

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

July 14, 2003

CALL TO ORDER

President Pottle called the meeting of July 14, 2003, to order at 5:30 p.m. at the TCTV Studio in Olympia. Commissioners Telford and Van Schoorl were also in attendance.

President Pottle announced the Commission would be going into executive session immediately following the meeting to confer with legal counsel on potential litigation regarding a property matter.

Staff in attendance were: Executive Director Nick Handy, Administrative Manager Jeri Sevier, Finance Director George Fox, Operations Director John Wolfe, Marine Terminal Foreman Mike Crawford, Harbor Director Bruce Marshall, Properties Director Heber Kennedy, Airport Director Doug Sandau, Marketing Director Kari Qvigstad, and Communications Manager Patti Grant.

Public in attendance were as follows. Representing *The Olympian* was Scott Wyland. Representing KGY was Val Vaughn. Others in attendance included Jan Witt, Harold Chambers, Earl Pearson, Bob Jacobs, J. Kooiker, Walt Jorgensen, and Connie Kralovonsk.

APPROVAL OF AGENDA

The agenda was approved as submitted.

PUBLIC COMMENT

Bob Jacobs, resident of Olympia, showed the Commission a clip from a previous Commission meeting of March 10, 2003 regarding the State Avenue public process. He commented that he wanted to make sure there was adequate public process at the front end of the planning not at the end of the process. President Pottle responded that at the earlier meeting in March he indicated there would be adequate public process and tonight he stands by that statement. President Pottle indicated this is an agenda item that will be discussed later this evening.

Jan Witt, resident of Olympia, commented on the air grant. She asked where the money comes from. She said she understood that the money comes from the federal fund, which takes money away from social security and other programs. She suggested that the request to help fund Big Sky for another three years is frivolous spending. She also asked whom the runway relocation would accommodate and what the costs for that project would be.

Ms. Witt also noted that according to the environmental review, it looks like only 1 ½ jets take off from the airport, therefore the cost to relocate the runway to accommodate those 1 ½ jets is very expensive. She also requested another public meeting on the runway relocation project since the environmental review and asked that there be more public notification on this project.

Commissioner Van Schoorl commented that the runway relocation project had nothing to do with neither jet traffic nor the property acquisition. This is a safety project relating to Old Highway 99 and has nothing to do with the number of jets taking off and landing.

Earl Pearson, Pearson Air, Tenant at the Airport, commented that previous airlines at the airport have all had subsidies. And when the subsidy was gone, so was the airline. So why do we continue to

subsidize Big Sky, a private airline, and he does not think we should support them. He commented that the Port does not spend any money to help the other tenants at the airport.

Harold Chambers, resident of Yelm, noted the Port has already spent \$170,000 on the air service at the airport. With the grant, we will give additional money to Big Sky well over a quarter of a million dollars of taxpayer's money of Thurston County. When will this stop? Do you have a plan of how much money we will spend before we stop?

COMMISSIONERS REPORTS

President Pottle indicated last week he attended a meeting at Thurston Regional Planning and had a good discussion with staff and the value that is returned to the Port. Thurston Regional Planning will be presenting at the next Commission meeting in July to discuss the value and services provided to the Port and the Community in general.

Commissioner Telford indicated that he did receive a letter from TRPC noting that they fixed some of the concerns in the document. He commented that he is still not happy with the way the document is written in the aviation section. He understood that Nick Handy and Andrea Fontenot were going to meet with staff and review the issues. President Pottle indicated that he is going to request that a staff person attend all TRPC meetings along with the elected official.

Commissioner Van Schoorl indicated that he is also concerned about the relationship with TRPC. The Port has two very important transportation businesses, the Marine Terminal and the Airport, and the Port should be very involved in the transportation policies that are set.

EXECUTIVE DIRECTOR REPORT

Mr. Nick Handy reported at the Marine Terminal another log barge was discharged for Aloha Lumber. The cedar bundles came in from Alaska and were offloaded onto berth 3. He noted that we just loaded logs for two vessels: the Forte for Mitsubishi and the Oriente Crest for Sumitomo. The Oriente Crest made its maiden voyage to the Port of Olympia and Commissioner Van Schoorl attended the maiden voyage ceremony and presented the Vessel Captain with a plaque from the Port.

