

**MINUTES OF THE PORT OF BELLINGHAM COMMISSION MEETING
HELD TUESDAY, FEBRUARY 4, 2014
HARBOR CENTER BUILDING CONFERENCE ROOM
1801 ROEDER AVENUE, BELLINGHAM, WASHINGTON**

Present: Commissioners: Michael McAuley
Dan Robbins
Jim Jorgensen

Staff:

Rob Fix	Executive Director
Dan Zenk	Aviation Director
Mike Stoner	Environmental Programs Director
Carolyn Casey	External Affairs Director
Tamara Sobjack	Finance Director
Fred Seeger	Facilities Director
Elizabeth Monahan	Human Resources Director
Dan Stahl	Maritime Director
Shirley McFearin	Real Estate Director
John Hergesheimer	Senior Project Engineer
Judy Harvey	Real Estate Representative
Frank Chmelik	Port Counsel
Diane McClain	Executive Secretary

CALL PUBLIC MEETING TO ORDER AND RECESS TO CLOSED EXECUTIVE SESSION

Commissioner McAuley called the meeting to order at 2:00 p. m. to report that the purpose of the closed session would be to discuss real estate transactions pursuant to RCW 42.30.110(1) (g) (c).

RECONVENE PUBLIC MEETING AND ROLL CALL

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

PUBLIC COMMENT PERIOD

No one signed up for public comment.

CONSENT AGENDA

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

- A. Approve the minutes of the January 7, 2014, and the January 21, 2014, regular Commission Meetings.
- B. Approve Voucher Certification and Approval for period January 2 – January 29, 2014, totaling \$4,330,549.53.

- C. Authorize the Executive Director to execute a Purchase Order in the amount of \$37,461.13 to Workplace Development LLC., d/b/a Open Square in Seattle, WA. To purchase office furniture for the new Airport administration office located at Bellingham International Airport.
- D. Authorize the Executive Director to execute Amendment No. 2 to the Interlocal Agreement with the Port of Tacoma for assistance in obtaining federal permits for capital and environmental remediation projects by extending the term to March 11, 2016, and increasing the authorized budget by \$25,000 for a revised not-to-exceed amount of \$75,000.

Discussion: There was no discussion.

Motion approved with a 3-0 vote.

ACTION ITEMS:

1. PERSONAL SERVICES AGREEMENT WITH PUGET SOUND EXECUTIVE SERVICES FOR LAW ENFORCEMENT OFFICER SERVICES AT THE BELLINGHAM INTERNATIONAL AIRPORT.

Motion: Authorize the Executive Director to execute a Personal Services Agreement (PSA) with Puget Sound Executive Services (PSES) for Law Enforcement Officer (LEO) services at the Bellingham International Airport for an amount not to exceed \$233,277.

Discussion: Aviation Director Daniel Zenk explained that Puget Sound Executive Services (PSES) has been providing contract Law Enforcement Officer (LEO) services at the Bellingham International Airport since August 2005. Mr. Zenk further explained that the Transportation Security Authority (TSA) regulations stipulate that an armed law enforcement officer with arrest authority must be present when the passenger screening checkpoint is open and when the TSA is performing screening procedures. Mr. Zenk introduced Bob Reandeau with PSES to address any questions. The Commission asked about the officers, particularly the use of off duty Washington State Patrol officers, services etc. Mr. Reandeau and Mr. Zenk discussed the need for increased presence of law enforcement due to the expansion of the airport and additional duties required to assist airport operations. Mr. Zenk reported that the Port advertised the Request for Qualification (RFQ) in January of 2014 and of the 3 respondents to the RFQ, PSES received the best and highest rating by the selection committee. Mr. Zenk also reported that the TSA provides reimbursement of approximately 45% of the total cost with the airlines reimbursing the Port for the remainder of the cost.

Motion approved with 3-0 vote.

2. AMENDMENT NO. 6 TO THE PROFESSIONAL SERVICES AGREEMENT WITH LANDAU ASSOCIATES FOR THE BLAINE MARINA INC. SITE.

Motion: Authorize the Executive Director to approve an Amendment to the Professional Services Agreement with Landau Associates, adding \$136,900 for a total revised budget of

February 4, 2014

Page 3

\$653,240 including contingency, to perform the next required actions at the Blaine Marina Inc. site.

Discussion: Environmental Director Mike Stoner reported that the Port retained Landau in 2011 to perform multiple project management and coordination tasks including providing Remedial Investigation/Feasibility Study (RI/FS) and consulting services under a Model Toxics Control Act (MTCA) Agreed Order with Ecology for the Blaine Marina Inc. site. Mr. Stoner further reported that the scope of services proposed in Amendment No. 6 include the completion of the RI report, preparation of the draft FS report, draft cleanup action plan, public participation support and consent decree negotiations.

Motion approved with 3-0 vote.

3. AMENDMENT NO. 1 TO THE PROFESSIONAL SERVICES AGREEMENT WITH CH2M HILL FOR THE AIRPORT DEVELOPMENT AREA WATER AND SEWER PLANNING SERVICES.

