



PORT COMMISSION OF THE PORT OF EDMONDS

MINUTES OF REGULAR MEETING

April 11, 2016

COMMISSIONERS PRESENT

Bruce Faires, President
Fred Gouge, Vice President
Jim Orvis, Secretary

STAFF PRESENT

Bob McChesney, Executive Director
Marla Kempf, Deputy Director
Tina Drennan, Finance Manager

OTHERS PRESENT

Bradford Cattle, Port Attorney
Karin Noyes, Recorder

COMMISSIONERS ABSENT

David Preston

CALL TO ORDER

Commission President Faires called the regular meeting to order at 6:00 p.m. The regular meeting was immediately recessed into an executive session.

EXECUTIVE SESSION

The Commission conducted an executive session to discussion negotiations concerning the sale or lease of Port property (real estate) as per RCW 42.30.110(1)(c), the discussion of which in public would be disadvantageous to the Port. The discussion continued until 6:53, at which time the executive session was adjourned and the Commission reconvened the regular session at 7:00 p.m. No announcement or action resulted from the executive session.

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 MARCH 28, 2016 MEETING MINUTES**
- C. APPROVAL OF PAYMENTS IN THE AMOUNT OF \$212,207.40**
- D. APPROVAL OF HARBOR SQUARE BUILDING 5 LEASE**

COMMISSIONER GOUGE SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

PUBLIC COMMENTS

No one in the audience indicated a desire to address the Commission during this portion of the meeting.

FUEL DISCUSSION

Mr. McChesney reviewed that this is a continuation of a long series of debates on the technical merits of E-10 gasoline with ValvTect versus non-ethanol gasoline. To date, the Commission has heard customer testimony at meetings and directed staff to conduct a customer survey to gather more information. The Commission has also heard from staff that changing the product to E-10 with ValvTect has allowed the fuel dock to perform better financially and be more competitive with other marinas. Staff has recommended that they stay the course and continue to dispense E-10 with ValvTect; but ultimately, the Commission must decide how they want to proceed. Staff is ready to move forward with either product upon the direction of Commission. Regardless of the type of product the Commission selects, Port staff will rebid the fuel contract in the near future.

Ms. Kempf reviewed that, since November of 2015, there has been ongoing discussion with the Commission about whether the Port should consider switching from E-10 ValvTect Marine Grade Fuel to non-ethanol fuel. The Port has been serving ValvTect fuel (both diesel and gasoline) since November of 2010. As requested by the Commission, Port staff provided additional information on December 14, 2015, and further discussion took place about ethanol versus non-ethanol fuels, additives, pricing formulas, supply, octane levels, and customer feedback. The consensus of the Commission was that a survey of Port customers should be conducted. A survey was formulated and customer feedback was received from February 11th to approximately March 4th, and preliminary results were reviewed at the Commission's March 1st retreat. The survey was distributed to customers through the newsletter, tenant statements, a prominent link on the Port's website, and the Puget Sound Anglers. She summarized the survey results as follows:

- The Port had 789 active tenants at the time of the survey, and there were a total of 296 responses (208 current tenants and 88 non-tenants).
- Non-tenants were required to identify what Port services that they had used in the past. Of the 88 non-tenants, 62 were unverifiable as having used Port services.
- Of the 296 responses, 189 indicated they primarily purchase fuel at the Port of Edmonds. Of the remaining 107 that indicated they purchase fuel elsewhere, 88 said the reason was because of ethanol, 22 said because of price, and 7 said other reasons.
- Of the 296 respondents, 38 do not want the Port to switch to non-ethanol, 39 have no preference and 218 said they want the Port to switch to non-ethanol gasoline.
- There were 271 respondents to the questions, "How much more per gallon are you willing to pay for non-ethanol gasoline." 54 said they were not willing to pay more, 25 said they would be willing to pay \$0.05 to \$0.15 per gallon more, 23 said they were willing to pay \$0.15 to \$0.25 per gallon more, 39 said they were willing to pay \$0.25 to \$0.35 gallon more, and 130 said they were willing to pay \$0.35 to \$0.50 per gallon more. Of the 130 who would be willing to pay \$0.35 to \$0.50 more per gallon, 71 were Port tenants.

