

Port of Anacortes
Regular Commission Meeting
& Executive Session
April 2, 2009

The Port Commission of the Port of Anacortes held its regular business meeting at 7:00 P.M. on the evening of April 2, 2009. This was a regularly scheduled Commission Meeting held in the Commission Meeting Room of the Port Main Warehouse Building, 1st & Commercial Avenue, Anacortes, Washington.

In Attendance: Commission President Rubin, Commission Secretary Niver, Commissioner Hopley and Commissioner Short. Commission Vice-President Mooney was in attendance via speakerphone.

Also in attendance: Executive Director Hyde, Director of Engineering Elsner; Director of Finance & Administration Johnson; Director of Operations & Facilities Hachey; Project Manager Estvold; Accounting Manager Behan; and Human Resource Generalist & Operations Assistant Herrick.

Others in attendance included Port counsel Frank Chmelik.

CALL TO ORDER

At 7:00 P.M. Commission President Rubin called the regular meeting of April 2, 2009, to order and welcomed all in attendance.

SPECIAL GUEST – Cliff Verhoeff, Snohomish Artists Guild

Executive Director Hyde introduced Mr. Cliff Verhoeff, promoter of the Cap Sante Boat Haven summer concert series. Mr. Verhoeff addressed the Commission, thanking them for allowing last year's inaugural concert series and asking to return again this summer. Mr. Verhoeff also thanked the Commission for planting grass near the outdoor room at the Boat Haven and Frontier Industries for donation of wood for a temporary stage. There are four free concert events planned and one new event, the Anacortes Blues, Brews, and Barbeques, which is a two-day \$15 per day event featuring local food and microbrew beverages, offered in a fenced off location. Those not wishing to participate in the food and beverage portion of that event can still hear the concert for free. Mr. Verhoeff reviewed the 2009 line-up for the Commission and thanked local sponsors for making the free concert series possible.

Commissioner Rubin noted that he had attended two of the concerts last year and found them very enjoyable and thanked Mr. Verhoeff for attending.

Mr. Verhoeff stated he is still soliciting for sponsors and welcomed anyone interested to please contact him.

ANNOUNCEMENTS

Commissioner Rubin made two announcements. First he noted that Commissioner Pat D. Mooney was in attendance at the meeting via speaker-phone. Commissioner Mooney greeted the listening audience. Commissioner Rubin also announced that following the second public

comment period, the Commission would take a brief recess and then enter into Executive Session for the purpose of discussing environmental litigation and real estate matters. He noted the Executive Session was expected to last for up to one hour and that action might or might not be taken. The recording of the regular meeting will conclude at the recess.

PUBLIC COMMENT PERIOD

Commissioner Rubin opened the floor for public comment pertaining to items on the regular agenda. Hearing no one with a desire to address the Commission, the floor was closed.

CONSENT AGENDA

Commissioner Rubin called for any objections to the consent agenda. He asked to remove the March 5, 2009 minutes from the consent agenda for further review and discussion at the next regular business meeting, and asked for any objections to doing so. Hearing none, he asked for any other changes to the consent agenda. Commissioner Hopley asked to remove the action item for Resolution No. 1199, Grant Resolution for WSDOT Airport Aid Grant – 2009 Airport Improvements, from the consent agenda, for Commission discussion. Commissioner Rubin called for any objections to removing the item for discussion. Hearing none, the item was removed from the consent agenda.

Commissioner Rubin read the remaining items on the consent agenda: Approval of Minutes for the Special Meeting/Commission Retreat of March 2, 2009, and Regular Meeting Work/Study Session of March 19, 2009; Vouchers: No. 3-1 through 3-143 (\$1,284,693.99); and the Treasurer's Report for February 2009 totaling \$9,533,360.10, as well as action items to authorize Pre-construction and Design Elements for Project Pier 1, Warehouse 4 Re-siding and Re-roofing, and Pre-construction and Design Elements for Project Pier 1, Addition of Sidewalks and Parking to the West Side of T Avenue.

Commissioner Rubin asked for a motion to approve the remaining consent agenda items. Commissioner Short moved to approve the consent agenda. Commissioner Hopley seconded the motion. Commissioner Rubin called for a vote on the motion, which carried unanimously.

REGULAR AGENDA

ACTION ITEM

Resolution No. 1199 – Grant Resolution for WSDOT Airport Aid Grant – 2009 Airport Improvements -

This item requested Commission approval of Resolution No. 1199, authorizing the Executive Director, or his designee, to make formal application to the Washington State Department of Transportation Airport Aid Program for the purpose of completing improvements at the Anacortes Airport under the 2009 Airport Improvements project. The WSDOT Airport Aid grants will provide the Port with \$10,625 equaling 2 ½ % of the required matching funds needed for FAA AIP-17.

