



PORT COMMISSION OF THE PORT OF EDMONDS
MINUTES OF REGULAR MEETING

April 24, 2017

COMMISSIONERS PRESENT

Fred Gouge, President
David Preston, Vice President
Bruce Faires
Jim Orvis
Steve Johnston, Secretary (by phone)

STAFF PRESENT

Bob McChesney, Executive Director
Tina Drennan, Finance Manager

OTHERS PRESENT

Bradford Cattle, Port Attorney
Karin Noyes, Recorder

CALL TO ORDER

Commission President Gouge called the regular meeting to order at 7:00 p.m..

PLEDGE OF ALLEGIANCE

All those in attendance participated in the Pledge of Allegiance to the American Flag.

CONSENT AGENDA

COMMISSIONER ORVIS MOVED THAT THE CONSENT AGENDA BE APPROVED TO INCLUDE THE FOLLOWING ITEMS:

- A. APPROVAL OF AGENDA**
- B. APPROVAL OF APRIL 10, 2017 MEETING MINUTES**
- C. APPROVAL OF PAYMENTS IN THE AMOUNT OF \$1,492,907.06**

COMMISSIONER FAIRES SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

PUBLIC COMMENTS

Council Member Teitzel said he recently received the Port's mailer. He complimented them on their nice work. The piece is informational and provides good facts that people want to know. Commissioner Preston asked Council Member Teitzel to report back with any feedback he receives from members of the community.

APPROVAL OF HARBOR SQUARE BUILDING 5 – HVAC CONTRACT AWARD

Mr. McChesney reported that an HVAC unit serving Suite 102 in Building 5 has malfunctioned and needs to be replaced. Staff put the project out to bid on April 7th, and a pre-bid walkthrough was conducted on April 13th. Three qualified bids were received on April 19th and the low bidder was D.K. Systems, Inc., for a base bid of \$13,500. Staff will work with the contractor and tenants to minimize disruptions during installation. He referred the Commissioners to the bid tabulation that was attached to the Staff Report, noting that the other bids were \$15,075

from Eagle Pipe Mechanical and \$19,760 from DIB Solutions Northwest LLC. He recommended the Commission authorize him to enter into a contract with D.K. Systems, Inc. in the amount of \$13,500 plus sales tax for the Harbor Square Building 5 HVAC Contract No. 2017-267.

Mr. McChesney reminded the Commission that quite a number of rooftop HVAC units are obsolete and need to be replaced, and staff is in the process of preparing a schedule for the Commission's information. Commissioner Faires asked how old the failed unit was. Mr. McChesney answered that it was original equipment.

Commissioner Johnston asked if the Port has experience working with D.K. Systems, Inc. Mr. McChesney answered that they are the Port's HVAC Maintenance Contractor, and they are very familiar with all the units. However, because of this is an acquisition rather than maintenance and the price exceeds the Port's procurement policy limitations, the project had to be bid out. The Port's experience with D.K. Systems has been positive.

COMMISSIONER JOHNSTON MOVED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE DIRECTOR TO ENTER INTO A CONTRACT WITH D.K. SYSTEMS, INC. IN THE AMOUNT OF \$13,500.00 PLUS SALES TAX FOR THE BASE BID FOR THE HARBOR SQUARE BUILDING 5 HVAC CONTRACT 2017-267. COMMISSIONER ORVIS SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

APPROVAL OF TRUCK PURCHASE

Mr. McChesney advised that staff is requesting approval to replace the 2000 Chevrolet S-10 with a 2017 Chevrolet Silverado for the Marina Operations Department. He reminded the Commission that the Port tries to replace one truck each year. He referred to the bid summary that was attached to the Staff Report, noting that Blade Chevrolet was the low bidder at \$24,674. The bid from Bill Pierre Chevrolet was \$29,960, and the bid from Everett Chevrolet was \$29,605. He explained that the plan is to surplus the S-10 later in the year. He reviewed that the budget to replace the vehicle is \$25,000, and he is asking for Commission authorization to purchase the new vehicle from Blade Chevrolet and the tool box and cab rack from other vendors in an amount not to exceed \$27,000.

