

Port of Anacortes

Regular Commission Meeting Work/Study Session October 21, 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 October 21, 2010. This was a regularly scheduled Commission Meeting held at the Commission Meeting Room of the Main Port 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, Marina Manager Fowler, and Executive Assistant Lindsey.

CALL TO ORDER

At 7:00 P.M. Commission President Rubin called the regular meeting of October 21, 2010, to order and welcomed all in attendance. He announced that following the second public comment period, the Commission would enter into Executive Session to consider lease, sale or purchase of real property. The Executive Session was expected to last for one half hour and action might or might not be taken.

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

Commissioner Rubin read the consent agenda item: Authorization of Pre-Construction Elements for the Puget Sound Rope Office Building, Project #PROP-07. Commissioner Rubin called for any objections to the consent agenda. Commissioner Short voiced a preference for moving the Action Item to the Regular Agenda. Hearing no objections to the move, the Action item was placed on the Regular Agenda.

REGULAR AGENDA

ACTION ITEM

Authorization of Pre-Construction Elements for the Puget Sound Rope Office Building, Project #PROP-07 -

This item requested Commission Authorization for staff to proceed with the pre-construction elements necessary to construct the Puget Sound Rope Office Building. Executive Director Hyde noted that the Commission had approved a new 10 year lease, including the new building, with Puget Sound Rope at their October 7, 2010 meeting. Pre-construction elements include permitting, design and engineering, and project administration and contingency, totaling \$137,874.00 Bidding is anticipated for winter / spring of 2011. Once bidding is complete, staff will

return to the Commission for approval of funding for construction. Executive Director Hyde introduced project architect Mike Underwood who was present at the meeting.

Commissioner Hopley noted there had been some mention of a shoreline conditional use permit requirement. Director of Operations & Facilities Hachey observed that Puget Sound Rope was already leasing the property under a permitted use, and it was as yet uncertain whether a shoreline permit would be required in addition to building permits.

Hearing no further discussion, Commissioner Rubin called for a motion. Commissioner Hopley moved to authorize funding in the amount of \$137,874.00 to be spent from the Property Sales Proceeds Fund, to complete the pre-construction elements for the Puget Sound Rope Office Building, Project #PROP-07. Commissioner Short seconded the motion. Commissioner Rubin called for any additional discussion, and hearing none, called for a vote on the motion, which carried unanimously.

SPECIAL GUESTS

Executive Director Hyde welcomed Susan Musselman, Bond Advisor with STM Advisors, and Jane Towery, Bond Underwriter with Piper Jaffrey, who were present to discuss bonding for E&F Docks and to answer questions from the Commission.

Ms. Musselman addressed the Commission, explaining that interest rates were now historically low. She noted the Port as a government entity qualifies for borrowing on a tax-exempt basis, meaning lower rates. As part of the 2009 Federal stimulus plan, the Port is able to fund the dock replacements using Build America Bonds. These bonds are sold at a higher rate of interest but come back with a Federal subsidy of 35%. Ms. Musselman noted that both types of bonds are good choices. The Build America Bonds are only available until the end of 2010.

Ms. Towery addressed the Commission, noting it was an honor for her firm, Piper Jaffrey, to represent the Port in the public market in the coming weeks. She reviewed three structured options which, she noted, represented opportunities and challenges.

Structure 1 – Wrapped level debt service – the most expensive overall but with the lowest rates payable now and would allow for additional borrowing in the future.

Structure 2 – Short level – lowest cost options but uses higher interest rate debt in future years

Structure 3 – Modified level – after the 2018 principle is amortized, borrowers can pay the principle off sooner. This option provided future debt capacity but is more costly.

Build America Bonds – Expire at the end of 2010. Are taxable, and depending on the interest rate, could be preferable to Tax Exempt Bonds. Build America Bonds do have a higher audit rate and there can be a risk of delay in payment.

Summary Analysis – The savings to the Port is greater under the options which pay the principle off sooner. The PAR amount differs between the options, with Tax Exempt Bonds sold at a premium. Some direction is needed from the Port as to whether to use Build America Bonds or Tax Exempt Bonds. Director Johnson noted that the Port's Bond Counsel has affirmed that the Port is qualified for either type of bonds.