Motion: Authorize the Executive Director to execute Amendment No. 1 to the Professional Services Agreement with CH2M HILL Services for the Airport Development Area- Water and Sanitary sewer Services Plan in the amount of \$113,409, plus a contingency of \$15,000 for a revised authorized amount of \$145,345.

Discussion: Senior Project Engineer John Hergesheimer reported that CH2MHILL was selected as the most qualified of the respondents to the Request For Professional Services (RFPS) advertised by the Port for a scope of services providing technical assistance to assess the impact of the new hotel at the airport and deicing operations on the capacity of the City of Bellingham's sewer system. Mr. Hergesheimer added that the services in the proposed amendment of this second phase will provide for the necessary design, plans, specifications and cost estimate for installation of a larger force water main for the City of Bellingham's Mitchell Way/ West Bakerview sanitary sewer pump station. The Port's bidding and construction of this work is pending a utility services agreement between the City and Port currently in draft form and expected to be completed soon. The Phase 2 services also includes water and sanitary sewer system planning for development of Port property within the General binding Site Plan #2/Planned Unit Development for Phase 2 and 2 of the Airport Development Area on the east side of the airfield.

Motion approved with 3-0 vote.

4. GENERAL AVIATION HANGAR LEASES

Motion:

- A. Motion by the Commission approving the Renewal and Modification of Airport Lease between the Port of Bellingham and Alto Condominium Association (14A)
- B. Motion by the Commission approving the Modification of Airport Lease between the Port of Bellingham and Bellingham Hangars Condominium Owners' Association (38C)

- C. Motion by the Commission approving the Modification of Airport Lease between the Port of Bellingham and Richard R. Haggen (16)
- D. Motion by the Commission approving the Modification of Airport Lease between the Port of Bellingham and Hangar (III) Condominium Association (55)
- E. Motion by the Commission approving the Modification of Airport Lease between the Port of Bellingham and Hi-Five, Inc. (54)
- F. Motion by the Commission approving the Modification of Airport Lease between the Port of Bellingham and Mark Royer (15)
- G. Motion by the Commission approving the Modification of Airport Lease between the Port of Bellingham Plank Family LLC (52A)
- H. Motion by the Commission approving the Modification of Airport Lease between the Port of Bellingham and Plank Family LLC (59)
- I. Motion by the Commission approving the Modification of Airport Lease between the Port of Bellingham and Solar Hangar Condominium Owners' Association (51)
- J. Motion by the Commission approving the Modification of Airport Lease between the Port of Bellingham and Strato Hangars Condominium Owners' Association (43, 44, and 45); further the motion to authorize the Executive Director to execute any other necessary transactional documents to allow the modification of the Bellingham International Airport Binding Site Plan and adjust the tenant's rent.

Discussion: Real Estate Representative Judy Harvey explained that Port staff has been negotiating with this particular group of General Aviation hangar tenants with regard to their hangar leases due for rent adjustment. To resolve the matter of rent adjustment, both the Port and the group obtained separate appraisals. Ms. Harvey reported that the Port's appraisal yielded values of \$8.60 per foot; the tenants' appraisal yielded values of \$5.50 per square foot. Working with counsel, this group negotiated a global rent agreement effective January 1, 2014 through December 31, 2018, for a uniform per square foot land value of \$6.50 per square foot at 9% Return on Investment (ROI). Ms. Harvey further reported that the exception to these agreements is the Strato Hangar Condominium Association's Modification of Lease (reducing Strato Hangar size and rent and in turn, reimburses the Port for all expenses associated with modifying the Bellingham International Airport Binding Site Plan) and modification to Alto Condominium Association's lease term.

Motion approved with 3-0 vote.

5. BELLWETHER HARBOR INVESTMENTS LLP (HOTEL BELLWETHER)

Motion: Motion to authorize the Executive Director to execute the following agreements in connection with Bellwether Harbor Investments LLP collateral assignment associated with the refinancing of the Hotel Bellwether. The Lessee has asked the Port to execute the following documents in support of the refinancing:

1. Modification of Lease
2. Ground Lease Estoppel Certificate
3. Consent to Assignment (of Lease for Collateral).

In addition, Port staff has reviewed the following related documents which the Port does not have to approve:

4. Assignment of Sublease and rents by the Hotel to Morgan Stanley
5. Deed of Trust Securing the Leasehold Interest of the Hotel Bellwether.

Discussion: Real Estate Director Shirley McFearin explained that the Commission approved the assignment of the Hotel Bellwether Harbor Land Lease from Peter Paulsen to Bellwether Harbor Investments LLP i.e. Andre Molnar in 2007. Ms. McFearin further explained that Bellwether Harbor Investments LLP is currently refinancing the Hotel Bellwether and the execution of these three listed proposed agreements is necessary for them to obtain financing from the lender.

Motion approved with 3-0 vote.

