

Port of Anacortes
Regular Commission Meeting
and Budget Public Hearing
November 3, 2011

The Port Commission of the Port of Anacortes held its regular business meeting and a public hearing on the 2012 Port Budget at 7:00 P.M. on the evening of November 3, 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 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 Executive Assistant Lindsey.

CALL TO ORDER

At 7:00 P.M. Commission President Rubin called the regular meeting of November 3, 2011, to order and welcomed all in attendance. He noted Port staff would give a presentation of the 2012 Port budget prior to the public hearing.

Executive Director Hyde introduced Director of Finance & Administration Johnson who reviewed the 2012 budget for the Commission. Director Johnson explained there were three action items included in the budget process, one for approval of a tax levy in the amount of \$530,000, one to protect levy total capacity, and an action item for approval of the final budget for 2012. He noted the Commission had examined the budget in depth during study sessions in September and October.

Director Johnson provided an overview of the 2012 budget with total operating revenues of approximately \$13.7 million and operating expenses of approximately \$12.8 million with a total net operating income of \$911,294. Net income overall, which includes capital grants of \$642,500, net non-operating income of (\$67,291) and net environmental activity of \$(700,947) is anticipated to be \$1,085,529.

Director Johnson asked for any questions from the Commission. Commissioner Niver noted the Port's two main profit areas of operation were the Martine Terminal and the Boat Haven. He observed the 2012 Capital Improvement Plan contained improvements for both of these areas budgeted from the Tax Fund. Commissioner Niver believed both areas to be self-sufficient enough not to warrant use of tax funds for improvements.

PUBLIC HEARING – 2012 BUDGET

Commissioner Rubin opened the public hearing on the Port's 2012 budget.

1. Mr. Chuck Davis, 4769 Wharf Street, Bow, Washington and a candidate for the Port's District 3 Commission seat, addressed the Commission. Mr. Davis noted he'd had occasion to speak to the public during his campaign and their observation of the need to dredge the Swinomish Channel. He voiced concern over the absence of funding assistance for Channel

dredging on the part of the Port in the 2012 budget. Mr. Davis noted the Port of Skagit County was increasing taxes in 2012 to fund the dredging and believed the Port of Anacortes should contribute to that effort.

Hearing no one else with a desire to address the Commission in regards to the 2012 budget, the public hearing was closed.

BUDGET ADOPTION

ACTION ITEMS

Commissioner Rubin noted the 2012 budget was represented by three action items as follows:

Resolution No. 1239 – Certifying the 2011 Tax Levy for Collection in 2012 –

This item represented a Tax Levy in the amount of \$530,000 which is consistent with the amount collected by the Port for the past three years. No increase in taxes was planned. This amount was approximately \$775,000 less than the amount the Port is authorized by law to collect.

Commissioner Rubin called for a motion. Commissioner Mooney moved to adopt Resolution No. 1239, authorizing and certifying a tax levy for collection in the year 2012 in the amount of \$530,000 pursuant to Referendum 47 (RCW 84.55.120). Commissioner Short seconded the motion. Commissioner Rubin called for any discussion. Commissioner Hopley asked Executive Director Hyde to elaborate on his weekly update to the Commission which noted he had been invited by Port of Skagit Executive Director Patricia Botsford-Martin to attend their meeting in November at which time their commission would be considering a tax levy to include \$400,000 for dredging. Executive Director Hyde noted that the Port of Skagit County was taking a leadership role in regards to dredging for the Swinomish Channel and a November 9th meeting was scheduled at which all parties with an interest in the Channel, including the Port of Skagit County, the Port of Anacortes, the Town of LaConner, and both the Swinomish and Samish Tribes, as well as local business Dunlap Towing, would discuss the needed dredging.

Commissioner Hopley observed the Army Corps of Engineers, which had maintained the Channel in the past, had determined the Channel should be dredged, but had no funding available to do so. Commissioner Hopley believed it was important to send a signal to the Port of Skagit that the Port of Anacortes was on board with the dredging effort. He moved to amend the Tax Levy by an additional \$70,000 annually for a total of \$600,000 for collection in 2012 to possibly aid in funding the dredging of the Swinomish Channel. Commissioner Rubin called for a second on the motion for amendment. Hearing none, the amendment failed for lack of a second.

