

**MINUTES OF THE PORT OF BELLINGHAM COMMISSION MEETING  
HELD TUESDAY, FEBRUARY 19, 2013  
HARBOR CENTER BUILDING CONFERENCE ROOM  
1801 ROEDER AVENUE, BELLINGHAM, WASHINGTON**

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

Staff:	Rob Fix	Executive Director
	Dan Zenk	Aviation Director
	Lydia Bennett	Business Development Director
	Mike Stoner	Environmental Programs Director
	Carolyn Casey	External Affairs Director
	Fred Seeger	Facilities Director
	Tamara Sobjack	Finance Director
	Elizabeth Monahan	Human Resources Director
	Dan Stahl	Maritime Director
	Sylvia Goodwin	Planning and Development Director
	Shirley McFearin	Real Estate Director
	Adam Fulton	Senior Project Engineer
	Mike Bozzo	Maintenance Manager
	Terry Ilahi	Real Estate Analyst
	Judy Harvey	Real Estate Representative
	Frank Chmelik	Port Counsel
	Diane McClain	Executive Secretary

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

Commissioner Walker called the meeting to order at 12:00 p. m. to report that the purpose of the closed session would be to discuss real estate transactions and pending litigation pursuant to RCW 42.30.110(1) (c),(i).

**RECONVENE PUBLIC MEETING AND ROLL CALL**

Commissioner Walker called the meeting to order at 3:00 p. m.

**PUBLIC COMMENT PERIOD**

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

1. Mike Granat, 800 Cornwall Avenue, Bellingham, WA. 98225 - Bellingham Maritime Museum- Presented the Commission with a letter re: the history and function of the museum and urged the Commission to consider a proposal to be presented in the near future for keeping the museum as an important part of the Waterfront Master plan. Click here for copy of letter: <http://www.portofbellingham.com/DocumentCenter/View/2279>
2. Matt Paskus, 1151 Old Marine Drive, Bellingham WA 98225- Airport - Presented the Commission with a card with a matrix /diagram (attached) and asked for Commission

consideration as to placement of the Airport today.

Click here for diagram: <http://www.portofbellingham.com/DocumentCenter/View/2280>

**WORK STUDY ITEMS:**

**1. Update - Year End Financial Report.**

Finance Director Tamara Sobjack summarized the 4<sup>th</sup> quarter year to date 2012 financial report to be as follows:

Revenues totaled \$35.5 million. Of that total, revenues from the Operating activities were \$21.5 million, Public Priorities \$1.1 million, Non-Operating activities \$12.9 million.

Expenses totaled \$22.3 million (no depreciation) which included Operating Activity expenses \$12.7 million, Public Priorities expenses \$2.7 million and Non-Operating expenses \$6.9 million.

Ms. Sobjack also reported the income before depreciation (all sources) totaled \$13.2 million, at \$8.5 million better than budget and ending cash balance \$53.5 million (\$14.6million is related to bond issuance for the airport and marina project); end of 4<sup>th</sup> quarter 2011 showed cash balance of \$69.1 million.

Regarding current investments, Ms. Sobjack reported \$6 million Federal Home Loan Bank, and \$4.750 million Federal National Mortgage Association. The Balance of invested cash (\$38.4 million) is invested in the Local Government Investment Pool (LGIP).

Regarding the Balance Sheet, Ms. Sobjack reported:

	<u>12/31/201</u>	<u>12/31/201</u>
	<u>2</u>	<u>1</u>
Current Assets	72,936	90,448
Long-term Assets	<u>314,448</u>	<u>293,715</u>
Total Assets	387,494	384,163
Current Liabilities	9,533	8,509
Long-term Liabilities	<u>155,880</u>	<u>160,390</u>
Total Liabilities	165,413	168,890
Net Assets	\$222,081	215,273

Ms. Sobjack summarized the income summaries year to date per operating divisions:

Aviation:

Total Revenues of \$7.9 million, Budget \$7.5 million, PY \$7.2 million  
Expenses \$4.8 million, Budget \$5.1 million, PY \$4.6 million

Operating Margin \$3.1 million, Budget \$2.4 million, PY \$2.6 million  
Margin as % of revenue is 39%  
Margin prior year 37%

Marinas:

Total Revenues of \$6.0 million, Budget \$7.1 million, PY \$6.3 million  
Expenses \$2.7 million, Budget \$2.7 million, PY \$2.9 million

Operating Margin \$3.3 million, Budget \$4.4 million, PY \$3.4 million  
Margin as % of revenue is 55%  
Margin PY 54%

Marine Terminals:

Total Revenues of \$2.3 million, Budget \$2.0 million, PY \$1.8 million  
Expenses \$1.2 million, Budget \$1.2 million, PY \$1.6 million

Operating Margin \$1.1 million, Budget \$.8 million, PY \$.2 million  
Margin as % of revenue is 47%  
Margin PY 13%

Real Estate:

Revenues of \$5.1 million, Budget \$5.0 million, PY \$5.3 million  
Expenses \$1.3 million, Budget \$1.6 million, PY \$1.5 million

Operating Margin of \$3.8 million, Budget \$3.4 million, PY \$3.8 million  
Margin as % of revenue is 74%, Prior Year 72%

Regarding Risk Management activities, Ms. Sobjack reported the Port had 3 major incidents involving damage to Port property: First, the February 27, 2012 Boat fire resulting in \$20,000 the Port expects to recover. Second, the March 30, 2012 G-East Boathouse fire in which the cause and origin investigation is ongoing. The claim is expected to reach \$ 400,000 plus the estimated \$1.4 million in salvage and cleanup costs. Ms. Sobjack also reported the Port expects to recover its costs less any applicable deductibles. Third, the November 2, 2012 incident involving the Alaska Marine Highway System female employee injured while operating the passenger ramp which was damaged when it fell. Costs are not yet known for this incident and the cause investigation is still ongoing.

Ms. Sobjack further reported that the Port has received a Statement of Loss from its property insurance carrier for the reimbursement of cost for repairs, subject to the deductible, for the November 2010 windstorm. In that storm, a vessel broke free from its mooring and the Port's insurance company declined liability in response to a request from the owner for damages.

Ms. Sobjack summarized 2012 by reporting the operating divisions performed better than budget / prior year and the balance sheet remains strong with an increase in net assets.

Regarding the Storm-water program, Ms. Sobjack reported samples resumed in July 2012 results were under permit benchmarks and all training and record keeping is in compliance.

Ms. Sobjack provided photos of significant Port projects including the Airport Terminal, South Commercial Ramp, Slater Road Wetland Mitigation, Rebuild Gate 3 Laterals F&G, Blaine Bulkhead/ Sinkhole Repairs.

Click here for presentation: <http://www.portofbellingham.com/DocumentCenter/View/2282>

**2. Update - Bellingham Shoreline Master P rogram.**

Planning and Development Director Sylvia Goodwin explained that the Bellingham Shoreline Master Program effective February 26, 2013, was approved by Ecology on February 4, 2013, and adopted by the City on February 11, 2013. Ms. Goodwin further explained that the Program applies to areas within 200' of the shoreline and regulates uses, setbacks, buffers, height and land use. Ms. Goodwin reported that the regulations will impact water dependent, water related and water enjoyment development on Port land in the Waterfront District, Squalicum Harbor and Fairhaven areas.

Click here for presentation: <http://www.portofbellingham.com/DocumentCenter/View/2281>

### 3. - Airport Hotel Request for Proposals/ Vision (RFP).

Real Estate Director Shirley McFearin reported that for purposes of developing a hotel on the Port's airport property, there were two development sites offered, one on the corner of West Bakerview and Mitchell Way and the other visible from I-5 and closer to the airport terminal building. Ms. McFearin reported that of the four proposals submitted, one was from a company in Canada, the other three from Washington State. Ms. McFearin added that a committee (Shirley McFearin, Barbara Pierson, Rob Fix, Dan Zenk and Commissioner Walker) formed to review the proposals and meet with representatives from each of the four companies. Ms. McFearin added that the next steps will include a Memo of Understanding (MOU) outlining the basic deal points of the lease for Commission consideration in the near future to be followed by a formal lease transaction to be brought before the Commission.

