

local refinery members regarding their production issues, and they are not producing as much pet coke as they have in the past. For prilled sulfur, you can see we are already at goal, and in two more two weeks we will be well over goal. So, it is not a budgeting issue, it is actually a scheduling issue on the part of the customer last year. We had cargo rolling into 2019 that really should have been in 2018. The City's waiver of a fee has definitely brought us back to our historical average after a low year with prilled sulfur with our customer ChemTrade.

For heavy lift we will see a one day lift on October 1. Marathon will be bringing in 5 spherical reactors, and they will be on two vessels. The first vessel is due on October 1st. They have their permitting done and overland transport has been approved by the City. Mammoet is the heavy lift transport, the same people that brought in the nine big modules a couple of years ago. Originally we were to see the first two reactors in July; however, the new date is now October. The size of each reactor is 18' X 18'. It should be pretty easy to unload two of them in one day. The reactors will be placed on Pier 2, and they should be able to be transported to the refinery over two nights as they plan on moving one reactor per night. Dan W: On a related note, do we hear any more about the potential restriction on heavy lift going only on the weekends? Have you heard anything about that, John or Brenda? John: I have been talking with Mammoet, the heavy lift transporter. In applying for the permit, the State had deemed that it was only feasible to do overland on big-load or wide-load on weekend nights. We completely disagree with this as weekends for us are primetime. Transport should be on a Tuesday, Wednesday or Thursday. Dan W: They are applying the Seattle rule to the state of Washington. John D: Yup. Mammoet was able to get that waived. Dan W: But that needed a waiver so potentially legislatively we need to try and get that amended to say only King County perhaps. It needs to be tightened up, it needs to be community based. For a town like us we need to stay as far away from the weekends as possible on an overnight transport. Brenda: We are trying to look at the history of that rulemaking as to whether the WPPA they was engaged in the rule making. They are investigating whether or not a formal process came another way, or just came in the dead of night. It costs a lot more to do the weekends, costs more from a Port perspective, customer, and the heavy lift transporter. Those guys, everyone, will be paying more. And really it is against the essence of the rule--they want to stay away from traffic. If so, you need to stay away from the weekend in Anacortes. This one has gone off well, we were lucky Mammoet had some contacts with DOT, and they were able to look at this wide-load.

Another impact area is the northwest basin area as the road through this area is critical for transport from Pier 2. When we look at exiting Pier 2, and we look at some development plans, our perspective for the Marine Terminal has to include the ability to keep a 75' wide transport area. When asked why does it have to be that wide, it is because 75' is dictated by the turning radius on those loads. And it is not just transport to the refineries; Trans Pac just used the heavy haul which made a straight shot for their drivers. This is true not just for heavy haul, it might be a large load of a house or a boat, but that straight shot and radius is important.

Agenda Item: Project Updates

Presenter: John Dumas

Here is an update on some improvement projects we have completed--we have been busy. In our last meeting, we talked about the Curtis Wharf fender repair project. This has been completed resulting in about an \$850,000 repair project. We did a piling assessment on Curtis Wharf and Pier 1 looking at the wood, and Brenda's team has really looked at the entire pier structure now from a life span perspective. This is critical for us. Dan W: Does everybody feel like they know what our infrastructure is? Curtis Wharf is over there, we are on Pier 1 right here, and Pier 2 over there. For us we talk about it all the time, but maybe for those that are from the outside, you may not be familiar. Question from Tom Jackson: The Pier 2 bulkhead project, is that finished? Yes, Pier 2 is finished. I'll let Brenda answer that. Brenda: Yes, the project went well and did not impact operations. We are pretty happy with the end result. Question from Tom Jackson: Question on Pier 2, the survey, the bathometric survey, with Travis here, I am interested in how that is going. Because it is a dynamic that is changing. Is there any change to the certified depth at Pier 2? John D: Last year we hit the timing really close on the completion of our bathometric and the Puget Sound Pilots' (PSP) assessment.

