

MINUTES OF EVERETT PORT COMMISSION WORK SESSION
September 11, 2012

PRESENT: Michael Hoffmann Vice President
Tom Stiger Secretary
Les Reardanz Chief Admin. Officer
Karen Clements Chief Finance Officer
Brad Cattle Port Attorney

Absent: Commissioner Troy McClelland was absent due to out-of-town travel.
Executive Director John Mohr was absent due to illness.

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

Commissioner Hoffmann called for a moment of silence in memory of the fallen victims of the September 11, 2001 ground zero attacks.

CONSENT AGENDA FOR SEPTEMBER 11, 2012

- Authorization for Executive Director to Sign the Declaration of Covenants, Conditions and Restrictions for the Riverside Business Park

Commissioner Tom Stiger moved to approve the items of the Consent Agenda for September 11, 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

Chief Administrative Officer Les Reardanz announced that since John Mohr was not able to attend the Commission meeting, he would be covering the Executive Director's Report.

Special Commission Meeting – September 18, 2012

Les Reardanz reminded the Commission and public that the Port will be holding a Special Commission Meeting on September 18, 2012 at 5:00 p.m. in the Blue Heron Conference Room.

Commission Workshop – September 25, 2012

The Port is also holding a Commission Workshop to discuss the Port's Mission Statement on September 25, 2012 from 9 a.m. to 3:00 p.m. The meeting will be held in the Blue Heron Conference Room. Appropriate notice will be provided to the Port's constituents.

Travel – Nagoya Japan

Commissioner Troy McClelland and Chief Operating Officer Carl Wollebek are planning to travel to Japan for the week of October 13 – 20, 2012 and will be visiting the cities of Tokyo, Nagoya and Hiroshima to meet with aerospace companies, wind energy suppliers, port authorities, government officials and shipping companies on behalf of the Port of Everett. The intent for the trip is to strengthen important existing business relationships and to explore new trade opportunities for mutual benefit.

Les Reardanz requested that the Commission authorize the international travel to Japan on behalf of Troy McClelland and Carl Wollebek.

ORIGINAL

Commissioner Tom Stiger moved to authorize the international travel to Japan for both Commissioner Troy McClelland and Carl Wollebek. Commissioner Hoffmann seconded the motion. A vote was called for:

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

Motion carried.

2. CHIEF FINANCE OFFICER'S REPORT

Chief Finance Officer Karen Clements provided the Second Quarter 2012 Financial Report to the Commission. The report is attached hereto as part of the record.

3. KIMBERLY CLARK – RESOLUTION NO. 972 – CENTRAL WATERFRONT SUBAREA

Les Reardanz reported that the City of Everett has adopted a moratorium ordinance on the Central Waterfront Subarea (Site), which is where the Kimberly Clark property is located. The City adopted the moratorium on site development while a preferred zoning and land use reuse plan for the site was prepared. The moratorium has been extended until February 2013.

During this moratorium period, the City has been holding public meetings, workshops, and soliciting public input on the site. The City has found that the public process has led City staff to conclude that the best long term interests of the community are served by continuing to use the M-2 zoned area for industry and employment and that the site is best reserved for continued industrial use. (City of Everett Planning Department Central Waterfront Subarea Plan, dated August 14, 2012.) As part of the moratorium ordinance, the City Council directed City staff to consider in the reuse planning the compatibility of future uses with the operations of the Port of Everett and Naval Station Everett.

Commissioner Hoffmann asked if the four alternatives were still being decided upon in a public meeting and if the Port was getting ahead of itself with the resolution. Les Reardanz responded that the resolution is in response to the Planning Commission's soliciting public comment and is the opportunity for the Port to say that it believes the M2 zoning which is one of the four alternatives is the best for maintaining maritime use on the site. Commissioner Stiger commented that this is the second public hearing that the Planning Commission has held. The Port expressed the same position for the first hearing as well.

Commissioner Hoffmann asked about the intent of the resolution. Les Reardanz said the intent of the resolution is to let the City Planning Commission know that the Port supports the first alternative recommended by City staff which is to keep the zoning as it currently is. Port attorney Brad Cattle said that Port staff previously articulated the Port's position to the Planning Commission, and the resolution would be an articulation by the Port Commission that the input from the Port is that it prefers the widest alternative possible for the site because that is most conducive from the Port District's standpoint for economic development and job opportunities. The ultimate decision will be made by the City Council after more public input.

