolution No. 937

Interim Marina Director Scott Grindy presented Resolution No. 937 which authorizes the Executive Director to administer a public sale of vessels as a result of abandonment or non-payment of moorage fees. An abandoned boat auction has been scheduled for October 13, 2010.

Commissioner Mark Wolken moved to adopt Resolution 937 authorizing the Executive Director to administer a public sale of vessels as a result of abandonment or non-payment of moorage fees. Commissioner Troy McClelland seconded the motion. A vote was called for:

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

Abstained: None

Motion carried.

6. **PROJECTS UPDATE**

Riverside Business Park North Site Shoreline Restoration Project Close-Out

Chief of Engineering & Planning John Klekotka reported that in order to satisfy the requirements of the City's Shoreline Management Program, the Port is required to construct public access along those areas which are not dedicated to "water dependent" use. Since the sale of the Riverside Business Park north parcel to Motor Trucks resulted in non-water dependent use, the Port needed to construct public access and shoreline improvements. The project was bid in late 2009, and awarded to DMSL Construction, who began work in December. During the course of the work, contaminated materials were encountered within the project area and reported to the Commission who approved two change orders in the combined amount of \$77,541, not including Washington State Sales Tax (WSST). All project work, including the punch list, was completed by DMSL in July 2010.

John Klekotka requested that the Commission accept the Riverside Business Park North Site Shoreline Restoration Project as complete and authorize staff to close out the contract with DMSL Construction, Inc. in the final amount of \$245,018.97 including WSST.

Commissioner Troy McClelland moved to accept the project as complete and authorized staff to close out the contract with DMSL Construction in the final amount of \$245,018.97 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.

Collins Building Deconstruction Update

John Klekotka provided a status update on the Collins Building Deconstruction project. Staff issued plans and specs for bidding in July, a pre-bid meeting was held the last week in July and bids were opened on August 19. The Port received six bids ranging from a low of \$299,802 up to a high of \$810,428, including WSST. The engineer's estimate was \$354,900. The low bid was received from Ascendent LLC out of Pacific, WA. Staff has issued the notice of award to Ascendent LLC. John Klekotka noted that this company was the contractor that was working for Hoffman Construction to demolish portions of the old MSRC warehouse in preparation to create the Waterfront Center. A preconstruction meeting is scheduled for later this week to review the schedule for the project.

A support team consisting of David Bennick from Reuse Consulting and Hoffman Construction are assisting with the deconstruction project.

Brandon Whitaker of the Engineering & Planning staff is the primary point of contact for receiving and logging requests for the disposition of the salvage materials. To date, the Port has received requests from three different organizations and nine public citizens. Staff is also in the process of working with Historic Everett and the Washington Trust for Historic Preservation in drafting a materials acquisition application so the interested parties can define what, how much and why they want the materials.

Commissioner Troy McClelland said he was very interested in the disposition of the salvage materials and how that process moves forward, and asked staff to keep the Commission apprised of that effort.

Department of Homeland Security (DHS) Project 7 – Supplemental Security Projects

Project Manager Poli Luis presented a project update on the Department of Homeland Security (DHS) Round 7 Supplemental Security project.

Last February, Port staff presented seven DHS security projects to the Commission. Due to cash flow considerations, the Commission authorized Staff to move forward with three of the seven projects including Small Craft Infrastructure Protection and Detection, Waterside and Waterside and Swimmer Critical Infrastructure Protection and the Detection System Improvement. These three projects are scheduled for completion by May 31, 2012.

Poli Luis said that the total project cost for the three projects is in the amount of \$734,809. The federal reimbursement amount is \$551,107 and the Port of Everett match is \$183,702.

TSA TWIC – Access Control and Lighting – Intrusion Detection

Project Manager Poli Luis reported that the TSA Round 7A – TWIC Access Control and Lighting Intrusion Detection project is now complete. The scope of work included the supply, installation and testing of four new security cameras integrated with the existing Marine Terminal security system, fence, expansion of main gate area, signage, pavement markings and upgrade of the lighting system.

