

PORT OF OLYMPIA COMMISSION
MINUTES OF REGULAR MEETING

March 11, 2002

CALL TO ORDER

President Van Schoorl called the meeting of March 11, 2002, to order at 5:32 p.m. at the Thurston County Council Chambers. Commissioners Pottle and Telford were in attendance.

Staff in attendance were: Executive Director Nick Handy, Administrative Manager Jeri Sevier, Finance Director George Fox, Deputy Director Wendy Holden, Marketing Director Kari Qvigstad, Property Development Manager Heber Kennedy, Communications Manager Patti Grant, Swantown Harbormaster Bruce Marshall, Olympia Regional Airport Manager Doug Sandau, and Administrative Assistant Lorie Watson.

Public in attendance were as follows. Representing the Olympian was reporter Scott Wyland. Representing legal counsel was Mick Phillips. Representing KGY was reporter Ian Fox. Others in attendance include: J.E. Kooiker, Jim Smego, Richard Korn, Frank Dare, Wil Carlsen, Pat Beehler, Ray Kulina, and Bill McGregor.

APPROVAL OF AGENDA

The agenda was approved as submitted.

PUBLIC COMMENT

No public comment was given.

COMMISSIONERS REPORTS

Commissioner Telford commented about the Planning and Advisory Committee. He indicated he came to the last meeting with some concerns and tried to be diplomatic and keep the meetings professional. He noted that he suggested an alternative and did not oppose any individual applicant for the PAC. However, his concerns were dismissed. He commented that Commissioner Pottle used this process to select those that were in support Commissioner Pottle's views and Commissioner Telford indicated that he wondered whether the PAC is even relevant if they only look at a narrow view. Commissioner Telford noted that it was a waste of time to participate in this process. Commissioner Telford proposed a motion to bring the 4 positions that expire June 2002 up for reconsideration at the next Commission meeting.

Commissioner Pottle responded that he finds it interesting how Commissioner Telford does not want issues between the Commissioners, then accuses Commissioner Pottle of stacking the deck. Commissioner Pottle indicated that he did not know any of the people selected nor did he know of them prior to the interview. In fact, Commissioner Pottle pointed out that the people that applied after the deadline were those that Commissioner Telford encouraged to apply after the deadline. Commissioner Pottle commented that his conscience is clear that it was a fair and objective process.

Commissioner Telford said the point he was making is that the prior Port Commission established a process to fill the four seats that expired last year. As a new Commissioner he commented that he would like to have a chance to discuss and review some other way of approaching this.

Commissioner Pottle responded that he was open to reviewing the process. President Van Schoorl also indicated he was open to reviewing the process. However, President Van Schoorl said he was not interested in overturning the vote of the last meeting. President Van Schoorl said he was willing to discuss the future process and if Commissioner Telford wants to propose something for the next meeting, the Commission can entertain it.

Mr. Handy indicated that we have notified the two candidates that they have been appointed to fill terms in June 2002.

EXECUTIVE DIRECTOR REPORT

Mr. Handy gave a brief overview of each of the departments. At the Marine Terminal he reported Outbound lumber and glass railcars loaded and released, Formark leased a two-acre site and are now bringing in logs and several proposals have gone out for various commodities (discharging iron oxide, log cargo yard lease, plywood, and other breakbulk).

At the Boatworks/Marina reported Boatyard haulouts up 23.6% over 2001. Skookum Bay reports marine supplies sales are doing very well. The Port is glad to have these products available at the yard.

The Marina is at 88 percent occupancy and climbing as boating season approaches. 42 new slips have been reserved in DEF marina expansion, 25 percent pre-leased even before we put this out for construction. This is a combination of new and existing tenants wishing to relocate.

Mr. Handy reported the revenues YTD at the golf center through March 1, up 21.2 percent over 2001. Retail sales are up 103 percent over 2001. We held an informational meeting and tour, which was attended by 15 people, and 45 people have requested packets in response to the RFP.

At the Airport he reported Big Sky Airlines visited with Port staff, Port Commissioner, and community leaders on February 27 and 28th. The Port has very strong interest from Big Sky and we are planning to hold the next Port Commission as a public hearing on air service. The Airport staff hosted a booth at the Northwest Washington Aviation Trade Show in Puyallup two weekends ago. They had the opportunity to talk about the Olympia Regional Airport to hundreds of people who visited their booth. The Air Traffic count was up significantly in February with 6234 operations. This compares to 4352 in January and 5575 in February of 2001.

