

MINUTES OF EVERETT PORT COMMISSION COMBINED MEETING  
December 4, 2012

PRESENT:	Troy McClelland	President
	Michael Hoffmann	Vice President
	Tom Stiger	Secretary
	John Mohr	Executive Director
	Karen Clements	Chief Finance Officer
	Brad Cattle	Port Attorney

CALL TO ORDER: Commissioner McClelland called the meeting to order at 5:01 p.m.

CONSENT AGENDA FOR DECEMBER 4, 2012

- Work Session Minutes of November 6, 2012; and Regular Meeting Minutes of November 13, 2012
- Approval of Bills for November 2012
- Resolution No. 977 – Use of Port Credit Card

Commissioner Hoffmann moved to approve the items of the consent agenda for December 4, 2012. Commissioner Stiger seconded the motion. A vote was called for:

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

Motion carried.

1. EXECUTIVE DIRECTOR'S REPORT

**December Meeting Schedule**

Executive Director reminded the Commission and the public that the Port is holding a single meeting in December. As directed by the Commission, the Port is having the combined meeting today, and the December 11, 2012 Commission meeting has been cancelled.

**Holiday Schedule**

The Port offices will be closed on December 24, 25, 31, and also January 1, 2013, in keeping with the Port's holiday schedule and the labor agreements.

**Recurring January Resolutions**

John Mohr reminded the Commissioners that Staff will present a number of recurring resolutions during the first meeting in January. The first meeting in January typically has a lengthy agenda, but the resolutions are routine and are adopted annually. John Mohr asked the Commissioners to review the resolutions prior to the meeting, so there is a clear understanding what the Commission will be asked to consider at the meeting.

John Mohr also reminded the Commission that one of the resolutions being presented sets forth the Commission meeting dates, time and location for the year, and said if there is any consideration about changing that schedule, he asked the Commission to please keep that in mind.

**Commission Retreat**

John Mohr asked the Commission to consider February 19 and 20, 2013 for the Commission Retreat as these dates appear to work for Staff. The 19<sup>th</sup> is a Tuesday, and Staff is proposing holding either a 2-day or 1-1/2 day Retreat, depending upon how the Commission decides they want the agenda items set forth.

**January Commission Meetings**

John Mohr reminded the Commission and public that for the January meetings, the Work Session will be held on January 8, and a Special Meeting will be held on January 15, 2013.

ORIGINAL

### Executive Sessions

Port attorney Brad Cattle reported that the Port held two Executive Sessions during November. On November 6, 2012, the Work Session was recessed into Executive Session at 6:26 p.m., and it was announced that the Executive Session would conclude by 7:30 p.m. The announced purposes of the Executive Session were: 1) to consider the negotiations concerning real property which may be leased when public discussions would disadvantage the Port; 2) to consider the acquisition of real property for which public discussion could disadvantage the Port in negotiations; and 3) to review the performance of a public employee.

The Executive Session did conclude at 7:30 p.m. At the conclusion of the Executive Session, no action was taken by the Commission, and there were no announcements. The Commission then adjourned the regular session of the Commission at 7:30 p.m.

For the meeting of November 13, 2012, the Commission meeting was recessed into Executive Session at 7:08 p.m., and it was announced that the Executive Session would conclude by 7:45 p.m. The announced purposes of the Executive Session were: 1) to consider the acquisition of real property for which public discussion could disadvantage the Port's negotiation; and 2) to review the performance of a public employee.

The Executive Session did conclude at 7:45 p.m. At the conclusion of the Executive Session, no action was taken by the Commission, and there were no announcements. The Commission then adjourned the regular meeting of the Commission at 7:45 p.m.

## 2. CHIEF FINANCE OFFICER'S REPORT

Chief Finance Officer Karen Clements presented the Third Quarter 2012 Financial Report, which is attached hereto as part of the record.

