

AGENDA
THE PORT DISTRICT OF SOUTH WHIDBEY ISLAND
SPECIAL MEETING of the BOARD OF COMMISSIONERS
Wednesday, April 18, 2012 at 6:00 pm
Port Office Conference Room
1804 Scott Road, Freeland, WA

6:00 PM - SPECIAL MEETING CALL TO ORDER

1. South Whidbey Harbor Expansion Project Action Issues**
 - A. Resolution No. 12-05 to Issue Bonds, and Bond Purchase Agreement
 - B. B.I.G. Criteria discussion

2. Port Operations**
 - A. Finance Manager Hiring
 - B. Assistant Harbormaster Compensation

3. Adjournment

PORT DISTRICT OF SOUTH WHIDBEY ISLAND

Minutes of the Special Meeting

April 18, 2012

Freeland, Washington

Commissioners Present: Curt Gordon (Clinton) and Chris Jerome (Langley) **Absent:** Dennis Gregoire (Freeland)

Others Present:

Port Staff: Ed Field (Port Operations Manager) and Ron Rhinehart (Port Finance Manager) **Absent:** Molly MacLeod-Roberts (Port Clerk); **Others:** Kathleen Waters (Langley) and on speakerphone: Stacey Lewis (Martin Nelson & Co.)

MEETING CALL TO ORDER: The Special Meeting (in workshop format) of the Port District of South Whidbey Island’s Board of Commissioners was convened on Wednesday, April 18, 2012, in the Port office conference room at 1804 Scott Rd. in Freeland, WA. As announced, the primary purpose of the Special Meeting was for Commission and Staff review, discussion and direction on Resolution No. 12-05 for Bond Issuance and the associated Bond Purchase Agreement, as well as the Boating Infrastructure Grant criteria, Finance Manager hiring and Assistant Harbormaster compensation issues. Although the Meeting was of course open to the public, it was scheduled primarily to brief the Commission on current/developing issues for the listed topics and to determine subsequent direction for Staff, and public participation was not on the Agenda.

Commissioner Gordon, President, called the Special Meeting to order at 6:00 p.m., followed by the Pledge of Allegiance.

SOUTH WHIDBEY HARBOR (SWH) EXPANSION PROJECT ACTION ISSUES

Resolution No. 12-05 to Issue Bonds (EXHIBIT A) and Bond Purchase Agreement (EXHIBIT B): Port Finance Manager Ron Rhinehart provided the following summary of the bond information from a previously prepared handout:

OVERVIEW

Resolution No. 12-05 is presented for Commission approval, authorizing the issuance of Limited Tax General Obligation (LTGO) bonds that will be sold to Martin Nelson & Co. under the Bond Purchase Agreement.

Gross bond proceeds will be reduced by professional fees and selling expenses before net proceeds are deposited in a Bond Fund account held by the County Treasurer.

PORT BOND OFFERING SPECIFICS

1. Maturities range from December 1, 2013 to December 1, 2031
2. Annual bond maturities range from \$35,000 to 460,000
3. Annual debt service (interest + principal) ranges from \$59.6k – \$64.3K
4. Bonds maturing after 2022 are callable by the Port

FINANCIAL SUMMARY

Par Value (face value x quantity)	\$850,000
Premium (paid by buyers)	38,970
Professional & Issuance Fees	<u>(25,655)</u>
Net Proceeds to Port	\$863,315

HIGHLIGHTS

1. Port bond pricing/yields favorable relative to recent/comparable offerings
2. Local interest (in buying Port bonds) significantly oversubscribed
3. Combined Effective Interest Rate = 3.30%
4. Receipt of net proceeds (at County Treasurer) expected on April 30, 2012

ACTION ITEMS

1. Approve and sign Resolution 12-05, authorizing issuance of LTGO bonds
2. Approve and sign Bond Purchase Agreement

As Rhinehart went through the summary, Stacey Lewis of Martin Nelson & Co. was available on speakerphone and provided clarification and answers as needed for the Commission.

Rhinehart then read the following aloud:

RESOLUTION NO. 12-05

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE PORT OF SOUTH WHIDBEY ISLAND, ISLAND COUNTY, WASHINGTON, PROVIDING FOR THE ISSUANCE OF LIMITED TAX GENERAL OBLIGATION BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF \$850,000 TO FINANCE ALL OR A PORTION OF THE COSTS OF COMPLETING THE RESTORATION AND EXPANSION OF THE SOUTH WHIDBEY HARBOR AT LANGLEY; AND PROVIDING THE DATE, FORM, TERMS AND MATURITIES OF THE BONDS.

ACTION: A Motion was made by Jerome and seconded by Gordon to approve and adopt Resolution No. 12-05 authorizing the issuance of LTGO bonds in the amount of \$850,000.

Gordon said, *“The annual cost of this bond is about \$62,000 per year, and the estimated increase in revenue at the Harbor as a result of this first phase is \$40,000-\$50,000 per year, so most of this bond payment will be made from increased revenue at the Harbor.”*

The Motion passed unanimously.

Rhinehart then read the following sections aloud from the Purchase Agreement dated April 18, 2012:

Martin Nelson & Co., Inc. (“Purchaser”) offers to purchase from the Port of South Whidbey Island, Island County, Washington (“Seller”) all of the above-described bonds (the “Bonds”), on the terms and with the covenants, representations and warranties set forth below...

ACTION: A Motion was made by Jerome and seconded by Gordon to approve and accept the Contract of Purchase (Purchase Agreement) for the sale of \$850,000 LTGO Bonds to Martin Nelson & Company. The Motion passed unanimously.

