



PORT COMMISSION OF THE PORT OF EDMONDS

MINUTES OF REGULAR MEETING

October 26, 2015

COMMISSIONERS PRESENT

David Preston, President
Bruce Faires, Vice President
Fred Gouge, Secretary
Mary Lou Block

STAFF PRESENT

Bob McChesney, Executive Director
Marla Kempf, Deputy Director
Tina Drennan, Finance Manager

OTHERS PRESENT

Bradford Cattle, Port Attorney
Karin Noyes, Recorder

COMMISSIONERS ABSENT

Jim Orvis

CALL TO ORDER

Commission President Preston called the regular 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 GOUGE MOVED THAT THE CONSENT AGENDA BE APPROVED TO INCLUDE THE FOLLOWING ITEMS:

- A. APPROVAL OF AGENDA**
- B. APPROVAL OF OCTOBER 12, 2015 MEETING MINUTES**
- C. APPROVAL OF PAYMENTS IN THE AMOUNT OF \$1,301,706.83**
- D. RESOLUTION NUMBER 15-05 – AUTHORIZING THE SALE OF AN ABANDONED BOAT**
- E. APPROVAL OF EXECUTIVE DIRECTOR CONTRACT AMENDMENT**

COMMISSIONER FAIRES SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

PUBLIC COMMENTS

George Ringstad, Port Tenant and Port District Resident, commented on the negative consequences of the Port's recent changes to their insurance requirements. He suggested that when the decision was made, the Port Commission did not anticipate the unintended consequences that have occurred. He further suggested that the insurance requirements be put on hold until a proper review can be made and input can be solicited from the tenants and the public.

Mr. Ringstad said he reviewed the minutes from the meeting at which the Commissioners discussed the insurance change and found that staff provided a number of misleading statements that should be looked into. While the negative consequences may have been unintentional, they are there nonetheless. For example, insurance premiums

have increased significantly, in his case over \$200; and he is required to pay as much as \$1,000 for a survey of his boat before his insurance carrier will change his policy to meet the Port's new requirements. He pointed out that the Port's new liability requirement (\$500,000) is significantly greater than the State's mandate (\$300,000), and there is no State mandate that requires tenants to add the Port on all their individual policies.

Mr. Ringstad said the Port staff justified the need for the new requirement based on House Bill 2457 and the boat fire that occurred at Mid Marina about three years ago in which the Port was made whole, but the insurance company took a loss, as it should in these cases. While the loss is regrettable, that is the way it works and why the Port pays for coverage. According to Port staff, the Port's premium increased between \$10,000 and \$15,000 per year as a result of this incident, but this increased premium is nowhere equal to the combined increased premiums that will be paid by tenants for the increased coverage. There are approximately 800 tenants, and the Port's increased premium equates to about \$15 or \$20 per tenant. Instead of passing this smaller cost on to the tenants, the Port is asking its tenants to assume a much higher cost.

Mr. Ringstad said it is not clear in the minutes whether the Commission took formal action to adopt the changes. They listened to staff's proposal, but it was never voted on or approved. The letter that was sent to tenants is extremely threatening and only allowed some tenants about three weeks to comply. He said it took him longer than that just to obtain quotes, never mind the survey he must now have done. Again, he asked the Commission to thoroughly review the new requirement and figure out the right answer. The tenants have dealt with yearly increases in moorage rates, and now the Port asking them to change their insurance policies, too.

Alan Blodgett, Commodore of the Corinthian Yacht Club, said he has been a Port tenant for 31 years and he wholeheartedly supports Mr. Ringstad's comments. While the new requirement is not a big deal for smaller and newer boats, the older and larger boats require a survey before the policies can be changed. The cost of the survey is about \$1,000. He summarized that the new requirement adversely affects some tenants. The Port Commission needs to reconsider its decision and find a more equitable solution.

