

**PORT OF OLYMPIA COMMISSION
MINUTES OF REGULAR MEETING**

January 22, 2007

CALL TO ORDER

President Telford called the meeting of January 22, 2007, to order at 5:30 p.m. at the LOTT Board Room in Olympia. Commissioners McGregor and Van Schoorl were also in attendance.

Staff in attendance were: Executive Director Ed Galligan, Administrative Manager Jeri Sevier, Communications Manager Patti Grant, Airport Director Rudy Rudolph, Marketing and Business Development Director Kari Qvigstad, Harbor Director Bruce Marshall, Public Works Director Andrea Fontenot, Marine Terminal Director Jim Amador, Finance Director Steve Davis, Property Business Development Manager Sally Alhadeff, and Property Director Heber Kennedy. Bob Goodstein, the Port's Legal Counsel was also in attendance.

Public in attendance were as follows: Representing *The Olympian* was Jim Szymanski. Others in attendance included: Bob Johnson, Matt Johnson, Richard Wolf, Patty Belmonte, Carolyn Lake, William Parker, Harold Clark, Tom Howdeshell, Nathaniel Jones, Steven Morrison, Mark Williams, Robert Whitlock, Jerry Dierker, and Keith Bausch.

APPROVAL OF AGENDA

The agenda was approved as presented.

PUBLIC COMMENT

Jerry Dierker, resident of Olympia, commented that the neither Port nor Weyerhaeuser has appealed the decision of the city hearings examiner. He talked with Ms. Fontenot and she indicated that the staff recommendation would be to withdraw the SEPA-06-05 decision. He thanked the Commission for that decision, since it is the right decision to make.

Robert Whitlock, resident of Thurston County, distributed his written testimony to the Commissioners. His written testimony will be included in the records from this meeting. He indicated that he did not support the military shipments through the Port and would like the Commissioners to support him in this matter. He requested legal and moral asylum from any ongoing participation by the Port to support the illegal occupation of the Iraq.

COMMISSIONERS REPORTS

Commissioner Van Schoorl noted that he attended a WPPA meeting regarding the legislative update.

Commissioner McGregor indicated that he attended the TRPC meeting and the PAC meeting at the Port office and he met with Michael Cade from the EDC.

EXECUTIVE DIRECTOR REPORT

Mr. Ed Galligan indicated that Jim Knight is in Atlanta and Florida this week to meet with potential customers in the wind energy, power generation and plywood market sectors. He noted that Kari Qvigstad is managing additional project opportunities, including military and a potential power generation project cargoes.

He reported that in coordination with St. Martins University & Thurston County EDC, Port staff is planning for and promoting the upcoming trade delegation from Shanghai, China, as well as for Business-to-Business trade delegation to China in March. The incoming delegation of 22 business people is scheduled to arrive January 27 and there will be several opportunities for Port Commission and the community to meet and greet the delegation the week of January 29. The outgoing business delegation to China is scheduled for March 9 through the 18th.

Mr. Galligan noted that Ms. Qvigstad continues to meet weekly with Port of Tacoma staff on various aspects of the future Port Partnership for the proposed SSLC. A key area of focus the past month has been to develop an issues list and refine the critical path for the SSLC project that includes areas of environmental, land-use, programming and community outreach. Staff expects to bring forward a memo and advisory presentation highlighting the plan to the Port Commission at the March 26 meeting. He indicated that a primary area of focus is the development of a Memorandum of Understanding between the two ports to confirm additional opportunities for cooperation and collaboration. He noted that staff would also be scheduling a site tour for the Port Commission in early spring, possibly as a joint Commission meeting.

Mr. Galligan reported that staff met with Michael Cade with EDC this week as part of a regular monthly communication meeting to discuss a variety of economic development opportunities. Staff continues to participate on the Manufacturer's Alliance, which is scheduling an event in March. In addition, he noted that staff hopes to bring an advisory to the Port Commission on February 12 to present information on the Manufacturing Alliance initiative as well as other elements of the 2007 EDC work plan developed in coordination with the Port.