Ms. Musselman and Ms. Towery responded to questions from the Commission. They noted this would be a \$4.5 million dollar bonding for the E&F Docks project costs and the costs of issuance. They had targeted a potential sale date of November 3, 2010, and would recommend looking at Build America Bonds if a sufficient interest rate is available. Ms. Towery explained that that Tax Exempt Bonds and taxable bonds track separately.

The key steps needed for bonding were as follows:

- Bond Rating – the Port is currently rated as A1. This is an improvement over the last bond rating given to the Port of A3.
- Preparation of disclosure documents
- Preparation of authorization documents
- Approval of Bond Resolution for Consideration of delegation to the Executive Director or other designee to approve the bonds to take advantage of rates.

November 3, 2010 has been targeted for timing consideration, with the best pricing market being in November. A special meeting is recommended to approve delegation.

Ms. Musselman noted that the timing of the Commission's regular meeting and Budget Public Hearing on November 4th at 7:00 p.m. would put it after the close of business. She further explained it would be preferable to take action earlier in order to give the underwriter time to adequately market the bonds.

Commissioner Hopley noted that, as Ms. Musselman had stated, the Commission has scheduled their Public Hearing on the 2011 Budget (which contains the E & F Docks project) and potential adoption for November 4th. He questioned whether the Commission should put a process to vote for the budget containing the bonds forward as not credible. Ms. Musselman explained that the Commission could choose to wait to issue the bonds; the risk is for the rate of interest.

Discussion ensued with the consensus being that the November 4th meeting could be rescheduled to November 3rd at 4:00 p.m. and still meeting the notification requirements for the Public Hearing.

The Commission, advisors and staff then discussed the three structured options and the pros and cons of each. Following discussion, Commissioner Rubin polled the Commission regarding their first choice option. Commissioners Hopley, Niver, and Rubin voiced their preference for Structure 2 for cost savings, while Commissioners Mooney and Short preferred Structure 3 for flexibility.

The Bond Advisors and staff will bring a delegation resolution to the Commission at their special meeting scheduled for October 25, 2010 at 9:00 a.m. Commissioner Rubin stated the Commission would leave the selection of Tax Exempt or Build America Bonds to the advisors and staff. He thanked Ms. Musselman and Ms. Towery for their presentations.

STUDY SESSION

Marina Marketing Plan for 2011 –

Executive Director Hyde provided the Commission with a year-to-date overview of the Cap Sante Boat Haven, and staff's plans for marketing the Boat Haven in 2011.

Guest moorage was up over the levels of the past two years. Adding to this was great September weather and significant boating rendezvous, which brought additional boaters to the Marina. Executive Director reviewed a survey underway of transient boaters to the Boat Haven, which indicated the average vessel spent approximately \$525 during their stay, resulting in an overall \$2 million contribution to the local economy. Also noted were boat launches and fuel sales, with both the highest in three years. RV nights were down compared to prior years. As the weather cools slip vacancies begin their yearly climb. Most are in the 30 foot and under category, compared to last year when the Port had more 66 foot slips vacant.

Executive Director Hyde reviewed the strengths of the Boat Haven, including Trawlerfest – now the largest of its kind. He thanked Chamber of Commerce Executive Director Mitch Everton for his assistance in bringing Trawlerfest to Anacortes. The Anacortes Salmon Derby has also become a huge shoulder season event and the Fuel Dock with competitive pricing and great customer service from Port staff, are all strong points. Everyone on the Port's staff spent some time at working at the Boat Haven this past summer.

The Port will continue to look for opportunities to market the Boat Haven, including working to attract more boating rendezvous. The Latitudes and Attitudes cruising group is an example of a new rendezvous group. The addition of the new Anthony's restaurant will also attract more people to the Marina. The Boat Haven has been named a Washington Clean Marina. The Port will expand the popular summer concert series to five concerts in 2011, as well as continue to promote and participate in local events and festivals such as the Anacortes Workboat Races and the Waterfront Festival.

Threats to the Boat Haven's success are the marketing efforts of other area marinas and the expansion of dry stack storage.

