

MINUTES OF EVERETT PORT COMMISSION WORK SESSION  
November 6, 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 5:04 p.m.

CONSENT AGENDA FOR NOVEMBER 6, 2012

- Interlocal Contract for Cooperative Purchasing – HGACBuy
- Master Intergovernmental Cooperative Purchasing Agreement – National IPA
- Cooperative Purchasing Agreement – City of Seattle
- Approval of September 18, 2012 Special Meeting Minutes – as Corrected

Commissioner Hoffmann moved to approve the items of the consent agenda for November 6, 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

**Veteran's Day Holiday**

Executive Director John Mohr reminded the Commission and public that Veteran's Day Holiday is November 12, 2012 this year and the Port offices will be closed on that day. The Port will hold its regular Commission meeting on November 13, 2012 at 5:00 pm in the Blue Heron Room.

**Special Commission Meeting – November 27, 2012**

The Port is also holding a Special Commission Meeting on November 27, 2012 for the purposes of holding a public hearing and final review and consideration of the 2013 budget. Port staff would like to request that the Special Meeting be held at 9:00 am because it conflicts with another event put on by a group that includes a number of the Port's major trading partners.

Commissioner Hoffmann moved that the public hearing and special meeting for the 2013 budget process be held at 9:00 am on November 27, 2012 in the Blue Heron Room. Commissioner Stiger seconded the motion. A vote was called for:

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

Motion carried.

**December Commission Meetings**

John Mohr reported that currently there are two Commission meetings scheduled for December, the 4<sup>th</sup> and 11<sup>th</sup>. Given the probable work load for December, staff believes that two meetings are not necessary; and given the fact that there will be three meetings in November, staff is recommending that the Commission hold a single combined meeting on December 4, 2012.

Upon discussion, the Commission agreed that holding a single, combined meeting on December 4<sup>th</sup> was appropriate.

ORIGINAL

John Mohr reaffirmed that the Port will hold a single, combined meeting on December 4, 2012 and that the meeting on December 11, 2012 will be cancelled.

2. **PRESENTATION OF CONSOLIDATED BUDGET**

Senior Accountant Bob Marion presented the Consolidated Budget for 2013. A copy of the budget is attached hereto as part of the record. After formulation of the operating budget, timing of various lower priority capital projects was adjusted to address cash flow concerns that were presented by the operating budget formulation. The purpose of the presentation is to make the Commission familiar with the budget in advance of the November 13<sup>th</sup> Commission meeting when staff will be presenting the Preliminary Budget to the Commission. At the November 27, 2012 Special Commission meeting, staff will be bringing the budget back to the Commission for the budget and tax levy hearing, and staff will be asking the Commission to adopt the budget and tax levy.

3. **DEPARTMENT REPORTS**

**Operations – Third Quarter Marine Terminal Report**

Marine Terminals Director Dave Madill provided the third quarter results for July, August and September 2012 for the Marine Terminals. Improvements were realized across the board for port calls, tonnage and containers. For port calls, the Port is at 72 percent of its goal, tonnage is at 75 percent of goal, and containers are at 72 percent of goal for the year.

Dave Madill showed photos of the different types of commodities that the terminals handle such as an oversized reel returning from Alaska and waiting to be picked up by a vessel going back to Europe where it originated. He also showed activity for roll-on roll-off cargoes.

Representatives from the terminals recently attended the Breakbulk Trade Show for 2012 which was held in Houston, Texas and had 3,500 participants. Dave Madill said that other ports in Puget Sound that are in the same business line attend this trade show annually, so it is good for the Port to have a presence at this event.

The Marine Terminals received a Certificate of Appreciation from Westwood Shipping Lines for outstanding customer support. Westwood Shipping Lines is a primary supporter of aerospace parts that moves through the Port.

Commission President Troy McClelland thanked and congratulated the entire team, both management and labor, because clearly the numbers continue to be positive and the ability to close the gap in one quarter is fantastic.