Commissioner Rubin asked for Port staff to provide information and answer questions as needed. Executive Director Hyde called upon Director of Engineering Elsner, who responded to questions from the Commission regarding Port assurances provided, related to the expenditure of local matching funds, and the detention ponds themselves.

Commissioner Hopley referenced AIP-17, noting that it was brought forward for funding authorization for pre-design and with an item related to the detention ponds design, but with no figure for what amount that work or potential work was projected to cost. He asked for clarification that the resolution presented was for receipt of WSDOT grant funding for 2 ½ percent of the total design costs, in the figure of \$425,000, which included the cost of apron lighting, a snow plow and design work for the detention ponds, not the full cost of an entire detention pond project.

Commissioner Hopley also asked for further clarification of whether the Port was making the assurance to pay our share of just that much work, or whether the Port was making an assurance to do some greater project and pay our share of those costs, yet unknown.

Director Elsner explained that the Port presented the request to WSDOT based on the design and implementation for the apron lights and the purchase of a piece of snow plow equipment, as well as the habitat and engineering fees to work out the issues with the detention ponds at the Airport. The Port has not made any application for the next step since it is not yet known whether that would be permitting or construction. The item did not represent any construction fees associated with the detention ponds/wetland work that was authorized under AIP-17.

Commissioner Hopley asked if there was any implied assurance that the Port would carry that forward and do any work on the detention ponds – or whether the Port's assurances were limited to the Port's share of the design costs.

Director Elsner acknowledged that the latter statement was correct, noting this was consistent with the FAA and with WSDOT awards, and explaining that although the Port was not granting those assurances beyond the design costs at this time, at the staff level that is the expectation - that we are spending the money and doing the design work in order to solve the problem.

Commissioner Hopley concurred, thanking Director Elsner for the explanation and stating he wished to make certain that the Commission was not giving an assurance for expenditure of funds that were not yet known.

Commissioner Rubin asked for any other questions for staff or discussion. Commissioner Niver noted that until recently he had never heard anything about the detention ponds, noting he understood them to be wetlands, and did not recall any discussion at a policy level regarding what the problem is, or what the Port intended to do.

Commissioner Hopley noted the Commission had already authorized the money to do the design work and that the resolution before the Commission at present was to obtain a grant from WSDOT for a portion of the funding for that work.

Commissioner Niver asked for an explanation of the project.

Executive Director Hyde explained that there are drainage capacity problems at the airport – the detention ponds have become overgrown to currently be considered as wetlands, and that the Port is looking for a design engineering firm to examine alternatives.

Commissioner Niver noted he had spoken to the City and stated they knew nothing about there ever being any detention ponds at the Airport.

Director Elsner explained that since the detention ponds were Port facilities, it was not unusual that the City might have no record of them. He noted that the Port has records showing that the detention ponds were constructed by the Port but, due to a lack of maintenance, they have taken on wetland characteristics. The Port will be exploring what might be needed through a permitting process to de-certify these ponds but also to see if there are other opportunities to manage our storm water systems. He invited Commissioner Niver to come by the Port office to view the original construction drawings that show the detentions ponds and when they were constructed.

Hearing no further discussion, Commissioner Rubin called for a motion. Commissioner Hopley moved to approve Resolution No. 1199, which authorizes application for funding assistance from WSDOT as well as provides a statement of support for the project and assures and authorizes the required expenditure of local matching funds. Commissioner Short seconded the motion. Commissioner Rubin called for a vote on the motion.

Commissioner Niver voiced concern over the wording, “statement of support for the project”.

Commissioner Rubin re-read the motion.

Commissioner Niver believed questions remained about the detention ponds. He stated he could not support the action item and had not voted in favor of the project.

Commissioner Hopley noted that the decision to expend funds for the project had already been passed by the Commission. The action item before the Commission this evening was to authorize an application for funding assistance, basically for the amount the Commission had already authorized.

Commissioner Rubin inquired of staff whether a delay until the next meeting for further understanding by the Commission would cause any problems

Director Elsner noted that the resolution before the Commission is one of the requirements of WSDOT for funding assistance. He explained that the Port could request an extension, but noted this is a competitive grant and delays could have an impact on the Port obtaining the grant.

With discussion concluded, Commissioner Rubin called for a vote on the motion, which carried 4-1 with Commissioner Niver opposed.

UPDATE-4th Quarter 2008 Financials

Commissioner Rubin introduced Director of Finance & Administration Johnson who provided the Commission with a 4th quarter update after closing out the 2008 year.

Total operating revenues for the Port in 2008 were \$10,267 million, exceeding both the 2008 budget and 2007 revenue numbers. The primary reason for the increase was due to fuel sales at Cap Sante Boat Haven.

