

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

November 24, 2003

CALL TO ORDER

President Pottle called the meeting of November 24, 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 held an executive session on November 17, 2003 from 2:00 – 5:00 p.m. at the Airport office to meet with a consultant in preparation for the Executive Director candidate interviews. The Commission then met in executive session on November 18, 2003 from 8:30 – 5:30 p.m. at the Port office for the purpose of conducting the candidate interviews. The Commission further met in executive session on November 21, 2003 at 12:00 – 2:30 p.m. at the Port office for the purpose of evaluating the candidates with Waldron & Company representatives.

The Commission set an executive session for Friday December 5, 2003 at 1:30 p.m. at the Port Office for the purpose of continuing the discussion and evaluation of candidates for the executive director position.

Staff in attendance were: Executive Director Nick Handy, Administrative Manager Jeri Sevier, Harbor Director Bruce Marshall, Public Works Director Andrea Fontenot, Marketing Director Kari Qvigstad, Operations Director John Wolfe, and Property Director Heber Kennedy, Lease Administrator Clarita Mattox, Airport Administrative Assistant Lorie Watson, Property Administrator Sally Alhadeff, and Finance Director George Fox.

Public in attendance were as follows. Harold Chambers, Neil Falkenburg, Cecila Gummeson, Bob Jacobs, and Bruce Korus.

APPROVAL OF AGENDA

The agenda was approved as submitted.

PUBLIC COMMENT

Harold Chambers, resident of Yelm, indicated he believes it is time for the Port Commission to start working on an ethics policy for the commissioners.

COMMISSIONERS REPORTS

President Pottle indicated he just attended the EDC board of directors where they met the new Executive Director, Michael Cade, Mr. Cade begins the first of January.

Commissioner Telford noted he received a draft of the transportation plan. He discussed several of the items in the plan such as the airport study, item for a plum street study for the City of Olympia and access to the Port Peninsula.

EXECUTIVE DIRECTOR REPORT

Mr. Nick Handy reported at the Marine Terminal, we are expecting the log vessel the *Global Arrow* to arrive Thursday morning (11/20). The trading company is Mitsubishi and we will be loading right under 1mmbf from Formark.

At the Mr. Handy reported the Airport and Big Sky hosted an open house Nov. 19 to celebrate the 1st anniversary of air service between Olympia and Spokane. Forty-six outbound passengers left Olympia - a tie for the highest number, 24 in-bound passengers came from Spokane. Passengers spoke very well of the service, how convenient it is, and how they like not having to deal with the hassle and expense of Sea-Tac. The station manager says that bookings are increasing as we get into the holiday season.

Turning to the Properties program, Mr. Handy announced the Port is involved with working out a land exchange with an existing tenant that benefits both parties by raising both parties property values. Under the agreement, the Tenant would continue its lease with the Port while the Port would also gain an avigation easement over the tenant's entire property. This will be coming to the Commission soon for their consideration.

As East Bay planning continues, both Civic Partners and the Port have received expressions of interest in leasing in the area when the project is complete. Users include museums, retail and others. Mr. Handy announced that staff has completed the second East Bay Master Planning Workshop and are recommending moving the third workshop from December to January.

The Property Department held its annual Real Estate Briefing breakfast on Thursday October 30 at the Indian Summer Golf and County Club. Approximately 50 persons attended the event, which highlighted the Ports property and marketing program. The event also drew several real estate professionals from outside the region.

Mr. Handy noted that the signage committee is aware that the number of "misdirected" and/or "lost" travelers has decreased significantly, but still need to make some improvements to our signage program. The following improvements have been made:

Recent improvements have included another international "airplane" icon near I-5 interchange on Tumwater Blvd as well as a request to the City of Tumwater to add icons to their mast arms on Tumwater Blvd.

Ready to install is our monument signage along Tumwater Blvd which will further showcase the airport.

MARINA AND BOATWORKS

Mr. Handy reported the occupancy at the Marina is 92 percent, and the boatyard crew continues to be busy launching floats for the DEF dock construction.

