

Port of Anacortes
Regular Commission Meeting
October 1, 2009

The Port Commission of the Port of Anacortes held its regular business meeting at 7:00 P.M. on the evening of October 1, 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 Vice-President Mooney, Commission Secretary Niver, Commissioner Hopley and Commissioner Short.

Also in attendance: Executive Director Hyde, Director of Finance & Administration Johnson, Director of Operations & Facilities Hachey, Accounting Manager Behan, and Administrative Coordinator Lindsey.

CALL TO ORDER

At 7:02 P.M. Commission President Rubin called the regular meeting of October 1, 2009, to order and welcomed all in attendance.

PUBLIC COMMENT PERIOD

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

CONSENT AGENDA

Commissioner Rubin called for any objections to the consent agenda. Hearing none, he read the consent agenda items: Approval of Minutes of the Regular Meeting of September 3, 2009, Special Meeting/Tour of September 17, 2009, and Regular Meeting Work/Study Session of September 17, 2009; Approval of Vouchers No. 9-1 through 9-181 totaling (\$2,355,353.71); Approval of the August 2009 Treasurer's Report totaling \$11,363,588.24; and action items for: Resolution No. 1204 – Signature Authorization for Deposit Accounts and Shell Corporation Settlement Agreement – Former Shell Tank Farm Site. Commissioner Rubin called for a motion for approval. Commissioner Mooney moved to approve the consent agenda. Commissioner Short seconded the motion. Commissioner Rubin called for a vote on the motion, which carried unanimously.

REGULAR AGENDA

STUDY SESSION

Draft Budget for 2010

Executive Director Hyde noted that the 2010 budget would look a great deal like the Port's 2009 budget, and included a conservative operations budget. He expressed pride in the work that Director of Finance & Administration Johnson, Accounting Manager Behan, and Accountant Dutton and staff had produced. Staff will present the capital budget at the Commission's October 15, 2009 meeting. Executive Director Hyde introduced Director Johnson who reviewed

the proposed operating budget for the Commission and the annual process used in drafting the budget. Director Johnson summarized the assumptions derived from that process, and noted:

- The proposed 2010 operating budget assumes no increases to moorage rates, although the Port will continue as planned to bring Commercial Marine rates in line with recreational at the Boat Haven. This will be the last adjustment needed in that rate to do so.
- 280,000 metric tons of petroleum coke shipments are budgeted for the Marine Terminal where there will be no CPI increase.
- The Port's airport hangars and a number of leases will also have no CPI increases.
- New sources of revenues will come from a full year of the property lease with the Northwest Career and Technical Academy for the Marine Skills Center, and a half year's property lease for the Anthony's restaurant scheduled for completion in July 2010 at the Cap Sante Boat Haven.
- There will be no increases to full-time staff.
- The budget anticipates using some of the tax revenues to fund stormwater and other regulatory compliance issues. Like many other municipal governments, these issues are significant for the Port.

Director Johnson provided the Commission with a summary of the 2010 Budget Operating Revenues, totaling 10.6 Million dollars.

Anacortes Airport	\$ 268,200
Property Rentals	1,350,376
Marine Terminal	3,440,900
Cap Sante Boat Haven	5,582,690

Director Johnson noted operating revenues have continued to increase significantly in the past several years, however, under the current economic conditions this is less apparent in the short term, so the curve showing growth appears flattened out.

Director Johnson related that the Port recently had a quarterly financial update, and although there have been a few areas with some downturns in revenues– overall the Port of Anacortes has been very fortunate to have been impacted financially in a relatively flat manner compared to other ports and other areas and communities. Operating revenues per full-time employee are among the highest of all Washington ports at \$360,751.

The 2010 Budget Operating Expenses total 9.9 Million dollars.

Anacortes Airport	\$ 618,525
Property Rentals	667,994
Marine Terminal	3,411,058
Cap Sante Boat Haven	5,199,611

Director Johnson observed that like the revenue curve, the expense curve is flattening out in a similar manner and is monitored closely. As an example, Director Johnson noted that he met with the Port's insurance broker quarterly. The Port will receive a 5% discount this year on liability insurance.

Director Johnson reviewed the Operating Budget by Business Unit.

