

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

**November 28, 2005**

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**CALL TO ORDER**

President Van Schoorl called the meeting of November 28, 2005, to order at 5:30 p.m. at the LOTT Board Room in Olympia. Commissioners Pottle and Telford were also in attendance.

Staff in attendance were: Interim Executive Director Rudy Rudolph, Administrative Manager Jeri Sevier, Communications Manager Patti Grant, Harbor Director Bruce Marshall, Public Works Director Andrea Fontenot, Marine Terminal Director Jim Amador, Business Development Sally Alhadeff, and Finance Director Steve Davis.

Public in attendance were as follows. Representing *The Olympian* was Jim Szymanski. Others in attendance included Tom Howdeshell, Keith Bausch, Fred Goheen, Jan Witt, Barbara Dugaw, Richard Wolf, Neil Falkenburg, Jerry Baruffi, Sarah Zacharias, Hiram Arden, and Jim Wright.

**APPROVAL OF AGENDA**

The agenda was approved as amended. President Van Schoorl indicated there was a change in the agenda since it was mailed out. The West Bay Property Sale was removed since the agenda was mailed out, therefore, the agenda published for tonight does not include that item.

President Van Schoorl indicated that Item 1 (Resolution 2005-07- Authorizing the Sale of an Abandoned Vessel) on the action calendar has also been removed. The person owning the boat has settled up his bill to the Port and therefore the resolution to sell the boat is not necessary. In addition, President Van Schoorl noted that due to the threat of snow, one of our presenters is from Seattle and here for the last item of the agenda. He recommended we move this item to the beginning of the meeting to allow him to get on the road early.

**PUBLIC COMMENT**

There was no public comment presented on items not on the agenda.

**COMMISSIONERS REPORTS**

President Van Schoorl indicated he attended a brown bag luncheon meeting with the Department of General Administration and other representatives. He encouraged the president of the commission to continue to be active in that group next year – they meet quarterly.

Commissioner Telford noted he attended the meeting of the passenger rail work group. He indicated he learned in that meeting that the rail line in Yelm is not functional.

Commissioner Pottle indicated he attended the EDC meeting recently and learned about the Satsop Development Park. He asked if the Commission was interested in having a presentation on this park and what is going on there. The Commission indicated they would be interested in a presentation. Commissioner Pottle asked Jeri to follow up with the contact and arrange for a presentation at a future commission meeting.

## EXECUTIVE DIRECTOR REPORT

Mr. Rudy Rudolph, interim executive director, reported that staff is preparing for possible snow removal operations tonight and early AM tomorrow. If a 2" accumulation at the airport appears eminent staff will mobilize.

In addition, he noted that discussions are ongoing with the Army National Guard regarding a potential Reserve Readiness Center on airport property in Tumwater.

At the Marine Terminal, tenants are currently staging logs for the upcoming vessel Rubin Pearl due in December 1st. Mr. Rudolph reported that construction continues on the loop of Phase I rail and is projected to be completed by the end of the month. Phase I total construction is projected to be finished by the end of the year.

Mr. Rudolph reported that the Public Works staff is preparing the 2006 Capital Project and Construction Crew Project schedule for Business Team review as well as refining cost estimates for both capital and O/M projects for 2006. Staff is also preparing a refined cost estimate and analysis of the NorthPoint sewer system to determine our recommendation for whether this should be a Port owned or City owned utility.

Finally, Mr. Rudolph noted that it has been a pleasure serving as Interim Executive Director. I wanted to thank Jeri and his fellow Directors and all of the Port staff for their patience and support. They have done their jobs well and kept the ships, boats, planes and trains running on time. He reported that Ed Galligan reports aboard tomorrow. Starting tomorrow I will assume the role of Acting Executive Director while Ed is attending the WPPA Conference. Ed will start in the office full time on Monday December 5th.

### SEPA Hearing

The Commission adopted the SEPA findings from the SEPA Hearing held on October 25, 2005. A court recorder was present to capture the findings of the Commission on this hearing. Detailed notes from this hearing are available in a separate document.

### Consent Calendar

The Consent Calendar was approved as follows.

**Minutes.** The Commission unanimously approved the minutes from the October 21, 2005, the November 3, 2005, and the November 14, 2005 meeting. Commissioner Telford had one word change to the minutes of October 21, 2005 on page 5.

