

MINUTES OF EVERETT PORT COMMISSION COMBINED MEETING
January 10, 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: The meeting of January 10, 2012 was called to order at 5:01 p.m. by Commission President Troy McClelland.

CONSENT AGENDA:

- Approval of Minutes for December 13, 2011 Combined Commission Meeting
- Approval of Bills for December 2011

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

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

Motion carried.

1. ELECTION OF OFFICERS

Commissioner Tom Stiger moved to elect Troy McClelland as Commission President, Michael Hoffmann as Commission Vice President, and Tom Stiger as Commission Secretary for the year 2012. Commissioner Michael Hoffmann seconded the motion. A vote was called for:

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

Motion carried.

2. EXECUTIVE DIRECTOR'S REPORT

Commission Retreat

Executive Director John Mohr asked the Commission to consider holding the Commission Retreat during the week of March 26, 2012 and suggested that two days may be needed as there is a lot of material to cover. Port staff is proposing that the Retreat be held in the Blue Heron Conference Room.

After discussion, the Commission directed staff to bring the matter back during the February Commission meetings to select a date(s) for the Retreat.

State Legislative Visit

John Mohr reported that Port staff annually visits State Legislators in Olympia to discuss legislative priorities for the Port of Everett. The Port's legislative priorities for 2012 include preservation and stabilization of funding in the Model Toxic Control Account (MTCA), which is funded by a voter approved barrel tax on oil. The Port of Everett estimates that it will need approximately \$5 million in matching funds from this account to continue cleanup efforts for this biennium. The Port has five agreed orders with the Department of Ecology to clean up its contaminated sites by 2020.

Another priority is that the Port will work in partnership with the City of Everett to preserve the ASARCO Settlement funds allocated to the Everett community. The City and Port received \$38 million as part of a U.S. Justice Department ruling, specifically to clean up sites contaminated by the former ASARCO smelter site. The Port of Everett and the City of Everett helped create a Cleanup Settlement Account in order to protect these proceeds when the bankruptcy proceedings were finalized. In 2009, the legislature borrowed a portion of the Everett community's settlement to help offset the budget

shortfalls. It is expected that these funds will be paid back by the State as funds become available. The Port is strongly opposed to any further diversions from this account.

A third priority is Aerospace Industry Investment. The Port supports the implementation of the Washington Aerospace Partnership Competitiveness Study of which the Port was a sponsor, to bolster Washington State's aerospace industry and long-term competitiveness. Specifically, develop a unified strategy including training and education, research and development, Office of Aerospace and Defense, unemployment insurance tax, worker's compensation, and transportation infrastructure to ensure that Washington State remains the leading location in the world for aerospace.

For transportation investments that the Legislature may consider in 2012, the Port has a number of transportation investments that are effectively job and commerce related that the Port is supportive of in order to be able to move the freight priorities of the Port.

Lastly, the Legislature may review using the 2012 Capital Budget as a vehicle for a jobs or stimulus package of infrastructure investments. The Port is prepared to support such a package, provided it preserves funds for or enhances environmental cleanups.

In promoting the state legislative agenda, Commissioner McClelland, John Mohr, Lisa Lefebvre and Les Reardanz will be meeting with legislators in Olympia on January 17 and 18, 2012.

Travel to Japan

John Mohr reported that he and Carl Wollebek are planning to travel to Japan on January 23 to meet with aerospace suppliers and the Port's shippers; and in accordance with the Port's travel policy, the Commission authorizes all international travel for the Executive Director. The justification for the travel is approximately half of the Marine Terminal income is related directly or indirectly to the aerospace business. Port staff will be meeting with a consortium of aerospace suppliers, shipping lines and will be looking for opportunities to increase efficiencies. The travel is planned for January 23 through 28, 2012. John Mohr asked permission from the Commission to make the trip.

Commissioner Troy McClelland said the trip is necessary from an operations review, and the Port needs to make sure that the operating agreements are solid with key customers. Commissioner McClelland called for the motion.

Commissioner Michael Hoffmann moved to approve travel plans for the Executive Director to travel to Japan during the month of January. Commissioner Tom Stiger seconded the motion. A vote was called for:

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

Motion carried.

3. TRANSACTION OF BUSINESS OF THE PORT OF EVERETT Resolution No. 963

Executive Director John Mohr presented Resolution No. 963 to the Commission which establishes procedural rules for the transaction of Port Commission business, and requested that the Commission adopt Resolution No. 963 as presented.

