

MINUTES OF EVERETT PORT COMMISSION
WORKSHOP AND SPECIAL MEETING
Blue Heron Room, Waterfront Center Facility
May 3, 2016

ORIGINAL

PRESENT:

	Glen Bachman	President
	Tom Stiger	Vice President
Via teleconf/in-person	Troy McClelland	Secretary
	Les Reardanz	Executive Director
	John Carter	Chief Finance Officer
	Brad Cattle	Port Attorney

Commissioner Bachman noted that Commissioner McClelland would be calling into the meeting at approximately 10:15 a.m.

CALL TO ORDER: Commission President Glen Bachman called the meeting to order at 9:05 a.m.

1. **Marine Terminal Fender Pile Replacement 2015/2016 - Close-out**

Chief of Engineering & Planning John Klekotka reported that in order to provide adequate berthage for marine vessels, the Port continually replaces deteriorated timber fender piles at various locations at the Marine Terminals. This project replaced 40 fender piles and also performed various other general upgrades to the fender system.

The Commission authorized bidding on October 6, and on November 10, the Commission awarded the project to American Construction Co. in the amount of \$345,159.36, including Washington State Sales Tax (WSST), subject to final adoption of the 2016 CIP budget. The project was substantially completed by American in February in the amount of \$334,299.42, including WSST.

John Klekotka asked the Commission to accept the project as complete and authorize Staff to close out the contract with American Construction in the final amount of \$334,299.42, including WSST.

Commissioner Tom Stiger moved that the Commission accept the Marine Terminals Fender Pile Replacement 2015/2016 project as complete, and authorize Staff to close out the contract with American Construction Co. in the total final amount of \$334,299.42, including WSST. A vote was called for:

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

Motion carried.

2. **Marine Terminal and Marina Pavement Upgrades 2016**

John Klekotka reported that in order to provide for the general upkeep of the cargo yards, roadways, and parking areas, the Port routinely upgrades pavement surfaces. For the present cycle of work, Port Staff has identified various areas at both the Terminals and Marina that require repaving. Work at the Terminals needs to be completed prior to the beginning of dredging work in mid-August. Engineering & Planning Staff has evaluated pavement areas at both the Terminals and at the Marina, and is recommending bidding the work as a combined contract for this year's project.

John Klekotka requested that the Commission authorize Staff to solicit bids for the Marine Terminal/Marina Pavement Upgrades project.

Commissioner Tom Stiger moved that the Commission authorize Staff to solicit bids for the Marine Terminals and Marina Pavement Upgrades 2016 project. A vote was called for:

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

Motion carried.

3. RECAP OF APRIL 19, 2016 WORKSHOP

CEO/Executive Director Les Reardanz provided a recap of the April 19, 2016 Workshop whereby 2015 departmental overviews were provided to the Commission.

The year 2015 was a very good year revenue wise - 74% of the revenue came from the Marine Terminals which was a 60% increase over the previous year. The Port also increased its debt in 2015 by about 18%. The Port is in good shape relative to the Capital Plan, and the debt service ratio was over 9 times coverage whereas the Financial Guidelines state that debt/service ratio should be at least 2 times coverage.

Carl Wollebek provided a recap of the Marine Terminal activity which was a record year in terms of vessel calls and containers. The Terminals had 133 ships and 62 barges. It was also a very good year in the energy business – wind, oil, and gas. Some of the threats at the Marine Terminals include the price of the dollar which is hurting the Port because many of the imports are going through Canada. Also, Staff is hopeful that the price of oil will come back.

For the Marina recap, Staff completed the boathouse relocations, started the Public Access Plan, Bulkhead Segment C, O-Dock demolition, and sent out a Request for Proposals for a new Wi-Fi system. Staff also had to contend with damages as a result of a major storm in November. Staff is currently working on pest control. The Marina occupancy average was at 84% compared to 71% in 2014. Events coming up include the Milltown Sailing Swap Meet, and opening day of boating season is May 7.

Property discussions included 100% lease occupied in the Waterfront Center Facility and operating costs were lower than budget. Staff continues to work on Waterfront Place Central.