Mr. McChesney expressed his belief that the issues and concerns raised by the two gentleman are important and the policy recommendation by staff was guided by input from the Port's insurance company and legal counsel. The staff's recommendation to the Commission was well founded, and the new requirements are becoming an industry standard. He reminded the Commission that the staff's recommendation was based on two different factors; a house bill that mandates pollution liability under the derelict vessel law and a recommendation from the Port's insurance carrier to have tenants name the Port as an additional insured by endorsement. Although this new requirement has proven to be an inconvenience to many tenants, staff's position has not changed. However, he would be happy to review the issue again if so directed by the Commission.

Commissioner Faires suggested that the Commission schedule a workshop discussion after it has completed its work on the budget to determine if there are any elements of the insurance policy they want to revisit. While he is not proposing any changes to the policy at this time, he would be open to considering new information. Commissioner Preston concurred.

WORKSHOP – 2016 PRELIMINARY BUDGET

Ms. Drennan referred the Commission to the 2016 Preliminary Budget Packet that was attached to the Staff Report and reminded them that this is their second opportunity to review the budget. Since the last meeting, the following changes were made.

- Based on a recommendation by the Executive Director and Deputy Director, the Capital Budget was updated to add A Dock Improvements and remove the Harbor Square Building 2 Grease Receptor.
- An Economic Development Summary was added to the budget packet (Page 37).

Mr. McChesney explained that some dry storage customers do not like to use A Dock because it does not have water and it is poorly lit. Because there is a strong operational bias to use the north launcher and B Dock, the south launcher does not get used as much as it should. This results in an operational imbalance. He said he believes it is important for the Port to improve A Dock in order to encourage customers to use it more and balance out activity between the two launchers.

PUBLIC HEARING – 2016 PRELIMINARY BUDGET

Ms. Drennan advised that this is a public hearing on the Port's 2016 Preliminary Budget. She recalled that the Commission accepted public comments at the budget workshop on October 12th, and the budget packet has been available on the Port's website since October 21st. Formal notification of the hearing was made in the appropriate publications and locations. During the hearing, the public will have the opportunity to make comments on any elements of the budget packet, and comments made by the public should be taken under consideration by the Commission.

Ms. Drennan announced that staff will recommend the Commission approve the final budget on November 9th. She reminded the Commission that the Port does not intend to have a public hearing before the final budget approval, as the comments are not as relevant as they should be when provided just prior to budget approval. The budget must be delivered to the Snohomish County Treasurer by November 30th.

Mr. McChesney reviewed that the purpose of the public hearing is to hear from the public and not to engage in a debate or point/counterpoint discussion. After the public hearing, the Commission can engage in further discussion on the relevant topics.

Commissioner Preston opened the public hearing.

Ernie Collins, Chair of the Board, Edmonds Yacht Club, noted that the proposed budget does not include a line item related to Jacobsen's Marine. Ms. Drennan answered that this line item is identified as POE 2 LLC.

Jack Bevan, Edmonds, complimented Port staff for presenting a budget document that is easy for the stakeholders to read and understand. Commissioner Faires agreed that the Port has worked hard to create budget documents that are easy for the layperson to understand. He thanked Mr. Bevan for his positive comment.

No one else in the audience indicated a desire to comment, and Commissioner Preston closed the public hearing.

2016 PRELIMINARY BUDGET DISCUSSION

The Commission did not have any further discussion on the 2016 Preliminary Budget.

SEA JAZZ STIPEND

Mr. McChesney introduced Jon Scherrer, Seattle Teen Music, who has been instrumental in organizing and managing the yearly Sea Jazz events, along with Scott Barnes, Edmonds School District (ESD) Music Director. He noted that Sea Jazz just completed its fourth year and was wonderfully successful and well received by the public. He reminded the Commission that, in past years, the Port has supported the Sea Jazz program by providing a \$1,000 stipend to the ESD Music Program. After Mr. Scherrer's report, he will ask the Commission to approve the 2015 stipend.

