

**MINUTES OF THE PORT OF BELLINGHAM COMMISSION MEETING  
HELD TUESDAY, OCTOBER 19, 2010  
HARBOR CENTER BUILDING CONFERENCE ROOM  
1801 ROEDER AVENUE, BELLINGHAM, WASHINGTON**

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Present:	Jim Jorgensen Michael McAuley Scott L. Walker	President Vice President Secretary
Staff:	Charlie Sheldon Fred J. Seeger Rob Fix Art Choat Dan Stahl Sylvia Goodwin Tamara Sobjack Shirley McFearin Judy Harvey Adam Fulton Diane McClain	Executive Director Director, Facilities Chief Financial Officer Director, Aviation Director, Marine Services Director, Planning and Development Controller Real Estate Development Manager Real Estate Representative Project Engineer Interim Executive Secretary

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**CALL PUBLIC MEETING TO ORDER AND RECESS TO CLOSED EXECUTIVE SESSION**

At 12:00 p.m., Commissioner Jorgensen called the Commission meeting to order and immediately recessed to a closed executive session to discuss real estate transactions, pending litigation and personnel matters pursuant to RCW 42.30.110(1) (c) (g) 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 three (3) hours.

**RECONVENE PUBLIC MEETING**

The Commission meeting was reconvened at 3:04 p.m.

**PUBLIC COMMENT PERIOD**

There were no requests for public comment.

**CONSENT AGENDA**

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

- A. Authorize the Executive Director to execute a Deed of Dedication of Public Improvements to the City of Bellingham for the traffic signal installed at the intersection of Bellwether Way and Roeder Avenue.

B. Approve a Modification of Lease between the Port of Bellingham and Chinook Enterprises, Inc.

Motion approved with a 3-0 vote.

## WORK-STUDY SESSION

### 1. QUARTERLY FINANCIAL REPORT – 3<sup>RD</sup> QUARTER 2010

Controller Tamara Sobjack summarized the year to date financial report (*as of the end of the third quarter*) to be as follows:

Revenues totaled \$34.7 million. Of that total, the Operating activities were \$15.2 million, Public Priorities \$785 thousand, Non-Operating activities \$18.7 million.

The Expenses totaled \$11.9 million (no depreciation) which included Operating Activity expenses \$8.3 million, Public Priorities expenses \$1.9 million and Non-Operating expenses \$1.7 million.

Ms. Sobjack also reported the income before depreciation (all sources) totaled \$22.8 million, better than budget and 3<sup>rd</sup> quarter 2010. The Ending Cash Balance at the end of the third quarter 2010 showed a cash balance of \$28.4 million.

Ms. Sobjack added the balance sheet is strong, reporting:

	<u>9/30/2010</u>	<u>9/30/09</u>
Current Assets	\$ 51,058	46,171
Long-term Assets	<u>264,609</u>	<u>244,578</u>
Total Assets	315,667	290,749
Current Liabilities	6,167	2,880
Long-term Liabilities	<u>112,894</u>	<u>103,854</u>
Total Liabilities	119,051	106,734
Net Assets	\$196,616	\$184,015

Ms. Sobjack summarized the year to date (*as of the end of the third quarter*) financial highlights per operating divisions:

#### Aviation:

Total Revenues of \$4.3 million  
Parking Fee's of \$2.8 million  
Expenses \$2.9 million  
19.9% over prior year, 97.4% of budget

Operating Margin grew to \$1.4 million  
Margin as % of revenue grew to 33%  
Margin last year 36%, budget 20%

Marinas:

Total Revenues of \$4.7 million  
Pleasure Berth revenues of \$4.0 million  
Expenses \$1.8 million  
4% under prior year, 85% of budget

Operating Margin grew to \$2.8 million  
Margin as % of revenue grew to 61%  
Margin last year 58%, budget 56%

Marine Terminals:

Total Revenues of \$1.4 million  
Dockage revenues of \$337 thousand; space and land rentals of \$745 thousand  
Expenses \$864 thousand  
108% of prior year, 93% of budget

Operating Margin of \$511 thousand  
Margin as % of revenue grew to 37%  
Margin last year 37%, budget 23%

Real Estate:

Revenues of \$4.7 million  
2.2% under budget  
11.2% above 2009  
Expenses of \$1.2 million  
12.1% below budget  
0.5% below 2009  
Operating margin at 75.1% of revenues  
Budgeted at 73%, 2009 at 72.5%

Operating margin \$3.6 million versus \$3.1 million in 2009

Regarding current investments, Ms. Sobjack reported \$.5 million Federal Home Loan Mortgage, \$3 million Federal Home Loan Bank, and \$8 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).

