

AGENDA
THE PORT DISTRICT OF SOUTH WHIDBEY ISLAND
SPECIAL MEETING
January 6, 2010

1. 9:00 AM - SPECIAL MEETING

- A. Call to Order
- B. Oath of Office for Commissioner-elect Jerome
- C. Election of Officers

2. PORT PROJECT AND PRIORITY LIST REVIEW AND EVALUATION

(Refer to attached "Port Project & Priority List: 2010 and beyond...", dated 1/6/10)

3. 2010 MEETING PLANNING

- A. January 12 Special Meeting in lieu of January 13 Regular Meeting
(Tuesday, 7:00 pm Workshop and 7:30 pm Meeting at China City Banquet Room)
- B. Discussion of Possible Regular Meeting Date & Location Changes, per ByLaws

4. COMMISSIONER ASSIGNMENTS (if time permits)

5. ADJOURNMENT

PORT DISTRICT OF SOUTH WHIDBEY ISLAND
Minutes of the Special Meeting
January 6, 2010
Freeland, Washington

Present at the meeting were:

Commissioner Geoff Tapert, Freeland
Commissioner Chris Jerome, Langley
Commissioner Curt Gordon, Clinton
Ed Field, Port Manager
Dane Anderson, Port Financial Manager
Molly MacLeod-Roberts, Port Clerk

Margot Jerome, Langley Resident
Jeff VanDerford, South Whidbey Record.
Marty Behr, Langley Resident

Absent: None

1. SPECIAL MEETING:

A. Call to Order: The Special Meeting of the Port District of South Whidbey Island's Board of Commissioners convened on January 6, 2010, at the Port office located at 5492 S. Harbor Ave. in Freeland, WA. As announced, the purposes of the Special Meeting were to first swear in Commissioner-elect Chris Jerome and elect Board Officers for 2010, and then conduct a workshop for Commission and staff to review and address the Port projects and priorities for the coming year and beyond, followed by initial meeting planning for the coming year, and Commissioner assignments if time permits. Although the Meeting was open to the public, the Special Meeting was scheduled to enable the new Commission to be fully briefed on projects and to determine scoping, prioritization and direction for staff, and public participation was not on the Agenda. Commissioner Tapert, President, called the meeting to order at 9:05 a.m., followed by the Pledge of Allegiance.

B. Oath of Office for Commissioner-elect Jerome: Commissioner-elect Jerome was sworn into office by Commissioner Tapert. The Notice of Election and Oath of Office for Port of South Whidbey, Commissioner, District #2 was subsequently notarized and a copy was forwarded to the Island County Auditor as required by law. **(EXHIBIT A)**

C. Election of Board Officers for 2010:

ACTION: A Motion was made by Commissioner Gordon and seconded by Commissioner Jerome to nominate Commissioner Tapert as President. The Motion passed unanimously.

ACTION: A Motion was made by Commissioner Tapert and seconded by Commissioner Gordon to nominate Commissioner Jerome as Vice President. The Motion passed unanimously.

ACTION: A Motion was made by Commissioner Tapert and seconded by Commissioner Jerome to nominate Commissioner Gordon as Secretary. The Motion passed unanimously.

The following slate of officers was elected for 2010:

- **Commissioner Geoff Tapert – President**
- **Commissioner Chris Jerome – Vice President**
- **Commissioner Curt Gordon – Secretary**

2. PORT PROJECT AND PRIORITY LIST REVIEW AND EVALUATION:

Port Manager Ed Field referred the Commission to their copies of the “Port Project and Priority List: 2010 and beyond...” dated 1/6/2010 (**EXHIBIT B**) and the estimated year-end balance (**EXHIBIT C**), which is \$539,145.21. He reported that at noon on December 31st, Puget Sound Energy had served notice on the Port that they would disconnect electrical service to the marina in 48 hours because no one had stepped forward to pay the bill for the previous 4 months, and Molly asked, “What bill?” The City of Langley had originally told the Port that the septic pump station and the marina were on the same line/same meter and would need to be separated. The City said they would have PSE separate them and PSE would then start billing the Port for the marina’s electric use. In August, it was determined that the lines were separate so the City told PSE to stop billing them and start billing the Port. Unfortunately, the City did not notify the Port and PSE never sent a bill. The outstanding bill is about \$1,700 and Molly told PSE that the Port would take responsibility for the bill so they did not shut off the power. It appears the average monthly bill for the marina will be about \$400, and that was not included in the 2010 budget.