Jon Scherrer, Seattle Teen Music, thanked Mr. McChesney and Ms. Kempf for their assistance coordinating the events, which were held right outside Anthony's Restaurant and provided another great opportunity for the public to experience the waterfront. About 30 events were held in 2015, involving more than 150 students primarily from Edmonds Woodway High School, Lynnwood High School, Mountlake Terrace High School, Meadowdale High School, and Kings School. The Port provided the tent, chairs and electricity needed for the events. He suggested that next year, it would be great to create a poster that could be displayed in downtown Edmonds businesses to advertise the dates of the event.

Mr. McChesney reminded the Commission that Anthony's is also a sponsor of the event, providing free meals to participants after their performances.

Commissioner Gouge said he looks forward to hearing other ideas for advertising the events in the future, and Council Member Mesaros suggested that the event schedule could be advertised on My Edmonds News.

COMMISSIONER GOUGE MOVED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE DIRECTOR TO REMIT A STIPEND IN THE AMOUNT OF \$1,000 TO THE EDMONDS SCHOOL DISTRICT MUSIC PROGRAM IN CONSIDERATION OF SEA JAZZ SUMMER MUSIC PROGRAM AT THE MARINA FOR 2015. COMMISSIONER FAIRES SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

3RD QUARTER FINANCIAL STATEMENTS

Ms. Drennan reviewed the 3rd Quarter Financial Statements. She referred to the graph on Page 1, which illustrates 3rd quarter revenues and expenses for 2011 through 2015, and noted that revenues have increased each year, and expenses have decreased. The top graph on Page 2 shows that net income continues to go up each year as the Port has continued to work hard to be more efficient and minimize costs. This increased net income is reinvested in the Port for capital projects such as the new restroom facility and Harbor Square Building roofs. The lower graph on Page 2 illustrates the budget to actual (both revenues and expenses) for the period ending September 30th. As shown on the graph, revenues were greater than budget and expenses were below.

Ms. Drennan advised that gross profit for the nine-month period ending September 30th was \$5,357,840, which was \$222,896 or 4.3% greater than budget. Net income for the same period was \$1,443,104. She specifically highlighted the following:

Marina Operations Revenue Actual to Budget (Page 3)

- Electrical Fees were down by \$11,717 because the summer was warmer than normal and people did not need to use their heat as often.
- Net Fuel Sales were up by \$60,000, which is approximately 58% greater than budget.
- Launcher revenue was \$23,125 or 30% greater than budget.
- Net Guest Moorage revenue was \$16,750 or nearly 14% greater than budget.
- Permanent Moorage was \$41,000 or 1.78% greater than budget.
- Passenger Fee revenue was \$5,414.
- Dry Storage revenue was \$13,981 or about 3% greater than budget.
- Parking revenue was \$34,123, which was \$12,373 greater than budget.
- Travelift revenue was \$83,985, which is approximately 25% greater than budget.
- Workyard revenue was \$55,788 or approximately 24% greater than budget.

Rental Properties Revenue Actual to Budget (Page 3)

- Harbor Square Revenue was \$1,211,160 or approximately 2% less than budget.
- Anthony's made an annual percentage rent payment in September. Revenue to date was \$229,662, which was approximately 23% greater than budget.
- Landing revenue was \$81,696. The appraisal that was done in 2014 came in quite a bit higher than expected. Based on a subsequent appraisal, the amount was decreased. However, the budgeted amount was based on the initial appraisal.

Ms. Drennan advised that operating expenses with depreciation for the nine month period were \$2,663,781, which was \$157,069 or 5.5% less than budget. She specifically highlighted the following:

Operating Expenses Actual to Budget (Page 3)

- Other Cost of Goods Sold was \$10,210 or about 83% less than budget because the Port's original intent was to offer credit card payments to tenants. This change did not occur in 2015.
- Payroll taxes were approximately \$12,758 less than budget due to a timing issue. There are three pay periods in October.
- Repair and Maintenance expenses were \$151,052 or \$11,552 greater than budget due to electrical work on T Dock and water line repair work on the fuel dock.
- Salaries and Wages were \$1,089,608 or about 10% less than budget, which is likely a timing issue.