John Klekotka talked about the CIPs and some of the project highlights out of 2015 which were significant, including the Mt. Baker Terminal roadway and utility improvements.

Erik Gerking discussed the Port's progress with the cleanups and the Model Toxic Control Act (MTCA) funding account which is one of the Port's external threats. Opportunities include good relations with the PLPs and the Department of Ecology and the Port's priority status on the remedial action grants.

Staff discussed the Port's strategic snapshot, the framework and approach and who we are (Mission), and what we do (Core Competencies – seaport, real estate, marine services, environmental stewardship, public access) and how do we do it (Focus Area – financial sustainability, our partnerships, community, customers, consumers, financial stewardship, community engagement), and why we do it (to achieve a strong economy, competitive region, national security supporting Marine Terminals as part of defense for strategic seaport, disaster resiliency and disaster recovery).

Stable cash flow allows the Port's roots to flourish so that when the Port gets windstorms, draughts and other things pushing at it, we still have a strong root system with which to withstand, grow and flourish. The Port does this by making sure that it operates with character, integrity and values, while working hard to create the favorable environments with which the port operates and continues to grow.

John Carter talked about the financial guidelines that the Commission adopted in May 2014, and how Staff needs additional guidance from the Commission as to when it is the appropriate time to go after funding and to understand the strategic reason as to why we are seeking funding. Staff also discussed making sure that when the Port is seeking funding, Staff needs to know what the debt capacity is and level of comfort. The Port needs to keep the financial guidelines in mind as the Port moves forward with its debt/cash plan. Commissioner Stiger recommended that the Port review the financial guidelines annually.

Graham Anderson provided the public access report and the 2% for public access program and for which projects the program would apply. The Commission wanted to make sure that the community was aware of the public access program.

The Comprehensive Scheme of Harbor Improvements was discussed and there will be a couple of amendments forthcoming on the Riverside Business Park during the year, as well as the Mukilteo Tank Farm when the transfers close.

There was discussion held on the Marina Stabilization Framework, and the planning assumptions. A big takeaway was to put together an Ad Hoc Marina Committee for planning purposes.

Commissioner McClelland called to join the meeting at 10:15 a.m.

4. INITIATIVE 1: PREPARING FOR LARGER SHIPS

Public Affairs Chief Lisa Lefebber provided an overview for the Preparing for Larger Ships project that includes Rail Expansion Phase 1, South Terminal wharf strengthening, dredging for expanding berth area at Pacific Terminal, Rail Expansion Phase 2, negotiating for the Kimberly-Clark property, South Terminal Modernization for new 777X, Terminal Rail Upgrades Phase 2, and the Mill-A cleanup.

Carl Wollbek added that this project is necessary and a top priority in order to enhance the Port's seaport facilities to meet current and future customer needs and to stay competitive. Customers and shippers are looking for ways to more efficiently and effectively transport cargo; and one way to do this is through larger ships. Ports that are being called upon are needing to enhance their infrastructure and expand their berthing capabilities.

Lisa Lefebber reported that she and John Carter recently visited Washington D.C. to meet with US Department of Transportation officials to explore federal financing and grant opportunities. Staff learned that the Port was a good candidate for the FAST Lane and Tiger Grants, and the RRIF financing option.

John Klekotka said that work at the South Terminal was estimated in the amount of \$62 million and the project would be phased from 2015 – 2021. Work includes wharf strengthening design, engineering and permitting, crane rails, electrical upgrades and crane installation, toewall-fender replacement and dredging to -45 MLLW.

Phase 2 rail investments involves the construction of 2,500 feet of additional rail which gives the Port the ability to move cargo off of either end of the track. Most of the construction work would occur in 2017. Phase 2 is part of a rail grant the Port received from the Department of Commerce. The projected cost of Phase 2 is \$8 million, mainly in 2017.