**Projects Update**

**Terminal Pavement Upgrades, 2012 – Change Order Approval**

Chief of Engineering & Planning John Klekotka reported that most areas at the Marine Terminal were paved 20 or more years ago. 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. No pavement work was performed in 2011. In the 2012 budget, the Commission authorized a total project budget of \$475,000 for work to upgrade Terminal pavements (\$420,000 for construction). 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 July 3, with the low bid submitted by Granite Construction Co. in the amount of \$280,341.52, including Washington State Sales Tax (WSST).

As the Terminal areas were cleared of cargo in preparation for the paving work, it became apparent to Staff that expansion of some of the paving areas identified on the plans, plus the addition of some other worn areas, would provide a better final product for the operations of the Terminals. E&P Construction Staff made the revisions based on their field judgment, and to take advantage of the good unit

price per ton for hot-mix asphalt that Granite Construction had bid. The final result was an overrun in the cost of the project, which needs to be approved by the Port Commission. Despite this overrun in paving quantities, the project is still below both the original engineer's estimate of \$381,900 and the amount budgeted for construction of \$420,000.

Staff requests that the Commission approve Change Order No. 1 to the Marine Terminal Pavement Upgrades Contract 2012 with Granite Construction Co. for additional paving work in the amount of \$75,348.00, including WSST, for a total new contract amount of \$355,689.52, including WSST.

In response to Commissioner Stiger, John Klekotka said that the project was completed on November 5, 2012. The figures presented at this meeting were formulated prior to completion of the project. Staff will bring this project back to the Commission for final closeout next month.

Commissioner Hoffmann moved that the Commission approve Change Order No. 1 to the Marine Terminal Pavement Upgrades Contract 2012 with Granite Construction Co. for additional paving work in the amount of \$75,348.00 including WSST, for a total new contract amount of \$355,689.52, including WSST. Commissioner Stiger seconded the motion. A vote was called for:

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

Motion carried.

#### **Corps of Engineer's Dredging Projects**

Director of Planning Graham Anderson provided an update on the Corps of Engineer's Maintenance Dredging of the federal navigation channel in the Snohomish River. The Port of Everett's role is that of local sponsor whereby the Port is tasked with finding a location for the dredge material and secure local permits as necessary, while the Corps is responsible for the cost of dredging to maintain access to the facilities that are adjacent to the federal channel.

The Corps of Engineers has two contracts this year for the dredging work. The first is a hydraulic, or pipeline dredging, that is currently underway. Approximately 100,000 cubic yards of dredge material will be removed from the Upper Settling Basin for placement on Parcel O, and approximately 79,000 cubic yards of dredge material will be removed from the Lower Settling Basin for placement on Jetty Island. The contractor is making good progress and is well above 60 percent complete in the Upper Settling Basin, and is projected to finish his work by the end of December.

The second contract which is to begin the end of November is a Mechanical or Clamshell bucket/bottom dump barge operation and that dredging work is going to target the shoals within the navigation channel itself. The dredge material will then be barged to the Port Gardner Open Water Disposal Site in Port Gardner Bay, which is estimated to be about 127,000 cubic yards. This project is expected to be completed by the end of the in-water work window of mid-February 2013.

There will be a period of time where both dredging rigs will be on the river. Staff meets with the Corps of Engineers to discuss ways to make sure that the information gets out to the boating community through the Marina Office, through our media outlets and also through the Corps of Engineers.

#### **Commission President's Report**

Commissioner McClelland reported that in October 2012, he traveled to Japan with Chief Operating Officer Carl Wollebek and had the opportunity to visit Tokyo, Nagoya and Hiroshima to meet with business partners. In the eight days of travel, Commissioner McClelland said that he and Carl Wollebek attended

approximately 20 material and important business meetings. The trip was very productive as Port staff learned of some opportunities, as well as some business trends, that will help the Port succeed. Troy McClelland thanked Port staff and Carl Wollebek and the Port's associates in Japan for their great work and foresight in positioning the Port of Everett very competitively.

#### Commission Discussion

Commissioner Stiger reported that last Monday, the Port and EASC co-hosted a reception on International Trade and it was very well attended. Executive Director John Mohr did a presentation about the Port of Everett, and Sam Kaplan provided a presentation for the Greater Seattle Trade Development Association. The reception was highly successful.

