

Port of Anacortes
Regular Commission Meeting
December 15, 2011

The Port Commission of the Port of Anacortes held its regular study session meeting at 7:00 P.M. on the evening of December 15, 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 Short and Commissioner Hopley.

Also in attendance: Executive Director Hyde, Director of Finance & Administration Johnson, Director of Operations & Facilities Hachey, and Executive Assistant Lindsey.

Others in attendance included Port legal counsel Chmelik and Commissioner-elect Eberle.

CALL TO ORDER

At 7:00 P.M. Commission President Rubin called the regular meeting of December 15, 2011, to order and welcomed all in attendance.

PUBLIC COMMENT PERIOD

Commissioner Rubin opened the floor for public comment.

1. Mr. Frank Chmelik, Port legal counsel, 1500 Railroad Avenue, Bellingham, WA, addressed the Commission. Mr. Chmelik stated he'd come to tonight's meeting to congratulate Commissioner Hopley, noting he had worked with many commissioners and found Commissioner Hopley to be one of the best. Among Commissioner Hopley's accomplishments, Mr. Chmelik cited his work on issues at the Anacortes Airport and with environmental issues. He thanked Commissioner Hopley for being a fine public servant.

Commissioner Hopley in turn thanked Mr. Chmelik, noting their terms of service to the Port had coincided, and voiced his appreciation for his service to the Port and the Port Commission.

Hearing no others with a desire to address the Commission, the floor was closed.

CONSENT AGENDA

Commissioner Rubin read the consent agenda items: Action Item: Chinook Enterprises Services Contract for 2012 – Grounds Maintenance; Action Item: Resolution No. 1242, the annual resolution authorizing the Executive Director to sell and convey Port District property items of \$10,000 or less in value after providing the Commission with an itemized listing, in accordance with RCW 53.08.090; Action Item: Resolution No. 1243, Adopting a Plan for Redistricting Port Commission Districts following the 2010 Census; and Action Item: Project Acceptance – Pier 2 Stormwater Conveyance System. Commissioner Rubin called for any objections to the consent agenda. Hearing none, he called for a motion for approval of the consent agenda. 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

ACTION ITEMS

Executive Director Salary Adjustment for 2012 -

Commissioner Rubin noted that he and Commissioner Mooney, as Commission President and Vice-President, had met with the Commission and with Executive Director Hyde to perform his annual evaluation. Using the format the Commission developed, Executive Director Hyde received a score of 4.7 out of a possible 5.0 for his performance in 2011. Commissioner Rubin was joined by the Commission in congratulating Executive Director Hyde on a great year of Port leadership. Hearing no other discussion, he called for a motion.

Commissioner Mooney stating that having completed the annual evaluation of the Executive Director he moved to adjust the Executive Director's salary by 5%, including a percentage for CPI in 2012. Commissioner Short seconded the motion. Commissioner Rubin called for any further discussion, which included additional compliments from the Commission. With discussion concluded, he called for a vote on the motion, which carried unanimously.

Authorization to Surplus and Sell Personal Property- Miscellaneous items no longer needed for Port purposes -

Executive Director Hyde introduced Director of Operations & Facilities Hachey who reviewed the item for the Commission. This item requested Commission authorization to surplus and sell the Port vessel "Protector", the value of which exceeds the Executive Director authorization of \$10,000 or less in value. The vessel, a 2005 28' Protector Targa, was purchased in 2009 from West Yachts of Anacortes conjunction with the remedial action and clean-up of the former Scott Paper Mill site. The Port paid \$187,228.58 for the vessel and needed upgrades including two 250 horsepower Mercury engines. Director Hachey explained that the market for such vessels is quiet now, but staff anticipates more activity in the spring. The vessel was obtained as a single purpose workboat for monitoring the remedial site and for fast transportation, and is too large for workboat activity inside the marina. Port staff would like to sell the vessel on the open market and perhaps obtain two smaller vessels for use inside the marina.

Following a brief discussion, Commissioner Rubin called for a motion. Commissioner Mooney moved to authorize the Executive Director to surplus and sell the vessel Protector that is no longer needed for Port purposes. Commissioner Short seconded the motion. Commissioner Rubin called for a vote on the motion, which carried unanimously.