Total operating expenses in 2008 were \$8,734 million. The Port exceeded estimated 2008 budget expenses, again due to the purchase of fuel for sales at Cap Sante Boat Haven, with fuel cost being \$1.6 million. Director Johnson noted that relative to revenues the increased revenue result is very positive.

Net operating income was \$1.47 million compared to a budget of \$1.3 million and previous 2007 net income of just over \$1 million dollars.

The Port received Capital Grants in the amount of \$2,180 million.

Non-operating expenses were \$8,604 million and non-operating revenues were \$7,043 million.

Director Johnson explained that in 2008 the Port implemented Government Accounting Standards Board (GASB) Statement 49, which requires an accounting for both recoveries and liabilities related to all environmental efforts on Port facilities. This is primarily related to the cleanup efforts at Cap Sante Marine. Under GASB 49 the Port could not capitalize all those expenditures, having to expense them instead. Director Johnson explained that the Port hired a consultant to work through those requirements and that the Port will be in a very good position in years to come compared to other organizations having to comply with the standards. He noted that the environmental team has done a good job of assuring that we have considerable recoveries to offset the expenses. A copy of Director Johnson's presentation will be attached to the approved version of these meeting minutes.

Commissioner Mooney inquired about an item in the March voucher list, item 3-62 to the Department of Ecology, and whether it was reimbursable. Director Johnson explained that the payment was a requirement under the Port's grant to the Dept of Ecology for review and oversight, and that this was a non-reimbursable monthly payment.

Commissioner Short inquired if the Port was able to capitalize any payments to Ecology on to the value of the property as far as the removal of waste from the land, making it more useable.

Director Johnson explained that, under GASB 49 there are items the Port can capitalize, such as replacement of utilities for future use, but not the basic environmental cleanup going on within those facilities. There are exceptions, related to for example, a property the Port would purchase and then clean up in order to sell or utilize it for its intended purpose, but the standards are very specific as to when you can and can't capitalize items and the standards don't follow traditional accounting models.

Commissioner Niver noted that the Port cannot capitalize any fines, for instance.

Commissioner Hopley noted the Port is required in its Profit and Loss statement to show these costs as an expense, and inquired how items show up on our balance sheet, and whether they did so as an asset.

Director Johnson explained that most of the time, these costs would show up as a liability while the recoveries made by the Port will show up as an asset on our balance sheet and would net out at some level. The Port has been working on these for many years. These GASB 49 standards just became a requirement in 2008. Because of the efforts the Port has undertaken in environmental work over the years, these strategies were already in place and the Port has been able to offset these expenses with recoveries very consistently. Other organizations that haven't been proactive in doing so could potentially have their income statements negatively impacted.

COMMISSION DISCUSSION

Commissioner Rubin led a discussion among the Commissioners regarding five topics.

1. Governance – Commissioner Rubin noted that Commissioner Niver had brought some information to the Commission at the March 19th meeting and invited him to lead a discussion on decision making and the articles he had provided.

Commissioner Niver recapped that in Commission discussions regarding some of the problems facing the Commission, criticisms such as not thinking strategically and having a tendency to react rather than be proactive, were made. Commissioner Niver reviewed studies written by Thomas J. Dowd of the University of Washington, a Sea Grant Port Industries Specialist and Affiliate Professor with the School of Marine Affairs at the University of Washington in Seattle. A few points highlighted included, authorization of a capital project and the challenges that brings, and the decision making process and analysis needed. Commissioner Niver read specifically from Mr. Dowd's articles on financial planning, strategic planning, capital investment, and the decision-making processes involved, and led a question and answer discussion among the Commission. Commissioner Niver also submitted for discussion a proposal for decision making.

Commissioner Rubin thanked Commissioner Niver for his work on the decision-making process and requested that the Commission all re-read the articles and information provided for continued discussion at the April 16, 2009 regular meeting.

Commissioner Rubin noted, and requested from the Commission, input on improvement of the governance process, including conduct and guidelines. All were in favor of continuing the governance improvement process.

2. Proposed changes to the Commission Bylaws - Commissioner Rubin presented a proposed change to Article VI Order of Business, Section B, regarding deliberation and action on matters not specifically listed on the agenda. While the present Bylaws allow for this, the proposed change would defer action on such items until a subsequent Commission meeting, except when urgent action is required.

The Commission discussed the proposed change, which will be formally presented for action on the April 16, 2009 regular meeting.

3. Executive Director Evaluation – Commissioner Rubin noted that he and Commissioner Short had just completed the Executive Director's evaluation for 2008. Noting the lack of an evaluation format specifically for the performance of the Executive Director, Commissioner Rubin called for volunteers to form a committee to develop such a format. Commissioner Short volunteered. Commissioner Niver nominated Commissioner Rubin. Commissioners Short and Rubin will work on developing a new evaluation form, pulling items from the Mission Statement, Strategic Plan, and other sources, and present it at a future meeting.