He noted that the Visitor and Convention Bureau is working with staff to finalize a work plan with the VCB for 2007 and is planning to bring this to the Port Commission as an advisory to the Port Commission in February.

Mr. Galligan noted that meetings have been scheduled with Port Commissioners, staff and Mark Beardemph/KMB Design to confirm process and solicit input as we move into schematic design phase for the Port Administration building. Meetings are being scheduled with port staff and prospective tenants to prepare for schematic design. An advisory presentation to the Commission will be scheduled in first quarter of 2007.

And finally, Mr. Galligan noted that the Port issued an RFP for a gas station and convenience store operator at the corner of state and East Bay Drive. There were 12 RFP's distributed to potential operators. The tour of the station attracted six interested parties. The RFP closed on Friday, January 19th and we received two proposals. Mr. Galligan noted that the evaluation team has reviewed the proposals and has identified a preferred candidate. The team will enter negotiations with the preferred candidate and will bring the proposal to the Commissioner for review and ratification at the first Commission meeting in February.

CONSENT CALENDAR

Minutes Approval. The Commission unanimously approved the minutes from the January 8, 2007 meeting.

Bills and Vouchers. The Commission unanimously approved the bills and vouchers in the amount of \$882,108.66. This included payments for capital projects to Kappert's Waterfront Construction for the Marina Upgrades: Launch and Dock A, and to Tri-State Construction, Inc. for the Backflow Prevention and the Paving of Berth 3-Install Yard Lighting.

ACTION CALENDAR

Compensation Study Recommendations

Mr. Ed Galligan indicated that a compensation team from Port of Olympia, consisting of five staff members, has been working with Johnson HR Consulting for the past couple months on recommendations for a total compensation plan consistent with the market.

The consultants, Bob Johnson and Matt Johnson, provided the Commission with an overview of the process and indicated they are requesting approval of Resolution 2007-04, adopting the proposed Total Compensation Philosophy for the Port of Olympia and approval of Resolution 2007-05, adopting the proposed Salary, Grades, and Ranges for all positions at the Port of Olympia.

Mr. Johnson indicated that approval of these two resolutions would complete Phase I of the recommendations. Upon approval of the Salary, Grades, and Ranges, the Executive Director will be implementing raises for employees consistent with the recommendations from Johnson HR Consulting and the Port Team. He noted that the total for all raises is within the budget amount the Commission approved in the 2007 Budget.

Mr. Johnson reported that Phase II will include the review and assessment of all other benefits, including health care, recommendations for a performance pay structure and process, recommendations for an evaluation form, and administration process for the salary structure. He indicated that staff anticipates bringing recommendations for Phase II in June of 2007.

Mr. Galligan indicated that staff recommends approval of Resolution 2007-04, adopting a Total Compensation Philosophy for all jobs at the Port of Olympia, and approval of Resolution 2007-05, adopting salary, grades, and ranges for all positions at the Port of Olympia.

Commissioner Van Schoorl asked about adjusting the base every year, would that reflect in a salary increase every year? Mr. Bob Johnson responded that the structure would be updated reflecting the market and then performance increases would be given. There would not be automatic entitlement payments.

Commissioner McGregor indicated that he understood that the salary structure has not been updated for approximately 12 years. Mr. Johnson indicated that was correct. Commissioner McGregor asked if this proposal gets us away from a COLA? Mr. Johnson responded that it does, the future raises will be based on performance. Commissioner McGregor asked if a person is at the top of their range or above it, but they are a high performer, how do you deal with giving raises when they couldn't go above their range. Mr. Johnson indicated that is a challenge, however each year the structure is updated, and therefore over time, the updates allow for increases.

President Telford indicated that he did not agree that all the directors should be at the same level. He commented that he could not buy into bringing their salaries all to the same starting level. Mr. Johnson responded that the seven director jobs were matched to the market and they came fairly close and all fell within the salary range that was recommended. The range allows for the differential to take place. The performance factor will come in for raises for 2008 with set performance measures.

