

PORT OF OLYMPIA COMMISSION  
MINUTES OF REGULAR MEETING

October 26, 1998

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**CALL TO ORDER**

President Pottle called the meeting of October 26, 1998, to order at 6:45 p.m. at the Port of Olympia in the large conference room. Commissioners Dickison and Van Schoorl were in attendance.

Staff in attendance were: Executive Director Nick Handy, Deputy Director Wendy Holden, Director of Engineering and Planning Andrea Fontenot, Director of Marketing and Trade Development Kari Qvigstad, Director of Finance and Administration George Fox, Executive Assistant Jeri Sevier, Airport Manager Doug Sandau, Swantown Manager Bruce Marshall, Marine Terminal Manager Jerry Mahoney, and Property Development Manager Heber Kennedy.

Members of the public in attendance were Vicky Kilgore and Trisha Callopy of *The Olympian*; Sandy Mackie, legal counsel for the Port of Olympia; Cynthia Weed of Preston, Gates & Ellis, Attorneys at Law; Alan Eichler, Lacey; Neil Falkenburg, Olympia; Rick Kortum, Olympia; and International Longshoremen's Workers Union Representative Keith Bausch.

Commissioner Pottle reported the Commissioners just completed a special meeting of the Economic Development Corporation Board of Directors at 6:40 p.m. held immediately before the Commission meeting.

**APPROVAL OF AGENDA**

Executive Director Nick Handy asked the Commission to remove from the agenda Item No. 2, Sewer Lift Station in Commercial Core. He explained that more work is needed on this item and it may become a private project without Port involvement. Also, Item No. 3, MBCI Option Approval is removed. Staff has not received a signed option and this item will be discussed at the next Commission meeting. Handy asked that one item be added to the Advisory Calendar and that is discussion on the Foreign Trade Zone and Darigold which will be presented by Marketing Director Kari Qvigstad.

**PUBLIC COMMENT**

Neil Falkenburg asked about the status of the proposed lease for the Swantown Boatworks project.

Executive Director Nick Handy replied that staff is planning to bring an option and lease to the Port Commission for review and approval. The Commission will receive the information prior to its meeting to allow adequate time for review.

**COMMISSIONERS REPORTS**

Commissioner Dickison reported that he attended a special meeting last week of the Transportation Policy Board. He reported on the Washington State Transportation Commission's planning process in identifying projects and needs for the state as they move into upgrade and development of their transportation plan. Commissioner Dickison also attended a meeting involving the Tumwater satellite campus. This was a joint meeting with the City of Olympia, Department of General Administration, and the Port of Olympia.

Commissioner Pottle reported that he attended a meeting with Executive Director Nick Handy, Sandy Mackie, *The Olympian*, and their legal counsel regarding Executive Sessions and the issuance of leases.

**CONSENT CALENDAR**

Minutes. The minutes of September 28, 1998 were unanimously approved as published.

Bills and Vouchers: The bills and vouchers for the period ending October 26, 1998 in the amount of \$994,050.87 were unanimously approved.

Capital Project Expenditures: The capital project expenditures were unanimously approved as submitted.

## **ADVISORY CALENDAR**

### **Budget Presentation**

Commission Pottle explained that the Commission held an open public meeting on October 23, 1998 to discuss the proposed 1999 Operating and Capital Budget for the Port of Olympia. He added that tonight's discussion would be a continuance of that discussion.

Executive Director Nick Handy provided an introductory advisory briefing on the Port's 1999 budget. He gave a brief overview of the budget and asked each Director to highlight major changes that are proposed in their respective program areas. Mr. Handy explained that a copy of the budget and summary information will be available at the main reception desk of the Port. A public hearing for the Commission to take action on the 1999 budget is scheduled for November 23, 1998.