Commissioner Mooney believed more discussion was necessary. Commissioner Niver noted the Port had a projected cash flow of approximately \$2.2 million which could help with funding dredge operations, but also noted there were other entities involved. Commissioner Hopley observed the Commission had already studied the Port's projected cash flow and set the tax levy at the minimum needed to continue capital improvements. He noted amending the tax levy to include an increase did not commit the Port to using those funds, but would make them available if the Port chose to do so. Commissioner Short felt it more prudent to wait until the cost of the dredging was known rather than increase the tax levy in anticipation. Commissioner

Rubin agreed and did not think the Port would be sending a negative signal by waiting to know the cost and by not increasing the tax levy for 2012.

With discussion concluded, Commissioner Rubin called for a vote on the motion, to adopt Resolution No. 1239, authorizing and certifying a tax levy for collection in the year 2012 in the amount of \$530,000, which carried unanimously.

Executive Director Hyde noted the Port of Anacortes had dredged a portion of the Channel as part of its work on the Former Scott Paper Mill Site, using that dredged material from the Channel to replace material removed from the site. He further noted he would report back to the Commission following the November 9th meeting.

Resolution No. 1240 – Protecting Levy Capacity –

Commissioner Rubin explained the Port of Anacortes does not levy all of the taxes it could, choosing instead to levy a tax that is substantially less than the levy capacity, as noted by the prior resolution. In order to have the ability to levy up to the capacity, plus the 1% property tax limit factor, the Commission must pass a resolution to that affect each year. He noted the Port has the second lowest tax levy of Class A ports in the state.

In response to questions from the Commission, Director Johnson clarified the Port tax rate is 0.96%. The limit allowed by law would be 45 cents per \$1,000 of assessed value.

With discussion concluded, Commissioner Rubin called for a motion. Commissioner Short moved to adopt Resolution No. 1240 that authorizes an increase in the limit factor for maximum levy capacity pursuant to Section 204 of Referendum 47 (RCW 84.55.0101). Commissioner Niver seconded the motion. Commissioner Rubin called for a vote on the motion, which carried unanimously.

Resolution No. 1241 – Establishing the 2012 Final Budget –

This item requested Commission adoption of the final Port of Anacortes budget for 2012. Hearing no questions for staff, Commissioner Rubin called for a motion. Commissioner Short moved to adopt Resolution No. 1241, establishing the 2012 final budget. Commissioner Niver seconded the motion. There being no discussion, Commissioner Rubin called for a vote on the motion, which carried unanimously.

Executive Director Hyde noted that copies of the final budget would be available in the Port's main office, as well as posted on the website.

PUBLIC COMMENT PERIOD

Commissioner Rubin noted at the last regular meeting a member of the public had voiced confusion about when the public could speak and on which topics. After discussion, the Commission was of a consensus to change the public comment portions of the regular agenda to allow comment on any subject related to the Port during either comment period. Commissioner Rubin opened the floor for public comment. Hearing none, the floor was closed.

CONSENT AGENDA

Commissioner Rubin read the consent agenda items: Approval of Minutes of the Regular Meeting of October 6, 2011, the Special Meeting/Groundbreaking for E&F Docks and Candidates Forum of October 13, 2011, the Regular Meeting/Work Study Session of October 20, 2011 and the Special Meeting/Executive Session of October 28, 2011; Approval of Vouchers No. 11-1 through 11-150 totaling (\$3,689,499.09); and Approval of the September 2011 Treasurer's Report totaling \$15,228,093.77. He called for any objections to the consent agenda. Commissioner Short requested one correction to the minutes of October 20, 2011. He noted on page 7 the discussion regarding the amount spent by visiting boaters included "...goods and fuel" and that fuel should not be listed as included in that amount. He requested that the word "fuel" be struck. Commissioner Rubin called for a motion for approval of the consent agenda with the minutes of October 20th as corrected. Commissioner Short moved to approve the consent agenda. Commissioner Mooney seconded the motion. Commissioner Rubin called for a vote on the motion, which carried unanimously.

REGULAR AGENDA

STUDY SESSION

Proposed Redistricting Update –

Bob Schweitzer of Sammamish Data Systems provided the Commission with clarification on the proposed redrawing of Commission district boundary lines in response to questions posed following his initial presentation at the October 6th regular meeting. Mr. Schweitzer explained how precincts were derived and how census blocks were measured. In some cases precincts were split slightly to follow City of Anacortes district lines.