### **ACTION ITEMS:**

#### **1. 2012 WHATCOM COUNTY ELECTION COSTS - FOR PLACEMENT OF PROPOSITION NO. 1 ON THE VOTERS BALLOT TO INCREASE NUMBER OF PORT COMMISSIONERS FROM 3 TO 5.**

Motion: Authorize the Executive Director to authorize payment to the Whatcom County Auditor's office in the amount of \$96,252.71 for the placement of Proposition No.1, increasing number of Port Commissioners from 3 to 5, on the November 6, 2012, General Election ballot.

Discussion: Finance Director Tamara Sobjack explained that the invoice presented for payment authorization is the result of Port Resolution No. 1310 approved by the Commission on June 12, 2012, placing a ballot measure for the increase of members on the board of Port of Bellingham Commissioners..

Motion approved with 3-0 vote.

#### **2. 2013 BELLINGHAM INTERNATIONAL AIRPORT TARIFF SCHEDULE**

Motion: Approval of the 2013 Bellingham International Airport Tariff Schedule, effective March 1, 2013.

Discussion: Aviation Director Dan Zenk explained that staff is recommending several changes to the Bellingham International Airport Tariff Schedule to better compete with offsite airport parking lot operators, generate additional airport revenue, and increase the overall percentage of filled parking slots. These proposed changes include a tiered pricing structure with daily rates reduced from \$9.00 per day to \$8.00 per day in the airport parking lots with

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Overflow Lot B (next to Woodstone) and Lot C (Industrial park area) and increasing the Lost Ticket minimum fee from \$9.00 to \$10.00. Mr. Zenk added that in an effort to improve customer service standards, the proposed Airport Tariff Schedule includes a \$100 per violation for any Ground Transportation Service Operator (GTSO) failing to adhere to the requirements of the License to Operate (LTO) agreement for operators conducting business at the airport.

Motion approved with 3-0 vote.

### **3. CHANGE ORDER NO. 9 FOR THE AIRPORT COMMERCIAL TERMINAL EXPANSION (ACTE) PHASE TWO CONTRACT INCREASE.**

Motion: Authorize an increase to the total authorized contract amount with Dawson Construction on the Airport Commercial Terminal Expansion (ACTE) - Phase Two project for Transportation Security Administration (TSA) reimbursable work in the amount of Change Order No.9 which is valued at \$230,977.30 for a new total authorized contract amount of \$17,431,209.77.

Discussion: Senior Project Engineer Adam Fulton explained that the Port and the TSA have an Other Transactions Agreement (OTA) valued at \$4,195,701 and per the agreement, the cost for the proposed work in Change Order No. 9 which includes revisions to the electrical system on the Checked Baggage Inspection System and the outbound baggage handling system as requested by the TSA, is eligible for reimbursement by the TSA.

Motion approved with 3-0 vote.

### **4. PROFESSIONAL SERVICES AGREEMENT WITH ASSOCIATED PROJECT CONSULTANTS FOR FMIP FIRE LINE REPLACEMENT.**

Motion: Authorize the Executive Director to execute a Professional Services Agreement (PSA) with Associated Project Consultants of Bellingham, Washington for the engineering, design and permitting for the Fairhaven Marine Industrial Park (FMIP) Fire Line replacement, Phases 1 and 2 in the amount of \$81,114 plus a 10% contingency, for a total authorized contract amount of \$89,225, and transfer of \$63,733 from Capital Improvement Project (CIP) account 09-1813-21 (FMIP Fire Line Construction) to CIP account 09-1813-20 (FMIP Fire Line Design).

Discussion: Maintenance Manager Mike Bozzo reported that the piping supplying the fire protection for the FMIP has required several repairs in 2012 with direct costs over \$50,000 as well as requiring a 24 hour fire watch. Mr. Bozzo added that the new tenant in Building 7 will require a much higher pressure on the Port-owned fire line and will increase the likelihood for system failures, increased repair costs and fire protection deficiencies.

Motion approved with 3-0 vote.

### **5. AWARD CONTRACT TO RHEMA ELECTRIC FOR SQUALICUM WEBHOUSE NO. 3 AND 4 ELECTRICAL UPGRADES AND REPLACE PRIMARY SWITCHGEAR AT FMIP.**

Motion: Authorize the Executive Director to execute a contract with Rhema Electric, Inc. for the Squalicum Webhouses 3 & 4 Electrical Upgrades and the Primary Switchgear at Fairhaven Marine Industrial Park (FMIP) project in the amount of \$265,069.97 plus a 10% contingency of \$26,500 for a

total authorized contact amount of \$291,569.97.