Ms. Kempf reported that non-ethanol gasoline has consistently been \$0.40 and \$0.50 higher per gallon. Because Washington State is an E-10 state, non-ethanol gasoline will most likely always be considered a specialty product. Due to State and Federal mandates to encourage E-10 usage, it is likely that non-ethanol gasoline will continue to be higher priced than E-10. She summarized that the product versus price debate continues. Although 71 of the Port's tenants have indicated they are willing to pay between \$0.35 and \$0.50 more per gallon for non-ethanol gasoline, 54 said they were not willing to pay more. There are 581 tenants who did not respond.

Commissioner Faires advised that Commissioner Preston, who was unable to attend the meeting, submitted a letter indicating he was not yet satisfied that the public interest had been fully explored. The letter did not indicate whether he was leaning one way or another, but he requested more time to ensure his decision is in the best interest of the Port. Commissioner Faires said he advised Commissioner Preston that the Commission could postpone a decision until he was present to participate in the discussion.

Commissioner Gouge said he pulled the most recent fuel price survey from the Port of Everett's website prior to the meeting, and it indicates that prices at the Port of Everett, which serves non-ethanol fuel, were about \$0.20 higher on average compared to Port of Edmonds' prices. He said he runs the best gasoline possible through his vehicles and equipment, so he understands the concerns raised by customers about the impact that E-10 fuel has on their boat engines. The additional cost for non-ethanol gasoline is marginal compared to having to replace an engine that has been damaged by the E-10 fuel. He recalled that the Port originally switched to E-10 fuel because they thought they

would no longer be able to get the non-ethanol fuel, but that has not been the case. He summarized that the Commission has talked about the issue for five months, and he does not see any reason why they should not direct staff to switch the product to non-ethanol gasoline and bid the fuel contract out. Non-ethanol fuel is better for smaller engines and provides better performance.

Commissioner Orvis agreed that the Commission has spent enough time talking about the alternatives, and it is time to make a decision. He said he has researched the issue further and talked with representatives from Jacobsen's Marine. Contrary to what was stated in Commissioner Preston's letter, no one who deals with outboard motors thinks that E-10 gasoline is good. Although the non-ethanol fuel is costlier, he cannot see any reason why the Port should not make the switch. He said he would like the issue to be placed on the Commission's next agenda for final approval.

Commissioner Faires recalled that the Commission previously indicated a desire to seek input from and listen to the customers before making a decision. While the survey may not have been perfect, the customers have made their desires clear. He agreed that the issue should be placed on the Commission's next agenda for final approval.

Commissioner Gouge asked about the timeframe for bidding the contract and making the switch back to non-ethanol gasoline, and Mr. McChesney advised that the bid package is ready to go forward. However, in order to switch products, it will be necessary to draw the tank down to about 20% before filling them with the non-ethanol fuel. He anticipates it would not take long to draw the tanks down during the busy months.

Commissioner Gouge pointed out that Shilshole Marina's fuel is about \$0.80 more per gallon than the Port's fuel. If the Port switches back to non-ethanol gasoline, it may be possible to capture some of these customers as they go north. **Doug Haldeman** pointed out that most of the vessels in the Shilshole Marina are sailboats that require significantly smaller supplies of fuel. This has a significant impact on the pricing. Ms. Kempf added that Shilshole is a private fuel dock not operated by a public port.

The Commission agreed to table a decision until the April 25th meeting.

PUGET SOUND ANGLERS

Mr. McChesney advised that Port staff invited a representative from Puget Sound Anglers to make a presentation regarding the 2016 fishing season, but they were unable to complete the arrangements. He said he was just informed that the North of Falcon meetings have started but nothing has been decided as far as allocation and season dates. He suggested, and the Commission concurred, that the item should be continued to a future meeting.

NEW COMMISSIONER APPLICATION PROCESS

Mr. McChesney reviewed a proposed timeline for the New Commissioner Appointment as follows:

- April 12th through 13th – Prepare notice
- April 14th through 28th – Advertise the vacant position
- May 13th – Deadline for application submittal
- May 14th through 27th – Commission review of applications
- May 30th – Selection of finalists for interviews
- May 31st through June 10th – Schedule interviews
- June 13th – Final selection

Commissioner Faires summarized that the application package would be available on Thursday, April 14th, and the deadline for accepting applications would be May 13th. The 30-day application period would be followed by a review of applications and an interview process.