Commissioner Rubin noted he had brought up the question of the property owned by the Port in the Fredonia area, which had not been included on the proposed map. After further investigation, he noted that no one lives in that particular property area although it is a precinct, so it had no population number to add, but should still be physically included in the final mapping as part of the Port's third district. Also briefly discussed was an "island" of Port property within the third district that is surrounded by land owned by the Port of Skagit County. Commissioner Hopley observed the need to distinguish between the Port's map and the census numbers map for districting. Mr. Schweitzer noted the redistricting plan covers the internal boundary lines as opposed to the external lines determined by the Port and the County. Commissioner Rubin called for any objections to the proposal. Hearing none, Mr. Schweitzer will complete the legal descriptions so the Commission can move forward with the redistricting process.

Executive Director Hyde thanked Mr. Schweitzer for his update and explanations. The Port will hold a public hearing on the proposed redistricting plan at their regular meeting of December 1, 2011.

Executive Director Monitoring Report -

Executive Director Hyde provided the Commission with his quarterly progress report. He noted that the goals given him by the Commission were based on the goals of the Port's Strategic Plan and his progress of those goals. This report highlighted these goals and means of achieving them as follows:

Goal: Provide the Commissioners with the framework and resources necessary for good decision making. Achieved with:

- Performance Indicators
- Weekly Update
- Separation of Commission work from ED work
- Examples of good Decisions:
 - Scott Site
 - Anthony's
 - Puget Sound Rope Lease
 - Prilled Sulfur
- Pier II Stormwater Treatment System
- Purchase of " Dog Park" Property
- New Property Acquisition Criteria adopted by Commission
- Res. 1226 Policy on how to handle specific requests

Goal: Endeavor to develop and employ the Port's employees to their highest and best use.

Achieved with:

- Employee survey—
- Overall results: Employees are pleased with their positions, workloads and supervision. They would prefer improved conditions at the Main Port Office/Transit Shed

Goal: Stimulate a Pro-Business Climate within the District. Achieved with:

- Executive Director Connections:
Active Board Member of: Anacortes Chamber of Commerce, EDASC, Padilla Bay Foundation, Anacortes Futures Project, Steering Committee
- Executive Director Collaboration:
 - City- Wastewater processing and trucking Agreements
 - County Grant for Wyman's ramp
 - County ferry parking at marina
 - County hosting of our streaming video archives
 - Port Commission meetings on Channel 21
 - Monthly meetings with Port of Skagit
 - Member of Skagit Valley College Presidential Search Committee

Goal: Develop and maintain active communications with the community, port customers and tenants, and principal governmental agencies. Achieved with:

- Monthly newsletters
- Annual report
- Speakers Bureau
- Phone answered on 1st ring by a live person
- Approximately 200 articles in newspapers each year

BOAT HAVEN CUSTOMER SURVEY AND MARINA MARKETING

Excellent Customer Service = Happy Customers

- Maintaining First Rate Facilities
- Average Boat Visit = \$525 for local economy, not including moorage
- Marketing to increase visibility:
 - Rendezvous
 - Boat Shows
 - Boating Guides

Boat Haven – Little Chicago Sheds – Commissioner Short commented that he would like to see businesses that are utilizing the sheds provide more goods than services, noting that this would promote interest in the uplands by visiting boaters. Commissioner Mooney noted the sheds at the Seafarers' Memorial Park should be moved to improve the view.

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- Regarding transient boat guest nights – Commissioner Hopley thanked Executive Director Hyde for providing the requested information and tracking the results for areas of potential growth. Executive Director Hyde noted the Port has an opportunity to increase moorage by attracting boaters in the “shoulder” seasons.

Goal: Endeavor to develop and employ the port's properties to their highest and best use.

