

MINUTES OF EVERETT PORT COMMISSION
REGULAR MEETING
July 5, 2016

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

CALL TO ORDER: Commission President Glen Bachman called the meeting to order at 5:03 p.m.

CONSENT AGENDA

- Approval of Regular Meeting Minutes of June 7, 2016; and Regular Meeting Minutes of June 14, 2016;
- Approval of Bills for June 2016;
- Amendment to the Executive Director's Employment Contract

Commissioner Glen Bachman reported that the Commission will forego the Approval of Bills for June 2016 until the first meeting of August.

Commissioner Stiger reported that the Amendment to the Executive Director's Employment Contract includes an annual base salary of \$175,950.

Commissioner Troy McClelland moved to approve the items of the Consent Agenda. Commissioner Tom Stiger seconded the motion. The vote was called for:

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

Motion carried.

1. CEO/EXECUTIVE DIRECTOR'S REPORT

Declaration of Emergency

Executive Director Les Reardanz reported that under the Delegation of Authority and other state law, if an emergency arises and that emergency presents a real and immediate threat to the performance of essential functions or of material loss or damage to property, the Port can declare an emergency which allows the Port to go ahead and move forward with making repairs.

An issue came up on June 15, 2016 where a sinkhole was discovered along the fence line by Gate E-4 going into the Marine Terminals. The sinkhole was large and included an 8-inch gas line and utilities within the hole. The Port has hired Interwest Construction to perform the work and repair the sinkhole. As part of that process, the Port did have to close Pigeon Creek trail for safety purposes.

Under the Delegation of Authority, Les Reardanz said he was authorized to make a written finding and post it to the website, and to report about it at the next Port Commission meeting. These duties have been completed. The Commission concurred.

August Meetings

Les Reardanz reported that the regularly scheduled meetings in August are on August 2 and August 9, 2016. The August 2nd meeting will be cancelled due to the Washington Public Ports Association Commissioner's conference. However, Les Reardanz said that he would not be in attendance on August 9 due to family responsibilities; Chief of Finance John Carter will be running the meeting on August 9, 2016.

Staff will keep the Commission apprised if there is a need for a Special Meeting.

Boeing Centennial – Resolution No. 1053 (2016)

Les Reardanz reported that Resolution No. 1053 is a resolution honoring The Boeing Company for their role in regional, state and national economies on their centennial year anniversary.

The Port of Everett handles 100% of the oversized ocean going parts for Boeing’s 747, 767, KC-46 Tanker and 777(X) airplane assembly programs. The Boeing Company is the nation’s largest exporter in the nation’s most trade-dependent state and Everett’s customs district has repeatedly ranked Boeing first in the state with more than \$25.7 billion in exports, according to the U.S. Customs and Foreign Trade Division.

The Port of Everett wanted to officially recognize Boeing’s Centennial anniversary and congratulate and commend Boeing on 100 years of service. Staff will provide a copy of the proposed resolution to Boeing at the July 14, 2016 Port Report.

Commissioner Troy McClelland moved that the Commission adopt Resolution No. 1053 (2016) as presented. Commissioner Tom Stiger seconded the motion. A vote was called for:

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

Motion carried.

Commission Workshop Action Items Update

Les Reardanz provided a status report of where Staff was on the assignments that came out of the Commission retreats held in April and May. Les Reardanz presented a formatted task sheet with a legend indicating the progress for each of the assignments.

Completed tasks included the decision to hold off on hiring a marketing position at the Terminals and to discontinue the services of the Mid-West representative at the Terminals until the market condition improves. The report back to the Commission on Marina rates and fees was completed, and presentations and briefings were provided to the community, including the City Councils for Everett and Mukilteo on the Port’s Strategic Snapshot and public access efforts.

A copy of the Commission Retreat Status Report indicating whether or not the task is complete, partially complete, in progress or haven’t started is attached hereto as part of the record.

