

MINUTES OF EVERETT PORT COMMISSION COMBINED MEETING  
July 10, 2012

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

ABSENT: Commissioner Troy McClelland was absent due to business travel.

CALL TO ORDER: The meeting was called to order at 5:01 p.m. by Commission Vice President Michael Hoffmann.

CONSENT AGENDA:

- Approval of Work Session Minutes of June 5, 2012; Approval of Regular Meeting Minutes of June 12, 2012; and Approval of Industrial Development Corporation Annual Meeting Minutes of June 12, 2012
- Voucher Approval List for June 2012
- DHS Round 7 – Supplemental Security Projects – Contract Closeout
- Riverside Business Park – Authorization to Solicit for A&E Services
- Waterfront Center – Pacific Coast Lease - Authorization

Executive Director John Mohr requested that the Weyerhaeuser Building – Interior Improvements agenda item be removed from the Consent Agenda and indicated that he would discuss his reasons for the removal under the Executive Director report. The Commission concurred.

Commissioner Tom Stiger moved to approve the remaining items on the Consent Agenda for July 10, 2012. Commissioner Michael Hoffmann seconded the motion. A vote was called for:

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

Motion carried.

1. EXECUTIVE DIRECTOR'S REPORT

**Weyerhaeuser Building – Interior Improvements – Authorization to Bid**

Executive Director John Mohr reported that the Port, in going through the process of designing the interior improvements and specifying the use for the Weyerhaeuser Building, has run into some possible City of Everett building code required upgrades that were not taken into consideration when this project was originally scoped and budgeted. Staff would like to take more time to be able to review the project and come back to the Commission with a recommendation once there has been an opportunity to determine the actual need for the additional upgrades and to determine how to make up the funding shortfall between the projected cost and the budgeted amount.

The Commission concurred.

**September Commission Meetings**

The first regularly scheduled September Commission meeting falls on the day after a major holiday and Staff is recommending that the Commission meetings be moved to September 11 and September 18, 2012. Additionally, there has been a plan to hold a public meeting regarding the Marina District Master Plan on July 26. Staff is proposing instead to move the public meeting to September 6, 2012 so that it doesn't interfere with summer vacation schedules.

In summary, Staff is recommending that the Marina District Master Plan public meeting be moved from July 26 to September 6, 2012, and then reposition the Commission meetings to September 11 and 18, 2012. The September 4 meeting will be cancelled.

The Commission concurred.

**July 31, 2012 Special Commission Meeting**

John Mohr reported that Staff is requesting that the Commission hold a Special Meeting on July 31, 2012 at 5:00 p.m. to discuss a property matter. Staff is currently pulling materials together and will make that information available when the public announcements are made.

The Commission concurred.

2. CHIEF FINANCE OFFICER'S REPORT

**Property Insurance Renewal Report**

Chief Finance Officer Karen Clements reported about the Port's property insurance renewal which was effective July 1, 2012. For the property market overview, 2012 has been a difficult year. FM Global, one of the world's largest property insurers, finished 2011 with a combined loss ratio of 121 percent which means that they paid out in losses 21 percent more than what they received in premiums. Investment income remains dismal. Catastrophic exposed areas such as the Pacific Northwest are subject to 20 percent rate increases on catastrophic perils such as earthquakes. In addition, the insurance market is looking at every account for ports, and they are being reviewed and underwritten and the loss history is a critical factor. The insurance that the Port of Everett has been using is Lexington. The Port did have FM Global many years ago, but then went with Lexington. Lexington worldwide has had extremely bad results on their property book of business as well. They are modeling all accounts using Risk Management Solutions 11. The model looks at exposures from catastrophic events such as earthquake, flood and hurricane events. Typically, ports do not model well for earthquakes because they are likely to have a high concentration of fill dirt and a potential for liquefaction of the soil during an earthquake event.

