

**MINUTES OF THE PORT OF BELLINGHAM COMMISSION MEETING
HELD TUESDAY, JULY 20, 2010
HARBOR CENTER BUILDING CONFERENCE ROOM
1801 ROEDER AVENUE, BELLINGHAM, WASHINGTON**

Present:	Jim Jorgensen Michael McAuley Scott L. Walker	President Vice President Secretary
Staff:	Fred J. Seeger Rob Fix Mike Stoner Lydia Bennett Greg McHenry Shirley McFearin Dan Zenk John Hergesheimer Frank Chmelik Diane McClain	Interim Executive Director Chief Financial Officer Director, Environmental Programs Director, Real Estate Planning Analyst Real Estate Development Manager Airport Manager Senior Project Engineer Port Counsel Interim Executive Secretary

CALL PUBLIC MEETING TO ORDER AND RECESS TO CLOSED EXECUTIVE SESSION

At 2:00 p.m., Commissioner Jorgensen called the Commission meeting to order and immediately recessed to a closed executive session to discuss real estate transactions and pending litigation pursuant to RCW 42.30.110(1)(c) and (i). Commissioner Jorgensen noted that no formal action would be taken during the closed session and he expected the closed executive session to last approximately one hour.

RECONVENE PUBLIC MEETING

The Commission meeting was reconvened at 3:05 p.m. and immediately recessed to a public hearing.

PUBLIC HEARING

Port Planning Analyst Greg McHenry explained the purpose of the public hearing was to receive public comment on a proposed surplus determination / amendment of the Comprehensive Scheme of Harbor Improvements modification and advisability of sale of Fractional lots 3, 4, 5, & 6; Block 41. The Port acquired this property in 2005 through the transaction of the GP property and in 2007, Steven and Carol Wight, husband and wife, of 104 E. Maple Street, Bellingham Washington approached the Port asserting claims of adverse possession and in 2009; the Wights filed a complaint with the superior court of Washington for 5300 square feet of Block 41. Mr. McHenry added the Wights have offered to settle the matter by purchasing the entire fractional lots 3 through 6 (less the railroad right of

way) which would not impact the railroad relocation or utility infrastructure of the waterfront district development.

Mr. McHenry reported eighty- four (84) notices of the public hearing were mailed out to neighbors of the property and six (6) have been returned undeliverable. Though no one had signed up to comment, Commissioner Walker encouraged those in attendance who had any questions or wanted to speak to do so.

The three neighbors of the property: Sheryl Russell, 1015 Railroad Avenue #202, Bellingham, Washington 98225, Helga Aldrich, 1015 Railroad Avenue #416, Bellingham, Washington 98225, and Charles Stuart, 1015 Railroad Avenue #506, Bellingham, Washington 98225 asked about the sale of the property, the Wights intention for the property, if planning to sell or develop, what restrictions there were on heights and uses and if anyone else could put a bid on the property and how is the price determined Commissioner Walker and Mr. McHenry responded that the Port does not know the intentions of the Wights for the property but Mr. McHenry stated the proposed Waterfront District Sub Area Plan contains a 100' height limit for that particular area zoned for mixed use. Port Environmental Director Mr. Stoner added currently, there is not a height limit.

Frank Chmelik, Port legal counsel, explained the Port is required by state law to maintain a Comprehensive Scheme of Harbor Improvements (which is basically the master plan).and the Port has to declare any deviations (surplus) to amend the plan i.e. selling of any property. Mr. Chmelik added the public hearing is necessary because of the amendment to the Comprehensive Scheme of Harbor Improvements. Mr. Chmelik explained that adverse possession occurs when a claim is made that the property has been historically occupied for a period of time (over ten years) which in this case, would predate back to when GP was the owner of the property. Any other purchaser would also have to deal with the Wight's adverse possession claim. In regards to price, Mr. Chmelik said that the price has not been determined and any future purchase and sale agreement would be subject to review and ultimately, Commission approval.

CLOSE PUBLIC HEARING AND RECONVENE PUBLIC MEETING

Upon hearing no further questions or discussion, Commissioner Jorgensen then closed the public hearing and reconvened the public meeting.

WORK STUDY SESSION

1. Bellwether Gate Update – CH2MHILL.

Real Estate Development Manager Shirley McFearin introduced Managing Member of Bellwether Gate LLC. David Ebanal and CH2MHill Vice President and Director of Operations David Boyer. Ms. McFearin explained that CH2MHill is the first to occupy the first completed building of the Bellwether Gate project. The building is 86,000 square feet and CH2MHill will occupy the majority of that building. Ms. McFearin stated the occupancy permits triggers the

payment to the Port and the first payment from David Ebanal will be due on September 1, 2010. (1st day of the month following occupancy).

