

MINUTES OF EVERETT PORT COMMISSION WORK SESSION

April 6, 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. EXECUTIVE DIRECTOR'S REPORT

Commission Governance Structure Overview

Executive Director John Mohr reported that there will be two public meetings regarding the Commission Governance Structure, with the first meeting being held on April 15, 2010 at the Everett Yacht Club from 6:30 – 8 pm, and the second one is scheduled for May 13, 2010 at the Mukilteo Water District from 6:30 – 8 pm.

Collins Building Review Process – June 5, 2010

Engineering / Economic Review and Analysis

Commissioner Troy McClelland reported that on March 22, 2010, the selection committee for the Engineering/Economic Review and Analysis process interviewed four A&E firms for the review and update of the cost estimates for the Collins Building. Seattle-based Kovalenko Hale Architects (KHA) was chosen by the panel to provide the work. KHA has put together a group of sub-consultants to complete the analysis, and performed a site tour of the Collins Building on March 30, 2010.

Commissioner McClelland said it was a good process and he is pleased with the outcome.

Community Resource Discussion

Commissioner Mark Wolken provided a draft list of the charitable and community organizations for participation in the June 5th discussion. Comments are currently being solicited for additions or concerns with the draft list participants. Commissioner Wolken announced that the deadline to submit comments is April 26, 2010.

Community Values Discussion

Commissioner Michael Hoffmann reported that the community values approach will use a facilitated discussion for community members to articulate their values on all sides of the Collins Building matter. Michael Hoffmann said that he would provide further information at next week's commission meeting.

Executive Director John Mohr reported that the Port has selected Tim Thompson of Thompson Schmidt in Tacoma to act as the facilitator for the Collins Building Review Process meeting on June 5, 2010. Mr. Thompson was the facilitator in working on the tri-party negotiations that brought together federal, state and tribal interests for King, Pierce and Snohomish counties relevant to the listing of Chinook salmon on the Endangered Species List.

Sponsorship Requests

Executive Director John Mohr said that the Port has received sponsorship requests from the Mukilteo Lighthouse Festival, the 4th of July Festival Committee, and the Snohomish County Sports Hall of Fame. Presentations from these groups will be made at the April 13, 2010 commission meeting.

ORIGINAL

ORCA Presentation

Ardi Kveven of Ocean Research College Academy (ORCA) will provide a presentation to the Commission at the April 13, 2010 commission meeting.

2. CHIEF ADMINISTRATIVE OFFICER'S REPORT

12th Street Marina Redevelopment – Memorandum of Agreement

Chief Administrative Officer Jerry Heller reported that the Port has not yet received word from the Corps of Engineer of its final determination regarding a dispute resolution filed by Washington Trust for Historic Preservation.

ASARCO Update

Chief Administrative Officer Jerry Heller reported that as part of the ASARCO bankruptcy, the court distributed a check in the amount of \$38 million to the State of Washington for various ASARCO claims having to do with contamination in the vicinity of the Riverside Business Park and the ASARCO smelter. The proceeds were deposited into a special settlement account, but the money became a potential target by the state legislature to help close the gap on the state's budget shortfall.

Port counsel filed a legal opinion that the legislature should not be taking this money to balance its budget, but some of the funds have been taken for that purpose. The Port has been able to resist a raid of the entire account, but the Senate budget committee has proposed an allocation of \$20 million for cleanup activities associated with the ASARCO smelter, which includes both the lowlands (Port interest) and the uplands (which are the residential units on top of the hill). The House Budget committee proposed a budget authorizing \$8.5 million, which is to be used both by a site in Tacoma and the Port's site. Jerry Heller said that he would report further on this matter at the next Commission meeting.

Everett Maritime Bankruptcy Update

Chief Administrative Officer Jerry Heller reported that the Port is expecting its Master Option Consideration payment within the next several weeks under the Amended and Restated Development and Master Option Agreement between the Port and Everett Maritime. The payment is not protected under Everett Maritime's current bankruptcy proceedings. Jerry Heller stated that failure to pay could cause the bankruptcy stay to be automatically lifted and would then allow the Port to proceed with its remedies.

3. CHIEF FINANCE OFFICER'S REPORT

State Auditor

Chief Finance Officer Karen Clements reported that the Port's 2009 audit by the State Auditor's Office is currently underway.

