

**MINUTES OF THE PORT OF BELLINGHAM COMMISSION MEETING  
HELD TUESDAY, AUGUST 16, 2011  
HARBOR CENTER BUILDING CONFERENCE ROOM  
1801 ROEDER AVENUE, BELLINGHAM, WASHINGTON**

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Present:	Michael McAuley Scott L. Walker Jim Jorgensen	President Vice President Secretary
Staff:	Charlie Sheldon Rob Fix Mike Stoner Fred J. Seeger Dan Stahl Sylvia Goodwin Lydia Bennett Dan Zenk Neil Clement Brian Gouran Terry Ilahi Shirley McFearin Adam Fulton Frank Chmelik Diane McClain	Executive Director Chief Financial Officer Director, Environmental Programs Director, Facilities Director, Marine Services Director, Planning and Development Director, Real Estate Airport Manager Emergency Management /Security Officer Site Project Manager Real Estate Analyst Real Estate Development Manager Project Engineer Port Counsel Executive Secretary

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

At 1:30 p.m., Commissioner McAuley called the Commission meeting to order and immediately recessed to a closed executive session to discuss real estate transaction, personnel matters and pending litigation pursuant to RCW 42.30.110(1)(c) (g) (i). Commissioner McAuley noted that no formal action would be taken during the closed session and he expected the closed executive session to last approximately 1 ½ hours.

**RECONVENE PUBLIC MEETING AND RECESS TO INDUSTRIAL DEVELOPMENT CORPORATION (IDC) BOARD MEETING.**

Motion: Adopt the minutes of the July 5, 2011, IDC Board Meetings.

Discussion: Chief Financial Officer Rob Fix explained the purpose of the meeting was to approve the minutes of the Industrial Development Corporation July 5, 2011 board meeting.

Motion approved with a 3–0 vote.

**CLOSE THE IDC MEETING AND RECONVENE PUBLIC MEETING.**

## **PUBLIC COMMENT PERIOD**

No one signed up for the public comment period.

## **CONSENT AGENDA**

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

- A. Approve minutes of the July 5, 2011, and July 19, 2011 regularly scheduled Commission meetings.
- B. Approve Voucher Certification and Approval July 6, 2011, - July 27, 2011, totaling \$4,031,351.15.

Motion approved with a 3–0 vote.

## **ACTION ITEMS**

### **1. CONTRACT WITH WHATCOM COUNCY FOR HOMELAND SECURITY GRANT.**

Motion: Authorize the Executive Director to sign a Sub-recipient Agreement with Whatcom County for a pass-through grant to purchase security fencing.

Discussion: Emergency Management and Security Officer Neil Clement explained that the proposed agreement is the second of two Homeland Security grants to enhance the capability of local governments to prevent, deter, respond to and recover from acts of terrorism, enhancing the Port's ability to address required security, and access control and define the restricted area in the most flexible way possible at the Bellingham Shipping Terminal. Mr. Clement further explained the sub-Recipient Agreement is necessary for the Port to receive funding from the 2010 State Homeland Security Program (SHSP), passed through the Washington State Military Department, Snohomish County and Whatcom County.

Motion approved with a 3-0 vote.

### **2. GP WEST AGREED ORDER (AO) NO. 6834 FIRST AMENDMENT**

Motion: Authorize the Executive Director to execute the first amendment to the Agreed Order (AO) No. 6834 with the Department of Ecology for the Georgia Pacific West site pending no substantive changes to the Draft Agreed Order Amendment.

Discussion: Site Project Manager Brian Gouran explained that the GP West site is part of the historical waterfront industrial property the Port acquired in 2005 and in 2009, the Port entered into Agreed Order 6834 with Ecology to perform a Remedial Investigation and Feasibility Study (RI/FS) to address soil and groundwater contamination from past industrial activities at the site. Since then, the Port has completed multiple phases of the RI work and is

currently developing components of the FS. Mr. Gouran further explained that the Ecology issued Agreed Order Amendment requires the Port to perform an interim action to remove contaminated soils and building materials from the Caustic Plume Subarea and Bunker C Subarea as well as contemplating additional interim actions.

Motion approved with a 3-0 vote.

