

AGENDA
THE PORT DISTRICT OF SOUTH WHIDBEY ISLAND
SPECIAL WORKSHOP MEETING
Port Office Conference Room, 5492 S. Harbor Avenue, Freeland, WA
February 3, 2010 at 1:00 pm

1. CALL TO ORDER

- A. Pledge of Allegiance

2. BONDING, FINANCIAL PLANNING & FINANCIAL POLICY DISCUSSION

- A. Introductions: James Blumenthal of Martin Nelson & Company
- B. Presentation on Project Financing, including Financial Policies & Bonding Issues
- C. Commission Discussion

3. PORT FINANCIAL PERSPECTIVE FOR PROJECT & POLICY REVIEW

- A. Administrative Costs incl. Home Office & Employee Benefit Issues
- B. Financial Perspectives & Implications for Project Capacity
- C. Harbor Project Discussion, incl Initial City Comments, Design & Operational Issues

4. UPCOMING MEETING ISSUES

- A. Proposed Resolution No. 10-02: Regular Meeting Date to be Revised to 2nd Tuesdays,
Location to be Revised to SW Parks & Rec. Building on Maxwellton Road
- B. Agenda Topics for Feb 10 Regular Meeting

5. ADJOURNMENT

PORT DISTRICT OF SOUTH WHIDBEY ISLAND

Minutes of the Special Meeting

February 3, 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

Jim Blumenthal, Martin Nelson & Co.
Ed Jenkins, Clinton Resident
Tony Puma, Boatyard Inn Co-Owner

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 February 3, 2010, at the Port office located at 5492 S. Harbor Ave. in Freeland, WA. As announced, the purposes of the Special Meeting were to hold an initial meeting with possible bond counsel Martin Nelson & Company to review and discuss project financing and port financial issues, and to hold Commission and staff discussions regarding home office, employee benefit and administrative costs, Port project financing and capacity and harbor expansion project technical issues and initial City of Langley comments. Upcoming meeting agenda topics were also to be discussed. Although the Meeting was open to the public, the Special Meeting was scheduled to for preliminary Commission and Staff briefing and discussion on the listed topics, and public participation was not on the Agenda. Commissioner Tapert, President, called the meeting to order at 1:00 p.m., followed by the Pledge of Allegiance.

2. BONDING, FINANCIAL PLANNING & FINANCIAL POLICY DISCUSSION:

A. Introductions: Jim Blumenthal introduced himself as Vice President & Senior Municipal Underwriter at Martin Nelson & Company.

B. Presentation on Project Financing, including Financial Policies & Bonding Issues:

Blumenthal provided the Commission and Staff with copies of "The Importance of Financial Polices" (**EXHIBIT A**). He thanked the Commission for the opportunity to discuss financial policies, and walked the Commission through the information in the folder. He noted that there have been a lot of changes to financial policies for municipalities as a result of the recent economic crisis. Blumenthal said that with the weak economy, there are new steps taking place to fortify and strengthen municipalities that are largely being implemented by rating agencies. Regarding fiscal management policies, he explained that the rating agencies simply want organizations to formalize certain existing practices that are reasonable. He noted that for many municipalities, bond insurance now offers no viable benefit, and that in terms of credit worthiness, as measured by bond ratings, bond issuers must now "stand alone." Therefore,

municipalities must adapt to the new credit standards to achieve the highest possible rating so they obtain the lowest possible interest rates when they borrow money. Blumenthal stated that the Port's draft Revenue Policies (**EXHIBIT B**) are "comfortable" (not too constraining), they are adapted to the industry (used by other Ports), and are considered reasonably strong. If there are not fiscal management policies in place, the rating agencies will downgrade. He went through the list of questions the Port should answer when formulating fiscal policies, in order to design good fiscal policies. Blumenthal believed the framework the Port has in place in fine, with the Comprehensive Plan updated every six years. He also thought the Port's proposed debt policy of "annual debt payments should not exceed 85% of the annual tax revenue collected by the Port" was well within the Port's limits. Port Financial Manager Dane Anderson noted that 85% was a lower percentage than in any other model they looked at for financial policies.