2. **CHIEF FINANCE OFFICER’S REPORT**

Master Bond Resolution No. 1055 (2016) and 2016 Revenue Bonds – Resolution No. 1056 (2016)

Chief Finance Officer John Carter reported that the Port is selling bonds on July 12 for the purpose of refunding the 2007 Revenue Bonds and to issue up to \$20 million in new money bonds. The total bond size is expected to be about \$28.2 million. The bond issue will provide funding to continue the capital plan of the Port, specifically funding infrastructure projects at the Marine Terminals and within the Waterfront Place Central development. The Commissioners have been briefed on the bond issue at several Commission meetings.

The bonds are being underwritten by Piper Jaffrey and the Port has retained NW Municipal Securities as its Financial Advisor. The Port has met with Moody’s Investor Services for a bond rating and is seeking quotes for both bond insurance and a surety bond.

K&L Gates is serving as bond counsel and has drafted the Master Bond Resolution No. 1055(2016) which updates the existing 1996 Master resolution with more current language, and 2016 Bond Sale Resolution No. 1056(2016) which lays out the terms of the bond sale and authorizes the Executive Director to execute the bond sale contracts.

The broad terms for the bond sale are attached hereto in summary form as part of the record.

John Carter asked the Commission to approve the resolutions as presented.

Commissioner Troy McClelland moved that the Commission adopt the Amended and Restated Master Bond Resolution No. 1055(2016) as presented. Commissioner Tom Stiger seconded the motion. A vote was called for:

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

Motion carried.

Commissioner Troy McClelland moved that the Commission adopt the 2016 Revenue and Refunding Bonds Resolution No. 1056(2016) as presented. Commissioner Stiger seconded the motion. A vote was called for:

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

Motion carried.

2016 Property Insurance Renewal

Chief of Finance John Carter reported that the Port purchases insurance through an eight port buying group managed by the Port's broker Alliant Insurance Services. The property portion of the insurance program renews on July 1 of each year. The renewal with the selected coverage and estimated taxes and fees is \$483,442.50. The overall estimated replacement value of Port property increased to \$315 million (up 8.3%) while the premium rate per hundred dollars of value decreased by .005% to \$.150 per hundred dollars of valuation. The net increase in the property insurance premium from that paid in 2016 is just over \$24,000.

The Port currently has \$25 million limit on earthquake. John Carter said he asked the broker for a quote to raise the limit to \$50 million and it came back at \$43,000. That is an option. In addition, the Port has \$50 million limit on flood loss, \$100 million limit on terrorism loss, \$100 million limit on business interruption, \$50 million on errors and omission, \$2 million on cyber liability and \$1 million for derelict vessels that sink in the harbor.

At the request of the Commission, John Carter said that he would bring back the full proposal for the coverages.

John Carter recommended that the Commission approve the renewal of the Port property and crime policies as presented.

Commissioner Troy McClelland moved that the coverages for 2016 property insurance renewal be approved as presented. Commissioner Stiger seconded the motion. A vote was called for:

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

Motion carried.

2017 Strategic Initiatives

At the request of the Commission, John Carter reported that Staff reviewed the Strategic Initiatives and combined them into 8 initiatives instead of 12 as follows:

1. Seaport Modernization – Preparing for Larger Ships
2. Creating a New Waterfront Community – Waterfront Place
3. Taking Care of Existing Facilities
 - Taking care of Seaport
 - Taking care of Marina Docks
4. Leading in Remediating Historic Contamination
5. Developing Sustainable Marina Operations
6. Enhancing & Optimizing the Port's Real Estate Holdings
 - Planning for the Future
 - Real Estate Development of Existing Holdings
 - Public/Private Partnerships
 - Planning for Property Holdings Expansion
7. Enhancing Public Access
8. All Other Projects

John Carter said that these are the proposed combined initiatives for Commission consideration. Staff would like the budget work that is currently going on to coordinate with any changes in the Strategic Initiatives.

Commissioner McClelland commented that this simplifies and clarifies the initiatives and indicated he was comfortable with the proposed combination. The Commission agreed with the proposed combination of initiatives.

3. CHIEF OF LEGAL AFFAIRS REPORT

Union Contract – Maintenance Department

Les Reardanz reported that Staff is asking the Commission to approve the Local 32A Maintenance Contract which has been approved by the Maintenance Unit. Les reviewed the main negotiated items such as healthcare, emergency call-outs, vacation increase of 3 days for years 11 through 15, volunteerism, additional two days' travel time for bereavement leave if travel of more than 250 miles is required, hourly wage increase of 3.5 percent and the contract term of January 1, 2016 through December 31, 2018.