Erik Gerking reported that Port Staff is working through the Mill-A cleanup in an effort to bring development and cleanup together for efficiency. The Phase 1 Interim Action Dredging will allow Westwood ships to berth at Pacific Terminal, and the work will begin in August 2016. Staff is in the process of defining how to remediate historic contamination in order to facilitate development of a minimum of a 1,100 foot dock extension and berth. There are six cleanup/development alternatives that need to be vetted and decided upon. This project involves various MTCA processes. Permitting, design, and engineering would occur throughout 2020. The Mill-A

cleanup and dock extension would extend through two in-water work windows. The estimated overall project cost is \$135 million (crane rail, dock extension, navigational dredging, toe-wall; and does not include wharf strengthening).

John Carter reported that in January 2016, the Port Commission directed Port Staff to pursue acquisition of the K-C property (66 acres) to facilitate intermodal cargo movements and laydown for the Marine Terminals. Risk factors for this property include upland and in-water cleanup as there is no current cleanup action plan. Land acquisition price is yet to be determined due to the cleanup risk factors. Interim improvements including paving, lighting and stormwater improvements are estimated at \$20 million; future infrastructure improvements are estimated at \$50 million. These amounts do not include land acquisition.

Next steps for Preparing for Larger Ships include:

- Issue SEPA/NEPA in June, 2016
- Bring Terminal engineer on board and prepare for final design for the South Terminal Modernization
- Continue progress on Mill-A Cleanup and integration of terminal expansion concepts;
- Continue to negotiate on purchase and sale of Kimber Clark property;
- Continue project permitting;
- Contract Terminal Rail Improvements and dredge Pacific Terminal to facilitate aerospace cargo shipments; and
- Develop financing plan and work on 2017 CIPs

Takeaways for Initiative No. 1 include having discussions with the Commission about the Mill-A Cleanup alternatives as they are further analyzed. Port Staff's current approach is in line with the Commission's directives.

Commissioner McClelland arrived at the meeting at 12:50 p.m.

5. INITIATIVE 2: WATERFRONT PLACE CENTRAL

Chief of Business Development Terrie Battuello provided an overview of the Waterfront Place Central project which is a mixed-use development comprised of 65 acres of developable land and divided into five districts. The project itself balances the working waterfront with the recreational waterfront, and allows for the on-going success of the Marina. The project creates a new waterfront community and provides a stable and reliable revenue source. Environmental and public access amenities will be improved at the waterfront. The project will additionally generate significant tax base for the City and County and create short and long term job growth.

Waterfront Place Central includes 430 housing options and two waterfront hotels, six restaurants and a diverse mix of commercial and retail. There are 15 public spaces, including trails, parks and venues.

Preparation for the Fisherman's Harbor project and Weyerhaeuser Building move are currently in progress. Staff is identifying a realistic cost structure for housing developers. The selection of a housing developer is in progress. The development of a restaurant mix for Fisherman's Harbor is a work in progress. Staff is working on selecting a hotel developer, while at the same time recruiting businesses to Waterfront Place Central.

A robust communication and marketing plan is currently in process utilizing a multi-phased approach to outreach.

Fisherman's Harbor includes housing, restaurants, hospitality, public access and maritime uses. A commercial fishing fleet will be at Seiner Wharf. Fisherman's Harbor is a mixed-use concept, including housing and hotel development, restaurant, tenants and public access. Other districts include the Wharf's Edge, the Esplanade, the Millwright District, and the Craftsman District

Lisa Lefebber reported that grant opportunities are more limited for mixed-use projects, and total grant pursuits equal \$3.1 million (Boating Infrastructure Grant, State Heritage Grant for the Weyerhaeuser Building, and an Ecology MTCA Grant for the Ameron site).

Terrie Battuello stated that the 2016 project budget is \$8.3 million. The total project budget is \$50.1 million. Future pro formas will include a financing portion.

6. FINANCIAL POLICY DISCUSSION

John Carter provided an overview of the Port's current debt, debt capacity, capital project finance planning and decision points to consider. The Port's current debt profile includes: G.O. Debt - \$18.2 million outstanding; Revenue Bonds - \$20 million outstanding; Capital leases - \$7.24 million outstanding; Rail Bank loans - there are two in place (\$800,000 outstanding, 2016 loan is \$1.35 million); Oldcastle loan will be fully amortized in 2016.

