

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

January 27, 2003

CALL TO ORDER

President Pottle called the meeting of January 27, 2003, to order at 5:34 p.m. at the TCTV Studio in Olympia. Commissioners Van Schoorl and Telford were also in attendance.

Staff in attendance were: Executive Director Nick Handy, Administrative Manager Jeri Sevier, Swantown Director Bruce Marshall, Finance Director George Fox, Property Director Heber Kennedy, Marketing Director Kari Qvigstad, Facilities Project Engineer Rod Hudson, Public Works Director Andrea Fontenot, and Communications Manager Patti Grant.

Public in attendance were as follows. Representing Legal Counsel was Mick Phillips. Representing *The Olympian* was Scott Wyland. Representing the PAC was Jan VanderVeen and Jim Smego. Others in attendance included Harold Chambers, Neil Falkenburg, and Jerry Baruffi.

Executive Session

President Pottle indicated the agenda notes the Commission will hold an executive session following the meeting to discuss the Executive Directors's annual evaluation in accordance with RCW 42.30.110 (g) for approximately one hour.

APPROVAL OF AGENDA

The agenda was approved as submitted.

PUBLIC COMMENT

No public comment was given.

COMMISSIONERS REPORTS

President Pottle noted he just attended the EDC board meeting earlier in the day. He indicated the EDC office would be moving to a new location in Lacey. Dennis Matson will attend the February 10th meeting to give an update on the EDC contract.

Commissioner Van Schoorl noted he attended the Olympia Thurston Chamber meeting where they announced they were changing their name to the Thurston County Chamber of Commerce.

EXECUTIVE DIRECTOR REPORT

No executive director report was given.

CONSENT CALENDAR

The Consent Calendar was approved as follows.

Minutes. The minutes from January 13, 2003 were unanimously approved as submitted.

Capital Expenditure Approval. The Capital Expenditures were approved by a 2-1 vote in the amount of \$60,875.64 for the golf center frontage improvements to W.E. & B. Ltd. Commissioner Telford abstained from voting on this matter.

ACTION CALENDAR

Policy and Procedures Update

Ms. Jeri Sevier reported to the Commission that at the December 9, 2002 meeting staff presented the Commission with three policies for consideration; (1) Policy 801 – Purchasing and Expenditure System, (2) Policy 502 – Community Advertising and Promotion, and (3) Policy 116 – Ethics and Conflict of Interest.

She noted that at the January 13, 2003 meeting she presented the Commission with amendments that were submitted by the Commissioners for consideration. The Commission reviewed each of the proposed amendments and provided feedback to staff for inclusion in the final version to be presented on tonight.

Ms. Sevier indicated that Port staff has had an opportunity to review the proposed policies for consideration and no changes were suggested or submitted. She reported that the policies submitted tonight incorporate the amendments as discussed at the January 13th meeting.

The Commission discussed and voted on each of the policies presented for approval. Policy 801 - Purchasing and Expenditure System passed unanimously by the Commission. Mr. Harold Chambers asked for clarification on item 2a. Commissioner Van Schoorl clarified indicating any purchase over \$3,000 requires a purchase order. Any purchase over \$10,000 requires three bids. Purchases in between \$3,000 and \$10,000 are encouraged to get bids either by phone or in writing.

Policy 502 - Community Advertising and Promotion was moved for approval by Commissioner Van Schoorl and seconded by President Pottle. Commissioner Telford indicated he could not support this policy because we need to reexamine marketing expenditures. The policy passed with a 2-1 vote. Commissioner Telford voted against.

Policy 116 – Ethics and Conflict of Interest was moved for approval by Commissioner Telford and seconded by Commissioner Van Schoorl and passed unanimously by the Commission.

Harold Chambers, resident of Yelm, indicated that Ethics should not be an issue between elected officials. The stated views by Pottle and Van Schoorl are smoke and mirrors. It is the job of the elected officials to set the example and it is time the Port has a strong ethics code.

President Pottle thanked the staff and commission for due diligence in developing this policy. He stated that he was not aware of other jurisdictions that have a specific ethics policy.

Commissioner Telford indicated that he had hoped for something simpler, but as he reads it, it appears to have all of the elements and is a good foundation. He commented that he wanted to explain to staff why he has been so diligent in developing this policy, especially when it comes to gifts. Commissioner Telford urged Port staff to be mindful where a gift might lead and to use good judgment and send a message that anything given to you makes you uncomfortable. Commissioner Telford indicated his view that by using this approach the employee will gain respect from those they deal with as well respect for the Port of Olympia.

ADVISORY CALENDAR

DEF Advisory

Mr. Nick Handy gave the Commission an overview and history of the DEF project. He indicated the

Port sees the development of the Marina as an economic development opportunity.

Ms. Andrea Fontenot gave the Commission an overview of the Swantown Marina Phase II construction, docks, D, E, & F. Ms. Fontenot noted that the Port's vision includes 166 parking spaces, restrooms, showers, and 155 slips. She indicated that the comprehensive plan for this project covers the financial viability, economic stimulus, diversification, environmental stewardship, and the infrastructure.

Mr. Bruce Marshall discussed the Port's big boat strategy. He noted that boat ownership is on the rise, the big boat growth rate is 5.9% growth for boats 50-60 ft. boats. Mr. Marshall indicated that according to the state boating study, the marinas in the state are full, there is a limited supply of slips, and the estimated demand is 78 new slips per year to meet the demand identified.

Mr. Marshall noted that during the peak season, we are full, boats are turned away and the waiting list for boats 40 ft. and up is year round. All of the new slips in the DEF addition for 50 ft. and up are all reserved, and all of the current slips 50 ft. and up are full.