Commissioner Faires inquired about the value of the S-10 and how many miles it has. Mr. McChesney said he does not know how many miles are on the vehicle, but the more important factor is the number of drivers and the amount of starts and stops the vehicle has made. He said the truck likely has a salvage value of less than \$2,000.

Commissioner Faires asked if staff has checked on the internet to find the best price for the cab rack and tool box. Mr. McChesney answered affirmatively. The Port's Maintenance Manager is good at finding the best deals, and he feels confident the truck will meet the Port's needs at a reasonable cost. He noted that the cost of a full-sized truck is less than for an S-10.

Commissioner Orvis asked how many trucks the Port owns. Ms. Drennan answered that there are 7 trucks and 1 van. Commissioner Orvis asked if the new truck would be used by security staff, as well. Mr. McChesney answered that security staff have their own truck. The new truck will be designated for marina operations use.

Commissioner Johnston said the place where he used to work traded vehicles out every 6 to 8 years. In his opinion, the bid seems reasonable, as does the timeline for replacement. He said he is amazed that the S-10 lasted 17 years given the frequent starts and stops and the different drivers. Commissioner Orvis pointed out that the government standard for vehicle replacement is about 7 years.

Commissioner Gouge said it is a shame that the cost of hybrid trucks is so high since the Port's goal is to be environmentally friendly. Ms. Drennan pointed out that hybrid trucks are only available in California. Only about 700 of them were made this year. There was a problem previously, as production stopped in 2013 because of problems. Companies just started building them again in 2017. Commissioner Preston pointed out that the Port's trucks are not running often. Most of the time they are parked and turned off.

Commissioner Orvis referred to a recent article in *THE WALL STREET JOURNAL* regarding gas mileage. It was noted that the environmental gains beyond 30 miles per gallon are miniscule and not worth the price. It is important

to consider the cost per mile to drive the vehicle rather than the miles per gallon, and hybrids are frequently not competitive.

COMMISSIONER PRESTON MOVED THAT THE COMMISSION AUTOHRIZE THE EXECUTIVE DIRECTOR TO PURCHASE A NEW 2017 CHEVROLET SILVERADO TRUCK PLUS TOOL BOX AND CAB RACK IN AN AMOUNT NOT TO EXCEED \$27,000. COMMISSIONER FAIRES SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

1ST QUARTER HARBOR SQUARE REPORT

Jan Conner, Property Management, presented the 1st Quarter Harbor Square Report, specifically noting the following:

- The 1st quarter was quite busy with activity.
- There were 6 late notices for a total revenue of about \$1,700. At this time, all tenants are current.
- Gross projected revenue for 1st Quarter 2017 was 13.9% or about \$57,000 greater than the same period in 2016.
- Leasing activity was relatively brisk for the 1st quarter. However, the report does not show the new lease that occurred in the 120 West Dayton Building. Two month-to-month tenants banded together to lease some additional space.
- Responses were made to several inquiries for one-man office space. A lease was put out, but later retracted. It has been put out again and should come to fruition in the near future.
- There were two lease extensions and two leases terminated. She is in discussions with current tenants to absorb the vacant spaces.
- Tenant improvements were done in Suite 104, which is space that was vacant for a long time after the previous tenant relocated to another space.
- There were minimal conference room rentals.
- The only vacant spaces are very small, and the largest is Suite 201 in Building 4.
- There was an incident in the women's restroom of Building 3 caused by a clogged drain and a faucet that was left running. The problem has been solved with sensor faucets.

Commissioner Faïres asked for more information about the late payments from American Brewery. Ms. Conner explained that the company is in the process of being sold, and the lease expires at the end of the year. Some changes have been proposed to the lease agreement, and they are waiting for the new owner to sign off the lease. The late payment is more of an administrative function than of financial conditions.