Non-Operating Items – Expenses (Revenues) Actual to Budget (Page 3)

- Interest Expenses were \$19,776 or 6.10% less than budget because the Port has been paying down its bonds.
- Interest Income is up by \$22,108 or about 114% because the Port is now investing longer term.
- There was a loss on fixed assets of \$36,511. This occurred when two capital assets (kiosk and weather center) were written off before their anticipated life span had been reached.
- There was a gain in investments of \$14,741. One of the Port's investments matured during this timeframe, and Port received more than what it originally paid for it.

Ms. Drennan advised that net income for the nine months ending September 30th was \$1,443,104, which was \$481,410 or 50% greater than budget.

Commissioner Faires summarized that the Port has had a good year thus far. However, he reminded everyone that the Port has a \$40 to \$50 million capital asset (marina) that will need to be replaced at some point in the future. The Port's long-range financial plan has focused on having enough money set aside to pay for this replacement without having to ask the Port District Residents to fund it. Although staff has done a great job of finding ways to invest the Port's retained earnings, in order to replace the capital asset without public funding, the money that is set aside now has to equate to more than dollar for dollar because the cost of replacement will continue to rise. He encouraged staff to continue to seek opportunities to invest the Port's retained earnings in places the State will allow so they will have the money needed.

Ms. Drennan referred to the top graph on Page 4, which illustrates 3rd quarter marina revenues and expenses from 2011 through 2015. She noted that revenues have increased slightly each year, and expenses have remained relatively steady. The bottom graph on Page 4 illustrates the 3rd quarter net income from 2011 through 2015. Net income has increased steadily over the five-year period. She referred to the top graph on Page 5, which illustrates marina budget to actual for the period ending September 30th. Revenues were greater than budget and expenses were less than budget. She summarized that marina revenue for the 3rd quarter was \$4,342,676, operating expenses before depreciation and overhead were \$1,517,227, and net income was \$870,476.

Ms. Drennan referred to the bottom graph on Page 5, which illustrates 3rd quarter rental property revenues and expenses from 2011 through 2015; the top graph on Page 6, which illustrates 3rd quarter net income for 2011 through 2015; and the bottom graph on Page 6, which illustrates 3rd quarter budget to actual for 2011 through 2015. She summarized that revenues were \$1,699,489 or about 1.5% less than budget and operating expenses before depreciation and overhead were \$418,078 or about 9% less than budget. Net income was \$572,627 or about 13% greater than budget.

Ms. Drennan referred to the investment summary on Page 7 of the report and reminded the Commission that in December, 2013, the Port began investing funds for longer term. The Port currently has eight long-term investments, with the first maturing in October 2016. The Port's bond reserve of approximately \$800,000 was called on September 21st. As of August 1st, the revenue bonds associated with the bond reserve were retired, and the Port reinvested the \$800,000 and added approximately \$200,000 to create two investments of approximately \$500,000 each.

Ms. Drennan explained that the bond that was called was purchased at a discount on March 28, 2014 and would have yielded 1.38% to maturity. The bond ended up being held for 18 months and yielded 1.616%. The bond earned approximately \$19,500 for the Port during the period it was held. If the same funds were left in the Local Government Investment Pool over that period, they would have earned approximately \$1,207. She further explained that the Port called and retired the remaining \$615,000 of the 1998 Revenue and Refunding Bonds, which will save approximately \$42,000 over the next two years. The Capital Replacement Reserve is currently at \$4,097,121, with a part of the reserve in Opus Bank and part invested long term. The Port has \$6,602,976 remaining in outstanding debt, of which \$927,755 is due within one year.

Lastly, Ms. Drennan referred to the Investment Report on Page 12, which outlines the investments the Port currently has. She advised that some are callable and some are not. Those that are callable will be called based on what interest rates are at the time they become available. She reminded the Commission of their most recent request to identify the Port's outstanding debt, which was done at the bottom of the report. As of September 30th, the

outstanding 2005 Limited Tax General Obligation (LTGO) Bond is at \$1,500,000 and the 2011 Revenue Bond with Opus Bank is at \$5,102,979.