Commissioner Tom Stiger moved to adopt Resolution No. 963 which establishes procedural rules for the transaction of Port Commission business. Commissioner Michael Hoffmann seconded the motion. A vote was called for:

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

Motion carried.

4. COMMISSION MEETINGS SCHEDULE

Resolution No. 964

John Mohr presented Resolution No. 964 that reconfirms the schedule and location of Port Commission Meetings pursuant to RCW 42.30, and sets forth that the Port Commission may adjust the schedule to include holding regular meetings during other hours, and hold Special Meetings pursuant to RCW 42.30.080.

Commissioner Michael Hoffmann moved to adopt Resolution No. 964 reconfirming the schedule and location of Port of Everett regular meetings. Commissioner Tom Stiger seconded the motion. A vote was called for:

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

Motion carried.

5. APPOINTMENT OF LEGAL COUNSEL

Executive Director John Mohr reported that Port staff is recommending that the Port retain Anderson Hunter Law Firm as its official Legal Counsel for the year 2012.

Commissioner Tom Stiger moved that the Anderson Hunter Law Firm be appointed Port Counsel for 2012. Commissioner Michael Hoffmann seconded the motion. A vote was called for:

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

Motion carried.

6. APPOINTMENT OF PORT AUDITOR

Executive Director John Mohr reported that Karen Clements has served as the Port Auditor for the past 16 years, and has a dual role in that she is Port Auditor to the Commission and she also serves as the Chief Financial Officer. Under Karen Clements' leadership serving as Port Auditor and Chief Financial Officer, the Port has received 14 consecutive audits without exception from the State Auditor. John Mohr recommended to the Commission that Karen Clements be appointed as Port Auditor for the year 2012.

Commissioner Tom Stiger moved to appoint Karen Clements as Port Auditor for the year 2012. Commissioner Michael Hoffmann seconded the motion. A vote was called for:

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

Motion carried.

7. TRAVEL AUTHORIZATION FOR 2012

Resolution No. 965

Executive Director John Mohr presented Resolution No. 965 which calls for the Executive Director to provide specific approval to Port staff for travel outside the United States and Canada with a report back to the Commission within 30 days of completion of the approved international travel. The resolution also calls for travel by the Commissioners or the Executive Director outside the United States and Canada to be authorized by the Commission in advance of the travel.

Commissioner Michael Hoffmann moved to adopt Resolution No. 965 as presented. Commissioner Tom Stiger seconded the motion. A vote was called for:

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

Abstained: None

Motion carried.

8. ANNUAL RENEWAL OF DELEGATION OF AUTHORITY

Resolution No. 966

Executive Director John Mohr reported that Resolution No. 966 provides the Executive Director with the authority to manage the Port and provides the guidelines for the delegation of authority. The Resolution is renewed each year by the Commission and changes are reflected as authorities and regulations mandate. John Mohr stated that Resolution No. 966 is the same as the resolution adopted in 2011.

Commissioner Michael Hoffmann moved to adopt Resolution No. 966 as presented. Commissioner Tom Stiger seconded the motion. A vote was called for:

Vote: 3-0

Yes: Hoffmann, Stiger, McClelland

No: None

Abstained: None

Motion carried.

9. ANNUAL RENEWAL OF AUTHORITY TO SELL SURPLUS PROPERTY

Resolution No. 967

Executive Director John Mohr presented Resolution No. 967 which authorizes the managing official of the Port to sell and convey Port District surplus property as provided in RCW 53.08.090, and adjusted annually by the governmental price index established by the Department of Revenue. For 2012, the figure will be \$15,000.

Commissioner Michael Hoffmann moved to adopt Resolution No. 967 as presented. Commissioner Tom Stiger seconded the motion. A vote was called for:

Vote: 3-0

Yes: Hoffmann, Stiger, McClelland

No: None

Abstained: None

Motion carried.

10. DEPARTMENT REPORTS

Properties – ORCA Update

Director of Properties Steve Hager provided a brief update on the Ocean Research College Academy (ORCA) tenant improvements. The Commission authorized the Executive Director to sign a lease with the General Administration Office for the ORCA program on June 14, 2011 for 5,723 square feet of mezzanine office space within the Waterfront Center facility. The Commission also authorized staff to solicit bids and the Port awarded the bid to Allied Construction in the amount of \$550,368, including Washington State Sales Tax (WSST) on August 9, 2011. On August 31, contracts were signed with Allied Construction and work began on the tenant improvements. Substantial completion occurred on December 22, 2011 and final completion occurred on January 3, 2012. There are still a few punch list items to be completed but the school is up and running and held its first classes on January 9, 2012.