As stated, the Maintenance Department did vote to approve this contract. Now, negotiations will kick off with the Security folks and then the Administrative group.

Commissioner Stiger said the document with the changes did not get to the Commission until this morning and said he felt there could have been more time for the Commission to review the contract. The Maintenance contract is a very generous package and indicated that he didn't think the Port could continue to maintain this non-sustainable package.

Commissioner Bachman said that the amendments and changes within the contract looked familiar and he feels like he has read them before. Executive Director Reardanz said the Commission has seen paragraphs with the changes, but not in final form.

Commissioner Troy McClelland said he did not think the contract was sustainable, and that the contract was significantly higher than what is occurring with other local and public unions.

Previously, the Commission voted for the contract and then the Union at first said yes and brought it forward and then it wasn't signed. Les Reardanz said there was disagreement from the Union over the way the health care had been written which had been a lump sum that the Port would pay towards health care, and then that

would be allocated through the health benefits committee. The Union subsequently said they did not like that provision.

Commissioner McClelland said he feels it is right to take a really hard look at the contract, understand it more clearly with the differences from what was voted on previously and have a clear sense of what are the differences.

Les Reardanz said Staff can postpone this matter and schedule a special meeting if necessary.

4. INITIATIVE ONE: SEAPORT MODERNIZATION

Chief of Communications and Policy Lisa Lefeber provided a progress update on Initiative One – Seaport Modernization - for the Commission. On July 1, the Port issued SEPA for the South Terminal Modernization Phase 2 which is to strengthen the remaining 560 feet of the pier, add in 700 feet of crane rail to prepare for 100-foot gauge cranes. The public comment period will last until July 15. The information is on the website, the signs are up in the neighborhood and Staff is standing by ready to respond to requests for information.

Port Staff received notice that the City's boundary harmonization process is now complete and has been approved by the Department of Ecology. There was an inconsistency between the City's Shoreline Management Program and their Comprehensive Plan as it related to some industrial Port area versus open space; this was a city led process that harmonized those two boundaries so that the documents were consistent.

Port Staff continues to have discussions with Weyerhaeuser about possible cleanup concepts that relate to remediating the contamination through infrastructure investment similar to what the Port did with the Everett Shipyard site. The Port is continuing discussions with Ecology on the cleanup concepts to see how the Port can integrate the cleanup into a terminal modernization concept. Part of that work includes state agency briefings with the Department of Commerce, the Governor's office as well as the Department of Ecology.

The Port applied for a \$20 million FAST Lane Grant, but it doesn't appear that the Port has been chosen as a recipient. So far, a lot of the projects that were chosen have been highway interchange projects, not necessarily freight focused projects.

Port Staff is working on preparing a multi-year contract with KPFF for Terminal Engineering Services. Some of the highlights include SEPA, the City Shoreline permit and federal permitting process for the South Terminal Modernization Phase 2. Interim dredging will begin in August which is critical. Some larger ships are having to dock at Pier 1, and when the ships have to dock at Pier 1, it creates noise in the neighborhood because they have to run their generators. With this project complete, the Port will be able to dock these larger ships on Pacific Terminal.

Staff will come back to the Commission in August with the Terminal Engineering Services contract.

5. INITIATIVE TWO: WATERFRONT PLACE CENTRAL

Weyerhaeuser Building Relocation Update

Project Manager Brandon Whitaker reported that the Weyerhaeuser Building will be moved July 13-14, and from a project standpoint, Nickel Bros is busy installing supporting beams and getting the dollies in place for the travel to Boxcar Park. Nickel Bros is also working on traffic route improvements. Last week, a contractor was at Boxcar Park and poured the foundation for the building.

There is a Press media event on 13th Street at 10 am between Port Gardner Inn and Lombardi's that will include speakers. After the Press event, Nickel Bros will begin staging the building or lifting the building up from its current position and staging it at its starting point for the move that will begin at 12:01 a.m.

Staff thinks it will take about 2 hours from its staged point to get it on West Marine View Drive and onto Port property, and then another 2 hours to get it out to Boxcar Park.