Blumenthal said it is important to have Reserve and Liquidity Policies (or Revenue Policies, as Dane referred to them) that state the required reserve fund balance percentages and the use of these funds in the event of an emergency or contingency. Having such policies is critical – if you don't, it's a big negative. He briefly reviewed the potential interest cost of not adopting fiscal policies.

C. Commission Discussion: Commissioner Gordon asked how the Port obtains a rating once the fiscal management policies are in place, and if a rating is needed from each of the agencies. Blumenthal said bonds up to \$25 million would need only one rating. A single rating makes the most economic sense for the Port. Commissioner Gordon asked when the rating occurs, and Blumenthal answered, "It occurs at the point the Port needs the money and is going to issue the debt and start the project(s)." Dane said the process is to request a rating from the agency, provide the required information, and then schedule an interview. Blumenthal explained that the underwriters would handle all of that (sending all the financial information, a draft prospectus, audits, etc., and set up and help prepare the Port for the interview the day before). The actual interview is a conference call that usually lasts 1 – 1½ hours. Commissioner Tapert asked if Martin Nelson & Company is a "bond counsel" and does bond counsel imply an attorney? Blumenthal said bond counsel does mean attorney, and Martin Nelson & Company is the underwriter – the ones that basically provide the financing to the organization. The attorney works for the organization as its representative – they provide a legal opinion that the bonds are tax-exempt for tax purposes. The bond counsel is hired to implement the legal requirements to issue the bonds. Ed asked if the bond counsel is a specialized attorney, not the regular Port attorney, and Blumenthal said that was correct.

Blumenthal explained that once the rating conference call interview occurs, the rating agency takes the information from that meeting to their credit committee and the committee then determines the bond rating that they publish for you. He added that the Port has a number of really positive factors; obviously, the assessed valuation and wealth per capita is very strong so that gives the Port "strong credit just out of the chute." The Port has good finances, a fairly low tax rate and no debt – all very positive characteristics that Blumenthal expects would place the Port in the "A" category.

If there was a question or concern about fund balance, Blumenthal explained that the Port does have the opportunity to engage in the rate process as a practice test, and if it doesn't come out as hoped, the Port would pay just 40% of the rating fee. Martin Nelson & Company would provide an assessment, evaluation and professional opinion and evaluation of what the Port's chances are regarding the rating, based on other organizations in the market that are similarly structured.

Commissioner Tapert asked if Blumenthal had any idea if it would be better to go out immediately or six months from now. Blumenthal said the "interest rate crystal ball" is a tough one, but he felt it wouldn't change much in the next couple of months. Dane said the general feeling in the market is that today's interest rates are the lowest. Once the Port is ready (financial policies approved, etc.), Blumenthal said it would take 45-60 days for the process of preparing and submitting the financial information and obtaining the bond rating with the assistance of Martin Nelson & Company.

Blumenthal said that in looking at the Port's financials and the plan being discussed, he noted that the Port's tax rate is roughly 10 cents per \$1,000 of assessed value. The Port of Coupeville has between 4-5 cents per \$1,000 on an existing bond. If the Port of South Whidbey was looking at a levy lid lift, they could essentially cover debt service on \$3 million with a 4-5 cent increase in the tax rate.

Commissioner Jerome asked for Blumenthal's opinion on the financial policies that Dane has drafted and if there was anything additional that the Port needed to increase the chances for a better rating. Blumenthal said the policies pretty much "hit the highlights." He pointed out that they would want to make sure the reserve fund balance is consistently 3-5% of the revenues, and if they expect that balance would need to be used to cover additional costs related to the harbor expansion, the Port would want to have a plan in place to present to the raters explaining how it would be drawn down and how it would be replenished. He stressed that the key is having a plan.

Commissioner Tapert asked how far back in history the raters look, and Blumenthal responded, "Three years." Commissioner Tapert asked if they look at the actual results or the budget or both, and Blumenthal said they look at actual results and the current budget. Commissioner Tapert asked if they take one-time payments into consideration, such as the roughly \$0.5 million spent on engineering, etc. that required dipping into the reserves, and Blumenthal said, "Sure."

