

**MINUTES OF THE PORT OF BELLINGHAM COMMISSION MEETING
HELD TUESDAY, FEBRUARY 15, 2011
HARBOR CENTER BUILDING CONFERENCE ROOM
1801 ROEDER AVENUE, BELLINGHAM, WASHINGTON**

Click here for public presentations at the meeting
<http://portofbellingham.com/DocumentView.aspx?DID=445>

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Present:	Michael McAuley Scott L. Walker Jim Jorgensen	President Vice President Secretary
Staff:	Charlie Sheldon Rob Fix Art Choat Mike Stoner Fred J. Seeger Dan Stahl Sylvia Goodwin Lydia Bennett Dodd Snodgrass John Hergesheimer Frank Chmelik Diane McClain	Executive Director Chief Financial Officer Director, Aviation Director, Environmental Programs Director, Facilities Director, Marine Services Director, Planning and Development Director, Real Estate Port Counsel Executive Secretary

CALL PUBLIC MEETING TO ORDER AND RECESS TO CLOSED EXECUTIVE SESSION

At 12:00 p.m., Commissioner McAuley called the Commission meeting to order and immediately recessed to a closed executive session to discuss personnel matters and real estate transactions pursuant to RCW 42.30.110(1)(g) (c). Commissioner McAuley noted that no formal action would be taken during the closed session and he expected the closed executive session to last approximately 3 hours.

RECONVENE PUBLIC MEETING

The Commission meeting was reconvened at 3:10 p.m.

PUBLIC COMMENT PERIOD

1. Brian Pemberton, 2623 S Harbor Loop, Bellingham, WA. – Moorage rates – Owner, NW Explorations, (former MAC member) presented written comments (See attachment – public presentation) and asked if the Port considers a lower rate for some users, who will pay

for the discount? Mr. Pemberton commented asking the other slip holders to pay more is inappropriate and urges all slip holders pay the same rate.

2. Dan Hisey, 700 Coho Way, Bellingham, WA. - Moorage rates-- Owner, Radar Marine Electronics (Port tenant) – Voiced economic concerns for the local marine businesses and urged Commission to make moorage rates competitive with Seattle.

3. Don Green, Bellingham, WA. Moorage rates - Whatcom Co. lifelong resident and fisherman, commented he has spent over \$50 thousand locally in past 10 years and is considering leaving boat in Alaska to save money on moorage.

4. Dave Barlean, Ferndale, WA. – Moorage rates - Urged the Commission to help local fisherman stay in business.

5. John Culmine, Bellingham, WA – Moorage rates - 78 yr old, still fishing to make a living, commented Everett and Seattle is cheaper and would like Commission to assist.

6. Mike Roberts, BCS seafood salesman, spoke of fishing industry benefits Whatcom county- large employment opportunities and customer base.

7. Milan Slipcevic, member Commercial Fishing Association (presented a Nooksack Tribe letter- endorsing reduced moorage fees for the commercial fisherman. (see public presentation attachment).

8. Bill Graves, 3512 Selley, Bellingham, WA. – General Manager, Trident Seafood Processing, 200 employees and 300 in summer, and LFSI asking for reduced rates.

9. Mike Gwost, Guemmes Island, WA. - Moorage rates - Guest and currently performing repair work on vessels in Squalicum Harbor, Urged Commission to consider and recognize marine industry profit distribution to local economy.

10. George Dyson, 435 W Holly Street, Bellingham WA. –Moorage rates - Past worker on Seiner, fishing vessels, Urged Commission to keep fishing alive and well.

11. Jay Bornstein, 1001 Hilton Avenue, Bellingham, WA. – Moorage rates - Bornstein Seafood (Port tenant) since the 30s and 52 – last filet site in state of Washington, providing jobs and keeping the vessels viable is very important.

12. Paul Issacson, 3940 Issacson, Bellingham, WA – Moorage rates - \$150,000 spent locally and undecided as to whether he will keep vessels here, urged the Commission to consider the employment in Whatcom County and will not return if rates are increased.

CONSENT AGENDA

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

- A. Authorize the Executive Director to execute a Purchase Order to Entrance Controls in the amount of \$74,164.53 for Phase 5 Airport Parking Lot Equipment.
- B. Authorize the Executive Director to execute a Change Order with American Construction in the total amount of \$66,000.00 which includes a \$10,000.00 contingency, to repair storm damage in Fairhaven.
- D. Approve Resolution No. 1294, changing the petty cash custodian at the accounting office from Bonnie LaFave to Tamara Sobjack.

Motion approved with a 3-0 vote.

