

Port of Anacortes
Regular Commission Meeting
October 6, 2011

The Port Commission of the Port of Anacortes held its regular business meeting at 7:00 P.M. on the evening of October 6, 2011. 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 Vice-President Mooney, Commission Secretary Niver, Commissioner Hopley and Commissioner Short. Commission President Rubin was excused.

Also in attendance: Executive Director Hyde, Director of Finance & Administration Johnson, Director of Operations & Facilities Hachey, Accounting Manager Behan, Marina Manager Fowler, Information Systems Administrator Parker, and Office Assistant Timmerman. Executive Assistant Lindsey was excused.

CALL TO ORDER

At 7:00 P.M. Commission Vice-President Mooney called the regular meeting of October 6, 2011, to order and welcomed all in attendance.

PUBLIC COMMENT PERIOD

Commissioner Mooney opened the floor for public comment pertaining to items on the regular agenda. Hearing none, the floor was closed.

CONSENT AGENDA

Commissioner Mooney read the consent agenda items: Approval of Minutes of the Regular Meeting of September 1, 2011, and the Regular Meeting/Work Study Session of September 15, 2011; Approval of Vouchers No. 10-1 through 10-142 totaling (\$2,383,507.35); and Approval of the August 2011 Treasurer's Report totaling \$16,008,754.22. Commissioner Mooney noted that Commissioner Short was absent for the meeting of September 15, 2011 and would not be voting on those minutes. He called for any objections to the consent agenda. Hearing none, he called for a motion for approval. Commissioner Niver moved to approve the consent agenda. Commissioner Short seconded the motion. Commissioner Mooney called for a vote on the motion, which carried 4-0 with Commissioner Rubin absent.

REGULAR AGENDA

STUDY SESSION

Redistricting Report –

Commissioner Mooney introduced Bob Schweitzer of Sammamish Data Systems who had performed a study for the Port, using the 2010 Census, as required by Skagit County and the state by the Revised Code of Washington, to determine if there was a need for redistricting of current Commission districts. Mr. Schweitzer reviewed the 2010 Census results and the effect those results had on the existing Commission districts. He explained that the 1st district was now much larger than the other districts by 27% due to population growth in that area. He

recommended reducing the size of the 1st district, with a new boundary line being Georgia Avenue. This would entail growth of the 2nd district to the West. Mr. Schweitzer noted in updating district boundaries it was considered best to maintain whole precincts and explained he'd sought to keep voter precincts as intact as possible or located along simple, clean lines, as preferred by Skagit County.

The 5th district would take over the rest of area vacated by the 1st district to achieve balanced populations.

The district with the least population was the 4th district. Mr. Schweitzer explained he increased the area of the 4th district, moving it north along N Avenue, a precinct boundary line, to the Guemes Channel.

The 3rd district populations were steady, showing no real need to change. Mr. Schweitzer noted he had un-split Anacortes precinct number 6, located in district 3.

Mr. Schweitzer explained he also took into consideration the physical addresses for each Commissioner, keeping each in their own district.

Commissioner Niver inquired what was the reasoning for a several block jog along the east side of district 2 where it bordered district 4. Mr. Schweitzer explained it was for population parity – and in this case basically a means to bring population counts up without making too many jogs for the County. After reducing district 1 and increasing district 5, the primary deviation remained between the 2nd and 4th districts with about 200 people off between them. This was addressed by increasing the size of the 4th district, which had the lowest population.

Mr. Schweitzer observed that state law says districts should also be compact and reiterated that the County prefers districts along clean lines or by precincts whenever practicable.

The population counts for districts 1-5 as newly proposed would be:

District 1: - 58, a deviation of 1.17%
District 2: -130, a deviation of 2.62%
District 3: - 07, a deviation of 0.4%
District 4: +186, a deviation of 3.75%
District 5: + 06, a deviation of 0.12%

The law requires that districts be as equal as practicable, compact, and contiguous. The proposed districting plan with less than 5% deviation is much closer to achieving that than the current plan.

Commissioner Hopley inquired about the process going forward and whether the Commission would need to approve a redistricting plan.

Executive Director Hyde confirmed that was the case. Mr. Schweitzer noted the state's deadline for receipt of the Commission's redistricting plan is January 4, 2012. The County would prefer to have the new plan by December 31, 2011. The Port Commission is required to have an open meeting / public hearing on adoption of the revised district boundaries, and could adopt the new plan one week after that hearing.