Ardi Kveven, Executive Director for the ORCA program, reported that ORCA was founded on the belief that students can learn best when they are given real authentic research to conduct. This program began approximately 10 years ago and now it has become a reality that the ORCA program is in a signature facility on the waterfront. Four core instructional disciplines – Math, Science, English and History are all integrated through the local marine environmental research that is performed. The program utilizes the Hat Island ferry once a month and the students load the boat, head out and conduct oceanographic sampling of a whole suite of metrics for the entire day, which is typically the first Wednesday of the month. All of the general education class work is performed through the ORCA program. The new facility includes a common area, faculty offices, three core instructional work areas and a research laboratory with a 120-gallon seawater system, incubators, lab tables and other equipment. The facility also has state-of-the-art

technology equipment. Every component that a student might need in order to do environmental marine research has been installed.

The program is comprised of 80 juniors and seniors in high school, mostly from the Snohomish County area. The students earn a full two years of dual enrollment credit. They get their high school diploma from their sponsoring high school, and then they receive their Associate's Degree from Everett Community College. The students do their core educational requirements as part of the Direct Transfer Agreement associated with the state, local colleges and universities. Of the students that enroll as a junior, 100 percent receive their high school diploma and 85 percent get their Associate's Degree in two years. Of the students who do receive their Associate's Degree, 95 percent go on to university. Typically these students receive their Baccalaureate Degree in under three years. The ORCA program has been honored with the Bellwether Award for innovative work at community college level. The program has realized phenomenal success.

Ardi Kveven invited the Commissioners, Port staff and the public to view the classroom settings.

Operations Report – Marina Director

Chief Operating Officer Carl Wollebek introduced the new Marina Director Jeff Bearman who is a graduate of Washington State University and has his MBA from the University of Hawaii. Jeff is returning to Washington with his wife and daughter. He has lived in Hawaii for 24 years and worked in the maritime industry either running a marina or involved with ocean tourism. He has his 100 ton Master's License with the Coast Guard, is an avid sailor and has a boat. He has actually sailed the Pacific through Hawaii, Alaska and South America. Jeff is a Rotarian and Hawaiian Co-Executor of the Kids in Nature Programs.

Boat Show

Port staff is gearing up for the boat show which will be in Seattle from January 27 through February 5, 2012.

Marina Dashboard

Carl Wollebek reported that through the month of December, the Marina is at 80 percent in overall occupancy for the whole Marina. Last year the Marina was at 73 percent, so this is very welcome news. Another area where the Marina is excelling is the boat storage area, and there is a waiting list for this storage.

Commissioner Stiger asked if there were any problems relocating the boats to accommodate the dredging in the Marina. Carl Wollebek said there was one tenant who is making a claim for damages that the Port did not do, but other than that all of the boats were moved.

Projects Update

Marina District Master Plan – Public Involvement Approach

Director of Planning Graham Anderson reported that following the Commissioners' approval of the agreement with the Dykeman team for the Marina District Master Plan (MDMP), Port staff and representatives of the Dykeman team are now actively engaged in the initial tasks of the planning effort. One of the major elements of the MDMP is public involvement, and staff will be providing an overview of the public involvement process.

Public Affairs Administrator Lisa Lefeber reported that the public involvement plan builds on prior high quality consultant studies and adopted zoning that was done in previous efforts. The public participation goal is to work directly with the public and key stakeholders throughout the process to ensure the public concerns and aspiration are clearly understood and considered. Port staff will keep the people of the Port District informed. Port staff will listen to and consider constituent concerns and aspirations, and report to the public on how their input influenced the development alternatives.

The new formal outreach approach going forward started when the Ad Hoc and Advisory Committees were formed, which resulted in a report that provided the basis for the Marina District Master Planning scope development. Moving forward under the scope of the Dykeman team, the Port will conduct eight focus group meetings with various

stakeholders. The formal outreach proposal is to have three public meetings tied to key milestones, monthly Port Commission meetings, market research and analysis, a brand assessment for the Marina District, project communication through the Web Site and traditional media sources, and an online comment form through the Port's website. Informal outreach proposed is to have meetings with service clubs, neighborhood meetings, social media, newsletters, word of mouth, e-mail updates and press releases.