ACTION ITEMS

1. RESOLUTION NO. 1293- ADOPTION OF A NEW MARINA MOORAGE MODEL

Motion: Approve Resolution No. 1293, adopting a new Moorage Model for Squalicum and Blaine Harbors, and rescinding Resolution Nos. 1034, 1163, and 1163-A, and making the language changes to Moorage Tariff No. 1 and the Harbor's Rules, Regulations, and Procedures as described in the Resolution.

This action item has been a significant item for the Commission since the fall of 2009. The Commission has had an extensive interaction with the Port's Marina Advisory Committee (MAC), in addition to several lengthy discussions in Commission meetings over the past three months. At their last Commission meeting on February 1st, the Commission president directed staff to bring two agenda items for the February 15th Commission meeting. Resolution No. 1293 is the first of the two items for their consideration.

Discussion: Marine Services Director Stahl gave a presentation to the Commission regarding Resolution No. 1293 (see attachments- staff presentations). It should be noted that there was a very large group of the public in attendance (see public comment section of minutes). Mr. Stahl's brief overview of the work product from the past year highlighted recent Commission direction and then reviewed the specifics of the resolution (which is also attached).

Following the presentation, the Commission discussed the resolution at length. Commissioner Jorgensen voiced concern for the current economy and Port tenants experiencing tough times and thanked the staff and the MAC for the work put into the model. Commissioner McAuley commented that the marinas are a publicly owned asset and he voiced appreciation for the proposed model being a closed loop system (operating costs being borne by the users) and urged support of the model being presented by the MAC. Commissioner Walker agreed with Commissioner Jorgensen that with the current economy, the Port may need to look at new ways to cut costs. Mr. Walker thanked staff for working closely with boat house owners to come up with the fairest method possible for charging boat houses in the harbor. Mr. Walker also suggested the Port look at marina staffing levels, out

of the water boatyard storage, placing the whole harbor on one renewal date instead of staggered dates, maximize Port assets and look at the viability of the Fairhaven lateral tie ups.

Motion approved with a 3-0 vote.

2. INCENTIVE PROGRAM FOR ACTIVE COMMERCIAL FISHING (ACF) VESSELS AT SQUALICUM AND BLAINE HARBORS FOR 2011 AND 2012.

Motion: Motion to delegate authority to Executive Director to develop and implement an incentive 2 year program for Active Commercial Fishing (ACF) vessels operating out of Squalicum and Blaine harbors. This two year program would reduce the moorage rate from \$6.92 to \$5.39. The program is expected to cost from \$200,000 to \$250,000 and could potentially be funded from the 1% expense reduction fund, intended for economic development that developed out of the 2011 budget process.

Discussion: Marine Services Director Dan Stahl explained the moorage model is a closed loop system, in that the operating expenses of the harbors are borne by the users and the model provides facilities to support the local fishing fleet, including floats, webblockers, and working docks like the sawtooth dock. Mr. Stahl added the Commission has expressed interest in an incentive program for active commercial fishermen to moor their vessels at the Port's harbors and the proposed two year program would reduce the moorage rate for those vessels from \$6.92 to \$5.39 (at a cost from \$200,000 to \$250,000 which could potentially be funded from economic development fund created by the 1% expense reduction from the 2011 budget process). Commissioner McAuley expressed his support for the incentive program and motion while Commissioner Walker and Commissioner Jorgensen favored waiting until the March 1st meeting when the list of potential projects will be presented.

Motion was declined with a 1-2 vote.

Further discussion produced the following motion:

Motion: Motion to delegate authority to the Executive Director to develop an incentive program for Active Commercial Fishing (ACF) vessels operating out of Squalicum and Blaine harbors to be presented at the March 1, 2011, Port of Bellingham Commission meeting.

Motion approved with a 3-0 vote.

RECESS THE PUBLIC MEETING AND OPEN THE INDUSTRIAL DEVELOPMENT CORPORATION (IDC) MEETING.

1. Approve Minutes of the Industrial Development Corporation Board Meeting.

Motion: Approve the minutes of the January 4, 2011, IDC meeting.

Motion approved with a 3-0 vote.

2. Services Agreement with Northwest Economic Council – Whatcom County Consortium for Economic Development.

Motion: The Board of Commissioners of the Industrial Development Corporation (IDC) authorizes the President to sign a Services Agreement between the IDC and Northwest Economic Council (NVEC) for \$334,000 for a coordinated approach to funding and contracting with economic development service providers.

Discussion: Economic Development Specialist Dodd Snodgrass explained the interlocal agreement between the Port, City, County and the IDC specifies that the IDC is the designated administrative entity to confirm successful bidders, manage contracts, and coordinate communication between the agencies and invoice agencies for their proportionate share of the contract costs. Mr. Snodgrass added the group issued a joint request for obtaining and paying for professional service providers (RFPS) for core economic development services.

