

**MINUTES OF THE PORT OF BELLINGHAM COMMISSION MEETING
HELD TUESDAY, SEPTEMBER 3, 2013
HARBOR CENTER BUILDING CONFERENCE ROOM
1801 ROEDER AVENUE, BELLINGHAM, WASHINGTON**

Present:	Jim Jorgensen	President
	Michael McAuley	Vice President
	Scott L. Walker	Secretary
Staff:	Rob Fix	Executive Director
	Carolyn Casey	External Affairs Director
	Dan Stahl	Maritime Director
	Mike Stoner	Environmental Director
	Tamara Sobjack	Finance Director
	Shirley McFearin	Real Estate Director
	Daniel Zenk	Aviation Director
	Norman Gilbert	Project Engineer
	Mike Bozzo	Maintenance Manager
	Steve Shipman	Real Estate Representative
	Frank Chmelik	Port Counsel
	Diane McClain	Executive Secretary

CALL PUBLIC MEETING TO ORDER AND RECESS TO CLOSED EXECUTIVE SESSION

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

RECONVENE PUBLIC MEETING AND ROLL CALL

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

PUBLIC COMMENT PERIOD

The following people signed up and commented on the following items:

1. Brian Pemberton, 13 Whispering Cedars, Bellingham – Uplands lease on the Agenda. NW Explorations (boat charter) owner Mr. Pemberton reported that they have 18 FTE, 30 during the season; they enjoy working with the Port and are asking the Commission approve the lease being proposed.
2. Craig Cooper, 319 S. Forest, Bellingham – Uplands Lease – Service Manager, NW Explorations spoke in favor of the proposed lease on the agenda.
3. David Christensen, POB 3068, Bellingham, WA –2925 Lease Modification on Agenda, spoke in favor of proposed modification of lease on the agenda; eliminating the requirement for water related use language.

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CONSENT AGENDA

Motion: Approve Consent Agenda items A - C as follows:

- A. Approval of the minutes of the August 20, 2013, regular Commission meeting.
- B. Voucher Certification and Approval August 8, 2013 – August 28, 2013, totaling \$3,310,214.82.
- C. Authorize the Executive Director to execute an Interlocal Cooperative Agreement with Whatcom County for cost sharing partnership for licensed Pictometry Imagery and software.

Discussion: None.

Motion approved with 3-0 vote.

ACTION ITEMS:

1. NEW COMMERCIAL LEASE - NW EXPLORATIONS LLC, MARINA SQUARE BUILDING, BELLINGHAM, WASHINGTON.

Motion: Approval of a new Commercial Lease between the Port of Bellingham and NW Explorations L.L.C. for 1,940square feet at the Marina Square Building.

Discussion: Real Estate Representative Judy Harvey reported that NW Explorations LLC owned by Brian Pemberton is expanding its marine trades business, to include a show room, a shop, tools/parts and repair area, and the proposed lease is for five years with three five-year renewal options.

Motion approved with 3-0 vote.

2. MODIFICATION OF LEASE - GASTON BAY LLC, SQUALICUM HARBOR, BELLINGHAM, WASHINGTON.

Motion: Approval of a Modification of Lease between the Port of Bellingham and Gaston Bay LLC.

Discussion: Real Estate Representative Terry Ilahi reported that Gaston Bay entered into a 35 year Harbor Land Lease for property next to Mount Baker Products in 2006, purchased the existing building from Sonny Foods LLC and renovated it to a Gold LEED certified office building. Mr. Ilahi also reported that the terms of the lease specified that all ground floor subtenants had to be marine or marine related. Mr. Ilahi further reported that Gaston LLC has been unable to meet that lease requirement and fully occupy the ground floor with subtenants and is therefore asking that the marine requirement be removed. Gaston Bay LLC owner's representative and Architect, Dave Christenson confirmed and asked that the space be made available for various office uses and that the marine use restriction be lifted.

Motion approved with 3-0 vote.

3. AMENDMENT NO. 2 TO THE PROFESSIONAL SERVICES AGREEMENT (PSA) WITH LANDAU ASSOCIATES FOR THE WESTMAN MARINE SITE PROJECT.

Motion: Authorize the Executive Director to execute an amendment to the Professional Services Agreement with Landau Associates, adding \$436,700 for a total authorized amount of \$568,700, including contingency for implementing a Remedial Investigation at the Westman Marine site.

Discussion: Environmental Programs Director Mike Stoner reported that the Westman Marine site in Blaine is listed as a Model Toxic Controls Act (MTCA) site and that the Port retained Landau Associates in 2011 to provide consulting support and Ecology and tenant coordination for a wide array of remedial action tasks to be done in phases. Mr. Stoner added that the scope of work for the second phase proposed in the amendment includes Remedial Investigation field activities and data summary reports, project management and continued Ecology and tenant coordination. Additional budget authorization will be required to complete subsequent phases of work under the Agreed Order with Ecology, including completion of the Feasibility Study.