Anacortes Airport - At the Airport revenues are primarily generated by T hangars and property leases. In regards to General & Administrative (G&A) allocation and depreciation the Airport is unique since depreciation includes capital projects that the FAA has paid for and therefore shows an operating loss. However, if examined before depreciation and G&A allocation, the Port made \$110,000 profit at Airport.

Property Rentals - Leases make up the majority of the Property Rentals revenues with operations, wages and benefits, G&A allocation and depreciation making up the expenses.

Marine Terminal - Revenues at the Marine Terminal are generated by handling, dockage and wharfage fees. The largest expense at the terminal is longshore and stevedoring workers fees, which – regulated by contract. Every three years, the Port and the Shell refinery negotiate a revised contract to reflect current costs of stevedoring rates.

G&A allocation is based on budgeted expenses with each operating area being allocated a percentage share.

Cap Sante Boat Haven - Boat Haven revenues from moorage are projected at \$1.95 million, just under last year's 2 million figure. Although the Boat Haven is not as busy as last year, the Port is fortunate not to be hit as hard as other areas or other ports. Fuel is among the larger expenses, primarily during the busier summer season. Profits from the operation of the fuel dock go towards the obligation to the Property Sales Proceeds account that the commission requested for repayment of fuel dock expenses. Director Johnson reported that last year staff doubled the amount paid back to that account and anticipate being able to pay back a similar amount this year.

The 2010 Budgeted Net Operating Income is \$744,978.

Non-Operating Budget –

Total Non-Operating revenues for the 2010 budget are projected at \$13,728,272 as follows:

Tax Levy	\$ 530,000 – same as levied last year
Interest Income	65,137
Interest Expense (G.O. & Revenue bonds)	692,835
Environmental Grant Received	7,138,750 – for expenses incurred in 2008
Environmental Costs Recovered	7,717,250
Environmental Clean-up Costs	(1,044,400)
Miscellaneous	14,370

Director Johnson provided a brief explanation of the GASB 49 accounting regulations and how this applies to the Port's reporting of environmental fees and costs. He also reviewed bond refinancing options. Staff will present additional information to the Commission at the October 15, 2009 meeting.

Questions posed by the Commission concerned G&A allocations, bond refinancing and debt capacity, and the costs anticipated for the replacement of E & F Docks at the Boat Haven. A copy of Director Johnson's presentation will be attached to the approved version of these minutes.

COMMISSION DISCUSSION

Commissioner Rubin called for any discussion by members of the Commission. He noted that the Port was the recipient of a Homeland Security Grant in the amount of \$575,000 and asked Executive Director Hyde to explain the grant and how it would be used at the Port.

Executive Director Hyde explained that the grant is from Federal funds and will be used to meet increased security requirements, primarily at the marine terminal where the Port is now required to employ round the clock security personnel whenever a ship is loading at Pier 2. The Port will use the funds to construct a guard shack, a TWIC card reader system, web-based camera systems, lighting, and security transportation.

Commissioner Short reported that he and Executive Director Hyde, Marina Manager Fowler, and Commissioner Mooney had gone out to check the Boat Haven marina channel entrance after dark and found there were some deficiencies in signage. This information will be passed on to the Coast Guard.

Commissioner Rubin noted that he has served in the past on the Washington Public Ports Association (WPPA) Legislative Committee and would be willing to serve again. He asked whether any other Commissioner wished to serve. Hearing no one, he indicated he would entertain a motion to approve his service on the committee and payment of his time and expenses. Commissioner Mooney made a motion for approval, seconded by Commissioner Short. Commissioner Hopley reminded the Commission that per their own policy, no motions for action would be introduced at meetings without prior briefing. Commissioner Rubin thanked Commissioner Hopley for the reminder and asked for an action to be prepared for the October 15th meeting.