To accommodate the schedule of Commissioners, it was decided that special meetings to conduct the interviews would be scheduled for June 13th and 14th, with a final decision on either June 14th or 15th. The oath of office for the

new Commissioner would take place on June 27th. Due to the Memorial Day Holiday, it was decided that the selection of finalists for interviews would take place on May 31st rather than May 30th.

Mr. Cattle advised that the interviews should take place in an open public meeting. The Commission could then convene in an executive session to discuss the merits of the candidates, but the decision must be made in an open public meeting. They discussed that, depending on the number of applications received, it may be necessary to appoint a selection committee to review the applications and select finalists for interviews.

DRAFT MEMORANDUM OF UNDERSTANDING: SALISH SEA EXPEDITIONS (SSE)

Mr. McChesney reported that he has been working with SSE to come up with a workable program to promote youth in boating for kids in the Port District and in the Edmonds School District. He referred to the draft Memorandum of Understanding, emphasizing that it is preliminary and needs additional review and input before it is presented to SSE for consideration.

Mr. McChesney explained that, as proposed, in exchange for putting together a youth in boating program that would start this fall, the Port may be able to waive moorage fees for SSE's vessel and even engage in a grant program that matches school district funds by as much as 50% of the nominal SSE rate. He said he will be seeking direction from the Port Attorney to determine whether the concept will actually be possible given what ports can and cannot do in terms of financial support. Some joint promotions could also be done to make the program work. He said he is looking for feedback from the Commission about whether or not they would support the Port's participation in a program of this type.

Commissioner Faires encouraged Mr. McChesney to work with the Port Attorney to find creative ways to support activities of this nature.

Commissioner Gouge asked if the Port waives moorage fees for the Classic Yachts that come to the marina during the Waterfront Festival. Ms. Kempf answered affirmatively and explained that, each year, the Commission has granted a waiver of moorage fees in exchange for the yacht owners allowing the community to tour the vessels and learn more about their history. She noted that the Commission also grants a waiver of moorage fees for the vessels that participate in the Edmonds Yacht Club's Holiday on the Docks event. In exchange, the yacht club members offer their slips to be used for guest moorage.

Commissioner Faires asked to what extent, under State law, the Port can subsidize activities of this nature under the auspice of promoting marine education for youth in the area. Would that be considered a sufficient public amenity to warrant the Port's financial support? Mr. Cattle said it will be necessary for the Port to come up with adequate justification for financial support by explaining exactly how the Port would benefit.

It was discussed that the Port justified previous decisions to allocate funding for the waterfront walkway, the public plaza, and the bridge to the marsh because these provide public amenities to the residents of the Port District. It was suggested that perhaps the same could be said for the SSE program. Mr. Cattle explained that the walkway, public plaza and bridge are enhancements to Port property, and the Port is authorized to have properties. However, there is no specific authorization to have education programs.

Mr. McChesney said it has been suggested by various marina experts that the demographics in boating are changing and boaters are aging out. This raises the question of who will be the next generation of boaters. It would be to the Port's advantage, long-term, to engage in programs that encourage youth in boating to give them the experiences and inspiration they need to be out on the water. That is the ultimate goal of the proposed program. Commissioner Faires said there must be some way for the Port to provide financial support for the program since it is clearly to the benefit of the owners of the Port and future marine activities in general. Mr. Cattle agreed and said the purpose described by Mr. McChesney may be sufficient to make the Port's financial support of the program legal and satisfy the State Auditor that there is an expectation of a return to the Port.

Mr. McChesney summarized that he would continue to work with the Port Attorney to seek a definitive opinion. He will also meet again with Seth Muir from SSE later in the week to discuss the concept further.

Doug Haldeman, Tenant, suggested that supporting the SSE program would be similar to the Port's support of the Sea Scout Program in which the Port provides moorage in exchange for service. Mr. McChesney agreed that the two are roughly analogous, but they are not exactly the same.

EXECUTIVE DIRECTOR'S REPORT

Mr. McChesney reported that the contractor for the Restroom Project will complete the rework on Friday, and he is confident that the project will be finished by the end of the week.

Mr. McChesney reported that he met with Sea Jazz partners earlier in the day in preparation for their 5th season at the Port. The Port had thought to build a type of sound stage for the performances, but it was determined to be cost prohibitive at this time.