**Bills and Voucher Approval.** The Bills and Vouchers were unanimously approved in the amount of \$1,707,034.30. General Fund Checks Issued: 038423-038464, 038465-038475, 038476-038550, 038551-038561, 038562-038593, 038594-038603, 038604-038639, and 038640-038655.

### **Lease Assignment: Tumwater Lumber**

The Commission unanimously ratified the lease assignment for TreeSource Industries to Tumwater Acquisition Company, LLC. TreeSource Industries has operated a sawmill in Tumwater, commonly known as Tumwater Lumber. The mill has been on port property since 1977. TreeSource requested an assignment of the lease to Tumwater Acquisition Company, LLC (TAC), a company related to Simpson Investment Company. Under the terms of the assignment, TAC will meet the on-going lease obligations of the former tenant, including payment of rent.

The initial lease term expires April 30, 2007. (The lease was renegotiated in 2002 with an initial 5-year lease term and three 5-year options to renew.)

Commissioner Telford indicated that this is a sad day because Tumwater Lumber is closing its doors and

many jobs will be lost. This is the last operating saw mill in Olympia.

#### **Lease Consent & Assignment: Airdustrial Park Associates**

The Commission unanimously ratified the lease consent and assignment with Olympia Airdustrial Park Associates. Olympia Airdustrial Park Associates has developed a new 170,000 square foot office building on Cleanwater Lane at the NewMarket Industrial Campus that will house the Washington State Attorney Generals office. The project is nearly completed and our Tenant is transitioning from the construction loan to permanent financing. At the request of its lender, Bridger Commercial Funding LLC, it is assigning its interest in the project to Airdustrial Equity LLC. The Commission ratified two documents. One is the Assignment from Olympia Airdustrial Park Associates to Airdustrial Equity, LLC and the other is the Lessor's Consent and Agreement for Financing Purposes.

#### **ADVISORY CALENDAR**

##### **Olympia Harbor Navigation Maintenance Project Advisory**

Mr. Jim Amador introduced Hiram Arden, from the Corps. Mr. Amador presented an advisory to the Commission regarding the Olympia Harbor Navigation Maintenance project. He indicated the Port and the U. S. Corps of Engineers are in the evaluation and permitting stage of an Olympia harbor navigation maintenance project. Staff provided an update of the process including scope, funding, studies, and critical milestones.

Mr. Amador provided the Commission with background and history of the project. He indicated the inner channel does not currently meet standards for current vessel beam dimensions. The project proposed is to maintenance dredge to return the channel, turning basin, and berthing area to the permitted depths. In addition, some minor federal widening of the transition point between the inner and outer entrance channel, inner channel and turning basin.

Mr. Amador noted that the federal project would go through the NEPA process, while the Port will go through the SEPA project for the Port work being done. He noted that we are exploring beneficial uses for the disposed materials with DNR.

Mr. Amador noted that the project is estimated to cost \$2.4 million, of which the Port will be responsible for \$874,825 or 34% and the corps will be responsible for \$1.7 million or 66%. The project is expected to begin with an environmental review in December 2005, permitting in the fall and summer of 2006. The bidding is proposed to begin in the summer of 2006 with a completion in early 2007.

Mr. Amador indicated staff is recommending that (1) the Port continue due diligence work with the Corps and other agencies to keep this project moving according to the proposed timeline, (2) to continue to keep the Port Commission informed and involved as this process moves forward, and (3) to provide public communication including a fact sheet be made available as a printed document and on the Port's website. Port staff will contact key stakeholders, be available to attend community meetings to provide information about the project.

#### **ACTION CALENDAR**

##### **Resolution 2005-08 – CERB Financing for Cardinal Glass**

Ms. Sally Alhadeff reported at the November 14th Port Commission meeting, commissioners gave approval for staff to submit an application to CERB (Community Economic Revitalization Board) for the purpose of attempting to obtain a loan/grant to assist in funding Cardinal Glass' expansion of their existing business operations in Tumwater. Cardinal Glass Company, a glass manufacturing and coating business located in Tumwater, intends to substantially expand their operations and are making a major financial investment, but only if they have Port of Olympia's cooperation and financial investment to create the necessary infrastructure.

She indicated the application is due December 5. A resolution authorizing submittal of the loan/grant application is required as part of the application package. The Commission unanimously approved Resolution 2005-08 authorizing staff to submit an application to CERB for Cardinal Glass financing.