Mr. Handy stated that Port staff had developed a draft budget prior to learning that Sunmar would be terminating its lease. He added that staff has been working very hard in revising the budget to reflect the loss of revenue which will affect Port operations. Mr. Handy stated that he believes the Port will be generating new business at the Marine Terminal, but for the purpose of next year's budget, staff is assuming that there will be no new business. He explained that with this assumption, the budget is very conservative and staff's goal is to present a balanced operating budget that would not draw down any cash reserve.

Mr. Handy added that a balanced Operating budget would not require an increase in the tax levy. He explained that in order to do this, revenues and expenses were eliminated from the Marine Terminal for container operations. Mr. Handy stated that this resulted in an additional \$1.2 million dollars in cuts from the originally proposed budget which was prepared earlier. This resulted in the elimination of 10 FTEs at the Port. He explained that all positions being terminated by the Port have been identified and the affected staff members have been notified. Handy added that the cuts are a result of staff's recommended budget and no actions will be final until the Commission approves the final budget. He stated that Port staff has been reduced down to the core staff of skills with the experience and expertise needed in continuing to operate Port business. Mr. Handy said that almost all of the discretionary kinds of programs that have been enjoyed in the past, particularly with regard to community outreach and event-type activities, have been eliminated. As an overview, Handy explained that this dramatic budget cutback results in an FTE count of 42 FTEs down to 32; with an addition of 2.5 FTEs to operate the Swantown Boatworks. He asked each Director to provide a brief overview of their program's budget.

Deputy Director Wendy Holden talked about the three business units under her direction within Operations: the Marine Terminal, the Airport, and the Swantown Marina and Boatworks. Ms. Holden stated the goals for the Marine Terminal operations include improving profitability and productivity and focusing on getting new cargo and new tenants. Ms. Holden explained the goals for the Airport is to recruit a passenger service and retain the control tower. She added that a decision will be made in December by the FAA regarding the status of the tower. Ms. Holden stated the goal at the Marina is to continue working towards the implementation of the D, E, and F docks and integrate the Boatworks project into the entire Port operation. She added that with the projected revenue from the Marina and Boatworks, that there will be no subsidy from other Port businesses during the first year of operation.

Director of Marketing and Trade Development Kari Qvigstad talked briefly about the marketing of all Port businesses and property development. Regarding property development, she added that from a marketing perspective staff will maintain the program. Marketing staff will operate by a "doing more with less" approach to property development in 1999. Marketing is seeing a 42 percent reduction in the budget which includes the Marine Terminal Marketing Manager and the .5 position of Marketing Assistant. The focus and major priority for Marketing in 1999 is to support the Marine Terminal and help develop new business opportunities. Marketing will also assist with the opening of the Swantown Boatworks project. Ms. Qvigstad added that staff is proposing that no public Port events be planned in 1999; this includes no Harbor Days, a reduced amount to support the Swantown Regatta, no Boatswap and Chowder Challenge, and no Air Show sponsorship.

Commissioner Van Schoorl commented that he would like to see some way to revitalize the public event activities, especially since the Port has done such a good job in the opening of other waterfront activities.

Mr. Handy commented that the Port is very proud of the activities it has sponsored in the last 2-3 years. Overall the Port has increased its participation in charity events by attending and providing crane tours; has developed a partnership with the Children's Museum and Maritime Heritage community, provided sponsorship with the Air Show, etc., but he added that these activities all fall within the discretionary area of what the Port is able to do within its budget. Mr. Handy stated that he would like to see the Port continue with public activities and sponsorship, but the 1999 budget proposal is to withdraw substantially and, hopefully, when new business develops, the Port will be able to once again initiate those programs. He added that staff understands that this will be an area in the budget in which the Commission would have substantial input.

Marine Terminal Manager Jerry Mahoney added that his department is looking at ways to have community outreach that does not involve any expense. Such activities would include school tours and working with the community college through lectures and classes. He added that staff would make every effort to make the community and the Port of Olympia a single entity.