STUDY SESSION

Third Quarter Financial Review -

Executive Director Hyde introduced Director of Finance & Administration Johnson who provided the Commission with a review of the Port's finances through the third quarter of 2011. He explained the total operating revenues at \$8,951,000 were precisely at the level budgeted, while operating expenses at \$8,244,000 were only slightly higher than budgeted. Net operating income at \$706,000 was just below the budget estimate of \$779,000 for the quarter.

Non-operating revenues for the quarter totaled \$520,000 which was approximately \$70,000 below the budget estimate.

Director Johnson noted that environmental grants and recoveries at \$5,095,000 continued to stay above environmental expenses at \$3,857,000.

Net operating income through September 30, 2011 at \$2,677,000 was lower than the \$3,066,000 budgeted. Director Johnson noted the Port was hoping to have a good fourth quarter increase with additional petroleum coke shipments. He noted the primary difference in the actual versus budgeted amounts was the lack of sulfur shipments at the Marine Terminal and some profitability erosion at the Boat Haven which went a long period without a rate increase.

Director Johnson also reviewed the Port's working capital, which saw a reduction in 2011 with the E & F Dock replacement project bond funds spending. The debt to capital ratio maintained fairly close to prior levels, although not as good as the ratios of 2008. Director Johnson explained the ratios and year-to-date profit margin were economy driven and staff would continue to monitor these in 2012. Tax revenue as a percentage of operating revenues remains low, and continues to stay below the amounts collected in prior years.

In response to questions from the Commission, Director Johnson explained that expenses have continued to increase over the past few years while revenues have remained relatively flat, narrowing the margins between to ratios. He believed the Commission was wise to pass a small moorage increase for the Boat Haven as part of the 2012 budget. Director Johnson concurred that November- January were always the least revenue producing months for the Boat Haven. He noted the new E & F Docks are slated for completion in January, ahead of schedule. The Port has a wait list for the E & F slips and has retained more vessels at the Boat Haven than anticipated.

In regards to questions regarding sulfur, Director of Operations & Facilities Hachey noted that the sulfur handling firm had been working with the Northwest Clean Air Agency (NWCAA) and with environmental engineering firm CH2M Hill to meet the NWCAA 55 parts per million standards. They have found that while the sulfur pills remain intact, the gas is contained, but when the pills are crushed, more of the gas is emitted.

Director Hachey also explained the Port is halfway through a three year contract for petroleum coke handling and will look into renegotiating and changing the length of term of the contracts in the 2013. The Port has received three proposals in response to a Request for Proposals for terminal stevedoring operations, beginning in 2013, one from SSA, one from Kinder-Morgan, and one from the current operator, Metropolitan Stevedore.

COMMISSION DISCUSSION

Commissioner Development- 2012 Commission Leadership -

Commissioner Rubin noted the approaching new year for many meant New Year's resolutions and wanted the Commission to start discussion regarding the Strategic Plan and on-going strategy, which he believed would be a good topic for the Commission's annual retreat in early 2012. He asked for input from the Commission. Commissioner Short suggested the Commission start with a discussion of goals to see if they could reach a consensus and then move forward from there.

Regarding 2012 Commission leadership, Commissioner Rubin stated that he found continuity important, while he noted other Commissioners believed that taking turns was important, and invited discussion. Commissioner Mooney thought rotating leadership positions was best for the Commission. Commissioner Short concurred with Commissioner Mooney. Commissioner Niver observed that the present Commission had worked together for quite a few years, and that in the past there had been circumstances that caused a need for changing leadership. He believed that was done, and once done found it best to maintain it and work together to get things done. Commissioner Niver believed the past year was the best for the Commission. He noted the Commissioners had rotated around and found which of them did the best in which jobs, and that what worked best for the Port, and not individual Commissioners, was having people do what they do best. Commissioner Rubin concurred with Commissioner Niver, and noted the opinion of the incoming Commissioner would be the deciding factor on the issue.

