

## **Port of Anacortes**

### **Regular Commission Meeting Work/Study Session September 16, 2010**

The Port Commission of the Port of Anacortes held its regular meeting and work/study session at 7:00 P.M. on the evening of September 16, 2010. This was a regularly scheduled Commission Meeting held at the Commission Meeting Room of the Main Port Warehouse Building, 1<sup>st</sup> & 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 Operations & Facilities Hachey, Accounting Manager Behan, Environmental Administrator Thoman, Information Systems Administrator Parker, and Office Assistant Timmerman.

#### CALL TO ORDER

At 7:03 P.M. Commission President Rubin called the regular meeting of September 16, 2010, to order and welcomed all in attendance.

#### PUBLIC COMMENT

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

There were no items on the Consent Agenda for this meeting.

#### REGULAR AGENDA

#### ACTION ITEM

#### Authorization to Proceed with a Land Lease with Anacortes Small Boat Center (ASBC) -

This item requested Executive Director Authorization to execute a 15 year land lease with the Anacortes Small Boat Center.

Executive Director Hyde reviewed the item for the Commission, providing a short summary of the ASBC group, formed from a variety of small boating groups in May of 2009. Earlier this year, the ASBC requested a long term land lease for property in the north basin of Cap Sante Boat Haven. At the April 15<sup>th</sup> meeting, the Commission suggested property closer to the P/Q Dock be used rather than the property in the center of the north basin parking lot as originally proposed by the ACBC. Port staff met with ASBC representatives, with the following items to be considered if the Commission authorizes execution of the lease: The facility will consist of paved and unpaved land adjacent to the P/Q Dock access. The proposed ground lease is for approximately 5,868 square feet. The use will be for small boat storage. The Port will install a chain link fence to define the area and provide security for the boats in storage.

Per the Port's leasing policy adopted by Resolution No. 1225, the initial lease rate will be based on an 8.5% rate of return on the value of the property. The property value was established at \$13.00 per foot based on Skagit County assessment of the former McKee parcel adjacent to the site. The lease will allow appropriate adjustment clauses to allow for annual CPI increases and a market rate adjustment every five years. The initial lease term is 15 years with two ten-year extensions. The lease rate is estimated to return \$6,484 per year average over the term of the lease with a catch-up rate structure established to lower the rate the first five years, and then increase the rate over the last ten years.

Commissioner Mooney inquired whether the \$6,484 would be the rate during the first five years or whether that was the average rate over the 15 year term. Executive Director Hyde explained that the lease rate would start at a lower amount and then increase gradually after the first five years over the remainder of the lease term.

Commissioner Hopley noted when the Commission reviewed the Port's lease and rate structures and made changes earlier this year, he found a catch-up lease to be close to equivalent of a normal or standard lease. He thought the start-up lease criteria would have been more favorable to the ASBC and inquired why that option hadn't been selected by that group.

ASBC President John Pope, 4001 Peters Lane, Anacortes, offered the explanation that the ASBC and Commissioner Niver individually penciled out both options in making the decision to select the catch-up lease. Mr. Pope noted that the present economy was not the best in which to start a small business venture. The ASBC felt it was most important to have a successful start. Although they met the start-up lease criteria, they were uncertain whether they could achieve sufficient occupancy to pay 50% of the lease fees. The lower rates offered by the first five years in a catch-up lease were better suited to the present economy. Mr. Pope voiced the group's appreciation for the rate and fee schedule options and partnership in development of these rates provided by the Port.

Commissioner Rubin called for a motion. Commissioner Niver moved to authorize the Port's Executive Director to negotiate and execute a ground lease with the Anacortes Small Boat Center to establish a small boat storage facility as outlined within this action item. Commissioner Short seconded the motion. Commissioner Rubin called for any discussion. Commissioner Short noted that the storage facility would be a great help to small boaters and beneficial to the community. Commissioner Mooney observed that moving the storage facility near to the P/Q Dock was a wise decision. Hearing no further discussion, Commissioner Rubin called for a vote on the motion, which carried unanimously.