Port's Bank Deposits

Karen Clements reported that the Port currently banks with Frontier Bank, which has been declared to be critically under capitalized by the Federal Deposit Insurance Corporation (FDIC). Port staff has been carefully watching this situation for over a year and can ensure that the Port's funds are secure and fully protected in the event of a bank failure. The Port's funds are secured under three layers of protection. The first layer of protection is with the FDIC, which insures up to \$250,000. The second layer is also a program through the FDIC, and Frontier Bank is participating in the FDIC's Transaction Account Guaranty Program effective through June 30, 2010. All non-interest bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. The third layer of protection is through the State of Washington Treasurer's Office, the Public Deposit Protection Commission (PDPC). This agency secures public treasurers' deposits when they exceed the amount insured by the FDIC by requiring banks to pledge securities as collateral. Frontier Bank is one of the approved depositories, and the Port's funds have been confirmed as being listed under this protection. If there is a bank failure, the PDPC will require all other banks within the group to make good on all of the public deposits. Karen

Clements said she had a conversation with the Assistant State Treasurer who has also confirmed that the public deposits are fully protected through FDIC insurance and required collateral, as well as the Public Deposit Protection Commission. Karen Clements stated that she felt confident that the Port's funds are secure. The majority of the Port's funds are invested in the Washington State Local Government Investment Pool that handles in excess of \$8 billion of local government funds. Karen Clements stated that the Port's investments that are kept in this investment pool are secure.

John Mohr said that as recently as two weeks ago, other Frontier Bank customers such as SNOBAC – 911 Emergency Management and the City of Marysville have reached the same conclusion as the Port of Everett, that the funds are secure at Frontier Bank.

4. OPERATIONS REPORT

Marine Terminals Report

Marine Terminals Director Dave Madill reported that for the month of March, Port calls were down one vessel compared to the same time last year. Tonnage and container volumes were up over last year's numbers. Containers were up 31 percent from March of last year. The higher numbers in March are a result of added container traffic and additional project breakbulk cargo, particularly outbound.

The Boeing Company has indicated that the volume for the 777 program will decline in the upcoming months, but Boeing representatives have assured the Port that the volumes are expected to rebound in 2011.

Foreign Trade Zone Cooperation Agreement

Chief of Operations Carl Wollebek reported that Port staff is requesting that the Commission authorize the Executive Director to sign a Foreign Trade Zone Cooperation Agreement with the Port of Seattle. The Port of Everett was granted foreign trade zone authority in 1983 and has been asked to participate in a foreign trade zone cooperation agreement with the Port of Seattle. Both ports recognize the benefits of utilizing foreign trade zones within their districts as a means to promote commerce and provide jobs within their respective communities.

Tom Tanaka, Legal Counsel for the Port of Seattle, reported that Amer Sports is an international sporting goods manufacturer and has approached the Port of Seattle to request foreign trade zone (FTZ) status for facilities it owns in Woodinville and Everett, Washington. The Woodinville facility is located within the Port of Seattle's boundaries and the Everett facility is located within the Port of Everett's boundaries. There are costs associated with applying for FTZ designations, including staff time, outside legal expenses, and filing fees, and it is more cost effective to have a single application for FTZ activation of the two sites rather than having each port apply separately. Tom Tanaka said that the Port of Seattle is willing to undertake the FTZ application process for both the Woodinville facility and the Everett facility. The Port of Everett will benefit by saving on the cost of applying for the FTZ at the Everett facility and by the potential for new jobs that can be generated by the increased flow of merchandise through the Everett facility.

The Port of Seattle's application process is near complete, but needs to have the cooperation agreement finalized and submitted with the application. Port staff requested that the Commission authorize the Executive Director to sign the Foreign Trade Zone Cooperation Agreement with the Port of Seattle.

Port legal counsel Brad Cattle said that RCW 53.08.240 allows this activity on behalf of port districts.

Commissioner Mark Wolken moved to authorize the Executive Director to sign the Foreign Trade Zone Cooperation Agreement as presented. Commissioner McClelland seconded the motion. A vote was called for:

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

Motion carried.

