

**MINUTES OF THE PORT OF BELLINGHAM COMMISSION MEETING  
HELD TUESDAY, OCTOBER 18, 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 Brian Gouran John Hergesheimer Frank Chmelik Diane McClain	Executive Director Chief Financial Officer Director, Environmental Programs Director, Facilities Director, Marine Services Director, Planning and Development Director, Real Estate Environmental Site Project Manager Senior 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 personnel issue 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 1 ½ hours.

**RECONVENE PUBLIC MEETING**

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

**PUBLIC COMMENT PERIOD**

No one signed up to comment.

**CONSENT AGENDA**

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

- A. Commission Authorization to sell vessel, pursuant to Resolution No. 947.
- B. Adopt Resolution No. 1302 for the updated Whatcom County Multi-Jurisdictional Hazard Mitigation Plan.

Motion approved with a 3-0 vote.

## WORK-STUDY SESSION

### 1. Update – Employee Insurance and Benefits.

Human Resources Manager Elizabeth Monahan provided an overview of 2011 average monthly healthcare benefits cost based on a 2011 Milliman NW Benefits Study. Ms. Monahan provided rate comparisons for medical insurance benefits provided by Regence from 2007 through 2011 and two potential rate scenarios for 2012/2013. Ms. Monahan noted that the 2012 initial budget has a forecast of a potential 10% increase for the upcoming renewal. Additionally, Ms. Monahan reported that the impact of the Health Care Reform will have serious implications financially in year 2014 when many of the final provisions are expected to take place. Ms. Monahan presented the possibility of increased employee contribution and/or higher deductibles in the future. Ms. Monahan reported that she will continue to explore options and seek direction from the Commission regarding the selection of future health care plans, providers, and cost sharing.

Click Here for Presentation: <http://portofbellingham.com/DocumentView.aspx?DID=786>

### 2. Update – 3<sup>rd</sup> Quarter 2011 Financial Report.

Chief Financial Officer Rob Fix summarized the 3rd quarter year to date financial report to be as follows:

Revenues totaled \$23.2 million. Of that total, revenues from the Operating activities were \$15.7 million, Public Priorities \$789 thousand, Non-Operating activities \$6.7 million.

The Expenses totaled \$21.4 million (no depreciation) which included Operating Activity expenses \$9.9 million, Public Priorities expenses \$1.9 million and Non-Operating expenses \$9.6 million.

Mr. Fix also reported the income before depreciation (all sources) totaled \$1.8 million, at \$1.3 million below budget and ending cash balance \$71.1 million; end of 2<sup>nd</sup> quarter 2010 showed cash balance of \$28.4 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>9/30/2011</u>	<u>9/30/2010</u>
Current Assets	92,578	51,058
Long-term Assets	<u>287,071</u>	<u>264,609</u>
Total Assets	379,649	315,667
Current Liabilities	5,669	6,157
Long-term Liabilities	<u>157,251</u>	<u>112,894</u>
Total Liabilities	162,920	119,051
Net Assets	\$216,729	196,616

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

Aviation:

Total Revenues of \$5.4 million, Budget \$5.3 million, 2010 \$4.3 million  
Expenses \$3.4 million, Budget \$3.4 million, 2010 \$2.9 million

Operating Margin \$2.0 million, Budget \$1.8 million, 2010 \$1.4 million  
Margin as % of revenue is 37%  
Margin last year 33%

Marinas:

Total Revenues of \$4.7 million, Budget \$5.0 million, 2010 \$4.7 million  
Expenses \$2.3 million, Budget \$2.0 million, 2010 \$1.8 million

Operating Margin \$2.5 million, Budget \$3.0 million, 2010 \$2.8 million  
Margin as % of revenue is 52%  
Margin last year 61%

Marine Terminals:

Total Revenues of \$1.4 million, Budget \$1.3 million, 2010 \$1.4 million

Real Estate:

Revenues of \$4.1 million, Budget \$4.1 million, 2010 \$4.7 million  
Expenses \$1.2 million, Budget \$1.4 million, 2010 \$1.2 million

Operating Margin of \$2.9 million, Budget \$2.8 million, 2010 \$3.6 million  
Margin as % of revenue is 71%, 2010 75%

Regarding current investments, Mr. Fix reported \$2 million Federal Home Loan Mortgage, \$8 million Federal Home Loan Bank, and \$2.750 million Federal National Mortgage Association and \$1 million in the Federal Farm Credit Bank. The Balance of cash (\$56.1 million) is invested in the Local Government Investment Pool (LGIP).