Commissioner Tapert noted that on page 1 of the draft Revenue Policies, under Revenue Policy #3, the paragraph referred to both "Commission Reserve" and "Council Reserve" and asked if there was a difference, Dane said it was a typo and both should read "Commission Reserve." Dane asked if the Commissioners had any questions on the draft policy itself, since one reason Blumenthal was present was to help answer such questions. Commissioner Tapert asked if the Port would have to revise the recently adopted budget to make the revenue policies fit, and Dane said no, they should fit fine within the existing budget framework. Dane explained that the draft policies he created were the result of a combination of financial policies from another port district and another municipality. Commissioner Tapert asked what their ratings were, and Blumenthal reported that the Port of Brownsville was AA+ and the City of Port Townsend was A+. Commissioner Tapert asked if those entities had any other issues, such as outstanding debt, and Blumenthal said Port Townsend did. Commissioner Tapert asked how the Port of South Whidbey compared on assessed value, and Blumenthal said, "You look great with \$4 billion in assessed valuation...very, very strong."

Commissioner Tapert asked if GO Bonds (General Obligation Bonds) are tied to a specific project or can it be used for other purposes. Blumenthal explained that as long as the Port states in the resolution what the money will be used for, that's all that is required. The non-voted LTGO (Limited Tax General Obligation Bonds) debt is just a pledge of the Port to service the debt, regardless of the project. The bond counsel would provide the wording for the resolution based on the Commission's direction.

Dane referred the Commission to Capital Improvement Policy #4 on page 4: "*Capital Improvement financing should represent 5-10% of the annual budgeted expenditures of the Port.*" Yesterday, he and Blumenthal had discussed it and decided it was a little more restrictive than needed, so they struck it. Commissioner Gordon said some of the language was on the cumbersome side and there was some redundancy. Blumenthal explained that from a rating agency standpoint, there is basic information needed and it is in the draft document that Dane prepared. He thinks it is a responsible, comfortable framework for the Port, and redundancy is okay. Commissioner Gordon asked, "What is the biggest difference between the fund balance and the reserve?" Blumenthal explained that they are basically the same, but you can differentiate between an undesignated fund balance in the reserve and a designated fund balance in the reserve. Commissioner Gordon said that wasn't spelled out in the document and he was not comfortable with it because it's confusing. He would like it to be less cumbersome and simpler, but just as specific and constraining. Dane said he would work with Blumenthal on simplifying the document and eliminating redundancies and then distribute another draft to the Commission.

In response to Commissioner Tapert's questions regarding the timing of spending, Blumenthal said the Port would essentially have 3 years to spend 85% of the proceeds plus interest. However, in the project budget, he cautioned against expecting to use any investment money.

Commissioner Gordon concluded that it would take 4-5 months for the Port to obtain a bond rating, and that's helpful information. The Commission will have additional discussions, but he added, "It's all critical as far as I'm concerned – we need to get going right away. He thanked Blumenthal for coming to the meeting. Blumenthal said Martin Nelson & Company would be happy to set up a "Bond 101" with Jim Nelson and the Commission agreed they would like that. Dane suggested the Commission send their respective available dates to him and he would work with Blumenthal and Nelson on arranging a special workshop meeting for the "Bond 101" session. Commissioner Tapert asked if it would be reasonable to expect adoption of the policies at the regular March meeting, and the Commission agreed it would be possible and desired.