Commissioner Stiger moved to adopt Resolution No. 972 as presented. Commissioner Hoffmann stated that he doesn't know how he feels about this. The Port of Everett may have undue influence in front of the public meeting. The City Council is making the decision; they are responding to the public, are they not? How do we fit into that picture other than we are an agency of the public so we would be assumed to be representing our constituents in this matter. The City already has a meeting set up to get their input. Les Reardanz responded that the meeting on the 18th is to consider public input, including public input from

agencies that are affected by this decision, such as the Port District – and that closes on the 14th. The port would be foreclosed from submitting any additional comments unless the Planning Commission was to ask for more. This resolution is actually in response to the Planning Commission asking the public that they want to hear what people think and what they believe is in the best interest for the community. It is open to everyone and it is in response to the Planning Commission’s request for public comment.

Commissioner Hoffmann seconded the motion. A vote was called for:

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

Motion carried.

4. DEPARTMENT REPORTS

Projects Update

ARRA Marine Terminal Lighting Improvements

Chief of Engineering & Planning John Klekotka provided a brief presentation to the Commission on the status of the ARRA Marine Terminal Lighting Improvement project.

John Klekotka reported that there has been extensive interference with unknown underground obstructions and noted that the project is nearing the 10 percent limit over the original contract amount. Today, the contractor, High Mountain Electric, has achieved substantial completion on the project and at this point, they just have the punch list work to complete. However, Port staff is still in the process of compiling some of the extra costs and will have to defer the request for change order approval until the next meeting. At next week’s meeting, Port staff should know what the required final change order amount will be and then will make the formal request of the Commission at that time. The amount is expected to be over the 10 percent limit of the original contract amount.

Bay Wood Cleanup Update

Environmental Cleanup Administrator Erik Gerking provided a project update on the Bay Wood Cleanup site which is located at the north end of West Marine View Drive. The Port separates the upland and in-water portion of the sites because they typically use different contractors and the permitting schedules compete against each other.

Design level soil stock pile characterization and sediment sampling for dioxins that Ecology requires has been completed for the project. Staff plans to complete the Remedial Investigation/Feasibility Study (RI/FS) report by the end of 2012 and initiate the cleanup action plan. The most significant piece of work that the Port will do in 2012 is the upland interim action which involves design, permitting and construction on the site.

Staff is currently working with the Department of Ecology (Ecology) on an upland interim action that includes removal and disposal of 13,000 tons of contaminated soil and debris that is located on the Bay Wood site. The soil is contaminated with carcinogenic-PAHs. The approximate cost is \$900,000 and is within the 2012 and 2013 Puget Sound Initiative budget. The interim action will expedite the upland cleanup and will help prepare the site for its next use. The site will be cleaned up to unrestricted land use levels.

Erik Gerking reported that staff will be asking for Commission authorization under the consent agenda at the September 18th Commission meeting to solicit bids for the interim action construction project for the Bay Wood Cleanup site.

Corps of Engineers Snohomish River Maintenance Dredging

Brandon Whitaker of Engineering & Planning provided a brief update on this year's Snohomish River Maintenance Dredging project conducted by the Corps of Engineers. This year the Corps will have two separate projects running at the same time. The maintenance dredge project will involve the upstream and downstream Settling Basins, as well as portions of the Snohomish River federal navigation channel.

The Port's role as local sponsor is to find a suitable location to deposit the dredge materials and obtain local and state permits, as necessary. This year's dredging will involve a combination of hydraulic dredging and mechanical (clamshell bucket and bottom-dump barge) dredging. For the upstream basin, approximately 100,000 cubic yards will be hydraulically dredged and is scheduled to be deposited on City owned property, Parcel O. There will also be hydraulic dredging in the downstream settling basin of approximately 70,000 cubic yards with placement on Jetty Island, where it will be used to strengthen the berm protecting the saltmarsh on the west side and to add to the nearshore beach on the southwest end.