In summary, Ms. Sobjack 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 9.7% of the Operating Revenues (Planning, Facilities,

Administration and Executive divisions). Public Program expenses are at 84% of budget and the balance sheet is strong- Assets grew by 9% since September 2009.

Regarding Risk Management activities, Ms. Sobjack reported the Bellingham Shipping Terminal property insurance claim has been settled. As a result of the subrogation efforts, the Port is expecting payment from Lexington Insurance for \$20,267 of its \$25,000 property insurance deductible. There are no open claims against the Port at this time.

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

## **2. UPDATE ON THE PORT OF BELLINGHAM 2011 STRATEGIC BUDGET**

In his update on the 2011 Strategic Budget, Chief Financial Officer Rob Fix reported:

The Corporate 2011 Strategic Goals are:

- ECONOMIC DEVELOPMENT AND JOBS
- TRANSPORTATION
- AIRPORT IMPROVEMENTS
- PUBLIC ASSET STEWARDSHIP
- ENVIRONMENTAL STEWARDSHIP
- WATERFRONT REDEVELOPMENT

The budgeted Cash Sources include:

- CASH SOURCES PROJECTED AT \$42.6 MILLION
- NON-OPERATING REVENUES \$1 MILLION
- PROPERTY TAXES \$7.4 MILLION
- OPERATING REVENUES \$20.8 MILLION
  - AVIATION \$7.0 MILLION
  - MARINAS \$6.6 MILLION
  - REAL ESTATE \$5.5 MILLION
  - MARINE TERMINALS \$1.7 MILLION

The budgeted Expenses include:

- TOTAL EXPENDITURES OF \$68.9 MILLION
- OPERATIONAL EXPENSES OF \$13.0 MILLION
- CAPITAL PROJECTS FORECASTED \$36.1 MILLION
- REDEVELOPMENT AND ENVIRONMENTAL COSTS OF \$11.1 MILLION
- DEBT SERVICE \$7.1 MILLION
  - PRINCIPLE REDUCTION \$3.7 MILLION
- PUBLIC PRIORITY PROGRAM \$1.6 MILLION

Mr. Fix reported the Tax Rate policy includes a banked capacity of over \$1.0 million. The total levy at \$7.4 million (the rate at approximately \$.30 per \$1,000) and over \$10 million at a rate of \$.45 (restricted to 1% per year plus the banked capacity).

The 2011 Objectives for the Operating Divisions are as follows:

Aviation – Encourage route expansion with the existing carriers  
Complete Phase 1 of the gate holding area  
Complete the plans and specs for Phase 2 and begin construction  
Complete the GA taxiway and tarmac rehabilitation  
Seek and obtain federal grants - Airport Improvement Program eligible projects.  
Approval of GA Master Plan for the WANG site  
Construct additional parking.

The large capital projects include the Commercial Terminal Expansion, Updating the Master Plan (potentially offset by grant), Stormwater pond construction and Phase 4B of the Parking lot.

Marinas- Reduce costs / increase efficiency / maintain high level of service  
Implement new moorage model  
Complete final design and begin construction Gate 3 Laterals F&G  
Address deferred maintenance Sawtooth and Gillnet Loading Docks  
Make a recommendation for the replacement of marina software

The large capital projects include Rebuild gate 3 Construction & Dredging, Sawtooth Stringers and the Inner Harbor Condition Survey.

Real Estate- Recruit new businesses for Port land and existing facilities  
Service and maintain existing tenant relationships  
Create Waterfront District marketing strategy  
Identify property to redefine for the future to obtain LEED rating  
Work on expansion of shipyard in Blaine, plan for environmental cleanup of site

The large capital projects include Re-roof FMIP 1 and the Shipyard Pier engineering.

Marine Terminals-

Work with AMHS to maximize occupancy  
Market BST for future opportunities  
Market 42 Acre Log Pond area  
Negotiate contract amendment for second Alaska Marine Highway System (AMHS) sailing  
Implement plan to address deferred maintenance at Bellingham Shipping Terminal (BST)  
Design and estimate cost for rail connection at BST

The large Capital projects include BST Main Pier Repairs, BST Cathodic Protection and Paint gutters, awning supports and trim at the Bellingham Cruise Terminal (BCT).

