

**MINUTES OF THE PORT OF BELLINGHAM COMMISSION MEETING
HELD TUESDAY, APRIL 17, 2012
HARBOR CENTER BUILDING CONFERENCE ROOM
1801 ROEDER AVENUE, BELLINGHAM, WASHINGTON**

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| Present: | Scott L. Walker | President |
| | Jim Jorgensen | Vice President |
| | Michael McAuley | Secretary |

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| Staff: | Rob Fix | Interim Executive Director |
| | Dan Zenk | Aviation Director |
| | Lydian Bennett | Business Development Director |
| | Mike Stoner | Environmental Programs Director |
| | Carolyn Casey | External Affairs Director |
| | Fred Seeger | Facilities Director |
| | Elizabeth Monahan | Human Resources Director |
| | Dan Stahl | Maritime Director |
| | Sylvia Goodwin | Planning and Development Director |
| | Neil Clement | Emergency Management/ Security Officer |
| | Frank Chmelik | Port Counsel |
| | Diane McClain | Executive Secretary |

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

Commissioner Walker called the meeting to order at 1:00 p. m. and reported that the purpose of the closed session would be to discuss personnel matters, pending litigation and real estate transactions pursuant to RCW 42.30.110(1) (g) (i) (c), and that the closed session was expected to last approximately 2 hours with no formal action to be taken by the Commission in the discussion.

RECONVENE PUBLIC MEETING.

Commissioner Walker called the meeting to order at approximately 3:18 p.m. Commissioner Walker then announced that the agenda would be revised to address the Consent Agenda before the Public Comment Period.

PUBLIC COMMENT PERIOD: The following people signed up for and participated in the public comment period:

1. Matt Paskus, 1151 Old Marine Drive, Bellingham WA. - Airport, power point presentation Cat and Mouse, regarding Growth and the Airport, advertising, BIACC concern regarding Avgas. <http://www.portofbellingham.com/DocumentCenter/Home/View/1402>
2. Bill Graves, (Trident Seafood) - Bellingham, - Port, reinstate Charlie Sheldon as head of

the Port, very helpful, correct a wrong and make it right.

3. Mike Dayton, (*20 yr. Boater at Squalicum*) 3 Maragol Dr, Bellingham, -Fire Boat, discussed with Bellingham City Council the demise of the Firebelle (fireboat), attended the open house at the USCG, the 41 ft. patrol boat due to be decommissioned and turned over to the GSA has a high pressure fire suppression and with water canon on the foredeck and top speed, would be a good fire boat, public safety takes precedence, all it would take is a formal request. Commissioner Walker asked staff to look into this and report back.
4. Anne Marie Faiola, (*Brambleberry Soap making supplies, last year recipient of the Small Business Administration -small business person of the year Washington state*), 2138 Humboldt, Bellingham, - Petition, details intriguing, never given a formal review, 12 mos. investment and community dollars expense, a couple part time volunteers were able to gather signatures, heartwarming to see the community support, submitting a petition to the Commission asking to reinstate Charlie Sheldon, 800 + signatures - asking to reverse decision and rehire Charlie Sheldon, without that, fears the community will lose confidence in the Port and its processes. Called Charlie and he said he would be willing to come back and loved working in Whatcom Co. and on the waterfront and marina issues. To Commissioner Jorgensen, regarding senior staff, just a few, staff in general were unhappy with Charlie's performance. Please vote to bring Charlie Sheldon back. Click here for documents:
<http://www.portofbellingham.com/DocumentCenter/Home/View/1401>
<http://www.portofbellingham.com/DocumentCenter/Home/View/1375>
<http://www.portofbellingham.com/DocumentCenter/Home/View/1376>
<http://www.portofbellingham.com/DocumentCenter/Home/View/1377>
5. Greg Schoenherr, (*President of Chapter 404 Experimental Aircraft Association*) 5586 Salish Rd., Blaine, WA., -Airport/Fuel, aviation low lead fuel, submit for matter of public record, 2 articles re: Aviation low lead fuel, published worldwide.
6. George Dyson, (*23 yr. resident of the waterfront, business owner*), 435 W. Holly, Bellingham, WA, -Waterway, wished he had spoken earlier to add to voice of the people questioning the decision to terminate Charlie Sheldon, hopes to hear today what the problem really was, what new direction was mentioned, questioning decisions made too hastily and in the dark.
7. Greg Ander, 4165 Mitchell Way, Bellingham, WA., -Aircraft Operations, response to the Research done by the EPA, Research has some flaws and being redone and urged caution when using the Avgas at Chico Intl. Airport 2000 comparison study ,lead levels raised by aviation GA community working the issue.
8. Bert Webber, (*BIACC member*) 3935 Cliffside Dr., Bellingham, WA.- Airport, two issues: BANG Settlement Agreement, hoping the Port will address, decision urged., 2) Lead in aviation fuel, CDC has found there is no safe levels of lead, impact on kids living close to airports, had lead in their blood. Large amount of info. available and clear evaluation of risk, 40 -80 % using BLI could switch to unleaded fuel- supplier in Bellingham. Commissioner Walker said the issue would be discussed further and Commissioner McAuley requested a copy of the CDC study.