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. The Port will look to the party responsible for backing truck into and damaging Port's fence near the airport is being held responsible for cost of repairs.

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:

The operating divisions are performing well to budget but down compared to the prior year, the corporate overhead costs at 11.1% of Operating Revenues (Planning, Facilities, Administration, Executive), and Public Program expenses at 82% of the budget.

Mr. Fix added the balance sheet is strong, reporting: Net assets grew 10% (\$20 million from third quarter 2010).

Click Here for Presentation: <http://portofbellingham.com/DocumentView.aspx?DID=785>

### **3. Update – 2012 Strategic Budget.**

In his update on the Port's 2012 Draft Strategic Budget, Chief Financial Officer Rob Fix provided 2011 to 2012 budget comparisons in terms of Revenues, Expenses, Capital, Debt Service and Cash Flow for the Public priorities, Aviation, Marinas, Real Estate, Marine Terminals programs in addition to the investment interest, property tax, grants considerations for the Public Priorities, Environmental, Bellingham Waterfront Acquisition Site programs. Mr. Fix added that the next budget draft will be provided to the Commission and the public on October 27<sup>th</sup>.

Click Here for Presentation: <http://portofbellingham.com/DocumentView.aspx?DID=787>

### **4. Update – WPPA 2011 Environmental Conference.**

Environmental Director Mike Stoner presented an overview of the Washington Public Ports Association (WPPA) Environmental Seminar: The Past, Present & Future of Environmental Regulations held in Chelan, Washington earlier in the month. Mr. Stoner spoke of the Ecology Model Control Toxic Controls Act (MTCA), stormwater regulations and Greenhouse Gases and SEPA requirements. Mr. Stoner added that given the industrial history of Puget Sound and in particular, the affect on Bellingham Bay, through the environmental regulations in the 1970's: Clean Water Act, Clean Air Act, National Environmental Policy Act, Endangered Species Act, Resource Conservation and Recovery Act, the Bellingham Bay is cleaner now than it has been in the past thirty years.

Click Here for Presentation: <http://portofbellingham.com/DocumentView.aspx?DID=788>

## **ACTION ITEMS**

**1. DEPARTMENT OF NATURAL RESOURCES (DNR) EASEMENT FOR THE CORNWALL AVENUE LANDFILL.**

Motion: Authorize the Executive Director to enter into an easement with the Washington State Department of Natural Resources (DNR) for the placement and storage of fill material on a portion of the Cornwall Avenue Landfill, pending no substantive changes to Draft Easement No. 51-087624.

Discussion: Environmental Site Project Manager Brian Gouran explained that the no-fee easement put forth for Commission consideration addresses components of the integrated Gate 3 Dredging and Float Replacement / Cornwall Avenue Landfill Interim Action project and will allow the placement and storage of dredge material from the Gate 3 project. Mr. Gouran explained that the area that the easement covers is state owned land that managed by the Department of Natural Resources (DNR) and due to the historical municipal land filling operations remedial action is required under the Washington State Department of Ecology's Model Toxics Control Act (MTCA). Mr. Gouran added that the five-year easement is consistent with the amended Agreed Order covering the Interim Action that Port and City of Bellingham entered into with Ecology in 2010. Additionally, an Interlocal Agreement between the Port and DNR addresses coordination and funding for cleanup activities on a number of sites including the Cornwall Avenue Landfill. Mr. Gouran further explained that at the time of a final cleanup decision from the Department of Ecology, the Port and DNR will negotiate a long-term easement that will include components of the final cleanup approach.

Motion approved with a 3-0 vote.