Commissioner Stiger commented that the growth in the Port's total equity is a significant number. Karen Clements said that the growth in the total equity including cash and investments for the increase of \$12 - \$13 million, is due to the sale of the property at Riverside Business Park, which was just under \$8 million; and the ESY settlement which was \$4 million. Those two add up to approximately \$12 million, so that has an impact on the balance sheet. The equity is reflecting that the Marine Terminal is doing very well, and the other profit centers are holding their own.

Commissioner Stiger said that he was referring to the October balance sheet which was an update over the third quarter, and it is showing the total equity at \$224,304,000 for an increase of \$5,687,000. Commissioner Stiger said he wanted to point that out because it was an important indicator as to how well the Port is doing overall.

Commissioner McClelland asked Karen Clements if the Port updates, with those same numbers, the liability as it relates to the Puget Sound Initiative; and also remarked that the \$4 million for the ESY settlement is an impressed fund and specifically needs to be earmarked for a future liability. Karen Clements responded that the \$4 million is an impressed fund used only for the ESY cleanup, and the ESY cleanup has a much higher liability than \$4 million. Commissioner McClelland said while he understands Commissioner Stiger's point of view on improved equity, he doesn't believe it tells the entire story as it relates to liability based on the accounting practices as it relates to environmental programs, and specifically, that those are listed and discussed separately. Karen Clements said that is correct.

In response, Commissioner Stiger said that would be a liability figure, and asked if that was reflected in one of the liability categories on the balance sheet. Karen Clements said she would find that out for the Commission. Commissioner Stiger

also asked if the Port has a reserve account of \$5 million. Karen Clements said it has been Port Commission policy to keep a reserve of \$5 million, which has been that amount for at least the last 15 years. Commissioner Stiger said that it wasn't a separate line item, but it is included in the investment figure. Karen Clements said it was included. Commissioner Stiger suggested to make it a separate line item and dollar amount, and do the same thing with the environmental impressed account as a liability; and there are some other accounts as well that are either assets or liabilities that are lumped into larger figures that probably should be broken out. Karen Clements said that Staff can look into that, and also said the accrued environmental expense liability in the long term liabilities is \$9.8 million as of September 2012.

3. **ESY CLEANUP PROJECT UPDATE**

Erik Gerking, Port Staff, provided an update on the ESY cleanup site including a brief overview of the scope of the project, the schedule, current tasks and highlights of some key elements of the project.

The ESY cleanup is an integrated project where Staff is doing more than just cleaning up the site, but is taking advantage of efficiencies that might be had through combining development related projects. There are four basic phases of the project including the concept and analysis phase, the engineering phase, the construction phase, and then the project completion phase.

There are two distinct projects that Staff is working on for the site. One is the in-water portion and the other is the upland area, and they are tracking at different rates. For the in-water, Staff is still in the concept phase of the design for the project; and for the upland, Staff is nearing the end of the engineering phase and approaching construction.

There are several areas of focus for removal of the contamination. For the upland project, in addition to removing contaminated soil, Staff plans to do some preparations for the site in anticipation of redevelopment that include removing utilities and prepping the pads from the former Scuttlebutt building and the Mall building. The in-water project is more complicated as there are more areas of focus. Beyond just the contaminated sediment, Staff is also reviewing how that would tie into maintenance dredging in the Marina, and whether or not the maintenance dredging would need to take place at the same time or dovetailed in some way, and also making sure that the end result for the sediment cleanup project meets the Port's maintenance dredging needs. Staff is also reviewing the docks that would need to be moved for the cleanup either temporarily or permanently, and whether or not Staff will need to implement some realignment that would be consistent with the Master Development Strategy.

There is also a portion of the bulkhead that needs to be replaced during cleanup as it is surrounded by contamination, and is not feasible to implement the cleanup without replacing it. It is good timing because the bulkhead is in worn condition. With respect to the bulkhead, Staff is looking at the entire east bulkhead and also the net shed wharf to make sure that the bulkhead that the Port constructs and designs for the cleanup area will be consistent with what would be replaced in the other areas. The entire bulkhead that extends around to the 14<sup>th</sup> Street bulkhead is in need of replacement in the next five years or so, and Staff is analyzing the entire length of the bulkhead for a design that would work for the whole bulkhead.