5. **PROPERTIES REPORT**

Waterfront Center Design Services

Chief of Properties Larry Crawford reported that additional architectural, civil, electrical and mechanical design services are required to complete the Waterfront Center – MSRC remodel and expansion construction project due to tenant improvement requirements and unforeseen remodeling requirements. The current Professional Services Agreement with 2812 Architecture totals \$281,043. The scope modification adds an additional \$53,250 for a revised total contract amount of \$334,293. The total design services represent 3.6 percent of construction costs.

Commissioner Troy McClelland moved to approve Modification No. 3 to the Professional Services Agreement with 2812 Architecture in the amount of \$53,250. Commissioner Mark Wolken seconded the motion. A vote was called for:

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

Motion carried.

6. **PROJECTS UPDATE**

TSA Rd 7A Mt. Baker Terminal Security Surveillance System

Project Manager Poli Luis reported that the TSA Rd 7A Mt. Baker Terminal Security Surveillance System project is now complete. The scope of work included the supply, installation and testing of four new security cameras, conduits, wiring and integration with the existing Marine Terminal Security Surveillance System project.

Poli Luis requested that the Commission accept the construction contract as complete and authorize staff to close out the contract with Dutton Electric Company, Inc. in the amount of \$150,150, including Washington State Sales Tax (WSST) for the TSA Rd 7A Mt. Baker Terminal Security Surveillance System project.

Commissioner Mark Wolken moved to accept the construction contract with Dutton Electric Company for the TSA Rd 7A Mt. Baker Terminal Security Surveillance System as complete and authorized staff to close out the project in the amount of \$150,150, 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.

Marina Flotation Upgrade and Float Surface Repairs

Project Manager Poli Luis reported that the Marina Flotation Upgrade and Float Surface Repairs project is now complete. The scope of work included the supply of material, labor and equipment to increase the float freeboard to a minimum of 12 inches, and to repair damaged float concrete surfaces for the South Marina

Docks A, B and C.

Poli Luis requested that the Commission accept the contract as complete and authorize staff to close out the contract with Shoreside Marinas in the amount of \$273,194.36, including WSST, for the Marina Flotation Upgrade and Float Surface Repairs project.

Commissioner Troy McClelland moved to accept the construction contract with Shoreside Marinas for the Marina Flotation Upgrade and Float Surface Repairs project as complete and authorized staff to close out the contract in the amount of \$273,194.36, 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.

Marine Terminal Fender Pile Replacement Construction Close Out

Project Manager Poli Luis reported that the Marine Terminal Fender Pile Replacement 2009 – 2010 project is now complete. The scope of work included the supply of material, labor and equipment to remove 18 timber piles and replace them with 18 new steel piles, including various fender repairs.

Poli Luis requested that the Commission accept the construction contract as complete and authorize staff to close out the contract with Richard Phillips Marine, Inc. in the amount of \$140,884.84, including WSST, for the Marine Terminal Fender Pile Replacement 2009 – 2010 project.

Commissioner Troy McClelland moved to accept the construction contract with Richard Phillips Marine, Inc. for the Marine Terminal Fender Pile Replacement 2009 – 2010 as complete and authorized staff to close out the contract in the amount of \$140,884.84, 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.

Marine Terminal Chill Building Roof Replacement – Request for Bids

Project Manager Poli Luis reported that in 2007, a Facility Conditions Survey was completed by Pack & Associates to determine required capital repairs and correction to the Marine Terminal facilities. Replacement of the warehouse roof was one of the high priority projects identified by the survey. The last work done on the warehouse roof was in 1992. In 2008, a study was authorized to evaluate the condition of the building roof. The engineer's recommendation was to replace the entire building roof providing less maintenance and a 15 year warranty. The construction cost estimate for replacement of the roof is \$686,000.

Poli Luis requested that the Commission authorize staff to solicit bids for the Chill Building Roof Replacement project at the Marine Terminals.

Commissioner Mark Wolken moved to authorize staff to solicit bids for the replacement of the Chill Building Roof at the Marine Terminals. 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 – Washington State Dept. of Transportation Rail Bank Loan

Chief of Engineering & Planning John Klekotka reported on the status of the Port's Rail Access Recovery Project. The purpose of the project is to provide emergency backup rail facilities at the Port of Everett for use in the event of a manmade or natural disaster at the Port's Mt. Baker Terminal, or to act as a back up facility to other Puget Sound port facilities. The project will create a turn off from the BNSF mainline in the vicinity of South Terminal and will construct 2,500 lineal feet of working track. The project gives the Port the ability to handle additional cargoes, and has been designed to tie into the bulk cement load out facility providing greater flexibility of use.