### STUDY SESSION

#### Prioritize 2011 Capital Projects –

Executive Director Hyde reviewed the Commission's ratings of proposed Capital Improvement Projects (CIPs) for 2011. These included:

- Security Cameras and Wi-Fi at the Boat Haven
- Replacement of the HVAC system at the West Basin Building of the Boat Haven
- E & F Docks replacement – material procurement and construction
- Pier 2 Stormwater Reconveyance
- Puget Sound Rope office building structure
- Seafarers' Memorial Park Building Improvements

The Commission's total combined scores per project resulted in following ratings:

1. E & F Dock
2. Pier 2 Stormwater
3. Puget Sound Rope Office and Seafarers' Memorial Park Building Improvements (tie)
4. Boat Haven Security Cameras and Wi-Fi
5. HVAC System replacement at the West Basin Building

Executive Director Hyde also reviewed the Commissioners individual scores for each project, noting that the project score sheets include a weighted scale. Some Commissioners scored items lower that didn't have applicable criteria to apply. Staff will use this in presenting projects for the 2011 capital budget. In response to requests of the Commission, a score sheet will be added for the possible construction of an additional structure or structures at the Seafarers' Memorial Park as discussed in the meeting held earlier that afternoon.

Commissioner Short inquired whether any additional income from the summer months could boost the amounts available for projects. Executive Director Hyde noted that Port staff provides the Commission with quarterly budget updates and it was the Commission's prerogative to discuss the CIP at any time. Commissioner Hopley suggested a special meeting sometime in the future to discuss CIP scoring criteria, perhaps during next year's Commission retreat meeting and prior to the next budget cycle.

#### Commission Technology Options –

Executive Director Hyde reviewed technology options for Commission consideration. He noted that of those using computers, some had reported difficulty in opening links and attachments sent to their computers by Port staff. Executive Director Hyde introduced Information Systems Administrator Parker, who was available to answer questions.

Options discussed:

1. Same Technology – no changes.
2. Same Technology plus Training- provide Training on how to use Port e-mail system, how to open attachments, etc.
3. Slight Increase in Technology and Training-Commissioners will have access to the Port network for e-mail, e-mail archives, and data on the Port Intranet. Provide training on use.
4. Increase Technology and Training- Provide Commissioners with Port issued laptops for access to the Port network, via VPN or by LAN connection at the Port offices.

This could be accomplished by one or more of the following methods:

Setting up Commissioners home computers with VPN capability to access the Port network.

Providing Commissioners with Port issued laptops for access to the Port network, via VPN or by LAN connection at the Port offices.

Setting up VPN on current Commissioners home computers:

Labor for IT staff to set up VPN, install needed software; maintain the computer on an ongoing basis, and any needed training.

Cost of software – approximately \$800 each

Providing Commissioners with laptop computers for VPN and/or LAN access:

Labor for IT staff to set up laptops, VPN, install needed software, maintain the computer on an ongoing basis, and any needed training.

Cost of laptops – approximately \$1200 each.

Cost of software – approximately \$800 each.

In response to questions from the Commission, Information Systems Administrator Parker explained that VPN stood for Virtual Private Network, a secure electronic pipeline between a Commissioner's computer and the Port's network. He noted things to consider included additional staff time for training or maintenance of equipment, equipment theft, and disclosure. Everything contained on a Port computer could be considered a public record. Executive Director Hyde explained this is a complex issue, requiring strict adherence to Port usage policies

Following discussion, it was decided that the Commission would start with Administrator Parker visiting Commissioners to make adjustments as needed to their current systems and provide training on the opening of links and attachments. Network access for the Commission was deemed unnecessary at this time; however some software upgrades may be warranted.

Executive Director Hyde thanked Administrator Parker for attending and for his future service to the Commission.

#### Sulfur Loading – Operating Agreement and Air Permit –

Executive Director Hyde introduced Director of Operations & Facilities Hachey who provided the Commission with a review and update on the Port's plans for loading prilled sulfur at Pier 2. Director Hachey explained that the Port has been working on this potential project for over a year and a half. He provided a review of sulfur, noting that it is:

The 16<sup>th</sup> most plentiful element in earth's crust

Used for fertilizer, chemical processes

China is the world's largest importer

Canada is world's largest exporter

Most sulfur is obtained as byproduct from oil and gas production

Non-toxic

Not a marine pollutant

Stakeholders identified and considered in the planned shipment operations included:

Neighbors of Marine Terminal Pier 2

Metropolitan Stevedore

ILWU

Port of Anacortes

City of Anacortes

Shell

Tesoro

Sulex a subsidiary of Marsulex

Commercial clients (DCI, Transpac, Randy's)

Those identified by Sulex as potentially shipping sulfur included: Shell – Anacortes, Tesoro – Anacortes, British Petroleum – Ferndale, Conoco Phillips – Ferndale, US Oil –Tacoma, and Montana refineries.

