

MINUTES OF EVERETT PORT COMMISSION REGULAR MEETING
March 3, 2015

PRESENT:	Troy McClelland	President
	Glen Bachman	Vice President
	Tom Stiger	Secretary
	Les Reardanz	Executive Director
	John Carter	Chief Fin. Officer
	Brad Cattle	Port Attorney

CALL TO ORDER: The meeting was called to order at 5:07 p.m.

1. CEO/EXECUTIVE DIRECTOR'S REPORT

Commission Retreat

Chief Executive Officer Les Reardanz reminded the public that the Commission Retreat is scheduled for March 17-18, 2015 beginning at 8 a.m. in the Blue Heron Room of the Waterfront Center Facility.

Federal Legislative Update

Director of Public Affairs Lisa Lefebber reported that the Port has two top project priorities at the federal level; one is to preserve and enhance the U.S. Army Corps of Engineer's funding for the Everett Harbor. The Corps does all of their funding allocations based on tonnage, and while the Port is a very strategic Port, the volumes of tonnage do not hit the thresholds that the Corps has established because of the types of cargo that are handled at the Port of Everett. The Port has done a very solid job of explaining the strategic value of the Everett Harbor, and so this year the Port has gotten \$1.3 million from the Corps to be able to dredge the Snohomish River and the upper basin which is what is required and necessary to maintain depth.

The second priority is Federal Freight Priorities and Policy. MAP21, which is the Surface Reauthorization Bill, is up this year. One of the things that the Port is working on is to ensure there is a federal freight funding program and strategy that addresses the entire system. Senator Cantwell has been very instrumental in that program and hopefully there is some funding tied to the program. On parallel tracks with the MAP21 Reauthorization, there is a grant program for very large infrastructure projects. The Port is going to ask Congress to amend the financing legislation as part of MAP21 to have a lower threshold for smaller strategic ports and economic development projects that could allow the Port of Everett some additional funding opportunities to be able to finance some of the Port's larger projects that wouldn't have normally met the larger threshold.

Policy priorities include Ex-Im Bank Financing which is critical for the Port of Everett. In fiscal year 2013 alone, it supported \$21 billion in exports, and over 184 companies used this financing method, so it is a very great tool to promote trade. Capitol Strategies, the Port's lobbying consultant, has been advocating to promote the importance of this financing tool to the different congressional offices on Capitol Hill.

Senator Mikulski has announced her retirement, and it appears that Senator Murray is in line to replace her as Head of Appropriations. Senator Murray is a very strong advocate for critical financing tools that the Port utilizes such as the small shipyard grants, Tiger program and Port Security grants.

The Port currently has lobbying representation with Capitol Strategies out of Washington D.C. However, the Port is soliciting Requests for Proposals for federal lobbying firms, and the proposals are due back by March 26. Interviews will be held in Washington D.C. in April. Staff will report back in May on the outcome of that process.

ORIGINAL

Les Reardanz added that the interviews for the lobbyists will be while Staff is in Washington D.C. for the AAPA conference.

State Legislative Update

Lisa Lefeber said the top two priorities for the State Legislative agenda are securing funding for the Port's on-terminal rail investment project which is a \$10.2 million project as a top priority, along with securing the passage of a transportation package and MTCA.

The Port is in a very good position to receive a \$1.3 million loan for the northern connector as part of the rail project. The Port actually applied for a \$1.3 million grant earlier in session, but the funding capped out and the Port fell just outside of the funding levels. Port Staff has asked the legislature to convert it into a loan to ensure that the Port can move forward with the funding part of the project.

The Port has a \$3 million capital budget request for the companion project which is a 3600 lineal foot double rail siding. The Port has great support from the local delegation. However, this will be a little bit of a heavy lift given the fact that the legislature did not pass a supplemental capital budget last year, and they had a pretty robust capital budget project list. That, combined with the McCleary mandate and the mental health mandate, there is going to be a lot of pressure on that capital budget. Also, the reduction in the MTCA program sometimes backfills the capital budget. The Port will continue to push forward and will keep the Commission apprised. If the Port is unable to get a capital budget allocation, Port Staff will pursue other funding opportunities.

Yesterday, the Senate passed the \$15 billion transportation package by a vote of 41 – 8. It is funded through an increase in the gas tax, some MTCA diversion and the exemption of sales tax. Snohomish County was able to get \$570 million worth of projects, all of which include the Port of Everett's freight priorities, including completion of the first and last mile connector, addressing the clearance issues at the north 529 bridge, and approving access along I-5 and US 2. This is a significant increase from the Governor's proposal of \$81 million. This will now move onto the House for discussion.

The Governor proposed \$75 million for the MTCA budget, which is the budget that helps fund the Port's environmental cleanup projects. At this funding level, the Port of Everett's \$7.1 million request would be funded. The current biennium indicates a \$12 million shortfall in the MTCA account, and an \$85 million funding shortfall in the 2015-2017 biennium. Erik Gerking, Les Reardanz and others are closely monitoring MTCA and working to try to ensure that the Port's projects remain high on the list and funded.