With respect to the Washington State Dept. of Transportation (WSDOT) Rail Bank Loan, this is the Port's second rail bank loan and is authorized through the State under RCW 47.76. The Port has until June 30, 2011 to spend the funds. The interest rate is at 1-1/8 percent over a period of 10 years with a maximum loan amount of \$1.2 million. The loan would be used to make up any gap in funding between the actual construction costs and the other grants awarded to the Port.

The project is divided into two parts, and funding for Part A of the project was a grant from the Transportation Security Administration (TSA) Rd 7A of \$998,000 with a Port match of 25 percent of \$93,000, and the first WSDOT Rail Bank Loan of \$250,000, for a total of \$1.34 million. The WSDOT Rail Bank Loan funding was for pre-procurement of the materials for the project.

The Port has received a Federal Transportation Appropriation in the amount of \$1.169 million for Part B of the project. There is a management fee due to WSDOT and the City of Everett in the amount of \$47,000. With the second WSDOT Rail Bank Loan of \$1,200,000, total available funding of \$3,663,000 would be available for Part B of the project. Klekotka reported that estimated project costs are \$3,415,000.

John Klekotka represented that Port staff will come back before the Commission on April 13, 2010 to request approval of the second WSDOT Rail Bank Loan.

7. **COMMISSIONER COMMENTS**

Commissioner Mark Wolken reported that he is participating in a newly formed County Council Economic Development Committee, and will inform the Commission of any topics that have relevance to the Port.

8. **CITIZEN COMMENTS**

Dave Ramsted, Everett, expressed his thanks to the Commission and Port staff for the pedestrian improvements along West Marine View Drive.

Jeff Lalone, Bayside Marine, inquired about the costs for the Collins Building Review Process. He also asked if development costs for a new boat yard are being developed and considered in the Collins Building Review Process. John Mohr reported that the Port received a cost estimate from Kovalenko Hale Architects (KHA) and the estimate came in higher than anticipated, at nearly \$100,000. The Port has been working with KHA on a reduced scope because the estimate provided included information already available or in addition to what was asked. The Port has received a preliminary figure back at \$65,000. The Port does not have an estimate from Tim Thompson for his role as facilitator as yet, but should have it within the week. The Port is hoping to stay within the \$100,000 estimated budget for the entire process.

Commissioner McClelland said the boat yard costs will be reviewed as well, but separate from the Collins Building cost analysis.

David Mascarenas, Everett, inquired about the re-roofing of the Chill Building and asked if use of the facility generates over \$686,000 annually. John Mohr responded that the Port uses the Chill Building for dry storage of various cargoes that come into the Port's facilities, such as steel coils. The facility does not generate \$686,000 annually, but allows the Port to handle a number of cargoes it wouldn't otherwise be able to handle without this dry storage capacity. Commissioner Mark Wolken added that the roof has a 15 year-warranty, but will last many years beyond the warranty period and will generate revenue over a period of time.

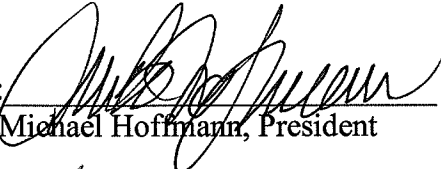
Annie Lyman, Everett, thanked Commissioner Wolken for his draft list of charitable and community organizations for the Collins Building Review Process. She suggested adding trade union groups to the list. Annie Lyman also noted that Historic Everett received an award from the Dept. of Archaeology and Historic Preservation for its efforts to save the Collins Building.

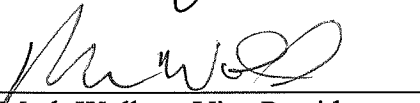
THE MEETING WAS RECESSED into Executive Session at 6:44 pm for approximately one hour to discuss with legal counsel two pending litigation matters and consideration of real estate, public discussion of which could disadvantage the Port's negotiation.

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 7:45 p.m.

APPROVED: THIS 11th day of May 2010. EVERETT PORT COMMISSION

By: 
Michael Hoffmann, President


Mark Wolken, Vice President


Troy McClelland, Secretary