Ed noted that the 2009 budget projected a year-end balance of about \$532,000, so the actual year-end balance of \$539,000 for 2009 was actually higher than projected. He noted that Rick’s philosophy of bringing in more off-season weekend visitors is indeed paying off, in spite of Staff doubts to the contrary. Although it is a “staffing heavy-type” approach, it is working. Port Financial Manager Dane Anderson explained that the analysis is done on the basis of revenue per user day and breaking it out by transient vs. permanent (annual and monthly). The breakdown of the November revenue indicates that the difference between transient vs. permanent is mere cents. When it comes to determining the future distribution of transient vs. permanent slips, using that metric to maximize the revenue for the facility will be very important.

Commissioner Tapert said he wanted to have “a big picture discussion.” Commissioner Gordon said he would like to hit some of the high spots before digging into the individual projects. Commissioner Tapert invited Commissioner Gordon to be first to discuss what he would like to see in the coming year.

Commissioner Gordon said he had read all the information provided and thanked Port Staff for providing all the project lists and reports. He acknowledged that there are a lot of little projects that the Commission needs to be spend time on, but his first item of concern is the annual administrative costs of about \$250,000. Since the Port only receives \$475,000/year from the levy, he wants to make sure the administrative costs are tight enough that the Port can go forward in the near term and get a bond rating, and be ready to get General Obligation (GO) Bonds as soon as the permits are ready for the Harbor. That is his focus, and until he can sort out how much money is available over the next year, it will be hard for him to spend a lot of time on individual projects. He agreed with Port Financial Manager Dane Anderson’s recommendation that the Port never commit more than 85% of the Port’s tax revenue. Commissioner Gordon said he wants the Port to immediately move forward and get Phase 1 of the Harbor completed as soon as the permits are in place, before addressing other projects.

Commissioner Tapert asked about the status of obtaining a bond rating, and Dane reported that the draft Financial Policies are ready for Commission review. Once approved, the next step is to go to bond rating agencies to obtain the bond rating. Commissioner Gordon suggested the Port hold a special workshop meeting with the bond council before acting on the policies, and recommended Martin Nelson & Company make the presentation sometime during the 1st week of February. The Commission agreed with his suggestion.

Ed reported that the individual who would like to make a presentation to the Commission regarding a cell phone tower at Possession Park is on vacation the last 10 days of January. The Commission agreed to wait until the regular February meeting at the earliest to hear the presentation so the public would have advance notice. If the Port decides to pursue the matter, a special meeting could be scheduled in March.

Commissioner Jerome said he would like to expand the discussions at the early February workshop beyond just the bond matter to talk about the overall long-term financial picture.

Commissioner Tapert mentioned the financial modules Dane had created based on the term of the note (10-year, 20-year, etc.), and Dane offered to sit down with new Commissioners Jerome and Gordon separately and go over them, and they agreed to do so. Ed would also sit down with each of them and go over the administrative cost side and provide background.

Commissioner Gordon reiterated the need to get a fix on the administrative costs first, before addressing the optional or varying costs that could be deferred. If the Port has outgrown the office at Edwards & Associates, he wants information regarding how quickly a move can be made, how much more efficient can Staff become if the office is relocated with a full-time port clerk, cost estimate for the hours paid now, etc.

Regarding the home office matrix, Dane reported that moving into the building currently leased by South Whidbey Parks & Recreation is not an option, because their board is not interested in sharing that space at this time. He asked the Commission if they wanted Staff to look at other potential locations for the Port home office. Commissioner Gordon said he first would like to see a breakout of the current administrative costs of the home office. Dane said the matrix would include that as well as the capital costs such as new computers, file cabinets, etc.