Tom Stiger also recognized former Port Director Dick Andersen who served the Port of Everett in the late 60's and early 70's. Dick Andersen recently passed away. During Mr. Andersen's tenure, the Port completed the Hewitt Avenue Terminal, and in 1971, the Port of Everett had a record year in the terminals and exceeded over \$1 million in revenue. Also during that time period, the Port opened the existing Marina and began offering free boat rides to Jetty Island, among other things.

John Mohr said that recently at an International Dredging Conference one of the key note speakers was Jo Ellen Darcy, Assistant Secretary for the Army Civil Works Division, who cited the environmental stewardship of the Port of Everett dredging maintenance and the materials used for habitat restoration on Jetty Island. Assistant Secretary Darcy also said that the Port was a model on how to achieve a win-win balance between the dredge maintenance and the environment.

#### Citizen Comments

There were no Citizen comments.

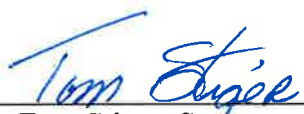
THE WORK SESSION WAS RECESSED into Executive Session at 6:26 p.m. - to conclude by 7:30 p.m. The purposes of the Executive Session were to consider the negotiations concerning real property which may be leased when public discussions would disadvantage the Port, to consider the acquisition of real property for which public discussion could disadvantage the Port's negotiation and to review the performance of a public employee. At the conclusion of the Executive Session, no action 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 7:30 p.m.

APPROVED this 4<sup>th</sup> day of December, 2012. EVERETT PORT COMMISSION

By:   
Troy McClelland, President

  
Michael Hoffmann, Vice President

  
Tom Stiger, Secretary

# Port of Everett

Exhibit "A"

## 2013 Operating Budget

|                                   | 2011<br>Actual     | 2012<br>Budget    | 2012<br>Estimated | 2013<br>Budget    |
|-----------------------------------|--------------------|-------------------|-------------------|-------------------|
| <b>Operating Revenue</b>          |                    |                   |                   |                   |
| Marine Terminal *                 | 15,054,594         | 16,492,765        | 16,737,153        | 17,451,164        |
| Marina                            | 7,451,320          | 7,839,767         | 7,608,891         | 7,650,102         |
| Security                          | 163,270            | 187,000           | 164,210           | 169,000           |
| Property Management               | 1,514,105          | 1,728,227         | 1,535,818         | 1,342,080         |
| Public Access and Marine Park     | 233,574            | 187,730           | <b>186,300</b>    | 229,500           |
| <b>Total</b>                      | <b>24,416,862</b>  | <b>26,435,489</b> | <b>26,232,373</b> | <b>26,841,846</b> |
| <b>Expenses</b>                   |                    |                   |                   |                   |
| Salary                            | 5,450,992          | 5,566,239         | 5,651,779         | 6,082,418         |
| Benefits                          | 2,437,119          | 2,528,752         | 2,506,773         | 2,699,795         |
| PMA Salaries and Benefits         | 1,655,541          | 1,748,519         | 2,334,356         | 2,540,341         |
| Outside Services                  | 4,548,094          | 4,494,733         | 3,750,430         | 4,045,672         |
| Supplies                          | 859,459            | 870,568           | 923,654           | 988,849           |
| Equipment Rentals                 | 331,154            | 281,364           | 245,956           | 245,700           |
| Facility Rentals                  | 105,850            | 113,000           | 105,000           | 110,000           |
| General & Administrative          | 962,418            | 1,190,743         | 1,114,260         | 1,245,423         |
| Utilities                         | 1,261,945          | 1,406,281         | 1,324,088         | 1,331,298         |
| Other                             | 338,137            | 369,144           | 280,620           | 228,954           |
| <b>Total Expenses</b>             | <b>17,950,709</b>  | <b>18,569,344</b> | <b>18,236,916</b> | <b>19,518,450</b> |
| Income Before Depreciation        | 6,466,153          | 7,866,145         | 7,995,457         | 7,323,397         |
| Depreciation                      | 6,392,102          | 6,664,339         | 6,654,696         | 7,177,657         |
| <b>Operating Income</b>           | <b>74,051</b>      | <b>1,201,806</b>  | <b>1,340,761</b>  | <b>145,740</b>    |
| <b>Non-Operating Revenue</b>      |                    |                   |                   |                   |
| Interest Revenue                  | 47,663             | 55,000            | 37,000            | 55,000            |
| Tax Revenue                       | 3,726,669          | 4,100,000         | 4,127,919         | 4,169,198         |
| Other                             | 75,400             | 67,500            | <b>723,000</b>    | 3,107,000         |
| <b>Total Revenue</b>              | <b>3,849,732</b>   | <b>4,222,500</b>  | <b>4,887,919</b>  | <b>7,331,198</b>  |
| <b>Expenses</b>                   |                    |                   |                   |                   |
| Interest Expense                  | 1,558,659          | 1,800,000         | 1,500,000         | 1,600,000         |
| Public Access                     | 130,776            | 251,945           | 231,474           | 746,371           |
| Public Access Depreciation        | 214,389            | 227,532           | 227,532           | 226,457           |
| Other                             | 3,978,064          | 122,000           | 62,449            | 95,000            |
| <b>Total Expenses</b>             | <b>5,881,889</b>   | <b>2,401,477</b>  | <b>2,021,455</b>  | <b>2,667,828</b>  |
| <b>Total Non-Operating Income</b> | <b>(2,032,157)</b> | <b>1,821,023</b>  | <b>2,866,464</b>  | <b>4,663,370</b>  |
| <b>Total Income</b>               | <b>(1,958,106)</b> | <b>3,022,828</b>  | <b>4,207,225</b>  | <b>4,809,110</b>  |