Employment impacts from the sulfur operations included the creation of an estimated 11.5 new full-time jobs at the Marine Terminal, the saving of 6 jobs at Sulex Plant, and the expansion of the Marsulex Plant in the county, which will expand both in size and personnel.

Director Hachey provided an overview of the agreements in place. Shell and other refineries will contract with Marsulex to turn their liquid sulfur into solid prills. Marsulex contracts with Port to handle the prills at Pier 2, and the Port contracts with Metropolitan Stevedore to load the sulfur. The Port will establish an Interlocal Agreement with the City of Anacortes in which the City will receive \$2.00 per ton for street improvement and maintenance for any impacts to Truck Routes. Lastly, the Port will be responsible for maintaining air and water quality permits with a monitor installed at the Marine Terminal.

Director Hachey further explained the Port's terminal use agreement with Marsulex and detailed fee schedules for the Commission, as well as the permit with the Northwest Clean Air Agency (NWCAA) and its requirements:

- Conveyor speed limited to 621 feet per minute
- Water fogging emission abatement system will be used
- Sulex will provide certification not to exceed 55 parts per million (ppm) for each shipment
- Visible emissions shall not exceed 10% opacity for greater than 3 minutes within a 60 minute period
- Maximum annual volume 300,000 M/T
- Maximum daily volume 6,000 M/T
- Hours of operation 8:00 am - 10:00 pm
- Ship hatches to be covered during off hours
- Trucks must be covered
- Trucks wheels washed when leaving terminal
- No sulfur storage on dock
- Port to provide ambient monitoring for H<sub>2</sub>S
- Operator to minimize vertical drop into the ship hold
- Port to maintain records for five years

The NWCAA permit hearing is scheduled for September 20 at 9 a.m. at the Agency's office in Mount Vernon. Once a permit is granted, the Port will sign an agreement with Marsulex and plan to begin shipments in 2011.

In response to questions by the Commission, Mr. Charles Montoya, Corporate Project Engineer for Marsulex explained that parts per million testing is done on each pile of sulfur shipped for loading and the average reading of the pile is recorded. Marsulex finds their readings have traditionally run 30-40 ppm. The new project will expand their facility and allow more area for storage and degassing prior to shipment, which will subsequently mean lower ppm readings. By comparison, Canadian self-imposed industrial standards are lower at 10 ppm due to the very large volumes of product and the amount of time it sits in long-term storage on the piers in Vancouver, Canada.

Commissioner Rubin noted the importance of assurance that the Port's agreement provides clean responsibilities for all parties. Director Hachey explained that the Port's commercial

responsibility is from the truck dump at the terminal, up the loader, and into the ship. The Port's community responsibility is via its partnership with Sulex/Marsulex and LTI much as the Port has partnered with Shell for the shipment of petroleum coke and with similar contingency plans in place. Sulex benefits from the Port's history and experience with pet coke operations. In comparison to other ports, Director Hachey noted that no other terminals he has seen over the course of his career is as clean or handles a product as cleanly as the Port of Anacortes does. Likewise, he knew of no other marina terminal that shuts down operations during later evening and early morning hours in deference to the community.

Commissioner Niver observed that the City has regulations in place and that the trucking firm, LTI, would also have responsibility and a contingency plan should a spill occur. Commissioner Hopley noted that in our observations prilled sulfur is not a dusty product and that dust emissions were not anticipated, however he would be more comfortable that if there were public nuisance discharges, these would be defined and the Port would have assurance that any cost for elimination would not be borne by the Port or that the Port would have the option to discontinue operations until problems were rectified or cancel the contract.

Mr. Montoya explained that the NWCAA used the same strict standards as are in place by the agency in California at the Port of Longbeach, which ships far greater amounts of pet coke and sulfur than the amounts proposed by the Port of Anacortes. These same best available control technologies were applied to the Port's permit submission to NWCAA. As calculated, each truck load of the sulfur unloaded and loaded into the ship will be on Pier 2 for approximately 37 seconds. Sulex will make certain that the sulfur is shipped with a certain moisture content to prevent dusting, and at the Pier, misters both on the dock and at the chute on the top of the loader will ensure that dust is not an issue. The sample product used for the test shipment will be consistent with the product shipped consistently.

Executive Director Hyde noted that a graph of the H<sub>2</sub>s off-gassing and accompanying report are displayed on the Port's website, as well as a video of the October 2009 test loading.

### COMMISSION DISCUSSION

Commissioner Rubin called for any items for discussion from members of the Commission.