On behalf of the Port, Rhinehart thanked Lewis for her time and assistance, and ended the phone call.

Boating Infrastructure Grant (BIG) Criteria: Over the last couple of weeks, Rhinehart said a lot of new information has come out about the BIG, and unfortunately, little or none of it is favorable to the Port. He provided the following summary of four items: 1) US Fish & Wildlife (USFW) has reduced the maximum grant award ceiling. Two years ago, the Port applied for \$2.2m and this year the ceiling is down to \$1.455m. Since the estimated project cost is \$2.4m, the Port’s required match would be a minimum of \$945k, and the source for that match would have to be identified and proven by May 2013. 2) No assets/real estate/previous development can be considered part of the match. Only engineering/design/permitting for the proposed project can be spent prior to grant award and be eligible for reimbursement. So, Phase 1 will not help the Port reach the requirement. 3) Additional funding sources/partners will result in a higher score, but must be non-federal sources. Therefore, a layered funding program with FEMA for the dock would not be considered an eligible match partnership. 4) USFW has issued final criteria and weighting values. Rhinehart referred to the Estimated Evaluation Criteria Scoring Sheet (**EXHIBIT C**) he had prepared. Since the Port’s estimated score was 35 out of 90 (including points for a higher-than-required match), the Port would not be a strong contender. Additionally, regarding economic benefit, USFW appears to look for projects that will generate local

revenue in multiples of the construction cost, and the Port's project will generate only a fraction of the construction cost annually.

Based on the new information, Rhinehart suggested the Port should reconsider the decision to apply for the BIG program. He believed the project's alignment for the Port Security Grant (FEMA) was significantly better based on the Port's FY09 application. Port Operations Manager Ed Field pointed out that RCO (Recreation and Conservation Office) would be presenting the Port's BIG application at the national level (and that is their decision to make, not the Port's). He expressed concern that it might damage our credibility with RCO by sending a not-so-strong contender.

After a brief discussion, the Commission agreed not to apply for the BIG program and directed Rhinehart to focus on the Port Security Grant.

PORT OPERATIONS

Finance Manager Hiring: Rhinehart said some additional applications had been received. One candidate who had previously applied for the position spoke with him, but opted not to apply due to her current employment. Another applicant appeared to have grant writing and grant management experience, but little to no accounting experience. Noting that very few applicants had accounting experience, Field suggested that could be due to the fact that "tax season" had only just ended.

Rhinehart said, "My ongoing impression is that we are looking for someone with a financial analysis background, and we're looking in a market that doesn't have that specialty geographically. In the Seattle and Bellevue areas, there are many corporations employing people with those skills. Locally, we have CPAs who do taxes and statements and we have business owners who do their own budgeting and operational analysis, but individuals who do financial analysis are not prevalent on Whidbey Island. Maybe there's a way to have someone do the accounting side on a short-term contract basis and look to hire someone else to do the extra management load, grant writing, etc."

Jerome asked, "What is our biggest need for the short-term, over the next 3 months after Rhinehart leaves?" Field said the skeletal need is to have an accounting/auditing officer to review vouchers and authorize payment. Additionally, assuming the permits come through, he will need help on the contracts for the SWH project.

Rhinehart said a search firm had contacted him and asked if the Port would be interested in paying them to find someone to fill the position. The firm does both temporary and permanent searches, and he asked if it was worth finding out if they have any temporary candidates. The Commission directed Rhinehart to get more information as to the cost.

Assistant Harbormaster Compensation: Field explained that Assistant Harbormaster Duncan McPhee has been a ¾ time employee since his hire (\$15.00/hr. to start, \$16.50/hr. after one year), and receives \$300 per month for health care reimbursement. Separately from the Harbor, he also receives a monthly salary based on 17.33 hours per month at \$17.50/hr as Parking Lot Attendant. Due to the Harbormaster's medical leave of absence, the Assistant Harbormaster has been working full time for the last two months, and the Port has compensated him by paying him a bonus. Now that one dockhand has been hired and another one will be soon, Field and Rhinehart made an initial offer to McPhee for a total 40-hour week comprised 36 hours at the Harbor and 4 hours at the parking lot at \$17.50/hr. (a \$1.00/increase per hour for his work as Asst. Harbormaster), plus increasing the healthcare reimbursement to \$400/month. McPhee countered with \$18.00/hr. for working full time at the Harbor and will fill in at the parking lot only until a replacement can be found. The Commission agreed with Staff's recommendation that effective May 1, 2012 and extending through Labor Day at a minimum, McPhee's compensation would be increased to a full-time salary (based on \$18.00/hr.), he would also receive the full-time health care

reimbursement rate of \$400/month, as well as the standard managers' cell phone reimbursement of \$40/month. The Commission agreed with McPhee's request to be assigned to the Harbor full-time and directed Field to determine alternate staffing for Humphrey Lot, with McPhee assisting with the transition and training. The Commission indicated that staffing and compensation for Harbor staff would be re-evaluated in the fall when there is better understanding of pending staff health issues.

ADJOURNMENT: The Special Meeting was adjourned at 7:07 p.m.

Approved:



Commissioner Curt Gordon, Clinton

Minutes prepared by:



Edwin S. Field, Port Operations Manager

ABSENT

~~Commissioner Dennis Gregoire, Freeland~~



Commissioner Chris Jerome, Langley

Exhibit A: Resolution No. 12-05 to Issue Bonds

Exhibit B: Contract of Purchase of LTGO Bonds between Port (Seller) and Martin Nelson & Co. (Purchaser)

Exhibit C: Estimated Evaluation Criteria Scoring Sheet BIG 2012