Commissioner Tapert said he would like to see an Organization Chart for the Port, including the duties of each position, and then the Commission could establish the salary ranges and benefit packages for each position. Regarding the Port office, he eventually wants something that the Port would own rather than rent, and it should be larger than needed so that additional revenue could be collected by renting out the extra space.

Commissioner Jerome asked how the Port's financial position would change if the draft Financial Policies were adopted. Dane said it would not have any effect because right now, the Port spends less than it collects in tax revenue. The reason for drafting the Financial Policies is that the Port is talking about dramatically changing that. He explained it is essentially an agreement that the Port will not risk more than X% of its tax revenue for the additional project(s). Dane noted that in the current draft, X = 85%. Financial Policies need to be in place in order to obtain a bond rating. Jeff VanDerford of the South Whidbey Record asked if there is a fiduciary responsibility for the Port to have a bond rating. Commissioner Gordon explained, "If you want to sell bonds and get the best interest rate, you must have the best rating you can get. If you don't have a bond rating, you can't sell bonds."

VanDerford asked if the bond would provide the other half of the funding for Phase I of the marina, with the first half funding being the \$1.2 million from Rural County Economic Development Funds (\$.09 money). Ed explained that the "bare bones" minimum project (with an estimated cost of \$2 to \$2.5 million) is NOT the entire Phase I that is requested in the permit. The bare bones project would simply relocate the breakwater and provide access to it.

Ed noted that if the permits are ready in August, there will still be a lag between getting the permits and putting it out to bid of at least 3 months. Getting a lot of work done in late 2010/early 2011 would be optimistic, but possible.

At Commissioner Gordon's request, Dane restated the Commission's direction to Staff as follows: schedule time to review the 20-year model with Commissioners Jerome and Gordon, develop an org chart and provide the Commission with a breakdown of the administrative costs, including specifics about current costs for the Port home office. Commissioner Tapert asked if employee benefit packages would be part of that, and Dane said not right now, since the focus is on current administrative costs. Ed noted that there a lot of issues that go with benefit packages, some of them policy-related, so it would be better to keep it as a separate discussion. Dane said he should have information on benefits available for the Commission to discuss in detail in February.

Commissioner Jerome said he had reviewed some earlier engineering studies on the marina and he was very interested in seeing the most recent documents/reports from Reid Middleton. Ed said that would be the Pre-Design Study from about a year ago. He further explained that the Port started with Art Anderson Associates for the conceptual design, and although it was a good concept it was possibly a little bit overblown. The Port then talked to other consultants on the solicitation list and Reid Middleton was selected as the best local and most practical opportunity, so they then conducted the Pre-Design Study. Commissioner Gordon said he would also like to see it, and Ed said he would provide them both with copies.

Commissioner Tapert said that this year, he would like the Commission to have an in-depth discussion on industrial development. He noted that some other ports in the state are really involved in industrial parks and leasing to tenants that provide good jobs. There are several potential offshoots from that discussion, including potential office space where the Port might be an incubator space provider or in an Innovative Partnership Zone through the Department of Commerce, which could go hand-in-hand with a potential industrial development area. He felt there are some really good deals in the current real estate market, and he would at least like to evaluate some potential properties and tie them up with some sort of contingency options. He suggested a special meeting in March to discuss industrial development. Commissioner Gordon agreed that would be good timing, since the Commission should have a grasp on the finances and the financing potential by then. Dane asked if the Commission essentially wanted a business plan for industrial development of a facility within the Port district. Commissioner Tapert said he would at least like to discuss different options and share some of his ideas. Commissioner Gordon said they should have a meeting and do some brainstorming before asking for a specific business plan. The Commission agreed to schedule a special workshop meeting on industrial development the first week of March. Commissioner Tapert said part of that discussion should include different ways to finance these types of things with public/private partnerships. He noted that the Department of Commerce would grant money for development of this kind of thing, provided it is owned by a public entity.