Commissioner Pottle asked Executive Director Handy who was working with LOTT any acquisition of Port property for their needs. Mr. Handy indicated the interest came about when the Port started the East Bay planning process. Mr. Heber Kennedy responded that he has been working with LOTT. He indicated that LOTT is working on their master plan and they have indicated that they are interested in some property adjacent to LOTT. He indicated that we have told LOTT that we would consider their needs in conjunction with our master planning for East Bay. Commissioner Pottle wanted to make sure that LOTT is not under a false expectation that the Port property is the only land available.

CONSENT CALENDAR

The Consent Calendar was unanimously approved as follows.

Bills and Vouchers Approval. The bills and vouchers were unanimously approved for the date ending November 24, 2003 in the amount of \$1,519,834.72. General Fund Checks Issued: 032779-032781,032782, 032784-032796, 032797-032844, 032845-032849, 032850-032900, 032901-032902, 032903-032907, 032908-032977, 032979-033024, 033025-033026, and 033027-033089. Capital Fund Checks Issued: 030078-030080, 030081, 030082, 030083-030097,

030098-030100, and 030101-030112. 2001 Bond Fund Checks Issued: 030205-030208, and 030209-030215. Environmental Fund Checks Issued: 030275-030277, 030278-030279, 030280-030296, 030297, and 030298-030304. Voided Checks: 032740, 032783, 032502, 032597, 032608, 032905, 032808, and 032978.

ACTION CALENDAR

2004 Operating and Capital Budget – Public Hearing

Mr. George Fox provided the Commission with a presentation on the 2004 Operating and Capital budget including an overview on the historical business revenues, the debt structure and repayment plan, the current and historical tax levy information as well as current overall financial indicators. Mr. Fox also gave the commission a review of the 2003 budget and progress to date.

Mr. Fox reviewed the proposed 2004 Operating, Environmental Remediation & Non Operating and Capital Budget.

Public Hearing:

Neil Falkenburg, West Bay Marina, reminded the Commissioners of the process of rate increases to increase the Marina rates a base rate plus CPI increase. He indicated that it appeared this budget calls for a 2 percent increase this year and no CPI increase. With a 2 percent increase, we are going back to the way things were. That will continue to hurt local marina operators forcing us to have no rate increases this year. In addition, the Port is adding 150 more slips. He indicated that he felt the 5 percent increase is deserved. Commissioner Telford asked what Mr. Falkenburg thought the market is doing. He indicated that he felt the market was down in the marina slips with lack of revenues. Mr. Falkenburg indicated he is looking at a 2-4 percent increase this year. In comparison with the Port's rates, he is very competitive.

Bob Jacobs, resident of Olympia, commented on the budget and the Port's finances. From what he can figure, the Port has over 200,000 million dollars of assets, and he estimates that we should be profiting from those assets, instead the Port is continuing to levy 4 million dollars of taxes. Where is that money going? He asked the Port to explain where that money is going. What happens to the \$14 million that the Port should be getting in profits on a \$200,000 million dollar asset base?

Harold Chambers, resident of Yelm, commented on the 2001 bond issue and on the tax levy for 2002 and 2003. He commented that the Port praises the financial increases for this year, so why are you continuing to increase the taxes instead of decrease.

Budget Discussion:

Commissioner Van Schoorl made a motion to moved the Market District Parking lot in the capital budget to a 2005 expenditure. Commissioner Telford seconded the motion for purposes of discussion. Commissioner Van Schoorl indicated that realistically this project would not happen until 2005. Commissioner Telford indicated he would like to see more information on the need for parking in the Market District and also needs to be part of a more comprehensive plan for parking. The motion was approved with a 2-1 vote. Commissioner Telford opposed.

Commissioner Telford commented on the marina rate increase, commenting that he did not know what the right increase is, but it should at least be the increased cost of doing business.

Commissioner Telford stated that he wanted the budget to incorporate details such as budget amounts for sponsorships, memberships, etc., as it is currently not part of the budget that is distributed to the public. Mr. Fox indicated that his presentation is a part of the budget.

Commissioner Telford said that they are not part of the budget, the budget is the document they have before them. Commissioner Telford also indicated that he would like a better summary of the budget so the public can understand. And he noted that he is still looking for a total FTE data and total personnel costs and trends. He would like for the Executive Director to sign the budget, not the finance director and he indicated that he is told unless staff has a vote of two commissioners, staff do not act accordingly. He indicated that he also asked for property taxes to be put in it's own cost center to show where the money goes.