Click here: <http://www.portofbellingham.com/DocumentCenter/Home/View/1398>

9. Frances Badgett, 2514 West St. Bellingham, WA., -Charlie, termination of Charlie Sheldon by the Port Commission is a tremendously disappointing moment for the community, especially given the threshold of waterfront redevelopment, to go into a lengthy costly process to find another Executive Director when Charlie Sheldon was well liked, well respected, Community will not trust or respect Commission if staff is allowed to overturn your Executive position for reasons unexplained. Urged Commissioner Jorgensen to reconsider his vote and the Commission to reinstate Charlie Sheldon.
10. Kate Simmons, (*Airport tenant representative on the BIACC*), 2664 E. Smith Bellingham, WA. -Airport/fuel, Clean Air Act limiting fuels, states and Ports do not have the authority in regards to restricting and the industry is waiting for more information on high octane alternatives to Avgas, the FAA and not the EPA has the final authority based on safety considerations. Click here: <http://www.portofbellingham.com/DocumentCenter/Home/View/1399>
11. Lisa Neulicht, 899 Piper Road, Ferndale, WA. - Airport noise - family and neighbors 6 miles north and east of the airport, impacted by the noise, would like to see the Master Plan process, survey and input and public meetings better publicized, currently hidden on the website. Encouraged Port to get the word out, Request a map be provided at the upcoming public meeting so people can mark where the greatest impacts are (negative and positive).
12. Alex McLean, 1009 32nd, Bellingham, WA. - Petition, Forced resignation of Charlie Sheldon - more nervous speaking to the Commission than jumping out of an airplane earlier this week. - does not know Charlie Sheldon but could see some progress in the Waterfront development, seemed like interesting things happening, Port has spent a lot of "energy and resources" to get someone qualified, and the forced resignation telegraphs a certain position from the Port that if a qualified person is hired and you disagree with him, he gets the boot and railroaded out of town. Reverse decision or consider with the next guy, going to much harder and take a lot of time.
13. Tip Johnson, (*former Port tenant*) 2719 Donovan, Bellingham, WA. - Port commissions, ran for the Port against Scott Walker, discovered far less than 10 % understand that the Port is its own taxing authority, Port has enjoyed a low profile in Whatcom county, and GP big waterfront development, move into current century, increase commission to 5. Options are that the Port sponsors a resolution or the public puts on the ballot, 7 - 8,000 signatures needed- Draft resolution presented to the Commission. Commissioner Walker responded that it should be discussed at a future Commission meeting. Mr. Johnson responded that signatures are already being gathered.

Click here: <http://www.portofbellingham.com/DocumentCenter/Home/View/1403>

14. Jason Hart, (*Port tenant*), 1430 Lincoln St., Bellingham, WA. - Airport, maintaining Avgas at the airport, banning would drive people to purchase elsewhere or simply not using Bellingham International Airport.

