

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

July 8, 2002

CALL TO ORDER

President Van Schoorl called the meeting of July 8, 2002, to order at 5:30 p.m. at the TCTV Studio in Olympia. Commissioner Telford was also in attendance. Commissioner Pottle was out of town on business.

Staff in attendance were: Executive Director Nick Handy, Administrative Manager Jeri Sevier, Deputy Director Wendy Holden, Marketing Director Kari Qvigstad, Finance Director George Fox, Marine Terminal Manager John Wolfe, Property Manager Heber Kennedy, Communications Manager Patti Grant, and Swantown Manager Bruce Marshall.

Public in attendance were as follows. Representing *The Olympian* was reporter Scott Wyland. Representing Legal Counsel was Mick Phillips. Others in attendance who signed the attendance sheet include: Harold Chambers, Ron Grant, and Keith Bausch.

APPROVAL OF AGENDA

The agenda was approved as submitted.

PUBLIC COMMENT

Harold Chambers, Olympia Resident, indicated that at the last meeting he commented about all PAC members are Olympia residents. Commissioner Van Schoorl indicated that just because you have an Olympia address doesn't mean you are from Olympia. Mr. Chambers said he checked the addresses and they are all in Olympia. He urged the Commission to make changes and assure that all the members are not from Olympia. Mr. Chambers commented that he himself applied to be on the committee and was not selected, and he is from Yelm.

COMMISSIONERS REPORTS

No commission reports were given.

EXECUTIVE DIRECTOR REPORT

Mr. Nick Handy reported that the Marine Terminal continues to be busy with lumber loading out to truck and rail to buyers in New Jersey, California, Texas, New York, Connecticut and many other places. The Garnet is being trucked out to western Washington locations. And another CSX vessel, the Expedition, arrived on June 29th and will be docked on berth 1 on lay status. Mr. Handy also announced we are expecting two log vessels in July.

At the Airport, Mr. Handy reported the air traffic count for June was 9,924, compared with 8,290 last month and 8,504 a year ago June. This substantial increase is due in large part to the Museum's Fly-in held mid-month. Mr. Handy noted that the hold-line painting project is scheduled to begin July 29 and will take two days to complete. The gopher survey is starting this week at the airport. This means we will have people on the field for the gopher survey, streaked horn lark monitoring, yellow nutsedge spraying and well monitoring, all at the same time.

Mr. Handy reported that staff recently completed the annual hangar inspections and there was only one

that had a potential fire hazard requiring immediate correction. The federal government just approved funds to support the purchase of air traffic control tower equipment. And finally at the airport, Mr. Handy reported that we received notice that we were not awarded an air service grant. Staff is reviewing the process and will apply again next year.

Turning to the Properties program, Mr. Handy reported staff completed negotiations between the Port and Rowe Management for the Airport Golf Center. We anticipate presenting a recommendation to the Commission at the July 22 meeting for a lease. Mr. Handy noted that staff is continuing negotiations for a dry stack storage lease on Port property are resuming based on new project information. The dry stack facility would accommodate 300 boats.

And, the Port attended a meeting at the Department of Ecology with the City and representatives of the Friends of the Artesians to review the well permit process. Thurston Co. Environmental Health, the Washington State Department of Health and the Department of Ecology were represented. Health officials advised of general concerns over water quality in the area but did not foreclose the likelihood of finding a suitable site with clean water at one of our sites. This does create challenges in finding a suitable site.

Mr. Handy reported that he would be providing the Commission with a full report on the Welcome Pole marketing at the next commission meeting. He indicated that he has had an appraiser look the pole and will be providing an appraisal. We have also hired a photographer to take pictures of the pole for use in preparing a portfolio to be used in the surplus process.

CONSENT CALENDAR

The Consent Calendar was unanimously approved as follows.

Minutes. The minutes from the June 24, 2002 meeting was unanimously approved as presented. Commissioner Van Schoorl moved adoption of the minutes. Commissioner Telford seconded the motion. Commissioner Telford was not present at the June 24th meeting.

Capital Expenditure Approval. The Capital Project Expenditure was approved in the amount of \$188,043.65 to W.E. & B. Limited for work on the Port Plaza project.

ACTION CALENDAR

Planning and Advisory Committee Recognition

The Port Commission recognized many years of outstanding service by two outgoing PAC members, Keith Bausch and Ron Grant. President Van Schoorl indicated both Ron and Keith are original members of the Planning and Advisory Committee. Both have given more than 9 years of service to the Port and the committee. Ron served on the original strategic planning committee and has brought financial expertise to the committee. Ron served as the President of the committee for many years. Keith served on the committee representing the ILWU Local #47 and has been an active supporter of the Port over the years.

Mr. Ron Grant commented that serving on the PAC for the past nine years has been one of the most rewarding experiences he has had. He said that working on the strategic process to develop the comprehensive plan, then working towards making those things happen has been incredible. He also commented that working with the staff at the Port has truly been a pleasure.

