

**MINUTES OF THE PORT OF BELLINGHAM COMMISSION MEETING
HELD TUESDAY, FEBRUARY 07, 2012
HARBOR CENTER BUILDING CONFERENCE ROOM
1801 ROEDER AVENUE, BELLINGHAM, WASHINGTON**

Present:	Scott L. Walker Jim Jorgensen Michael McAuley	President Vice President Secretary
Staff:	Charlie Sheldon Rob Fix Dan Zenk Mike Stoner Dan Stahl Fred Seeger Carolyn Casey Elizabeth Monahan Shirley McFearin Frank Chmelik Heather MacKay	Executive Director Chief Financial Officer Director, Aviation Director, Environmental Programs Director, Marine Services Director, Facilities Director, External Affairs Director, Human Resources Real Estate Development Manger Port Counsel Acting Executive Secretary

CALL PUBLIC MEETING TO ORDER AND RECESS TO CLOSED EXECUTIVE SESSION

At 12:00 p.m., Commissioner Walker called the Commission meeting to order and immediately recessed to a closed executive session to discuss real estate transactions and pending litigation pursuant to RCW 42.30.110(1) (c) (i). Commissioner Walker 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 3:05 p.m.

PUBLIC COMMENT PERIOD

Darren Williams, 4089 Y Rd, Bellingham, WA – Longshoreman – Mr. Williams wanted to let the Commission know that after 2 years of expressing their concerns, the Longshoreman feel that the Commission and staff are doing a good job building business onto the shipping terminal. Mr. Williams wanted to let the Commission know that the Longshoreman want to continue to be supportive and collaborate on adding more appropriate business to the terminal.

CONSENT AGENDA

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

- A. Approve the minutes of the January 3, 2012 and January 17, 2012, regularly scheduled Commission meetings.
- B. Authorize the Executive Director to enter into a one year Interlocal Agreement with the City of Bellingham for reciprocal use of certain public facilities up to a maximum of three uses per year.
- C. Voucher Certification and approval November 28, 2011-December 25, 2011.

Discussion: Commissioner McAuley requested an alteration to the meeting minutes from January 3, 2012, to reflect Commissioner Walker called the meeting to order, not Commissioner McAuley.

Motion approved with a 3-0 vote.

ACTION ITEMS

1. SUPPLEMENTAL LEASE AGREEMENT BETWEEN THE PORT OF BELLINGHAM AND THE UNITED STATES GOVERNMENT (US CUSTOMS).

Motion: Authorize the Executive Director to execute a Supplemental Lease Agreement (SLA) between the Port of Bellingham and the United States Government (U.S. Customs).

Discussion: Director of Aviation Dan Zenk explained that this is not a new lease, just a supplemental lease, extending the current lease for another 2 years until the Airport expansion project is done. The current lease is expiring on June 1, 2012. This will help give some time to do some advance planning on where the U.S. Customs office will be located on the airfield in the final completion of the airport project.

Motion approved with a 3-0 vote.

2. PROFESSIONAL SERVICES AGREEMENT (PSA) WITH ANCHOR QEA FOR THE COMPLETION OF A REMEDIAL INVESTIGATION/FEASIBILITY STUDY AT THE I&J WATERWAY.

Motion: Authorize the Executive Director to execute an amendment to the Professional Services Agreement with AnchorQEA for \$329,906, including a 20% contingency, for completing a Remedial Investigation/Feasibility Study (RI/FS) at the I&J Waterway site.

Discussion: Director of Environmental Programs Mike Stoner explained that the I&J Waterway is one of the Bellingham Bay Model Toxic Controls Act (MTCA) sites. It has been on hold since 2007 when Ecology suspended the project, pending clarification of emerging policy under the Dredge Material Management Program (DMMP). Now that the policies have been completed, the Port is working with Ecology to restart the RI/FS study. This project should be completed towards the end of 2012. Mr. Stoner let the Commission know that we are working with all of the users of this waterway to make sure their interests are addressed

in the project. A 20% contingency has been included due to remaining uncertainties associated with Ecology rule making adjustments to the State Sediment Management Standards.

Motion approved with a 3-0 vote.

3. LEASE RENEWAL AND MODIFICATION FOR CHRIS AND HEATHER LANGE DBA COFFEE JUNCTION.

Motion: Commission approval of Renewal and Modification of Lease Agreement between the Port of Bellingham and Chris and Heather Lange doing business as Coffee Junction.

Discussion: Director of Maritime Dan Stahl let the Commission know that Coffee Junction is a tenant at Fairhaven Station. They are requesting the ability to use one of their 2, 5 year options. Mr. Stahl let the Commission know that the lease is within the Port's rental revenue standards.

Motion approved with a 3-0 vote.

4. LEASE MODIFICATION FOR BROWN'S AIRPORT RESTAURANT, LLC DBA SCOTTY BROWNS.

Motion: Commission approval of a Modification of Lease with Brown's Airport Restaurant, LLC doing business as Scotty Browns, for a full-service restaurant and lounge inside the secured section of the 20,000 square foot expansion, the Port recently completed at the Bellingham International Airport terminal building.