Achieved with:

- Comp Plan
- 2012 starting Airport master plan update
- Purchase of 3rd Street properties
- Ribbon Cuttings in 2011:
 - Anthony's
 - T Avenue Improvements
 - Wyman's ramp
 - Scott Site Clean up

Coming in November 2011

- Ribbon Cuttings for:
 - Puget Sound Rope
 - Pier 2 Stormwater Project

Coming in March 2012

- Ribbon Cutting for:
 - E & F Docks Replacement Project

Goal: protect and enhance the existing environment through implementation of a pro-active environmental program of prevention, remediation and education. Achieved with:

- Scott Site completion
- Storm water storage and treatment project at Pier 2
- Anthony's parking lot- bio filter system
- T Avenue - rain gardens
- Staff teaching at WWU, Skills Center
- Participation in MRC
- Padilla Bay Foundation

Goal: Establish and meet financial performance targets to minimize losses. Achieved with:

- Established effective budget
- Consistent and concise quarterly financial updates to the Commission w/annual ratios for comparison
- Consistently clean financial, single and accountability audits

Commissioner Niver noted the cost of annual audits and Port's exemplary audit history and inquired whether an annual audit by the State Auditor's office was necessary. Director of Finance & Administration Johnson observed that the costs could be equally high whether yearly or bi-yearly since the amount of data covered would be primarily the same in either case. He noted that any expenditure over \$500,000 required auditing as well.

Goal: Determine and attain the best use of Marine Terminal facilities, properties, and income.

Achieved with:

- New sulfur contract
- New long term agreement with Puget Sound Rope
- New Wyman Ramp and added 4th commercial user of the ramp
- New stormwater treatment system at Pier 2

Goal: Determine and attain the best use of Marine Terminal facilities, properties, and income.

Achieved with:

- Established a Marine Terminal Advisory Committee
- Transpac Marinas lease of tent structure
- DCI lease of extra space for laydown area

Goal: Maintain a high level of profitable Marine Terminal activities. Achieved with:

- New Sulfur contract
- Initiated the process for a new pet coke contract
- Initiated the process for an RFP for a bulk operator at Pier 2

Stevedoring Requests for Proposal – The Commission inquired about a Request for Proposal (RFP) the Port currently has advertised. Executive Director Hyde reported the Port will open received RFP's for stevedoring services at Pier 2 in early December and will report the results to the Commission.

Goal: maintain the safety and quality of Airport facilities and operations. Achieved with:

- Added backup generators for all airfield lighting
- Initiated a wildlife assessment plan at no cost to the Port

Unicom System – Commissioner Niver observed that Port has a contract to maintain the Unicom system at the Anacortes Airport and questioned whether this was indeed being used or maintained. Executive Director Hyde reported that the Unicom system was needed. San Juan Airlines operates the Unicom system during their business hours.

Goal: Maintain the Airport's community business potential. Achieved with:

- Continue to work with San Juan Airlines to remain viable in a down economic climate

Goal: Establish fair and equitable prices and policies for marina services which give preference to district residents whenever possible. Achieved with:

- Continued aggressive pricing strategy for the fuel dock
- Continue to offer high volume customer discounts for current marina customers
- 39 customers signed up for the "12 for 11" program in first year

Execute the Port's Mission and Strategic Plan. Achieved with:

- Executed a \$30 million program last year
- Ribbon Cuttings this year:
 - Anthony's
 - Wyman's Ramp
 - T Avenue
 - Seafarers' Park/Scott Site Cleanup
- Continue to purchase properties at assessed value that are within the Port's Comprehensive Plan (Example: 3rd and U)

- Guest moorage up by over 20% (July of 2011 was up by more than 60%)
- Rejuvenated capital renewal plan for next 10 years
- 30 events at Transit Shed for 2011
- Received one of only 11 national grants for E & F dock replacement
- Stormwater solution for Pier 2

Executive Director Hyde also reviewed the number of jobs on Port property, which over the summer grew to 825 full-time positions. He noted these were summer employment numbers and not yearend average reporting. The largest changes in comparison to prior years were due to the addition of Anthony's and Anacortes Kayak Tours. Executive Director Hyde thanked Executive Assistant Lindsey for her work in gathering the employment reporting information. The number of jobs does not include Port employees, but does include employment by other public or government entities operating on Port property such as the Washington State Ferries and the United States Customs Office.

In closing, Executive Director Hyde noted he was most proud of the Port's staff and the work accomplished throughout the year.