In terms of the 2012 timelines, Port staff will spend the month of January developing a formal public outreach program and expect to do the outreach between February and September, with most of the outreach occurring between February and May of 2012. Port staff plans to bring the Marina District Master Plan to the Commission during the month of September 2012.

John Mohr responded to Commissioner Stiger that the demolition of the buildings in the cleanup sites are separate but complimentary activities for the Marina District Master Plan. The Port needs to do the cleanup, and as noted in the Agreed Order with the Department of Ecology, the Port will take the buildings down beginning in late spring of 2012. Once the buildings are down and the site is prepared, the Port will begin the cleanup in 2013. The idea is to get the sites cleaned up and ready to put back into service; and the plan itself is to make sure the Port knows what uses the sites are going to have once they are ready for development.

Commissioner Hoffmann inquired about a recent discussion whereby the Commission was going to draw some conclusions about some basic guidelines. John Mohr said there are some basic guidelines that need to be established such as defining the perimeter of the projects. For example, decisions need to be made about the east bulkhead that needs replacing. The Port will review the timing of this work as it moves forward with the removal of some old storage buildings and the Everett Shipyard buildings. Decisions need to be made about where the public areas are going to be on the site so that as the Port talks to people who are interested in things like restaurants, hotels or office buildings, staff can tell them generally where it is going to be. Also of importance is the elevation. Three important elements are the perimeter, the public areas and the site elevation that all need to be considered going forward.

Commissioner McClelland indicated that it was his understanding that staff and Dykeman would take these things into consideration and bring those recommendations back to the Commission for consideration. Commissioner McClelland said it is his expectation that staff and Dykeman would be helping to put together that data right now so that the Commission can have the discussion about guidelines by March.

Tom Stiger asked if there is any interim use of the buildings along West Marine View Drive. John Mohr said that the Port is planning to bring the buildings down in the spring, so there is no practical use of the buildings in the interim.

Marina Maintenance Dredging Project Update

Chief of Engineering & Planning John Klekotka provided the Commission with a brief project update on the Marina Maintenance Dredging Project, Phase 1.

The last time the Port had maintenance dredging that occurred in the Marina was during the 2001 – 2002 work window. For this Phase 1 project, Port staff is focusing on the west end of the Marina on the north side. The Port is permitted under this current project to dredge up to 29,000 cy of material, although the project contract was based on a quantity of 20,000 cy of material. The Port's engineer had an estimated construction cost of between \$850,000 and \$990, 000. In October, the Port Commission awarded the project to Pacific Pile & Marine in the amount of \$888,600 which included Washington State Sales Tax (WSSST).

Pacific Pile & Marine (PP&M) started work on the 27th of December and have dredged 4,700 cy of material. Prior to the contractor beginning their work, the Port asked them to do a pre-dredge survey. The Port had done its own pre-dredge survey in 2008 to begin the sediment sampling work and then the permitting and design work. The basis of the payment for the contractor is from the pre-dredge survey that they conducted and the fact that the Port has to report to the Department of Natural Resources as to how much material is being disposed of at the Port Gardner disposal site. There has been additional

siltation that has occurred in the dredge area and the bid was based on 20,000 cy. The Port is currently permitted to dispose of up to 29,000 cy. Based on the contractor's survey, there is a possible dredging amount of almost 38,000 cy which is approximately an 89 percent increase. To confirm the results of the survey, Port staff hired the original surveyor who did the work in 2008 for a second opinion, and they confirmed that the survey was accurate.

The project is on track to finish by February 15. The contractor is doing the best they can to gear up their production. PP&M has two rigs working for the duration of the project. There was a previous discussion regarding costs as the contractor had bid their mobilization/demobilization at what they felt were their actual costs and gave us a reduced price on the yardage. In this case, it will work out well in the Port's favor. Their yardage cost is for the majority of the area. Pacific Pile bid it as \$34 a yard for area C, \$40 a yard for area B, and \$13 a yard for area A. Most of the additional material does occur in area A, and if they can get production and get as much material out as possible including the overdredge, the result would then be around a 40 percent overrun in the contract, but the Port would get almost 90 percent more dredging for that cost.