Motion approved with 3-0 vote

4. AWARD BID TO INTERWEST CONSTRUCTION INC. OF BURLINGTON, WA FOR THE PHASE 1 SQUALICUM CREEK DELTA PROJECT.

Motion: Authorize the Executive Director to execute a contract with Interwest Construction, Inc. of Burlington, WA for the Squalicum Creek Delta Project Phase One in the amount of 4721,334.29 plus a 10% contingency of \$72,133 for a total authorized contract amount of 4793,467.29.

Discussion: Environmental Analyst Mike Hogan and Senior Project Engineer reported that the proposed contract will provide for the rebuilding of salmon habitat in the Squalicum Creek estuary. Mr. Hogan added that old bulkheads, creosote pilings, and other debris will be removed and new shallow areas will be created for salmon to reproduce, feed, rest and hide from predators.

Motion approved with 3-0 vote

5. AMENDMENT NO. 6 TO THE PROFESSIONAL SERVICES AGREEMENT (PSA) WITH ANCHOR QEA FOR THE SQUALICUM CREEK RESTORATION PROJECT.

Motion: Authorize the Executive director to execute Amendment No. 6 to the Professional Services Agreement (PSA) with Anchor QEA to perform construction management services for the Squalicum Creek Restoration Project in the amount of \$40,400 for a total authorized PSA amount of \$582,586.50.

Discussion: Senior Project Engineer Adam Fulton reported that the Bellingham Bay Demonstration Pilot established the Port and Department of Ecology as managers of cooperative partnership among multiple agencies for the purpose of improving the environmental health of Bellingham Bay. The Squalicum Creek and estuary are identified as

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priority habitat restoration opportunities. Mr. Fulton further reported that the proposed amendment provides construction support services for the first phase of estuary restoration and will establish the baseline report for the three year monitoring program required by the regulatory agencies funding the project.

Motion approved with 3-0 vote

6. CONTINGENCY INCREASE FOR THE AIRPORT COMMERCIAL TERMINAL EXPANSION – PHASE TWO PROJECT.

Motion: Authorize an increase to the total authorized contract amount with Dawson Construction, Inc. for the Airport Commercial Terminal Expansion- (ACTE) Phase Two project in the amount of \$550,000 for a new total authorized contract amount of \$18,524,040.50.

Discussion: Senior Project Engineer Adam Fulton reported that since approving the ACTE Phase Two Project in 2012, the Commission has approved several additional modifications to the project and that the initial 5% contingency has increased to approximately 8.4% proposed contingency due to additional security and code requirements, removal of hazardous building materials, tenant relocation, and signage and design accommodations.

Motion approved with 3-0 vote

RECESS PUBLIC MEETING AND OPEN THE INDUSTRIAL DEVELOPMENT CORPORATION (IDC) BOARD MEETING.

ACTION ITEMS

1. APPROVAL OF MINUTES

Motion: Approve the minutes of the December 18, 2012, and January 8, 2013, IDC Board meetings.

Discussion: None

Motion approved with 3-0 vote

2. IDC RESOLUTION FOR HEMPLER FOODS GROUP LLC

Motion: Adopt Inducement IDC Resolution No. 74 by the Board of Directors of the Industrial Development Corporation (IDC) of the Port of Bellingham. This Inducement Resolution supports the application of Hempler Foods Group LLC (Hempler) to capture costs associated with the firm's expansion for purposes of funding through tax exempt Industrial Revenue Bonds.

Discussion: Economic Development Specialist Dodd Snodgrass explained that Hempler has expanded its meat processing facility in Ferndale, WA considerably since 2006 when the IDC issued \$6,125,000 in tax exempt revenue bonds for the financing of Hempler's 34,000 square foot facility and Hempler is applying for an additional \$3,875,000, bringing the balance to \$10 million bond cap in order to help finance expansion, refinance the

outstanding bond and bring on additional employees. Port of Bellingham's Bond Counsel, Cynthia Weed, K&L Gates LLP added that they expect the bonds to be issued rather quickly and that she is pleased to report that the economy appears to be turning around.

Motion approved with 3-0 vote.

NEW BUSINESS

1. AUDIT 2006 BP SERIES INDUSTRIAL REVENUE BONDS – IRS ISSUE

Executive Director Rob Fix reported that the Department of the Treasury, IRS initiated a random audit of the 2006 Bonds and recommended designating IDC representatives to act on behalf of the IDC with respects to the IRS examination of the IDC of the Port of Bellingham Multi-Modal Series 2006 Industrial Development Revenue Bonds. Executive Director Rob Fix then made the following motion:

Motion: Authorize the IDC Board President and Secretary to execute a letter designating the Executive Director and Director of Finance as IDC representatives with full authority to execute instruments on behalf of the IDC in connection with the 2006 Bond Examination.

Discussion: Port legal counsel Frank Chmelik recommended making a similar motion with respects to Port of Bellingham designation of representatives.