Commissioner Telford asked if the grant and the loan come to the Port and then we pass that along. Ms. Alhadeff indicated it does and the Port does make semi-annual payments and that the Port will do a lease amendment with Cardinal Glass to reflect those payments. Ms. Alhadeff indicated that the Port is protected with a irrevocable letter of credit guaranteeing the entire loan.

The Commission unanimously adopted Resolution 2005-08 approving the CERB Financing for Cardinal Glass.

### **2005 Operating and Capital Budget Public Hearing**

Mr. Steve Davis, finance director, provided the Commission with a presentation of the final 2006 Operating and Capital Budgets.

#### **Public Comment:**

Jim Wright, resident of Olympia, complimented the Commission and the staff for the budget prepared and are very impressed by each of the businesses and the contribution to the wealth of the Port. He also congratulated the commissioners for their success in the recent election.

Neil Falkenburg, owner of local marina, indicated he was curious about Marina rates. He indicated he is interested in the tax payer knowing that the Tacoma marina rates are moving ahead at a rate of 5% while the Swantown Marina is only moving forward with a 1-2% increase. President Van Schoorl commented that when the resolution was adopted in 1999, we targeted the Port Marina at the mid point of the market. We are now the top priced marina in the South Sound and therefore comfortable with the proposed rate increases.

Commissioner Telford asked if Mr. Falkenburg's marina is undergoing stress? He indicated he is still getting boats from Tacoma because of the friendly rate market in Olympia. Commissioner Pottle asked him what would happen if we raised our rates to equal Tacoma's rates. Mr. Falkenburg responded the South Sound represents the lowest rates in most of Puget Sound. We have room to look at a more aggressive rate structure. Commissioner Pottle asked Mr. Marshall to explain the proposed rate structure. Mr. Marshall commented that our rates are based on the market for Olympia; some marinas have not raised their rates in years. We have moved from the lowest on the market to the upper priced on the market. He noted that the smaller boat market is slowly reducing.

Commissioner Pottle asked if we should be looking at Tacoma's pricing as well as Olympia's market. He commented that Gig Harbor and Tacoma's housing market is higher. Mr. Marshall indicted we do a market study in Tacoma and Seattle and this year surveyed 29 marinas.

Jerry Barruffi, owner of a local marina, commented the difference in rate structures from Seattle to Olympia, he concurred that there is a percentage difference in housing, wages, and living. However, when we build a Marina in Olympia, it costs the same as they do in Seattle. The difference in the rates at Swantown at \$6 a foot and Tacoma at \$7 a foot reflects new docks, which is what the Port just put in. He commented that he remembers adoption of the 1999 resolution and he indicated he recalls the resolution stating that the rates would be raised at CPI plus an amount, whereas, he does not see that the Port has fulfilled this.

Mr. Rudolph indicated there is a section of rate increases at the Airport that Steve did not touch on. He indicated that he received an appraisal on the airport sectors and found in the study that 6 of the 8 airports do not discount airport land. That is also the FAA's position. Mr. Rudolph indicated that he is

recommended we amend the airport lease charges to be 9 ½ percent on 100 percent of the lease value. Commissioner Van Schoorl indicated he would like work session specifically on all rates of the Port leased land and amend the rate structure as a whole and not piece meal the rate structure.

### **Resolution 2005-09 – Adoption of Final Operating and Capital Budget for 2006**

The commission discussed the 2006 final operating and capital budget. Commissioner Pottle moved adoption of Resolution 2005-09-A, Commissioner Telford seconded the motion. He indicated the budget surplus or the operations is much less than originally presented, and therefore cannot support this budget. Mr. Rudolph explained the differences in the budget from what is being presented today versus earlier in October.

Commissioner Pottle indicated that the Commission has seen these numbers four times over the past few months; there is nothing new here. We have directed staff to increase the budget based on recent changes.

Commissioner Telford commented that the Marketing budget has increased 50 percent since 2004 and there was no excuse, and no real results and that the marketing budget needed to be cut. President Van Schoorl indicated that staff has had a solid reputation of under-spending their budgets. He commented that he understands the increase in marketing and that is why we have the revenue numbers today.

Resolution 2005-09-A – Acceptance, Approval, and Adoption of the 2006 Operating and Capital Budget passed with a 2-1 vote. Commissioner Telford voted against the motion.