Commissioner McClelland reiterated that if the Port constructs a portion of the bulkhead and later wants to repair or replace it, there will be a consistent approach. Erik Gerking agreed. In designing this project, Erik Gerking pointed out that Staff is paying close consideration to the Master Development Strategy, and want to make sure that the Port is taking advantage of efficiencies where projects can be combined, and make sure that all work is considerate of the final goal for the site.

Erik Gerking reported that for the project schedule, currently site demolition is complete, and now Staff is in the testing and engineering and permitting phase. Construction is just around the corner; and in 2013, Staff will start the upland cleanup construction some time in the spring, and are still on target for in-water construction in the fish window of 2014 and 2015.

Current activities are that Staff is done with the demolition of the buildings on the site, and recently has implemented some field activities including refinement sampling in the water and in the upland to make sure the Port is getting a reasonable estimate on volumes and areas of contamination that need to be removed. Staff has also done some test pitting across the site to evaluate underground structures such as foundations and other large stormwater basins. New topographic surveys have been done for the upland and the in-water, and these tasks go into the category of change order prevention to make sure Staff is getting good control over the site for the design. The Port is nearing the end of the 90 percent design for upland engineering and is just about ready to get underway with the 30 percent design for the in-water section. Staff is implementing a bulkhead alternatives analysis, and reviewing marina realignment options that can be implemented during the project.

For the bulkhead alternatives analysis, the Port has to make a decision in the near future about how the wall is actually designed. There is a basic decision point as to what size of an earthquake this wall should be designed to withstand - such as should the Port design it for a liquefaction event. The costs really skyrocket when a bulkhead is designed to prevent liquefaction from occurring, and Staff's estimate at this point suggests that designing for that would be more than twice the cost. The 14<sup>th</sup> Street bulkhead was designed to not withstand a liquefaction event because of the cost. Staff will be coming back to the Commission with a recommendation in the next few months.

For next steps, Staff will ask the Commission tonight to close out the building demolition contract. There is a need for a marina engineer to help with designing the dock layout, and also with the final design for the bulkhead, and Staff has that scheduled for the first quarter of 2013. The environmental engineer contract will need to be modified sometime during the first quarter of 2013 to account for tasks that are coming up that were not included in their original contract. As the Port nears the construction of the upland, Staff will be asking the Commission to authorize going out to bid for the project sometime during the first and early second quarter of 2013.

The site is located in a very active area in the Marina. A lot of members of the public use that area such as the pedestrian path that people enjoy using for walking, biking, running and people stopping by to use the Marina. Anytime there is a cleanup project of this scale in the summertime, it creates a concern in contamination leaving the site, so Staff is taking measures to ensure public safety and awareness throughout the project, such as dust control, noise control, a proper exclusion zone will be established, and Staff will have clear and frequent communications with the public to notify them of these activities. Also, Staff is making efforts to minimize impact to the critical activities at the Port, such as ingress and egress to the site so that traffic can come in and out of the site easily to continue on with other project initiatives. Staff will make sure that the Farmer's Market is operational during that time and that Marina users have access to their docks and slips.

Commissioner Stiger asked if there were any plans to enlarge the existing haulout that is located at the corner of the site. Erik Gerking stated that as part of this project, the haulout will be demolished during the in-water portion of the cleanup. The haulout at the 12<sup>th</sup> Street Yacht Basin will become the primary haulout for the Port. Executive Director John Mohr added that Port Staff is looking at various alternatives and the Port has the flexibility over at the new North Marina haulout to be able to add some capacity, as there is a greater width on the dock that could potentially utilize either a negative forklift or extend out another leg of a travelift

dock and use a smaller size travelift in that dock area. John Mohr said there are other alternatives and he has asked John Klekotka to look at those alternatives as the Port moves forward, but as part of the overall planning of the facility, the commitment was made several years ago that the Port was going to continue to have all boat work done in a zero discharge boatyard. The only way the Port can do that logically is by having a single facility and that was the commitment that was made at the time. All of the haulouts will be made from the current area in order to maintain the zero discharge boatyard. As the Port moves forward with the redevelopment of the area that is currently held by Ameron under lease, there will need to be some decisions made by the Commission as to how extensive the boatyard expansion should be in that area. It is part of the iterative plan for that area which is to consolidate all of the boat work into one location at the Port. That has been the way it has been planned out by the Commission as the Port has moved forward.