\* Includes estimated contributed capital in the amount of \$808,888 that will be received as a contribution toward the mount baker terminal facility.

Last Update: 10/29/12 12:00 AM

| 2011 Budget to<br>2012 Budget | %     | 2011 Estimate to<br>2012 Budget | %     |
|-------------------------------|-------|---------------------------------|-------|
| 958,399                       | 6%    | 714,011                         | 4%    |
| (189,665)                     | -2%   | 41,211                          | 1%    |
| (18,000)                      | -10%  | 4,790                           | 3%    |
| (386,147)                     | -22%  | (193,738)                       | -13%  |
| 41,770                        | 22%   | 43,200                          | 23%   |
| 406,357                       | 2%    | 609,473                         | 2%    |
| (516,179)                     | -9%   | (430,639)                       | -8%   |
| (171,042)                     | -7%   | (193,021)                       | -8%   |
| (791,822)                     | -45%  | (205,985)                       | -9%   |
| 449,061                       | 10%   | (295,242)                       | -8%   |
| (118,281)                     | -14%  | (65,195)                        | -7%   |
| 35,664                        | 13%   | 256                             | 0%    |
| 3,000                         | 3%    | (5,000)                         | -5%   |
| (54,680)                      | -5%   | (131,163)                       | -12%  |
| 74,983                        | 5%    | (7,210)                         | -1%   |
| 140,190                       | 38%   | 51,667                          | 18%   |
| (949,105)                     | -5%   | (1,281,534)                     | -7%   |
| (542,748)                     | -7%   | (672,060)                       | -8%   |
| (513,318)                     | -8%   | (522,961)                       | -8%   |
| (1,056,066)                   | -88%  | (1,195,022)                     | -89%  |
| -                             | 0%    | 18,000                          | 49%   |
| 69,198                        | 2%    | 41,279                          | 1%    |
| 3,039,500                     | 4503% | 2,384,000                       | 330%  |
| 3,108,698                     | 74%   | 2,443,279                       | 50%   |
| 200,000                       | 11%   | (100,000)                       | -7%   |
| (494,426)                     | -196% | (514,897)                       | -222% |
| 1,075                         | 0%    | 1,075                           | 0%    |
| 27,000                        | 22%   | (32,551)                        | -52%  |
| (266,351)                     | -11%  | (646,373)                       | -32%  |
| 2,842,347                     | 156%  | 1,796,906                       | 63%   |
| 1,786,281                     | 59%   | 601,884                         | 14%   |