Mr. Ebanal reported the project has gone well working with the CH2MHill team, the Port and the City. He also added CH2MHill will occupy 1/3 of the first, second, third and fourth floors. Mr. Ebanal added there will also be a coffee shop, a dress shop, a higher end Subway, Giuseppe's Restaurant with four or five small spaces yet to fill. Mr. Ebanal added Building B and Building C are pending permits and financing. Commissioner Walker commended Mr. Ebanal on the looks of the building and the way it fits in with the other buildings. Commissioner McAuley complimented Mr. Ebanal on the design of the building and Commissioner Jorgensen added he is looking forward to the next building.

Vice President David Boyer reported that he is very excited to be moving in on August 2nd. Mr. Boyer defined CH2MHill as a company that has been around a long time with 23,000 employees in 40 countries worldwide and was the program manager for the Panama Canal. Mr. Boyer also added, the local CH2MHill office (originally VECO), currently employs 215 people with plans to increase staff to 250 -300 employees- all paying \$45 to 65 thousand per year on average; solid salaries. Most of CH2MHill's business is servicing the refineries and is completely employee owned. The company has been around a long time. Mr. Boyer commended Mr. Ebanal on the project and his professionalism and thanked the Port for the opportunity to address the Commission. Commissioner Walker welcomed him to the area and mentioned the Port is celebrating Port's 90th anniversary soon and will be including the newest tenants in that celebration.

2. Quarterly Financial Report – 2nd Quarter, 2010.

Chief Financial Officer Rob Fix summarized the year to date financial report (*as of the end of the second quarter*) to be as follows:

Revenues totaled \$21.3 million. Of that total, the Operating activities were \$10.5 million, Public Priorities \$507 thousand, Non-Operating activities \$10.3 million (which includes the Northwest Fuels settlement and FAA grant).

The Expenses totaled \$7.6 million (no depreciation) which included Operating Activity expenses \$5.5 million, Public Priorities expenses \$1.2 million and Non-Operating expenses \$872 thousand.

Mr. Fix also reported the income before depreciation (all sources) totaled \$13.7 million, better than budget and 2nd quarter 2009. The Ending Cash Balance at the end of second quarter 2009 showed a cash balance of \$25.9 million compared to this year ending cash balance \$34.2 million (*higher due to Capital projects not yet realized*).

Mr. Fix added the balance sheet is strong, reporting:

	<u>6/30/2010</u>	<u>6/30/09</u>
Current Assets	\$ 55,538	47,602
Long-term Assets	<u>251,298</u>	<u>242,433</u>
Total Assets	306,836	29,035
Current Liabilities	3,550	3,838
Long-term Liabilities	11,4028	105,693
Total Liabilities	117,578	109,531
 Net Assets	 \$189,257	 \$180,503

Mr. Fix stated the Revenues are significantly higher, (*Airport is seeing record number enplanements*) and the expenses are lower. The year to date (*as of the end of the second quarter*) financial highlights per operating divisions were summarized as follows:

Aviation:

Total Revenues of \$3.0 million
 Parking Fee's of \$2.0 million
 Expenses \$1.9 million
 17% over prior year, 95% of budget

Operating Margin grew to \$1.1 million
 Margin as % of revenue grew to 37%
 Margin last year 35%, budget 20%

Marinas:

Total Revenues of \$3.3 million
 Pleasure Berth revenues of \$2.9 million
 Expenses \$1.2 million
 6% under prior year, 83% of budget

Operating Margin grew to \$2.2 million
 Margin as % of revenue grew to 65%
 Margin last year 61%, budget 56%

Marine Terminals:

Total Revenues of \$920 thousand
 Dockage revenues of \$275 thousand; space and land rentals of \$496 thousand
 Expenses \$615 thousand
 117% of prior year, 99% of budget

Operating Margin of \$335 thousand
 Margin as % of revenue grew to 36%
 Margin last year 36%, budget 23%

Real Estate:

Revenues of \$3.2 million
0.8% above budget
18.5% above 2009
Expenses of \$727 thousand
15.5% below budget
7.4% below 2009
Operating margin at 77.2% of revenues
Budgeted at 73%, 2009 at 71%

Operating margin \$2.5 million versus \$1.9 million in 2009

Regarding current investments, Mr. Fix reported \$.5 million Federal Home Loan Mortgage, \$4 million Federal Home Loan Bank, and \$9 million Federal National Mortgage Association and \$1 million in the Federal Farm Credit Bank. The Balance of cash is invested in the Local Government Investment Pool (LGIP). Regarding Risk Management activities, Mr. Fix reported the Bellingham Shipping Terminal property insurance claim is still open in regards to the Port recovering its deductible. There are no open claims against the Port at this time.

Mr. Fix reported the Economic Impact Report, Second Quarter 2010, excluding runway construction total \$970,819. (\$734,037 Port Construction Contracts, \$236,739 Professional Services Contracts) There were 40 new jobs related to new tenant leases.