Commissioner Stiger inquired if the Port has to wait for the in-water cleanup in order to do the bulkhead. John Mohr said it is all being done contemporaneously; Staff is doing the cleanup at the same time the bulkhead is being replaced. Currently, the design is going forward for the bulkhead, and once Staff has that design, they will have some numbers to consider and bring back to the Commission for consideration.

Erik Gerking added that there would also be a permitting element as well, so the soonest Staff could get out there and install a bulkhead would probably be the 2014/2015 window, given design and permitting constraints.

#### 4. DEPARTMENT REPORTS

##### **Projects Update**

##### **ARRA Marine Terminal Lighting Improvements – Contract Closeout**

Chief of Engineering & Planning John Klekotka reported that the purpose of the ARRA Marine Terminal Lighting Improvements project was to improve lighting at the Terminals for both security and safety. Back in June of 2009, the Port submitted a grant application for the project and was awarded a grant through the Department of Homeland Security (DHS) in September of 2009. The Port advertised for bids in December of 2011 and the Commission made the award in February 2012. Port Staff began work on site in April 2012, and the project was completed in mid-October 2012.

The scope of the project included five new light standards and the associated electrical infrastructure to service the lights at the South Terminal, and then there were four lights that were installed in the Hewitt Terminal area. Work generally proceeded as planned at Hewitt Terminal, however, a great deal of underground obstructions were encountered virtually throughout South Terminal, including concrete foundations, concrete and asphalt rubble, timber pile stubs, and nests of old concrete reinforcing bars. Work to deal with these unknown underground obstructions was dealt with on a “time-plus-expense basis” (referred to as “force account”).

In September, Staff requested approval of Change Order No. 4 in the amount of \$64,646, including Washington State Sales Tax (WSST), which brought the total contract change orders to \$188,130. Following this approval by the Commission, it was determined that the actual amount of Change Order No. 4 was \$63,734; however, there was one additional change order in the amount of \$1,384, including WSST, for sorting and hauling contaminated soils. There was also an under-run in the unit price work under the contract in the amount of \$12,613, including WSST, bring the final contract amount to \$1,475,150.22, including WSST.

John Klekotka requested that the Commission accept the ARRA Terminal Lighting Improvements project as complete, and authorize Staff to close out the contract with High Mountain Electric in the total final amount of \$1,475,150.22, including WSST.

Commissioner McClelland congratulated Staff on a job well done and said that he has had similar projects where he has run into numerous unforeseen site conditions and recognizes the challenges.

Commissioner Michael Hoffmann moved that the Commission accept the ARRA Terminal Lighting Improvements project as complete, and authorized Staff to close out the contract with High Mountain Electric in the total final amount of \$1,475,150.22, including WSST. Commissioner Stiger seconded the motion. A vote was called for:

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

Motion carried.

**Marine Terminal Pavement Upgrades, 2012 – Contract Closeout**

John Klekotka said that when Staff put the Commission agenda together for this month, Staff thought that the Marine Terminal Pavement project would be concluded. While the physical work is concluded, in the process of completing all of the final paperwork, Staff found a minor discrepancy in some of the quantities, so Staff needs to resolve the issue with the contractor, Granite Construction. Staff will bring the project back next month for closeout.

**Everett Shipyard Building Demolition - Contract Closeout**

Erik Gerking, E & P Staff, reported that in preparation for the pending environmental cleanup of the Everett Shipyard Site and to prepare the Gateway District area for redevelopment, the buildings located within this area were demolished. These structures included the former Everett Shipyard buildings, the former Everett Engineering Buildings, former Fish Processing Building, the former Scuttlebutt Building, and the former Marine Mall Building.

