



**PORT COMMISSION OF THE PORT OF EDMONDS**  
**MINUTES OF REGULAR MEETING**

**June 11, 2018**

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**COMMISSIONERS PRESENT**

David Preston, President  
Steve Johnston, Vice President  
Jim Orvis, Secretary  
Bruce Faires  
Angela Harris

**STAFF PRESENT**

Bob McChesney, Executive Director  
Marla Kempf, Deputy Director  
Tina Drennan, Finance Manager  
Brittany Williams, Manager of Properties and Marketing

**OTHERS PRESENT**

Bradford Cattle, Port Attorney  
Karin Noyes, Recorder

**CALL TO ORDER**

Commissioner Preston called the meeting to order at 7:00 p.m.

**PLEDGE OF ALLEGIANCE**

All those in attendance participated in the Pledge of Allegiance to the American Flag.

**CONSENT AGENDA**

**COMMISSIONER FAIRES MOVED THAT THE CONSENT AGENDA BE APPROVED TO INCLUDE THE FOLLOWING ITEMS:**

- A. APPROVAL OF AGENDA**
- B. APPROVAL OF MAY 14, 2018 MEETING MINUTES**
- C. APPROVAL OF PAYMENTS IN THE AMOUNTS OF \$189,242.42 for May 29, 2018 and \$789,516.89 for June 11, 2018.**

**COMMISSIONER ORVIS SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.**

**PUBLIC COMMENTS**

No one in the audience indicated a desire to comment during this portion of the meeting.

## **APPROVAL OF HARBOR SQUARE BUILDING 4 LEASE**

Ms. Williams referred the Commissioners to the lease agreement that was attached to the Staff Report. As proposed, Suite 201 in Building 4 would be leased to The Nadler Group, PLLC beginning June 15<sup>th</sup>. She explained that Suite 201 is an upstairs space that looks out over the railroad tracks and is approximately 2,100 square feet in size. It has been vacant for quite some time and is the last traditional office space available at Harbor Square. The lease would be for 39 months, plus the partial month of June. The Port is offering three one-year lease extension options, as well. Rent would be adjusted annually based on the Consumer Price Index (CPI) for Bremerton-Seattle, commencing on July 1, 2019. With approval of this lease, the occupancy rate for Building 4 will be at 100% and the occupancy rate of Harbor Square will be 97%. The only unleased space at this time is the maintenance room, her office, and the conference room and classroom that are rented out.

Mr. McChesney advised that because it is a multi-year lease, it is typical for the Port to require a lease bond or some other type of security. In lieu of the lease bond, the lessee will put up \$20,000 as a security deposit.

Commissioner Johnston commented that the Nadler Group is an outstanding group of attorneys.

Commissioner Faires asked why a 39-month lease as opposed to a 3-year lease. Ms. Williams answered that the Port is offering three months of rent abatement as the lessee completes the needed tenant improvements.

Mr. McChesney advised that multi-year leases also require formal approval by the Commission. The lessee will be doing all of the tenant improvements, and the Port staff did some cleanup work.

Commissioner Faires pointed out that the lessee's planned tenant improvements will be costly, which is a good indication that they plan to remain in the space for a long period of time. Mr. McChesney said the lessee has been practicing in downtown Seattle for many years, but the rents are getting exorbitant. The Port is happy to have the Nadler Group at Harbor Square.

Commissioner Johnston asked if the extensive tenant improvement work will have an impact on other tenants in the building. Ms. Williams advised that she has provided the lessee with a schedule of the other tenants' operating hours, which will be taken into consideration. She will act as the liaison to work with all tenants to minimize disruptions as the work moves forward.