For the navigation channel, there will be clamshell dredging of up to 330,000 cubic yards, depending on what options in the Corps' contract are exercised. The dredge material from the clamshell operation will be disposed of at the Port Gardner Bay Open Water Disposal Site, which is operated by the Washington State Department of Natural Resources. The dredge material in the project area has been sampled and tested and is suitable for either upland placement or disposal at the Open Water Site.

The Corps will be issuing notices about the proposed work targeted for October, 2012 and will conduct a pre-dredge meeting for coordination with the Port, the City and the contractors. The Port also assists in the notification to Marina tenants and boating groups. Given the amount of dredging involved with this year's project, the Corps has indicated to the Port that it is likely that the dredging operation will spill over into early 2013, although it must be completed by the mid-February in-water work closure.

Port attorney Brad Cattle said that on the consent agenda for the September 18 Commission meeting, there will be an item added which is authorization for the Executive Director to sign the application for authorization to utilize open water disposal site which is part of the process to complete the formal paperwork for the open water disposal site. It contains some provisions that are beyond the standard delegation of authority of the Executive Director and so staff is placing the item on the consent agenda for specific authorization.

Jeff Lalone of Bayside Marine inquired if the lower settling basin has been moved. He also requested that Port staff provide a schedule and location information as to where the dredge will be. He and other Marina tenants are concerned about their customers being able to get their boats in and out of the water, and potential congestion for upcoming events such as the fishing derby in November.

Commissioner Stiger asked about the Coho Derby. Jeff Lalone said the Everett Salmon and Steelhead Club have the largest fishing derby on the west coast and that will be September 22 – 23, 2012. There will be approximately 2,000 anglers participating in the Derby. The Sponsors are raffling off a \$60,000 boat for those participants in the fishing Derby. On September 23, the festivities will be at Bayside Marine and includes food, a beer garden and a lot of prizes. There is a raffle event and even non-participants in the Derby can buy a raffle ticket and win a 16 foot boat. However, participants must have fished in the Derby to win the \$60,000 boat.

Brandon Whitaker said the Corps of Engineers did get funding this year to review the lower settling basin project and deem it worthy of moving forward. The project application is currently under review by the Corps. The Port should hear back from the project manager soon.

Notifications for the dredging projects will be provided to all Marina tenants and Port staff will also reflect Bayside's concerns to the Corps of Engineers and the contractors about the upcoming events to make sure they are aware of future activities.

Commission President's Report

There was no Commission President's report.

Commission Discussion

There was no further Commission discussion.

Citizen Comments

There were no Citizen comments.

No Executive Session was held.

THE WORK SESSION WAS ADJOURNED at 5:52 p.m.

APPROVED this 9th day of October, 2012. EVERETT PORT COMMISSION

By:  _____
Troy McClelland, President

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Michael Hoffmann, Vice President

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Tom Stiger, Secretary

**PORT OF EVERETT
MEMORANDUM**

DATE: August 28, 2012
TO: Port Commission
cc: John Mohr
 Department Chiefs and Directors
FROM: Karen Clements *Karen Clements*
RE: 2012 – Year-to-Date 2nd Quarter Financial Reports through 6-30-2012

Total Port Income Statement – Total Port Income Statement is summarized in the following table with the year-to-date 2012 Budget vs. Actual through 6-30-12 and with the percent variance from budget:

Total Port	2012 YTD		Actual thru 6-30-2012	% Var.	Actual thru 6-30-2011
	Budget				
Operating Revenues	13,217,744		13,447,004	1.7%	12,137,755
Operating Expenses	9,284,673		8,828,057	4.9%	8,903,344
Operating Income	3,933,071		4,618,947	17.4%	3,234,411
Depreciation	3,332,170		3,327,347	0.1%	3,208,928
Net Operating Income	600,901		1,291,600	114.9%	25,483
Net Nonoperating Rev/Exp	931,278		1,421,132	52.6%	997,356
Total Income	1,532,179		2,712,732	77.1%	1,022,839

Total Port Operating Revenues were over budget at the end of the second quarter by 1.7%. Total Port Operating Expenses were under budget by 4.9%, producing Operating Income that was over budget by 17.4%. Depreciation was under budget by .1%, resulting in Net Operating Income of \$1,291,600, which was 114.9% over budget. Net Nonoperating Revenues and Expenses were 52.6% over budget. Total Port Net Income was \$2,712,732, or 77.1% over budget, through the end of the second quarter.