Commissioner Tapert suggested that each Commissioner write comments on the Port Priority and Project List Review and give them to Ed to see where they overlap. Ed explained that the document is essentially like a menu of everything, and Staff wanted to provide Commission with the list in order for the Commission to prioritize and provide direction. Commissioner Gordon said he was

willing to do that, but he preferred being able to interact with Staff and fellow Commissioners. He suggested rather than writing out comments for every item on the list, the Commissioners could simply indicate which are their top 5 priorities. He also suggested the Commission take a few minutes now to look at the existing facility needs as listed and at least touch on them, and the Commission agreed.

Possession Beach Waterfront: Regarding the \$30,000 in the 2010 budget for a backhoe, Commissioner Gordon said the Port could purchase or lease it through the State pool on an annual basis and bring that \$30,000 for this year down to \$5,000 by making payments on a backhoe and buying it new. Ed asked for additional details, and Commissioner Gordon explained that the Parks District had the information, but essentially there's a state equipment loan pool that you can make application for, where they loan government entities the money for the purchase/lease and you repay them. Commissioner Gordon also suggested contacting Enduris (the Port's insurer) to obtain details about coverage for Possession Manager Wayne Nance to trailer the backhoe to and from the harbor at Langley. He felt strongly that the Port should not buy a used backhoe; a new one should be purchased. Dane noted that the issue isn't so much new vs. used, but rather that a backhoe is needed for ramp cleaning at Possession and the South Whidbey Harbor at Langley, and the logistics of moving it between the two facilities. Commissioner Tapert calculated that contracting with someone to move it each week would cost approximately \$10,000, and Ed expressed doubt that Wayne's truck was big enough to tow a heavy backhoe. After further discussion, it was agreed that the Port continue to contract out for the Harbor ramp cleaning and just leave the backhoe at Possession rather than move it back and forth.

Ed said he would keep the Commission informed regarding the Possession residence roof and heating system. He wanted the Commission to be aware that the ramp at Possession is getting down to rebar in a couple of places and the docks are "okay, but not great." Depending on major storms, etc., major work might be needed in 2-5 years. Commissioner Gordon asked if there was any way to get a count on launches at any of the Port's boat ramps, and Ed explained it would be very difficult since the managers are not there all the time. Commissioner Gordon said he'd love to know what the usage is, but Ed pointed out that it varies wildly depending on fishing season, etc. The ramp is the major long-term cost at Possession, and Ed noted that it would be a prime candidate for an RCO-type grant (Recreation & Conservation Office) since that's where the original funding came from. After a brief discussion, the Commission agreed to do a cost analysis/feasibility study of the ramp project in late 2010, in order to submit a grant application in the 1st quarter of 2011.

Clinton Facilities: Ed said, "The Clinton dock is better." He was encouraged by what he's seen since Greenbank Metalworks completed the repairs, but cautioned that expecting more than another 5 years would probably be too optimistic for the dock that was built in 1992. Ed noted the average dock has a life span of 20-25 years. He ranked the Clinton dock just below the Possession ramp for priority. Commissioner Jerome asked if it would be eligible for RCO grant funding. Ed explained that RCO funds are specifically for non-commercial use, and the Clinton dock was originally permitted and built for a passenger ferry. If RCO money is accepted, encumbrances and restrictions would be attached and would preclude any future commercial use.

Bush Point Facilities: The Port will purchase a new mower as budgeted. Ed explained the poor design of the turn-around and noted that boaters have complained. He said it's a minor maintenance issue and they will use a low budget approach to resolve it.