Commissioner Gouge asked how much the Port anticipates paying on the 2011 bond with Opus Bank at the end of the year. Ms. Drennan said she anticipates the Port will pay the maximum allowed, which means the dollars going into the Capital Replacement Reserve will decrease by the same amount.

3RD QUARTER HARBOR SQUARE REPORT

Ms. Conner, Northwest Country Management, presented the 3rd Quarter Harbor Square Report, highlighting the following:

- There was a modest increase in occupancy of 1.83%, but revenue increased by 8.14%.
- They are still in a period of rent abatement for Channel Marker improvements. As they move into the first quarter of 2016, the Port will start to see rental revenue from this lease.
- Eight late fees were assessed in the amount of \$773.74, but all tenants are currently up to date.
- A write-off for a previous tenant occurred in July in an amount of over \$15,000.
- Space was shown to a number of entities. In most cases, the spaces were not large enough or the right mix to meet their needs. The large warehouse space was shown to a few interested parties, and a current tenant has indicated a desire to shift spaces.
- One-year lease extensions were completed for spaces in Buildings 2 and 3, and a new 39-month lease was completed for space in Building 3.
- No tenant improvements were done during the 3rd quarter.
- Conference room rental continues to decline, with just five rentals during the 3rd quarter resulting in \$175 net revenue.
- Two leases expired on June 30th and September 30th.
- The Port put the landscaping and pest control contracts out to bid. The pest control contractor is already on board, and the landscape contractor starts on November 1st.
- Port staff completed sidewalk repairs at Buildings 3 and 5, and it is anticipated that this work will continue in 2016.

Mr. McChesney explained that, in the past, the Port bid the concrete work out. However, Port staff has done an excellent job since assuming more of the maintenance responsibilities that can be done in house. Commissioner Faires said the Port's goal over the last several years has been to do more maintenance work in house as opposed to bidding the jobs out. Not only does this decrease the Port's direct maintenance costs, it also decreases overhead costs when time does not have to be spent administering the contract process. Mr. McChesney agreed. When bids are required for maintenance projects, it takes longer to get the work done, and staff can only administer a certain number of contracts at one time. Doing the work in house allows the Port to have more control over the sequencing of jobs and the outcome is typically better, as well.

Commissioner Faires noted that occupancy is currently at about 80%. Given the current environment in Edmonds, he asked what a reasonable occupancy goal would be for Harbor Square. Ms. Conner said she would like to see occupancy at 85%. She pointed out some of the problems that make the spaces less desirable to potential tenants. Commissioner Faires asked if it would be a worthwhile investment to make at least some of these spaces more rentable. Ms. Conner agreed there is some opportunity in Building 4, but it will be difficult to divide some of the larger areas into the smaller spaces that are more desirable. In the meantime, she stressed the importance of continuing to maintain existing tenants.

Commissioner Gouge commented that there is a lot of office space available in downtown Edmonds, Highway 99 and on 76th Avenue West. The new generation is not interested in the type of space offered at Harbor Square. They are more interested in mixed office/warehouse space in areas where there is a lot of synergy. It is unfortunate that the Harbor Square Master Plan was not approved.

Mr. McChesney reported that the Port has received inquiries for space at Harbor Square from a 502-type business (pot shop). However, staff has not pursued the inquiries because they believe the use would be incompatible with

existing uses at Harbor Square. He invited the Commissioners to provide guidance regarding this request. Commissioner Gouge pointed out that marijuana is illegal from a federal law standpoint, and federal dollars have been invested into the Port. He expressed his belief that these types of businesses are not a good fit for the tenants and others who use the waterfront.

Jack Bevan, Edmonds, requested information relative to the occupancy rate for each individual building at Harbor Square. Ms. Conner agreed to provide this information to Mr. Bevan.

