

**PORT OF OLYMPIA COMMISSION
MINUTES OF WORK SESSION**

October 26, 2006

CALL TO ORDER

Commissioner Telford called the work session to order at 12:35 p.m. on October 26, 2006 in the large conference room at the Port offices.

Attendance: Commissioner Telford, Commissioner Van Schoorl, Ed Galligan, Bruce Marshall, Jeri Sevier, Jim Amador, Kari Qvigstad, Heber Kennedy, Steve Davis, Andrea Fontenot, Rudy Rudolph, Sally Alhadeff, Maureen Malahovsky, Patti Grant, and Kim Peterson. Also in attendance was: Bill McGregor, Jim Szymanski, Keith Bausch, Bill Pilkey, and Arthur West.

2007 Operating and Capital Budget Work Session

The purpose of the work session was for staff to interact with Commissioners on the draft operating and capital budget for 2007.

Commissioner Comments:

Commissioner Telford noted that the 2006 budget calls for a \$800,000 positive cash flow and now in November we find that we are going to have a \$800,000 loss. He stated that he (we) should have known this was coming long before now. He asked what could be cut or deferred to make the bottom line better. On a positive note, he indicated that he liked the format of the budget and the graphs.

Commissioner Telford commented that he would like a method established for prioritizing projects and then reassess the list often to make sure we are always working on the top priority.

Properties:

Commissioner Van Schoorl noted that the properties department is doing a good job of keeping expenses down and revenues up.

Marina:

Bruce Marshall stated that he was looking at a moorage rate increase for large slips, but not small slips due to the high vacancy rates in the smaller slips. Commissioner Van Schoorl indicated that he would like to see studies to support the rate increases at the Marina.

Both Commissioners agreed that the Boatworks Expansion project that was scheduled for 2006 and

delayed until 2007, should have been a priority and we are now losing revenues. This is an example of a project that should have taken a higher priority to get completed.

Commissioner Telford commented that the Bank Erosion project on the South portion should be a part of the East Bay project. Andrea explained that the project also includes some irrigation modifications.

Marine Terminal:

Commissioner Telford commented that at the Marine Terminal, revenues are down, but costs are up. Kari and Jim explained some of the fixed costs and that several project cargoes were first time cargoes. Commissioner Telford also commented that he wanted one SEPA done for the rest of the cargo yard reconstruction project. He asked what the requirements would be for the security grant and what our plans were for staffing and maintaining the new system.

Commissioner Van Schoorl indicated he (and the Commission) would like a separate briefing in executive session on the security and safety issues at the Port.

Commissioner Telford asked about the health care benefits and the cost per employee. Steve responded that the cost is \$800-950 per employee per month.

Commissioner Van Schoorl indicated that he would like for staff to consider all future vehicle purchases to be bio-diesel or other fuel efficiency vehicles. He would also like for us to look at what it would cost to convert our fleet to bio-diesel.

Airport:

Ed Galligan asked the Commission if they were supportive of staff exploring Air Service. The Commissioners indicated they were supportive of exploring, with eyes wide open. Commissioner Telford commented that he did not want to see any subsidy.

Commissioner Telford asked what the impacts on tenants would be for the line of sight project at the airport. Rudy responded that the main runway will be shut down from April to October and that for a 10-day period the intersection between the two runways will be closed. Other than the 10-day period, the aircraft can use the other runway, all except the larger corporate jets. Commissioner Telford indicated he would like to see ways to minimize the loss of revenue to the FBO's. Rudy indicated the FAA mandates this project, and they do not accommodate the FBO's.

Marketing:

Commissioners asked for information on the Manufacturer's Roundtable.

Commissioner Telford indicated he wants all port cash donations to any non-profit activity to stop. This includes the Children's Museum, Harbor Days, and Flight Museum. He indicated that he could support in-kind donations for the above. He stated that it is not the Port's business to be funding concerts.

Commissioner Telford commented that he feels we have done a very poor job of public relations, we continue to speak to the choir, the same people we always talk to. However, the critics do not believe anything we say. He commented that he did not support a \$20,000 85th Anniversary expenditure.

The Commissioners indicated they would like to see the plan and schedule for the comprehensive planning process and how the \$20,000 in the budget would be spent. Kari suggested a separate briefing on this item.

Commissioner Van Schoorl also indicated that we need to do a better job of improving the public perceptions, we are not doing a good job of getting our story out. He indicated that he would like to look at the communications plan overall.

The Commissioners indicated they would like to see the EDC membership moved back to governmental. They also commented that it appeared that some of the memberships in marketing should be put back with the business unit it belongs with. Where obvious, the program budget should have it, not marketing.

Ed Galligan recommended that he and Kari schedule a separate conversation with the Commission on the political strategy to discuss both federal and state strategies.

Commissioner Telford noted that he wants to make sure that we did not move forward on the Administrative Campus until after the schematic design is approved by the Commission. He did not want any more spent on the project until after the commission sees the details, the number in the budget is just a placeholder based on future decisions. He also commented that the write up on the admin campus needed to be changed to remove reference to maintenance facility and requested financial analysis of the demolition from Steve for the current Administrative offices.

Public Works:

Commissioner Telford commented that he would like to get the RFP's out for Northpoint hotel and office building and get Anthony's some company. Again he stressed the importance of getting the projects prioritized with and overall Port viewpoint, Northpoint should be a priority.

Overall Comments:

Commissioner Van Schoorl indicated that staff did a nice job on the budget. He would like to see operating cash flow included on the graphs. He would like for staff to look for bio-diesel alternatives. He would like to see grants put in as placeholders where staff feels grants are an option. It is the obligation of staff to go after grants and we need a process in place for approval. He commented that the tax increase is problematic to him and he would like to see a breakdown of the six cents collected for cascade pole and what has been spent. He also commented that we need a comprehensive list of capital projects all on one page that is being proposed for 2007.

Commissioner Telford indicated that the tax levy should cover the debt payments, the rest goes to environmental. He has not seen a balance spent from last year, so he doesn't know what is left.

He commented that he would like to see where we are spending \$7.7 million on capital projects in 2006. He noted that the \$1.9 property acquisition has not been approved and he would like to look at a lease option, purchasing this property would put us in a position of having a land locked property. We need to have an overall plan before he would approve the purchase of that site.

He asked for some changes in the governmental memberships, remove the Olympia World Affairs Council and the Washington Citizens for World Trade from the list.

Commissioner Telford also commented on the Maintenance Facility for Public Works and Marina. He indicated that he could not support a building for \$200 per square foot. Andrea indicated that we have \$200,000 in the budget for planning and design. Until we do some planning we cannot get a good estimate for the per square footage cost.

Commissioner Van Schoorl left at 3:45 p.m. Commissioner Telford ended the meeting by complimenting the staff on a very good presentation.

ADJOURNMENT

Commissioner Telford adjourned the meeting at 4:00 p.m. on October 26, 2006.

PORT OF OLYMPIA COMMISSION

President

Vice President

Secretary-Treasurer