John Carter stated that the Financial Guidelines require debt coverage of \$2 of cash flow for each \$1 of revenue debt service. The 2015 coverage ratio was 9.02 times. The Port has historically run the debt service relatively conservatively.

Assumptions in financial planning include:

- Maintain cash reserves in place to meet Financial Guidelines;
- Generate growing operating income;
- Commission will levy property tax annually;
- Attract federal and state grants;
- Utilize federal and state loan programs;
- Reinvest capital as assets are sold;
- Issue debt in financial increments that minimize on-going debt service costs;

Preliminary Financing Plans potentially include:

- Grants – More than \$38 million in federal programs and MTCA, 2016-2018;
- G.O. Bonds – Up to \$38 million, and can be at any time;
- Revenue Bonds – Up to \$30 million (\$8-12 million annually)
- Industrial Development Levy – Up to \$25 million in debt and up to \$40 million in cash flow;
- Capital Contributions – More than \$20 million;
- Subordinate Lien, Low Interest Loans – unknown capacity (TIFIA, RRIF, and WSDOT Railbank);
- Subordinated Debt – unknown capacity. Bank Loans, leasing, notes payable.

John Carter said he will be coming back to the Commission with a more detailed financing plan later in the year.

Commissioner McClelland said that it is up to Staff to bring back to the Commission a financing plan that Staff believes can move forward.

Two assumptions that Staff would like to use is to generate operating income at the \$10 million level, and utilize the Property Tax Levy. Les Reardanz asked if the Commission was okay with the \$10 million and the Property Tax Levy as planning assumptions. Commissioner McClelland said Staff will have to make their assumptions and then recognize there is still going to be a debate as it relates to the public as a taxing authority. Commissioner McClelland added that Staff could use these two planning assumptions just like using federal funding as a planning assumption, recognizing that there is volatility in those decisions.

Les Reardanz said that Staff will tee up some of these other policy questions separately with the Commission.

7. NEXT STEPS

Les Reardanz stated that next steps include the action steps from this meeting for discussion at the May 10 Commission meeting.

SPECIAL MEETING

1. CEO/EXECUTIVE DIRECTOR'S REPORT

Resolution No. 1044

Les Reardanz reported that the Commission had expressed an interest in revisiting Resolution No. 1044 which is the Delegation of Authority, and in particular Sec. 4a(ii) which deals with bidding of projects. The issue that the Commission raised for discussion was that prior to January 2016, the previous delegations had provided that public works contracts exceeding \$300,000 needed Commission authorization to bid before going out to bid, and then return to the Commission for authorization for award. This year the delegation was revised to say that Staff would be authorized to publish the notice to go out to bid and then return to the Commission for the award on projects that were in the approved budget. The issue is either to revert back to seek Commission authorization to go out to bid on public works contracts over \$300,000, or to leave it the way it is. Staff is bringing this matter back for discussion as the concern was to make sure that there was appropriate oversight of the projects and that between the adoption of the budget and then bidding 8 to 9 months later, prioritization and markets could change. Another discussion alternative could be a 60 to 90 day look ahead at those projects that are coming for bid and discuss those with the Commission ahead of time.

Commissioner Troy McClelland said he was comfortable with going back to a certain level of authorization and having a conversation so that the public realizes that the Commission is not rubber stamping projects.

Commissioner Stiger said he was in favor of Staff having the Commission authorize going out to bid on public works contracts over \$300,000. Commissioner Bachman said he was neutral on the matter.

Les Reardanz said that Staff will bring back a resolution next week to formalize the Commission's direction in having the Commission authorize the bidding process on public works contracts over \$300,000. The Commission concurred.

Community Sponsorships

Lisa Lefebvre reported that the Port has received four community sponsorship requests for 2016 in the total amount of \$32,500. The Port's community sponsorship budget for 2016 is \$20,000.

After reviewing and ranking the applications, Staff is recommending the following funding levels:

- Fourth of July Festival: \$6,500
- Mukilteo Lighthouse Festival: \$5,500
- Fresh Paint Artist Festival: \$5,000
- Wheels on the Waterfront: \$3,000

Upon discussion, Commissioner Troy McClelland moved that the Port's community sponsorship funding for 2016 be as follows:

- Fourth of July Festival: \$7,000
- Mukilteo Lighthouse Festival: \$4,500
- Fresh Paint Artist Festival: \$5,000
- Wheels on the Waterfront: \$3,500

A vote was called for:

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

Motion carried.