#### Delegation of Authority – Marina Rates –

Commissioner Rubin noted that he would be meeting with Executive Director Hyde to discuss items discussed by the Commission at the September 2<sup>nd</sup> meeting and would bring a proposal to the Commission at a later date for further discussion.

#### Special Meeting Policy –

Commissioner Rubin noted that on occasion a special meeting is needed. He gave as an example the special meeting held earlier today for Commission discussion of the Seafarers' Memorial Park Building to provide staff with direction for necessary next steps. He praised the efforts of Executive Assistant Lindsey in working out scheduling for this and other meetings, and asked for input from the Commission. Commissioners Short noted the Commission was made up of five active people with additional commitments. He and Commissioner Mooney favored scheduling special meetings for dates when the Commission already had a regular meeting scheduled whenever possible. Commissioner Niver preferred to not have long meetings or

meetings back to back as he believed it did not allow time to go through any materials and produce good decisions.

Commissioner Hopley proposed a three-tiered system to categorize special meetings: Very Urgent, Urgent, and Routine. Very Urgent would require the minimum quorum of 3 Commissioners, Urgent would require attendance by 4 Commissioners, and Routine would require 5 Commissioners to attend. Commissioner Mooney disagreed, believing that very urgent or urgent matters should include all five Commissioners to make a decision.

Commissioner Rubin proposed keeping a date open between the Commission's regular meeting schedule or, to do as Executive Assistant Lindsey did in the most recent example, selecting three dates and scheduling the meeting for the date that can achieve the largest Commission attendance. Commissioner Rubin favored this approach.

#### Airport Signage –

Commissioner Mooney inquired about the construction of signage at the Port's property at Oakes Avenue and Anacopper Road. Executive Director Hyde explained that the Port has signage in the mix for the Capital Improvements Program and had requested funding by the FAA, but none was available at this time. Staff plans to bring the signage back as a capital project next year and will put it through the scoring process by the Commission.

### COMMUNICATIONS

Executive Director Hyde reported that the Port recently received a Silver Partnership Award from the NWCAA. The award is given as recognition to businesses that are working to reduce emissions and improve air quality, while consistently meeting requirements and helping keep our communities healthier places to live.

#### Upcoming Events –

The Port facilities will host a number of local events in the next month, including:

- September 26<sup>th</sup> - Oyster Run
- October 1-3 - Boat Show – Cap Sante Boat Haven
- October 9<sup>th</sup> - Chamber of Commerce Oktoberfest “Beer on the Pier” 12-6 p.m. - Transit Shed
- October 23<sup>rd</sup> - Friends of the Forest – Transit Shed
- October 30<sup>th</sup> - Halloween Concert – The Hallyards – Transit Shed
- November 6<sup>th</sup> - Chamber Cheers - Transit Shed

#### Community Tours-

The next community tour will be October 11<sup>th</sup>. Tours meet outside the Dakota Creek office at 4<sup>th</sup> & Q Avenue and move from there to a variety of locations to view Port projects. The next tour will include the Scott Site Cleanup and Anthony's restaurant construction.

### UPCOMING MEETINGS

Executive Director Hyde reviewed the Commission's upcoming meeting schedule. The next Regular Port Commission Meeting is scheduled for October 7, 2010 at 7:00 P.M. The next Commission Regular Meeting and Work/Study Session will be held on October 21, 2010 at 7:00

P.M. Regular meetings are usually held in the Commission Meeting Room of the Main Port Warehouse Transit Shed. On November 4, 2010 the Commission's Regular meeting will include a public hearing on the 2011 Budget. On November 15, 2010, the Commission will hold a special meeting with the Chamber of Commerce hosting a "Meet Your Port Commissioners" meeting at the Anacortes Public Library from 5-7:00 p.m.

Commissioner Rubin noted that the Commission would need Executive Assistant Lindsey to assist in finding a date for the Commission to hold a special meeting for discussing real estate sometime in October. Executive Director Hyde noted that such a meeting has been discussed by staff and is already in the works.

#### PUBLIC COMMENT PERIOD

Commissioner Rubin opened the public comment period for items not on the regular agenda. Hearing no one with a desire to address the Commission, the floor 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 8:30 P.M. the meeting was adjourned.

#### **Attest:**

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Keith Rubin, Commission President

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Pat D. Mooney, Commission Vice-President

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Ray Niver, Commission Secretary

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Steve Hopley, Commissioner

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William L. Short, Commissioner

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Julie Johnson Lindsey, Executive Assistant  
September 16, 2010  
Meeting filmed by Office Assistant Timmerman