Mr. McChesney said he recently met with representatives from Puget Sound Express (PSE), which has already started operating excursions out of the marina. They completed a successful run into H Dock, and it appears that this will be a workable location for their 2017 season. PSE expects to have increased ridership this year.

COMMISSIONER'S COMMENTS AND COMMITTEE REPORTS

Commissioner Orvis reported on his attendance at a roundtable sponsored by Community Transit that was well done and interesting. At the event, it was reported that Community Transit has purchased more double decker busses, which have proven to be the most cost effective. They are also planning another rapid transit route from Paine Field to Totem Lake, and they have added north/south routes and are working on adding east/west routes. They are looking to add up to 200 new employees. It was reported that 25% of the people who pass the County line going south during rush hour are in 1% of the vehicles.

Commissioner Orvis said he learned at the roundtable that Sound Transit is proposing to build a new tunnel in Ballard. He recalled that Sound Transit's original plan proposed a stem that ran from Tacoma to Everett Community College, and this section of the track was supposed to be completed before anything else was undertaken. However, this link is now the last to be completed, and isn't scheduled until 2041. It appears that moving people down the I-5 corridor through Snohomish County is now an afterthought. Economic Alliance Snohomish County (EASC) has requested that people participate in the survey that is available on Sound Transit's website to let them know they are unwilling to support future Sound Transit funding unless they complete the stem through Snohomish County first. While building another tunnel in Seattle may someday be appropriate, they need to finish what they committed to do first.

Commissioner Orvis said that in his visits to Olympia to talk with local legislators, he has learned that the biggest concerns are related to freight mobility, but the panels that are convened are primarily made up of local and county leaders who are only interested in projects that directly impact their particular area, and they rarely consider the big picture. The Sound Transit Board is also made up of local representatives that are primarily focused on King County and the City of Seattle. They were originally told that funds collected in Snohomish County would only be spent on projects in Snohomish County, but the current Sound Transit 3 proposal will only complete the line to Lynnwood. The rest of Snohomish County has been forgotten. Again, he encouraged citizens to complete the survey and make their voices heard.

Commissioner Faires announced that he would attend the Edmonds Citizens Economic Development Commission (CEDC) meeting on April 14th in the Brackett Room at City Hall. The intent is to have a discussion relative to the priorities and goals for the new Commission.

Commissioner Gouge thanked those in the audience for attending the meeting and providing feedback. He also recognized Council Member Teitzel for attending the meeting as a City Council representative. He particularly thanked him for the work he did to enable the City Council to move the Critical Areas Ordinance forward.

Commissioner Gouge reported that he and Commissioner Preston attended the annual meeting of the Puget Sound Regional Council (PSRC) at Husky Stadium. While the PSRC members generally appeared pleased with the new Sound Transit 3 proposal, the Snohomish County members were not happy about it and have called for a revote. He

said a lot of effort has been put into getting people to the tech corridors in King County. The PSRC appears to be focusing primarily on tech jobs rather than tourism and other business opportunities, even though significant growth was reported in other sectors, as well. Commissioner Orvis reminded the Commission that Snohomish County is currently the second fastest growing county in the nation, and this growth goes beyond aerospace to include tourism, biotech, industrial manufacturing, etc. Large corporations are moving into Snohomish County as opposed to King County.

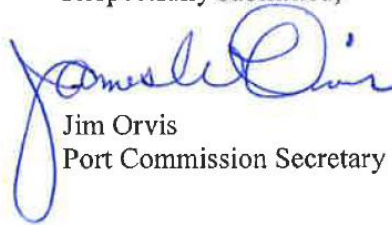
Commissioner Gouge further reported that he and Commissioner Preston sat with the Chief Executive Officer of Argosy Cruises during the PSRC event, and they were able to talk about the tourism business. Argosy Cruises would love to meet with Port staff to discuss future opportunities at the Port of Edmonds. He was repeatedly asked what was happening with Harbor Square, and he had to report that nothing is happening right now. They all wanted to know what Edmonds is doing, recognizing that many cities are creating town centers to accommodate their urbanites.

Commissioner Gouge announced that he would attend the Naval Station Everett's State of the State address next week. He will also attend the 5th annual meeting of the EASC on May 12th.

ADJOURNMENT

The Commission meeting was adjourned at 7:57 p.m.

Respectfully submitted,



Jim Orvis
Port Commission Secretary