Commissioner Hopley noted he would like to see the state law and guidelines for Commissioners regarding redistricting. He explained he would like the Commission to think in terms of what is

achieved by those guidelines in a way that would really suit the public and have communities consistent with each other.

Commissioner Niver agreed and asked for a map that indicated the population numbers if possible. Executive Director Hyde will have Port staff provide a copy of the County and Revised Code of Washington guidelines and the proposed redistricting maps for the Commission. Commissioner Mooney thanked Mr. Schweitzer for his presentation.

Mr. Schweitzer noted that in some cases he chose compactness over an exactly equal percentage of population in arriving at the revised plan presented to the Commission.

Executive Director Hyde thanked Mr. Schweitzer as well. The redistricting plan will be brought to the Commission for further discussion or action before the end of the year.

DISCUSSION ITEMS

Draft 2012 Budget –

Executive Director Hyde introduced Director of Finance & Administration Johnson who briefed the Commission on the draft 2012 budget, which includes assumptions for a proposed 3% increase for permanent moorage rates as of July 1, 2012, an increase for transient moorage rates from \$1.05 to \$1.10 per foot, an increase in fuel sales of almost \$400,000, an increase of \$150,000 in moorage revenues with the completion of the new E & F Dock, 250 metric tons of coke and 100 metric tons of sulfur, a 2% CPI on leases as well as a 2% COLA, increased rates for the Transit Shed rental to reflect a three-day rate. The Draft Budget maintains current staffing levels although there are continued increases in costs for medical and state retirement. Director Johnson noted that in terms of cash flow analysis there was some detail in 2012 based on revenue projections and a need for approximately \$1.8 million in Capital Improvements year after year with allocation of approximately \$600,000 from the Tax Fund for qualifying projects.

Director Johnson reviewed the Port's anticipated operating revenues and expenses for 2012 as follows:

Revenues:		Expenses:	
Airport	\$ 275,300	Airport	\$ 621,424
Properties	\$ 1,440,167	Properties	\$ 674,156
Marine Terminal	\$ 5,578,820	Marine Terminal	\$ 5,087,909
Cap Sante Boat Haven	<u>\$ 6,416,750</u>	Cap Sante Boat Haven	<u>\$ 6,416,254</u>
TOTAL	\$13,711,037	TOTAL	\$12,799,743

The seven-year trend for operating revenues and expenses shows steady increases for both with revenues remaining slightly ahead by comparable and consistent margins to prior years. Operating revenues per full-time equivalent employee are anticipated to be substantially higher in 2012 at \$368,477 per FTE compared to \$309,002 as budgeted in 2011 and \$276,623 per FTE in 2010.

Director Johnson reviewed each of the operating areas' revenues and expenses:

At the Anacortes Airport revenues are obtained from T-Hangars: \$105,000, property leases: \$159,000 and operations: \$11,300, while expenses come from operations: \$184,056, G&A allocation: \$64,670 and depreciation: \$372,698.

Properties revenues are derived from leases: \$1,407,667 and other income: \$32,500. Expenses are wages & benefits: \$58,449, operations: \$252,943, G&A allocation: \$109,530 and depreciation \$253,234.

For the Marine Terminal, revenues are received for handling: \$2,463,100, dockage/wharfage/S&F: \$2,386,750, and other revenues of \$728,970. Expenses include longshore/stevedoring: \$2,572,045, operations: \$677,160, G&A allocation: \$1,141,646 and depreciation: \$697,058.

At the Cap Sante Boat Haven, revenues come from moorage: \$3,522,200, fuel dock sales: \$2,426,250 and other income:\$468,300. Expenses come from wages & benefits: \$715,359, fuel: \$2,053,217, operations: \$1,335,834, G&A allocation: \$1,442,189 and depreciation: \$869,656. Total net forecasted operating income for the Boat Haven is \$495.00, basically breaking even for 2012.

Director Johnson explained that General & Operating (G&A) expenses are made up of expenses from the following departments:

- Commissioners
- Executive
- Finance, Information Technology & Administration
- Project Mangers
- Engineering Support

G&A accounts for a total of \$2,758,035 of the draft 2012 budget.