Mr. Fix closed by saying the next steps to adoption of the 2011 Strategic Budget include releasing the Strategic Plan and Preliminary Budget for public comment on October 28<sup>th</sup>, holding a public presentation & hearing of comments on November 2<sup>nd</sup> (with any modifications needing to be finalized before the 15<sup>th</sup>) and seeking Commission approval on November 16. The 2011 Strategic Budget will then need to be filed with County Treasurer on December 1<sup>st</sup> and in early January; an amended property tax resolution will be issued for the actual assessed property values.

Commissioner McAuley asked that the budget be adjusted to reflect a 5% decrease of property tax collected and suggested that a 1% expense reduction across all Operating divisions be considered. Commissioner Walker added that a 3% employee wage increase may not be good public policy in light of the current economy and no additional cost of living (aside from health care) costs. Commissioner Walker also questioned the Marine Life Center (touch tank) expense currently in the budget. Mr. Fix agreed to prepare another draft of the budget reflecting these suggestions to bring to the November 2<sup>nd</sup> Commission meeting.

### **3. UPDATE ON THE \$40 MILLION DOLLAR BOND ISSUANCE**

In an update on the forty (\$40mm) million dollar bond issuance, Chief Financial Officer Rob Fix reported he is anticipating the Port will receive an A-2 to A-3 rating; a portion of the bonds will be taxable with the remainder qualifying as Build America Bonds. Mr. Fix added Build America Bonds (BAB) are being received very favorable in the market and while taxable (currently at 3.25%), the IRS refunds the Port the amount of the taxes allowing the Port to pay a higher interest rate to the investor, thereby offsetting the investors tax liability. Mr. Fix reported the issuance will be brought to the Commission on November 2<sup>nd</sup> and upon approval, will be priced on the 3<sup>rd</sup> for purchasing on November 14-16.

### **NEW BUSINESS**

#### **1. BELLWETHER GATE LLC – AMENDED AND RESTATED CAPITAL GROUND LEASES FOR BUILDINGS C AND D AT BELLWETHER ON THE BAY**

Motion: Approve the Amended and Restated Capital Ground Leases and associated Trademark Licensing Agreement and Memorandum of Amended and Restated Capital Lease with Bellwether Gate C, LLC and Bellwether Gate D, LLC for Buildings C and D at Bellwether on the Bay.

Discussion: Real Estate Development Manager Shirley McFearin explained the project includes four (4) multi-use buildings and related underground and surface parking areas and Bellwether Gate LLC has entered into separate leases for each of the four buildings to be constructed on the property. Ms. McFearin added Building A (approximately 86,000 square feet) is now complete, Building B (under construction) is expected to be complete in February 2011. The proposed amended and restated leases and agreements pertains to Buildings C and D upping the completion date on Building C from October 2012 to June 2011 and modifying from a three story 13,000 square foot building to a two story 10,000 square foot building. Ms. McFearin introduced Managing Member David Ebenal and explained the proposal would result in the commencement of construction of Building D being delayed three (3) years but for the consideration of the changes being proposed, the Port would receive a \$10,000 fee due on or before December 31, 2010. Ms. McFearin added this amendment also allows for the existing performance bond to be reduced from \$2 million to \$300,000 given that a major portion of the development is complete or near completion and the capital lease payments for Building A and B are paid in full.

Motion approved with a 3-0 vote.

## **2. BID AWARD TO TIGER CONSTRUCTION FOR PHASE ONE OF THE BELLINGHAM INTERNATIONAL AIRPORT COMMERCIAL TERMINAL EXPANSION PROJECT.**

Motion: Authorize the Executive Director to execute a contract with Tiger Construction Ltd. Of Everson Washington for the Bellingham International Airport (BLI) Commercial Terminal Expansion Phase One Project in the amount of \$7,116,515 plus a contingency for a total authorized contract amount of \$7,472,340; and to increase 2010 Capital Improvements Budget Line item No 86 from \$3,120,000 to \$9,500,000.

Discussion: Project Engineer Adam Fulton explained due to the BLI experiencing significant growth, it is necessary to design and expand the terminal from its current 27,000 square feet to over 90,000 square feet and Tiger Construction is the lowest responsive and responsible bidder of the five bidders responding.