Langley Facilities: Regarding the damaged dock repair, Ed explained that Harbormaster Rick Brewer is looking into repairing a 4 x 4 dock section that was damaged by a large log shortly before the Port took over the marina from the City of Langley. The long-term plan for the replacement of

the existing marina, including the stockade and docks, also needs Commission consideration. The study done six years ago gave the marina just 10-15 years of life remaining, and it is creosote. All of the existing structure is encumbered by RCO development money for non-commercial activities, which means no fish sales off the docks, etc. It also makes it challenging to bring in tourist ships at any time other than the off-season/winter months. When the new dock is launched, it will likely be completely unencumbered so there will not be any restrictions for commercial use. When the existing facility is replaced or if existing transient slips are transferred to the new dock to add permanent slips in the existing marina, Ed cautioned that the Port must be very careful to disengage the encumbrances every step of the way. Dane explained that property purchased with RCO money is encumbered in perpetuity. The uplands are therefore forever encumbered, but the existing facility (stockade, docks and slips) is encumbered only for its design life, which for marine facilities is typically 25-30 years. Encumbrances are either acquisition encumbrances or development encumbrances, and RCO has acknowledged that development encumbrances only persist as long as the development that you've built. So if the existing marina sank and the Port did not get any additional from RCO for replacing it, the Port could have a completely new marina without any encumbrances. If the transient slips are temporarily moved to the new dock to allow for permanent in the existing facility, a conversion application must be completed and it must be temporary to avoid encumbering the new dock.

The InterLocal Agreement (ILA) between the City of Langley and the Port calls for improvements to the boat ramp and the uplands. The intent of the boat ramp improvements was to have it not "silt up" as much, and the Port has accomplished the vast majority of that by having a backhoe clean it once a week. Ed noted that the ramp lacks boarding floats, and most good boat ramps have boarding floats. The Port has also improved the uplands by adding gravel and moving and landscaping Phil Simon Park. The Commission needs to determine whether or not to include the boat ramp in the \$2.5 million minimum project. Dane explained that in relation to the Master Permit, the City wants to know the transient vs. permanent slip count and how it relates to parking there. Based on the overlay district and the retaining wall the City wants put in, Dane said it would not surprise him if the City makes the master permit issuance contingent upon the Port putting in a retaining wall, which would really bump up the costs.

Commissioner Jerome asked if the City had provided initial feedback on the Port's permit application, and Ed said they sent 4 or 5 vague questions prior to the end of the year. Staff responded that since some of the questions were policy issues and a new Commission would be seated in January, the Port would wait to answer them and would appreciate getting all questions at once.

Dane noted that Brian Stowell still has an option on the Drake property and the Port continues the dialogue with him regarding a private/public partnership. Commissioner Jerome said he would like to be involved with those discussions.

Current Efforts: Commissioner Jerome said Rick is doing a great job and he would encourage him to pursue the opportunities listed (Annual Harbor Events, Preferred Vendor List, Harbor Merchant Partners and Boater Education). Commissioner Gordon agreed and added that he was not interested in micromanagement. Ed explained they are working toward providing Rick with a specific level of authority, perhaps \$1,000 per year, for promotional use such as offering free or discounted stays at the marina, etc. Ed said they would need Commission direction as to what areas should be promoted (Weekend transient visitors? Groups?), so that Rick can focus his promotional efforts accordingly.

Ed explained that Dane has been analyzing the income from the permanent slips (annual and monthly) vs. the transient, and the costs of staffing one more than the other, etc. Commissioner Gordon said again that they don't want to micromanage, so items like a moorage fee waiver for M/V Indigo or the moorage fee and requirements for the Victoria Clipper for example do not need

Commission authorization. However, Commission Gordon felt the Commission does need to spend time with Dane to get a sense of where the balance needs to be regarding winter transient vs. permanent moorage. Rather than micromanaging the harbormaster, he said the Commission could set up overview policies and then just make sure he falls in line with them. Dane noted that currently at the marina, the Port is leasing out the maximum amount of space allowed under the RCO encumbrances. Regarding the micromanagement issue, Commissioner Gordon noted that Rick still answers to Ed first, and doesn't answer directly to the Commission. Commissioner Tapert noted that the Commission is responsible for the hiring of only one person – the Port Manager, and for setting policy.