15. John Munson, 2195 Lummi Shore Rd., Bellingham, WA. - Sheldon, we have some grave problems we need to address, issue of forced resignation should be revisited, not all the facts were given to Commissioner Jorgensen when he agreed to accept Charlie's resignation, there is a wound in the community that can only be healed by the rehiring of Charlie, only one skilled enough to deal with issues like this, for the good of the Port, good of the County and the good of the people of the County, this needs to be addressed.
16. Milan Slipcevic, (CFA, Commercial Fisherman Association of Whatcom County President), 156 Windward Dr. Bellingham, WA.-Sheldon, we'd like to have Charlie back as Executive Director for the Port, we know what the Commission went thru to get Charlie and everyone in community agrees that he does a good job, steers the ship in the right direction and would like to support that guy. Port staff went 2 yrs. without a leader and now when a leader shows up, skipper does a good job; he gets fired by the deck hand.
17. Lisa McShane, 1451 Grant St. Bellingham, WA. -Retaining the director, reinstate Charlie Sheldon - hard to admit that things went awry, outpouring of support if the right thing is done.
18. John Blethen, 1715 Ellis Bellingham, WA.,-Sheldon, ran against Scott Walker for Port Commissioner, pleased that revisiting the issue, engaged in waterfront visioning and processing, a lot of heartache, had a port director who had ability to generate jobs and that's what we need in this town and a guy that can bring the community together.
19. Doug Karlberg, 107 Fairside Dr. Unit 107, -Supporting Director Sheldon, ran for port commissioner against Mike McAuley, rather than repeat what has been said, speak to what hasn't been said, man who had an impeccable record for doing what he was hired to do, had the community support, message we send as to how we treat people, Charlie Sheldon has done some good things for everyone in the room, we asked this man to come here and he has a great history, asked to resign or fired for cause over the weekend, we are left to pass judgment after 2 weeks of partial and sketchy information; doesn't look good, Charlie doesn't deserve to be treated like this so please reinstate Charlie Sheldon.
20. Art Choat, (*past Port of Bellingham Harbormaster and Aviation Director*), Commissioner Walker read aloud a letter he received from Art Choat, currently undergoing chemotherapy. Mr. Choat asked to have his letter entered into the record to express his opinion that Charlie Sheldon had no appreciation for the culture built over the years and that Charlie Sheldon had a Port of Seattle point of view, a split Commission and huge division of staff, move the Port forward, wished Charlie the best but not at the Port of Bellingham. Click here for letter: Click here:
<http://www.portofbellinham.com/DocumentCenter/Home/View/1378>
- 21.
22. The Executive Secretary asked that letters to the Commission from Les Seelye, Robert French and David Ulane re: Avgas be entered into the record.

Click here for letters: <http://www.portofbellinham.com/DocumentCenter/Home/View/1379>

CLOSE THE PUBLIC COMMENT PERIOD AND RECONVENE THE REGULAR COMMISSION MEETING.

Commissioner McAuley asked that a discussion be had regarding personnel. Commissioner Walker suggested discussing after Consent Agenda.

CONSENT AGENDA

Motion: To adopt Consent Agenda items A through D as follows:

- A. Approve the Event and Site Use Agreement with Allied Arts of Whatcom County for the Bellwether Arts Market.
- B. Approve the Event and Site Use Agreement with The Jazz Project for the Bellwether Jazz Festival.
- C. Approve Port Resolution No. 1309 submitting an application to reorganize the Port's general purposes Foreign Trade Subzones (FTZ) and adopt the Alternative Site Framework (ASF).
- D. Approve and execute a modification to the existing Foreign Trade Subzone (FTZ) Operations Agreement between the Port of Bellingham and BP West Coast Products, LLC (the Parties).

Discussion: Commissioner McAuley asked that staff take a hard look at expenses resulting from the fire. Interim Executive Director Rob Fix suggested the staff may need to make capital project adjustments.

Motion approved with a 3-0 vote.