2.

DEPARTMENT REPORTS

Fisherman’s Harbor Project Update

Project Manager Brandon Whitaker reported that the Waterfront Place Central development project consists of five unique districts within the overall 65 acre project footprint. Fisherman’s Harbor is the first phase of development and will showcase restaurants, residential, commercial/retail, and public access features. Fisherman’s Harbor will also provide working spaces for the Everett fishing fleet when the district is fully built out. In order to ready the site for private development, the Port must construct significant features, roadway/utilities and public access infrastructure. Since 2012, prior Commission actions include approving the concept plan, the Planned Development Overlay, the hiring of a project team, the ESY cleanup actions, the ABW cleanup and various construction projects, including the bulkhead.

The Fisherman’s Harbor Upland Infrastructure project will accomplish the Port’s utility, infrastructure and public access goals for Fisherman’s Harbor. The project includes the following elements:

- Roadway construction – Creation of the district’s main roadways – Seiner Drive and 14th Street. Seiner Drive will be extended north to tie into the roundabout currently on 13th Street.
- Public Access Esplanade – Construction of the first formal segments of the esplanade along the Port’s new Central Marina bulkheads.
- Pacific Rim Plaza – Contractor will build the showcase feature of Fisherman’s Harbor. This plaza will recognize the Port’s history of international trade combined with interactive water features.
- Landscaping in Public Spaces – Landscaping vegetation features to be installed along sidewalks, transportation corridors and the waterfront esplanade.

The project is anticipated to last approximately 14 months. After award, construction is expected to begin in summer 2016 with completion in fall 2017. Staff is asking for Commission authorization to publish a notice to bid for the project.

Commissioner Troy McClelland moved authorization to solicit bids for the Fisherman’s Harbor Uplands Infrastructure project. A vote was called for:

Vote: 3--0

Yes: McClelland, Stiger, Bachman

No: None

Abstained: None

Motion carried.

Commission President’s Report

Commissioner Glen Bachman said that he has gotten positive feedback on the expansion at the Marine Terminals.

Last Tuesday, there was a great ceremony for the WSU building on North Broadway.

Glen Bachman said he recently attended the PSRC Executive Board meeting about transportation and the room was filled to capacity.

Commissioner Bachman attended an all-day “fly in” conference with the Association of Pacific Ports in Oregon. It was a good conference and the Commissioner asked Staff to consider joining the organization.

Commission Discussion

Commissioner Stiger said there is a land use petition sign at the South Marina and inquired about the plans for that area. Brandon Whitaker said that is where

Commodore Plaza is planned and is one of the three interim public access projects that the Port is doing in an agreement with the City of Everett. The project will take place near the old South Marina Office and it will be a public access and events space with a stage for concerts, etc. to draw people to the South Marina.

Commissioner McClelland said with regard to ST3 and light rail through the Paine Field aerospace employment center and into Everett, we are at the start of a very important conversation that we are going to have in the next 30 years in the Puget Sound, and it will be a very challenging conversation for Snohomish County. We will need to come together as a community to make sure that we are very clear in our business case and why light rail is important for our community sooner rather than later.

Citizen Comments

There were no Citizen comments.

THE SPECIAL MEETING WAS RECESSED into Executive Session at 4:07 p.m. to conclude by 5:00 pm. The purposes of the Executive Session are 1) to discuss with legal counsel negotiations concerning two pieces of real property which may be leased or sold when public discussions would disadvantage the Port, and 2) to discuss the acquisition of two parcels of real property for which public discussion would disadvantage the Port's negotiations.

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

THE SPECIAL MEETING WAS ADJOURNED at 5:00 p.m.

APPROVED this 14th day of June, 2016.

EVERETT PORT COMMISSION

By:



Glen Bachman, President



Tom Stiger, Vice President

Troy McClelland, Secretary