The Airport staff is in the process of conducting a survey on the type of hangars in demand. The results of this survey will be used to determine what hangar expansion projects the airport should plan for in the future and are about half way through our NEPA evaluation for the runway project, and are still on schedule to be completed with it in June. The construction project is still on schedule to begin next Spring 2003.

In the Properties section, Mr. Handy noted State of Washington issued a RFP for a 140,000 sq. ft. office building to be leased by the Department of Health then along comes the latest economic information showing the State will be facing a larger budget shortfall, and two weeks after issuance, the State has cancelled the RFP. Interest generated by the RFP has left several developers still pursuing Port property at the NE corner of NewMarket and Airdustrial.

Mr. Handy reported that the Gas-Mart Development interest has increased recently. He continued his report on the properties department noting that Tumwater Lumber has emerged from bankruptcy with plans to shed some of its mills. However, the Tumwater mill figures predominately in its recovery plans. The Port and Tumwater Lumber Company continue negotiations for a new lease.

Mr. Handy reported that David Brubaker, a Spokane developer, has made a presentation to the Olympia City Council. Mr. Brubaker's development focuses on a conference center scenario while past parties have focused on a convention center. There is a big difference between the two; however, with time running out on the special financing package (formation of a PFD) the likelihood of bringing the project to completion diminishes.

In the marketing department, Mr. Handy indicated the sales training for staff was held last week and was very successful and believe this program will increase the staff sales performance. Mr. Handy also announced the Port will be participating in the Olympia Chamber of Commerce Business Showcase at St. Martins on Wednesday, March 13.

CONSENT CALENDAR

The Consent Calendar was unanimously approved as follows.

Minutes. The minutes from the February 25, 2002 meeting was unanimously approved as presented.

Bills and Vouchers. The bills and vouchers for the period ending March 11, 2002 in the amount of \$1,419,716.04 were unanimously approved by the Commission. Warrants Issued: 024404,024405-024421,024422-024442,024443-024444,024445-024449,024450-024500,024501-024502,024503,024504-024506,024507-024511,024512-024516,024524-024530,024531,024532-024534,024535-024546,024547,024548,024550-024591,024592-024595,024596-024600,024601-024617,024618,024619-024622,024624-024635,024636-024637,024786-024791. Voided Warrants: V10006-V10012,022751,023996,024048,024051,024213,024517-024523,024618,0246

Commissioner Telford asked for discussion on batch 8, he noted that as treasurer he is supposed to review the expenditures by batches prior to the Commission meeting. As treasurer, he commented that he takes liberty of reviewing each invoice, but he found that the invoices have already been paid. Commissioner Telford noted that he has a problem with invoice from counsel and would like to discuss that with counsel and an invoice for year 2000 property taxes for the golf course. Commissioner Telford said that we have a letter from counsel that we don't own the golf center, but we should pay the property taxes. Commissioner Telford indicated that he called county treasurer and asked if they had made their request in writing, they said no. He said that he sees counsel's opinion that we should not pay, and they are right, but we paid it. Commissioner Telford said he would like to see request in writing from the county that we have to pay the back taxes.

President Van Schoorl said he has had a conversation with the county treasurer requesting payment or threatening foreclosure. So we agreed that we would pay; however we asked them to have the prosecuting attorney review the request. President Van Schoorl said basically, we put money on deposit with the treasurer, which we fully expect to get back.

Mr. Nick Handy said in order to protect our interest; we paid the taxes, even though the Port does not have to pay personal property taxes. In the mean time, we are asking for this to be reviewed and working with legal counsel. President Van Schoorl indicated that he believes that we will have this cleared up soon.

Commissioner Telford said he would like to have a presentation on the invoice processing system. What is the point of reviewing the bills if they are already paid? Mr. George Fox, responded that he set up the internal control system so that we pay invoices in advance of approval by the Commission. Essentially, the Commission has already given staff authority in the budget process to acquire goods and services. If the Commission requests that an invoice not be paid, we can go back and book it as a receivable and then collect the funds.

Mr. Fox indicated that the authorized person approves each invoice that is paid. The Commission is acting as a review and check for the authority that the Commission has already given to Port management. Mr. Fox indicated that his job is to review each request for a warrant and assure that proper authorization is given for each expense, which he does.