3. PORT FINANCIAL PERSPECTIVE FOR PROJECT & POLICY REVIEW:

A. Administrative Costs including Home Office & Employee Benefit Issues: Ed referred the Commission to their copies of the "Administrative Cost Summary: 2009 Actuals, 2010 Budget, Projected New Office Costs" (**EXHIBIT C**). Ed explained that he and Dane had worked to come up with realistic expectations for a revised staffing situation, to include a full-time Port Clerk with a salary range of \$15-20 per hour and healthcare reimbursement of \$300/month (same as the assistant harbormaster). Although some limited accounting assistance from Edwards & Associates is still in there, the assumption is that the full-time Port Clerk would be doing the majority of the accounting that is currently being done by Edwards & Associates and Dane (up to 20% of his hours). A full-time Port Clerk is also anticipated to save approximately 10% of Ed's hours as Port Manager. Ed said the subtotals of \$205,850 in the 2010 budget and \$198,545 in the Post-move Annual Costs is a comparison of the current state of productivity with the potential savings. However, it does not show the amount of time he, Dane and the Port Clerk would spend on the actual move and relocation. He explained that at the end of the year, the Annual Costs for staffing might be considerably higher if the 10% of his time saved and 20% of Dane's time saved is plowed back into a construction project.

Ed noted that there was more guesswork involved in the Office subtotal, because potential rents and available spaces are not known at this point. He summarized that if the Port office is

relocated, the Staff would become more efficient and there would be some Staff savings time. Moving to a higher capacity office will cost some more because the Port is getting a good deal on rent, utilities, etc. from Chuck Edwards. Commissioner Gordon noted that when the numbers are totaled, it's essentially a wash (excluding the moving costs), but relocating would improve productivity. He said Chuck had agreed that the Port had outgrown the current office space. Commissioner Gordon believed Staff productivity would be greatly enhanced if there is a new office and a full-time clerk. He stated, "We can do it for the same price and we know we're going to have to pay for this move whether it's a year from now or next month. I personally think it should be sooner rather than later."

Commissioner Jerome wondered if \$1,000 per month was too optimistic, and Ed said he really didn't know, as Staff has not conducted any research yet. Commissioner Gordon noted that the basement of the Sears house could be rented for \$700/month. He added that there is a lot of empty space available on the rental market. Commissioner Tapert said he would like the office space to have a fallback for small meetings, and Ed agreed it would be ideal to have access to a conference room.

Commissioner Jerome suggested that if an incubator facility is considered, then the Port office should be located within the same building. Commissioner Gordon suggested they could do a one-year lease, and the Port has the opportunity now to benefit the public because there is a lot of empty space out there. It's an efficiency issue and the Commission needs a central office with Staff available and responsible.

The Commission agreed that Staff should start an evaluation of possible available spaces and begin "roughing out" the job description for a full-time Port Clerk.

Commissioner Tapert wondered if it would be appropriate to send out a Request for Proposals (RFP) for office space for rent. Commissioner Gordon said he'd rather Staff go do the homework and see what's out there and set the parameters. Those parameters can then be included in the RFP. Ed and Dane agreed to work on the scope/evaluation of available spaces, and an RFP would not be prepared until after the Commission makes a decision and takes action at the regular February meeting.

Commissioner Gordon explained his position regarding Employee Benefits. The longevity of Staff is important, and in his experience the Staff often comes from a municipal background. Therefore when hiring, it is often an advantage to offer a benefit package that potential employees are familiar with and provides the Port with a better opportunity to employ a qualified individual.

Commissioner Tapert expressed concern about getting locked into a program and losing the flexibility of changing when a better deal is available. His understanding is that PERS (Public Employee Retirement System) is one where "once you're in, you're always in." In general, he feels it is important to provide a good salary and good benefits in order to preserve longevity of Staff and avoid turnover.

Commissioner Jerome agreed with both of the other Commissioners, but noted that there is no big push from Staff to do anything right now; the current healthcare reimbursement method is satisfactory. Commissioner Tapert suggested tabling the issue until later in the year, but Commissioner Gordon noted that it needed to be on the agenda for the regular February meeting, since Ed's Employment Agreement is pending until the question is resolved. He explained that he was okay with putting off the discussion until 2011, but they needed closure on Ed's package. Ed suggested the Commission could go with the status quo on the benefits for this year, and plan

to revisit it when the budget process starts in August/September. He noted that most plans have open enrollment in November. The Commission agreed to postpone further discussion until then, and agreed to have Ed's Employment Agreement (as originally submitted in December) on the agenda for Commission action at the regular meeting on February 10th.