Commissioner Johnston asked if any noise abatement has been done for the space. Mr. McChesney answered that none has been done for that particular space, but the lessee has visited the site a few times to listen to the trains, and they believe the noise will be manageable. Commissioner Faires asked if the Port has ever considered replacing the windows with triple-pane glass. Commissioner McChesney answered that the Port experimented with triple-pane acoustic glass windows in the adjacent office space in Building 4. While it was somewhat effective, the windows were expensive and you really need to do the entire building to get maximum benefit. The Port also experimented with acoustic blankets in the plenum above the false ceilings, and this approach was effective, as well. Commissioner Faires said it would be interesting to know the cost of putting in acoustic glass in Building 4 and whether the Port could charge enough for the property to recoup its costs. Mr. McChesney said it most likely would not.

**COMMISSIONER JOHNSTON MOVED THAT THE PORT APPROVE THE HARBOR SQUARE BUILDING 4, SUITE 201 LEASE AS PRESENTED. COMMISSIONER FAIRES SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.**

## **1<sup>ST</sup> QUARTER FINANCIAL REPORT**

Ms. Drennan presented the 1<sup>st</sup> Quarter Financial Report, pointing out that revenues are trending upwards and expenses are remaining even at approximately \$1.5 million. Net income has been trending slightly upwards over 2016 and 2017 numbers. Actual revenues were approximately \$52,000 greater than budget and actual expenses were approximately \$233,000 less than budget. However, staff does not anticipate actual expenses will remain less than budget as the Port enters the busy season. Gross profit (revenues less cost of good sold) for the 3-month period ending

March 31<sup>st</sup> was \$1,804,002, which was about \$51,000 or 3% greater than budget. Net income for the same period was \$533,088. She specifically noted the following:

#### Marina Operations Revenue

- Net fuel sales were \$17,025, which was \$8,975 less than budget. This is likely because fuel prices are going up quickly.
- Permanent moorage revenue was \$824,116, or about \$13,000 less than budget. Financial occupancy for moorage was at 94% compared to a budgeted occupancy of 95%, which is likely to be achieved in the summer months.
- Dry storage revenue was \$127,142 or about \$8,000 less than budget. Financial occupancy for dry storage was at 77% compared to a budgeted occupancy of 83%. The numbers are similar to those of previous years.

#### Rental Properties Revenue

- Harbor Square revenue was \$546,619 or about \$58,000 or 12% greater than budget.

#### Operating Expenses

- Operating expenses before depreciation for the 3-month period were \$1,022,449, which was approximately \$208,000 or 17% less than budget.
- The actual cost of goods sold was \$5,867 or about \$25,000 less than budget. Most of this variance was related to recent change to the credit card process. The numbers are also impacted by fuel sales and other similar activities.
- Employee benefits were about 20% below budget, but this variance will disappear when the seasonal staff is brought on.
- Professional fees were \$21,907 or about 25% less than budget. However, one major item on the current check run is the Port's contribution to fund the Rail Crossing Phase-2 study.
- Repair and Maintenance expenses were \$39,680 or about \$80,000 less than budget, but some major projects have not started yet.
- Salaries and Wage expenses were \$456,992 or about \$46,000 less than budget due to a timing issue.

#### Non-Operating Items

- Interest income was \$47,150 or about \$16,000 greater than budget due to higher interest rates.

#### Marina Actual to Budget

- Net income for the 3-months ending March 31<sup>st</sup> was \$175,537 or approximately \$86,000 greater than budget.
- Operating revenues were \$1,179,727 or approximately \$30,000 less than budget.
- Operating expenses before depreciation and overhead were \$550,537 or about \$95,000 less than budget.

#### Rental Property Actual to Budget

- Operating revenues were \$692,786 or about \$59,000 greater than budget.
- Operating expenses before depreciation and overhead were \$137,810 or about \$41,000 less than budget.
- Net income was \$362,242 or about \$30,000 greater than budget.