Commissioner Pottle commented that he has had some contact with some of the schools and has talked to school board members and teachers. He stated that it is very important for young people today to understand the economic vitality that Ports bring to communities. Commissioner Pottle encouraged staff to continue in this effort. He referred to events such as the Steam Engine Society and asked if there would be any way to continue having an event like this. He asked how the Port might be able to sponsor some of these events that bring economic vitality to the community based on the current budget situation.

Ms. Qvigstad replied that outside organizations will need to be capable of organizing their own events and not be dependent upon Port staff for assistance and promotion. In reference to the Steam Engine Society event, Qvigstad agreed that it was a fantastic event, but explained that it was also highly time intensive for staff in terms of organizing. She added that Port staff will continue to look for opportunities, but will need to be cautious of over extending staff.

Commissioner Pottle replied that staff should look harder at those events where they have the facility to organize themselves.

Director of Engineering & Planning Andrea Fontenot explained her department's priorities for 1999. She added that Engineering & Planning will continue to focus on the capital improvement program, planning permits, environmental grants and the clean up of Cascade Pole. Ms. Fontenot explained that her department will not be filling a project engineer position which results in the elimination of one FTE within the program.

Director of Finance & Administration George Fox commented on his department's budget for 1999 which resulted in the loss of one FTE. Regarding non-operating revenues, he stated that there will be a fairly substantive increase in interest from revenues forecasted. He added that there is more money in the bond funds available. Mr. Fox stated that his program is involved in the Y2K project and is working to provide an improved telephone system for the Port because the current system will no longer work after December 31, 1999.

Mr. Handy gave a brief overview of the Capital Budget. He reported that copies of the 1999 Operating and Capital Budget will be available for the public later in the week.

### **Executive Session/Lease Policy Discussion**

Commissioner Pottle explained that he met with staff from *The Olympian* last week to discuss this item. At that time he invited Editor Vicki Kilgore to attend tonight's Commission meeting for further discussion.

Nick Handy gave a brief overview of the history of approving leases at the Port and explained that the Commission has been under criticism by *The Olympian* for not bringing leases to the Commission for approval. He stated that staff has conducted a survey of 11 other Ports in Washington State and found out that most Ports do rely upon their Port Commissioners for approval. Handy asked for direction in how the Port of Olympia Commission would like to process leases.

Commissioner Pottle asked Vicki Kilgore if she would like to comment.

Ms. Kilgore replied that *The Olympian's* basic contention is that the spirit of public meetings is not being followed and leases are being signed outside the public domain. She explained that the current process of giving that responsibility to the Executive Director takes place out of the public eye and that is a concern.

Commissioner Pottle asked if *The Olympian* is changing its position that was initially advocated that the Port of Olympia needs to negotiate its leases in public.

Ms. Kilgore replied that *The Olympian* is not changing any position at all. She said the Port needs to follow the law and there needs to be some discussion of leases in public meetings so the public can participate. She added that the public has a right to know how the Commissioners feel about leases.

Sandy Mackie, legal counsel for the Port, commented on Executive Sessions versus public sessions. He explained that the practice at the Port has been that non-traditional leases do come before the Commission. Mr. Mackie gave the example of the Sunmar lease which was presented to the Commission at a public meeting. He added that the Swantown Boatworks lease will come before the Commission; these leases are non-traditional and are presented in public. Mr. Mackie said that Executive Sessions are appropriate for matters with respect to price, quantity, quality, and time which all directly affect the price. He explained if that information was known in advance, it could be disadvantageous to the Port in its negotiating posture. Mr. Mackie added that this type of information is appropriate to deal with in Executive Session. He stated that staff could bring a final lease to a public session with basically the Executive Director and the customer having presented an open program; if the public wishes to comment they could do so at that time, and the Commission would have the final say at the meeting. Mackie added that the courts and state law allow staff to take research data and keep it confidential, which by definition means that it cannot come to an open forum. Therefore, the Commission could discuss matters which are material only to the price at which public facilities are going to be leased.

Ms. Kilgore stated that if the Commissioners have concerns about the terms of any lease, she would like to be aware of what those concerns are. If there is a debate among the Commissioners, she would like to be a part of that debate. Kilgore added that *The Olympian's* argument is that there is a stage in which the debate should come to an open meeting.