Commissioner Stiger asked about the dredge material spoil site. John Klekotka responded that it was the Port Gardner Wharf disposal site. It is equal distance between the Port, Mukilteo and Hat Island. The Department of Natural Resources (DNR) manages the site and the Port pays a disposal fee to DNR for use of the site.

Commissioner McClelland said he expected then that there would be a modification or change order given the size of the increase. John Klekotka said staff would bring the matter back to the Commission next month as Port staff do not know how much of the material the contractor will remove. Port staff continues to meet with the contractor on a weekly basis regarding production. It is an equipment management issue for the contractor.

Recognizing that, Commissioner McClelland commented that this dredging is done only once every 10 years. The Port needs to have the contractor to be substantially complete because the Port will not have the opportunity to do this again. Without question, the Port needs a completely useable facility. John Klekotka said the contractor is completing the B-C fairway and skipping the A-B fairway to go over to an area where there is more material. Staff is continuing to encourage the contractor to get in there and get the material out. Commissioner McClelland said that it is his experience that staff needs to continue the conversation until the contractor gives the Port the plan that says that they are substantially complete, because the contractor is the one that bid this project and the Port has the risk. The contractor is the one that has the responsibility to provide to the Port a complete and usable facility per their contract. Commissioner McClelland's expectation is that the Port will get a complete and useable facility without any necessary rework or engagement. Commissioner Hoffmann agreed with Troy McClelland's assessment.

Commissioner Stiger inquired if the Port's contract contained liquidated damages. John Klekotka said there are liquidated damages set forth in the contract.

John Mohr said the Port is applying to the Corps of Engineers to get an expansion of the Port's dredging permit in order to get the additional 10,000 yards of material. Our experience is that the Corps of Engineers typically does grant these based on the changed circumstances. We are not at that point yet but Graham Anderson and his group are working to get the expansion so that the Port can continue to move forward.

COMMISSION PRESIDENT'S REPORT

There was no Commission President's report. Commissioner McClelland congratulated and welcomed Commissioner Stiger to the Port Commission.

COMMISSION DISCUSSION

Commissioner Stiger said he had an opportunity to meet several of the staff members in the office and looks forward to meeting with the Marine Terminal and Marina staffs.

CITIZEN COMMENTS

Gregory Lerwick, Everett, of the Laborer's Union Local 292 in Everett, asked the Commission to consider offering the Port's showers and use of the laundry facilities to the public.

Executive Director John Mohr said that the Port's showers are open to the public during daylight hours and the nicest of the facilities is just east of Anthony's Woodfire Grill. A job is required during evening hours. Commissioner McClelland said that staff will make sure that the showers and laundry facilities are available to the public.

The Combined Commission Meeting was recessed into Executive Session at 6:35 pm for approximately 1 hour to discuss with legal counsel two pending litigation matters, and the strategy to be taken by the Port Commission during the course of collective bargaining that is currently in progress.

At 7:30 p.m. Port attorney Brad Cattle announced that the Executive Session was to be extended to 8:00 p.m.

At 8:00 p.m. Executive Director John Mohr announced that the Executive Session was to be extended to 8:30 p.m.

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

THE COMBINED COMMISSION MEETING WAS ADJOURNED at 8:30 p.m.

APPROVED: this 14th day of February, 2012. EVERETT PORT COMMISSION

By:


Troy McClelland, President


Michael Hoffmann, Vice President

Tom Stiger, Secretary



Port of Everett

ORIGINAL

Port of Everett
Voucher Approval List
for the month of
DECEMBER
2011

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 January, 2012:

Claims Voucher Nos	61118 - 61410	Total	\$1,823,778.84
Claims Wire Transfers:			
12/1, 12/16, 12/30	Wire Transfer - IRS	\$	188,845.33
12/1	Wire Transfer - Bank of NY	\$	2,883,568.15
12/23	Wire Transfer - Wa St Dept of Rev	\$	32,651.33
12/27	Wire Transfer - Hirofumi Oshio	\$	3,202.67
	Total Claims		\$4,932,046.32

Payroll Voucher Nos.	37323 - 37507	\$	337,586.33
Payroll Wire Transfers:			
12/6, 12/13, 12/20, 12/28	PMA Payroll (Longshore Labor)	\$	109,592.57
	Total Payroll	\$	447,178.90

Total Expenditures \$ 5,379,225.22

 _____ President
 _____ Vice President
 _____ Secretary

Attest: Karen R A Clemente Port Auditor