Port staff requests that the Commission accept the project as complete and authorize staff to close-out the construction contract with Dutton Electric Company in the amount of \$720,051.85, including WSST.

Commissioner Troy McClelland moved to accept the TSA TWIC – Access Control and Lighting Intrusion Detection project as complete and authorized staff to closeout the construction contract with Dutton Electric Company in the amount of \$720,051.85, 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.

7. COMMISSIONER COMMENTS

Commissioner Troy McClelland reiterated that the budget process will be thoroughly vetted during the October Commission meetings and indicated he looked forward discussing the budget with staff and the public.

Commissioner Michael Hoffmann commented that a subsidized art facility is being built in Everett that will benefit the community.

8. CITIZEN COMMENTS

There were no Citizen comments.

THE MEETING WAS RECESSED into Executive Session at 6:55 pm for approximately one hour to discuss with legal a pending litigation matter, and to discuss with legal counsel legal issues pertaining to real property in which the Port holds an interest, public discussion of which could disadvantage the Port with respect to third parties against whom the Port has claims.

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

At 8:00 p.m., the Port's attorney extended the Executive Session by approximately 40 minutes.

THE WORK SESSION WAS ADJOURNED at 8:45 p.m.

APPROVED: THIS 12th day of October 2010. EVERETT PORT COMMISSION

By


Michael Hoffmann, President


Mark Wolken, Vice President

Troy McClelland, Secretary

**PORT OF EVERETT
MEMORANDUM**

DATE: August 27, 2010
TO: Port Commission
cc: John Mohr
 Department Directors
FROM: Karen Clements *Karen RA Clements*
RE: 2010 – Year-to-Date 2nd Quarter Financial Reports through 6-30-2010

Total Port Income Statement – Total Port Income Statement is summarized in the following table with the year-to-date 2010 Budget vs. Actual through 6-30-10 and with the percent variance from budget:

Total Port	2010 YTD Budget	Actual thru 6-30-2010	% Var.	Actual thru 6-30-2009
Operating Revenues	11,593,722	11,146,195	-3.9%	11,105,910
Operating Expenses	8,252,968	7,878,835	4.5%	7,734,959
Operating Income	3,340,754	3,267,360	-2.2%	3,370,951
Depreciation	3,157,020	3,159,806	-0.1%	2,529,070
Net Operating Income	183,734	107,554	-41.5%	841,881
Net Nonoperating Rev/Exp	(237,333)	1,055,601	544.8%	1,350,597
Total Income	(53,599)	1,163,155	2270.1%	2,192,478

Total Port Operating Revenues were under budget at the end of the second quarter by 3.9%. Total Port Operating Expenses were also under budget by 4.5%, producing Operating Income that was under budget by 2.2%. Depreciation was over budget by .1%, resulting in Net Operating Income of \$107,554, which was 41.5% under budget. Net Nonoperating Revenues and Expenses were 544.8% over budget. Total Port Net Income was \$1,163,155, or 2270.1% better than anticipated in the budget, at the end of the second quarter.

Marine Terminals – Total Marine Terminals Income Statement is summarized in the following table with the year-to-date 2010 Budget vs. Actual through 6-30-10 and with the percent variance from budget:

Marine Terminals	2010 YTD Budget	Actual thru 6-30-2010	% Var.	Actual thru 6-30-2009
Operating Revenues	6,753,759	6,671,897	-1.2%	6,404,718
Operating Expenses	4,120,896	3,852,810	6.5%	4,020,757
Operating Income	2,632,863	2,819,087	7.1%	2,383,961
Depreciation	1,682,711	1,318,687	21.6%	1,284,431
Net Operating Income	950,152	1,500,400	57.9%	1,099,530