Retreat Planning -

Commissioner Rubin noted that in early 2011 the Commission had a professional facilitator, Kay Holland, scheduled for the annual Commission retreat, but an accident prevented her from participating. He inquired whether the Commission would be interested in having her attend the 2012 retreat. In preparations for the 2011 retreat, the facilitator had interviewed each of the Commissioners prior to the retreat, and would need to do so again for 2012. Commissioners Mooney and Short had no objection. Commissioner Niver had no objections, but noted both Executive Director Hyde and Port legal counsel Chmelik had acted in facilitators in the past with positive results. Commissioner Hopley recalled that when scheduling the 2011 retreat, the Commission was experiencing difficulty with consensus building and reaching consensus and that the facilitator had specific expertise in that area. To that end he thought her facilitation would be a positive idea. He also suggested that legal counsel Chmelik attend to discuss ethics and disclosure and recusal, which he'd found to be useful topics at prior retreats. Commissioner Rubin will have Ms. Holland contact Executive Director Hyde to discuss scheduling Commission interviews and retreat planning.

Commissioner Mooney asked for the Commission to consider a change of date from that proposed for the retreat, noting he would be out of town at that time. He suggested changing the date from February 9th to February 21st. A brief discussion ensued with no date set.

Other Discussions –

Commissioner Rubin called for any other topics of discussion from the Commission.

Commissioner Mooney reported that Port staff was having some success in upgrades to the Transit Shed, beginning with window and HVAC system improvements. Commissioner Short inquired what the long-term outlook for adding restrooms to the facility. Executive Director Hyde responded that staff was looking into that and other upgrades. The Port has created and sent out an electronic survey to customers who have used the Transit Shed and will bring those results to the Commission when collected. He noted that the Transit Shed was host to more than 750 people for the Community Celtic Christmas concerts over the past weekend with no dire backups. Port project manager Becky Darden will head the Transit Shed project.

Commissioner Rubin noted the Chamber of Commerce President has expressed a desire for the Commission to decide on the status of event use of the Transit Shed as a temporary or permanent. He, himself, saw the Transit Shed use for events as temporary. Commissioner Niver concurred, believing it was not really compatible with existing uses and noted that any

future growth by tenants Puget Sound Rope or Dakota Creek Industries could cause additional compatibility issues.

Commissioner Mooney observed the positive accolades given the Port by those using the Transit Shed for events and the reported economic boost that use had been to local businesses.

Commissioner Short noted that event use of the Transit Shed usually occurred in the evening and on weekends when other businesses were not running, and that parking could be obtained no further away than would be experienced during a busy day at Costco. He found the Transit Shed to be functional but in need of future updates if event use was continued.

Commissioner Niver observed he had thought the Transit Shed would be more isolated from Dakota Creek, but if the dry dock stayed in its current position on Pier 1 was not moved to the new pier as originally planned, that changed his view of its use.

Commissioner Hopley stated that in considering permanent or temporary event use, the Commission would need to ask staff for a very frank assessment as to what were the real opportunities and potential needs of the two existing nearby tenants and whether the Transit Shed space would be needed by either of them in the future.

COMMUNICATIONS

Service Contracts - Executive Director Hyde reported he was working on the annual service contracts with the Economic Development Association of Skagit County (EDASC), with the Anacortes Chamber of Commerce, and with the Skagit Council of Governments (SCOG), all of which were under \$25,000 and as such, within his authority as granted by the Commission.

Commissioner Niver observed that the Port of Anacortes and the Port of Skagit County provide a fixed amount to SCOG, while the other participants, such as cities and towns, pay based on population. He further explained that most of SCOG's funding comes from state and federal grants for use in regards to transportation issues.

Commissioner Short suggested the Chamber of Commerce produce a notebook with menus of all restaurants within walking distance to the Boat Haven. He noted he had seen these at other marinas and found them to be an asset. Commissioner Short also suggested the Chamber provide a map of the City near the head of the central pier at the Boat Haven showing its location as a reference and identifying various services and landmarks.

