

**MINUTES OF THE PORT OF BELLINGHAM COMMISSION MEETING
HELD TUESDAY, OCTOBER 16, 2012
HARBOR CENTER BUILDING CONFERENCE ROOM
1801 ROEDER AVENUE, BELLINGHAM, WASHINGTON**

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

Staff:	Rob Fix	Interim Executive Director
	Dan Zenk	Aviation Director
	Lydia Bennett	E
	Mike Stoner	Environmental Programs Director
	Carolyn Casey	External Affairs Director
	Elizabeth Monahan	Human Resources Director
	Dan Stahl	Maritime Director
	Sylvia Goodwin	Planning and Development Director
	Shirley McFearin	Real Estate Development Manager
	Adam Fulton	Senior Project Engineer
	Frank Chmelik	Port Counsel
	Diane McClain	Executive Secretary

CALL PUBLIC MEETING TO ORDER

Commissioner Walker called the meeting to order at approximately 3:05 p.m.

PUBLIC COMMENT PERIOD:

The following persons signed up for public comment on matters pertaining to the airport.

1. Mary Terese Boettner, Bellingham, WA 98225, - Land Specs, Cornwall Beach, presented a vision for the GPac site. (See attached).
<http://www.portofbellingham.com/DocumentCenter/View/1706>
2. Matt Paskus, 1151 Old Marine Drive, Bellingham, WA. - Airport - Park and Ride presentation (See attached).
<http://www.portofbellingham.com/DocumentCenter/View/1705>
3. Lisa Neulicht, 899 Piper Road, Ferndale, WA. - Airport, Airport Studies. Presented Commission a letter with signatures of those in opposition of Airport expansion and the increase in commercial jet traffic (See attached memo.)
<http://www.portofbellingham.com/DocumentCenter/View/1704>
4. Doug Karlberg, 107 Fairside Drive, Unit 14, Lynden WA - Port General, 1.) Spoke of displeasure with past Port Commissioner Doug Smith's comments in Business Pulse magazine article and, 2) asked Port staff for clarification of election and commission costs.

Revision to the Agenda

Commissioner Walker announced that the order of the agenda would be revised to accommodate members in the audience and guest speakers.

Update - Executive Director - Announce Finalists

Commissioner Walker announced that the Port received great response and much interest to the posting of the Port of Bellingham Executive Director position and that after reviewing resumes and individual one on one interviews with each of the Commissioners, the three (3) Finalists for the Executive Director position are:

1. Jonathan Daniels, Executive Director, Port of Oswego, New York.
2. William Panos, Public Works and Port Director, City of West Sacramento, California.
3. Les Reardanz, Chief Administrative Officer, Port of Everett.

Commissioner Walker added that on October 29 and 30, 2012, there will be staff, senior staff and stakeholder panel interviews with the finalists. Commissioner Walker invited the public to attend a Community reception to meet the finalists on the 29th at the Bellingham Cruise Terminal. Commissioner Walker also added that a special closed executive session to discuss the three (3) finalists will be held on October 31st with the expectation for the final discussion and decision to occur in the November 6th open public Commission meeting.

NEW BUSINESS

SUPERIOR ENERGY SERVICES, LLC - UPLAND LEASE AT THE BELLINGHAM SHIPPING TERMINAL.

Action: Motion to approve a new commercial Lease Agreement ("Lease") with Superior Energy Services, LLC commencing November 1, 2012, for a five (5) year period to include 20,125 square feet of warehouse and office space inside Warehouse No. 2 located at the Bellingham Shipping Terminal (BST).

Discussion: Real Estate Development Manager Shirley McFearin explained that the Port entered into a five year Berthing Agreement with Superior in June 2012 for the berthing of the vessel Artic Challenger at BST and the agreement addressed additional upland area to support Superior's in-water operation. Ms. McFearin added that the proposed lease satisfies Superior's need for additional warehouse and office space. Ms. McFearin introduced Captain Scott Powell from Superior Energy Services, LLC. Captain Powell provided an overview of Superior's operation, home-based in Texas, with over 14,000 employees in the U.S. and operations worldwide. Captain Powell presented the Commission with a brass plaque with the vessel Artic Challengers logo, adding that it signified their Washington state commitment.

Motion approved with 3-0 vote.