Motion approved with a 3-0 vote.

## **3. CITY OF BELLINGHAM UTILITY EXTENSION AGREEMENT FOR THE BELLINGHAM INTERNATIONAL AIRPORT COMMERCIAL TERMINAL EXPANSION PROJECT.**

Motion: Authorize the Executive Director to execute all requirements of the Utility Extension Agreement with the City of Bellingham required for the Airport Commercial Terminal Expansion.

Discussion: Project Engineer Adam Fulton explained in order for the County to issue this building permit, the applicant is required to acquire an approved "Availability Notification of Public Water"; an agreement between the applicant (the Port) and public water purveyor (the City) which establishes the "will serve" capability of the City for this project.

Mr. Fulton explained the Port and City have been negotiating water and sewer provision at the Airport for several years and a prepared draft Interlocal Agreement would allow water services to uses within the Airport Operations Area without payment of impact fees or agreement to a no-protest to annexation. If Interlocal Agreement is executed, the \$210,588 in traffic impact fees assessed in the Utility Extension Agreement cost summary will be refunded.

The fee associated with the Utility Extension Agreement is as follows:

Public Works Permit for expanded water and sewer service:	\$198,256
Traffic Impact Fees (109 trips generated x \$1,932/trip)	\$210,588
Water Only Permit:	<u>70</u>
Total	\$408,914

Motion approved with a 3-0 vote.

#### **4. WHATCOM COUNTY BUILDING PERMITS FOR THE BELLINGHAM INTERNATIONAL AIRPORT COMMERCIAL TERMINAL EXPANSION PROJECT.**

Motion: Authorize the Executive Director to execute all requirements of the Whatcom County Building Permit, and all associated permits, required in an amount not to exceed \$100,000 for the Airport Commercial Terminal Expansion.

Discussion: Project engineer Adam Fulton explained the permits needed from Whatcom County are in keeping with the Port's mission statement for acquiring permits for all of its projects.

Motion approved with a 3-0 vote.

#### **5. REVISED GROUND LESSOR FOR PARKING EASEMENT AGREEMENT FOR BELLWETHER GATE LLC.**

Motion: Authorize the Executive Director to approve the "Consent of Ground Lessor" for a (Revised) Easement Agreement for Parking for Bellwether Gate LLC.

Discussion: Real Estate Representative Judy Harvey informed the Commission that Bellwether Gate LLC and their financial institutions continue to work to finalize the language of their Easement Agreement for Parking to meet lender requirements for adequate assurance of parking for Building B. On October 5, 2010 the Commission approved of the Consent of Ground Lessor for the existing Easement Agreement, however; the Bank of Pacific did not release funds to Bellwether Gate LLC as the financial institutions are requiring tighter assurances in the Easement Agreement. Therefore the Easement Agreement is being amended to satisfy the Lenders. While the Port of Bellingham is not a party to the Easement



Agreement, the Port is required to provide its "Consent of Ground Lessor" as the fee simple owner of the property.

Motion approved with a 3-0 vote.

**6. AMENDMENT TO THE ALASKA MARINE HIGHWAY SYSTEM TICKETING (AMHS) TICKETING SERVICES AGREEMENT.**

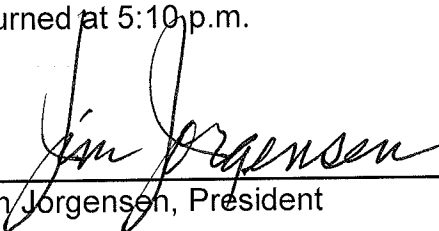
Motion: A motion to approve Amendment No. 1 to the Alaska Marine Highway System Terminal Ticketing Service Agreement to increase compensation to the Port for each of the eleven (11) additional sailings effective May 7, 2011 through September 24, 2011.


Discussion: Marine Services Director Dan Stahl explained that beginning in May 2011, the AMHS ferry Kennicott will provide biweekly service from Bellingham to Whittier, Alaska. Adding the eleven (11) sailings will result in additional Port compensation of \$2,372.27 for each of the eleven (11) sailings or \$31,594.97 total. If the service continues beyond September 24, 2011, compensation to the Port shall again be negotiated.

Motion approved with a 3-0 vote.

**ADJOURN**

As there was no further business, the meeting was adjourned at 5:10 p.m.

  
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Jim Jorgensen, President

  
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Scott L. Walker, Secretary