Ms. Drennan reported that the Port now has 15 long-term investments, with the first maturing in August 2018. One bond matured in January 2018, and the Port held the bond for 4.2 years with an interest rate of 1.0%. During the majority of this time, the Port was earning less than 0.15% on its liquid funds. That means the Port earned interest of \$21,000 as compared to \$3,150 it would have earned if the money was kept in liquid funds. She reviewed that the average liquid interest rate earned by the Port was 1.59% for the 1<sup>st</sup> quarter, and the Port earned 1.57% in its long-term investments, for an average of 1.58%. The Port has some long-term investments that were purchased when liquid rates were low. As they mature, the Port will reinvest in securities and higher interest rates. The Port earned interest of \$47,150 in the 1<sup>st</sup> quarter of 2018, which was 105% greater than the same period in 2017. The capital Replacement Reserve is currently at \$8,444,310, with parts in Opus Bank, Washington Federal and invested long-term. The Port has \$2,481,804 remaining in outstanding debt, with \$1,338,134 of it due within one year.

Commissioner Orvis reminded the Commission that they are looking at only three months of a 12-month budget, and some of the budget items are allocated equally to the 12 months. Commissioner Faires asked if some budget items

are allocated differently. Ms. Drennan replied that fuel sales and a few other revenues are allocated differently. However, the majority of revenues and all expenses are allocated equally amongst the 12 months.

### **ELECTRIC CHARGING STATIONS**

Mr. McChesney advised that the State of Washington and the nation have been moving increasingly toward enabling the increased use of electric vehicles, and Governor Inslee recently signed into law an initiative to encourage state agencies to leverage the technology in State operations. In addition, there are a lot more options for consumer models of electric vehicles that have become more widespread, and the public is using hybrids and full-electric vehicles at an increased rate. Local jurisdictions have been deploying charging stations, adding electric vehicles to fleets and joining the trend to support the use of electric vehicles.

Mr. McChesney pointed out that the Port's Mission Statement encourages good stewardship of the environment, and the Commission has expressed interest in adding electric charging stations at the Port in the past. However, the Port does not operate electric vehicles, so the primary users would be the general public and tenants. Staff has done some initial research and is suggesting that there could be six stations at three strategic locations on the property, two near Arnies, two in the center of the marina, and two at the south end. Logical locations would be outside of Marina Operations and the Administrative Building. However, they are still in the preliminary stage of research and do not have a recommendation on exact locations, types of equipment, etc. These issues will be addressed during the next level of research.

Mr. McChesney advised that the Washington State Department of Enterprise Services offers a contract for electric vehicle supply equipment, and the Port would tap into that if they were to go forward with the stations. Although they are still in the preliminary stage of research, the concept is looking more and more favorable. The intent is that staff will continue its work and bring back a recommendation for the Commission to consider at a future meeting. Prior to presenting a plan, they will need to put together a business case to illustrate the payback time, etc., but he felt it was time for the Port to move forward.

Commissioner Faires asked if the new stations would be used for charging Port vehicles, too. Mr. McChesney answered that, at this time, the Port does not have any electric vehicles. However, this may be an option at some point in the future as vehicles are replaced and electric options become more affordable and available. In the meantime, the charging stations would be available to tenants and visitors to the Port, and a fee would be charged for their use. The Commissioners had a brief discussion with staff about potential opportunities to incorporating electric vehicles into the Port's fleet as the pricing gets more competitive and there are more options to meet the Port's needs.

Commissioner Preston suggested that when the stations are installed, they should include enough infrastructure to accommodate more vehicles as needed. He said he anticipates that electric vehicle use will only increase over time, and the Port should plan for the future and not just meet the needs of the current situation. He also suggested the Port research what the City of Edmonds has done and find out how frequently their current stations are used.

The Commissioners raised questions about whether the Port's current electrical infrastructure would support the stations. Mr. McChesney answered that the marina infrastructure is tapped out, but the infrastructure elsewhere on Port property would not likely be impacted by a few electric charging stations. He reminded them that when the new restroom facilities were installed, the Snohomish County Public Utility District required the Port to install a 3-phase transformer, which was more than was needed.