Commissioner Rubin reported on the new rules proposed by the Federal Dept. of Commerce through the National Oceanic and Atmospheric Agency (NOAA) regarding proposed new regulations for the distance allowed near orca or “killer” whales. He noted NOAA is currently accepting public comment on these regulations which he believed could have a negative impact on businesses in the Port district, including Port tenants. NOAA is holding community forums in both Anacortes and Friday Harbor. Commissioner Mooney noted he would attend. Commissioner Rubin stated he would like to see the Commission issue a statement regarding the proposed rules and impacts and called for discussion. Commissioner Mooney agreed. Commissioner Niver observed that the Commission does not have expertise to weigh-in on the regulations, which he did not view as a Port issue. Commissioner Hopley noted he would support a statement that we are interested in the necessary controls to protect orca populations but would ask NOAA to bear in mind the adverse impacts to the economy of the proposed regulations and not make them too stringent. Commissioner Rubin agreed and asked Commissioner Hopley to draft a letter for the Commission to review and sign at the October 15th meeting.

Commissioner Rubin noted that the Port would be considering the replacement of several older vehicles and requested input from the Commission on giving direction to staff regarding the purchase of economic and fuel saving vehicles. Discussion ensued, including discussion of usage needs, hybrid vehicles, and costs. Commissioner Rubin indicated he would work with Port staff to bring a resolution regarding the values of the Commission and setting a policy on energy conservation to the Commission for consideration at a future meeting.

Commissioner Rubin reported that the WPPA annual meeting would be held in Seattle on November 18-20th. Next year is the 100th anniversary of Washington ports and numerous festivities are planned including a Port Day for public schools.

COMMUNICATIONS

Executive Director Hyde reported on the following:

Port tenant Dakota Creek Industries (DCI) will hold a community tour of its new vessel, the Ross Candies, at the shipyard on October 11th from 12-5 p.m.

The Port main warehouse has been booked for a wedding on Saturday and has bookings throughout the Christmas season.

The Floating Boat Show started today and runs through the weekend at the Cap Sante Boat Haven. Boat sales began to increase in August of this year.

The Railroad Avenue project is going well and is on schedule. All of the creosote pilings have been removed, the beach restored, and the rain gardens have been built. The Port will hold a ribbon cutting at the completion of the project.

At the former Scott Paper Mill site, the project work there is going well with dredged wood waste coming to the Marine Terminal while other dredge spoils are taken to Port Gardner for open water disposal. This is a peak period for the Scott site with Phase 2 ramping up. A temporary sheet pile wall will be driven in and then the beach excavation will begin. The wheel wash system is also in place. The Scott site project is generating \$1.5-2 million worth of work each month. The Seafarers' Memorial Park building has been moved to the Port's lot behind McDonald's.

Work has begun on the Marine Skills Center.

The next Project community tour is scheduled for October 12th at 4:00 p.m. and will tour the Dakota Creek and Scott site projects.

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 October 15, 2009, at 7:00 P.M. The Commission will hold just one regular meeting in November on November 5, 2009, with Commissioners attending the WPPA Annual Meeting November 18-20, 2009.

PUBLIC COMMENT PERIOD

Commissioner Hopley opened the public comment period for items not on the regular agenda.

1. Mr. Tony Bull, 4605 Queen Ann Way, Anacortes, addressed the Commission. Mr. Bull noted that he had watched the last Commission meeting on Channel 10 and felt decorum was lacking. In particular he objected to Commissioner Niver's comments regarding the small boat center and the Comprehensive Plan which included it. He noted he had attended the Comprehensive Plan meetings and felt that the representation of the center was too small, comparing it to a similar facility at Shilshole sited on over an acre, compared to the .15 acre allotted on the Port's Comprehensive Plan. Mr. Bull expressed there was

a lot of effort within the community to have a small boat center and he thought the Commission should consider moving the Seafarers' Memorial Park Building to the north end of the Boat Haven to provide the base for the center, which he felt was more in line with its intended use. Mr. Bull appreciated that Port meetings are aired on television and felt more ports should do so. In closing, Mr. Bull praised the work of Executive Director Hyde and noted that the Commission should let the Port staff decide which cars to purchase and not tie their hands.

Hearing no others, the public comment period was closed.

ADJOURNMENT

With no further business to come before the Commission, Commissioner Short moved to adjourn, which was seconded by Commissioner Mooney. Commissioner Rubin called for the vote on the motion, which carried unanimously and at 8:19 P.M. the meeting adjourned.

Attest:

Keith Rubin, President

Pat D. Mooney, Vice-President

Ray Niver, Secretary

Steve Hopley, Commissioner

William L. Short, Commissioner

Julie Johnson Lindsey, Administrative Coordinator
October 1, 2009