Mr. McChesney commented that Harbor Square is full, and the limiting factor is parking. He thanked Ms. Conner for all her good work, noting that this is her last report before the Commission. She will, however, work with the Port on contract until the new person has been trained. Commissioner Gouge commented that Ms. Conner is a fixture in the Harbor Square community. She has managed both the hotel and business complex for a number of years, and she knows every nook and cranny of the property. Ms. Conner said she has managed the property for 27 years, and it has been a pleasure working for the Port.

Commissioner Gouge asked that the real estate sign be removed from the Harbor Square property, and Mr. McChesney agreed to remove it as soon as possible.

1ST QUARTER PORT OPERATIONS REPORT

Mr. McChesney shared highlights from the 1st Quarter Port Operations Report, which was prepared by Ms. Kempf. He specifically noted the following:

- **Public launch** round trips were down by 12% and one way launches were up by 6% from 1st Quarter 2015. It is likely this is a result of fishing closures and bad weather.
- Based on 6 price checks during 1st Quarter, the Port's simplified average pay-at-the-pump **fuel price** was \$3.30 for unleaded and \$2.55 for diesel. The quarterly average at seven other locations, including DesMoines,

Kingston, Shilshole, Everett, Elliott Bay, Poulsbo and Brownsville was \$3.39 for unleaded and \$2.60 for diesel. This data indicates that the Port's fuel prices stayed competitive with other marinas.

- The number of boats in **guest moorage** during 1st quarter decreased by 38% compared to the same time period in 2016 (135 fewer boats). The number of nights also decreased by 53%. During the 1st quarters of 2015 and 2016, the Port was full of tribal vessels for crab and geoduck tribal fishery openings. This year, there was little to no tribal presence in guest moorage. This is due to The Port's recent decision to charge a \$200 tariff to fish buyers. The buyers are now going somewhere else so the tribal boats are no longer using the Port for moorage. Commissioner Faires pointed out that the Port was not really making money from the activity considering the staff time involved with keeping the marina clean and operational during this busy time.
- Port operations staff worked on a number of **preventative maintenance projects**, including rub board replacement, cleaning and pressure washing the docks, pressure washing building maintenance, stormwater treatments, leaf clean up, replacing rotting boardwalk planks, removing rust from roof structures, installing new dock number signs, tightening dock cleats, washing and waxing dock carts, updating safety data sheets, and replacing the oyster shells in the boatyard. Commissioner Gouge asked if the Port has data to show how well the oyster shells are working in the workyard. He also asked how they are disposed of when they need to be replaced. Mr. McChesney agreed to provide data at a future meeting, but answered that the Port has been able to meet their limits for copper. The oyster shells are very effective, but they are still considered a pilot project. Commissioner Johnston advised that the oyster shells must be disposed of as dangerous waste.
- **Travelift** round trips were up by 4%, **sling time pressure wash** was up by 9%, and **sling time no pressure wash** was down by 26% compared to 1st quarter 2016. In January and February, the Port offered "Roll Back the Clock 10 Years" on the travelift. In March, tenants who had been at the Port for more than 12 months were offered 50% off the travelift. These are very popular programs. **Yard time** increased by 69% over 1st Quarter 2016, and this can be attributed to 3 or 4 vessels with long-term stays and popular promotions.
- The financial occupancy figures for **water moorage and dry storage** are not yet available. They will be presented to the Commission as part of the 1st Quarter Financial Report.
- **Insurance and registration** continues to be a challenge to achieve 100% compliance. However, 1st quarter showed 85% compliance for insurance compared to 77% in 2016 and 78% registration compared to 76% in 2016.
- Two pie charts were attached to the report to illustrate where the water moorage and dry storage tenants reside. As per the chart, 26% of the dry storage tenants reside in Edmonds/Woodway, 30% in Shoreline/Seattle, 9% in other areas of King County, 8% in Bothell/Mill Creek and 6% in Lynnwood. About 43% of the water moorage tenants reside in Woodway/Edmonds, 20% in Seattle/Shoreline, 8% in Lynnwood, 5% in Bothell/Millcreek, and 6% in other areas of King County. Commissioner Johnston asked if staff has information from previous years to illustrate historic trends on the origins of tenants. Commissioner Preston recalled that staff started collecting the data about four years ago, but it has never been compared year to year. Mr. McChesney agreed that staff would compile the information and present it to the Commissioners at a future meeting.