Mr. McChesney suggested that the next step would be for the Port to ask its electrical engineer, Harbor Electric, to evaluate the available infrastructure and provide a report. In the meantime, staff would continue to research options and prepare a recommendation for the Commission's consideration. The Commissioners agreed to move the concept forward as outlined by staff.

## **EXECUTIVE DIRECTOR'S REPORT**

Mr. McChesney reported that he met with Pete Hanke from Puget Sound Express (PSE) last week to review the initial operation of the new vessel, the Saratoga. Mr. Hanke reported that the numbers are good and better than last year. While there have been two mechanical breakdowns that were covered by warranty, the operation is going well. Mr. Hanke specifically mentioned that he very much appreciates the support PSE has received from the community, including recent meetings with Mayor Earling. He said he will meet again with Mr. Hanke in July for a mid-season review. He reminded the Commission that PSE has until November 1<sup>st</sup> to make a final decision about the 2019 season, but there is no indication that they are dissatisfied with the Port's facilities.

Mr. McChesney reminded the Commission that the Edmonds Arts Festival will take place June 15<sup>th</sup> through 17<sup>th</sup> and is the 2<sup>nd</sup> most popular arts festival in the state. Instead of sponsoring the youth art competition, this year the Port has decided to have an information booth at the festival. Commissioners should notify staff if they want to join he and Ms. Williams at the booth. The intent is to experiment with this outreach opportunity to the community by offering information and answering questions that come up.

Mr. McChesney reported that he and representatives from the City of Edmonds met with the consultant for the Edmonds Marsh Study a few weeks ago. The study is moving forward at this time. He also reported that he, Commissioner Preston and Commissioner Harris met with the group Save Our Marsh.

Mr. McChesney asked for input from Commissioners regarding the schedule for July meetings. He reminded them that, typically, they cancel the 1<sup>st</sup> meeting in July and the 2<sup>nd</sup> meeting in July is for accounts payable only. However, it will be necessary for the Commission to meet in July to approve a contract for paving at Harbor Square so that the work can be done before the rainy season starts. The Commissioners agreed to cancel the first meeting in July. The 2<sup>nd</sup> meeting in July would be for accounts payable and to approve the paving contract.

Commissioner Orvis asked if the Port is planning to put out another publication in September. Commissioner Preston answered that the Communications Committee will meet this week, and that will be one of their topics of discussion.

## **COMMISSIONER'S COMMENTS AND COMMITTEE REPORTS**

Commissioner Faires announced that he would attend the Edmonds Economic Development Commission (EDC) meeting as the Port liaison. The EDC's intent is to continue to discuss community opportunities related to Puget Sound Express. He reported that the City Council denied the EDC's recommendation to reduce the ground floor height requirement in the Downtown Business (BD-1) zone from 15 feet to 12 feet. It seemed that the City Council's discussion centered around whether or not the community wanted 3-story buildings in the downtown. It was pointed out that 12-foot ceilings would be adequate to accommodate retail space on the ground floor and would enable two stories of residential above. The current 15-foot height requirement limits development in the downtown to just two stories.

Commissioner Preston commented that there was no consideration given to the fact that the existing old buildings in downtown could be removed and replaced with something that is out of character. Commissioner Orvis added that the whole concept of the Alliance of Citizens of Edmonds (ACE) is that there should be no change in the downtown. If the current ground floor height requirement remains intact, it is unlikely that anyone will redevelop or refurbish the buildings, and the existing buildings will remain as they are indefinitely.

Commissioner Orvis reported on his attendance at the Economic Alliance of Snohomish County (EASC) meeting where he learned that 15 legislators are running for re-election this year, so there will likely be some changes. He also learned that the Puget Sound Business Journal is looking for stories and the contact information for the reporters is available online. It was announced that the cities of Arlington and Marysville have joined together to establish a joint manufacturing and industrial center, and the area is currently growing three jobs for every new citizen. It was also reported that the University of Washington-Bothell is the fastest growing institute of higher learning in the nation.