B. Financial Perspectives & Implications for Project Capacity: Ed noted that Dane's evaluation of transient vs. permanent moorage numbers and the harbor revenues for the year has made it apparent that transient numbers are better than expected, thanks to Harbormaster Rick Brewer's efforts. Ed noted that the "appropriations chase" has been more challenging than hoped. Dane said that the Port has not been pursuing RCO (Washington State Recreation & Conservation Office) grant dollars because of the encumbrances associated with them. He explained that the existing encumbrances from RCO grants have prevented the Port from maximizing revenue at the harbor. The basis for that assumption is that all ports that have marinas in the State of Washington (with the exception of Friday Harbor), on a slip per day basis make more money on permanent and monthly moorage than they do on transient moorage. Dane tracked the revenue (beginning July 21st) on the slip per day basis and the data indicates that it is essentially a wash between the two types of moorage at the South Whidbey Harbor.

The magic that allows the Port to maximize revenue now is the flexibility of the monthly moorage in the wintertime and the transient moorage in the summertime, and it works very well for the Port. Dane explained that "what this all means" is that Staff thinks they can still work operations at the marina using RCO dollars, when they have that same flexibility of transient vs. permanent. That is good news because it means the Port can go after those RCO grant funded programs. Dane said, "The Port has a pretty good story, if we choose to tell it, for RCO's Boating Infrastructure (BIG) Program." He further explained that if the Port, through its debt capacity and its existing grants from Rural County Economic Development Funds (RCEDF), put out the 400-ft. breakwater, the ramp and the float leading to it, and then used RCO funds to develop the second, 370-ft. breakwater...the Port would essentially be giving RCO access to the 2nd breakwater without having to pay for it. Ed explained that the other challenging RCO-constraint the Port is juggling with is commercial vs. non-commercial – RCO restrictions are for non-commercial use only. If the Port can use its own money and the unencumbered RCEDF for the first breakwater and access to it, it could be used for commercial purposes. The second, RCO-funded and encumbered breakwater could then be established as transient moorage and commercial people would not be transiting across non-commercial space.

Appropriations funding isn't available due to the fact that Island County's unemployment rate is not as high as it is in other areas. The Port's appropriations request is not a good fit with any of the bills due to their nature. However, if the Port submits the request via the BIG program, anything over \$100,000 goes out of the state category and into a national competition for marinas of national significance. A seminar is scheduled for February 26 to provide information about the grants available, application requirements and parameters, etc., and the deadline for submitting the paperwork is typically May with an in-person presentation in July or August. In all likelihood, the Port would not have a determination on the request until sometime in the Fall.

Commissioner Gordon felt the Port should pursue every potential funding opportunity, even if Dane has to spend additional hours. He thinks that's why the Port needs its own central office, because they'll all have to work together. Ed agreed and added, "Winning an RCO grant is a concentrated team effort, as we learned with the successful Clinton Beach project."

Commissioner Jerome reported Dave Rice, Chair of Seattle Yacht Club's (SYC) Real Estate Committee, had telephoned him right before this meeting. Rice said SYC is very interested in the

South Whidbey Harbor project, and explained that they have outstations throughout the Pacific Northwest. SYC has a lot of members that would like to have Langley as a destination as it's the perfect location for them, and they would want slips to accommodate boats 40' and larger. At all their other outstations, SYC actually owns the whole thing, but they are willing to be flexible and would buy slips outright. Rice emphasized that SYC has 3,000 members and very high initiation fees, and more or less said money is not a problem.