Marine Terminals – Total Marine Terminals Income Statement is summarized in the following table with the year-to-date 2012 Budget vs. Actual through 6-30-12 and with the percent variance from budget:

Marine Terminals	2012 YTD		Actual thru 6-30-2012	% Var.	Actual thru 6-30-2011
	Budget				
Operating Revenues	8,246,382		8,922,986	8.2%	7,628,820
Operating Expenses	4,926,389		4,772,933	3.1%	4,679,960
Operating Income	3,319,993		4,150,053	25.0%	2,948,860
Depreciation	1,429,287		1,417,777	0.8%	1,411,540
Net Operating Income	1,890,706		2,732,276	44.5%	1,537,320

Marine Terminals – Revenues through the second quarter at the Marine Terminals are ahead of budget and ahead of last year. Expenses are being minimized where possible producing Operating Performance at the Marine Terminals through the second quarter ahead of budget. We expect performance to continue to be ahead of budget through the year as exports and imports are expected to increase, scheduled aircraft production increases will be realized, budgeted log vessel volumes are being realized and our traditional sealift to the Russian Arctic commences. **General Cargo** – Operating Revenues were \$8,191,054 versus a budget of \$7,323,181 compared to \$6,519,986 last year. Operating Expenses were \$4,377,277 versus a budget of \$4,556,024 compared to \$4,331,790 in 2011. **Bulk Handling** – Operating Revenues were \$498,742 versus a budget of \$590,702 compared to \$751,420 in 2011. Operating Expenses were \$191,811 versus a budget of \$183,900 compared to \$181,754 in 2011. Our cement customer continues to wait for recovery in the construction market to resume imports. The Port is paid throughput based on minimum volume guarantees. **Marine Industrial** – Operating Revenues were \$233,190 versus a budget of \$332,500 compared to \$357,415 in 2011. Operating Expenses were \$203,845 versus a budget of \$186,465 compared to \$166,416 in 2011. Shipyard activity is expected to pick up in the 3rd and 4th quarters.

Marina – Total Marina Income Statement is summarized in the following table with the year-to-date 2012 Budget vs. Actual through 6-30-12 and with the percent variance from budget:

Marina	2012 YTD Budget	Actual thru 6-30-2012	% Var.	Actual thru 6-30-2011
Operating Revenues	3,919,884	3,589,846	-8.4%	3,642,634
Operating Expenses	2,411,406	2,361,708	2.1%	2,260,212
Operating Income	1,508,478	1,228,138	-18.6%	1,382,422
Depreciation	1,245,687	1,269,204	-1.9%	1,266,780
Net Operating Income	262,791	(41,066)	-115.6%	115,642

Marina – Overall performance at the Marina is below budget and below the same period last year. We budgeted for a 2% overall moorage rate increase ion 2012 which was not implemented due to continued weakness in the overall economy, the Port has not raised overall moorage rates in three years. We continue to keep expenses minimized where possible and explore ways to generate additional revenues. We are hopeful that improved weather and stable fuel prices will increase performance through the third quarter. **North and South Marina** - Operating revenues were \$2,661,313 versus a budget of \$2,983,953 compared to \$2,737,278 in 2011. Operating Expenses were \$1,798,913 versus a budget of \$1,822,775 compared to \$1,706,115 in 2011. **12th Street Yacht Basin** - Operating Revenues were \$531,621 versus a budget of \$471,160 compared to \$487,889 in 2011. Performance at 12th street is ahead of budget which is encouraging. Operating Expenses were \$227,908 versus a budget of \$224,726 compared to \$221,871 in 2011. **Travelift/Boatyards** - Operating Revenues were \$337,076 versus a budget of \$329,770 compared to \$336,834 in 2011. Operating Expenses were \$255,561 versus a budget of \$256,362 compared to \$241,880 in 2011. We anticipate stronger performance in this sector in 2012 due to the opening of the expanded Craftsman District Boatyard. **Fuel Dock** - Operating Revenues less cost of goods sold were \$59,836 versus a budget of \$135,000 compared to \$80,633 in 2011. Operating Expenses were \$79,327 versus a budget of \$107,542 compared to \$90,346 in 2011.