PRESENTATIONS

1. Update – Video Taping Port of Bellingham Commission Meetings

External Affairs Director Carolyn Casey gave a [presentation](#) for the Commission's consideration of filming community meetings. Ms. Casey reported that the City of Bellingham, Whatcom County, and Lummi Nation council meetings are currently being videotaped while the Port of Bellingham, Whatcom PUD, Fire Districts, School Boards, City of Lynden and City of Ferndale are not. The City of Ferndale is however recording the audio. Ms. Casey further reported that the ports of Tacoma, Seattle, Longview, Olympia, Bremerton and Anacortes are filming while the ports of Kennewick, Chelan, Walla Walla, Sheldon, Everett, Benton, Skagit, Grays Harbor, Moses Lake, and Camas Washougal are not. Some are opting to record the audio.

Ms. Casey explained that there are several options available. The Port of Tacoma has an outside company using port owned video equipment to film their meetings while the ports of Olympia and Seattle currently contract outside with community television services, and the Port of Anacortes staff films their own meetings. Ms. Casey reported that those filming advocated for transparency; citizens group requests, and public accountability. Concerns expressed by others not filming are high costs, citing potential for adverse impact to the tone and style of meeting, not enough staff, lack of strong community and/or commission interest.

Ms. Casey reported that in 2012, the Port sought estimates for filming Commission meetings and learned that the annual cost for filming and airing on local TV BTV10 and streaming online by one private company with one camera was quoted at \$12,240. The City of Bellingham quoted \$12,288 for 3 cameras plus an initial setup fee of \$600; additional web storage fees may be incurred long-term. Ms. Casey stressed that those cost estimates were from 2012 and could likely be different in 2014. Ms. Casey added that although the Port is

currently recording the audio, quality is poor and therefore not being posted to the Port's website. The Port has budgeted for audio improvement/microphones in the Harbor Center/Commission chambers in the 2014 budget.

In closing, Ms. Casey reported possible outcomes to filming community meetings may be additional/longer public comment periods, fewer attendees at meetings, enhanced greater community awareness, better outreach, public access as well as a potential for unauthorized use of video.

The Commission discussed the cost for filming meetings. Commissioner Robbins commented that the estimated annual \$12,000 expense /approximately \$1000 a month /\$500 per meeting is too high and the other two Commissioners agreed. The Commission discussed the various filming options presented and asked if there would be a way to measure public interest, or tally the number of hits to the website; to gauge the interest and frequency. Commissioner McAuley spoke in favor of filming the meetings, though he would prefer a lower cost. Commissioner Robbins did not approve of the estimated \$500 per meeting and Commissioner Jorgensen was not in favor of the expense nor did he see the need for filming. Upon further discussion, the group agreed to direct staff to prepare a Request For Proposal (RFP) in order to get actual costs and available options before making any further decisions as to the filming/recording of future Commission/community meetings..

2. 2013 Port of Bellingham Year End Financials.

Finance Director Tamara Sobjack summarized the [4th quarter year to date 2013](#) by reporting that the Port's Balance Sheet remains strong; net assets increased by \$4.3 million; and liabilities decreased from year end 2012. Current investments total \$10.25 million in the Federal Farm Credit Bank, Federal Home Loan, Bank and Federal National Mortgage Bank Association and \$29 million in the Local Government Investment Pool (LGIP) account. Ms. Sobjack reported that the Debt to Asset ratio is favorable at 43%, (goal to be less than the average 50%) as is the Revenue Bond Debt service coverage at 2.2 (minimum bond requirement is 1.35).

Ms. Sobjack further reported that the Port's operating divisions (expenses and overhead) are performing better than both budget and prior year. Revenues totaled \$36.9 million. Expenses totaled \$ 26.1 million. Ms. Sobjack provided an overview of the year end 2013 financial highlights for the Aviation, Marinas, Marine Terminals, Real Estate divisions year to date operating revenues, expenses and income as compared to 2012. Full year summary: \$43 million in cash, \$18 million Capital Spending, \$7.8 million Environmental Cleanup.

Regarding Risk Management activities, Ms. Sobjack reported there had been no major incidents reported in 2013. The open 2012 incidents and ongoing claims for the Port involve damage to Port property during the February 27, 2012, Boat fire, the March 30, 2012, G-East Boathouse fire and the November 2, 2012, Alaska Marine Highway System (AMHS) passenger ramp incident.

February 4, 2014

Page 7

Ms. Sobjack reported open claims against the Port include the November 2, 2012, AMHS incident. Port counsel Frank Chmelik commented that the March 30, 2012 boathouse fire is resulting in additional claims being brought against the Port. .

Regarding the Port's 4th quarter 2013 stormwater program, Ms. Sobjack reported samples were taken and results were under permit benchmarks; all training and record keeping are in compliance.

Regarding Safety, the Port had 2 Recordable Injuries in 2013; the Recordable Incident Rate is 2.07, and 0 lost work days. In closing, Ms. Sobjack provided photos of significant 4th Quarter 2013 Port projects which included the nearly completed Airport Terminal, gate holding area, improvements to the Bellwether parking garage lighting, harbor improvements and environmental cleanup projects.

NEW BUSINESS

X

Commissioner McAuley reported that he had received a request for Port support of a recent City of Bellingham Resolution pertaining to shipment of crude oil and that he would like to have a conversation about that with the Commissioners.

ADJOURN

As there was no further business, the meeting was adjourned at 4:25 p.m.

Michael McAuley, President

Jim Jorgensen, Secretary