Commissioner Telford indicated that capital expenditures repairs, replacement, and maintenance should be paid out of each business cost center. We are obscuring operating costs by putting them in the capital budget.

He commented that he sees an increase in G & A of 8 percent and a 24 percent increase in marketing. He does not see the need for the increase.

Commissioner Telford commented that in Memberships, the WPPA wants a 7.5 percent increase, and he does not see justification for that. He commented that regarding the TRPC, we talked about paying a lower rate, and feels that we should be consistent with the library. Mr. Handy indicated that TRPC requires a one-year notice. The budget is consistent with last year. Staff is recommending that we give a one-year notice that we intend to reduce our contribution.

Commissioner Telford moved that we put TRPC on notice that we intend to reduce our dues one year from now. The motion passed unanimously.

Commissioner Telford indicated he would not support any cash sponsorships to subsidize the fund raising efforts of any non-profit such as the Hand's on Children's Museum with which Commissioner Van Schoorl has a conflict of interest.

He also noted that he wondered the value in an economic impact study. He asked about the 7 percent increase in public works. Mr. Fox explained the increase is related to the partial employee salary from last year, and allocated salaries to the capital fund.

Commissioner Telford asked if there was any money in budget for airport noise issues. Mr. Handy indicated this would be covered by current budget. Mr. John Wolfe indicated per his discussion with Commission Telford, staff is looking to see if we currently have information on the noise issues. If the Commission feels that we need to decide to do a real estate to do a further noise study in 2004. At this time, no money has been budgeted.

He indicated that the during the DEF assessment, it was represented that we might need up to ½ an FTE for the addition of DEF. The budget shows an increase of a full FTE for the Marina. Commissioner Van Schoorl indicated the other ½ is for the need of the staff recommendation to move to a seven days a week for customer service, and also the need for more help at the boatworks for help with the dramatic overtime staff is working at the boatworks.

Commissioner Telford commented that the East Bay View platforms are park and recreation facilities, are not even port property, and are probably illegal expenditures of port funds. He asked what the ROI was for the OARA project. He commented that once we start subsidizing, we would have others come forward like the little league, etc. He asked for more information on this project.

He asked to remove the line item in the capital budget for the service truck, as it has already been purchased. The motion was made and unanimously approved. He also asked for the recommendation from the equipment team for equipment purchases.

Commissioner Telford noted that almost all the capital projects do not provide any return to the

Port, and we call them capital expenditures. He noted that he would like to see the concept for North Pointe planning before we move forward with planning dollars on consultants, we need to sit down and agree what is going to happen at North Pointe before we begin.

He commented on the management of Port funds, and indicated he has been tracking the rate of return and the Port is not performing as well as the Thurston County Treasurer.

Commissioner Pottle indicated he did not support the re-location of Marine Drive since we do not know the resolution of the North Pointe. He also indicated that we continue to expend funds at Cascade Pole. We are a few years away from finishing this project and does not feel we have an exit strategy by finishing the project with an agreement with Ecology. He commented that he would like to see the big picture before we go any further on this project. Mr. Handy commented that this year we are proposing to spend \$1 million this year with a 50 percent match from Ecology. Staff can bring back to the Commission an update on the project at a future meeting. Ms. Fontenot provided an brief overview of the Cascade Pole projects estimated for the next 2-3 years. The goal after that is to go to a \$400,000 O & M year over year.

Commissioner Van Schoorl moved to amend the budget to include funding for the plaza and landscaping surrounding the OARA and providing a gateway into the park that will be developed at Cascade Pole. He also proposed that this be moved from the capital budget side to the environmental remediation side of the budget. Item #4B – move to amend and set the amount at \$55,500 and move to the environmental budget. Commissioner Pottle seconded the motion. Commissioner Telford indicated this is piece mealing the plan together at North Point and this also subsidizes a non-profit and does not feel this is an environmental expenditure. If it is then it should be part of the overall cascade pole plan. The motion passed with a 2-1 vote. Commissioner Telford voted against the motion.

