

**MINUTES OF THE PORT OF BELLINGHAM COMMISSION MEETING
HELD TUESDAY, SEPTEMBER 7, 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 Art Choat Mike Stoner Dan Stahl Sylvia Goodwin Lydia Bennett Brian Gouran Alec Strand Frank Chmelik Diane McClain	Interim Executive Director Chief Financial Officer Director, Aviation Director, Environmental Programs Director, Marine Services Director, Planning and Development Director, Real Estate Site Project Manager Engineering Specialist Port Counsel Interim Executive Secretary

CALL PUBLIC MEETING TO ORDER AND RECESS TO CLOSED EXECUTIVE SESSION

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

RECONVENE PUBLIC MEETING

The Commission meeting was reconvened at 3:05 p.m.

PUBLIC COMMENT PERIOD

There were no public comments.

CONSENT AGENDA

Motion: Approve Consent Agenda items A. through D as follows:

- A. Approve minutes of the August 17, 2010 regularly scheduled Commission meeting.
- B. Approve August 4, 2010, Voucher Certification and Approval, totaling \$5,956,384.76.

- C. Approve write-off for Boondocks Boats and Motors Lease and Moorage Accounts.
- D. Authorize Interim Executive Director to enter into an Interlocal Agreement with Battelle Memorial Institute for the use of Port properties to conduct small vessel training and exercises.

Motion approved with a 3-0 vote.

NEW BUSINESS

1. BOND FEASIBILITY STUDY – PERSONAL SERVICES AGREEMENT

Motion: Authorize the Interim Executive Director to enter into a Personal Services Agreement with Ricondo & Associates, Inc. in the amount of \$156,350 for a feasibility study on the Port's revenues to be used by ratings agencies and potential investors in the Port's 2010 Series \$40,000,000 Bond Issue and establish a budget of \$156,350 for this amount.

Discussion: Chief Financial Officer Rob Fix explained the Port is planning two (2) significant construction projects which will require \$40,000,000 (Commercial Aviation Terminal Expansion \$30 million and the Squalicum Harbor Dredging, pilings and float replacement \$10 million) in revenue bonds to be issued.

Mr. Fix added bond insurance is no longer available for municipal issuances like the Port of Bellingham's and in lieu of insurance, ratings agencies and investors are requiring independent feasibility studies to assure the revenues of the issuer are sufficient to meet the debt service obligation including any required ratio. Ricondo and Associates, Inc. responded to the Port's Request for Proposal (RFP) and were selected for providing the feasibility study.

Mr. Fix explained the debt service on the aviation portion will be funded primarily by Passenger Facility Charges (PFCs) and secondarily by parking revenues at the airport. The Marina portion will be funded by moorage revenues. Mr. Fix pointed out that these are internal funding plans and the full revenues of the Port will need to be pledged to secure the bonds.

Motion approved with a 3-0 vote.

2. PROFESSIONAL SERVICES AGREEMENT (PSA) FOR THE GEORGIA PACIFIC REMEDIAL INVESTIGATION/FEASIBILITY STUDY (RI/FS).

Motion: Authorize the Interim Executive Director to execute Amendment No. 6 to the Professional Services Agreement with Aspect Consulting, LLC to increase the scope and budget by \$638,626 and extend the term to June 30, 2012 to conduct the next phase of the

Remedial Investigation/Feasibility Study (RI/FS) and initial remedial design at the Georgia Pacific West Site.

Discussion: Site Project Manager Brian Gouran explained the Port entered into a Professional Services Agreement (PSA) with Aspect Consulting, LLC to perform a Remedial Investigation/Feasibility Study (RI/FS) at the Georgia Pacific West Site in 2008. At that time, it was anticipated that the PSA would involve multiple phases and multiple amendments to allow for adaptive management of the project. To date, the Port and Aspect have completed a number of key project milestones including the initial project scoping, entering into an Agreed Order with the Department of Ecology to perform the RI/FS, completion of the RI fieldwork and preparation of the Draft RI report. This next phase will use the work completed in previous phases to prepare the Feasibility Study including treatability testing as well as extensive scope/scale of design work for potential remedial actions that could be conducted at the site in the coming year.

Motion approved with a 3-0 vote.

3. WATER AND STORM UTILITY IMPROVEMENTS 2010

Motion: Authorize the Interim Executive Director to enter into a contract with Tiger Construction Company for the Water and Storm Utility Improvements 2010, in the amount of \$260,104.34 plus a contingency of 15% for a total authorized amount of \$299,000; and to transfer \$126,000 from Capital Improvement Budget 28.1810.46 (Infrastructure Capital Improvements) to Capital Improvement Budget 28.1810.45 (Fairhaven Shipyard Potable Water).