Regarding the idea of adding electric vehicles to the Port's fleet, Commissioner Orvis pointed out that most of the vehicles that are currently on the market in the Port's price range do not provide sufficient capacity to meet the needs that are currently provided by pick-up trucks. The Port purchased a truck and will not likely be replacing it in the near

future. In addition, electricity would not provide sufficient power to operate the Port's heavy equipment and converting the heavy equipment to liquid propane would not be economically feasible because the Port would not utilize enough fuel to warrant the installation of a refueling station. It is not likely the Port will be able to incorporate electric vehicles into its fleet until there are more feasible options for pick-up trucks.

Commissioner Johnston reported on his attendance at the EASC's annual meeting, as well. He commented that one of the reasons that Marysville and Arlington can join forces for economic development is that their combined population is now over 100,000, and the communities continue to grow at a rapid pace. He agreed with Commissioner Orvis that they have a very vibrant economic outlook.

Commissioner Johnston reported that he and Commissioner Orvis met with Council Member Tibbott (Council Member Teitzel and Mayor Earling could not make it). The conversation was on long-term ideas for acquiring land and the reconfiguration of certain areas. They also discussed a potential crosswalk across Admiral Way.

Commissioner Johnston said he also attended the meeting with the consultant for the Edmonds Marsh Study, and he is confident in their proposed approach.

Commissioner Harris reported that she met with Ms. Kempf to work on a draft Green Port Initiative. The draft is now available for the Commissioners to review. It is minimal right now and is intended to get the discussion started. She also announced that the Communications Committee would meet later in the week.

Commissioner Preston reported that he and Commissioner Harris and Mr. McChesney met with the Save Our Marsh group and had a good conversation. The meeting was moderated by Joe Scordino. Some of the issues raised were new to him, and he looks forward to follow-up discussions at some point in the future.

Commissioner Preston said he attended the Waterfront Festival and was unimpressed with the selection of vendors that were there. There were fewer water-related vendors than last year, and he does not believe that the festival sponsors met the Port Commission's intent when they asked for more waterfront and boat-related vendors.

Commissioner Preston reported that he and Ms. Williams attended a Downtown Edmonds Merchant's Association (DEMA) meeting and showed the tourism videos that were prepared using grant funding from the Port of Seattle. Ms. Williams also provided information related to the Port's Destination Port of Edmonds Program, which impacts a number of businesses in downtown Edmonds.

Commissioner Preston reported that he attended a community meeting on the concept of establishing a City of Edmonds Creative District Designation. A representative from the State was present to provide information about the benefits a district could provide to the community, and the downtown, in particular. Whatever the City does could be used as a model for other jurisdictions, and there may be opportunities for the Port to participate in the process and provide input.

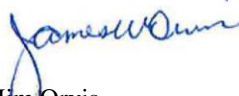
Commissioner Preston voiced concern that the City has postponed any additional consideration of a crosswalk on Admiral Way to 2019. Mr. McChesney explained that, from a traffic engineer's point of view, there are a number of technical challenges associated with crosswalk installation that need to be considered. Commissioner Preston commented that it would even be acceptable to place the crosswalk further down on the straight portion of the roadway, if necessary. Mr. McChesney summarized that the crosswalk was identified in the City's budget, but no decision has been made for when it will move forward.

Commissioner Preston announced that he would attend the kick-off party for the Edmonds Arts Festival. He also suggested that all Commissioners should spend at least an hour in the Port's booth at the festival. At the request of the Commission, Ms. Williams shared that the Port's booth will include the display boards that are used for the boat show, information on Sea Jazz, handouts and a giveaway. A new "Port of Edmonds" banner was also made to use at events of this type.

**ADJOURNMENT**

The Commission meeting was adjourned at 8:02 p.m.

Respectfully submitted,



Jim Orvis  
Port Commission Secretary