Personnel Issue

Commissioner McAuley began by saying that he knows a motion to rescind the vote on the separation of Charlie Sheldon, lacking a second, that motion would die. Commissioner McAuley stated that he had spent the last day and a half speaking to staff members talking about Charlie Sheldon and was even more confident that the decision to accept his resignation was wrong. Commissioner McAuley added that the Executive Director lives and dies by his staff. How the Commission could possibly rush to judgment to end the employment of Charlie, after 9 hours of talking with his direct reports, even more confident that deckhands do not run the boat or decide who the skipper is. Commissioner McAuley further added that he has lost confidence in the organization and in the Commission, not good governance, and good public process to spend months to find the Executive Director and find it so very easy on a Saturday to ask for his resignation. Mr. McAuley added the Port cannot move forward without significant changes and the people in attendance are the proof that there is no confidence in what we are doing.

Commissioner Walker responded that is clear that Charlie made a lot of friends and alliances in the community and had a friendliness about him that is lacking at the Port. Commissioner Walker added that there were other things about Charlie he had problems with, leadership, a fractured staff, fractured commission and it was just getting worse, Charlie had big port experience, no experience working with elected officials, bigger budgets, scale and volume quite different, ultimately problems with his leadership with the staff, harmonize the staff and work with the Commission. Commissioner Walker stated he was a big believer in Charlie Sheldon at the beginning, called him in Seattle when they were first hiring, and that Charlie was not terminated for cause, he probably felt that at the next meeting, the majority of the Commission would vote to call for his resignation, and Charlie opted to preempt that and contacted the Port regarding a separation agreement.

Commissioner Jorgensen reported that he said in the paper that he would give the public an answer and that Charlie was great to work with, a great operator but there was problems with staff and problems with the Commission and it was a "fractured staff and a fractured Commission" and it would not be a good idea for Charlie to return, difficult for staff and commission to operate.

Commissioner Walker added that the fact is that we do not agree on everything and he disagrees with Commissioner McAuley, the Port has to move on; too many big projects ongoing, waterfront and the airport and search for a new Executive Director. Commissioner McAuley added that what we've lost here is more than we've gained, changes will have to be made, but there's no way we are just going to move forward.

5 Minute Recess.

ACTION ITEMS

1. NEW AIRLINE LEASE WITH FRONTIER AIRLINES, INC.

Motion: Approve a new Airline lease with Frontier Airlines, Inc. for air service at the Bellingham International Airport.

Discussion: Aviation Director Dan Zenk reported that Frontier Airlines is opening 6 new cities this month. The proposed agreement for service at BLI is for a one year term commencing May 24, 2012, with subsequent one year renewals, unless either party provides at least 120 days written notice to terminate. Mr. Zenk explained that Frontier Airlines will pay to the Port \$320.00 per month for an Exclusive Area Ticket Counter Space inside the terminal, and lease a small office space upstairs in the terminal building for \$312.50 plus \$.25 per square foot for triple net charges per month. Mr. Zenk added that the announced May to September test period for once daily flights to and from Denver has resulted in moderate ticket sales, with very little advertising done thus far. Mr. Zenk further added that the standard agreement for the first 12 months will include a discount rate for landing fees, waiving Aircraft Rescue Firefighting (ARFF) use and fuel flowage fees and reimburse Frontier for Port approved marketing/advertising expenses at \$3.00 per enplaned passenger during the first year. Mr. Zenk confirmed that the additional terminal ticketing and baggage handling traffic will be a squeeze in the first year for that one flight a day.

Motion Approved with a 3-0 vote.

2. NEW COMMERCIAL GROUND LEASE FOR A COMMISSARY BUILDING AT BELLINGHAM INTERNATIONAL AIRPORT - ALLEGIANT AIR .

Motion: Approve a new commercial ground lease for an Allegiant Air commissary building at the Bellingham International Airport.