Through the WPPA (Washington Public Ports Association), another grant came to Commissioner Jerome's attention, related to resiliency. Dane provided additional information on the Port Security Grant Program from FEMA (Federal Emergency Management Agency). He said the money is out there, but it's in a really thick steel box and it's very hard to get. The program is focused on developing infrastructure for detection and dealing with IEDs (Improvised Explosive Devices), and chemical, nuclear and biological weapons. Although there is a commercial resiliency component of it, it is not a very high priority for them. Dane added that U.S. Coast Guard and Homeland Security has developed a listing of the most vulnerable ports in the country and grouped them into 3 categories. While there are a number of Puget Sound ports in Group 1 (for which \$20 million of the \$288 million has been set aside), the South Whidbey Harbor at Langley is not one of them. Group 2 includes Kelso and Kittitas and \$1.6 million has been set aside for that group. Group 3 is for all other ports, and the Port can apply directly to FEMA for those funds instead of going through the fiduciary agent that handles Groups 1 and 2. To do that, the Port would have to be part of the Area Marine Security Program, which requires meeting certain management expectations and discussions with the Coast Guard. The deadline for application is February 12th. Commissioner Jerome asked if it would be worth having a discussion with the Coast Guard anyway, with a view toward next year, and Dane said, "Yes, that's where I am with this."

C. Harbor Project Discussion, including Initial City of Langley Comments, Design & Operational Issues: Ed referred the Board to their copies of the City's comments (**EXHIBIT D**) as well as the comments submitted by Tony Puma, co-owner of the Boatyard Inn (**EXHIBIT E**). In conversations with Larry Cort, the City's Director of Community Planning, Staff let the City know that the Port is still working on the scope of Phase 1 vs. later phases, and Cort indicated he would be willing to wait and work with Staff, so that once the scope of Phase 1 is defined, the Port can tailor the responses to parking issues, etc., in keeping with the size of the project. Ed said the Commission needs to define the project and separate out Phase 1 from subsequent phases, and then respond to the comments accordingly. That would provide the City with the opportunity to separate it out into near-term and long-term impacts. Dane noted that the City is willing to work with the Port.

Ed reported Permit Specialist Joe Callaghan of GeoEngineers doesn't believe the Army Corps of Engineers is likely to accept the concept of a 10-year permit that would cover all 130-odd slips. Dane explained the Corps is against it because the list for Endangered Species Act changes about every 5 years, so they typically issue permits for no more than 5 years. Dane noted that the Port could still request an extension near the end of the 5 years.

Commissioner Tapert asked if the City was okay with the Port keeping the boat ramp essentially as it is now, and maybe going out later for grants, etc. to install new pilings and floats for it. Ed said the City had informally agreed that was acceptable. He added that formally the Port would need to reopen discussions with the City and demonstrate that although the Port may not have spent \$200,000 for the boat ramp as noted in the InterLocal Agreement (ILA), the Port has spent over \$300,000 in engineering, etc. and essentially fulfilled its commitments in the ILA. Ed pointed out the reasoning behind the proposed project of making the boat ramp steeper was to

improve access during different tides and to prevent silting. The Port has contracted for backhoe services to clean the ramp once a week, so silting is no longer an issue. Ed added that reconstructing the ramp at this time is not recommended. It would be premature, and should wait until such time that the uplands configuration has been determined. However, installation of new pilings and floats is recommended at this time to improve operations.

Commissioner Gordon wanted to reaffirm his concern that Staff keeps all harbor expenses entirely separate from the administrative expenses in the budget. Staff affirmed that they would be tracked separately.

Commissioner Jerome noticed that the Department of Ecology had mentioned something about the littoral drift. Ed said the Port's engineers would look into the responses for those technical pieces. Noting that Commissioner Jerome had expressed concerns about the overall design of the harbor expansion, Ed suggested that shortly after the regular February meeting (when some of the preliminary discussions will more or less be finalized), and the Commission agrees to go forward with some sort of project...the Port could have a special meeting with the engineers (Reid Middleton and GeoEngineers) to address technical concerns and provide background information on the design, etc. Ed noted that both Reid Middleton and GeoEngineers are at the end of their contracts for the initial scope through 30% design, permit submittal and initial comment response. If the Port wants them to proceed through the rest of the permit comments and then to design, that would be another proposal and scope. The Commission would also need to determine whether to proceed with design with funding unknown or put design on pause.