Ms. Fontenot discussed the project scope for the project that includes 157 new slips, 166 parking stalls, restroom, and other items that are necessary for this project includes stormwater treatment, inter-tidal plantings, and additive alternates that include three navigational aids, and a work dock at the boatworks.

Ms. Fontenot noted the project cost estimate base bid is \$4,181,089. Mr. George Fox presented the Commission with the financial analysis on the project. Mr. Fox noted that the estimated internal rate of return on the base bid of 11.45%.

Commissioner Telford commented that he provided a memo to Mr. Handy regarding the DEF project. He indicated he is looking for a conservative analysis. He indicated he wanted to see the ROI with additional staff. Mr. Fox noted that he ran several scenarios, each ½ fte, reduces ROI calculation by .1%.

Ms. Kari Qvigstad gave the Commission with an overview of the marketing plan for the DEF project. She noted the focus is for the larger slips and plan for a more aggressive marketing strategy in 2004. The present budget for 2003 is to maintain the existing marketing strategy.

Mr. Marshall discussed the competition, rates, and the timing of the project as well as construction impacts and development of a communication plan.

Ms. Fontenot noted that the only permit outstanding is the Corp permit. Ms. Fontenot indicated she has spoken to the Corp and they have indicated they are ready to issue that permit with only one requirement.

President Pottle thanked the staff for an outstanding presentation. Commissioner Van Schoorl congratulated Ms. Fontenot on getting the Corp permit. He noted that obtaining that permit is no small job and she has done an outstanding job getting that. He noted that all together, the staff has done an outstanding job pulling this project together.

Commissioner Van Schoorl asked Mr. Marshall when he would anticipate adding staff for this project. Mr. Marshall indicated we are looking to pick up some efficiency in the maintenance staff, but are not looking at adding new staff in the first few years. Mr. Marshall noted that we added staff to the office to help with additional billings last year.

Commissioner Telford noted that one of his observations was that this analysis does not include the percentage of overhead costs and inquired what kind of return would a private individual need for a similar private investment. Mr. Fox indicated that all cash flow goes to covering overhead costs and this project will improve the overall cash flow and improve the bottom line for the Port. Mr. Fox responded that the Port's borrowing rate is at almost 5%. The private sector rate would be slightly higher than this. The private sector would want a higher rate of a return. It took the Port years to get the permits required for the project. Consequently, private industry is not building marinas simply due to the high cost of the

permitting process.

President Pottle noted that the economic analysis includes data that projects over the 32 years of useful life of this project, the cash flow is \$24,708,516.

Commissioner Telford commented that his philosophy is that government should only do what the private enterprise cannot do. Governmental marinas should not be subsidized and competing with private marinas. When looking at the economic analysis, he noted that this project needs to pay for itself. Commissioner Telford noted that he would like to hear from the industry in the south sound as to how they view the growth. He commented that he does not want to see a negative impact on the private industry. Commissioner Telford complimented Mr. Marshall and staff for the great job they do running an efficient marina and boatworks.

Commissioner Telford indicated that he is looking for conservative assumptions that this project will pay for itself and not impact the private marinas. Commissioner Van Schoorl noted that he finds the current ROI very conservative, in fact maybe too conservative. He noted that our very conservative projects at the boatworks were quickly exceeded.

Commissioner Van Schoorl noted this is not a subsidized project, it is paying for itself, we have worked very hard to get us in a position that we are not directly affecting competition. He noted that we need to continue to promote the South Sound. He commented that the numbers are great, however there are many other benefits to this community in addition to the financial benefits.

Public Comment:

Neil Falkenburg, Westbay Marina, noted that relating to pricing, it appears that the larger boats are paying less per square foot and the smaller boats, giving the big boat owner a discount. He asked if Swantown charges boaters to be on the waiting list. He asked what percentage of the value of boats in Puget sound do we represent? Mr. Falkenburg cautioned Ms. Qvigstad about the attempt to market these slips outside of Olympia noting that the strategy of marketing outside of Olympia has not worked very well. Mr. Falkenburg asked the Commission to phase this project and adding docks as necessary to meet demand, continue to hold the line on prices, and demand the value from the boating partners.

Jerry Barruffi, Owner of Westbay Marina, indicated the larger boats should be charged more per lineal foot and noted other concerns on this project like the the number of new slips being developed in a down market and during a time when people are being layed off. Mr. Barruffi commented that the absorption rate of 20-30 boats per year should be more like 10 boats per year. He commented that the rate per foot we intend to charge gives large boats a discount and they should be charged more per foot. He indicated that he thinks the rates should be higher and more in line with the market. The port should phase the project by putting in the pilings, and add docks when filled.

Harold Chambers, resident of Yelm, commented that if this is such a good project with a great ROI, why are the residents of Thurston County still paying taxes. Mr. Chambers asked what day will the Port start paying back the bonds instead of making new debt. He asked the Commission to quit taxing the taxpayers more and more. If the ROI suggests we get all of our money back in 10 years, at what point in time will we stop accruing new bonds and start paying off the old bonds.

Dave Miller, Olympic East tenant at the Boatworks, noted that the more boats and bigger boats will draw more people into the south sound and that this is good for his business as well as for the South Sound.

ADJOURNMENT

President Pottle adjourned the meeting of January 27, 2003 to executive session at 7:16 p.m. The Commission convened the executive session for the executive director's evaluation at 8:30 p.m. where no

action was taken.

PORT OF OLYMPIA COMMISSION

President

Vice President

Secretary-Treasurer