After the building is moved onto the new slab at Boxcar Park, the contractors will begin building up the walls of the foundation.

6. DEPARTMENT REPORTS

Projects Update

Terminal Rail Upgrades Phase 1 and Phase 2

Phase 1, Moffatt & Nichol Contract Modification No. 8

Phase 1, Granite Construction Change Order No. 3 – Time Extension

Chief of Engineering & Planning John Klekotka reported in late 2013, Port Staff began work on the railroad improvements project by conducting a formal consultant selection process, resulting in the selection of Moffatt & Nichol (M&N) as the project engineer. After studying various alternatives and discussing these options with the BNSF Railway, it was determined that the scope of the project should have four basic parts divided into two phases:

- Phase 1:
 - Rehabilitate the existing Track 104
 - Extend the existing Track 115 around the bulk loadout between Bond Street and Hewitt Avenue
- Phase 2:
 - Construct two new siding tracks in South Terminal

The Phase 1 project was bid in June 2015 and the Commission awarded the project to Granite Construction in September 2015. Granite began work in October and reached substantial completion on May 20 2016.

During the course of the project, several underground utility conflicts were encountered that resulted in delays and additional costs. Additional calendar days were previously granted by Staff to the contractor due to unknown/unanticipated underground conditions. The bulk of the project delays were related to the locations of gravity and pressure sewers not being located where planned, which resulted in an additional 36 calendar days of time. Another 20 calendar days need to be granted to the contractor for several minor change items. The total additional contract time the contractor is seeking under Change Order No. 3 is 56 additional calendar days. The total cost associated with Change Order No. 3 is \$95,357.06 (\$104,129.91 with Washington State Sales Tax), and is within the Executive Director's authority. Contract extensions over 60 days, however, require Commission authorization.

Further, because of the magnitude of construction changes, additional construction phase engineering support services were required, and Staff is seeking authorization for M&N contract modification No. 8 in the amount of \$21,480. These additional services included redesign of the sanitary sewers, meetings with the City of Everett, on-going weekly construction meetings, and redesign of the track profile to accommodate changes at the tie-in to BNSF mainline track. This modification would bring M&N's total contract amount to \$578,810.

Port Staff is requesting that the Commission authorize Modification No. 8 to the Professional Services Agreement with Moffat & Nichol for additional construction phase support services in the amount of \$21,480.

Port Staff is also requesting that the Commission authorize a contract time extension with Granite Construction of 56 calendar days, which will be included in contract Change Order No. 3.

As part of Phase 1, Commissioner Troy McClelland moved that the Commission authorize contract Modification No. 8 to the Professional Services Agreement No. 1-2014-011 with Moffat & Nichol for additional construction phase support services in the amount of \$21,480. Commissioner Stiger seconded the motion. A vote was called for:

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

Motion carried.

Commissioner Troy McClelland moved that the Commission authorize a contract time extension with Granite Construction for 56 calendar days which will be included in contract Change Order No. 3. Commissioner Stiger seconded the motion. A vote was called for:

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

Motion carried.

Phase 2, Terminal Rail Upgrades

Phase 2, Moffatt & Nichol Contract Modification No. 1

John Klekotka reported that Moffatt & Nichol Engineers (M&N) were selected in late 2013 to provide professional engineering services for the South Terminal Wharf and Rail Upgrades. In January 2016, the Commission approved an agreement for professional engineering services for the Phase 2 rail upgrades project in the amount of \$324,745. As the engineering work began, it was noted that modifications to the previous 30 percent design alignment might result in operational improvements. As such, a process was undertaken that developed seven alternate alignments for Phase 2, including the addition of a Phase 3 track. It took several months to perform this iterative additional rail alternative analysis, and Terminal Operations was closely engaged throughout the process. The end result of this process is a final alignment that eliminates truck-train conflicts with the radiation portal monitor, provides approximately 880 track feet more than previously designed, and provides for future Phase 3 expansion.

Port Staff is seeking Commission authorization to supplement Moffat & Nichol's contract by \$57,500 for this additional work. With M&N's original contract of \$324,745, their amended total contract would be \$382,245.