CONSENT AGENDA

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

- A. Authorize the Interim Executive Director to approve payment of \$48,766.69 to the Department of Natural Resources for Aquatic Lands Harbor Lease Nos. 22-002469 and 22-002470 for the period December 1, 2012, through November 30, 2013.
- B. Motion by the Commission approving the New Commercial Lease with Steven W. Avery, a sole proprietor, d/b/a Avery Financial Services.
- C. Motion by the Commission to approve a Modification of Lease and Renewal and Modification of Lease between Moon Enterprises, Inc., d/b/a/ Star Fish, Inc. and the Port of Bellingham.

Discussion: None.

Motion approved with a 3-0 vote.

RECESS THE PUBLIC MEETING TO OPEN THE PUBLIC HEARING:

Interim Executive Director Rob Fix explained that the purpose of the public hearing was to receive comments on the proposed Amendment to the Squalicum Harbor Scheme of Harbor Improvements; necessary to complete the proposed Port/City land swap transaction Agenda Action Item No. 1

PUBLIC COMMENT PERIOD:

There were none.

CLOSE THE PUBLIC HEARING AND RECONVENE THE PUBLIC MEETING.

ACTION ITEMS:

1. RESOLUTION NO. 1314 AMENDING THE COMPREHENSIVE SCHEME OF HARBOR IMPROVEMENTS FOR SQUALICUM HARBOR.

Action: Motion to approve Resolution No. 1314 amending the Comprehensive Scheme of Harbor Improvements for Squalicum Harbor removing the Cornwall Beach property, the Army Street property, and the Tideland Lots of Cornwall beach and declaring them surplus to the needs of the Port.

Discussion: Interim Executive Director Rob Fix presented a PowerPoint presentation (attached) on the Interlocal Agreement for the Exchange of Real Property. Mr. Fix defined the proposed property exchange as a Port / City collaboration allowing for the most efficient management and development of properties; the City focusing its expertise on development of public waterfront access: parks, trails and mixed use development and the Port focusing its expertise in marine industrial use. Mr. Fix explained that the proposed resolution addresses the land transaction with the City of Bellingham and involves a parcel at the southern end of Cornwall Avenue ("Cornwall Beach"), two tideland parcels at the southern end of Cornwall Beach, one tideland parcel at the southwest corner of the Pine street and Cornwall Street intersection, and three parcels near Army Street and the BNSF railway right of ways. Mr. Fix further explained that the City and Port staff have independently analyzed the agreements

and have determined that the True and Fair Value of these parcels located in areas that do not contribute to the overall Port redevelopment plans for the Waterfront District, can be in trade with the City as part of the proposed land trade transaction. Mr. Fix added that none of the environmental cleanup responsibilities for any of these parcels will change with the transfer of properties and that the Port is required to amend the Comprehensive Scheme of Harbor Improvements and surplus these properties prior to transferring the properties. Mr. Fix reported if the proposed land transaction and amendment to the Comprehensive Scheme of Harbor Improvements are approved, the transaction would close by the end of October 2012.

Motion approved with 3-0 vote.

2. LAND TRANSACTION WITH THE CITY OF BELLINGHAM: FULL AND FAIR VALUE AND APPROVAL OF INTERLOCAL AGREEMENT FOR LAND TRANSACTION.

Motion:

- Approve Resolution No. 1315 providing for the determination of “Full and Fair value” for the proposed land transaction with the City of Bellingham, and
- Authorize the Interim Executive Director to execute the Interlocal Agreement for the Exchange of Real Property by and between the Port of Bellingham and the City of Bellingham, and any related documents necessary to close the transaction.

Discussion: As Interim Executive Director Rob Fix explained in Action Item No. 1, the proposed Land Transaction is a Port / City collaboration allowing for the most efficient management and development of properties; the City focusing its expertise on development of public waterfront access: parks, trails and mixed use development and the Port focusing its expertise in marine industrial use. The City will receive the Port’s 51% ownership of the Cornwall Beach parcel, an option to receive the three Cornwall Beach Tideland parcels, the Army Street parcels, the Port’s agreement to pay for any costs related to replacement of marine infrastructure at Colony Wharf that would have been the City’s responsibility to pay under the Model Toxic Controls Act (MTCA) cleanup of that portion of the Central Waterfront and Whatcom Waterway sites, a license to establish a temporary trail to and around the ASB lagoon, and a parking area for users of the trail. The Port will receive: all but two of the Colony Wharf parcels owned by the City, an option purchase the two remaining Colony Wharf parcels and, an option to purchase up to 40% of the Cornwall beach development parcel. Mr. Fix also reported that the proposed Resolution No. 1315 transaction meets the “full and fair value” criteria per RCW 43.09.210 and that the Interlocal Agreement for the Exchange of Real Property will accomplish the land transaction.