Commissioner Pottle asked Mr. Fox if the Port is following the laws of State of Washington? Mr. Fox replied, yes. Commissioner Pottle asked if the Port is following what other Ports are doing? Mr. Fox replied, yes absolutely. Commissioner Pottle asked Mr. Fox if the Port is paying our bills on time? Mr. Fox replied, yes. Commissioner Pottle asked Mr. Fox if the expenses have been approved in the budget for the year. Mr. Fox replied, yes, all expenditures have been previously approved in the budget.

Lease: Capital Little League. The lease between the Port of Olympia and Capital Little League provides for a six month lease with two additional options of three months each, commencing on February 1, 2002. The Little League president Ray Kulina attended the Commission meeting to inform the Commissioners about the League activities for the 2002 season. 450 kids play each year through the little league. Ages 8-12 years, tremendous amount of community support for team sponsorships.

The Little League is aware this is a temporary lease and a non-conforming use for airport property.

Mr. Kulina said the Little League is working with Port staff and trying to address the parking issues. In addition, the League will include "towing signage" and will be assisted by coaches to train drivers to park in the allowed area only, which is at the Park and Ride lot, north of the field.

Commissioner Telford said he doesn't see why people can't park on the roads, there is very little traffic on those roads. This is the kind of recreation that the Port should be facilitating.

Pottle asked Mr. Kennedy if the streets meet the standards for people to park on the road. Mr. Kennedy responded that the street design does not include shoulder parking. Commissioner Pottle said his concern is the liability of the Port if someone would be hurt or killed, because he said he has been out there when the streets are filled with cars and is not easy to see. Commissioner Pottle said he was pleased to see that you are addressing the issue of parking and would like to encourage you to make sure that happens.

Mr. Kulina indicated that the Little League understands the safety issue and that we need to enforce the parking situation which may include towing. The Commission unanimously ratified the lease with Capital Little League.

ADVISORY CALENDAR

Big Sky Progress Report

Ms. Wendy Holden provided the Commission with a progress report on the Big Sky Airlines interest in the Olympia Regional Airport. She indicated that on February 27 and 28, 2002 the Port of Olympia hosted representatives from Big Sky Airlines from Billings, Montana. During their visit the Port presented a proposal for resuming air service at the Olympia Regional Airport, with routes to Spokane and Portland. In addition, Big Sky executives toured the airport, met a few key business and government leaders, and met with airport Fixed Base Operators.

Ms. Holden noted that at the conclusion of the two days, the Port and Big Sky agreed to go to the next step in evaluating Olympia air service. For Big Sky, that meant carefully evaluating the Port's proposal and the Olympia area market. For the Port, that means continuing to reach out to the community to gauge community support and willingness to commit to using the service.

Ms. Holden noted that the purpose of this update is to discuss Big Sky's visit, and our follow-up, including the possibility of a public hearing on air service at the March 25 Commission meeting. Is the community prepared to support a community airline.

Ms. Holden said staff will be getting letters of support, placing voting buttons on the website, holding a public hearing, then assuming the support is positive, staff would go out and get non-binding letter of committment asking business leaders to support the process. The state has also suggested their support. First we get verbal, then written support. We will be using consultant help on this process and would like to hear suggestions on how to use the PAC on this process.

Commissioner Telford said he was cautiously optimistic on this and supports getting the wider feedback from the community, of course the other key is what Big Sky wants to do. He commented that we know that we have to do something at the Airport and would like to get a feel for what the Port is going to have to do to make this work. Ms. Holden responded that the terminal building is in very good shape, a few modifications will have to be made and install security equipment. Long term issues include security fencing and additional security measures. Short term parking is an immediate concern. The parking would be eligible for FAA parking, however the hitch for the match means that we can never charge for parking. As you know parking income can be profitable such as Port of Seattle at Seatac.

Properties Advisory

Mr. Heber Kennedy and Mr. Nick Handy provided the Commission with an advisory on the Properties Program and the Properties Initiatives for several of the Port properties.

ADJOURNMENT

President Van Schoorl adjourned the meeting of March 11, 2002 at 7:01 p.m. He announced the next meeting would be held at the City of Lacey Council Chambers on March 25, 2002.

PORT OF OLYMPIA COMMISSION

President

Vice President

Secretary-Treasurer