4. Commission Roles and Responsibilities – Commissioner Rubin led a continuing discussion of Commission and Commissioner roles and responsibilities. Following discussion at the March 19, 2009 meeting, some ideas on these roles and responsibilities expressed were:

- The Commission is the go-between between connecting the public and staff
- The Commission's goal is to assure public good
- The Commissioners are to connect with the public
- The Commission should refer to and review the Mission Statement
- The Commission is responsible for goal setting

Commissioner Rubin suggested further discussion adding questions regarding individual roles:

- Were the Commissioners elected to do what the people want or to govern well?

- Do Commissioners serve their individual districts or all Port districts?
- What are the responsibilities of every Commissioner?

And further discussion of collective roles:

- What are the Commission's primary responsibilities?
- What areas are "hands-off" for the Commission?
- Will the Commission allow any individual to hinder or be an excuse for not fulfilling the group's obligation?

The Commission discussed these subjects at length, each expressing their view on their role as a Commissioner and the Commission's role as a whole.

5. Good of the Order

The Commissioners had no additional items for discussion at this time.

COMMUNICATIONS

Executive Director Hyde was sorry to announce that Port seasonal janitorial employee Kathy Smith has passed away unexpectedly two weeks ago at the age of 56. Executive Director Hyde expressed that Kathy had been a bright light at the Cap Sante Boat Haven where she was praised by staff and members of the boating public for her excellent work. The Port received many letters of appreciation regarding Kathy, noting her friendliness and professionalism.

In other news, Executive Director Hyde reported that the 3rd Annual Anacortes Salmon Derby, held last weekend at Cap Sante Boat Haven, was a resounding success. More than \$29,000 was estimated to have been raised for scholarships by the Fidalgo Island Chapter of the Puget Sound Anglers. The winning salmon, caught by a local gentleman, weighed in at 18.62 pounds. 305 boats were moored, and 150 boats were launched at the Boat Haven. In addition, the Port's fuel dock sold 7,847 gallons of fuel; 4,502 of diesel, and 3,345 of gasoline. About 950 participants were in attendance.

On Monday, April 13th at 4:00 P.M. the Port will host the next community tour of the Pier 1 Project and Dakota Creek Shipyard area. Those interested in the tour should meet outside the Dakota Creek Office at the corner of 4th Street and Q Avenue.

Upcoming Events

Executive Director Hyde reviewed upcoming events in the Port's main warehouse building. The Anacortes Chamber of Commerce will hold a Wine Festival fundraiser on April 11th from 12:00 – 6:00 p.m. The Island Hospital Foundation will hold their annual Gala of Hope fundraiser on April 25th, and the Anacortes Chapter of the American Red Cross will hold their Real Heroes Dinner and fundraiser on April 30th.

At the Cap Sante Boat Haven the PassageMaker Magazine Trawlerfest is scheduled for May 6-9th, followed by the Waterfront Festival May 16th and 17th with a kickoff dinner held in the main warehouse on May 15th. There is also a group of local people are working to hold the 1st Annual Anacortes Workboat Races in Guemes Channel on July 18th. Those with an interest in participating can contact the Port business office.

UPCOMING MEETINGS

Executive Director Hyde reviewed the Commission's upcoming meeting schedule. The next

Regular Port Commission Meeting will be a Work/Study Session on April 16, 2009, at 7:00 P.M. The next Regular Commission Meeting held in the Commission meeting room will be May 7, 2009.

PUBLIC COMMENT PERIOD

Commissioner Rubin opened the public comment period for items not on the regular agenda. Hearing none, the public comment period was closed.

EXECUTIVE SESSION

Commissioner Rubin noted that as published on the meeting agenda, the Commission would take a brief recess and then enter into Executive Session for the purpose of discussing environmental litigation and real estate matters. He noted the Executive Session was expected to last for up to one hour and that action might or might not be taken.

The Commission entered into Executive Session at 8:45 P.M. At 10:14 P.M. the Commission came out of Executive Session. Commissioner Rubin requested a motion regarding the environmental litigation matter discussed. Commissioner Niver moved to authorize the Executive Director to enter into an attorney fee cost sharing agreement with Stoel Rives, LLP and Safeco Insurance Company. Commissioner Hopley seconded the motion. Commissioner Rubin called for a vote on the motion, which carried unanimously.

ADJOURNMENT

With no further business to come before the Commission, Commissioner Short moved to adjourn, which was seconded by Commissioner Niver. Commissioner Rubin called for the vote on the motion, which carried unanimously and at 10:19 P.M. the meeting adjourned.

Attest:

Keith Rubin, President

Pat D. Mooney, Vice-President

Ray Niver, Secretary

Steve Hopley, Commissioner

William L. Short, Commissioner