Commissioner Troy McClelland moved that the Commission authorize Contract Modification No. 1 to Professional Services Agreement No. 1-2016-005 with Moffat & Nichol for additional rail planning services in the amount of \$57,500. Commissioner Stiger seconded the motion. A vote was called for:

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

Motion carried.

Commission President's Report

Commissioner Bachman reported that Crab season opened up and the boat launch has been extremely busy. On July 7, the U.S.S. Gridley will be coming to the Port of Everett.

Les Reardanz added that on July 7, Commissioners McClelland and Bachman will be at Naval Station Everett to represent the Port of Everett, and on Friday, the Port will be participating at the Welcome Booth on the base during the lunch hour.

There was no further Commission discussion.

Citizen Comments

There were no Citizen comments.

No Executive Session was held.


THE REGULAR MEETING WAS ADJOURNED at 6:36 p.m.

APPROVED this 9th day of August, 2016.

EVERETT PORT COMMISSION

By:


Glen Bachman, President


Tom Stiger, Vice President

Troy McClelland, Secretary

Summary of Terms for issuance of 2016 Series Port of Everett Revenue Bonds

Amount of Bonds: \$28,200,000

Allocation of proceeds: To advance refund the 2007 Series Port of Everett Revenue Bonds and to provide up to \$20 million for reimbursement for funds spent on infrastructure projects within the Marine Terminal and within Waterfront Place development.

Term of Bonds: The bonds will be issued on a level 30 year amortization. The bonds are expected to be callable after July 1st 2026.







Interest Rate: True Interest Costs not to exceed 5.0%

Bond type: Revenue bonds supporting by a general pledge of Port Revenues with interest paid tax exempt from federal income taxes.









Bond sale: Negotiated sale through Piper Jaffrey, bond rating expected from Moody's on July 1st, bond pricing on July 12th, with closing in early August.






Other covenants: Minimum debt service coverage ratio to be maintained of at least 1.35 times the average annual revenue bond debt service until the 2007 Revenue bonds are fully paid off then the debt service coverage ratio drops to 1.25 times average annual revenue bond debt service.

Authorization: The bond resolution authorizes the Chief Executive Officer to authorize the sale of the bonds within the parameters included in the resolution.

TASK	STATUS	NARRATIVE UPDATE
Review & Update Cash Forecast		Underway as part of bond issuance and continual review
Monitor & Report on 2016 Operating Revenue Assumptions		Staff review scheduled after 2Q financial report
Evaluate Terminal Marketing Position & Mid-West Representative		<ul style="list-style-type: none"> • Hold off on hiring Marketing Position • Discontinued Mid-West Rep. until market condition improvement
Report back on Marina rates and fees		Complete
Present City easements on Grand Ave Bridge and PSO realignment		<ul style="list-style-type: none"> • Discussing Grand Ave Bridge with City • PSO 1 complete
Present strategic snapshot and public access to community		<ul style="list-style-type: none"> • Snapshot slide Everett & Mukilteo City Council briefings • Public access briefed to Everett City Council; Mukilteo this summer

 Complete
  Partially Complete
  In Progress
  Haven't Started

TASK	STATUS	NARRATIVE UPDATE
Conduct annual review of Financial Guidelines during budget		To be completed during budget process
Comp Scheme amendments for RBP and Tank Farm transfers		Will be completed at time of transfers
Marina Stabilization Framework & Public Outreach		Draft concept plan in process for Commission presentation in September
Viability of a Port-owned dredge		Study continues
Regular Updates on Initiative 1 & 2		Underway each month
Present Mill-A cleanup development options		Individual briefings underway; further briefings to follow
Develop a Mill-A regulatory and legislative strategy		Draft concept plan underway
Waterfront Place Central Pro Forma		Fisherman's Harbor - September Full Build Out - December

TASK	STATUS	NARRATIVE UPDATE
Port philosophy on generating capital/community return		Will be discussed as part of the budget process
Port's debt capacity comfort level		Will be discussed as part of the budget process
Discuss other debt and revenue options		IDD, Grants
Philosophy on conflicting priorities, e.g. off ramp philosophy, slow or stop projects, etc.; include opportunity costs analysis		
Review Initiatives		Completed; Consolidated list developed for presentation in August