Regarding the Stormwater program, Mr. Fix reported samples were taken, no exceedances were reported and all training and record keeping are in compliance.

In summary, Mr. Fix reported the Operating divisions show better than expected revenue growth; expenses are being well managed and are below budget and 2009 levels. The Corporate overhead costs at 10.0% of the Operating Revenues (Planning, Facilities, Administration and Executive divisions). Public Program expenses are at 86% of budget and the balance sheet is strong- Assets grew by 6%.

3. Bellingham International Airport Terminal Expansion project.

Chief Financial Officer Rob Fix reported the anticipated benefits of reducing the timeframe for completing the Bellingham International Airport Terminal Expansion project from the previous 8 year plan to a 3 year approach (in addition to saving over one million dollars in construction cost alone), are increased quality by decreasing the amount of contractors and multiple warranties, shortening schedules with potential delays thereby reducing the risk considerations and operating costs. Mr. Fix added the expansion will be funded by bonds and the debt service will be paid by Passenger Facility Charges (PFCs) currently at \$4.50 (per each enplaned/ outgoing passenger) with the possibility of increasing to \$7.00 or \$8.00 per enplaned passenger in the future.

Airport Manager Dan Zenk provided an overview of the various phases of construction with a visual of the Airport Terminal Expansion Project. Mr. Zenk explained Phase 1 (*August/*

September) will involve moving the existing modular to accommodate additional seating. Phase 2A (*starting next spring*) will cover constructing a baggage claim area and Phase 2B, the ticket counter lobby area. Phase 2C will involve the main lobby and security check point. Mr. Zenk reported the terminal was constructed for approximately 9,000 passengers per month but is currently operating at 35,000 or 400% of its capacity. Expanding the terminal will from 27,000 square feet to about 85,000 square feet will bring the terminal to Level 5 or 600,000 passengers. Mr. Zenk reported the market anticipates 90% load factors or 400,000 passengers by end of the year.

Regarding the next steps, Mr. Fix reported the staff anticipates bringing to the Commission an awarded bid for the construction contract in August and a bond resolution in September.

4. Whatcom Waterway Cleanup & Marina Development Project (Consent Decree Amendment).

As part of the project status update, Mike Stoner explained that the Whatcom Waterway Cleanup and Marina Development project team is recommending two design changes due to new data, economic impacts, and regulatory changes. Mr. Stoner introduced Lucy McInerny (Department of Ecology) as the Co-manager of the Bellingham Bay Demonstration Pilot and MTCA site manager for the Whatcom Waterway site.

Mr. Stoner explained the consent decree (dredging, open water disposal or beneficial reuse, capping, natural recovery) needs to be amended in two areas: materials management and project phasing. The options for management of 125,000 cubic yards of dredge material from Sub-Units 1A and 1B impact the cost a total site cleanup, depending on whether that material is managed through open water disposal (\$96 million total site cost), upland disposal (\$107 million total site cost), or confinement in the ASB (\$90 million total site cost). Since the predesigned investigations, there has been new information regarding the alternatives. Mr. Stoner explained that confinement in the ASB would involve a series of material management steps to create enough capacity to safely contain material deep in the ASB and still provide sufficient navigational depth to support the new marina. The project phasing adjustment would expedite cleanup in the inner waterway to align with cleanup and redevelopment of adjacent uplands in the downtown waterfront and marine trades areas.

Next steps include preparing technical exhibits for Ecology review, publication of a draft Consent Decree Amendment by Ecology later this summer, re-starting remedial design process in the fall, drafting an engineering report for public review in 2011 with cleanup construction beginning in 2012. Ms. McInerny added Ecology is committed to the Bay and supports the 2012 projected start date.

5. Squalicum Gate 3 Inner Harbor – Dredging work.

This item has been postponed until later date.

NEW BUSINESS

1. INTERLOCAL AGREEMENT WITH SNOHOMISH COUNTY (PAINE FIELD) FOR A PAVEMENT MARKING MACHINE.

Motion: Authorize the Interim Executive Director to enter into an Interlocal Agreement with Snohomish County, for the use of a Kelly-Creswell, Model 2000-AL Pavement Marking Machine.

Discussion: Airport Manager Dan Zenk explained the Port currently owns a pavement marking machine and as part of the runway rehabilitation and taxiway reconstruction project ongoing, the contractor will be performing the painting of the FAA required paint markings on the airport airfield. Snohomish County, Paine Field has asked to borrow the Port's paint sprayer for a term of one year. Dan Zenk reminded the Commission that the Port has an existing interlocal agreement with Snohomish for the Port's temporary use of an Aircraft Rescue Fire Fighting (ARFF) vehicle.

Motion approved with a 3-0 vote.