**3. LEASE RENEWAL AND MODIFICATION FOR PUGET SOUND ENERGY LOCATED AT SQUALICUM HARBOR.**

Motion: Approval of Renewal and Modification of Lease between the Port of Bellingham and Puget Sound Energy, Squalicum Harbor.

Discussion: Real Estate Analyst Terry Ilahi explained that the Port has been leasing property on Roeder Avenue to Puget Sound Energy for an electrical power distribution substation since 1966 and the current lease (entered into in 1981) will expire on April 30, 2016, with no renewal options remaining. Mr. Ilahi further explained that the lease requires rents to be renegotiated every five years and while rents for the previous five years have been increasing by five percent annually, the Port is recommending that the 2011 -2016 lease be modified for rents to be brought closer to current market values increasing by 3, 5, 5.5, 6 and 7 percent each year respectively for the term of the renewal.

Motion approved with a 3-0 vote.

**4. LEASE RENEWAL AND MODIFICATION FOR BLAINE MARINE SERVICES (2000) L.L.C. LOCATED AT BLAINE HARBOR.**

Motion: Approval of Lease Renewal and Modification between the Port of Bellingham and Blaine Marine Services (2000) L.L.C.

Discussion: Real Estate Analyst Terry Ilahi explained that the Port has been leasing property to Blaine Marine Services since 2002 and in 2006, the lease was renewed and modified to reduce the premises square footage and the rental rates were set through 2016, provided that Blaine Marine Services renewed the lease in 2011. Mr. Ilahi further explained that the previous four years rents have been increasing by three percent annually as will the next five years rents in the proposed renewal and modification of lease.

Motion approved with a 3-0 vote.

**5. LEASE RENEWAL AND MODIFICATION FOR GASTON BAY L.L.C. LOCATED AT SQUALICUM HARBOR.**

Motion: Approval of a Lease Modification between the Port of Bellingham and Gaston Bay L.L.C.

Discussion: Real Estate Analyst Terry Ilahi explained that the Port entered into a 35 year land lease with Gaston Bay in 2006 and that the lease requires rent rates to be renegotiated every five years. Mr. Ilahi further explained that the previous five year lease increased rates three percent annually; the proposed five year lease keeps the rent rate flat for the first three years and increases rates three percent for the next two years thereafter.

Motion approved with a 3-0 vote.

Agenda Revision: Commissioner McAuley asked that the agenda be revised to allow for three newly added agenda items to be brought forward.

**6. LEASE MODIFICATION WITH INDEX INDUSTRIES, INC. FOR 300 HARRIS AVENUE PROPERTY.**

Motion: Authorize the Executive Director to execute a Modification of Lease with Index Industries, Inc. related to the 300 Harris Avenue property and increase the budget from \$2,500,000

Discussion: Real Estate Development Manager Shirley McFearin explained that the Port and Index Industries, Inc. entered into a ten year lease in November 2010 for the 300 Harris Avenue property, with the anticipated completion date of September of 2011 for the Port constructed improvements to the property. However, Ms. McFearin added that the proposed lease modification reflects an increase in project costs from the original \$2,500,000 budget to \$2,900,000 and an extension of the completion date to December 15, 2011. Ms. McFearin further explained that \$200,000 of that \$400,000 increase in project costs will likely be paid through the Whatcom County Economic Development Program and the Port anticipates the remaining \$200,000 will be amortized throughout the terms of the lease with the Port benefiting by obtaining a LEED (Leadership in Energy and Environmental Design) Gold Certification upon completion of the project as well as a 5.01% internal rate of return on the overall project.

Motion approved with a 3-0 vote.

**7. BID AWARD TO FABER CONSTRUCTION FOR TENANT IMPROVEMENTS PROJECT – 300 HARRIS AVENUE PROPERTY.**

Motion: Authorize the Executive Director to execute a contract with Faber Construction of Lynden, Washington for the 300 Harris Avenue Tenant Improvements Project in the amount of \$2,314,100, which is the Base Bid plus Additive Alternates 1 & 4, plus a \$75,000 contingency for a total authorized contract amount of \$2,389,100; and to increase the 2011 Capital Improvements Budget from \$2,500,000 to \$2,900,000.