The renewal for the Port of Everett was at a rate of 17.2 cents per \$100 of property values, representing a six percent rate increase over the previous year. The amount of the premium is \$419,000. Since the Port's property policy goes from July 1 to June 30, this will affect the second half of this year. When staff did the budgeting for the insurance premiums for 2012, staff knew what the first half would cost, but estimated what the second half would cost. Likewise on the liability insurance, it goes from October 1 to September 30, so when staff was doing the budgeting for that portion, staff knew what the first nine months of 2012 would cost, and then the last three months were estimated depending on what happens at our October 1 renewal this year. After reviewing the budget, the Port budgeted \$500,000 total for both insurances, and staff is estimating that the Port may be 2 percent over that budget or about \$10,000 over budget, but won't know for sure until the liability is renewed.

**1<sup>st</sup> Quarter Financial Highlights**

Chief Finance Officer Karen Clements provided the highlights of the 1<sup>st</sup> Quarter Financial Reports through March 31, 2012. Total Port operating revenues were under budget at the end of the first quarter by 10.8 percent. Total Port operating expenses were under budget by 19.2 percent, producing operating income that was over budget by 9.1 percent. Net non-operating revenues and expenses were 71.7 percent over budget. Total Port net income was \$335,884, or 303.8 percent over budget, at the end of the first quarter.

For the Marine Terminals, revenues through the first quarter were below budget and slightly ahead of last year. Expenses are being minimized producing operating performance at the Marine Terminals through the first quarter ahead of budget. Staff expects performance to be ahead of budget in the second and third quarters as exports and imports are expected to increase, budgeted log vessel volumes begin to be realized and the traditional sealift to the Russian Arctic commences.

The majority of Marina activity is typically realized in the second and third quarters whereas the budget is broken out evenly over a 12 month period. The first quarter results have a variation from budget. Staff continues to undertake numerous initiatives at the Marina to increase occupancy rates, boost revenues and minimize expenses. A budgeted

two percent increase in overall moorage rate increases was not implemented in 2012 for the third consecutive year due to continued overall weakness in the boating economy. Some user fees were increased to mitigate the effects of no overall rate increase. Staff will closely monitor expenses throughout the year to stay within budget.

Staff anticipates increased usage in the second and third quarters at the Marine Park and Boat Launch as the weather improves. 2012 is not a pink salmon run year so staff has budgeted for overall decreased activity at the boat ramp. As is the case for the entire Marina, weather and fuel prices will impact overall activity at the boat ramp this year.

For Properties, operating revenues in total are 1.6 percent below budget due to estimated lease income from available buildings which were not leased in the first quarter. Operating expenses were 16 percent under budget, primarily caused by reduction in commissions due to leasing activity, monitoring utility costs and over estimation of administrative support salaries and benefits.

Administration expenses were under budget by 16.3 percent at the end of the first quarter due to timing of memberships/dues payments, as well as outside services. Non-operating revenues were lower than budget by 138.2 percent due to timing on tax receipts, and interest earnings were under budget due to the low interest rates on investments. The non-operating expenses were less than budget during the first quarter by 24.5 percent due to lower interest expense rates on the Port's variable rate debt during the first quarter of 2012.

Significant capital expenditures were made for several projects during the first quarter of 2012, including the Rail Access Recovery project – Parts A and B, the Craftsman District Boatyard Expansion and the Marina Maintenance Dredging.

Karen Clements also presented the Port's internal financial reports for the period ending May 2012, in summary. They consist of the total income statement, as well as income statements for Marine Terminals, Marina, Marine Park, Properties, and General & Administrative. They provide a more current view of revenues and expenses at the Port. Karen Clements told the Commissioners that she would be happy to provide them with the summary of the monthly financials as they are available.

### 3. ANNUAL PUBLIC ACCESS REPORT

Director of Planning Graham Anderson provided the annual Public Access Report for the year 2011 reiterating the Port's commitment to its 2 percent for public access policy on construction projects requiring a substantial development permit under the Shoreline Management Act. Graham Anderson reported that since the 2 percent Policy was enacted in 1988, the Port has expended approximately \$4 million on qualifying 2 percent public access improvements. This amount does not include commercial projects that are public access in nature or maintenance and repair projects that improve public access features. The estimated total of these improvements, including the 2 percent, maintenance and repair, and capital projects through 2011 total approximately \$13 million.

There were no qualifying 2 percent for public access projects in 2011. Other public access projects during 2011 included the North Marina Interim Trail Improvements – Pedestrian/Bike/Landscaping Improvements, Installation of the Fisherman's Tribute Statue, Guest moorage float upgrades in Mukilteo and the Marina dredging project.