### **Resolution 2005-10 – Authorizing an Increase in the Tax Levy Capacity.**

Commissioner Pottle moved approval of Resolution 2005-10 authorizing an increase in the tax levy capacity preserving the capacity. The motion was seconded by Commissioner Telford and passed with a 2-1 vote. Commissioner Telford voted against the motion.

### **Resolution 2005-11 – Certifying the Tax Levy Collection for 2006**

Commissioner Telford moved approval of Resolution 2005-11 – Certifying the tax levy collection for 2006 as the same as 2005. Commissioner Pottle seconded the motion. Commissioner Pottle asked if the Commission is agreeing to lower the rate.

Commissioner Pottle indicated that for next year we are looking at maintenance dredge project and cascade pole project in our capital budget. We have not been funding the cascade pole project even with the 6 cents we are currently collecting; it is more like 9 cents. We have a traffic issue we need to address and we are opening up the waterfront providing more public access. Commissioner Telford responded that the Cascade Pole has never been underfunded and that there was plenty of money in the bank.

Commissioner Pottle indicated he feels that the levy rate is a Commission decision and should be presented with options. Staff should not have assumed and presented a resolution to lower the tax levy rate by that much. He commented that we are potentially strapping our selves down the line. It is easier to lower the rates than to raise them. There are people in the community that think we are going to do a way with the tax levy rate—he commented that is not he is going with this.

Commissioner Telford commented that we would be collecting the same amount as collected in the past few years. He noted that we do not set the rate—we set the amount. Pottle indicated he understands that, but we are going to spend 1.2 for cascade pole and we are not collecting enough in the tax levy to support that and we are adding public waterfront access and the maintenance dredge.

Commissioner Van Schoorl indicated that next year we are going to spend 1.6 million on Cascade Pole the 6 cents will generate about 1.2 million. In addition, the maintenance dredge will cost about \$800,000.

Commissioner Telford asked when we are done with cascade pole will we give the 6 cents back. Pottle indicated that we did agree that when the costs for cascade pole are reduced then we should reduce that rate respectively.

President Van Schoorl indicated the problem with keeping the rate the same is that our job is to create economic development. We need to cover our obligations to environmental cleanup and the public access to the waterfront. He commented that he is supportive of lowering the rate, but not that much.

Commissioner Telford indicated we should not raise the taxes unless we need the money and with \$11 million in the bank, he doesn't think we need to raise it.

Commissioner Telford moved approval of Resolution 2005-11 – certifying the Ports 2005 levy collection for 2006 collection in the amount of \$3,788,249.49. The motion died for lack of a second.

Commissioner Pottle moved approval of Resolution 2005-11 – certifying the Ports 2005 levy collection for 2006 collection in the amount of \$4,097,435 for an approximate rate of .205 cents per thousand, down from .219 cents per thousand. President Van Schoorl seconded the motion. The motion was approved with a 2-1 vote. Commissioner Telford voted against the motion.

#### **Resolution 2005-09-B – Adoption of Final Operating and Capital Budget for 2006**

Mr. Steve Davis indicated that the Thurston County Assessor requires Resolution 2005-09-B. Commissioner Pottle moved adoption of Resolution 2005-09-B as amended with the \$309,185.51 amount of increase in the levy; Commissioner Telford seconded the motion. Resolution 2005-09-B passed with a unanimous vote. The resolution was also changed to read that the tax levy increase is 8% instead of 0%.

#### **Resolution 2005-13 – Authorizing User Charges for Goods and Services**

The Commission agreed to increase the Marina and Boatworks haulout rates an additional 1% over the proposed increases in the resolution. Commissioner Telford indicated the budget surplus at the Marina show they are flat while we continue to increase rates that number should be increasing. Costs continue to increase by inflation and you need to at least cover that.

Commissioner Pottle moved approval of Resolution 2005-13 – Authorizing user charges for goods and services; Commissioner Telford seconded the motion. The motion passed unanimously with amended changes. The changes included increasing the marina and Boatworks rates an additional one percent and removing the additional \$50 fee for copies of tapes.

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#### **ADJOURNMENT**

President Van Schoorl adjourned the meeting at 8:05 p.m. on November 28, 2005.

PORT OF OLYMPIA COMMISSION

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President

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Vice President

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Secretary-Treasurer