Commissioner Telford moved that the WPPA dues remain the same, the motion died for lack of a second.

Commissioner Telford moved Hand's on Children's Museum be removed from budget, the motion died for lack of a second.

Commissioner Telford indicated that he does not support the East Bay View Tower Lookout. Commissioner Van Schoorl commented that we made a commitment several years ago, we either need to honor that commitment or move it into a future year for funding. Commissioner Pottle indicated that he feels that we should uphold a commitment, but does not feel that he would have made that same decision to support this if this project was brought forward today.

Commissioner Telford indicated that he is willing to support a tax levy the same as 2002 for \$3.6 million.

Resolution 2003-12 – Adoption of the 2004 Operating and Capital Budget

Mr. George Fox presented the Commission with Resolution 2003-12, which adopts the 2004 Operating and Capital Budget. Commissioner Van Schoorl moved adoption of the 2004 Operating and Capital budget as amended. The motion was seconded by President Pottle and passed with a 2-1 vote. Commissioner Telford opposed.

Resolution 2003-13 – Authorizing the Tax Levy Capacity

Mr. George Fox presented the Commission with Resolution 2003-13, which authorizes the tax levy capacity. Commissioner Telford moved the tax levy in the budget be moved to \$3.6, the same as 2002. The motion died for lack of a second. Commissioner Van Schoorl argued the other side of that. He indicated that the new construction growth has been tremendous and we don't take that increase and could

justify that increase. He indicated he is very comfortable with the rate proposed in the current budget. Commissioner Telford indicated that he will continue to keep preaching that the Port needs to wean itself off the tax levy.

Commissioner Pottle indicated that he would agree to split the amount and compromise. Commissioner Van Schoorl moved to set the rate at \$3,788,243, the motion passed unanimously.

Resolution 2003-14 – Certifying the 2004 Levy Collection

Mr. George Fox presented the Commission with Resolution 2003-14, which certifies the 2004 levy collection. Commissioner Van Schoorl moved approval of Resolution 2003-13, the motion was seconded by Commissioner Telford and passed unanimously.

-

Resolution 2003-15 – Setting the Rates and Fees Structure

Mr. George Fox presented the Commission with Resolution 2003-15, which sets the rates and fee structure. Commissioner Telford moved that the Marina rates be increased to 2.5 percent. The motion passed unanimously.

Comprehensive Plan Amendment – Public Hearing

Ms. Andrea Fontenot provided the Commission with background information prior to the public hearing on the proposed 2004 Capital Budget.

Each year the Port amends its Comprehensive Plan to reflect that year's capital budget. A capital budget is, in essence, all that is really required of Port Districts in terms of planning. Per statute RCW 53, a public hearing is required to amend a Comprehensive Plan. Also per statute, anytime a Port District amends its Comprehensive Plan, environmental review must be performed.

She noted that we issued a non-project Determination of Non-significance SEPA decision on the proposed 2004 capital budget on October 22, 2003. The comment period ended on November 4th, 2003. One comment was received from the Dept. of Ecology. No other comments or appeals have been received.

This decision was final on November 14, 2003. The deadline for an appeal is 4:00 p.m. on November 24th. This Comp Plan amendment hearing on the Capital Budget is also on November 24th. No public testimony was given.

Resolution 2003-16 – Amending the Comprehensive Plan

Ms. Andrea Fontenot presented the Commission with Resolution 2003-16, which amends the comprehensive plan to include the 2004 capital budget. Commissioner Van Schoorl moved approval of Resolution 2003-16 amending the Comprehensive plan to include the 2004 Capital Budget. The motion passed with a 2-1. Commissioner Telford opposed on the basis that this action is not required.

ADVISORY CALENDAR

Port Plaza Event Management Plan Advisory

Ms. Sally Alhadeff presented the Commission with an advisory on the Port Plaza Event Management Plan. She indicated the Port Plaza was developed by the Port for public use and community events to enhance the value of adjacent Port properties and to stimulate economic activity in the Port's Market District. Currently, Port staff manages the use of the plaza. The Washington Center, a private not-for-profit organization located in Olympia has specialized expertise in managing events. The Port and Washington Center wish to enter into an Event Management Agreement on a one-year pilot project basis

to assess community interest in Port Plaza use and gather data related to Port Plaza event management costs.