Last week, he reported that we had three vessels in port at the same time, which includes the two log vessels mentioned plus the return of the Vasiliy Burkhanov, carrying aluminum from Russia.

Mr. Handy reported that the DEF Marina expansion is under construction. Of the 157 new slips, 84 slips have been preleased including 44 new tenants.

At the Airport, Mr. Handy reported that we had a total of 10,875 operations for the month of June; nearly 1,000 more than last year's June count of 9,924. The higher than normal number of operations is attributed in large part to the Museum's Gathering of Warbirds event held during the month. Big Sky Airlines reported a total of 1,198 revenue passengers for the month of June.

Mr. Handy reported that occupancy at the Marina is at 99 percent and dry storage occupancy is at 72 percent. The boatworks had 99 haulouts in June. This was a new record beating the previous June record of 84 vessels. All marine repair tenants reports they are swamped with work and the Boatyard staff reports they are really looking forward to the 90' extension to the work dock scheduled in September.

CONSENT CALENDAR

The Consent Calendar was approved as follows.

Minutes. The minutes from May 19, 2003 and June 23, 2003 were unanimously approved as submitted.

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Capital Expenditure Approval. The capital project expenditures for the DEF Shoreside construction to City of Olympia and Christensen, Inc. was unanimously approved in the amount of \$235,552.93.

Marine Terminal Maintenance Contract Ratification. Mr. John Wolfe presented the contract with ILWU Local 47A MT Maintenance Group indicating it is a 3-year contract beginning July 1, 2003, ending June 30, 2006. He noted that there are three significant changes to the new contract. They are as follows: (1) A wage increase of 3 percent per year or CPI, whichever is greater, (2) Increase in pay for acting foreperson from 8 percent to 10 percent of skill wage, and (3) One floating holiday has become a fixed holiday on July 5th. Commissioner Telford commented that he could support a 3 percent or CPI, which ever is less, but not greater. The Commission approved the contract for the Marine Terminal Maintenance with two votes in favor. Commissioner Telford abstained from this vote indicating he lacked sufficient information regarding the wage increases.

Air Service Grant Resolution 2003-10. Ms. Kari Qvigstad reported to the Commission that the Port has submitted a proposal for a grant under the Small Community Air Service Development Pilot Program to the U. S. Department of Transportation. She indicated that she made a presentation to the Commission at the June 23 meeting concerning the specifics of this proposal. The federal government requires formal action by the governing body to apply for the grant.

Should the Port be successful in obtaining this grant, staff will recommend an implementation strategy and process to the Commission for actual determination of expenditures related to grant funds. It is likely that this would occur during the 2004 budget process in the fall.

Commissioner Telford indicated he would not support this resolution. He noted that he does not support a continued subsidy of Big Sky and even if we got the grant he would not support another staff person nor the amount of money requested.

President Pottle indicated that the way the system works is for the state and federal to take tax money and then distribute it back to communities in the form of grants. The criteria should be to improve the community and the ability to provide another transportation service. What we are doing in applying for this grant is not unusual. We could either sit by and do nothing or tax our citizens more. President Pottle commented that money is distributed by the federal and state government for other projects such as the cleanup of Cascade Pole, airport improvements, and marine terminal projects and without these grants the taxpayers of Thurston County would pay more in taxes or no action would be taken. He indicated that if it something that benefits our community, the Port should support it. The money will be spent and if we do not apply, other states will get the money.

Resolution 2003-10 Air Service Grant was approved with a 2-1 vote. Commissioner Telford voted against.

Lease Amendment: Big Sky Airlines. Mr. Doug Sandau indicated that the initial rent schedule with Big Sky Airlines was based on a break-even formula of 1,400 passengers per month. It had been anticipated that the 1,400 passenger loads would be reached within the first six months of service. From the inception of service on November 13, 2002 passenger loads have continued to increase; however, as of the end of June, 1,200 passengers has been the highest count.

Mr. Sandau noted that market research indicates that the traveling public is becoming increasingly aware of the service; however, still more work needs to be done in getting the word out to the public. He indicated that Big Sky has continued to lose money on the Olympia route and has requested that the Port defer rents and fees until such time when passenger loads reach the break-even of 1,400.