Marine Terminals – Performance at the Marine Terminals through the second quarter continues to be ahead of budget and ahead of last year’s performance. We expect performance to be in line with budget as the year progresses, as the effects of aircraft production decreases commenced in the second quarter. We continue to optimize revenues and reduce costs where possible. **General Cargo** – Operating Revenue was \$5,554,406 versus a budget of \$5,723,400 compared to \$5,307,534 last year. Operating Expenses were \$3,498,818 versus a budget of \$3,742,733 compared to \$3,655,274 in 2009. We continue to see stable export demand to Asia and Russia. Imports continue to be weak but we expect increases in the third and fourth quarter. **Bulk Handling** – Operating Revenues were \$845,970 versus a budget of \$739,159 compared to \$793,384 in 2009. Operating Expenses were \$178,548 versus a budget of \$187,521 compared to \$198,166 in 2009. Our cement customer continues to wait for recovery in the construction market to resume imports. The Port is paid thru put based on minimum volume guarantees. **Marine Industrial** – Operating Revenues were \$271,521 versus a budget of \$291,200 compared to \$303,801 in 2009. Operating Expenses were \$175,444 versus a budget of \$190,642 compared to \$167,317 in 2009. Shipyard activity is steady through the second quarter and anticipated to remain on budget through the year.

Marina – Total Marina Income Statement is summarized in the following table with the year-to-date 2010 Budget vs. Actual through 6-30-10 and with the percent variance from budget:

Marina	2010 YTD Budget	Actual thru 6-30-2010	% Var.	Actual thru 6-30-2009
Operating Revenues	3,944,150	3,667,109	-7.0%	3,788,526
Operating Expenses	2,388,321	2,209,417	7.5%	2,163,433
Operating Income	1,555,829	1,457,692	-6.3%	1,625,093
Depreciation	1,024,556	1,350,208	-31.8%	812,041
Net Operating Income	531,273	107,484	-79.8%	813,052

Marina – The majority of marina activity is realized in the Second and Third quarters whereas the budget is broken out evenly over a 12 month period. Therefore, second quarter results have a variation from budget. In addition, we budgeted for a 2% moorage rate increase and due to current economic conditions we left the majority of our moorage rate levels at 2009 levels. A good summer (sun) will also play a role in overall marina performance in the second and third quarters. We have undertaken numerous initiatives at the marina to increase occupancy rates, boost revenues and reduce expenses and anticipate to be on budget at year end. **North and South Marina**- Operating revenues were \$2,808,145 versus a budget of \$3,062,250 compared to \$2,963,212 in 2009. Operating Expenses were \$1,672,156 versus a budget of \$1,782,023 compared to \$1,667,108 in 2009. **12th Street Yacht Basin** - Operating Revenues were \$447,459 versus a budget of \$495,900 compared to \$487,166 in 2009. Operating Expenses were \$223,745 versus a budget of \$271,713 compared to \$234,857 in 2009. **Travelift/Boatyards**- Travelift activity is ahead of budget primarily due to the implementation of upland storage and resultant increase in lifts in and out of the water. Operating Revenues were \$327,407 versus a budget of \$260,000 compared to \$256,087 in 2009. Operating Expenses were \$225,716 versus a budget of \$227,179 compared to \$181,178 in 2009. **Fuel Dock**- Operating Revenues less cost of

goods sold were \$84,098 versus a budget of \$126,000 compared to \$82,061 in 2009. Operating Expenses were \$87,800 versus a budget of \$107,407 compared to \$80,291 in 2009.

Public Access - Marine Park and Boat Launch – Public Access – Marine Park and Boat Launch is summarized in the following table with the year-to-date 2010 Budget vs. Actual through 6-30-10 and with the percent variance from budget:

Public Access, Marine Park	2010 YTD Budget	Actual thru 6-30-2010	% Var.	Actual thru 6-30-2009
Operating Revenues	73,500	39,363	-46.4%	35,602
Operating Expenses	80,767	60,924	24.6%	68,924
Operating Income	(7,267)	(21,561)	-196.7%	(33,322)
Depreciation	52,782	38,756	26.6%	34,298
Net Operating Income	(60,049)	(60,317)	-0.4%	(67,620)

Marine Park - Operating Revenues were \$39,363 versus a budget of \$73,500 compared to \$35,602 in 2009, Operating Expenses were \$60,924 versus a budget of \$80,767 compared to \$68,924 in 2009. We anticipate lower boat ramp activity this year as it is an off salmon run year.