Commissioner Jerome referred the Commission to the South Whidbey Harbor Document Review **(EXHIBIT F)** he had prepared and submitted earlier, which included his Executive Summary. He explained his main issues. First was the suitability of the 16-ft wide Bremerton breakwater in any location, as it seems to be smaller in width than any others. Numerical analysis has not been done on it, and he agrees with Reid Middleton that it should be conducted. Specifically, he wants to know if the 20-ft. breakwater with the wave fence underneath is used, what will the conditions look like inside the marina at the peak wave heights (the 50-year return wave heights).

Ed explained that there were a series of design directives. One directive was that there needed to be a minimum scope project that gets the 400' breakwater in the water and gets public access to it, and do it as cheaply and quickly as possible. Another directive was that the ultimate build-out of the harbor needed to be in the 100-150 slip range. Yet another directive was to not move the floats (breakwaters) again once they are put in place. The design for Phase 1 therefore meets all the directed criteria. Commissioner Gordon thought the bare minimum Phase 1 might not ever have been verified as safe, but Ed explained that there were 2 versions of "safe": Can it be designed and built to survive whatever Nature blows at it? The answer from the engineers was yes. Would you want to be in there working on it or have boats tied up to it during a storm? The answer was heck no. Rick had brought up another consideration – a sort of catcher's mitt that would be formed and the ensuing amount of debris and logs that would flow in there. One solution might be to create a 20-ft gap for harbor staff to flush the logs out, although it would be labor intensive. Another solution might be to hang a log boom across. For the bare bones minimum design, essentially it was determined that the structures would survive, but a good operational design was not reached by last fall.

Commissioner Gordon asked if design changes result in starting the permit process over again, and if so, what percent of change is considered a change? Ed thought changing the size of the footprint would be the biggest change, while swapping the 20-ft wide breakwater with the 16-ft wide breakwater would be a reasonably minor change with no huge impact. It would require

looking at each proposed change and determining the ripple effect of that change. The sooner the Port makes any major changes, the better off for the overall permit process. Ed suggested he could send a copy of Commissioner Jerome's Document Review to Reid Middleton for their review and response, and then set up a meeting with them.

Tony Puma, Co-Owner of The Boatyard Inn, was given permission to address the Commission. Puma stated that the harbor plan is not sausage that can be bought by the link, meaning the Port can't simply add things to the plan as funding appears. He said, "You can't just buy two sausage links and then five years from now buy three more." It isn't appropriate, because it is not appropriate for the harbor to be seasonal. Puma said, "If the Port is not going to do the whole thing in any short period of time, I would question whether this geometry is the proper one, and maybe you should revisit the criteria given by the previous Commission." He suggested posing challenging questions to the engineers, and if the answers are not satisfactory, then reconsider the design. For instance, maybe the breakwater should be moved more than once.

Puma said the Seattle Yacht Club is willing to sign a lease for the duration of the Port's financing. He said there are 5 outstations on Bainbridge Island, and the Port could subscribe one of the docks to the Club "just like that" if they wanted to. It would provide permanent moorage without any parking problems, and it gives the project momentum. He hopes the Port will chase all the different opportunities available. Puma stated, "Defining Phase 1 is everything."

The Commission agreed that Commissioner Jerome's report would be sent to Reid Middleton and a special workshop meeting with Reid Middleton and GeoEngineers would be scheduled. Reid Middleton and GeoEngineers would then be able to answer questions and address the concerns of the Commissioners. Staff was also directed to request a cost estimate for the entire perimeter from the engineers.

Commissioner Gordon told Commissioner Jerome, "That was a great report and I really appreciate your doing the homework." He added that he also really appreciated the great job Ed did on providing clear information with very good detail on the home office relocation.

Ed noted that the information Dane previously researched regarding the regional economic impact of expanding the marina (based on the previous design) is now 2.5 to 3 years old. Since the economy has changed so much, Ed explained the questions are: Is that information still accurate? Do we want to go back to the economist and get updated information, or pause until we have a better idea of what we're building? Commissioner Tapert wondered if the Port needed it right now; if not, he'd rather defer it until it is needed. Dane said the economic impact question comes up frequently with grant applications, and it's a very prominent question in appropriations requests. Ed said an update would cost about \$1,000, and the Commission agreed to wait for now.