Director Johnson reviewed the draft 2012 non-operating budget as well:

Taxes Levied	\$ 530,000
Interest Income	\$ 50,200
Interest Expense (G.O. & Revenue Bonds)	\$ (656,900)
Environmental Grants Received	\$ 291,525
Environmental Costs Recovered	\$ 191,525
Environmental Clean-up Costs	\$(1,518,049)
GASB 49 Previously Accrued	\$ 334,025
Miscellaneous	<u>\$ 9,409</u>
Total Non-Operating Income	\$ (768,265)

Commissioner Niver asked for clarification regarding the interest expense for the bonds. Director Johnson noted that the amount listed was for interest only. The bonds are listed in the cash flow notations provided to the Commission. Director Johnson also noted the Port currently has close to \$750,000 in the Environmental Fund which will be utilized in the coming year.

Director Johnson summarized the draft 2012 budget Total Net Income:

Operating Revenues	\$ 13,711,037
Operating Expenses	<u>\$(12,799,743)</u>
Net Operating Income	\$ 911,294

Capital Grant	\$ 942,500
Net Non-Operating	\$ (67,291)
Net Environmental Activity	<u>\$ (700,974)</u>

although this would be an open meeting for the Port. Commissioner Mooney agreed the Port is the main function of the meeting. Executive Director Hyde observed the Chamber had originally intended these roundtable meetings to include the City and other entities, but only the Port Commission had responded.

Commissioner Niver believed one area the Commission should be sensitive to in dealing with the public is that many of the policy questions the public might pose would fall into an area that had been delegated to the Executive Director and in those cases Executive Director Hyde should respond to those questions.

In discussing policy questions from the public, Commissioner Short believed each Commissioner, if asked, should be able to respond individually. Commissioner Niver also believed the Commission should speak as one voice on existing policy.

COMMISSION DISCUSSION

Commissioner Short noted during the past few weeks the noise from shipyard operations had been loud enough to require some employees to go home or work elsewhere. He noted he would like to see the Executive Director look into a relocation of the Port business offices as a possible solution. Commissioner Mooney saw this as an opportunity for the Port to acquire property and/or build a new Port office and other space for business uses. Executive Director Hyde reported the Port was looking at all options.

Commissioner Niver noted that the Pier 1 improvements project had projected the move of the dry dock, and questioned whether there was still the intent to do so. Executive Director Hyde reported that Dakota Creek Industries' current working situation did not include moving the dry dock in the immediate future.

Commissioner Hopley observed the Commission valued providing a good safe working environment for the Port's employees and asked what Executive Director Hyde was doing to facilitate this. Executive Director Hyde reported that the Port has an air quality and noise monitoring service in this week for testing and staff was also looking into the replacement of older windows, wall insulation, and the installation of an HVAC system, all of which would greatly improve conditions at the main business office. He will keep the Commission informed of the results and progress.

Legislative Agenda –

Executive Director Hyde noted this item for discussion had been proposed by Commissioner Rubin who was absent for this meeting. Commissioner Rubin wished for the Commission to discuss any items they would like to see prioritized and brought to Olympia and the Washington Public Ports Legislative Committee for inclusion in their agenda for the legislative session beginning in January. Commissioner Short believed the regulations that dictate whether ship yards such as Dakota Creek Industries can bid on the contracts to build the Washington State Ferries should be rescinded. Commissioner Niver noted this was already under discussion with state Representative Lytton. Executive Director Hyde confirmed that Representative Lytton and Representative Seaquist would be touring the Dakota Creek facilities on November 4th at 3:00 p.m. to speak with co-owner Mike Nelson about these regulations and their ability to be competitive for these bids.

Executive Director Delegation of Authority –

Executive Director Hyde noted that questions regarding his authority delegation had come up recently following a change order authorization in the construction of the stormwater pond at Pier 2. The current Commission policy regarding Executive Director administrative and contracting authority, adopted as Resolution No. 1235 in May of 2011, allows the Executive Director to approve contract change orders up to 5% of the contracted amount, to a maximum cumulative amount not to exceed \$500,000 per contract. In this case, the amount of the change order was about \$90,000, and was reported to the Commission at their September 15th meeting.