There were two schedules of items. Schedule A was the base bid, and Schedule B was the additive bid. Staff implemented both schedules. Schedule A was for the buildings located within the cleanup site, and Schedule B was established for buildings that fell just outside. The Commission awarded the demolition contract to SkyCorp, Ltd on June 5, 2012 through a public works competitive bid process. SkyCorp began the demolition work in July 2012, and reached physical completion in late November 2012.

Four individual change orders were issued over the duration of the project totaling \$18,212.74. The change orders included removal of additional hazardous building materials that were discovered during demolition, demolition of a sign adjacent to the site, credit for not demolishing a portion of slab, and capping of a buried waterline discovered during the demolition. The initial contract with SkyCorp Ltd was in the amount of \$447,083.36, including WSST, and the final total amount including change orders was \$466,971.68, including WSST.

Erik Gerking said that as part of the demolition project, there was 400 tons of metal, 1,100 tons of wood, and 250 cubic yards of foam that came from the Fish Processing Building. The contractor sent a total of 360 tons to the landfill. The other materials, such as metal, wood and foam were recycled. There was 5,000 tons of concrete. Overall, the contractor was able to recycle approximately 95 percent of the material.

Staff is requesting that the Commission accept the Everett Shipyard Demolition construction contract with SkyCorp, Ltd as complete, and authorize Staff to closeout the contract in the final total amount of \$466,971.68, including WSST.

Commissioner McClelland inquired about the 95 percent recycled materials. Erik Gerking said the contractor was able to come in much lower than the engineer's

estimate, and he was able to do that by the process that he was using to selectively pull out every little bit of material that could be recycled and get value from that material. They sorted through everything to extract all that was valuable for recycling. What went to the landfill was garbage.

Commissioner McClelland said it was good stewardship and a good result.

Commissioner Hoffmann moved that the Commission accept the Everett Shipyard Demolition construction contract with SkyCorp, Ltd as complete, and authorized Staff to closeout the contract in the final total amount of \$466,971.68, including WSST. Commissioner Stiger seconded the motion. A vote was called for:

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

Motion carried.

At 6:01 p.m., Commissioner Michael Hoffmann left the Commission meeting.

#### **Hitachi Crane Field Controls – Contract Closeout**

Chief Operating Officer Carl Wollebek reported that in February 2011, the Commission authorized Staff to go out with a Request for Qualifications and Quotes (RFQQ). One submittal was received from Marine Technical Services and the price quoted was much higher than budgeted. Staff and the Port's consultant met to change the scope to try to get the pricing down, but the quote was still too high. Staff felt the value that the contractor offered the Port wasn't worth going forward with the project.

In June 2011, the Commission rejected the RFQQ submitted by Marine Technical Services, and at the same time authorized Port Staff to reissue another Request for Proposal (RFP) using a performance based process with a revised scope of work. In December 2011, the Commission authorized the Executive Director to sign an agreement with Avtron Industrial Automation for \$998,580.00.

Rather than change the entire drive systems of the crane, the Port decided to change the fuel controls in both of the cranes. The purpose was to improve crane performance, extend useful life and provide availability of spare parts. The entire project timeline per the contract was to be 180 calendar days effective from December 30, 2011. Per the contract, each crane was to be taken out of service for a maximum of 28 days each. The first crane was taken out of service for 50 days due to delays in the receipt of components from the Avtron factory in Ohio. The second crane was completed within the 28 days; however, the total project timeline was extended to 231 days. On March 12, 2012, Change Order No. 1 was issued for \$27,001.60. During project review, Staff discovered the need for new encoders and rotary limit switches.

The Port and Avtron agreed to various maintenance, training, credits and service agreements through 2014 per modification to the contract in lieu of liquidated damages. Total value of the settlement is \$136,915.22. The modification is more advantageous to the Port than pursuing liquidated damages as it provides the Port needed services and reflects a good faith resolution of the delays.