Commissioner Dickison replied that Ms. Kilgore's presumption that there is always a dialogue, debate, and questions is inaccurate. He added that the vast majority of leases are entered into without any dialogue from the Port Commissioners because they are carried out consistent with existing policy. He gave an example of a lease to store empty recycling containers for the City of Olympia's recycling program and said that the Commission cannot investigate leases to that degree and cannot have discussions on each and every lease that comes before the Port. Commissioner Dickison added that in the case of the Port of Olympia, it is a citizen-based Commission which entrusts and empowers the professional staff of the Port to oversee the lease actions. He said that this policy is set every year in a public meeting. Commissioner Dickison added that when staff recognizes a lease that is a deviation from policy, it is brought to the attention of the commission. He stated that the vast majority of leases do not contain deviation from policy and that policy is established in open meetings. Commissioner Dickison said that he has basic trust in the competency in the people that are hired at the Port.

Ms. Kilgore commented that the public elects the Commissioners. She added that the way *The Olympian* interprets the law is that leases should be signed in a public forum and should be discussed in a public forum.

Commissioner Dickison rebutted that the public does not elect the Commissioners to run the Port of Olympia; the public elects the Commissioners to establish policies of the Port. He added that the Commission is set up to have citizen leadership in establishing policy direction of the Port.

Commissioner Van Schoorl stated his concern that there is the impression that the Sunmar lease was signed in secret when, in fact, there were at least four print media reporters, one radio reporter and 150 people present. He added that since Commissioner Dickison has joined the commission, there has been a change in the public outreach and public involvement in the Port compared to what it was like 10 years ago.

Mr. Mackie added that there is a provision in the Open Public Meetings Act which states if matters are discussed in Executive Session and a final policy decision needs to be made, the Commission can come back to the regular session to take final action.

Commissioner Dickison ended the discussion by stating that this is clearly a point that is open to interpretation. He referred to other Ports throughout the state and summarized that there are a variety of circumstances and conditions established by individual Ports for what will be approved at the Commission level and what will be approved by staff.

Commissioner Van Schoorl commented that the policy is set with a great deal of public input. He agreed with Commissioner Dickison that the Commission is an elected position to set policy and not run the day to day operation with staff. He added that the Commission's job is to hire the Executive Director of the Port.

Alan Eichler, Lacey, commented that there are unique leases like the Swantown Boatworks and Sunmar and then there are the 'cookie cutter' leases which would be treated differently. He asked how much time would be allowed for public comment on future leases. Mr. Eichler commented that allowing a half-hour notice to read a document might not be enough time.

Mr. Mackie responded that in order to protect the ability of the Port to maintain the confidentiality of the data and the information, the only way to do so is to bring the lease to the Port Commission for approval. He said copies would be available the night of the meeting so competitors would not have an opportunity to under bid. Mr. Mackie added that the charter from Port staff and management is to negotiate the best lease available under the terms and circumstances which is then brought forth to the Commission for review and approval. It is then up to the Commission to determine how much time they believe is necessary and whether the terms and conditions are appropriate.

Commissioner Dickison asked Commissioner Pottle if he would like to revise the current lease policy this evening.

Commissioner Pottle replied that if a motion were made, it would be up for discussion.

Commissioner Van Schoorl stated that he was not prepared at this time to discuss the policy. He added that in any policy, he would like to make sure that reasonable expectations are set. Commissioner Van Schoorl stated that he feels very comfortable in knowing what's going on in the Port of Olympia relative to the lease policies. He added that the Port has been and will continue to err on the side of open disclosure to the public.

Commissioner Dickison suggested that the Commission direct Nick Handy and staff to develop a proposal which incorporates criteria for how the Commission proceeds with leases. This would be subject to legal counsel. He said he would like to see criteria established on how the Commission is going to fulfill the obligation of exposing a discussion or debate on any particular lease to a public meeting while facilitating the expeditious role of leases that do not constitute that kind of dialogue.