4. UPCOMING MEETING ISSUES:

A. Proposed Resolution No. 10-02 – Regular Meeting Date to be Revised to 2nd Tuesdays, Location to be Revised to South Whidbey Parks & Recreation Building on Maxwellton Road:

Ed said he would draft the proposed Resolution for Commission approval at the next Regular meeting on February 10th at the Freeland Library.

Additional Upcoming Meeting Information:

Ed distributed copies of the “Major Port Meeting & Event Schedule: 2010 and beyond...” **(EXHIBIT G)**, which lists all tentatively scheduled meetings, events and vacations. Ed asked each of the Commissioners how they would like to receive the additional information on the agenda for the regular meeting, such as the tidelands appraisal. Commissioner Jerome requested it be emailed to him, and Commissioner Gordon said he would come into the office and read it.

Ed noted that Dane had drafted the InterLocal Agreement between Island County and the Port regarding the RCEDF money several months ago, and asked if the Commission wanted the ILA on the regular February meeting agenda. Dane explained that the ILA needs to be in place in order for the Port to access any of the funds and the Commissioners need to review it carefully first. The Commission agreed to place it on the agenda for discussion and consideration at the regular February meeting.

The Appropriations Request must be submitted by February 19th and requires the signature of Commissioner Tapert as President of the Port Commission. Ed suggested Staff email it to the Commission for review and Commissioner Tapert would simply sign it unless there were any objections.

Also on the agenda for the regular meeting: Revised Harbor Regulations and Rates. Ed explained there are 2 or 3 relatively minor changes in the Regulations, related to late payments and insurance requirements. Three minor rate change proposals are also likely: a reservation fee, an increase for utility fees, and a higher day use fee for larger boats. He said he would email the Commission the proposed changes.

Harbormaster Rick Brewer is gearing up for a “Dive Expo” - a free, one-day event at the marina to be held April 10, 2010. If successful, it would be a 2-day event next year. Rick’s intent next year would be to hold a 2-day dive event and charge perhaps \$10 per person to participate in the activities. Ed said that he had two concerns. One was the Port flyer Rick drafted, which asks people to “tell us (the Port) what you want in a dive park.” Russell Sparkman had requested the comment be added to the flyer, with the expectation that he would have a 501(c)3 organization set up for the dive park and all related questions and concerns would be funneled into it. Ed explained that the previous Commission and the Port’s Comp Scheme generally support the concept of a dive park, but there is no provision in the Comp Scheme for the Port to spend any money or participate in it. Since Sparkman hasn’t yet set up the 501(c)3, Ed is concerned the language on the flyer would paint the Port as the “point person” for the dive park. Commissioner Tapert agreed, but suggested the question could remain as long as the comments were directed to Sparkman’s email address rather than the Port, making him the point of contact. Ed’s other concern: the name of the place. He explained the previous Commission had lengthy discussions about it, eventually agreeing that the current designation for the sake of this project and current operations is “The South Whidbey Harbor at Langley.” He asked for Commission direction, and after a brief discussion, the Commission agreed to leave that name in place for now.

5. ADJOURNMENT:

The meeting was adjourned at 4:20 p.m.

Approved:



Commissioner Geoff Tapert, Freeland

Minutes prepared by:



Edwin S. Field, Port Manager

Commissioner Chris Jerome, Langley



Commissioner Curt Gordon, Clinton

- Exhibit A: Martin Nelson and Company presentation folder: "The Importance of Financial Policies"
- Exhibit B: Draft Revenue Policies from Draft "Financial Policies, Performance Measures and Priorities" (12/14/09)
- Exhibit C: Administrative Cost Summary: 2009 Actuals, 2010 Budget, Projected New Office Costs
- Exhibit D: City of Langley initial comments
- Exhibit E: Comments submitted by Tony Puma
- Exhibit F: South Whidbey Harbor Document Review
- Exhibit G: "Major Port Meeting & Event Schedule: 2010 and beyond..."