

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

**December 19, 2006**

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**CALL TO ORDER**

President Telford called the meeting of December 19, 2006, to order at 5:33 p.m. at the LOTT Board Room in Olympia. Commissioners McGregor and Van Schoorl were also in attendance.

President Telford indicated the Commission initially called the meeting to order at 4:30 p.m. and immediately recessed to an Executive Session to discuss lease and contract negotiations, no decisions were made. The executive session was recessed at 5:25 p.m. and called the regular meeting to order.

Staff in attendance were: Executive Director Ed Galligan, Administrative Manager Jeri Sevier, Communications Manager Patti Grant, Airport Director Rudy Rudolph, Finance Director Steve Davis, Marketing Director Kari Qvigstad, Harbor Director Bruce Marshall, Marketing Program Assistant Maureen Malahovsky, Public Works Director Andrea Fontenot, Marine Terminal Foreman Mike Crawford, Marine Terminal Crane Electrician and Mechanic Mick Mattson, and Property Director Heber Kennedy. Bob Goodstein, the Port's Legal Counsel was also in attendance.

Public in attendance were as follows: Representing *The Olympian* was Jim Szymanski. Others in attendance included: Harold Clark, Bill Pilkey, Keith Bausch, Kevin Reichart, Mark Williams, Stanley Stahl, Lisa Cosmillo, Christi Johnson, Richard Wolf, Carol Robinson, Robinson Eich, Arthur West, and Walt Jorgensen.

**APPROVAL OF AGENDA**

The agenda was approved as presented.

**PUBLIC COMMENT**

**Arthur West, resident of Olympia**, indicated that he wanted to talk about SEPA 06-04. The SEPA was withdrawn. He wanted to know if he gets his \$200 appeal fee refunded. He also said he would like a person designated to accept process of being served. Mr. Bob Goodstein, Port's general counsel, commented that the SEPA related to the budget has been withdrawn.

**Bill Pilkey, resident of Olympia**, noted the improvement of the agenda. He also noted that the Port needs to do a better job of letting the residents know when a meeting has been cancelled. He also encouraged the Commissioners to treat the public with respect. He indicated that the Commission must change their image by showing respect and not fighting between the commissioners. He suggested using TCTV more wisely to improve the image of the Port. President Telford encouraged Mr. Pilkey to submit his suggestions for improving communications with the public with Port staff.

**COMMISSIONERS REPORTS**

Commissioner McGregor indicated that he attended the WPPA meeting in Seattle on December 6-8, 2006.

President Telford indicated that he attended the Mayors Forum and attended the WPPA meeting in Seattle on December 6-7, 2006. He further commented on information and issues he received at WPPA.

**EXECUTIVE DIRECTOR REPORT**

Mr. Ed Galligan reported that he also attended WPPA meeting in Seattle and came back to Olympia for the Customer Appreciation event held for Port tenants. The event was very well attended.

He reported that we have a log vessel arriving soon. He noted that Ms. Kari Qvigstad is serving as interim board president in LTC Reeves absence for the Pacific Northwest Chapter of the National Defense Transportation Association. The association recently hosted a lunch for Brigadier Gen. James Hodges, the deputy commander for Military Surface Distribution and Deployment Command this week.

Mr. Galligan indicated that the Visitors and Convention Bureau (VCB) is preparing the 2007 workplan and will be coming to the February 2007 Commission meeting to present the VCB 2007 initiatives.

In addition, Mr. Galligan reported that the EDC and Saint Martins University is planning for the incoming delegation from China on January 27 – February 5, 2007 as well as the B2B delegation scheduled to visit China in March 2007.

## **CONSENT CALENDAR**

**Minutes Approval.** The Commission approved the minutes from the November 27, 2006 meeting. Commissioner McGregor did not vote as he was not a Commissioner at that meeting.

**Bills and Voucher Approval.** The Commission unanimously approved the bills and vouchers in the amount of \$566,559.24, including payment to Kapperts Waterfront Construction for the Marina Upgrade project in the amount of \$71,865.11.

### **Lease Assignment: DaPaul Inc.**

Mr. Kennedy reported to the Commission that this is an assignment of lease from DaPaul, Inc, to DaPaul Chip, LLC. DaPaul Inc. has been a long time tenant of the Port. DaPaul Chip, LLC consists of a number of DaPaul employees who are taking over the operation. The operation will continue on in the same form and manner. As per all Port of Olympia assignments, the original owners remain fully liable under the lease agreement. The Commission unanimously ratified the lease assignment from DaPaul, Inc. to DaPaul Chip, LLC.

## **ACTION CALENDAR**

### **Election of Officers**

The Commission has traditionally elected Port of Olympia officers at the first of the year, since we have a vacancy of an officer currently, the Commission elected officers for the period December 19, 2006 through December 31, 2007. The Commission unanimously elected officers for this period as follows: President: Commissioner Paul Telford; Vice President: Commissioner Bob Van Schoorl; and Secretary: Commissioner Bill McGregor.