EXECUTIVE DIRECTOR'S REPORT

Mr. McChesney reported that the Port's informational mailer was sent out recently, and the Port was also successful in its application for a tourism grant from the Port of Seattle. He further reported that he was invited to participate in the Port of Seattle's annual tourism meeting, and he is happy to be working with them on the grant.

Mr. McChesney announced that Brittany Williams was hired to be the Port's new Manager of Properties and Marketing, and she will start on May 1st. She will be introduced to the Commission at their May 8th meeting. He shared information about her background and experience and said he believes she will be a great addition to the Port staff.

Mr. McChesney advised that the Chilkat Express, operated by Puget Sound Express (PSE), was relocated to H Dock, where Bud's Bait was previously located. The arrangement is working well, but they have heard some comments from tenants on H Dock. Staff is planning an open house on May 12th from 4:00 to 7:00 p.m. to invite tenants on H Dock to go aboard the vessel and speak with its owners. Commissioners are invited to attend, as well. The intent is to allow the tenants and PSE representatives to meet together to address concerns.

Commissioner Faires requested more details about the concerns that have come up so far. Mr. McChesney said they are mostly related to the newness of the arrangement and the increased number of people on the dock. He pointed out that PSE has staff acting as guides to get people up and down the dock and on and off the boat smoothly. A lot of the concerns are almost the same as those that were expressed when the vessel was moored at D Dock. Commissioner Gouge said he recently went out on the Chilkat Express. The way the PSE staff walked the guests down the dock to the vessel was very organized and efficient. The exact same process was used to get people off the boat. The PSE crew were very friendly. It is a first-class operation that offers a great experience to members of the community.

Mr. McChesney reported that he attended the April 13th meeting of the Alliance of Citizens for Edmonds (ACE), where only three ACE members were present. The presentation and discussion focused on the Edmonds Marsh and the upcoming study that will be done by the City of Edmonds. He has no new information to report.

Mr. McChesney reported that he and Commissioner Faires made a presentation at the April 19th Edmonds Economic Development Commission (EDC) meeting about what ports can do from an economic development standpoint. He also attended the Snohomish County Tourism Bureau retreat.

COMMISSIONER'S COMMENTS AND COMMITTEE REPORTS

Commissioner Orvis said it will be interesting to see how long the City Council will tweak the Request for Proposals for the marsh study before it is approved. He expects there will be a number of people who want to make sure to give direction to the consultant who is hired to do the report.

Commissioner Orvis announced that the Legislature is back in session, and they continue to work on the big problems with education funding. The Public Records Act Reform Bill was passed, and Port staff may want to review and determine how it will impact the Port. It has to do with the right to deny certain types of requests and require that requesters be more specific. It also allows jurisdictions to charge for the service. The Public Employees Retirement System (PERS) Unfunded Liabilities Account is still on the calendar, and it could be part of the final negotiations. The Legislature appropriated \$700 million from the stabilization account to the PERS account to reduce the unfunded pension liability. There will be a PERS 1 surcharge on all employer payments to repay the \$700 million. Ms. Drennan pointed out that about 45% of the PERS 2/3 payment already goes to PERS 1. Commissioner Orvis said they are planning to put a surcharge on that amount, and there is a good chance it will pass. The Legislature passed the ID legislation, and it has been forwarded to the governor.

Commissioner Orvis reported that he and Commissioner Gouge attended the annual State of the Naval Station event. Also in attendance were Susan DelBene and representatives from Governor Inslee, Patty Murray and the County Executive. The Commanding Officer provided a brief report on Navy activities, noting that six destroyers will be coming to Everett, which means a lot of people will be moving into Snohomish County. This will compound the county's housing problems. He summarized that the event was well attended and well received. It was the naval bases' 23rd anniversary, and it is still the most environmentally-friendly base in the nation.