Mr. Keith Bausch thanked the Commission for the opportunity to serve on the PAC. He commented that he will continue to be around and an advocate for the Port in many other ways.

Short-Line Rail Agreement Approval

Ms. Kari Qvigstad and Mr. John Wolfe indicated that at the June 10, 2002 Port Commission meeting staff

presented background on rail service and recommendations to enter into a lease agreement with Tri-City Railroad for switching services at the Port of Olympia effective July 2002. Ms. Qvigstad introduced Mr. Randy Peterson, owner of Tri-City Railroad.

Ms. Qvigstad indicated the lease of rail track to Tri-City Railroad includes an operating agreement with the short-line railroad to provide switching services with the class 1 railroads and maintenance of Port owned track.

She noted the lease term is 10-years with two 10-year options. The agreement is non-exclusive, providing the port an option to buy-out the lease and operate in the future. The agreement is contingent on performance, obtaining and maintaining interchange agreements with the class 1 railroad(s) and serving as a strategic partner for increasing rail and marine terminal activities at the Port of Olympia.

Commissioner Telford moved approval of the lease and Commissioner Van Schoorl seconded the motion. The motion to approve the lease between the Port and Tri-City Railroad was unanimously approved as submitted.

Treasury Resolutions 2002-03 and 2002-04

Mr. George Fox reported to the Commission that the Port has the legal authority to become its own Treasurer because it has financing needs that are different from most other municipal corporations. He noted that in the past briefing memos, individual briefings, projection spreadsheets, and two prior Commission presentations, he has described the methods, the costs and the benefits to the Port serving as its own Treasurer.

Mr. Fox indicated that two resolutions are required to appoint the Commission Treasurer to become the Port's Treasurer and to appoint the Finance Director to become the Assistant Port Treasurer. The Port Treasurer, Assistant Treasurer, Executive Director, and the Accounting Manager will form a team to select a bank and a broker for the Port over the next two months. Mr. Fox noted that the RFP's to accomplish this process were in the meeting packet.

Mr. Fox reported that the Port intends to convert to being its own Treasurer on October 1, 2002. The rationale for doing this is that most of the Ports in the state are moving in this direction because Ports have different structures for funds that require different investment opportunities than cities and counties. Mr. Fox indicated that the treasurer of the Port Commission would work closely with the Finance director to make those investment decisions. We will have periodic reporting to the entire Port Commission.

President Van Schoorl commented that the Port is not making this move because of dissatisfaction with county treasurer, but that this is a prudent move being made by other Ports as well.

Commissioner Telford indicated he made some suggestions to staff earlier in the day and staff has revised the resolution to reflect those requests. However, the resolution says the treasurer and assistant treasurer are duly qualified. He asked how do we qualify? Mr. Fox indicated that all commissioners have budget and experience, which makes you qualified. Mr. Handy indicated that being elected by the citizens also makes you duly qualified to oversee Port funds and investments. Commissioner Telford asked that he serve on the review committees and participate fully in the selection of the bank and broker and investment decisions.

Commissioner Telford moved to approve Resolution 2002-03, designating a new Port Treasurer and Assistant Treasurer and providing for the acquisition of appropriate bonds. President Van Schoorl seconded the motion. The motion was unanimously approved to approve Resolution 2002-03 designating a new Port Treasurer and Assistant Treasurer and providing for the acquisition of appropriate bonds.

Mr. Fox gave an overview of Resolution 2002-04, a resolution establishing a Port of Olympia investment

policy. Commissioner Telford moved to approve Resolution 2002-04. President Van Schoorl seconded the motion. The motion was unanimously approved to approve Resolution 2002-04 establishing a Port of Olympia investment policy.

President Van Schoorl thanked Mr. Fox and Mr. Handy for all of their work over the past months preparing for this change.

ADVISORY CALENDAR

Marine Terminal and Marketing Advisory

Mr. John Wolfe gave an overview of the Marine Terminal and the status of the Marine Terminal's current operations and future plans. He noted that the Marine Terminal is the Port's oldest business. Ship traffic and commerce put Olympia on the map when the deep water channel was dredged over 80 years ago by the Olympia Chamber of Commerce. While cargoes have changed over the years cargo, the terminal continues to serve as strategic location for waterborne imports, exports and a domestic transportation link. In addition to forest products activities, project cargoes and specialty operations, the 833rd Military Transportation Management Command has designated Olympia as the back-up Port to Tacoma for logistics and operations.

Integrated in the business briefing, Kari Qvigstad presented an overview of the Marine Terminal marketing initiatives, market research, business development, and measuring success.

Commissioner Telford commented that he realized the Marine Terminal business is a highly competitive business and asked Mr. Wolfe if he could comment on business opportunities for the remainder of the year. Commissioner Telford also asked if Mr. Wolfe felt there would ever be a scenario where the Marine Terminal would break even, not even considering the investment and depreciation expense.