Commissioner Niver recalled that the Commission had discussed having staff form a group to look into and discuss the "connectivity" and items discussed at the Community Roundtable meeting and would expect to see downtown business owners become involved. Executive Director Hyde affirmed that he was forming a group to do so, with June as a target for updates. Commissioner Short noted the Port's responsibility ends at our property line and the Chamber should address improvements to sidewalks to reduce hazards from tree roots, tree trimming, and building improvements. Commissioner Hopley noted there were great opportunities to work with the Chamber and City on improvements.

P/Q Dock Hoist – Executive Director Hyde explained although selected with the input from a variety of sources, there had been some complaints about the design of the hoist itself. The

hoist is designed for a 24 foot boat with a center pick; however people are frequently launching a 27 foot boat when it is within the posted weight limit. When launching with the mast attached, the mast hits the motor and cable assembly on the hoist's horizontal beam, and 27 foot vessel users found themselves having to avoid a light pole to one side of the dock and an electrical box on the hoist on the other side. Port maintenance crews have moved the light pole but doesn't help with the other issues. With launches taking up to twenty minutes to complete, the Port has gone back to the hoist's manufacturer for a quote on remodeling the hoist to alleviate these issues, with the estimated cost being \$70,000. Executive Director Hyde noted it would be up to the Commission as to whether more funds should be spent to complete the work.

Discussion ensued concerning technical operations of the crane, the immediacy of need, the design and functionality of the crane as installed, and the purposes of its use, including small boat accommodation and youth sailing program usage, as well as the fees for use. Executive Director Hyde and staff will review the issue further with the Commission in January.

Community Celtic Christmas Concerts - The Port hosted its second annual Community Celtic Christmas celebration at the Transit Shed on December 10th with two concerts by returning renowned electric violinist Geoffrey Castle and friends. Shell Oil Puget Sound Refinery was the major sponsor for the event. The first concert at 4 p.m. was geared towards families with young children and attended by approximately 200 people, followed by the annual Christmas Boat Parade and a second concert at 6:30 p.m. with more than 750 people attending. Admission was free with a donation of non-perishable food for the food banks, a new unwrapped toy for Toys for Tots, or a monetary contribution benefiting the Anacortes Youth Arts.

Monthly Projects Tour - The next tour of Port projects will be held January 9th, 2012, starting 4 p.m. at the Commission Meeting Room, 100 Commercial Avenue. The tour will entail an overview of future Port projects.

UPCOMING MEETINGS

Executive Director Hyde reviewed the Commission's upcoming meeting schedule. The first regular meeting in January is scheduled for January 5th at 7:00 p.m. and includes the oaths of office by Commissioners Eberle and Mooney. The Commission will attend a Special Meeting – Annual Joint Meeting with the Port of Skagit County on January 10th at 9:00 a.m. at the Port of Skagit. The Commission's second regular meeting for January will be on the 19th at 7:00 p.m.

PUBLIC COMMENT PERIOD

Commissioner Rubin opened the public comment period. Hearing no one with a desire to address the Commission, the public comment period was closed.

PRESENTATION

This meeting marked Commissioner Hopley's last meeting as a Port of Anacortes Commissioner. Commissioner Rubin presented Commissioner Hopley with a plaque noting his eight year service to the Commission and his three years as Commission President. Executive Director Hyde reviewed some of the major accomplishments of the Port during Commissioner Hopley's service, most notably, the development agreement between the Port, City, and FAA regarding the Anacortes Airport, sometimes referred to as "the Hopley Plan" which he worked to facilitate.

Environmentally, Commissioner Hopley was instrumental in the Port's response to Governor Gregoire's Puget Sound Initiative with five approved clean-up sites under what the Port termed "Focus Fidalgo" was begun during Commissioner Hopley's tenure. Executive Director Hyde noted that perhaps the best thing accomplished under Commissioner Hopley's leadership was the decision to raze the former Cap Sante Marine site to accomplish that environmental clean-up in 2007. He noted it was a difficult decision, but paved the way for what has happened and is currently happening in the west basin of the Boat Haven today, including the addition of Anthony's restaurant, and the beautiful, pedestrian-friendly waterfront esplanade which attract people to the marina. The subsequent clean-up and public/private partnership of Project Pier 1 with Dakota Creek Industries, paved the way for the shipyard's expansion and ability to garner new contracts such as the one recently obtained with the United States Navy. And the clean-up and remedial action of the former Scott Paper Mill site and Seafarers' Memorial Park in 2009 was termed by Executive Director Hyde as a gutsy move by the Commission to undergo a \$30+ million project, which took only two years to complete and was the largest and fastest clean-up in state history. He noted the Port of Anacortes was seen as a leader in environmental clean-ups and applauded the Commission as a whole and Commissioner Hopley in particular for his leadership on environmental matters.