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 2012 Budget vs. Actual through 6-30-12 and with the percent variance from budget:

Public Access, Marine Park	2012 YTD Budget	Actual thru 6-30-2012	% Var.	Actual thru 6-30-2011
Operating Revenues	93,865	42,909	-54.3%	39,492
Operating Expenses	85,888	62,898	26.8%	48,256
Operating Income	7,977	(19,989)	-350.6%	(8,764)
Depreciation	45,182	45,905	-1.6%	52,403
Net Operating Income	(37,205)	(65,894)	-77.1%	(61,167)

We anticipate increased usage in the 3rd quarter as the weather improves. 2012 is not a pink salmon run year so we have 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.

Properties/Leases – Total Properties/Leases Income Statement is summarized in the following table with the year-to-date 2012 Budget vs. Actual through 6-30-12 and with the percent variance from budget:

Properties/Leases	2012 YTD Budget	Actual thru 6-30-2012	% Var.	Actual thru 6-30-2011
Operating Revenues	864,113	827,218	-4.3%	731,312
Operating Expenses	442,435	401,155	9.3%	515,200
Operating Income	421,678	426,063	1.0%	216,112
Depreciation	474,539	456,935	3.7%	379,629
Net Operating Income	(52,861)	(30,872)	41.6%	(163,517)

Properties/Leases – Operating revenues in total are \$827,218, which is 4.3% below budget due to estimated lease income from available buildings, properties and event venues which were not leased or rented in the first half year. Operating expenses were \$401,155, which is 9.3% under budget, primarily caused by reduction in commissions due to leasing activity, monitoring utility costs and over estimation of administrative support salaries and benefits. Depreciation increased due to the capitalization of Riverside related assets.

Administration – Administrative expenses are summarized in the following table with the year-to-date 2012 Budget vs. Actual through 6-30-12 and with the percent variance from budget:

Administration Expenses	2012 YTD Budget	Actual thru 6-30-2012	% Var.	Actual thru 6-30-2011
Administration Expenses	1,373,028	1,213,291	11.6%	1,352,192
Administration Depreciation	89,502	89,553	-0.1%	50,603
Total Administration	1,462,530	1,302,844	10.9%	1,402,795

Administration expenses were under budget by 10.9% at the end of the second quarter, due to timing of outside services payments, such as auditors, consultants, and legal expenses.

Nonoperating Revenues and Expenses – Total Nonoperating Revenues and Expenses are summarized in the following table with the year-to-date 2012 Budget vs. Actual through 6-30-12 and with the percent variance from budget:

Nonoperating Revenues/(Expenses)	2012 YTD		Actual thru 6-30-2012	% Var.	Actual thru 6-30-2011
	Budget				
Revenues	2,132,016		2,333,592	9.5%	1,931,165
Expenses	1,200,739		912,460	24.0%	933,809
Net Nonoperating Rev/(Exp)	931,277		1,421,132	52.6%	997,356

The Nonoperating Revenues were over budget by 9.5% due to timing on tax receipts, and interest earnings were under budget due to low interest rates on investments. The Nonoperating Expenses were under budget during the first half of the year by 24% due to lower interest expense rates on the Port's variable rate debt during the first half of 2012.

Capital Improvement Projects – The enclosed schedule lists the active capital projects with the 2012 budget and expended through 6-30-12. Significant capital expenditures were made for several projects during the first half of 2012, including the Rail Access Recovery (Parts A and B) at \$1,460,922, the Craftsman District Boatyard Expansion at \$1,008,321, the Marina Maintenance Dredging at \$942,535, the ARRA Lighting at South Terminal and Hewitt Terminal at \$880,424, and the Hitachi Crane Electrical Refurbishment at \$619,484. All other capital projects had total expenditures of \$1,226,409, resulting in a grand total of \$6,138,095 expended on capital projects during the first half of 2012. Spending on environmental cleanups (PSI) was \$439,922 through 6-30-2012.