Motion approved with 3-0 vote

CLOSE IDC BOARD MEETING AND RECONVENE COMMISSION MEETING

7. RESOLUTION NO. 1321 APPROVING THE INTENT TO ISSUE INDUSTRIAL REVENUE BONDS FOR HEMPLER FOODS GROUP LLC.

Motion: Approve Resolution No. 1321 by the Board of Commissioners of the Port of Bellingham. This resolution will support IDC Resolution No. 74 relating to the issuance of tax exempt Industrial Revenue Bonds for the benefit of Hempler Foods Group LLC.

Discussion: Economic Development Specialist Dodd Snodgrass explained that the proposed Port resolution is in support of the approved IDC Resolution No. 74 and action taken earlier.

Motion approved with 3-0 vote

NEW BUSINESS

1. AUDIT 2006 BP SERIES INDUSTRIAL REVENUE BONDS– IRS ISSUE

Motion: Authorize the Port of Bellingham Board President and Secretary to execute a letter designating the Executive Director and Director of Finance as Port of Bellingham representatives with full authority to execute instruments on behalf of the Port of Bellingham in connection with the 2006 Bond Examination.

Discussion: Executive Director explained that the proposed motion is the Port of the Bellingham action in regard to designation of representation, whereas the earlier action pertained to the Industrial Development Corporation (IDC) representation in matters pertaining to the Series 2006 Bond examination.

Motion approved with 3-0 vote

8. ECONOMIC DEVELOPMENT INVESTMENT PROGRAM (EDI) APPLICATION FOR “C” STREET TERMINAL UPLAND INFRASTRUCTURE REHABILITATION PROJECT.

Motion: Authorize the Executive Director to sign and submit an application to the Whatcom County Economic Development Investment Program (EDI) for funding toward the “C” Street Terminal Infrastructure Rehabilitation Project.

Discussion: Economic Development Specialist Dodd Snodgrass reported that the State of Washington provides funds for construction of public facilities supporting local economic development projects in rural counties through a .09% state sales tax rebate program. Mr. Snodgrass further reported that Whatcom County administers the rebate program through the EDI. Mr. Snodgrass explained that funding is available toward the north shoreline component of remediation work on the Whatcom Waterway and the additional upland rehabilitation work needed for the “C” Street Terminal area that serves approximately 5.5 acres, includes 27 subtenants, 114 jobs and lease areas of the Landings at Colony Wharf and Bellingham Marine Industry (BMI).

Motion approved with 3-0 vote

WORK STUDY

1. Update – Financial Report – 2nd Quarter 2013

Finance Director Tamara Sobjack summarized the 2nd quarter year to date 2013 financial report to be as follows: Revenues totaled \$17.1 million and Expenses totaled \$10.6 million. Ms. Sobjack reported as of 6/30/13, total assets were \$388.6 million compared to \$389 million at the end of 2012. Over the same period, liabilities decreased from \$173.3 million to \$169.4 million, resulting in an increase in Net Assets of \$3.5 million, to \$219.2 million at the end of June.

Regarding Risk Management activities, Ms. Sobjack reported there had been no major incidents reported in the first six months of 2013. The open incidents and claims for the Port involve damage to Port property during the February 27, 2012, Boat fire, the March 30, 2012 G-East Boathouse fire in which the cause and origin is still unknown, the November 2, 2012 incident involving the Alaska Marine Highway System (AMHS) female employee injured while operating the passenger ramp which was damaged when it fell.

Ms. Sobjack reported open claims against the Port include the November 2010 windstorm incident whereby 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 and a claim regarding

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a July 2012 trip and fall incident at Tom Glenn Common as well as the November 2, 2012, AMHS incident.

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

Regarding Safety for the 2nd Quarter of 2013, the Port had 1 Recordable Injury; the Recordable Incident Rate is 1.11, and 0 lost work days. Ms. Sobjack provided photos of significant 2nd Quarter 2013 Port projects including the Airport Terminal Outgoing Baggage Claim and Environmental Cleanup.

Click here for presentation: <http://www.portofbellingham.com/DocumentCenter/View/2731>

2. Update – 2012 Audit Results

Finance Director Tamara Sobjack reported that the Washington State Auditors were on site for a couple of months and the focus of the 2012 audit was on the Port's financial statements, bid compliance, change orders, grants and PFC program. Ms. Sobjack further reported that there were no findings, management letters, nor any other negative outcomes as a result of the 2012 Audit.

3. Update – Waterfront District

Environmental Programs Director Mike Stoner presented a brief update on the waterfront planning process and the plan for several Commission updates going forward. Mr. Stoner mentioned the Port's recent public hearing on the Comprehensive Scheme of Harbor Improvements and ongoing collection of written comments. He also provided a recap of the schedule of City of Bellingham Council and Planning Commission meetings, and an update on active projects, including the ongoing demolition of the Mercury Cell building, MTCA cleanup projects, and habitat restoration efforts.

NEW BUSINESS

There was none.

ADJOURN

As there was no further business, the meeting was adjourned at approximately 5:10 p.m.

Jim Jorgensen, President

Scott L. Walker, Secretary