Wayfinding Signage Program – Interlocal Agreement with City of Everett

Executive Director Les Reardanz reported that the Port of Everett and City of Everett are entering into a Letter of Understanding (LOU) which authorizes the Port to have 40 wayfinding signs to be fabricated to provide directional signage from I-5 down to the waterfront throughout the City. The City will install and take ownership and maintain the signs. Under this agreement, the Port agrees to indemnify and hold the City harmless as to the fabrication part, and the City mutually agrees to hold the Port harmless and indemnify the Port as to the maintenance, liability and installation.

The City Council approved the LOU at their January 21, 2015 meeting. The total contract amount is \$25,917.11.

Commissioner Glen Bachman moved that the Commission authorize the CEO/Executive Director to sign the Letter of Understanding for fabrication and wayfinding with the City of Everett. Commissioner Tom Stiger seconded the motion. A vote was called for:

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

Motion carried.

Consultant Connection

Procurement Administrator Maija Lampinen reported that Port Staff held a networking event at the Port geared towards consultants that were interested in working with the Port's Engineering & Planning Department. The intent of the event was to provide the consultants with an overview of the Port's contracting process, and talk with them about the Port's strategic initiatives, specifically with the Port's 2015 projects. Over 100 consultants attended the event.

Declaration of Emergency

Les Reardanz reported that at the Mt. Baker Terminal, the Rail Mounted Gantry Crane was going through a certification process and two wire lifting ropes (cables) were identified as being deficient. Without having the certification, the crane could not operate. The operations at Mt. Baker Terminal are part of a just-in-time supply chain for a major customer and any amount of down time of the crane could jeopardize their supply chain. This is an essential operation at the Marine Terminals.

Les Reardanz said he declared an emergency and authorized staff to order replacement wire and expedite shipping to ensure that the repairs could be made immediately so that activity scheduled at Mt. Baker Terminal could continue with as little interruption as possible. The initial estimate for the work was \$28,000.

Pursuant to the Delegation of Authority Resolution No. 1022, this finding has been posted to the Port's web site.

Personnel

Les Reardanz asked Staff to introduce two new employees at the Port. Walter Seidl introduced Ga Won Kim who joined the Marine Terminals Operating Staff on February 16 in the capacity of Yard Superintendent, and is replacing Fred Gordon who went on to fill the Health and Safety position that has been created at the Port. Mr. Kim comes to the Port from FESCO and he is well versed in the Port's operations as he was a customer of the Port for many years.

Graham Anderson of Engineering & Planning introduced Laura Gurley who has accepted the position of Planner for the Port of Everett. Laura is well known to many Staff at the Port having worked with Maritime Trust during the North Marina Redevelopment and Port Gardner Wharf projects, and then most recently for a number of years with PND Engineers. With Brandon Whitaker moving on to support Properties and Waterfront Place Central, that left a big gap for the Engineering & Planning Department which Laura is going to very capably fill. Staff is delighted to have Laura on board.

2. CHIEF FINANCE OFFICER'S REPORT

State Auditor

Chief Finance Officer John Carter reported that the Port received an engagement letter from the State Auditor who will be at the Port to begin their audit on April 7, 2015. The Auditors are estimating their fee at \$25,600, plus expenses. Absent any objections from the Commission, John Carter said he would be forwarding the engagement letter on to the Executive Director for signature.

Also, FEMA Auditors have been at the Port reviewing and auditing the grants. This was the easiest and briefest auditing experience and due to the management controls in place, the auditor was at the Port for less than one day.

3. DEPARTMENT REPORTS

Marina Strategic Plan – Presentation No. 3

Terrie Battuello said that John Carter will be making a presentation on financing for the Marina plan. At the end of the presentation, John Carter will present a question. The question is framed for the Commission to begin thinking about as it will be a topic of discussion at the Retreat.

John Carter said the recession had a big hit on the Marina. The gross revenues dropped from \$7.5 million in 2009 to just over \$7 million in 2010. They have been slowly coming back. From the period of 2009 to the end of last year, revenues grew only by an annual rate of 1.2 percent. John Carter said that for 2014, 73 percent of revenues came from the South/Central part of the Marina; 14 percent came from the North Marina; 11 percent from the Boatyard and 2 percent net revenues came from the gas dock.

On the Marina expense side, in 2009 the expenses were about \$4.45 million, and the Marina was just under \$5 million last year. The operating expenses had been relatively flat from 2009 to 2012, but grew at a faster rate in 2013 and 2014, and the Marina anticipates some additional expenditures in 2015. In the South/Central part of the Marina, expenses only grew by 6.8 percent over the 5 year period, whereas in the Craftsman (boatyard) District, expenses grew by 27.6 percent, and in the North Marina by 26.3 percent because there was much more activity in the two areas over the 5 year period.