Tom Howdeshell, resident of Olympia, spoke in favor of the resolutions 2007-04 and 2007-05. He commented that he believes the Port has a hard working staff that works hard for the commissioners and citizens of Thurston County and they deserve a raise.

Resolution 2007-04 – Total Compensation Philosophy

The Commission unanimously approved Resolution 2007-04, which adopts a Total Compensation

Philosophy for all jobs at the Port of Olympia.

Resolution 2007-05 – Salary Grades and Ranges Structure

The Commission unanimously approved Resolution 2007-05, adopting salary, grades, and ranges for all positions at the Port of Olympia.

Economic Development Corporation Recruitment Process

Mr. Galligan indicated that the Port's Economic Development Corporation has two citizen appointments. Currently, Joseph Beaulieu and Carolyn Dobbs are serving in terms that expire in May 2007. He noted that both Mr. Beaulieu and Ms. Dobbs have been members of the Port's EDC for several terms. Mr. Beaulieu is interested in continuing to serve as a board member. Ms. Dobbs is planning to retire and will not be able to commit to serving.

Mr. Galligan indicated that the by-laws adopted April 22, 2002 indicate that the board shall hold an annual meeting in the first quarter of each calendar year. Staff is recommending that we hold an annual meeting in March 2007.

The Charter adopted September 7, 1983 indicates that the Board of Directors shall always be so constituted that a majority of the Board shall be composed of the members of the Port Commission. The board of Directors shall be composed of two classes of members: (1) the members of the Port Commission who shall serve as directors ex officio during their respective terms of office and (2) citizen members appointed by the Port Commission from residents of the Port district. Each citizen member shall hold office for a term of two years. The appointed citizen members may serve more than one term.

Commissioner Van Schoorl indicated when we appointed the current members; we reached out to the economic development community asking for recommendations and would like to see the Commission go to the EDC or the Chambers and ask them to recommend a person with some expertise. Commissioner Van Schoorl indicated that the Port's EDC has not meet for some time, however there is money in the account as a result of some IDRFB funds. The annual meeting is intended for discussion to see if there are any projects worth considering funding for economic possibilities.

Commissioner McGregor was asked to reach out to the EDC for a recommendation for one of the members. President Telford also mentioned that we should have one banker.

ADVISORY CALENDAR

Capital Lake Adaptive Management Plan (CLAMP) Advisory

Commissioner Van Schoorl introduced Nathaniel Jones from General Administration and Steve Morrison staff from Thurston Regional Planning Council. Mr. Jones supports the CLAMP. Commissioner Van Schoorl indicated that he asked for this presentation and an update on the Capitol Lake Adaptive Management Plan and process. This project has large impacts on the Port and City of Olympia Percival Landing as far as sediment fill from Capital Lake if the dam were to be removed. This study is looking at changing the centerpiece of the City of Olympia. The study is designed to collect the data and information to help make the right decision for this community.

Mr. Jones provided the Commission and the public with an overview of the CLAMP scientific studies and predicted results. A Deschutes Estuary Feasibility Study was designed to answer the question of what might happen to all the accumulated sediment in the lake if the Capitol Lake dam was removed. The technical report describes model predictions of how tidal and storm processes will influence the river, lake and lower Budd Inlet should estuary restoration occur. The report shows that large amounts of sediment would be eroded from the middle basin of the lake and deposited in the north basin and in southern Budd

Inlet. The Port of Olympia and marinas along Percival Landing would absorb about 80% of those expected sediments.

Legal Update

Mr. Bob Goodstein, Port's Legal Counsel, provided the Commission with an update on the current legal issues. Mr. Goodstein summarized the SEPA/Environmental cases. Of the 10 cases brought fourth in 2006, all were with denied or dismissed and the cases closed. Mr. Arthur West, Mr. Jerry Parker, and Ms. Jan Witt filed the majority of the cases. He also provided an update on cases currently in progress. The cases in total have cost the Port over \$166,713.09.

In addition, Mr. Goodstein provided an update on the Public Records Request cases. There are two cases pending the Supreme Court's Decision on accepting direct review. Mr. West, Mr. Jorgensen, The League of Women Voters, and Mr. West filed those cases. The cases have cost the Port \$99,454.95 to date.