Commissioner Preston announced that he attended the annual district scout dinner where the Edmonds Sea Scout Troop received the "Crew of the Year" award. The unit has been active for several years and has done a wonderful job teaching boys and girls about the water and boating. He reported that, as of the end of May, one of the Sea Scout's vessels will be gone from the marina. He gave the award certificate to Mr. McChesney to forward to Sea Scout Skipper, Jeremy Makin.

Commissioner Faires reported that he and Mr. McChesney attended the April 19th EDC meeting where they were asked to present on what ports can do from an economic development standpoint. He talked about what the Port can do, in general, based on state laws, and Mr. McChesney talked about how the Port of Edmonds could respond to the needs of the local environment. They reviewed the history of the Port of Edmonds and shared what the Port can do and has done that the City of Edmonds cannot. The thrust of the conversation centered on what could be done via a partnership between the Port, the city and private enterprise to improve the economic vitality of the community. A few EDC members commented that they did not really understand that the Port's focus on transportation infrastructure and economic development is much different than the City's focus and that ports have different authority. He pointed out that the Port District has taxing authority, but the Commission's current philosophy is not

to tax Port District residents for operating revenue. However, the Port Commission may be persuaded, given the right opportunity, to use tax revenue to fund a capital improvement project that benefits the community. The meeting was basically a brainstorming session, and EDC members expressed an interest in figuring out how the City and Port might combine their resources, assets and powers to do something unique for the community's benefit. He suggested that the Commission may want to have a brainstorming session regarding how their power and authority could be used more productively.

Commissioner Faires suggested that the Commission needs to clearly define what it means when it says there are better ways to address environmental issues relative to the marsh than those that have been put forth by certain elements of the community and the Edmonds City Council. He expressed his belief that addressing stormwater runoff appropriately would have a much larger impact on the marsh than creating larger buffers with vegetation. He suggested the Port could prepare a sample plan to show how engineered buffers could do a lot better job of improving the environment at the marsh in a lot less space. Commissioner Johnston said he believes that most people truly understand that an engineered buffer would be advantageous for the marsh, but they may be fighting a totally different agenda for the marsh and Harbor Square. The information that was recently mailed out is fairly illustrative about what the Port has done from an environmental standpoint and it is just the first of several pieces that will come in the future. He suggested it would be helpful for the Commissioners to participate in public outreach training that will be offered at the upcoming Washington Public Port Association (WPPA) Spring Conference.

Commissioner Gouge reported that he attended the State of the Naval Station address, as well. He commented that it is always great to hear all that the military does in the community. The sailors should receive applause for their service to both their community and their country.

Commissioner Gouge referred to a recent report from the Economic Alliance of Snohomish County that sales tax revenue in Edmonds through March was down 2.17% and Lynnwood was down 2.14%. On the other hand, Stanwood's sales tax revenue was up 24%, Goldbar was up 24%, Monroe 9% and Mountlake Terrace 18%. It was also reported that real estate sales in the 98020/98026 zip codes were down, as well, which means that real estate excise tax revenue was also down. Commissioner Johnston asked if the decrease in real estate sales is related to supply. Commissioner Gouge said there are plenty of people ready to purchase homes in Edmonds, but people who want to sell and downsize have nowhere else to go. He suggested they may see some additional movement after the new assessed values are released and property taxes extend beyond what people can afford.

Commissioner Gouge reported that he attended the Snohomish County Tourism Bureau's French Tourism event, which included a whale watching tour on the Chilkat Express. He commented that Puget Sound Express runs a classy operation, providing historical information about the whales. They can even distinguish one from another based on their spots. He said Patrick Doherty, Edmonds Economic Development Director, did a great job organizing the event. The French visitors were gracious people, and indicated that a report of their visit would be published on their blog.