In 2009, the Marina generated \$3.13 million in operating margin with all the activities, and then it was \$2.97 million in 2014. Expenses grew slightly faster than revenues. 79 percent of the margin came from the South/Central Marina in 2009 and then was down to 70 percent in 2014 due to the growth of the boatyard at 10 percent, and the North Marina at 18 percent.

John Carter said that the Capital Plan that the Commission approved in the budget shows that over the next 5 years, \$34 million is slated to be spent in Marina operations. This includes capital maintenance, Phase 1 of the Marina rebuild, rebuilding the bulkheads, maintenance dredging, electrical upgrades and the boatyard expansion in 2018. Outside of the 5 year window, Staff has identified over \$42.2 million in additional projects that include primarily the recapitalization of the remaining portion of the Marina.

Fully funding the 5 year capital plan while meeting the financial guidelines would require approximately \$4.9 million in Operating Margin. The Port's 2014 Operating Margin was \$2.97 million. To meet the minimum coverage ratio solely from Marina revenues would currently only provide sufficient cash flow to fund about 61 percent of the 5 year scheduled capital program and none of the unfunded projects. If the Port assumes a 3 percent growth rate in Operating Margin, the Port would be able to fund the first four years of the Capital Plan and meet the financial guidelines. Once we get beyond the four years, the Port will have to begin looking at how to operate and finance the recapitalization of the Marina.

As previously mentioned, for the Marina strategy discussion at the Retreat, the key thing that Staff will be looking for is:

- What is the core business strategy for the Marina; how does the Commission want to operate it financially?
 - ~ Is it to be a stand-alone operation that generates its own capital?
 - ~ Is it a public amenity that enhances the value of the other Port assets?
 - ~ Is it a public amenity that should have public contributions towards its long term funding?

The question Staff will want to discuss at the Retreat is how should the Port operate its Marina; what would be the financial business strategy for the Marina in the long term.

Marina Update
Seattle Boat Show

Marina Director Jeff Lindhout reported that the Seattle Boat Show attendance was almost identical to last year's numbers – 51,681 people attended the boat show this year. There was great attendance by both Port Staff and customers on the opening night. In particular, there was a great response to the new Waterfront Place Central Development presentation. The Port received great comments regarding the Marina's customer service for both the Operations crew and Marina Staff. Conversations with dealers and manufacturers seem to suggest that the market is still pretty sluggish in terms of new boat sales.

Marina Software Program

The current Marina program manages most all of the aspects of the Marina operations and has been in place for approximately 12 years and is outdated. Staff went out for a Request for Proposals for a new Marina software program and received two responses, one from Total Marina Package (TMP), and one from Full Service Marina (FSM). These seem to be the most widely used programs in the industry and after reviewing them, the Marina opted to go with the TMP program. Moving forward, the Marina will be closing its office for training on April 1, and then will have additional training and support throughout the week, but the office will remain open.

Boathouse Relocation

A large portion of the ESY in-water work is nearing completion in the northeast corner of the Marina. Staff is starting the boathouse relocation with "O" Dock, and the customers received their written notification in January of the upcoming moves. The first step was condition assessments which were just completed this week and Staff expects to receive the results of the condition assessments very soon. Staff will work on plans to notify the owners of any work that needs to happen before the boathouses are moved. All improvements and remedies to the boathouses must be completed by June and then the moves will occur in September.

Marina Office Hours

The Marina has new customer operating hours of 9am – 4pm that became effective March 1, 2015. The Staff hours will remain 8am – 5pm. The new hours have been posted at the Marina Office, gate houses, in the newsletters and the web site.

Commission President's Report

Commissioner McClelland reported that the trestle on Highway 2 was not included in the transportation package for Snohomish County, nor was a manufacturing center north of the Port that has significant interplay with the Port and aerospace. This was disappointing news as both projects are relative to the Port.

Commission Discussion

Commissioner Bachman said that last week the Trade Development Alliance held a breakfast session at Everett Community College and the subject was Foreign Direct Investment. Glen Bachman said that Troy McClelland did an excellent job of putting Snohomish County and the manufacturing world on the very top shelf west of the Mississippi.

Commissioner Bachman said that he was going to Paris next September.

Citizen Comments

There were no Citizen comments.

THE REGULAR MEETING WAS RECESSED into Executive Session at 6:14 p.m. – to conclude by 6:45pm – for the purposes of discussing with legal counsel the acquisition of two parcels of real estate for which public discussion could disadvantage the Port’s negotiating positions.

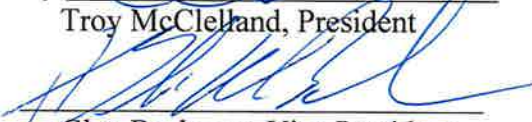
At the conclusion of the Executive Session, no action was taken by the Commission, and there were not any announcements.


The Regular Commission meeting was adjourned at 6:45 pm.

APPROVED: THIS 14th day of April, 2015.

EVERETT PORT COMMISSION

By: 
Troy McClelland, President


Glen Bachman, Vice President


Tom Stiger, Secretary