**2. PROFESSIONAL SERVICES AGREEMENT (PSA) WITH URS CORPORATION FOR THE GENERAL AVIATION RAMP (GA) PAVEMENT REHABILITATION AND RECONSTRUCTION PROJECT AT THE BELLINGHAM INTERNATIONAL AIRPORT.**

Motion: Authorize the Executive Director to execute a Professional Services Agreement (PSA) with URS Corporation for the design of the Phase One General Aviation (GA) Area Pavement Rehabilitation and Reconstruction Project in the amount of \$177,162, and include a \$22,838 contingency for a total authorized amount of \$200,000.

Discussion: Senior Project Engineer John Hergesheimer explained that URS was selected earlier in the year to negotiate a fee and scope of engineering and design related services for the Rehabilitation and Expansion of the GA Apron project and that the proposed first phase involves only Subareas 1 and 6 of Area 1; the other Subareas in Area 1 will be performed later. Mr. Hergesheimer added that 95% of the PSA is reimbursable through the previously approved Federal Aviation Administration (FAA) AIP No. 48 Entitlement Grant.

Motion approved with a 3-0 vote.

**3. INCREASE CONSTRUCTION CONTRACT WITH RAM CONSTRUCTION GENERAL CONTRACTORS, INC., FOR THE BELLINGHAM INTERNATIONAL AIRPORT (BLI) SOUTHWEST DENTION POND.**

Motion: Authorize the Executive Director to:

1. Increase the contingency for the construction contact with RAM Construction General Contractors, Inc. by \$200,000, which provides a new total authorized contract amount of \$1,785,148.
2. Approve a Capital Improvement Program (CIP) transfer of \$200,000 to Line 95, 01-1811-10 from Line 106, Account 10-1811-12, and
3. Approve an increase in the CIP Line 97 of \$190,000 for the FAA Grant 95% share.

Discussion: Senior Project Engineer John Hergesheimer explained that the scope of the project has increased due to additional quantity overruns (particularly of quarry spalls) exceeding the prior projected and contingency amounts; increasing the project costs beyond the previously authorized September 6, 2011 amounts. Mr. Hergesheimer added that the Federal Aviation Administration (FAA) will cover 95% of the eligible project costs.

Motion approved with a 3-0 vote.

**NEW BUSINESS**

1. Commissioner Scott Walker noted that over the past year he had significant concerns about Executive Director Charlie Sheldon's job performance and his approach to several Port issues. Mr. Walker noted that his concerns were not personality driven but rather he strongly disagreed with Mr. Sheldon's approach on a number of issues over the last year, particularly staff reorganization. Mr. Walker noted that it was his duty as a commissioner to evaluate the overall performance of Mr. Sheldon over the past year. Commissioner Walker cited several examples of incidents or decisions that caused him to reach his conclusion. Commissioner Walker noted that he had concluded that his concerns had risen to the level where he intended to make a motion for the resignation of Mr. Sheldon. Mr. Walker added that regardless of the outcome of the vote, he would continue to work with his fellow commissioners on the many issues that come before the Commission and if Mr. Sheldon remained as the executive director he would continue to work with Mr. Sheldon in the best interest of the Port.

Motion (by Commissioner Walker): I call for the resignation of Charlie Sheldon from the Port of Bellingham as the Executive Director.

Discussion: Commissioner Jorgensen expressed his confidence in Mr. Sheldon citing his view of Mr. Sheldon's job performance and accomplishments over the past year. Commissioner Jorgensen noted that he respected Commissioner Walker and his long service to the Port but respectfully disagreed with Commissioner Walker on this issue. Commissioner Jorgensen expressed the view that after this vote he was confident that the

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commissioners could continue to work together closely on the business of the Port and that Commissioner Walker would work continue to with Mr. Sheldon on important Port issues. Motion failed with a 1-2 vote; Commissioner Walker voting for and Commissioners McAuley and Jorgensen voting against.

**ADJOURN**

As there was no further business, the meeting was adjourned at 5:35 p.m.

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Michael McAuley, President

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Jim Jorgensen, Secretary