Executive Director Hyde observed the delegation of authority also includes a provision for an emergency delegation. He termed the work necessary not to be an emergency but reflecting a need to find a solution in a timely manner. He explained that during the removal of the current pond system and construction of a new pond, the contractor encountered continual leaks. After a thorough investigation it was determined that a pipe owned by the City, a 1954 era 24" sewer outfall underneath the pond that daylight into a large diffuser at the west end, was leaking at all of its joints. Executive Director Hyde explained that about 15 years ago the City noted leakage and decided to slip-line the pipe, pushing a smaller pipe as a liner into it from an access point on 4th street. When the pipe was uncovered during construction it was determined to be the source of the leak and had a big gash in it. Executive Director Hyde believed the gash was made by the City when they pushed through the old pipe. The Port had to call in a separate contractor to wall off the leaking sewage wastewater and have a diver dive the pipe to repair it. This necessitated setting aside the original design and resulted in a change order. The amount of time it took to diagnose and repair the problem was costly to the Port. The project is now once again on schedule. The Port was able to capture all the sewage and route it all back to the wastewater plant without harm to the environment. Executive Director Hyde believed the 5% change order delegation was adequate, noting this type of problem was seldom found.

Commissioner Hopley noted that he had raised the question at the last meeting. Going forward, if time allowed and a situation was not an emergency, he would prefer to see more information provided to the Commission earlier, even if this entailed holding a special meeting.

COMMUNICATIONS

Zoning - Executive Director Hyde asked for input from the Commission on a notice of intent of a proposed rezone or change to the City's Comprehensive Plan and Development Regulations codes regarding reducing the height from 50' to 35' in the Light Manufacturing (LM) Zone - Executive Director Hyde reported this would impact the LM zone from Lovric's Shipyard to between N and O Avenues. The change would slightly impact the Port's property in that area. The Port has a 50' height allowance in the Manufacturing and Shipping zone which adjoins it.

Commissioner Niver understood that the purpose of the proposed amendment was to limit the height requirement to 35' along the Guemes Channel and eliminate the ability for any property owner to apply for and be issued of a conditional use permit for up to 50' in height. Executive Director Hyde confirmed this, noting that Lovrics, Trident Seafoods, and proposed projects such as the GEMS project; would be affected by such a restriction.

Commissioner Mooney noted this could negatively impact development and should be looked at in terms of protection of waterfront industry. Commissioner Niver believed it to be a City issue and while Commissioners could speak as individuals, he did not support the Port Commission voicing an opinion on the proposed change. Commissioner Hopley agreed, noting it was incumbent on Port to make the City aware of the impacts such a change could make, but not to take a position to essentially tell the City what to do.

Executive Director Hyde observed the Port has a small are of land that would be affected by the zoning height change as would be some of the area the Port has looked at for possible future acquisition. Staff will bring a more detailed map to the Commission at the next meeting.

Community Tour – The next tour of Port projects will be held October 10th, starting at 4 p.m. at the Pier 2 entrance, 4th Street and R Avenue, to include the Pier 2 Stormwater System Project.

The Port's Transit Shed is booked for several events in October, beginning with the Chamber of Commerce Oktoberfest October 7-9, the Friends of the Forest fundraiser October 14-16, the Anacortes High School Homecoming Dance October 21-23, and the Island Chicks antiques and gift show October 28-30.

E & F Dock "groundbreaking" the Port will hold a "groundbreaking" ceremony, October 13th at 10:30 a.m. at the Central Pier of the Cap Sante Boat Haven, to mark the beginning of demolition and replacement of Docks E & F at the Cap Sante Boat Haven

UPCOMING MEETINGS

Executive Director Hyde reviewed the Commission's upcoming meeting schedule. The second regular meeting in October will be October 20th. The first regular meeting in November is scheduled for November 3rd at 7:00 p.m. and will include a public hearing on the 2012 Budget. The Commission will participate in a Chamber of Commerce hosted Community Roundtable on November 15th at 5:30 p.m. at the Anacortes Public Library.

PUBLIC COMMENT PERIOD

Commissioner Mooney opened the public comment period for items not on the regular agenda. Hearing no one with a desire to address the Commission, the comment period was closed.

ADJOURNMENT

With no further business to come before the Commission, Commissioner Short moved to adjourn, which was seconded by Commissioner Niver. Commissioner Mooney called for the vote on the motion, which carried 4-0 and at 8:38 P.M. the meeting adjourned.

Attest:

Keith Rubin, President

Pat D. Mooney, Vice-President

Ray Niver, Secretary

Steve Hopley, Commissioner

William L. Short, Commissioner