Discussion: Real Estate Development Manager Shirley McFearin requested for the Commission to approve a lease modification to extend substantial completion of the restaurant to on or before June 15, 2012 rather than the initially required date of March 1, 2012. Ms. McFearin indicated this is due to a series of unforeseen obstacles and delays. There were 3 major ones; 1. the application to the State for the franchise approval, 2. the liquor license and , 3. complex scope of restaurant design. As an inducement for the Port's willingness to extend the restaurant opening date, the Port's requirement to install the floor drains shall be deleted.

Motion approved with a 3-0 vote.

5. APPROVAL OF COMMERCIAL LEASE AGREEMENT BETWEEN THE PORT AND TRAILHEAD ATHLETICS, INC.

Motion: Commission motion approving a Commercial Lease Agreement between the Port of Bellingham and Trailhead Athletics, Inc. for use of 2,000 square feet at 712 Coho Way (Marian Square).

Discussion: Real Estate Development Manager Shirley McFearin presented a proposal for a new lease for Port property at 712 Coho for a 2 year lease starting March 1, 2012 for Trailhead Athletics, Inc. Ms. McFearin let the commission know that the lease does not meet rental revenue standards currently, but would get to that point by year 3. Trailhead Athletics will be leasing in “as is” condition with no capital investment on the part of the Port.

Motion approved with a 3-0 vote.

6. COMMERCIAL LEASE MODIFICATION WITH GREENBERRY INDUSTRIAL, LLC TO ADD 46,500 SQUARE FEET OF OUTSIDE STORAGE.

Motion: Commission motion to approve a Modification of Commercial Lease Agreement with Greenberry Industrial LLC to add approximately 46,500 square feet of outside storage area to the leased premises effective February 1, 2012, ending May 31, 2012.

Discussion: Real Estate Development Manager Shirley McFearin presented to the Commission the modification of lease for Greenberry Industrial LLC to add more property to their current short term lease. The addition of 46,500 square feet would be added thru May 31, 2012. This added property would be used for outside storage purposes only. This will bring the total property that Greenberry is leasing to 7 acres.

Motion approved with a 3-0 vote.

UPDATE

1. Update – 4th Quarter 2011 Financial Report.

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

Revenues totaled \$33.2 million. Of that total, revenues from the Operating activities were \$20.8 million, Public Priorities \$1.0 million, Non-Operating activities \$11.4 million.

The Expenses totaled \$21.7 million (no depreciation) which included Operating Activity expenses \$13.1 million, Public Priorities expenses \$2.5 million and Non-Operating expenses \$6.1 million.

Mr. Fix also reported the income before depreciation (all sources) totaled \$11.5 million, at \$8.8 million better than budget and ending cash balance \$69.1 million; end of 4th quarter 2010 showed cash balance of \$80.2 million. (\$44 million is related to bond issuance for the airport and marina project).

Regarding the Balance Sheet, Mr. Fix reported:

	<u>12/31/2011</u>	<u>12/31/2010</u>
Current Assets	89,938	101,527
Long-term Assets	<u>292,940</u>	<u>279,411</u>
Total Assets	382,878	380,938

Current Liabilities	8,530	7,852
Long-term Liabilities	<u>156,140</u>	<u>157,236</u>
Total Liabilities	164,670	165,088
Net Assets	\$218,208	215,850

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

Aviation:

Total Revenues of \$7.2 million, Budget \$7.0 million, 2010 \$5.9 million
Expenses \$4.6 million, Budget \$4.6 million, 2010 \$3.9 million

Operating Margin \$2.6 million, Budget \$2.4 million, 2010 \$1.9 million
Margin as % of revenue is 37%
Margin last year 33%

Marinas:

Total Revenues of \$6.3 million, Budget \$6.7 million, 2010 \$6.1 million
Expenses \$2.9 million, Budget \$2.7 million, 2010 \$2.4 million

Operating Margin \$3.4 million, Budget \$4.0 million, 2010 \$3.7 million
Margin as % of revenue is 54%
Margin last year 60%

Marine Terminals:

Total Revenues of \$1.9 million, Budget \$1.7 million, 2010 \$1.8 million
Expenses \$1.6 million, Budget \$1.7 million, 2010 \$1.1 million

Operating Margin \$240 thousand, Budget \$45K, 2010 \$697K
Margin as % of revenue is 13%
Margin last year 38%

Real Estate:

Revenues of \$5.3 million, Budget \$5.5 million, 2010 \$6.2 million
Expenses \$1.5 million, Budget \$1.8 million, 2010 \$1.6 million

Operating Margin of \$3.8 million, Budget \$3.7 million, 2010 \$4.6 million
Margin as % of revenue is 72%, 2010 74%

Regarding current investments, Mr. Fix reported \$8 million Federal Home Loan Bank, and \$2.750 million Federal National Mortgage Association. The Balance of cash (\$55.7 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 \$150,000 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 Storm-water program, Mr. Fix reported samples were not required; suspended for consistent attainment and all training and record keeping is in compliance.

NEW BUSINESS

1. Commissioner McAuley requested that Environmental Director Mike Stoner explain to the Commission the tour that Resources was taken on at the GP site. Mr. Stoner explained that the Port and Resources have an open communication, so if there is ever a question by Resources on how the Port is handling Storm-water they can ask. Resources called and asked about how the Storm-water was being handled on the GP site. The Environmental Department took 15 people from Resources on a tour of the entire GP site to show them how we are handling the project.

ADJOURN

As there was no further business, the meeting was adjourned at 4:20 p.m.

Scott Walker, President

Michael McAuley, Secretary