2. BELLINGHAM INTERNATIONAL AIRPORT GRANT ACCEPTANCE- AIRPORT IMPROVEMENT PROJECT (AIP) GRANT & AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) CERTIFICATIONS AND GRANT NO.3-53-0005-46.

Motion: Authorize the Interim Executive Director to sign Airport Improvement Project (AIP) Grant No. 3-53-0005-45 and in an amount not to exceed \$1,170,000, and sign ARRA Certifications for, and accept FAA AIP Grant No. 3-53-0005-46 on behalf of the Port of Bellingham, in the amount not to exceed \$5,876,450.

Discussion: Dan Zenk explained Grant No. 45 (funded 95% FAA / 5% Port) is the second half of AIP Entitlement funds for the fiscal year 2010 which will be used on the Runway/Taxiway Project to complete Phase 4 of the Taxiway portion of the work. Grant No. 46 (funded 100% by ARRA) will also be used to complete Runway/Taxiway Project including funding the URS Amendment for Construction Management of this project.

Motion approved with a 3-0 vote.

3. PROFESSIONAL SERVICES AGREEMENT AMENDMENT NO. 2 WITH URS CORPORATION FOR THE RUNWAY 16-34 REHABILITATION & TAXIWAY ALPHA & RELATED WORK AT BELLINGHAM INTERNATIONAL AIRPORT.

Motion: Authorize the Interim Executive Director to execute Amendment No. 2 to the Professional Services Agreement (PSA) with URS Corporation for Design and Construction Management Services for the project entitled "Rehabilitate Runway 16-34, Taxiway Alpha & Related Work" at the Bellingham International Airport (BLI) in the amount not to exceed

\$1,176,193, subject to a pending FAA Grant (AIP 46) requirements, or funded through an FAA reimbursement grant using future Port entitlement funds.

Discussion: Senior Project Engineer John Hergesheimer explained this PSA pertains to design and construction management services work executed in August 2009. The original scope of work was intended for the overlay of both the Runway and Taxiway Alpha to Group III aircraft requirements. Soil and pavement investigations determined a more substantial rehabilitation was needed to accommodate Group IV aircrafts as well as additional taxiway lighting and signing systems were also required. The additional scope changes effectively doubled the engineering design and construction management work costs. The FAA has agreed to fund 95% (up to possible 100%) of the additional \$1,017,508 for construction management and \$148,685 for design revisions as listed in Amendment No. 2 to the PSA.

Motion approved with a 3-0 vote.

4. BURLINGTON NORTHERN SANTE FE (BNSF) LICENSE FOR ENVIRONMENTAL ACCESS - THE NORTHWEST FUELS DEMOLITION & SOIL REMEDIATION PROJECT.

Motion: Authorize the Interim Executive Director to obtain a License for Environmental Access from Burlington Northern Santé Fe Railroad (BNSF) to temporarily utilize BNSF property adjacent to the Northwest Fuels Demolition and Soil Remediation Project site.

Discussion: Port Facilities Director Fred Seeger explained Aspect Consulting advises utilizing the neighboring property owned by BNSF for stockpiling of clean soils and truck routing during the Northwest Fuels Demolition and Soil Remediation Project. It was noted that the License contains a very stringent indemnification clause favoring BNSF which is not negotiable. The License has been reviewed and was recommended for Commission approval by the Port' legal counsel.

The license would require the Port to pay a \$500 permit fee to the BNSF.

Motion approved with a 3-0 vote.

5. PROFESSIONAL SERVICES AGREEMENT AMENDMENT WITH ANCHOR QEA FOR THE WHATCOM WATERWAY SITE CLEANUP AND MARINA PROJECT.

Motion: Authorize the Interim Executive Director to execute Amendment No. 20 to the Professional Service Agreement (PSA) with Anchor QEA for the project entitled Whatcom Waterway Site Clean-up & Marina Project to move the balance of funds in Task 19, designate the use of funds for a new element entitled Task 24 – "Upland Transportation Layout", with no change in the total approved contract amount..

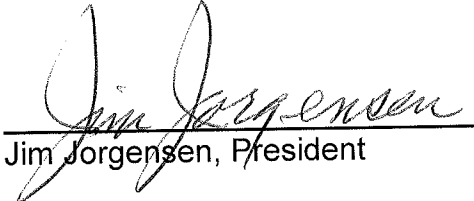
Discussion: Port Senior Project Engineer John Hergesheimer explained \$70,000 in Task 19 of the PSA was designated for additional support pending a NOAA decision and since that amount has not been used. Mr. Hergesheimer recommended that these funds be allocated

for planning and layout of upland areas of the Bellingham Shipping Terminal and the GP mill site area for both short-term and long-term potential of mud management for the cleanup and industrial areas.


Motion approved with a 3-0 vote.

ADJOURN

As there was no further business, the meeting was adjourned at 5:37 p.m.



Jim Jorgensen, President



Scott L. Walker, Secretary