The recommended allocation of the \$334,000 is 49.45% County, 27.47% Port and 23.08% City. Mr. Snodgrass explained the Port's commitment is funded within the IDC budget approved by the Commission on November 16, 2010.

Motion approved with a 3-0 vote.

3. Services Agreement with Technology Alliance Group (TAG) of Northwest Washington for Economic Development Services.

Motion: The Board of Commissioners of the Industrial Development Corporation (IDC) of the Port of Bellingham authorize the President to sign a Services Agreement between the IDC and Technology Alliance Group of Northwest Washington (TAG) for \$25,000 for a coordinated approach to funding and contracting with economic development service providers.

Discussion: Economic Development Specialist Dodd Snodgrass explained the interlocal agreement between the Port, City, County and the IDC specifies the IDC is the designated administrative entity to confirm successful bidders, manage contracts, coordinate communication between the agencies and invoice agencies for their proportionate share of the contract costs. Mr. Snodgrass added the group issued a joint request for obtaining and paying for professional service providers (RFPS) for core economic development services.

The recommended allocation of the \$25,000 is 49.45% County, 27.47% Port and 23.08% City. Mr. Snodgrass explained the Port's commitment of \$6,867 is funded within the IDC budget approved by the Commission on November 16, 2010.

Motion approved with a 3-0 vote.

The IDC meeting was closed and the regular Commission meeting was reconvened.

PRESENTATION

Mt. Baker Foothills Chamber of Commerce Request for Funding.

Economic Development Specialist Dodd Snodgrass introduced Carole MacDonald, President of the Mt Baker Chamber of Commerce and Linda Dorsett of the Foothills Communication Task Force. Ms. MacDonald explained the absence of broadband access (high speed internet connection) in the foothills area has caused economic problems for existing businesses there and is negatively impacting the local tourism industry. Ms. MacDonald reported the County and PUD may be able to assist through an EDI loan (grant funds are not currently available) though the payback would be difficult and Federal funding will not be available until 2012. Ms. MacDonald asked the Commission to consider supporting the effort to bring broadband to the area by financially contributing \$60,000 to enable them to hire a coordinator in 2011 to drive the effort and lay the groundwork for the grant requests.

The Commission agreed that broadband connection is important and agreed to add the request to the list of special economic development projects (potentially funded from economic development fund created by the 1% expense reduction from the 2011 budget process) at the March 1, 2011, Commission meeting.

Break - Commissioner McAuley called for a ten minute break prior to resuming the Action Items on the agenda.

ACTION ITEMS

3. AMENDMENT NO. 2 TO PROFESSIONAL SERVICES AGREEMENT (PSA) WITH REID MIDDLETON FOR BLI SOUTHWEST AND ALDERWOOD PONDS – FINAL DESIGN.

Motion: Authorize the Executive Director to approve PSA Amendment No. 2 with Reid Middleton for final design and permit support services for BLI Southwest and Alderwood Detention Ponds in the amount of \$180,695, representing \$100,245 for Southwest Pond and \$80,450 for Alderwood Pond for a total revised contract amount of \$268,741, subject to approval from FAA for the Southwest Pond costs.

Discussion: Senior Project Engineer John Hergesheimer explained the upgrading of both the Southwest and Alderwood Detention Ponds is a permit requirement and the proposed amendment will provide for the completion of the Southwest Pond design and initiates the entire Alderwood Pond design effort. Mr. Hergesheimer added the pending airport parking lot phase 4B, future parking lot development, and General Aviation (GA) expansion are Port projects depending on these pond improvements.

Motion approved with a 3-0 vote.

4. AMENDMENT NO. 1 TO PROFESSIONAL SERVICES AGREEMENT (PSA) WITH CH2MHILL FOR THE PHASE 2 DESIGN AND PERMITTING SUPPORT SERVICES FOR THE BELLINGHAM INTERNATIONAL AIRPORT (BLI) OFFSITE WETLAND MITIGATION PROJECT AT THE SLATER ROAD SITE.

Motion: Approval of a motion authorizing the Executive Director to approve PSA Amendment No. 1 with CH2MHill for Phase 2 design and permitting support services for the BLI Offsite Wetland Mitigation Project at the Slater Road site in the amount of \$295,623 for a total revised contract amount of \$320,623, and approval of budget transfers of \$35,000 from CIP Line Item 253 (25-1811-43) and \$65,000 from CIP Line Item 258 (25-1810-42) to CIP Line Item 257 (25-1809-44).