Discussion: Aviation Director Dan Zenk explained that Allegiant Air has expanded operations considerably since first beginning air service at BLI in 2004. Mr. Zenk added that Allegiant Air employs over 150 crew members and staff at their Bellingham station, and Allegiant would like to develop and construct a permanent building on airport property adjacent to the air traffic control tower to replace the 3 wide modular building that they currently occupy. Mr. Zenk further explained that the proposed ground lease for the proposed site is for thirty years; the first five year period would be \$1,195.70 per month beginning at occupancy of the building or 18 months after completion, with subsequent renewal periods to be negotiated for each term based on fair market value of the property. There was some discussion regarding a provision for environmental conditions of the property, the design and location of the building, long term lease, the potential that Allegiant could vacate and if so, what would become of the new building. Mr. Zenk reported that the site was selected because it is close to where park they park the aircraft, close to storage. Staff was directed to contact Allegiant and work with Port counsel to revise the language to address the Commission's concern regarding the building should Allegiant vacate or abandon the leasehold. The motion was withdrawn and will be brought forward at a future Commission meeting.

3. MODIFICATION TO ALLEGIANT AIR MODULAR BUILDING GROUND LEASE.

Motion: Approve a modification to the Allegiant Air lease to relocate their modular building at the Bellingham International Airport.

Discussion: Aviation Director Dan Zenk explained that Allegiant Air entered into a ground lease agreement with the Port in 2008 for 4,000 square foot ground space and Allegiant Air leased and installed a three wide (48'x60') modular building on the north end of the main passenger terminal to accommodate flight crew operations and a commissary for \$3,453.00 per month. Mr. Zenk added that the proposed modification is due to the airport terminal expansion project impacting and relocating Allegiant Air to a five wide modular (60'x70') modular building north of the project site and outside the construction area. Mr. Zenk further explained that Allegiant's monthly payment would be adjusted to \$3,066.50 for both the modular and 5,000 square foot ground space.

Motion approved with 3-0 vote.

Update- Squalicum Harbor Boathouse Fire, Declaration of an Emergency.

Maritime Director Dan Stahl reported that the City of Bellingham Council meeting on Monday April 16th included a presentation to the Council by Bellingham Fire Chief Boyd and Bellingham Police Lt. Vander Yacht regarding the City response to the March 30th Squalicum Boathouse fire. In that presentation, the 911 call, response and rescue attempts, Firebelle

fire boat, unified command set up and recovery efforts were discussed.

Mr. Stahl explained that in the presentation, Chief Boyd reported by the time the units arrived on the scene, the boathouse was fully engaged and that the Firebelle if in use, would not have been able to prevent the tragic loss of the two that perished in the fire nor would it have been able to save the property that was destroyed; though it would have added to the safety margin for the firefighters.

Mr. Stahl reported that the City asked the Port to handle the recovery efforts and that NRC and Global Diving were selected to perform those services and that under the guidance of the incident commander, the recovery operation is still ongoing. Mr. Stahl added that every effort has been made to treat the families impacted with dignity and respect. The area has been contained while the recovery and investigation is ongoing and the marina staff has met with GE boat owners several times and is working through a number of issues including but not limited to information and coordination between the owners, many insurance company representatives, investigators and media. Mr. Stahl further reported that there has been a huge outpouring of support for and effort from all areas of the Port's staff and multiple agencies as a result of this fire and he asked that the staff continue to offer support to those most impacted by the event.

4. RATIFICATION OF EMERGENCY CONTRACT FOR SERVICES ASSOCIATED WITH THE MARCH 30, 2012, SQUALICUM HARBOR BOATHOUSE FIRE.

Motion: Approve ratifying the Contract issued to Global Diving and Salvage, Inc. for services including the removal, recovery, and loss mitigation work associated with the Squalicum Harbor boathouse fire for an estimated amount of \$1,456,021 for the period March 30, 2012 to approximately April 25, 2012.

Discussion: Facilities Director Fred Seeger explained that on March 30, 2012, as a result of the fire in the Boathouse at Squalicum Harbor, Executive Director Charlie Sheldon made a finding of the existence of an emergency, pursuant to procedures of RCW 39.04.020. Mr. Seeger further explained that this finding allows the Port to execute public works contracts necessary to respond to the emergency and that the contract with Global requires the Port Commission's ratification pursuant to this authority. Mr. Seeger further explained that the work commenced on day one of the fire and it is anticipated that the work will be completed on April 25th.