Properties/Leases – Total Properties/Leases Income Statement is summarized in the following table with the year-to-date 2010 Budget vs. Actual through 6-30-10 and with the percent variance from budget:

Properties/Leases	2010 YTD Budget	Actual thru 6-30-2010	% Var.	Actual thru 6-30-2009
Operating Revenues	772,313	738,866	-4.3%	828,116
Operating Expenses	313,886	471,709	-50.3%	297,822
Operating Income	458,427	267,157	-41.7%	530,294
Depreciation	284,655	341,764	-20.1%	286,525
Net Operating Income	173,772	(74,607)	-142.9%	243,769

Properties/Leases – Operating revenues were \$738,866, which was below budgeted revenues by \$33,447 due to estimated building leases not realized yet this year and also due to a lease that was transferred from Marina to Properties in the 2010 budget but was just recently recorded in the invoicing system, which will be corrected in the next quarter. Revenue in 2010 is down from 2009 due to the transfer of Everett Shipyard lease revenue to the terminals, when they moved their operation to Marine Terminals. Operating expenses were \$471,709, which is over budget by \$157,823, as a result of the additional expenses from the Everett Maritime bankruptcy proceedings and additional engineering expenses required at the Riverside Business Park for transfer of the water main to the City of Everett. Depreciation expense is higher this year as a result of the capitalization of North Marina related assets. Work is continuing on the construction/remodel of the Waterfront Center and negotiations are continuing with potential tenants.

Administration – Administrative expenses are summarized in the following table with the year-to-date 2010 Budget vs. Actual through 6-30-10 and with the percent variance from budget:

Administration Expenses	2010 YTD Budget	Actual thru 6-30-2010	% Var.	Actual thru 6-30-2009
Administration Expenses	1,346,020	1,303,005	3.2%	1,181,998
Administration Depreciation	65,392	62,401	4.6%	64,852
Total Administration	1,411,412	1,365,406	3.3%	1,246,850

Administration expenses were under budget by 3.2% at the end of the second quarter, due to less outside services used during the first half of 2010.

Nonoperating Revenues and Expenses – Total Nonoperating Revenues and Expenses are summarized in the following table with the year-to-date 2010 Budget vs. Actual through 6-30-10 and with the percent variance from budget:

Nonoperating Revenue/(Expenses)	2010 YTD Budget	Actual thru 6-30-2010	% Var.	Actual thru 6-30-2009
Revenue	1,097,022	2,136,390	94.7%	2,302,303
Expense	1,334,355	1,080,789	19.0%	951,706
Net Nonoperating Rev/(Exp)	(237,333)	1,055,601	544.8%	1,350,597

The Nonoperating Revenues were higher than budget by 94.7% due to timing on tax receipts, and interest earnings were under budget due to low interest rates on investments. The Nonoperating Expenses were less than budget during the second quarter by 19% due to lower interest expense rates on the Port's variable rate debt during the first half of 2010.

Capital Improvement Projects – The enclosed schedule lists the active capital projects with the 2010 budget and expended through 6-30-10. Through the second quarter of 2010 the major project expenditures have been \$3.1 million on the Waterfront Center Building, \$459,073 on the Boat Launch Maintenance Dredging, \$385,856 on TWIC and Access Control, and \$302,390 on new head blocks and spreaders under Crane Refurbishment (Hitachis). The total expended on 60 capital projects through the second quarter ending 6-30-2010 was \$6.1 million.