Possible New Initiatives: Commissioner Gordon suggested the Commissioners go home and rank each of the initiatives and possibly add comments, so they can be prepared for the next time they are able to have the discussion. He also suggested they write down any additional items that are not on the list.

Commissioner Jerome noted that the transportation issue comes up a lot in the context of the harbor and other areas, and he thinks Island Transit is an important potential partner. The Commission agreed, and both Commissioners Jerome and Gordon indicated that they would be willing to meet with Martha Rose of Island Transit to discuss the matter.

3. 2010 MEETING PLANNING:

A. January 12 Special Meeting in lieu of January 13 Regular Meeting (Tuesday, 7:00 p.m. Workshop and 7:30 p.m. Meeting at China City Banquet Room: Ed explained that per the Port Attorney, if the meeting is not held at the regularly scheduled time and location, it becomes a special meeting by default. Commissioner Gordon explained that the Port's bylaws do not allow the meeting time and location to be changed, and Commissioner Jerome noted that they were changing the meeting because Commissioner Gordon had a conflict with the Port's regularly scheduled meeting date and time.

B. Discussion of Possible Regular Meeting Date and Location Changes, per ByLaws: Ed reported that any formal change to the regular meeting location and/or date must be done by resolution *at a regular meeting*, so it cannot be done on January 12th because that is a special meeting. Commissioner Jerome noted that he would be out of town for both the March and April meetings. Commissioner Tapert suggested that they hold the regular meeting as scheduled for January 13th with only one item on the agenda: the resolution to change the regular meeting time and location. Commissioner Gordon noted that a location had not yet been found for the 2nd Tuesdays of each month and the resolution should include identification of the location, so they should probably wait until the regularly scheduled February meeting to adopt the resolution. Commissioner Tapert asked if Commissioner Gordon would be able to attend, since he has a conflict with the 2nd Wednesdays. Commissioner Gordon said he would attend the Port's February meeting, but it is critical that he attend his other commitment's meeting in January. He explained, "These old guys meet the 2nd Wednesday of every month and they have for the last 40 years, and they're not going to change it for me, so I was hoping the Port could change it." The Commission agreed to wait to take action on the meeting changes until the regular February meeting.

Ed hoped to have the information regarding the existing administrative/home office existing costs within the next week or two, and he would sit down with each of them to go over it after their financial background meetings with Dane.

4. COMMISSIONER ASSIGNMENTS:

After a brief discussion, the Commission agreed to the following assignments:


- **WPPA (Washington Public Ports Association):** Commissioner Jerome
- **EDC (Economic Development Council):** Commissioner Jerome
- **COG (Council of Governments):** Commissioner Gordon
- **RTPO (Skagit-Island Regional Transportation Policy Organization):** Commissioner Gordon
- **MRC (Marine Resources Committee):** Commissioner Tapert
- **DOC, fka CTED (Department of Commerce, fka Community, Trade & Economic Development):** Commissioner Gordon
- **HHSPD (Holmes Harbor Shellfish Protection District):** Commissioner Tapert
- **PSP (Puget Sound Partnership):** Commissioner Tapert

Prior to adjournment, the Commission agreed to tentatively schedule the special meeting with bond council for Wednesday, February 3rd at 1 p.m.

5. ADJOURNMENT:


The meeting was adjourned at 11:34 a.m.

Approved:



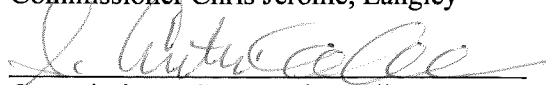
Commissioner Geoff Tapert, Freeland

Minutes prepared by:



Edwin S. Field, Port Manager

Commissioner Chris Jerome, Langley



Commissioner Curt Gordon, Clinton

Exhibit A: Notice of Election and Oath of Office

Exhibit B: "Port Project and Priority List: 2010 and beyond..." dated 1/6/2010

Exhibit C: Estimated Year-End Balance