The Marketing Plan for 2011 includes:

- ❖ Advertising
 - ❖ Boater's Guides
 - ❖ Website
 - ❖ Visitor's Guides
 - ❖ Special Events
 - ❖ Port Website
 - ❖ Chamber Website
 - ❖ Survey
- ❖ Promotions
 - ❖ Special Event Rates
- ❖ Events and Festivals
- ❖ Destination Marina
- ❖ Emphasize Amenities, Service, Facilities, Staff

Focus:

- Keep more boats in the marina throughout the winter
- Increase boater awareness of our facilities
- Draw new/additional transient boaters to the Boat Haven
- Market Cap Sante Boat Haven as a destination

Proposal

- Create an Incentive to keep boats at Cap Sante through the winter:
- Pay for 11 months up front, get 12 months of moorage
- Discount = 8.3%

In response to questions from the Commission, Executive Director Hyde and Director Hachey noted that the requirement for the 11 months to be paid up front means that not all boaters would participate. Also receiving one up front sum from boaters would reduce the number of billing statements and staff time. This proposal met with the approval of the Commission. It was agreed that staff will promote this as a one year trial.

Commissioner Hopley noted he did not see a marketing plan presented for the Marina uplands. With the opening of Anthony's he stated he would like to see an emphasis on developing the rest of the uplands at the Boat Haven.

Tax Fund Policy –

Executive Director Hyde and Director Johnson provided the Commission with the Port's millage rate history as well as a comparison to other Washington ports. The Port is among the lowest of those which impose taxes. An average home in Anacortes pays approximately \$24 per year towards Port taxes. Taxes account for approximately 4% of the Port's revenue

Uses of Tax Fund 2006-2010

2006 – Project Pier 1 Redevelopment – Eelgrass Mitigation West Basin Redevelopment – Public Access Improvements Trailer Boat Launch Facility

2007 – Project Pier 1 Redevelopment – Eelgrass Mitigation West Basin Redevelopment – Public Access Improvements Trailer Boat Launch Strategic / Comprehensive Plan

2008 – West Basin Redevelopment – Public Access Improvements Strategic / Comprehensive Plan

2009 – Public Access Requirements for Boat Haven Improvements

2010 – Industrial and Municipal Stormwater Compliance Stormwater Conveyance System at Pier 2, Small Boat Hoist, Cathodic Protection – Airport Fuel Tanks

Comprehensive Plan Projects:

\$100,000,000 in projects are outlined in the 2008 Comprehensive Plan.

Port Resolution No. 1147 states, "Property taxes collected and spent may be levied for industrial land acquisition and development, including environmental costs, debt service for general obligation bonds, and public access improvements."

Commissioner Rubin polled the Commission as to whether Resolution No. 1147 was adequate or whether it should be amended in any way. He noted it was not perfectly aligned with the Port's Strategic Plan which primarily spoke to jobs and commerce. Commissioners Hopley and Mooney voiced support for the resolution as having the right uses. Commissioner Short noted his one concern was the phrase "industrial land" as he thought other land could be needed for public access uses. Commissioner Niver expressed that the resolution encompassed a need for a project that required public access. He wished to see that projects which used the tax fund to expand something that brought in revenues be required to repay the tax fund with returns on that investment. Commissioner Short noted he was reluctant to restrict the funds, observing that the Community as a whole benefited from jobs, and projects that create public access, Commissioner Hopley reiterated that he didn't see a problem with the resolution, and did see the logic in putting money back into the fund as it would enhance the Port's ability to do more. Commissioner Niver noted that revenues based on investment provided an opportunity to demonstrate that the Port was moving towards out intent, to be self-sufficient and demonstrate credibility. Commissioner Mooney observed that the Port needed a tax system to guarantee it bonds. Commissioner Rubin noted that environmental costs were appropriate for the resolution.