Motion approved with 3-0 vote.

<http://www.portofbellingham.com/DocumentCenter/View/1703>

3. AIRPORT COMMERCIAL TERMINAL EXPANSION - PHASE TWO CONTRACT INCREASE FOR CHANGE ORDER NO. 4.

Motion: Authorize an increase to the total authorized contract amount with Dawson Construction on the Airport Commercial Terminal expansion - Phase Two project for tenant

reimbursable work in the amount of Change Order No. 4 which is valued at \$52,613.83 for a new total authorized contract amount of \$17,014,447.83.

Discussion: Senior Project Engineer Adam Fulton explained that two Port tenants (Allegiant Air and Scotty's Brown's) have requested and negotiated with the Port for changes to the Port's Airport Commercial Terminal Expansion project and both tenants will reimburse the Port's costs for these changes, either directly and/or via a lease with the Port, to accommodate their current and future facility needs.

Motion approved with 3-0 vote.

WORK STUDY SESSION

Update - Airport Master Plan.

Aviation Director Dan Zenk introduced URS consultant John Yarnish, to present a status update on the Bellingham International Airport Master Plan (PowerPoint presentation attached). Mr. Yarnish explained that the Master Plan directly relates to the Port's Mission Statement; in particular as it addresses transportation. Mr. Yarnish further explained that current identification and analysis of alternatives needed at the airport require decisions to be made. Mr. Yarnish further reported that a recent meeting with the FAA revealed that the Port's direction for a managed growth approach does not provide nor support the growth of the airport to the satisfaction of the FAA. Mr. Yarnish presented the Schedule, Update Objective and Goals of the Master Plan as well as the process for gathering public feedback. Mr. Yarnish reported that nearby residents have commented that the increased development has impacted their quality of life, property values and health and that the airport is primarily serving non-locals, using noisier older aircrafts and has increased financial and social risks. Other residents have reported being pleased with the additional service the airport offers. Mr. Yarnish discussed recent airport development, growth and capacity, immediate actions, and encouraged the Commission to consider near-term needs and long term options for the airport, going forward with the Master Plan process.

Update - State Lobbyist - Share with City of Bellingham & County & Port

External Affairs Director Carolyn Casey provided a brief update regarding the Port City and County proposal to share in contracting with one state lobbyist. Ms. Casey explained that with the recent retirement of Dick Little, the Port approached the City and County and proposed that the three government entities combine their lobbying efforts to form a three way agreement for one unified approach. Ms. Casey added that a request for proposal (RFP) for the shared lobbying services will be advertised shortly and the goal is to have a proposed contract for Commission approval by the end of the year.

Update - 3rd Quarter Financial Presentation

Chief Financial Officer Rob Fix provided an overview of the 2012 year to date financial results. (PowerPoint attached). Mr. Fix reported that at the end of the third quarter, the revenues year to date totaled \$24.1 million (up from \$15.6 last year), Expenses \$16.2 million

(up from \$14.8 last year) and the income before depreciation (all sources) totaled \$8.0 million, \$4.4 million better than budget. The ending cash balance \$58.3 million (\$19.3 related to bond issuance for the airport and marina) compared to \$71.1 million last year. Mr. Fix provided an overview of the Aviation, Marinas, Marine Terminals, and Real Estate Division financial highlights. In summary, Mr. Fix reported that at the end of the third quarter, year to date figures showed the operating divisions performed somewhat better than budget and prior year, corporate overhead costs were at 11.5% of operating revenues, public program expenses were at 78% of budget and the balance sheet remains strong, net assets increased \$1.0 million from 2nd quarter 2012.

<http://www.portofbellingham.com/DocumentCenter/View/1707>

NEW BUSINESS

The Commission approved an International travel request for Interim Executive Director / Chief Financial Officer Rob Fix to attend an all-day conference, Vancouver's Board of Trade - Beyond the Border, in Vancouver, British Columbia on October 24, 2012.

ADJOURN

As there was no further business, the meeting was adjourned at 5:45 p.m.

Scott L. Walker, President

Michael McAuley, Secretary