Proposed public access improvements for 2012 – 2013 include:

- 2 percent contribution to the City of Everett for the Dolphin Berth Improvements;
- Marina Historical interpretive Program;
- Corps Dredging; beach nourishment at Jetty Island;
- Everett Shipyard site pedestrian improvements;
- 10<sup>th</sup> Street Boat Launch and Park restroom remodel;
- Visitor dock restrooms at 12<sup>th</sup> Street J-dock; and
- Minor realignment of the Lower Snohomish River Settling Basin.

4. DEPARTMENT REPORTS

**Operations - Marina Report**

Chief Operating Officer Carl Wollebek introduced Jeff Lindhout who is the Port's new Marina Director. Jeff Lindhout grew up in the Bellingham area and enjoys sailing in the Puget Sound. He attended Gonzaga University where he received his BA and continued on to Gonzaga University School of Law and earned his JD. After college, Jeff went into the boat building business in Bellingham, and has built boats and managed employees and knows the boating industry.

**Projects Update**

**Craftsman District Phase 2 Boatyard Expansion Contract Closeout**

Chief of Engineering & Planning John Klekotka provided a report on the Craftsman District Boatyard Expansion Phase 2 project to the Commission. In 2007, the Port constructed the initial phase of the boatyard, and in early 2011 completed the remodel of the MSRC warehouse into the new Waterfront Center. The boatyard, along with the Waterfront Center, serve as the foundation for the Craftsman District.

The Commission awarded the contract for the second phase of the boatyard expansion on September 6, 2011 to Strider Construction. Strider's total base bid amount for this work was \$1,616,924.40, including Washington State Sales Tax (WSST). The project was substantially complete on April 3, 2012. Subsequently Strider has completed the project, including the final punch-list items.

Over the course of the project, four change orders were executed totaling an amount of \$42,074.76, including WSST. The final total amount of the project, including all change orders and original contract items is \$1,621,188.80, including WSST.

Staff is requesting that the Commission accept the Craftsman District Boatyard Expansion Phase 2 project as complete and authorize staff to close out the contract with Strider Construction, Inc. in the final total amount of \$1,621,188.80, including WSST.

Commissioner Stiger moved to accept the Craftsman District Boatyard Expansion Phase 2 as complete and authorize the amount of \$1,621,188.80, including WSST, to be paid to Strider Construction, Inc. Commissioner Hoffmann seconded the motion. A vote was called for:

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

Motion carried.

Commissioner Stiger commented that the project was well done.

**Marine Terminal Pavement Upgrades 2012 Contract Award**

John Klekotka reported that on June 5, 2012, the Commission authorized Staff to solicit public works bids for the Marine Terminal Pavement 2012 Upgrades project.

In order to continue with smooth and efficient terminal operations, and to minimize wear and tear on cargo handling equipment, ongoing pavement upgrades are necessary. Most areas at the Marine Terminal were paved 20 or more years ago. No pavement work was performed in 2011. In the 2012 budget, the Commission authorized a project budget of \$475,000 for work to upgrade Terminal pavements. The planned focus for 2012 is the south end of the South Terminal yard, with other minor work throughout the other terminal areas. Two bids were received on Tuesday, July 3, with the low bid submitted by Granite Construction in the amount of \$280,341.52, including WSST.

Staff requests that the Commission award the construction contract for the Marine Terminal Pavement Upgrades 2012 project to Granite Construction Company in the amount of \$280,341.52, including WSST. In response to Commissioner Stiger, John Klekotka confirmed that Granite Construction is the former Wilder Construction Company.

Commissioner Tom Stiger moved to award the construction contract for the Marine Terminal Pavement 2012 Upgrades project to Granite Construction Company in the amount of \$280,341.52, including WSST. Commissioner Hoffmann seconded the motion. A vote was called for:

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

Motion carried.