Commissioner Rubin called for discussion as to whether the \$530,000 amount of tax proposed for collection in the 2011 budget was agreeable to the Commission. Commissioner Short believed the current tax level was fine with no higher amount needed, and noted that tax funded projects included those that create jobs. Commissioner Mooney viewed the current level as satisfactory. Commissioner Niver expressed that he could support two years of expected uses of the funds considering the stormwater projects underway at Pier 2, and beyond that, base taxes on what intended projects. He noted that the Port did raise taxes once in 2006 for a specific

project need and then returned to lower levels the following years. Commissioner Mooney supported a steady cash flow, and improvements at Seafarers' Memorial Park and the Transit Shed Events Center. Commissioner Short noted the Port's work on environmental cleanups and the need to look at property acquisitions. Commissioner Hopley noted that the decision on a level of taxes should be based on a comprehensive look at projects and goals of the Port over the next five years. At present he had heard no complaints about the \$530,000 levy. Commissioner Rubin agreed that the tax remain as is or another year or two in support of required storm water improvements, and then be re-examined on a project basis as to whether it was needed in subsequent years. The levy consensus by the Commission was to keep the \$530,000 taxation for the 2011 Budget.

COMMISSION DISCUSSION

Commissioner Rubin called for any items for discussion from members of the Commission. Commissioner Mooney noted improvements he would like to see for the floor in the Transit Shed. Commissioner Hopley noted that the Commission had agreed that proposals for projects would be directed to the Executive Director.

Commissioner Short noted the new meeting space at the Marine Skills Center that the Port will oversee use of during non-school hours. He wondered if there were any long-range plans for obtaining additional meeting areas via agreements with the Education School District Office and the Cannery Building to create a campus effect. Executive Director Hyde noted that Trawlerfest essentially does this by contact the various building owners to coordinate classes for their attendees.

COMMUNICATIONS

Executive Director Hyde reported on the following:

Upcoming Events –

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

October 23rd - Friends of the Forest

October 30th - Halloween Fundraiser

November 6th - Chamber Cheer

December 1-6th – Celebration of Trees

December 18th – Christmas Boat Parade and Concert - Geoffrey Castle – A Celtic Christmas Celebration

The Anacortes Futures Project will hold a series of public input meetings:

October 28th – 5-7 p.m. City Hall

November 16th – 5-7 p.m. City Hall

December 9th – 5-7 p.m. City Hall

Community Tours-

The next community tour will be November 8th. 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. As agreed earlier, the Commission will hold a Special Meeting on Monday, October 25th at 9:00 A.M. to discuss real estate policies. The next Regular Port Commission Meeting and Public Hearing on the 2011 Budget that had been scheduled for November 4, 2010 will be rescheduled for November 3, 2010 at 4:00 P.M. 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. The November 18, 2010 Regular Commission Meeting is cancelled. Members of the Port Commission and staff will be attending the Washington Public Ports Association Annual Meeting in Tacoma November 17-19, 2010.

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.

Commissioner Hopley inquired how many options the public had for submitting public comment on the budget. Executive Director Hyde explained the public may submit e-mail, telephone transcription, written or spoken comments in regards to the budget.

Commissioner Rubin inquired whether Executive Director Hyde and Commissioner Niver could report on the SCOG meeting attended by Senator Haugen. Executive Director Hyde explained that he and Commissioner Niver had briefed those assembled on two Port projects, Pier 1 reconstruction and E & F Dock reconstruction. Senator Haugen took these under advisement for possible funding. Commissioner Niver noted that the Port's projects are unique and represent things the Port can do that other municipalities cannot, namely partner with private industry. Nearly all Port projects create jobs, not just in doing the project, but by the beneficial results following. Commissioner Niver noted they had also brought up the concept of these projects as shipping and as transportation related issues.

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.

EXECUTIVE SESSION

Commissioner Rubin announced that the Commission would take a 5 minute recess and then move into Executive Session for the purpose of discussing litigation or potential litigation with legal counsel. Anticipated duration was up to one half hour and action may or may not be taken. The Commission entered into Executive Session at 9:39 P.M.

At 10:00 P.M. the Commission came out of Executive Session and resumed the Regular Meeting. Commissioner Rubin announced there would be no action taken regarding the matter or matters discussed.

ADJOURNMENT

With no further business to come before the Commission, Commissioner Mooney moved to adjourn, which was seconded by Commissioner Niver. Commissioner Rubin called for the vote on the motion, which carried unanimously and at 10:01 P.M. the meeting was adjourned.

Attest:

Keith Rubin, Commission President

Pat D. Mooney, Commission Vice-President

Ray Niver, Commission Secretary

Steve Hopley, Commissioner

William L. Short, Commissioner

Julie Johnson Lindsey, Executive Assistant
October 21, 2010