### **Purchase Property Option**

Mr. Heber Kennedy presented the Commission with an Option Agreement for Purchase of Real Property and a Purchase and Sale Agreement, both covering the property located at 724 East State Street in Olympia. (Thurston County tax account number 78201100600.) The property is commonly known as the Shell Station at the NW corner of East State Street and East Bay Drive.

Mr. Kennedy noted that it is the Port's desire to acquire the property on the corner of East Bay Drive and State Avenue. There are three businesses located at that corner: Shell Station, Tom's Outboard, and a car

dealer.

Mr. Kennedy noted that the property has been appraised and the Port has completed due diligence on the site. The appraised value was \$1,870,000 and the final negotiated price is \$1,900,000. The current assessed value of the land and buildings is \$1,702,950.

Mr. Kennedy noted that the Option commences December 1, 2006 and terminates March 31, 2007. The option price is \$15,833 per month with one half this amount applied to the purchase price in the event of exercise of option by the Port. Mr. Kennedy reported there is another option of the Port agreeing to purchase the property for \$1.9 million with a closing date of February 28, 2006 and a payment of \$7,500.

Mr. Kennedy reported that Phase II East Bay Development would commence in two to four years. Port staff recommends continuance of the stations operation and recruitment of an operator during this period through a public RFP. Also staff will continue its discussions with adjacent property owners for acquisition of their parcels.

Commissioner McGregor asked if we have a NFA (No Further Action) on the property. Mr. Kennedy indicated that ARCO does have a NFA for the soil and are expecting one for the ground water. In addition, the Port did additional due diligence by testing three different locations.

Commissioner Van Schoorl indicated that we have four options (1) Do Nothing, (2) Approve the sale agreement, (3) approve the delayed sale agreement of February 28, 2007, or (4) approve the option. Commissioner Van Schoorl noted that this property brings much opportunity to the area to create a development. Commissioner Van Schoorl moved to approve purchase and sale agreement with closing of February 28, 2007 with a payment of \$7,500.

Commissioner McGregor indicated that we do have an NFA pending with ARCO, should we make this sale contingent upon that. Mr. Kennedy indicated that ARCO is the responsible party, not the Port. Commissioner McGregor seconded the motion.

President Telford commented that he does not see why we would want to purchase the Shell station. He sees value in purchasing the boat business and the car lot, but not the gas station. He stated several concerns: Is it necessary to purchase this property for the development of East Bay? No. We would be paying \$1.9 million for the land, but the land is only valued at \$490,000. This means that the Port will lose a million and a half dollars on this deal. Is this a good investment? Leasing out this business will optimistically bring us about a 1.5 to 2 percent return on our investment. Net operating revenues dropped dramatically in 2005. What are the revenues to date in 2006? The risks are the public reaction to the Port going into a gas station business and a possible fuel spill. The price is too high, he indicated that the sale price for Milliontwo other stations with similar revenues in the fall of 2005 were only a little over \$1 million. He also commented that the Port is going to be out of cash at the end of 2008. Should we spend \$1.9 million on this? We just deferred capital and maintenance process because we don't have the cash. President Telford indicated that for these reasons he cannot support the purchase of this property.

**Bill Pilkey, resident of Olympia,** commented that he agrees with President Telford.

**Walt Jorgensen, resident of Olympia,** commented that he is completely persuaded by President Telford's comments. The Port simply cannot afford to purchase this property. The money will come from taxes.

Commissioner Van Schoorl indicated that he has no interest in operating a gas station. Sometimes you have to look further than dollars and cents, it is about the vision for the community and how we can enhance this area. Commissioner Van Schoorl noted that we just sold property to the City West Bay, that money would go toward purchases of port assets.

President Telford indicated that the property funds set aside should also fund the preparation of East Bay

platform. We have no idea at this time how much all of this is going to cost. The corner property is too valuable and not necessary for this development.

Commissioner McGregor indicated he has some of the same concerns as President Telford, however a developer will want a larger parcel to have control contiguous piece of property, looking down the road 10 years from now, the price of land will go up and it may still be a gas station. At that time we could move it on to the market and let it go.

Commissioner Van Schoorl repeated the movement to approve the purchase and sale agreement with a closing date of February 28, 2007, with the additional \$7500 compensation.

The Commission ratified the Sale Agreement and issuance of an RFP for operation of the station in the event the Port exercises its option with the Reicherts. The motion passed 2-1. President Telford voted against the motion.

### **Lease Option – FairWinds Plaza LLC**

Mr. Bruce Marshall indicated that over the last several months staff has been working with Inlet Diesel, LLC to develop plans for a marine related development at Swantown. This development, Fairwinds Plaza, is a multi-story marine service center that will be located across from Swantown Boatworks in an area set aside for boatyard support services. The Fairwinds Plaza LLC will specialize in sales and service of marina diesel engines, underwater diving services, marine surveying and general diesel sales and service.