Mr. Goodstein noted that two of the cases have been sent to the Port's insurance company for payment for defense. The insurance company has accepted these two cases. The total of both cases is \$24,997.93, which will be reimbursed, in whole or in part, to the Port by the Insurance Company.

East Bay Update

Ms. Sally Alhadeff provided the Commission with an update on the progress and report on next steps on the East Bay Redevelopment project. She noted that the last update to the Commission was at the August 16, 2006 Commission meeting.

Ms. Alhadeff noted that since that time, the team has made progress on the pre-development phase including financial analysis, site plan sizes, infrastructure cost estimates, prospective partners, and district identity/branding. She noted that the potential partners include LOTT, Olympia City Hall, and the Hand's on Children's Museum.

Commissioner McGregor asked if the extension of Jefferson Street would be paid for by LOTT. Ms. Alhadeff responded that LOTT would be paying for some of it; the additional cost will be paid by the Port and then the Port would charge future partners a latecomer's fee. Commissioner McGregor asked if the Port paid for the Plaza development. Ms. Alhadeff responded that partners, prorated by the amount of property each partner encompasses, would share the Plaza development cost.

President Telford asked if the road and infrastructure estimates were accurate. Ms. Alhadeff indicated Skillings Conley bases the estimates on detailed estimates. They made assumptions on the roads and utilities to develop those estimates.

President Telford asked about the environmental testing of the sites. Ms. Alhadeff reported that the City of Olympia site has been concentrated on to date for environmental testing. She indicated that the Port is working with the Department of Ecology (DOE) on a voluntary cleanup program. She noted that we are also testing the Hand's on Children's Museum site. In addition, she noted that we are testing the entire phase I site. The DOE would like to look at the entire site and not one site in isolation. Ms. Alhadeff reported that all of the partners are doing their own environmental investigation.

President Telford asked about the Jefferson Street cross section, he noted that it appeared that there would be side street parking and two lanes. He asked if buses would be prohibited through there? Ms. Alhadeff

indicated that it will be a standard city street, and buses are allowed on most city street lanes. President Telford noted that he feels that new streets should be built to accommodate buses.

President Telford indicated that he did not think that the cost sharing for the plaza costs were distributed to those that would benefit the most. He asked who would maintain the Plaza? He noted that he would like to see the basis and information on the plaza and the cost associated with it. He also commented that the truck route needs to be worked out with the city as a part of this whole plan.

President Telford asked if there was a consultant report that evaluates a hotel. Ms. Alhadeff indicated that she has a Market data/study that is available about the demographics, but not site specific.

President Telford asked if there was an attempt to increase building heights for this area. Ms. Alhadeff noted that there are not the same restrictions as there is at Northpoint. He asked her to explain the latecomer fees for the infrastructure that the Port puts in. Ms. Alhadeff indicated that the fee is a way for a municipality to recover costs from developers who come into the program in the future -- 15 years is a normal period.

President Telford asked about the plans for a parking garage. Ms. Alhadeff indicated that at this time a parking garage is not being planned. President Telford indicated that it would put the responsibility on the hotel to build a parking garage later.

2007 Priority Initiatives

Ms. Kari Qvigstad indicated that the Port of Olympia is entering year 12 of its Strategic Plan and has a number of priority initiatives planned for the coming year. Ms. Qvigstad presented a PowerPoint presentation that provides an overview of the Port Comprehensive/Strategic Plan goals and objectives, lays out proposed "top" priorities for the year, and identifies other priority initiative planned for the coming year. She also confirmed next steps in preparing the Port Commission for further discussion of Port priorities at the work session scheduled for January 31, 2007.

ADJOURNMENT

President Telford recessed to Executive Session at 8:35 p.m. to conduct a performance evaluation review for the Executive Director. The Executive Session was adjourned at 9:45 p.m. and the meeting of January 22, 2007 was adjourned at 9:45 p.m.

PORT OF OLYMPIA COMMISSION

President

Vice President

Secretary-Treasurer