We talked to them again this year as we are holding to the 37'6". The conversation I had with the president is they will look at it again as they said the way that we did the bathometric was just phenomenal. There is a lot of data in a very extensive study. We are hoping that we will get to that 37'6" depth. Now they said, what is interesting, is they didn't say that we were building any sediment in that area, but we are actually staying very static in that area. Dan W, so the pilots are calling it only 36'. John Dunas commented: They have one little blip from last year that the association did not feel comfortable with. Dan: One of the little houses put a head (toilet) overboard. John: And you can see one item being talked about looks to be a tire, a width of a tire, which is why we paid extra for the 3D imaging to try and seek these types of items out. Travis: Yes, I have seen that report, we are using 36'. Tom Jackson: The data there is very high resolution, especially for this type of terminal. It is not just soundings, it is full echo, 3D and very nice. John: The committee that has data for each marine terminal meets in October. We will be talking about that. We are taking the approach that we remind them we have this and we feel it is 37'6"; if you don't agree, where so that we can look at it and discuss. Jenkins Dossen in a previous back and forth action went down and found a piling that was picked-up in the survey, and we paid a diver to pull that piling out of the way as the pilots felt that could have been the issue.

We added a safety ladder at Pier 1 for Crowley. Crowley is our flex space tenant that comes alongside whenever there is space available. We have worked with one of their captains on doubling up ladders for their crew so safely exit vessels while docked at Pier 1.

Those are the completed projects right now. We are busy, we have a focus on infrastructure, and we lay out an operational plan each year. This is to look at our infrastructure and ensure it is. Right now Curtis Wharf has a fog seal project occurring within the next couple of days, Pier 2 is being fog sealed right now, and I have a couple pictures of that. We had a little damage to Pier 61 which is that little finger dock right on the outside of the white tent. Most people do not see it unless you are in Secret Cove or Trans Pac; however, it is critical for San Juan Enterprise, Dan Crookes, and his company. We had an end that was hit pretty hard, and we are thru the 6th year permitting process with the state of Washington. It really wasn't 6-years but it felt like it. Brenda: It was really the Federal government. Jenkins has that permit, we have a bid, and we are just waiting on the window for in water repairs. John: O Avenue laydown is another project we will talk about in our walking tour. We will talk about our strategy once we get over there, and then Brenda will give everyone a nice debrief on our quiet Cove environmental clean-up which is pretty extensive over there. So, as soon as we get onsite over there, we will talk about that.

Brenda: John did you want to mention the Curtis Wharf cathodic protection piling repairs? This is not on your list. It is a nearly \$2m project now where we have all our permits. This is applying cathodic protection to the steel pipes at Curtis Wharf and repairing some of the timber pilings that are closer to the upland. We will be phasing this over 3 years and this will begin in the next fish window. We are still waiting for our US Army Corp permit to repair the pilings here at Pier 1. Dan W: One of the items of this meeting will be walking over to Curtis Wharf, O Avenue Laydown, and Quiet Cove. By doing the math you know you heard us spend almost \$800,000 on the rub rails at Curtis Wharf, you hear we are doing \$2M on cathodic protection. In the year 2 or 3, we are spending nearly \$3m dollars, and we generate \$30 to \$50K in revenue. That is a horrible return on investment (ROI), I mean that is a thousand year ROI. But, what is exciting is what we are doing and what we are going to show you today in the next couple of years that could really be a great working terminal similar to Pier 2. It is really exciting. In fact back in 2014, in the CERB grant that did a feasibility study with the realm of possibilities on Quiet Cove, and with some of the clean-up plans, we are having interested parties approaching us to develop it. You build it they will come. As soon as we do this clean-up, and as soon as we get O Avenue complete, I think we will really start creating jobs, getting revenue off Curtis Wharf. You have to protect your infrastructure. I mean \$3m to protect our infrastructure, other-wise it is going to just be condemned. John: We have to focus on our infrastructure and here is a great example of fog seal. For those that live in town, the slurry seal project that just took place, this is similar just not as thick. First phase is on Pier 2 as we identified previously from Trans Pac north this is basically the area where we filled all the cracks with about a 20 inch asphalt lay. We just hit the big

scratches, and you can see out there today, they were applying the first coat of fog seal, where we will get another five years of wear and tear before you start degrading the asphalt there. It is a planned maintenance that we haven't done consistently, but we will start now and get on a cycle of applying that to ensure the front part of that Pier stays covered. At \$30,000, this is reasonably priced maintenance. We will then apply the same process to Curtis Wharf. It is probably a little worse for the wear, but we will do small sections. It is just a nice seal to go over that.