The Washington Center, in consultation with the Port will promote and manage the use of the Plaza for community and regional events for public enjoyment and economic benefit.

Ms. Alhadeff indicated that staff is presenting this item as advisory, however the Commission may wish to elevate this to an action item if comfortable with the attached Event Management Agreement between the Washington Center and the Port of Olympia for a pilot project ending December 31, 2004, with the understanding that this agreement may be extended by mutual agreement between the parties if the pilot project is successful.

Commissioner Telford asked about the fees for this service. Ms. Alhadeff indicated we are closely associated with this plaza and want to make sure the rates are fair and consistent. Ms. Alhadeff indicated that this new application is streamlining the process.

Amended Port Plaza Facility Use Policy Advisory

Ms. Sally Alhadeff indicated that the Port Commission approved Facility Use Policies for use of the Port Plaza on August 14, 2000. These Policies will need to be amended to reflect the agreement with Washington Center for the Performing Arts as the Event Manager once that agreement is approved. The Washington Center suggested the process be streamlined.

Commissioner Pottle asked what the parking solution is for the plaza. Ms. Alhadeff indicated we attach to the agreement available parking for the area, we also agreed to add to the fee from the event user that will be given back to the market district association to help pay for parking attendants.

Commissioner Van Schoorl made a motion to adopt the plan and facility use policy, the motion was seconded by President Pottle. Commissioner Telford indicated that he feels this park should be turned over to the City of Olympia that is in the parks and recreation business.

The motion approved with a 2-1 vote, Commissioner Telford opposed.

Vine Street Land Exchange Advisory

Ms. Sally Alhadeff presented the Commission with an advisory on the Vine Street Land Exchange proposal. She indicated the Vine Street Investors and the Port of Olympia would like to exchange equally sized properties in the vicinity of Tumwater Boulevard and Nikolas Street, east of Capitol Boulevard.

She indicated that in February, 2003 Vine Street Investors and the Port signed a 30 year lease with a 20 year option to renew, for .59 acres in two small separate parcels, in order to provide parking for Vine Street's new office development. The two separate parcels are not contiguous and have no Tumwater Boulevard frontage. One of the parcels has Nikolas Street frontage, the other has no street frontage.

Ms. Alhadeff reported that Vine Street has proposed that we consolidate these two lots into one, allowing Vine Street to own (rather than lease) all but one corner of the property as opposed to having two small leased parcels in the midst of their ownership. This also gives the Port one parcel with 200' of frontage along Tumwater Boulevard.

She indicated that an appraisal of the two properties "before" and "after" the proposed exchange was performed by Greenleaf Valuation Group in Seattle, and discussed with Steve Stoll of Anderson Appraisal. According to Greenleaf, the proposed lot consolidation/lot line adjustment results in a \$175,000 increase in value for Vine Street Investors, and a \$180,000 increase in value for the Port. Steve Stoll indicated in a phone conversation that values aside, this is a very advantageous swap for the Port. We would be trading property with no exposure and poor access for property that has Tumwater

Boulevard frontage.

Ms. Alhadeff commented that while the property is planned for parking, the use clause of the lease allows development of commercial, office and/or retail space with a provision for percentage rent in an amount equal to 2% of annual gross sales. We also have an existing Avigation Easement on the entire Vine Street owned and leased property.

She noted that if approved the Vine Street Investors is paying all the costs associated with the property exchange. The exchange documents, exhibits and title report have been reviewed by Owens Davies.

Commissioner Telford moved approval of the land exchange, the motion was seconded by Commissioner Van Schoorl. The approval of the land exchange with Vine Street Investors passed unanimously.

ADJOURNMENT

President Pottle announced the commission would be holding an executive session with Waldron & Company representatives on December 5 at 1:30 p.m. at the Port Office Building to further discuss the selection of a candidate for the Executive Director position. The meeting was adjourned to executive session on at 8:30 p.m. on November 24th.

PORT OF OLYMPIA COMMISSION

President

Vice President

Secretary-Treasurer