Discussion: Engineering Specialist Alec Strand explained the project involves 3 separate Capital Projects/ Sites: addressing stormwater runoff at the Fairhaven Marine Industrial Park (FMIP) Aluminum Chamber Boat site, replacing the Bellingham Shipping Terminal ancient Backflow Prevention Assembly (BPA) and addressing the out-of-code water mains at the Fairhaven Shipyard.

Motion approved with a 3-0 vote.

4. SETTLEMENT AGREEMENT AND HARBOR LAND LEASE BETWEEN THE PORT OF BELLINGHAM AND PEOPLES BANK.

Motion: Approve Settlement Agreement and Harbor Land Lease between Port of Bellingham and Peoples Bank for property formerly leased by Marine Services Northwest, Inc., d/b/a Boondocks.

Discussion: Real Estate Director Lydia Bennett explained Marine Services Northwest (doing business as "Boondocks") has been a land-lease Port tenant since 1990 at 2551 Roeder Avenue. Boondocks owned the improvements on the Port's land, upon which there were liens recorded from Peoples Bank and from Washington Federal Savings Bank (as successor in interest to Horizon Bank). Under the Model Toxics Control Act, the Port determined from

1998 to 2002, (and Boondocks was aware) there is environmental liability estimated at \$1,200,000 arising from their operation of the "Quickie Lift" in the boatyard.

Boondocks lease expired in 2009 and was placed in a month to month holdover tenancy when their credit line and Horizon Bank fell through. Because of this and lack of business, Boondocks closed their business and were placed in default under the terms of the lease. The lease was terminated as of August 31, 2010.

Ms. Bennett reported that as the lien holder, Peoples Bank wants to recover \$300,000 in loaned funds but does not want to assume the lease and the environmental liability. Washington Federal Savings Bank has declined to accept the lease, thereby agreeing not to make any claims against the Port for any portion of their lien. The Port has negotiated a Settlement Agreement with Peoples Bank. In that agreement, Peoples will enter into a new Harbor Land Lease and begin paying rent to the Port; the land lease will not include the Quickie Lift area. Peoples will work to sell the improvements to a third-party, who will then assume Peoples land lease with the Port, subject to Commission approval.

The proceeds from the sale of the improvements will be split 50/50 between the Port and Peoples and Peoples will attempt to collect additional funds from Boondocks and if successful, any funds collected will be split 50/50 with the Port. The Port will assume the environmental liability and continue to pursue the owner of Boondocks individually for payment with any monies received to remain 100% with the Port.

Ms. Bennett added the proposed Harbor Land Lease is for a term of 30 years, with two 10-year renewal options and the rental amount will be similar to the renewal rent offered to Boondocks prior to the closure of their business.

Motion approved with a 3-0 vote.

5. SETTLEMENT AGREEMENT AND RELEASE FOR THE FEBRUARY 5, 2008, PROPERTY LOSS AT THE BELLINGHAM SHIPPING TERMINAL.

Motion: Approval of a motion authorizing the Interim Executive Director to execute a Settlement Agreement and Release between Salmon Bay Barge Lines, Inc. ("Salmon Bay") and the Port of Bellingham and its underwriters, Lexington Insurance Company for the February 5th, 2008 incident and property loss insurance claim.

Discussion: Chief Financial Officer Rob Fix reminded the Commission that the Port has been assisting the Port's insurance carrier Lexington Insurance Company in its subrogation efforts against Salmon Bay, party responsible for the damage to the Bellingham Shipping Terminal on February 5th, 2008. The Port opened a property insurance claim and received \$223,123.85 less the \$25,000 deductible. Mr. Fix reported Lexington Insurance Company has agreed to settle the loss for \$130,000 with Salmon Bay and the Port may expect to recover \$20,266.96 of its \$25,000 deductible from the Lexington Insurance Company.

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Motion approved with a 3-0 vote.

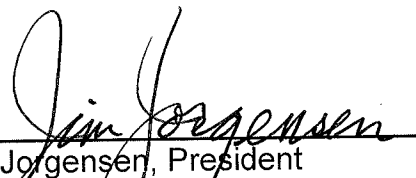
WORK-STUDY SESSION

1. UPDATE ON THE WATERFRONT – DRAFT MASTER PLAN.


Environmental Director Mike Stoner opened by reporting that the revised Draft Sub-Area Plan is now complete and being distributed to the Waterfront Advisory Group (WAG) at their next meeting on September 8th. It is also available for viewing on the Port's website. This document and the Draft Development Agreement will be presented together to the City Planning Commission soon with the goal of moving them on to the City Council for approval in early 2011.

ADJOURN

As there was no further business, the meeting was adjourned at 3:55 p.m.



Jim Jorgensen, President



Scott L. Walker, Secretary