Commissioner Pottle replied this would be a fair idea. He commented on the existing public process and stressed the following points. One, can the Commission protect itself from the standpoint of competition knowing what the Port is doing and what it is trying to do, and two, can it make the public aware that all obligations are met and have a compromise that works. From his perspective, Commissioner Pottle would like to see the Commission accomplish something that is comfortable for the public and for the protection of perspective tenants. He asked Handy to work with legal counsel to develop a recommendation.

#### **Foreign Trade Zone – Request by Darigold**

Kari Qvigstad presented to the Commission staff's request to the Department of Commerce, Foreign Trade Zone's Board for a request by Darigold to expand their manufacturing authority from the processing of cheese whey to other dairy related products. The request will enable Darigold to expand their product line, increase U.S. exports and potentially increase jobs.

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#### **Budget Discussion – Director Position Elimination**

Mr. Handy gave a brief overview of his proposal to the Commission regarding a director position being eliminated from the Port. Mr. Handy explained that he sent a memorandum to all Port staff saying that he would like to discuss with the Commission which position that would be. He explained that at a special open meeting of the Commission on October 23, extensive discussion took place. Mr. Handy said at that time, the following three scenarios were presented. (1) eliminate the Deputy Director position and have the business units report directly to the Executive Director; (2) eliminate the Marketing Director position, having the real estate program report to the Executive Director, and having the business units be responsible for their own marketing; and (3) eliminate the Finance Director position and having the accounting department and information systems program report directly to the Deputy Director/Director of Operations. Mr. Handy stated that it was his sense that there was not support from the Commission to eliminate a Director position at that time and so a fourth scenario was established creating a new organizational chart. Mr. Handy added that this process has been very stressful for staff, knowing that one of them may have their position eliminated. He explained that he has also given the Commission the scenario of eliminating the Director of Engineering position and the Executive Director position as well.

Commissioner Pottle commented that the fourth scenario of restructuring staff functions seems to capture some of the

essence of his concerns; he added that he would need to think about this proposal. Commissioner Pottle stated his concern about marketing issues and said staff will need to be able to provide more assistance to property development.

Mr. Handy replied that Marketing has been focusing on the Marine Terminal, but in the long term, property development is very important to the Port and continues to be a source of revenue.

Commissioner Dickison commented that the Port of Olympia is not solely a product of its businesses. He stated that the Port is a public corporation; it does have businesses, but also must maintain other responsibilities. Commissioner Dickison said that a corporate private sector business model does not work in the public setting because of the demand of standards of accountability. He said there always will be disagreement in running a business versus unfair competition. Commissioner Dickison stated that it is important for the Port to maintain a balanced structure. He said there needs to be accountability for revenue generation and that is identified in the strategic plan. He referred to the budget situation and reminded the Commission that any decision involves individual people and their jobs. He urged the Commission to make a decision and not procrastinate any longer.

Commissioner Pottle stated that he is very mindful that the Port is a public agency and commented that ideas, concepts and philosophy of how the Port conducts itself should be reviewed. He asked Commissioner Dickison what decision he would like to make tonight.

Commissioner Dickison referred to the recommendation of eliminating a Director's position. He said he would prefer that the Director position not be eliminated and address the cost of funding the position from the Capital Budget.

Commissioner Van Schoorl commented that he did not want to be constrained by deadlines set by the Executive Director. He said he would like more time to study this issue. Commissioner Van Schoorl added that he would be able to comment further once he has had a chance to review the all budget numbers.

Commissioner Pottle stated that it is the consensus of the Commission at this time will not consider any recommendation by the Executive Director to eliminate a director position.

#### **ADJOURNMENT**

President Pottle adjourned the regular Commission meeting of October 26, 1998 at 9:00 p.m.

PORT OF OLYMPIA COMMISSION

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President

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Vice President

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Secretary-Treasurer