3RD QUARTER MARINA REPORT

Ms. Kempf presented the 3rd Quarter Marina Report, specifically noting the following:

- The number of round trip launches increased by 9%, but one-way launches decreased by 25%. However, overall launcher activity was up in 3rd quarter 2015 compared to 3rd quarter 2014.
- 132 launch reward cards were redeemed during 3rd quarter 2015 compared to 119 in 2014. This remains a popular program for users.
- Guest moorage activity was down during the 3rd quarter, but increased by 13.8% overall for the nine months ending September 30th. This may have resulted from mediocre fishing conditions. September is usually the Port's busiest month, but that was not the case in 2015.
- Fuel prices were down by 28% on unleaded and 33% on diesel at the end of 3rd quarter compared to 3rd quarter 2014. Total gallons pumped increased by 35%. Department of Ecology inspectors performed a Class 4 inspection at the facility in September and an underground storage tank inspection in October. The Port passed in all areas of inspection.
- Boatyard activity was up by 72 days or 24% compared to 3rd quarter 2014. Sling time pressure wash numbers were also up 45%. The number of vessels going to the workyard increased by 38%, as well.
- Water moorage occupancy from a revenue standpoint was 98% at the end of 3rd quarter, and a total occupancy of 96% was budgeted for the year.
- In-water moorage terminations increased from 34 in 3rd quarter 2014 to 43 in 3rd quarter 2015, and turnover ratio increased slightly from 5.14% in 2014 to 6.5% in 2015. This may be a result of people signing up for space earlier in the year and then leaving earlier, as well.
- Dry storage occupancy from a revenue standpoint was 93%, and a total occupancy of 90% was budgeted for the year.
- Dry storage terminations decreased from 17 in 3rd quarter 2014 to 14 in 2015. The turnover ratio decreased from 7.3% in 2014 to 6% in 2015.
- The waitlist increased from 60 names at the end of 3rd quarter 2014 to 99 at the end of 3rd quarter 2015. This was partially due to 23 tenants that were placed on the waiting list for larger slips following the boat measurements.
- There were 75 total boat show sign ups in 2015 compared to 49 in 2014, and 44 of the 75 new tenants remained at the end of the quarter.

Commissioner Faires commented that this is the first time the wait list has grown significantly in six years, which is encouraging. The occupancy rate also speaks to the success of the Port's basic policy of maintaining a superior marina and staff's efforts to market the marina.

Commissioner Preston pointed out that the numbers provided in the Boatyard Chart are inconsistent with the numbers provided in the narrative of the report. Ms. Kempf agreed to double check and correct the numbers.

Commissioner Preston asked why registration compliance was so high in 2011, but only 60% in 2015. Ms. Kempf said the Port used to have seasonal staff send out letters early in the year to remind tenants of the requirement, and this resulted in a higher compliance rate by the end of 3rd quarter. The Port no longer uses seasonal staff for office projects. She said staff has spent a lot of time in 2015 helping tenants become compliant with the new insurance requirements, and they are currently at 72%. The Port sends out letters each quarter to tenants whose policies are about to expire to inform them of the new requirements. The intent is to give them enough notice to be able to know and understand the additional requirements before their policies come up for renewal.

Commissioner Preston asked how many email addresses the Port has on file for tenants. Ms. Kempf advised that the Port has email addresses for approximately 80 dry storage tenants and 511 wet moorage tenants.

Commissioner Preston asked which insurance companies have declined to provide the additional insurance as per the Port's new requirements, and Ms. Drennan answered that only Allstate and Nationwide have indicated they could not provide the required coverage.

Commissioner Preston voiced concern that, during the month of September, marina operations doors were often closed throughout the day in order to meet customer demands and waiting times for some customers increased. He asked what the Port could do to make sure that the doors are never closed to customers. Commissioner Faires pointed out that the best way to address this problem is to provide more funding for additional staffing.

EXECUTIVE DIRECTOR'S REPORT

Mr. McChesney reported that the Edmonds Yacht Club has petitioned the Port for their "Holiday on the Docks" event. They would like to start moving boats into guest moorage on December 5th and remove them on January 3rd. The Argosy Christmas Ship is scheduled to visit the marina on December 8th. He reminded the Commission that, in the past, the Port has waived guest moorage fees for the event, and the club is asking for the same accommodation this year.