Carol Robinson, owner of Inlet Diesel commented that they have been in business for 37 years and would like to be in business for another 37 years. They would like to expand their business in the marine repair.

Commissioner Van Schoorl moved to ratify the lease option between Fairwinds Plaza LLC and the Port. Commissioner McGregor seconded the motion.

**Walt Jorgensen, resident of Olympia**, asked if the corner piece of the Boatworks is leased out. Commissioner Van Schoorl noted that the Port does not own the building, and we get our rent regardless of whether it is leased out or not.

The Commission unanimously ratified the lease option between Fairwinds Plaza LLC and the Port.

### **Maintenance Labor Agreement Ratification**

Mr. Steve Davis indicated that the collective bargaining agreement between the Port of Olympia ILWU 47A is a three-year agreement that covers the marine terminal maintenance group. The current agreement expired on June 30, 2006 and we have been operating without a contract pending agreement on the contract for covering July 1, 2006 through June 30, 2009.

Mr. Davis reported that the wage scale was changed to reflect a performance-based direction. Year one of the contract was agreed to be 3.8% that was the based used for all other employees during the budget process pending the outcome of the survey. For years two and three, the wage increases used an “incentive percentage” that is tied to the financial performance of the marine terminal. CPI was used as the base and an additional positive or negative incentive is used to reflect the changes for the coming year’s increase. The incentive is based on the financial performance of the marine terminal.

He noted that this is something new & innovative for both parties and is a departure from a traditional standard increase. It is recognized that both parties have the ability to go back to the traditional method after the expiration of this contract. However, both parties felt that this is a new way that should be explored. In light of the past year’s performance at the marine terminal, it was felt that this type of

innovation would give the employees incentive to keep costs down.

**Mick Mattson, president of ILWU Local 47A**, indicated that the members of the union are committed to improving the performance of the Marine Terminal. The members have already begun working outside the Marine Terminal for other departments to help reduce costs. Their goal is to keep costs low and performance high.

Commissioner McGregor indicated he has read through the agreement and this is encouraging for the members to look outside the box to cut costs. Commissioner Van Schoorl indicated he is encouraged for this group to set the example for performance-based pay.

President Telford expressed his appreciation for the cooperation and the collaborative effort by the maintenance staff to work out a new approach.

The Commission unanimously ratified of the Collective Bargaining Agreement between the Port of Olympia and Local 47A of the ILWU covering from July 1, 2006 to June 30, 2009.

## **ADVISORY CALENDAR**

### **Year End 2006 Advisory**

Ms. Kari Qvigstad provided the Commission with an advisory on the year-end 2006 progress at the Port of Olympia. She reviewed the Port's comprehensive plan and strategic plan's values, mission, vision, goals and objectives. In addition she highlighted the milestones from this year, and set the stage for the 2007 initiatives.

The Commission asked when the SEPA workshop was scheduled for. Ms. Sevier responded that workshop has been scheduled for January 24<sup>th</sup>. Commissioner McGregor asked Ms. Qvigstad for a tour of the Maytown site at some time.

**Stanley Stahl, resident of Olympia**, commented that he has been looking at the Port and the picture is not so pretty as Ms. Qvigstad portrayed. He indicated that he has requested documents from the Department of Ecology concerning operations of the Marine Cargo Terminal and would be making a video of pollution and stormwater treatment concerns.

## **Other Business**

### **Meeting Location**

President Telford noted that there has been discussion of another location for regular Commission meetings and staff has been looking at alternatives. The current location has overflow and other issues. He noted that staff found that the cities or the county would not let the Port uses their chambers on a regular scheduled basis. The Staff was considering the Worthington Center, which also has problems that need consideration. President Telford indicated that he called the Mayor of Tumwater who indicated that the City would reconsider. President Telford asked how the other Commissioners felt about this.

Commissioner Van Schoorl indicated that he is concerned with going to another city creates a loss of identity, however, this location is occasionally overflowed.

Mr. Galligan noted that the city manager, Doug Baker called him and said they could agree to a six-month agreement for the Port to use the City of Tumwater Chambers.

Commissioner McGregor indicated that he does not have a problem moving to a location that is comfortable for both the staff and public. However, he indicated he would like to see the Commission

venture out once or twice a year to locations in the county. Commissioner Van Schoorl commented that he agreed with getting out in the county once in a while.

Mr. Galligan noted that we could also add additional chairs to this location to fit more people. The Commissioners agreed to move the location to Tumwater City Hall at a future date for a six-month trial. President Telford stated that it would be better to secure a location for a full year.

### **Commissioners Retreat**

Ms. Sevier indicated that the dates that all three commissioners are available are January 30 and January 31 for a day retreat. The Commissioners selected the date of January 31, 2007, the time and location was still to be determined.

### **ADJOURNMENT**

President Telford adjourned the meeting of December 19, 2006 at 7:17 p.m.

PORT OF OLYMPIA COMMISSION

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President

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Vice President

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Secretary-Treasurer