Other accomplishments noted by Executive Director Hyde included the signing of a long-term lease with tenant Puget Sound Rope in 2010 which led to the Port constructing a new office building for their use, the first new building built by the Port in fifteen years and capping a revitalization of the Railroad Avenue area and clean-up of the Railroad/"O" Avenue beach.

Lastly, Executive Director Hyde noted the Port's revenue range had increased significantly over the past years, a wonderful achievement in the present economy, and due in large part to the Commission's leadership. In closing, he noted that the Port wished Commissioner Hopley and his wife Gail all the best and thanked him for his leadership, guidance, and discernment.

Commissioner Rubin observed when he came onto the Commission it was two years into Commissioner Hopley's first term, and that those two prior years had been difficult ones for the Port Commission. He noted Commissioner Hopley was part of the force that turned the ship and kept it off the rocks. Commissioner Rubin thanked Commissioner Hopley for a great job, resulting partly in the Port's being where it was today.

Commissioner Mooney noted that there had been times when he and Commissioner Hopley did not agree but they had always worked things out and got things done. He wished Commissioner Hopley good luck in his future endeavors.

Commissioner Short recalled that he had first come onto the Commission with two other Commissioners and it was indeed a rocky period which Commissioner Hopley helped to bring to order.

Commissioner Niver observed things did indeed begin to change when Commissioner Hopley joined the Commission. He recalled those were tough times for the Port which was in conflict with the City and it was difficult to change, but among the first actions taken by the new Commission was to change legal counsel and set a course of working with and not against other entities. Commissioner Niver noted this had brought about a change in the whole culture of the Port which he observed now had an excellent staff and was well regarded in the community. He praised Commissioner Hopley as one of the forces behind that change and stated his appreciation for having served on the Commission with him.

Commissioner Hopley noted he was leaving the Commission with a sense of satisfaction at the Port's accomplishments. He thanked the entire Port staff for their work and dedication. Commissioner Hopley observed it was said that achievement is 10% inspiration and 90% perspiration and Port staff embodied that in carrying out the work of the Port. He further thanked Executive Director Hyde, Director Johnson, Director Hachey, Executive Assistant Lindsey, and everyone at the Port who made the goals set by the Commission a reality. Commissioner Hopley also expressed his thanks to Port legal counsel Chmelik for his assistance, and to City of Anacortes Mayor Dean Maxwell and former City attorney and planner Ian Munce for their cooperation. He noted the Airport issues were consuming and overshadowing everything the Port was doing in 2005 and that solving those issues helped the Port to move along and gave the Commission the opportunity to make the most of that resolution. In closing, Commissioner Hopley thanked his fellow Commissioners and advised them going forward to avoid the impulse to bring up the minutia and to instead think big, have ambitious goals, and give Port staff clear direction and provide them with the tools to do their best work. He stated his time on the Commission had been a fun ride and welcomed incoming Commissioner-elect Eberle and wished the Commission and staff good luck in the years ahead.

ADJOURNMENT

With no further business to come before the Commission, Commissioner Rubin asked Commissioner Hopley to make the motion to adjourn. Commissioner Hopley moved to adjourn, which was seconded by Commissioner Niver. Commissioner Rubin called for the vote on the motion, which carried unanimously and at 8:38 P.M. the meeting adjourned.

Attest:

Keith Rubin, President

Pat D. Mooney, Vice-President

Ray Niver, Secretary

Bob Eberle, Commissioner

William L. Short, Commissioner

Julie Johnson Lindsey, Executive Assistant
December 15, 2011