Mr. Sandau commented that the proposed rent schedule takes into account the break-even number of 1,400 passengers, but also includes higher rent amounts than called for in the original lease agreement.

Commissioner Telford commented that he appreciates the effort given, however, no real change will occur with this change in the lease. Commissioner Van Schoorl commented that he is comfortable with this lease, however, free rent is not going to continue. The lease amendment with Big Sky passed unanimously.

ACTION CALENDAR

Equipment Team Capital Expenditure Recommendation

Mr. John Wolfe provided the Commission with a presentation reviewing the history of the maintenance and equipment. He indicated that the 2003 capital budget for equipment was brought before the Commission during last years budget process. The Commission deferred approval of the capital expenditure on equipment and requested further justification for these expenditures prior to approval. An Equipment Team was formed and the Team defined a process by which all-future capital equipment expenditures would be brought before the Commission for approval.

The 2003 capital equipment requests are as follows.

	Budget	Estimated Cost
Marine Terminal:		
8,000 lb Forklifts (2)	\$66,000	\$44,000
30,000 lb Forklift	\$117,600	\$103,000
Service Truck	\$41,580	\$55,000
Airport:		
4 X 4 Truck	\$20,000	\$21,760
Tymco Vacuum/Blower/Sweeper	none	\$20,947
TV-140 Flail Mower/Tractor	\$115,000	Defer
Totals	\$360,180	\$244,707

Commissioner Van Schoorl moved approval for up to \$360,000 to include the flail mower; Commissioner Pottle seconded the motion. Commissioner Van Schoorl indicated he was supportive of the change in philosophy to have a proactive approach instead of a break and fix mode. The reason he is supporting the inclusion of the mower is because we missed the opportunity this year and if we wait we will again miss the window next year. We should be looking at equipment when it is at the end of the season and prices are down, instead of at the beginning of the season when prices are high. Commissioner Van Schoorl commented that we have looked at contracting out the mowing at the airport and it proved to be more expensive. He noted that staff has done a very credible job of looking at equipment needs and getting the best return for our dollars.

Commissioner Telford indicated he has had extensive discussions with staff on the equipment requests and came prepared tonight to support the two forklifts, the 4 X4 truck, the vacuum blower and he could even support the mower. He indicated that he couldn't support the large forklift at this time because he does not feel that we have a guarantee for the business. The service truck is needed because of the facility, however we just signed a lease and it may require a new maintenance facility. We have been getting by right now by renting a forklift and we should continue renting.

President Pottle commented that in this market although we do not have guarantees of continued business that does not mean that staff should not move forward on needs for supporting that business. We asked staff to analyze the needs and come back with a plan. We hire staff to make recommendations for the best interest of the Port and the Commission should have no reason to doubt staff recommendations. President Pottle noted that we have been in the Marine Terminal business for a long time, and have confidence that the staff will continue to bring the business and use the equipment.

Mr. Wolfe responded to the commissioner comment that there is no guarantee that the business will stay.

He also commented, however, that if we do not invest in the business there is a guarantee that the business will not stay or grow. Commissioner Telford indicated that he has a problem with purchasing the equipment from the capital budget, and not off operating expenses. This is a way of making operating costs look better. He commented that the rent vs. cost analysis does not justify buying or purchasing a large forklift.

The equipment team recommendation was approved with a 2-1 vote. Commissioner Telford voted against the recommendation.

State Avenue Agreement

Mr. Heber Kennedy reported to the Commission that the Port issued an RFP for State Avenue Planning August 13, 2002. He commented that through an interview process, the firm of Civic Partners/NBBJ was selected from four candidates as the preferred candidate on February 24, 2003. The Port and Civic Partners/NBBJ then entered negotiations for a contract.

Mr. Kennedy noted that the parties have reached agreement regarding the scope of planning and development of the State Avenue Planning area. The agreement defines the role and relationship between the Port and Civic Partners. During the planning phase, the Port will control the master planning exercise of the property as well as final authority over the Master Plan. Civic Partners will hire NBBJ to lead the Port's planning effort and will be reimbursed by the Port \$107,010 for NBBJ's expenses in accordance with section 2.1 and Exhibit B.

