

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

March 10, 2003

CALL TO ORDER

President Pottle called the meeting of March 10, 2003, to order at 5:30 p.m. at the TCTV Studio in Olympia. Commissioners Van Schoorl and Telford were also in attendance.

President Pottle announced the Commission resumed the meeting from February 24, 2003 to executive session on March 5, 2003 at 4:00 p.m. The purpose of the executive session was to confer with legal counsel regarding the legal claim on the Cascade Pole construction contract in preparation for a scheduled March 12, 2003 mediation involving all parties. Discussion occurred with counsel and no decisions were made. The executive session adjourned at 5:57 p.m.

Staff in attendance were: Executive Director Nick Handy, Administrative Manager Jeri Sevier, Finance Director George Fox, Property Director Heber Kennedy, Marketing Director Kari Qvigstad, Operations Director John Wolfe, Harbor Director Bruce Marshall, Airport Director Doug Sandau, Public Works Director Andrea Fontenot, Communications Manager Patti Grant, Marina Supervisor Cheryl Maynard, and Marine Services Coordinator Nancy Jones.

Public in attendance were as follows. Representing Legal Counsel was Mick Phillips. Representing the PAC was Jan VanderVeen and Jim Smego. Others in attendance included Bob Jacobs, Pat Davis, Keith Bausch, Rod Tharp, Kurt Kingman, Sandra Long, Ken Russell, Max Doerge, Ted Johnson, Dick Shaw, Ken Filak, Donna Ardary, Robert Fry, Jerry Baruffi, and Neil Falkenburg.

APPROVAL OF AGENDA

The agenda was approved as submitted.

PUBLIC COMMENT

Ken Filak, resident of Lacey, commented regarding the airport relocation project. He commented that the Carnegie group has met regarding the failure of the Port Commission to respond to constituents in the past regarding this project and are now inviting the Commission to attend a meeting next Monday, March 17th 7 p.m.

Neil Falkenburg, asked the Commission if the Marina expansion project is in compliance for ADA accessibility for the Marina. He also asked why we would pay 4 million for the DEF expansion project when the buyer is only willing to pay 3 million; he commented that seems a little out of whack. Commissioner Pottle indicated that we are going out to bid on the expansion project and that will tell us what the project cost will be. Staff indicated the bids would come back to the Commission at the second meeting in April for approval. We will then know the price of the project

Jerry Baruffi, West Bay Marina, indicated that he listened to the tapes from the last two meetings and found some discrepancies in the marina expansion project. He indicated that we have talked about phasing this project, but he has not seen any attempt from the Port to get pricing on phasing in the project. Mr. Baruffi asked why wouldn't the Port at least ask for a phased bid as an alternative to get an idea of whether it will really cost more to phase it in or not. He noted the Port has 100 empty slips right now, and are going to build another 150 slips. That doesn't make sense. Mr. Baruffi asked why are you in such a hurry to proceed with this project?

Bob Jacobs, resident of Olympia, commented regarding the East Bay master planning process the port is about to begin. He indicated that the City of Olympia has gone through several processes and spent over \$300,000 and the public did not support any of the proposals, because the public was not involved until the end of the process. Mr. Jacobs indicated that the public has very strong attachments to the waterfront area. Mr. Jacobs asked that the Port first go to the public to set the parameters of this project and proposed development. He commented that the Port would hear from the public that they want to maintain public access to the waterfront. He noted before you spend money on planning process that the public would not accept go to the public first. Mr. Jacobs indicated the Port will end up with good will, a better project, and will save money on the project. Mr. Jacobs noted that he is representing a group called "Friends of the Waterfront" and would be happy to support the port in this process. President Pottle responded that no contract has been signed yet, but one of the most important pieces of selecting a contractor, was the public process. President Pottle commented that the Port does plan to work with the community to develop a master plan to develop a plan that everyone supports. Mr. Jacobs indicated that the public process needs to happen in the beginning and again at the end. President Pottle indicated the process is designed to do exactly what he is suggesting.

COMMISSIONERS REPORTS

President Pottle reported he attended the Thurston County birthday party on March 3rd, he noted the event was well attended by the community.

Commissioner Van Schoorl announced the Thurston County Chamber is hosting a Business Showcase on March 12th at Saint Martin's Pavilion.

Commissioner Telford reported he attended the SWAC meeting where they discussed an increase in disposal rates.

EXECUTIVE DIRECTOR REPORT

Mr. Nick Handy gave an update on recent activities at the Port including the activity at the Marine Terminal, the Marketing department, the Airport, the Marina and Boatworks and the Properties program.

CONSENT CALENDAR

The Consent Calendar was approved as follows.

Minutes. The minutes from February 24, 2003 were unanimously approved as amended. President Pottle noted some changes on page 4.

ACTION CALENDAR

Computer Reconfiguration Project

Mr. Nick Handy indicated the Port computer system was built in early 1996 designed for email and low impact programs. Over the years, the business computer needs have expanded and the existing system failed late November and attempts to restore the system revealed it's unstable nature.