The Commission thanked Executive Director Hyde for his work on behalf of the Port and presentation. Commissioner Hopley noted in regards to the building sites for future business at the Cap Sante Boat Haven he would like to see a feasibility study in the near future regarding their development and the effect on the surrounding area. Commissioner Niver noted as well the need to keep in mind connectivity to the downtown. Commissioner Short noted the Anacortes Futures Project uses the Port as a model and believed this put a burden on the Port to take the initiative to get things done, especially at the Boat Haven.

COMMISSION DISCUSSION

Legislative Agenda –

Commissioner Rubin noted he would be attending the Washington Public Ports Association Legislative Committee meeting in Olympia. He understood the Commission was of a consensus regarding continued access to MTCA funding and the issue of allowing Dakota Creek Industries (DCI) to compete for State work. He inquired if there were any other issues the Commission would like to see reviewed by the legislative committee. The State's own ferry design division and other costly practices as well as conditions limiting DCI were discussed in further detail. Commissioner Hopley noted the limits of prevailing wage requirements overall and not just in regards to ship building.

Upcoming Port Community Roundtable -

The Chamber of Commerce will host the Port Commission for a community roundtable meeting on November 15, 2011 at the Anacortes Public Library. Commissioner Niver noted this was a more interactive meeting providing an opportunity for the public to ask questions of the Commission and a good opportunity for the Commission to listen to the public. Commissioner Mooney invited business people to come and provide a presentation to the Port about their businesses. Commissioner Niver noted the meeting was the business community's opportunity to speak to the needs in Anacortes that may not be being met and to give the Commission an idea of what the Port can do to help private business. Commissioner Short agreed, noting the need to know what specifically the Port could do to boost businesses. Commissioner Rubin stated he had spoken with Chamber Executive Director Stephanie Hamilton who would serve as

moderator and noted he had requested the roundtable meeting be less of a forum and more a personal interaction with questions or statements posed directly to the Commission by attendees.

COMMUNICATIONS

Zoning – As reported by Executive Director Hyde at the October 6, 2011 regular meeting, the Port is following a notice of intent for 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. Executive Director Hyde noted he would like to see the Port oppose this height reduction. The Commission discussed the height restriction with all but Commissioner Niver in agreement that the Port oppose it.

The Port's Transit Shed Events for November:

- Nov. 5 – Chamber Cheers
- Nov. 11 – Veterans Day Celebration
- Nov. 19 – Farmers' Market
- Nov. 23-27 – Martin-Faene Wedding

Veterans Day Celebration – The Port will host its 2nd Annual celebration of Veterans Day following the annual ceremony at Causland Park, Friday, November 11th beginning at approximately 11:30 a.m. at the Transit Shed. The community is invited to share in this event.

Community Tour – The next tour of Port projects will be held November 14th, starting at 4 p.m. at the soon to be completed new offices of Cortland Puget Sound Rope, at 111 "O" Avenue.

Ribbon Cuttings – The Port will celebrate the completion of two projects in the coming weeks. A ribbon cutting for the Pier 2 Stormwater Conveyance System project completion will be held at Pier 2 on November 17th at 11:00 a.m. Another ribbon cutting on November 21st at 11:00 a.m. will mark the completion of the new Cortland Puget Sound Rope offices build by the Port. The public is invited to both ribbon cutting ceremonies.

UPCOMING MEETINGS

Executive Director Hyde reviewed the Commission's upcoming meeting schedule. The second regular meeting in November will be November 17th. The first regular meeting in December is scheduled for December 1st at 7:00 p.m. and will include a public hearing on redistricting.

Commissioner Rubin observed that Representative Lytton and Representative Seaquist would be touring the Dakota Creek facilities on November 4th at 3:00 p.m. He noted this was not a public meeting. He and Executive Director Hyde would attend on behalf of the Port. Commissioners Mooney and Hopley indicated an interest in attending. Commissioner Rubin noted that if three or more commissioners were to attend the Port would be required to post this as a public meeting, which was not the intent of the tour for the representatives. Commissioner Hopley stated he would forego attendance but would like to hear a report on the tour at a future date.

PUBLIC COMMENT PERIOD

Commissioner Rubin opened the public comment period. 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 Mooney moved to adjourn, which was seconded simultaneously by Commissioners Niver and Short. Commissioner Rubin called for the vote on the motion, which carried unanimously and at 9:01 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, Executive Assistant
November 3, 2011