#### **Marine Terminal Lighting Improvement Project**

John Klekotka reported that for the lighting project at the Marine Terminal, the contractor is running into a lot of unknown underground obstructions that were left over by the previous land owner at South Terminal in the way of concrete slabs, asphalt slabs, concrete walls, broken footings, rebar, brick and numerous other obstructions that Staff was not expecting to the degree that they have been encountered. Currently, the change orders are at approximately five percent for the project, and depending upon how it goes in the next couple of weeks, Staff may bring the project back to the Commission during the month of August to request a formal approval on a change order.

Commissioner Stiger inquired if the work was being done at the old Weyerhaeuser site. John Klekotka responded that it is the old Mill A site. John Mohr said there is about \$50,000 already in change orders as a result of the mess of rebar and machine pads that are two to three feet deep, as well as other things. Staff expected to encounter some obstructions, but not to this degree.

Commissioner Stiger asked about the work on the two cranes. John Klekotka said Crane No. 1 was nearly done and just minor work needs to be done before final acceptance. They have yet to take Crane No. 2 out of service.

#### **Marina District Master Plan Update**

Graham Anderson reported that the Master Planning team, including the Dykeman team and Port staff came together for a two-day workshop on June 26 – 27, 2012 to start putting the “meat on the bones” of the strategy that the Commission approved at the June 12<sup>th</sup> Commission meeting. The team also invited City representatives to wrap up discussion on the second day to keep them informed of developments as the plan evolves. The workshop looked at, among other things, options on various items including the road grid, utility layout, sea level rise, site elevation, boyard planning, parking, and identifying how the strategy fits within the existing entitlement framework of the 2005 Development Agreement.

Staff feels that the workshop was very successful and allowed the team to narrow the options and better focus on the details. The Dykeman team has also begun case studies to help look at and learn from other projects that are along the waterfront, which will be lessons learned that may be utilized in to the project as time goes forward. The team will continue working through various issues and provide a further update to the Commission in August.

COMMISSION PRESIDENT'S REPORT

None.

COMMISSIONER DISCUSSION

There were no additional Commissioner comments.

CITIZEN COMMENTS

There were no Citizen comments.

THE COMMISSION MEETING was recessed at 6:03 p.m. to Executive Session for approximately 30 minutes (to conclude by 6:30 p.m.) for consideration of the minimum price at which real property will be offered for sale when public knowledge would disadvantage the Port in the negotiations.

No action was taken by the Commission and no announcements were made.

THE COMBINED COMMISSION MEETING WAS ADJOURNED at 6:30 p.m.

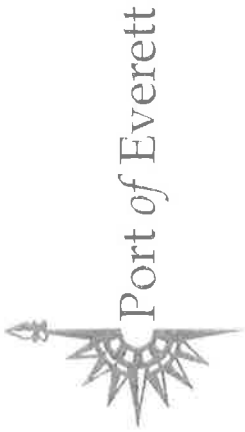
APPROVED: this 15<sup>th</sup> day of August 2012.      EVERETT PORT COMMISSION

By:

  
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Troy McClelland, President

  
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Michael Hoffmann, Vice President

  
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Tom Stiger, Secretary



**ORIGINAL**

**Port of Everett**  
**Voucher Approval List**  
for the month of  
**JUNE**  
**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 10th day of July, 2012:

		<b>Total</b>
Claims Voucher Nos	62827 - 63121	\$2,301,646.52
Claims Wire Transfers:		
6/1, 6/18	Wire Transfer - IRS	\$ 151,130.59
6/1	Wire Transfer - Bank of New York	\$ 607,991.90
6/22	Wire Transfer - Wa St Dept of Rev	\$ 51,364.06
6/12, 6/18	Wire Transfer - Hirofumi Oshio	\$ 3,130.00
6/14, 6/29	Wire Transfer - Union Bank	\$ 21,370.83
	<b>Total Claims</b>	<b>\$3,136,633.90</b>
Payroll Voucher Nos.	38422 - 38626	\$ 375,431.44
Payroll Wire Transfers:		
6/6, 6/12, 6/19, 6/26	PMA Payroll (Longshore Labor)	\$ 339,867.33
	<b>Total Payroll</b>	<b>\$ 715,298.77</b>
<b>Total Expenditures</b>		<b>\$ 3,851,932.67</b>

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President

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Vice President

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Secretary

Attest: Karen R.A. Clements Port Auditor