Mr. Handy noted that we sent out a limited RFP and identified the 4 contractors that have worked with us over the past few months; they each had spent a considerable amount of time working with the Port, and had significant knowledge of our problems and system. Mr. Handy gave the Commission a list of the consultants that bid on the project and a list of the requirements and recommended the Port go with the low bidder, Bart Adler & Chris Keys, Consultants. He commented that both consultants are very knowledgeable and capable of doing this project. Mr. Handy disclosed that one of the consultants

bidding is related by marriage to the administrative manager. Mr. Handy indicated that in accordance with the ethics policy, the bids came in, full disclosure was made, and Mr. Handy indicated he has taken appropriate steps to manage that issue by removing Jeri Sevier from the decision and contract negotiations

Mr. Handy noted that this project was not anticipated and is not budgeted. Normally a contract of this nature is included in the capital budget. Mr. Handy indicated that we are proposing this project be funded from the existing operating budget. The Executive Director contract authority is for a maximum of \$25,000. This project will exceed that limit.

Mr. Handy commented that staff is asking the Commission to authorize the executive director to enter into a personal services contract with the selected vendor to rebuild the computer system at the Port of Olympia consistent with the specifications in the RFP.

The Commission had several questions on the process and the requirements. Mr. Handy responded accordingly. The Commission unanimously approved the executive director to enter into a personal services contract with Adler/Keys for the computer reconfiguration project not to exceed \$75,000.

ADVISORY CALENDAR

Dry Stack Development Advisory

Mr. Nick Handy reported on the history of the dry stack development at the Port of Olympia. He noted that the Port has been in active discussions with Simon Johnson for an option or agreement for the past several years. Mr. Handy indicated that originally the drystack was proposed to be in the development of the Swantown Boatworks and later the Port decided not to put it at the Boatworks, rather to put it at NorthPoint. Simon Johnson began working on the permitting and negotiating with Port staff on several issues relating to Cascade Pole, rail issues, and developing the footprint for the building regarding height issues. Mr. Handy reported that the permitting process is very complicated, time consuming, and the outcome is uncertain. Staff has met with the permitting agencies to help with this process.

Mr. Handy noted that during this time the Port was approached by two different other parties, which the Port rejected because we were in negotiations with Simon Johnson. Mr. Handy indicated that recently, Pacific Marina approached the Port and appealed to a Port Commissioner requesting the staff meet with Pacific Marina. Mr. Handy advised that staff did meet with them and they did submit an offer, however, consistent with prior positions, staff advised we were already in active negotiations.

Mr. Handy recommended the in light of long standing negotiations with Simon Johnson and active negotiations on an option for a facility, staff be given 60-90 days to conclude an option agreement with Simon Johnson. If no agreement within that time period, the Port should open up drystack to any party.

Commissioner Telford commented that the smaller boat slips are the ones that are generally vacant. The proposal to build the dry stack that will service the smaller boats, it is more than likely going to take away revenues from the Marina. He commented that he was bothered by that assumption. He asked if we are shooting ourselves in the foot, by putting in dry stack storage that will take away from our business. Mr. Handy indicated we would lose some boats that are currently in the marina, however we know that the market continues to grow. The DEF dock additions will be 80 percent 40 foot and up. The fact that we have four businesses knowledgeable in the industry that are interested in this project is a good indicator that it is a profitable business.

Commissioner Telford asked what the plan is for the dry storage once State Street is developed. Mr. Handy responded that the Port staff does not have at this time a long-term plan for dry storage.

Commissioner Van Schoorl indicated that he would like to see the Port continue to provide limited dry storage on the Port peninsula and asked staff to begin thinking of alternatives. Commissioner Van School indicated that he has visited some other dry stack storage facilities in Washington. He commented that he

agrees with competition, however there is also value to working with partners. Commissioner Van Schoorl indicated that he fully supports the recommendation to go forward with discussion and continue to value and honor the relationship we have and to come to an agreement within 90 days.

Mr. Ted Johnson, partner in Simon Johnson, commented that his firm has a relationship with the Port, they lease space at the Boatworks and at Airdustrial. He noted that they have a longstanding relationship on dry stack and there has not been a real push for this project due to the site location near Genoa's. He indicated that there has been issues relating to the site, however, they continue to spend money on this project. Mr. Johnson noted that they have already cleared a lot of hurdles, but there are still a few more to resolve, however, they feel that they could do that within 90 days. Mr. Johnson commented that they are very interested in finalizing and moving on with this project.

Commissioner Van Schoorl asked if we were still in discussions on a fuel dock with another interested party. Mr. Handy indicated that the comp plan has identified a site, and staff has been in negotiations with a company, however the permitting process takes years and years, and the fuel dock proposal has been sitting in the permitting process for sometime now.

Mr. Johnson indicated that in water fueling is not a requirement; the dry stack could have a upland fuel tank. Mr. Johnson noted that working with the Port would help with the permits since the Port has credibility by being very responsible on previous projects.