Discussion: Project Engineer Adam Fulton explained that the Port hired Mithun Architects to work with Index to design the LEED (Leadership in Energy and Environmental Design) Gold Certification facility and the project went out to bid in April with an estimated cost of \$1,900,000. Mr. Fulton further explained that the five bids received were within 10 percent of

each other; \$2,933,704 being the lowest bid, and because neither the Port nor Index wanted to cover the cost overrun, all five bids were rejected and the project was redesigned, bid, and estimated a second time at \$1,750,000. Of the six bids received ranging from \$2,265,600 to \$2,529,000, Faber Construction was the lowest responsive and responsible bidder.

Motion approved with a 3-0 vote.

**8. AMENDMENT TO THE PROFESSIONAL SERVICES AGREEMENT (PSA) WITH MITHUN ARCHITECTS FOR THE 300 HARRIS AVENUE TENANT IMPROVEMENTS PROJECT.**

Motion: Authorize the Executive Director to amend the Professional Services Agreement (PSA) with Mithun Architects to provide construction administration services for the 300 Harris Avenue Tenant Improvements Project in the amount of \$139,103 increasing the total authorized contract amount to \$422,508.

Discussion: Project Engineer Adam Fulton explained that the Port hired Mithun Architects through the Request for Professional Services process to work with Index for the design, permit applications and construction documents for the Port's LEED (Leadership in Energy and Environmental Design) Gold Certification facility at 300 Harris Avenue. Mr. Fulton further explained that the proposed PSA amendment scope of work includes review and approval of all shop drawings, submittals, requests for information, construction surveying, LEED reviews, application and documentation toward certification and field inspection and project management.

Motion approved with a 3-0 vote.

**9. AMENDMENT NO. 5 TO THE PROFESSIONAL SERVICES AGREEMENT (PSA) WITH URS CORPORATION FOR THE AIRPORT COMMERCIAL TERMINAL EXPANSION (ACTE) PROJECT.**

Motion: Authorize the Executive Director to amend the Professional Services Agreement (PSA) with URS Corporation to perform architectural design services for the Commercial Terminal Expansion Project in the amount of \$1,243,750 for a total authorized PSA of \$4,053,820 and increase the Capital Improvement Program (CIP) design budget from \$3,460,000 to \$3,650,000.

Discussion: Project Engineer Adam Fulton explained that the proposed amendment for scope of services will include the completion of construction design documents and bid support for the Phase Two construction for the ACTE Project.

Motion approved with a 3-0 vote.

**10. LETTER OF SUPPORT AND FUNDING FOR THE I-5/ WEST BAKERVIEW ROAD TRANSPORTATION IMPROVEMENT BOARD (TIB) GRANT.**

Motion: Authorize the Commission President to sign a letter of support for a Transportation Improvement Board grant to the City of Bellingham for the West Bakerview Road Arterial Safety and Overpass Improvement grant, and committing \$500,000 of Port funds toward the local match for this grant, if obtained.

Discussion: Planning Director Sylvia Goodwin explained that the West Bakerview Road/ I-5 Interchange is reaching capacity during peak evening hours, impacting access to and from the Bellingham International Airport and adjacent industrial properties. Ms. Goodwin further explained that the Port is required to fund improvements to the interchange per the SEPA Mitigation Determination of Non-Significance and the Conditions of approval for the Airport General Binding Site Plan at an estimated cost of \$500,000. Ms. Goodwin also explained that the Port, City, County and Washington Department of Transportation (WSDOT) have been working cooperatively to explore design options and the WSDOT took the lead in completing the I-5/Bakerview Interchange Value Planning study Technical report, which estimates \$3.2 million is needed for the cost of improvements. Ms. Goodwin explained that the City is proposing to contribute \$900,000 through a TIB grant application, the WSDOT, County and Fred Meyer are proposing to contribute \$100,000 each, and the Port is asked to contribute \$500,000 for a total \$1.7 million local match, or 53%, which will provide a favorable local match contribution.

Motion approved with a 3-0 vote.

## **WORK-STUDY SESSION**

### **1. Update - Port- Wide Area Signage.**

Project Engineer Adam Fulton provided an overview and update of the "Trailblazing" signage system being planned for the Fairhaven district, comparing the signage or lack thereof for the current/existing freeway exit ramps, local directional/pathway signs with the proposed revised signage system for these purposes including routes to the Port of Bellingham via the I-5 Lakeway Drive and Meridian Street exits. See attached Power point presentation.