Carl Wollebek requested that the Commission accept the Hitachi Field Control Retrofit Project as complete, and authorize Staff to close out the contract with Avtron Industrial Automation in the total final amount of \$995,816. This work is not subject to Washington State Sales Tax.

Commissioner Stiger inquired if this contract was a sole source contract. Carl Wollebek said that Staff went out with an RFP, but Avtron was the only bidder. Commissioner Stiger said that rather than holding out for a dollar amount in liquidated damages, what the contractor is going to provide in services, plus

maintaining the relationship with the company is more important than attempting to settle for a dollar amount. Commissioner McClelland agreed with Commissioner Stiger's comment, and said it was a good approach to maintaining what will be an important relationship for the Port.

Commissioner Stiger moved to accept the Hitachi Field Control Retrofit project as complete, and authorized Staff to close out the contract with Avtron Industrial Automation in the total final amount of \$995,816. Commissioner McClelland seconded the motion. A vote was called for:

Vote:	2-0
Yes:	McClelland, Stiger
No:	None
Abstained:	None
Absent:	Hoffmann

Motion carried.

#### **COMMISSION PRESIDENT'S REPORT**

There was no Commission President's report.

#### **COMMISSION DISCUSSION**

Commissioner Stiger said it was his pleasure to present to the Port two certificates of appreciation from the Snohomish County Sports Commission in recognition of the Port's support of their program. The third annual banquet and induction was held on September 26, 2012, and Commissioner Stiger said that he and his son had the opportunity to represent the Port and said it was a very enjoyable evening. Individuals, teams and the sportsman of the year were honored at the event.

Commissioner McClelland commented that the Sports Commission does a great job representing the entire region and county, and thanked Commissioner Stiger for representing the Port.

#### **Citizen Comments**

There were no Citizen comments.

THE WORK SESSION WAS RECESSED into Executive Session at 6:10 p.m. - to conclude by 6:40 p.m. The purpose of the Executive Session was to consider the acquisition of real property for which public discussion could disadvantage the Port's negotiation. At the conclusion of the Executive Session, no action was taken by the Commission and there were not any announcements. The Commission meeting was adjourned at the conclusion of the Executive Session.

THE WORK SESSION WAS ADJOURNED at 6:40 p.m.

APPROVED this 15<sup>th</sup> day of January, 2013.

EVERETT PORT COMMISSION

By:   
Michael Hoffmann, President

  
Tom Stiger, Vice President

  
Troy McClelland, Secretary







ORIGINAL

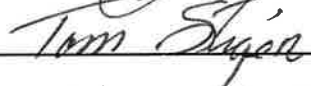
**Port of Everett  
Voucher Approval List  
for the month of  
NOVEMBER  
2012**

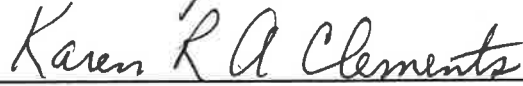
We, the undersigned Commissioners of the Port of Everett, Snohomish County, Washington, do hereby certify the following vouchers/warrants have been certified and approved for payment this the 4th day of December, 2012:

		<b>Total</b>
Claims Voucher Nos	64335 - 64634	\$1,024,135.42
Claims Wire Transfers:		
11/1, 11/16	Wire Transfer - IRS	\$ 140,932.96
11/1, 11/19	Wire Transfer - Union Bank	\$ 21,984.76
11/27	Wire Transfer - Wa St Dept of Rev	\$ 41,587.81
	<b>Total Claims</b>	<b>\$1,228,640.95</b>
Payroll Voucher Nos.	39427 - 39612	\$ 375,875.47
Payroll Wire Transfers:		
11/6, 11/13, 11/20, 11/27	PMA Payroll (Longshore Labor)	\$ 188,767.96
	<b>Total Payroll</b>	<b>\$ 564,643.43</b>
<b>Total Expenditures</b>		<b>\$ 1,793,284.38</b>

  
\_\_\_\_\_  
President

  
\_\_\_\_\_  
Vice President

  
\_\_\_\_\_  
Secretary

Attest:   
\_\_\_\_\_  
Port Auditor