Commissioner Van Schoorl asked staff to work with Simon Johnson for a period of 90 days then come back with other options.

Commissioner Telford indicated he would like to see an analysis that convinces him that we will not end up with higher vacancies at the Marina when this is developed. He asked staff to work with Simon Johnson to provide an educated assessment.

Commissioner Telford indicated he thinks that a public agency has an obligation to work with all interested parties in a fair and equitable manner and seek competition instead of working with only one developer. Commissioner Van Schoorl indicated that the dry stack was originally included in the boatworks RFP, so it has been out to the public.

President Pottle indicated he would like to move ahead with discussions with Simon Johnson and at the same time would like to get more information on the economics of this project, and how it will impact our marina as well as other marinas.

Sandra Long, tenant at Port marina, indicated she was concerned if they build dry stack, will it affect marina prices. The Commission responded that this is a separate private business and the success or non-success of the dry stack will not affect rates at the marina.

Marina Sale or Lease Advisory

Mr. Handy indicated that multiple parties have contacted the Port over the last several months expressing interest in acquiring Swantown Marina by purchase or lease. He indicated West Bay Marina wrote a letter expressing interest several months ago. Pacific Marina visited the site several weeks ago and followed up with an offer. Simon Johnson also wrote a letter of interest. Mr. Handy commented that staff would like direction from the Commission on how the Port should respond to these events.

Mr. Handy reported that staff is recommending two possible directions. If the Commission is not interested in considering options to sell or lease, direct staff to advise the parties. If the Commission were interested in exploring issues and getting staff recommendation before making a decision, staff would like to do a due diligence in four areas and report back to the Commission.

Mr. Handy indicated the three areas of due diligence would be to 1) find out the experience of other Ports

in private management, 2) learn how issues of capital investment and maintenance are addressed, and 3) talk to our customers to hear their views. Mr. Handy reported if the Commission would like staff to move forward with a due diligence, staff would like a month to make inquiries.

Commissioner Telford indicated the he was in agreement with Nick's due diligence, but wants an element that looks at the possible sale, all or in part, of the marina. He stated a number of reasons why he has fundamental issues with the Port being in the marina business.

Ken Russell, tenant at Swantown Marina, began with the caveat that he would say the same thing even if he weren't a tenant. Mr. Russell indicated that he wrote a letter to the Port commenting that he visits public Ports in cities up and down the coast; he noted that he ranks Swantown right at the top. He commented that he wanted to voice his opposition of selling or leasing the facilities. The Port has a community responsibility that impacts the entire community; you don't get that with the private owner. If there is a public facility, the other marinas in the area strive to those standards. Mr. Russell encouraged the Commission to keep this very nice jewel right here, and keep it public; keep working with the other marinas in the area and they too remain at a high quality. Mr. Russell urged the Commission not to sell. He noted that California companies come and go--the Port will be here a hundred years from now.

President Pottle asked Mr. Russell what he felt about the Port doing due diligence. Mr. Russell responded that it might be a good idea to explore, but not to go any further.

Robert Fry, tenant at Swantown Marina, also agreed with Mr. Handy. We have to try to make Olympia a destination. Only Olympia and the Port can make Swantown a destination and the Port will always be thinking of Olympia. Private owners will be thinking of their own interests.

Kurt Kingman, Capital City Yacht Sales, commented that he puts a lot of boats through Swantown. Olympia is a great boaters destination. Mr. Kingman said he has been impressed with the plan put forth by the Port. He commented that this offer seems extremely ridiculous. He noted that Swantown has a nice flow and he wanted to complement the Port on the facility.

Commissioner Van Schoorl commented that he does not consider the one page proposal from Pacific Marina as a serious proposal. However, he commented that he does think it is worth looking at the first two points that Nick made. He said the outcome would have to convince him that there is strong benefit to the community before he would make any decisions.

Commissioner Telford indicated he is a firm believer in private enterprise, would like to have the idea considered, however, this offer does not seem feasible.

President Pottle indicated that he could not take a one-page proposal seriously. He commented that you couldn't over simplify something as big and as serious as this.

The Commission requested staff to do a due diligence inquiry within 90 days regarding the experience of other public marinas selling or leasing public marina facilities to private parties with an emphasis on how issues of capital investment and maintenance have been addressed. The Commission expressed interest in having the results of these inquiries before making a decision on whether to sell or lease the marina facility.

Donna Ardary, tenant at Swantown, said the Port owned facility is to lead by example, not by legislation. She commented that before the Port existed, the other marinas were hazardous facilities. She noted that leading by example is a good thing. Ms. Ardary encouraged the Commission to get opinions and experience of the tenants and the community in relation to those public and private owned marinas.

ADJOURNMENT

President Pottle adjourned the meeting of March 10, 2003 at 7:35 p.m. President Pottle announced the

next regularly scheduled Commission meeting is March 24, 2003.

PORT OF OLYMPIA COMMISSION

President

Vice President

Secretary-Treasurer