### **2. Update - 2011 2<sup>nd</sup> Quarter Financial Report.**

Chief Financial Officer Rob Fix summarized the 2nd quarter year to date financial report to be as follows:

Revenues totaled \$15.8 million. Of that total, revenues from the Operating activities were \$10.7 million, Public Priorities \$502 thousand, Non-Operating activities \$4.6 million.

The Expenses totaled \$9.9 million (no depreciation) which included Operating Activity expenses \$6.3 million, Public Priorities expenses \$1.2 million and Non-Operating expenses \$2.0 million.

Mr. Fix also reported the income before depreciation (all sources) totaled \$5.9 million, at \$600 thousand below budget and ending cash balance \$76.3 million; end of 1<sup>st</sup> quarter 2010

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showed cash balance of \$34.2 million. (\$44 million is related to bond issuance in late October for the airport and Gate 3 marina project).

Regarding the Balance Sheet, Mr. Fix reported:

	<u>6/31/2011</u>	<u>6/31/2010</u>
Current Assets	96,036	55,538
Long-term Assets	<u>283,903</u>	<u>251,298</u>
Total Assets	379,939	306,836
Current Liabilities	5,030	3,550
Long-term Liabilities	<u>158,336</u>	<u>114,028</u>
Total Liabilities	163,336	117,578
Net Assets	\$216,573	189,258

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

Aviation:

Total Revenues of \$3.5 million, Budget \$3.5 million, 2010 \$3.0 million  
Expenses \$2.150 million, Budget \$2.3 million, 2010 \$1.9 million

Operating Margin \$1.4 million, Budget \$1.2 million, 2010 \$1.1 million  
Margin as % of revenue is 39%  
Margin last year 37%

Marinas:

Total Revenues of \$3.3 million, Budget \$3.3 million, 2010 \$2.0 million  
Expenses \$1.6 million, Budget \$1.3 million, 2010 \$1.2 million

Operating Margin \$1.7 million, Budget \$2.0 million, 2010 \$2.2 million  
Margin as % of revenue is 51%  
Margin last year 65%

Marine Terminals:

Total Revenues of \$888 thousand, Budget \$850 thousand, 2010 \$951 thousand

Real Estate:

Revenues of \$2.9 million, Budget \$2.7 million, 2010 \$3.2 million  
Expenses \$782 thousand, Budget \$888 thousand, 2010 \$728 thousand

Operating Margin of \$2.1 million, Budget \$1.9 million, 2010 \$2.5 million  
Margin as % of revenue is 73%, 2010 77%

Regarding current investments, Mr. Fix reported \$3 million Federal Home Loan Mortgage, \$6 million Federal Home Loan Bank, and \$4.750 million Federal National Mortgage Association and \$1 million in the Federal Farm Credit Bank. The Balance of cash (\$62.4 million) is invested in the Local Government Investment Pool (LGIP).

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Regarding Risk Management activities, Mr. Fix reported the Port opened a property damage insurance claim stemming from the November 2010 windstorm. The claim is expected to reach \$175,000 less the Port's \$25,000 deductible. Mr. Fix also reported a claim was brought against the Port for damage to a vessel that was damaged in the same storm when it broke free of its moorage and the Port's insurance carrier has responded with a letter to claimant declining liability for damage to the vessel.

Regarding the Stormwater program, Mr. Fix reported samples were not required; suspended for consistent attainment and all training and record keeping is in compliance.

In summary, Mr. Fix concluded by reporting:

Operating divisions performing well to budget but down compared to the prior year, the corporate overhead costs at 10.6% of Operating Revenues (Planning, Facilities, Administration, Executive), and Public Program expenses at 73% of the budget.

Mr. Fix added the balance sheet is strong, reporting: Net assets grew 14% (\$27 million from second quarter 2010). <http://portofbellingham.com/DocumentView.aspx?DID=664>

## **NEW BUSINESS**

Commissioner Walker explained that as the Port's trustee of the Washington Public Ports Association (WPPA) Executive Committee, he received an Official Ballot and will attend the August 19, 2011, WPPA Special Board Meeting in Olympia to discuss and possibly approve the WPPA's purchase of the building that the WPPA currently occupies.

## **ADJOURN**

As there was no further business, the meeting was adjourned at 4:45 p.m.

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Michael McAuley, President

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Jim Jorgensen, Secretary