Commissioner Gouge reviewed the Commission's upcoming meeting agendas, noting that the May 29th meeting was rescheduled to May 30 to accommodate the Memorial Day holiday, and there would likely only be one meeting in July. He also noted that there are very few items scheduled on upcoming agendas. After a conversation with Commissioner Faires, he suggested that the Commissioners schedule some workshop discussions related to long-term financial planning, Harbor Square and the marsh, and economic development. The Commissioners agreed that a workshop discussion relative to economic development should be scheduled for May 8th.

Commissioner Gouge advised that Council Member Teitzel has also suggested that the Port Commission and Edmonds City Council meet on a semi-annual basis. Council Member Teitzel has expressed concern that when the Port Commissioners address the City Council, it is in the context of a 3-minute public comment period, which is not sufficient for the issues that need to be discussed together. They need an opportunity to have a semi-annual dialogue.

Commissioner Orvis said he understands that a few City Council Members would like to talk with the Port Commission, but the majority do not. Unless there is a change in the makeup of the current City Council, the effort will be wasted. He said he appreciates the Council Members who would like to make progress, but the majority are

not interested in working together. Commissioner Preston expressed his belief that a joint meeting would be an opportunity for the Commissioners to engage the City Council in a discussion. The current 3-minute public comment format has not worked. Commissioner Faires agreed that the City Council appears to be split 4-3 regarding issues related to the Port, Harbor Square and the marsh. Perhaps the four members who oppose the Port cannot ever be convinced to consider the Port's position. However, the other three might support the Port's approach to the future and the three might become four someday. He summarized his belief that reinforcing the Port's position through constructive conversation has merit for the future. Commissioner Gouge indicated that he would meet with Council Member Teitzel to discuss potential topics and a date for the joint meeting.

On May 30th, the Commissioners agreed to have a workshop discussion on Harbor Square and the marsh to identify projects the Port might do with taxpayer dollars that would result in improvements to the marsh for the benefit of the community. Commissioner Gouge suggested that the discussion should wait until after the City has completed its study of the marsh, but Commissioner Faires felt it would be appropriate to move forward with the discussion soon. He commented that what the Port decides is the rational thing to do should be independent of the work that is taking place elsewhere.

Commissioner Johnston observed that, no matter what the study shows, there will be conflicts of interest. Some species can be fully protected and others cannot. The City will have to walk a tight rope throughout the study and the citizens should be involved in the process. Regardless of what happens with the study, there will be the potential for opportunities. Specifically, he suggested the Commissioners should carefully follow the consultant selection process to make sure they are comfortable that the consultant will be objective. The report will identify a wide parameter of species that needs to be addressed in the future at some level, and the Commission should also be actively involved in the process of identifying what the community wants and how the marsh should be protected. Perhaps the Port should retain its own biologist. He emphasized that there are better options for protecting the resource than just setting back development a large distance. There are things the Port can do that will improve the quality of stormwater. While some work has already been done, the Port should not lose focus that the issue is really about stormwater.

Commissioner Orvis asked when the Request for Proposals (RFP) for the Marsh survey would go before the City Council for approval. Council Member Teitzel answered that the City Council will be discussing the parameters of the study at their next meeting, but the actual language for the RFP has not been nailed down yet. Commissioner Orvis suggested that the City Council needs to identify its priorities before the Port considers modifications at Harbor Square. Otherwise the changes might have to be undone as the City works on larger projects. Whatever the Port does needs to be consistent with the overall plan for improving the marsh. He suggested that the Port should work with the Department of Ecology rather than just the City. Mr. McChesney said S.O.M. strategy includes reaching out to the Department of Transportation because they realize that SR-104 plays a significant role in the existing stormwater problems. They also plan to outreach to the owners of the Chevron property.

Commissioner Gouge announced that Francis Chapin, Edmonds Cultural Services Manager, has invited him to participate on the Cultural Advisory Group as a representative of the Port of Edmonds. The group's first meeting is scheduled for May 11th.

ADJOURNMENT

The Commission meeting was adjourned at 8:20 p.m.

Respectfully submitted,



Steve Johnston
Port Commission Secretary