Emergency and Security Officer Neil Clement reported that fencing and security measures have been put in place to maintain and preserve evidence as the salvage operation is ongoing and to assist in cause and origin fire and insurance investigation purposes.

There was some discussion as to how the cost of salvage operations would be handled as respects to budgeting and potential insurance recovery and it was agreed another update to the Commission will follow the completion of the ongoing cause and origin fire investigation.

Motion approved with a 3-0 vote.

ADD TO THE AGENDA:

5. RATIFICATION OF EMERGENCY CONTRACT FOR SERVICES ASSOCIATED WITH THE MARCH 30, 2012, SQUALICUM HARBOR BOATHOUSE FIRE.

Motion: Approval of a motion ratifying the Contract issued to NRC Environmental Services for services including the removal, recovery, and loss mitigation work associated with the Squalicum Harbor boathouse fire for an estimated amount of \$175,000 for the period March 30, 2012, to April 2, 2012.

Discussion: Facilities Director Fred Seeger reported that on March 30, 2012, as a result of the fire in the Boathouse at Squalicum Harbor, Executive Director Charlie Sheldon made a finding of the existence of an emergency, pursuant to procedures of RCW 39.04.020. Mr. Seeger further explained that this finding allows the Port to execute public works contracts necessary to respond to the emergency and that the contract with NRC requires the Port Commission's ratification pursuant to this authority.

There was some discussion as to how the cost of salvage operations would be handled as respects to budgeting and potential insurance recovery will be explored and further discussed in another update to the Commission following the completion of the ongoing cause and origin fire investigation.

Motion approved with a 3-0 vote.

3 Minute Break.

Update- Bellingham International Airport, Master Plan.

Aviation Director Dan Zenk reported that the Master Plan process would be explained in an update presented by John Yarnish. Mr. Yarnish explained that the briefing of the BLI Airport Master Plan is a precursor to the public information meetings planned for this week.

Mr. Yarnish provided to the Commission an outline for the process/ project schedule, historical development timeline, touched upon the survey results, economic benefits, and projections for the financial outlook, potential future growth and development at the airport. Mr. Yarnish reported that the Bellingham airport has seen a 30 -35% growth since 2006, because every time a new service is added, more facility improvements are needed. Mr. Yarnish further stated one purpose of the Master Plan is try to get 5 years ahead of the problems related to rapid growth. The growth at BLI is being driven by forces outside of Bellingham, and through the Master Plan process, the Port may be better able to predict where that lid on the growth will be. Mr. Yarnish mentioned there were over 100 attendees at the first public meeting, with very real concerns and feedback regarding traffic, noise, pollution, parking, service, quality of life impacts, and urged cautious growth.

Interim Executive Director and Chief Financial Officer Rob Fix discussed a 5 year backward and a 5 year forward (2007 - 2016) Airport Financial Out look pertaining to the revenue and expenses, and annual cash flow and cumulative cash flow. Mr. Fix explained that the information provided reflects a 10 year cash flow including the terminal expansion, and

capital projects and revenue at a conservative 3 % growth rate.

Mr. Yarnish spoke of terminal capacity, older aircraft, the General Aviation (GA) facility current use and capacity as well as the current and forecasted hangar capacity deficit, environmental considerations, instrumentation and technology, flight paths, noise impacts, control tower location, etc. Mr. Yarnish cited Alternatives with comparative advantages and disadvantages for addressing the Airport and GA growth going forward. Ultimately, the Commission will need to decide how much the airport is going to grow. Mr. Zenk reminded the Commission that there is a public meeting on the Master Plan April 19th at noon and 6:30 p.m.

ADJOURN

As there was no further business, the meeting was adjourned at 6:35 p.m.

Scott L. Walker, President

Michael McAuley, Secretary