From business development, we continue to stay focused on diversifying cargo, to Dan's point we are trying to find ways to utilize a pretty niched marine terminal. When you look at the northwest Puget Sound area, Port Angeles, Bellingham, Anacortes, and Port of Skagit (no marine terminal), we are in a prime spot especially since the Port of Vancouver BC is severely congested. There are some spot opportunities for us to bring a lot of commerce thru Anacortes. That is why the marine terminal is critical in the job creation, not just primary, but secondary job creation to the gas sales, the lunch sales, the hotel stays, all those things that come with that business. It is pretty incredible. I am a firm believer that industry is the backbone for every city, and that is how we fund the resort type community that we have that is built on business. The MT is a pretty underutilized piece of business that we are trying to change. We are having a lot of conversations with a lot of different cargo people. Interestingly enough they are trying to get out of Vancouver as the wait is too long. We have some constraints in that planned storage being one of them, just our sheer size being another. Tom Jackson: Is that growth that we are targeting Curtis Wharf and Pier 1, is that growth area? Or is that Pier 2? John: Pier 2 has some room to grow from a breakbulk commodity or heavy lift, Curtis Wharf has a lot of room, Pier 1 would not be considered a marine terminal asset as far as cargo operations. Dan W: What do you consider full capacity? John: It is high 40's, and the standard best practice is 70% utilization. That might just be loading days. So 100K metric tons of any breakbulk commodity is 30-days based on pet coke and prilled sulfur. Tom Jackson: So we need to do diversified cargo. With 40% utilization at Pier 2 roughly, is our growth down there, is it at the other locations, and just trying to get to 70%? John: It would be both. Curtis Wharf has the depth for barge, if you tried to talk about trying to get a Handimax into Curtis Wharf that is not going to happen. Handimax and Panamax type vessels are going to have to go to Pier 2, and that is your breakbulk. The Curtis Wharf opportunity is barge type of traffic due to depth of 24'. Tom Jackson: Is that the limiting depth there? John: Yes, you cannot get a vessel in, it is just too shallow. Again, it gets you to 70% if you are talking about another month of vessel traffic. Typically a stevedore will say if your terminal or dock is running at 70%, you are doing very well. I come from manufacturing where I want 99% utilization. At 95% you would probably be looking for a job. I think we have gained 5% with the Shell contract. We also reduced our docking fees to try and pick-up some layberths for barges and tugs that may be out idling and could use a dock. We were probably in the upper region of pricing as historically we priced ourselves more like Seattle, rather than Port Angeles. The Commission approved us to move backwards to become a more competitive partner for the tugs and barges out there so potentially we could pick-up those layberths. We are picking up a little bit of revenue, the docks being used for something to Dan's point we are \$3M into infrastructure in improvements and most of our revenue flows thru layberth. Dan W. I also want to highlight what a great job John has done in getting the word out that Anacortes is open for business. I would say 5 years ago, everyone thought we were Metro Ports and pet coke. Certainly T Bailey wouldn't work with us, other stevedoring companies, other breakbulk, nothing. John has been out hitting the pavement going to conferences and spreading the word. He gets many inquiries and lots of price sheets out. Many did not realize we were right here and open. We now have a ton of Vancouver people knocking on our door. John has done a great job of marketing our marine terminal and now it is just a matter of time before we get the third product line coming thru here regardless of what it is. John is doing a great job.

John D. As an FY in business development, we did just purchase a property over by Curtis Wharf that is at 3rd and N, it is actually zoned light manufacturing. However, the approach was, and the Commission approved this, we are going to create a buffer for an active marine terminal. As it was zoned light manufacturing, this was a very good purchase. It eases this buffer as we look at Curtis Wharf with some sort of industrial activity in the future. But the great news is that there are a ton of opportunities out there. We have decided in the last year, probably 2 years ago, we have a lot of

comprehensive plans that deal with our marina and properties, and a comprehensive plan is a way for the Commission to tell us what to be working on. For the marine terminal, there is kind of a gap there as far as specific cargo operations, so we have decided to start reaching out and form a marine terminal strategy and what that will tell us is what we should be chasing. We want to be fiscally responsible with port money on who to market to, who to go talk to, as I could knock on a thousand log guy doors, but at the end of the day nobody wants logs with bark over at Pier 2, or coal, whatever it is. We need to figure out what markets are long term that won't impact the community, or adversely as far as environmental concerns. We will work on that in September to establish a long term strategy to include market analysis and similar type items. That will tell us what to go after, what is available to the Port to bring in there to develop business, number of jobs, how much cargo, how much development. We are using a 3rd party to help us with that, a seasoned company. We are really excited about this. Brenda: We believe the cost will be about \$50K using a Department of Commerce CERB grant. The port will match \$17K to get an almost \$70K feasibility study for not a lot of Port investment. We are also looking at high level opportunities from an infrastructure perspective. Our key is that we come from a lot of different backgrounds, and it is important for us to understand and get some subject matter experts as to what we should be attacking. For all we know, we could be using darts at the wrong board. We want some guidance from people that are seasoned on what we should go after. We are excited about this opportunity.