Mr. Kennedy reported that in addition Civic Partners, at its expense and within a year from signing the agreement, would complete the development documents as shown in section 2.2 of the agreement. In return for this work and developer experience and expertise, Civic Partners will have the exclusive right to negotiate with the Port the terms of an agreement for the development of property identified in the Master Plan not reserved for the Port's use. Mr. Kennedy noted that in short, we have an agreement where the Port is provided both planning and developer work, while only paying for the planning efforts.

The agreement includes four work sessions with the partners to determine how the outreach and public process will take place. Mr. Kennedy commented that this agreement is addressing the concern expressed by Mr. Jacob to the effect that the Port start with a blank sheet of paper and remain open to a public process and invite the neighborhood associations and community to participate in this process.

Mr. Kennedy reported that this agreement is structured as a partnership between the Port and Civic Partners. While the Port holds final approval rights for the planning documents it is also paying for that planning effort plus contributing our expertise and staff time. Civic Partners will provide documents based on the master planning outcomes as well as contribute their developer expertise, expenses and staff time. For this contribution, Civic Partners is rewarded with an exclusive negotiating agreement with the Port to any property within the State Avenue Planning area that will be identified as potential development sites and not retained by the Port for its exclusive use.

Commissioner Van Schoorl indicated he would like to have a Port Commission work session with the partners prior to the beginning of this process. This will allow an opportunity to discuss the process. The Commissioners unanimously agreed.

Commissioner Telford asked if the \$110,000 was the total budget, not to exceed, or for actual time spent. Mr. Kennedy indicated that it was not to exceed, unless the Port were to change the schedule or process.

President Pottle indicated that legally this is a partnership between the Port and the Civic Partners. He commented he would like to include the community in that partnership. President Pottle asked Mr. Kennedy to send a letter to Mr. Jacobs asking him to address his concerns and provide feedback to the Port on this process.

The Commission unanimously approved the agreement with Civic Partners.

ADVISORY CALENDAR

Olympia Regional Airport Advisory

Mr. Doug Sandau presented the Commission a general overview of activities for the year 2003 and planned projects for the upcoming year 2004. He also discussed the financial performance, economic impact and project status for current and future projects at the Olympia Regional Airport.

Airport Marketing Advisory

Ms. Kari Qvigstad presented an overview of the marketing and business development activities at the Olympia Regional Airport. Her presentation included a summary of market research, positioning, and outreach for bringing new business to the Airport. Target sectors include: general aviation, corporate aviation, aviation-related light industrial, and commercial air service.

Dry Stack Negotiations Advisory

Mr. Heber Kennedy indicated that at the March 10, 2003 meeting, the Commission instructed staff to negotiate an option and lease agreement with Simon Johnson for development of a drystack boat storage facility. Since that time, both parties have engaged in good faith negotiations and have nearly completed the agreement.

He noted that since that assignment, the Port has undertaken an analysis of its peninsula property and determined that location of a drystack facility in the northern peninsula area was not the most optimal site. In addition, the recent signing of the Santa Maria Shipowning and Trading option and lease precludes the location of a drystack facility in that area. In short, site evaluation has delayed completion of the documents. However, with the realignment of Marine Drive finalized, it appears the favored location is in the MNO area of the Swantown Marina. While this location also has constraints and offers development challenges, staff feels it is the best alternative.

Mr. Kennedy commented that staff has discussed this site with Simon Johnson and both parties are agreeable to developing an option and lease agreement for that location.

He indicated that staff recommends an extension of the negotiation period for 30 days in order to incorporate the terms and conditions necessary for development of an option and lease with Simon Johnson in the Swantown area.

The Commission granted Mr. Kennedy 30 more days to negotiate with Simon Johnson.

Other Business

Commissioner Van Schoorl announced that on July 1st, the City of Tumwater renamed Airdustrial Way to Tumwater Boulevard, so our marketing materials and references to Airdustrial should be changed to reflect that.

ADJOURNMENT

President Pottle adjourned the meeting of July 14, 2003 at 8:10 p.m. to executive session. The executive session adjourned at 8:40 p.m.

PORT OF OLYMPIA COMMISSION

President

Vice President

Secretary-Treasurer