Discussion: Senior Project Engineer John Hergesheimer explained the adjustment for the project budget provides the means for the Port to mitigate 8.9 acres of wetland filling impacts that will occur on the east side of the BLI. The permits for wetland fill began in 1998. CH2MHill was selected to perform design and permit support services to advance the permit-level drawings to a bid-ready set of plans and specifications, including hydrologic and hydraulic modeling of the site, final grading and planting plans and permit coordination.

Motion approved with a 3-0 vote.

WORK-STUDY SESSION

1. Update on Blaine Boatyard Request for Proposal (RFP) process.

Real Estate Director Lydia Bennett reported the Port had received four responses to the RFP issued in January for a boatyard operator. Those responding are Bob Brooks (Blaine Marine Services), Ben Lazarus (Westwind Marine in Point Roberts), Phil Riise (Seaview North Boatyard) and Norman Walsh (Walsh Marine, currently operating the interim boatyard in Blaine). Ms. Bennett added the Interviews will begin soon and following selection, an update will be made to the Commission.

2. Update on Financial Results of 4th Quarter 2010.

Chief Financial Officer Rob Fix summarized the 4th quarter year to date financial report to be as follows:

Revenues totaled \$60.3 million. Of that total, revenues from the Operating activities were \$20.2 million, Public Priorities \$1.0 million, Non-Operating activities \$39.1 million.

The Expenses totaled \$17.5 million (no depreciation) which included Operating Activity expenses \$11.3 million, Public Priorities expenses \$2.4 million and Non-Operating expenses \$3.8 million.

Mr. Fix also reported the income before depreciation (all sources) totaled \$34.5 million, better than budget and 4th quarter 2009. Ending Cash Balance was \$80 million compared to the end of the 4th quarter 2009 Cash Balance of \$27.5 million. (\$44 million is related to bond issuance in late October for the airport and Gate 3 marina project).

Mr. Fix reported:

	<u>12/31/10</u>	<u>12/31/09</u>
Current Assets	101,472	49,979
Long-term Assets	<u>278,002</u>	<u>248,262</u>
Total Assets	379,474	298,241
Current Liabilities	7,632	3,929
Long-term Liabilities	<u>157,173</u>	<u>115,676</u>
Total Liabilities	164,805	119,605
Net Assets	\$214,669	178,636

Mr. Fix summarized the income summaries year to date per operating divisions:

Aviation:

Total Revenues of \$5.9 million
 Parking Fee's of \$3.9 million
 Expenses \$3.9 million
 19% over prior year, 98.7% of budget

Operating Margin grew to \$1.9million
 Margin as % of revenue is 33%
 Margin last year 36%, budget 20%

Marinas:

Total Revenues of \$6.1 million
 Pleasure Berth revenues of \$5.2 million
 Expenses \$2.4 million
 4% under prior year, 85% of budget

Operating Margin grew to \$3.7 million
 Margin as % of revenue is 60%
 Margin last year 57%, budget 56%

Marine Terminals: (Layberths BST and BCT)

Total Revenues of \$1.8 million
 Dockage revenues of \$433 thousand; space and land rentals of \$1 million
 Expenses \$1.1 million
 6% above prior year, 91% of budget

Operating Margin of \$697 thousand
 Margin as % of revenue is 38%

Margin last year 37%, budget 23%

Real Estate:

Revenues of \$6.2 million
3.1% under budget
7.3% above 2009
Expenses of \$1.6million
10.3% below budget
6.8 above 2009

Operating Margin at 74.3% of revenues
Budgeted at 72.3%, 2009 at 74.3%

Operating margin \$4.6 million versus \$4.3 million in 2009

Regarding current investments, Mr. Fix reported \$3 million Federal Home Loan Mortgage, \$6 million Federal Home Loan Bank, and \$6.75 million Federal National Mortgage Association and \$2 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 Port has opened a property insurance claim stemming from the windstorm damage on November 21st. The claim is expected to reach \$175,000 less the Port's \$25,000 deductible. Mr. Fix also reported a claim has been brought against the Port for damage to a vessel that was damaged in the same storm when it broke free of its moorage.

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 concluded by reporting:

Operating divisions show better than expected revenue growth with expenses being managed well and are below budget but above the 2009 levels, the corporate overhead costs at 10.7% of Operating Revenues, and Public Program expenses at 73% of the budget. Mr. Fix added the balance sheet is strong, reporting: Net assets grew by 20% (36 million from December 2009).

ADJOURN

As there was no further business, the meeting was adjourned at 6:05 p.m.

Michael McAuley, President

Jim Jorgensen, Secretary