As you know the City Council approved development changes recently, we were made aware of some Council driven changes at the last minute that I felt, and Port staff, felt affected the industrial areas a little too much. We were a little surprised by them. We stated general opposition to a couple of the items. One being a 35 foot height restriction across the board, no conditional exceptions, in manufacturing; and then the second one that got driven through that did not allow oil refinery and storage that was the original term, right? Brenda - oil and petroleum refining storage. And that was it. We felt as a staff that was pretty big: Is petroleum storage 5,000 gallon storage required to build ships, is it a 1,000 gallon diesel tank that Trans Pac needs, is it 20 gallons? It is very vague, so we stated opposition. Tom Jackson: Did it get rephrased to be more specific? John: We called it a draw as the height restriction stayed the same, but they struck the word storage in the second item. It is a secondary thing where we cannot build an oil refinery near this zone. We are so regulated from what we could do anyway, Federally, at the State level, and Department of Ecology, Department of Labor and Industries, Northwest Clean Air, there are so many layers that you have to go thru from a regulation perspective that the City really did not need to insert that into the development regulations. Biofuel technology that springs up as an opportunity for jobs in Anacortes, something similar that we cannot foresee right now. We hated the thought that the City was closing that right now and then have to go thru all these other regulatory jumps. Dan W: It was very discouraging that they go thru this very long public process of revision 1, 2, 3, and at the 11th hour they put in City Council changes with very limited public comment, period, and then it gets approved and enacted. That is discouraging from our standpoint. We felt it was a draw but I feel it is a loss because they are putting restrictions on the very limited time for public comment. Kathy P: Unintended consequences are what is going to happen—because the same from technology like on bio fuels, or like meat packing. No one wants a rendering plant or anyone doing that. We are restricted in that we have so many things that we should keep as much as we can with the door open. And as we are a public agency, we have to go thru the public process and let that process go instead of putting these restrictive factions on us. We cannot be nimble or reactive. Oh wait, we have to go play another “may I” and that is going to take a long time, and time is always what will kill a business project. On top of it, you leave open the ability or avenue for litigation, etc. stepping in, and then you are encumbering both the City and the Port with that. My blanket statement is if you do not want to have a petroleum or refining facility, then state that and we can move on. John: Take solar panels in environmental, you do not understand how much chemical goes on in the manufacturing process of that product. And that is what people miss, you need that industry to create the tool that is gathering the environmental protection. There is still chemical that is on top of that solar panel, somebody has to produce that, and it is really, really regulated. It is probably one of the cleanest industries but it won't be in Anacortes. That is why we stated general opposition to this.

Last thing before we go walking from a business development standpoint is our highest barrier is the 10 p.m. loading restriction at the marine terminal. When we talked to businesses, this almost drives 80% of the business away because they are paying for 8 hours of labor and getting 4-hours of work on the nightshift. Regardless, the ILWU is guaranteed a full shift. When you look at pet coke and we say we run a day and night shift, in a typical business that is two 8-hour shifts. Unfortunately for us with an agreement that was signed between the City of Anacortes and Shell in 1997, we are limited on the night side to 10 p.m. The longshore crew are getting paid for 6 p.m. to 3 a.m., no matter what. They are going to get 8-hours of pay so the customer is paying for that 8-hour but they are only getting 4-hours of operations. This holds true for pet coke, prilled sulfur, and would hold true to anything unless we were willing to look at that. The new customer, when we quote they are paying for 8-hours of labor but only get four hours of work, they see the machine is not running, the forklift not going. On that note, we will now take a walking tour.

Agenda Item: Walking Tour

Presenter: John Dumas

The walking tour encompassed the areas of Quiet Cove and O Avenue laydown viewing the areas from the intersection of O Avenue and 2nd Street.

Meeting adjourned at 6:15 p.m.

Next Meeting: TBD.