Discussion: Facilities Director Fred Seeger explained that the webhouse upgrades project was brought before the Commission last fall when Elite Electrical protested the bid award results based its assertion of confusing language involving the power0or-attorney form relating to the bid bond. Commission directed staff to submit the project for a rebid. The webhouse upgrades component of the project is that rebid. Mr. Seeger further explained that of the three companies submitting proposals, Rhema Electric was selected as the lowest responsive and responsible bidder to provide the labor, materials, and equipment necessary for the demolition and replacement and upgrades of the antiquated electrical systems in the three Squalicum webhouses as well as the added component of replacing the primary switch gear at FMIP.

Motion approved with 3-0 vote.

#### **6. RENEWAL AND MODIFICATION OF LEASE WITH YORKSTON OIL CO. INC. FOR PROPERTY LOCATED AT SQUALICUM HARBOR.**

Motion: Approval of a Renewal & Modification of Lease between the Port of Bellingham and Yorkston Oil Company Inc.

Discussion: Real Estate Analyst Terry Ilahi explained that the Port and Yorkston Oil entered into a land lease in 1987 for property located at 2801 Roeder Avenue and the proposed renewal and modification of lease is for a term of 5 years with 3% annual rent increases effective November 1, 2012.

Motion approved with 3-0 vote.

#### **7. COMMERCIAL LEASE AGREEMENT WITH CONCOCOPHILLIPS CO. FOR SPACE AT BELLWETHER BUILDING, SUITE 207.**

Motion: Approval of a Commercial Lease Agreement between the Port of Bellingham and ConocoPhillips Co. for 4,200 square feet at #11 Bellwether Building, Suite 207.

Discussion: Real Estate Director Shirley McFearin and Real Estate Represented Judy Harvey reported that the proposed commercial lease is for a term of five (5) years with three (3) two-year renewal options, effective March 1, 2013, and that ConocoPhillips intends to utilize the office space in Suite 207 for office use in support of its shipping line of business. Ms. Harvey added that ConocoPhillips will have 24 hour access to the shower facility in the Port's newly acquired Bayview Center Building. Ms. McFearin further reported that the proposed action includes the payment of a 6% real estate broker compensation to be split equally between Newmark Grubb Knight Frank and Capital west Real Estate LLC, brokers representing ConocoPhillips.

Motion approved with 3-0 vote.

#### **8. BMI PROPERTIES NORTHWEST LLC LAND LEASE.**

Motion: Authorize the Executive Director to execute a lease with BMI Properties Northwest LLC for approximately 2 acres of land and waterway use adjacent to the C Street Terminal

site.

Discussion: Business Development Director Lydia Bennett introduced Everett Babbitt, CEO of Bellingham Marine Industries (BMI) and owners Bob Sternhagen and Rieker Sternhagen from The Landings at Colony Wharf, both parties most interested in the proposed action item before the Commission. Ms. Bennett explained that as a result of the 2012 land trade between the Port and the City of Bellingham, the Port acquired most of the City-owned property in the C Street area. Ms. Bennett further explained that the Port and BMI have worked together to develop a long-term lease for approximately two acres located adjacent to the waterway and south of the Maple Street right-of-way for a term of thirty (30) years, with six (6) five year options to renew, commencing April 1, 2013. Mr. Babbitt provided a brief history of the Ferndale and Lynden concrete precast operation established in 1928 adding that in order to take on work on larger scale, a larger waterfront accessible parcel is needed for concrete pieces that are too heavy for road and highway travel to be loaded directly onto barges for transportation to their intended destinations (marinas, bridges, etc).

The Commission shared concerns regarding approving the execution of a long-term lease (potentially 60 years) on the waterfront and the execution of a lease without the lease not yet fully developed. Executive Director Rob Fix explained that when the details have been developed, staff will share with the Commission prior to executing a lease agreement.

Motion approved with 3-0 vote.

### **NEW BUSINESS**

None.

### **ADJOURN**

As there was no further business, the meeting was adjourned at 5:25 p.m.

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Jim Jorgensen, President

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Scott L. Walker, Secretary