Mr. Wolfe responded that Commissioner Telford touched on facts that cannot be ignored, it is an extremely competitive business, and competition is struggling as well. Mr. Wolfe commented that we have to bid competitively to secure cargoes, then we build the confidence of the customer for repeat business. Mr. Wolfe indicated that he felt the scenario Commissioner Telford referred to is in the distant future, although we now are moving in an upward direction to that goal.

Mr. Wolfe commented that the focus of the sales team is to bring in a scheduled liner customer, however, that requires a huge commitment from a customer and those commitments can take years to develop.

Commissioner Telford asked Mr. Wolfe if we are bidding too low to get profitable cargoes. Mr. Wolfe responded that we never bid with the intent of losing money and always bid with the intent of making money. Mr. Wolfe commented that this is the best sales team he has been around and he indicated that he was confident this team can continue to bring in good customers, and that bringing in the big customer does take time.

President Van Schoorl commented that the last liner service the Port brought in took nearly four years in a booming economic time. He extended his appreciation to both John and Kari and the sales team for their relentless work on behalf of the Port.

State Street RFP

Mr. Heber Kennedy reported that last year the Properties Initiative team identified the Port's State Avenue property as a targeted area of Port land offering development opportunities. At about the same time, the Port was approached by a developer interested in the site for a hotel and conference/convention center. The property also has the ability to act as a catalyst for development in the eastern portion of downtown Olympia as well as complete the Comprehensive Plans design to focus pedestrian activities on the east side of the Port peninsula.

Mr. Kennedy noted that the Property Team has reviewed Port ownership in the area and believes that a well planned development is needed to accommodate future Port and private development. The team has identified a 17-acre area to be used in the planning process. Mr. Kennedy displayed a drawing of the area showing where the property exists on Port property. The property is urban waterfront with some restrictions. Two creeks converge and the property has an outfall. The property was under Corp of Engineer restrictions, but staff has worked with the Corps to have those restrictions removed.

Mr. Kennedy reported that the team has considered three planning/development scenarios: (i) issue an RFP for a planning consultant to master plan the area; (ii) enter into direct negotiations with an interested party to lease a portion of the site for development; (iii) issue an RFP for a developer to create a master plan for the area with the option of leasing some or all of the property.

Mr. Kennedy noted that the team feels scenario iii may be the best choice as it combines a creative planning effort tempered with a proven market driven development history. We are proposing accepting proposals under scenario (iii). Mr. Kennedy indicated that staff recommends this scenario with the following provisions: (a) the proposal contains a public process that includes inputs from the Port Commission, Port Planning and Advisory Committee (PAC), City of Olympia, and neighborhood and citizen inputs; (b) Port Commission retains final approval of master plan including land use decisions; and (c) Port Commission retains final approval of any options or leases with the developer.

Commissioner Telford indicated he is in agreement with option three, however, he is concerned about how you maintain control over the costs. If you start with a public planning process, you have nothing to present. Commissioner Telford commented that it seems like someone needs to do some concepts for public input. Mr. Kennedy indicated that we have the comprehensive plan, you begin to open up the idea, and that generates the possibilities. Mr. Kennedy noted that staff sees a developer retain a planning firm that begins to look at concepts in accordance with restrictions. President Van Schoorl said we are not starting with a blank slate, we have been through many planning phases of this process generating public interest.

Mr. Handy discussed his vision of the public process that would be generated by the developer/planner that proceeds with public comment, market research, interchange with the Commission, and at the end of the process a final plan is adopted by the Commission.

Commissioner Telford indicated that he sees this process as costing a lot of money. Mr. Handy indicated that we see our role as a catalyst for economic development in that area. We see our role is to provide the public a process for community input. Mr. Handy said we could go ahead and lease the property out to a developer and make money quick. However, an important part of the Port's role is to get public process and input on developments involving significant larger parcels of Port owned land where community interest is high. Commissioner Van Schoorl agreed with Mr. Handy.

Mr. Handy indicated that one way for us to control costs is to go with a development firm with a planning capability. This results in less out of pocket money when the developer can include the planning costs in the development.

Commissioner Telford indicated that the potential for adjacent parcels are also included in the planning area and would like to have the possibility of selling segments on the table besides leasing the whole area and would like to keep options open that might work better for a developer. Mr. Kennedy indicated that we are keeping all options open, however the sale of port property is at the sole discretion of the Port Commission.

Commissioner Telford asked if there was a budget for this process. Mr. Handy indicated that we have money in the budget to begin the planning process. He commented that we hope to have an RFP out by end of July and will plan to include monies in the Fall budget to complete the process.

President Van Schoorl indicated that the Commission looks forward to seeing the final version of the RFP and to include public process.

ADJOURNMENT

President Van Schoorl adjourned the meeting of July 8, 2002 at 7:15 p.m.

PORT OF OLYMPIA COMMISSION

President

Vice President

Secretary-Treasurer