COMMISSIONER FAIRES MOVED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE DIRECTOR TO WAIVE THE GUEST MOORAGE FEES FOR EDMONDS YACHT CLUB MEMBERS IN THE GUEST MOORAGE AREA FOR THE PERIOD BETWEEN DECEMBER 5, 2015 AND JANUARY 3, 2016. IN EXCHANGE, THE CLUB MEMBERS' INDIVIDUAL SLIPS WILL BE MADE AVAILABLE FOR GUEST MOORAGE IF GUESTS COME INTO THE MARINA AS COORDINATED BY THE MARINA OPERATIONS OFFICE. COMMISSIONER GOUGE SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

Mr. McChesney reminded the Commission that they approved a contract with Interwest Construction, Inc. to do the site work for the new restroom facility, but they are still waiting for the required building permits from the City of Edmonds. He advised that the engineering review has been completed with just a few minor changes noted, but the interdepartmental reviews still need to be completed. He is hopeful the permit will be issued later this week or early next week so the project can move forward before bad weather prevents pavement work.

Mr. McChesney explained that once the permits have been issued, staff will conduct a preconstruction meeting and the project will move forward. He anticipates a few change orders, one having to do with a catch basin at the dry storage facility that is in the way and needs to be relocated. In addition, the PUD has determined that it will not allow the Port to connect the electrical service to the transformer at Anthony's, and a different service connection must be provided. The cost of these changes is unknown at this time.

Council Member Mesaros asked if the City has given the Port an estimated date for when the permits will be issued, and Mr. McChesney answered that they have not. Commissioner Preston asked for a recap of when the Port originally submitted its permit application. Mr. McChesney reviewed that a pre-development meeting was held with Port and City staff in November of 2014 to kick off the Shoreline Permit application. He suggested that perhaps the Port's anticipated schedule was a little too optimistic. He reported that the Shoreline Permit was issued in April of 2015 and the Port moved forward with ordering the building and site work design. Applications for the building permit and public works permit were submitted shortly after, as well. Council Member Mesaros agreed to contact City staff and ask them to identify an approximate time for when the permits will be reviewed and subsequently issued.

COMMISSION COMMENTS AND COMMITTEE REPORTS

Commissioner Gouge reported on he and Commissioner Preston's attendance at the Washington Public Ports Association's (WPPA) Small Ports Seminar in Leavenworth. The topics at the seminar were finance related and very well done. Specific topics included:

- A discussion about how to finance projects.
- A report by bond counselor, Cynthia Weed from K&L Gates, regarding the current status of bonds, as well as a discussion about good and bad banks. He asked her to provide an update on the Port's bonding situation to the Commission in early 2016.
- A discussion about how to obtain grants from the Community Economic Revitalization Board (CERB), and the timing for applications.
- A presentation by Paul Sorenson, BST, related to how to measure a port's impact on a community relative to economic development and how ports can advertise their projects to communities.
- A presentation by Jill Brownfield from the Port of Anacortes about insurance requirements. It was mutually agreed by those in attendance that requiring a tenant's policy to name the port as an additional insured was appropriate, and there was some discussion about what the minimum requirement should be. It was also discussed that the requirement should apply to both in-water tenants and upland tenants. Representatives from both Endurance and Alliant Insurance Companies were present to voice support for the new requirement.

Commissioner Faires asked if the discussion included both the increase in liability to \$500,000 and the requirement that ports be named as additional insured. Commissioner Gouge answered that there was discussion related to both requirements. While the State statute identifies a minimum liability coverage amount of \$300,000, the Port must also consider the need to protect its assets. He stands by the Port's policy of requiring \$500,000. Commissioner Faires pointed out that the difference in cost for the two levels of coverage would be minimal.

Commissioner Gouge pointed out that the event was the most well-attended Small Ports Seminar in the WPPA's history. WPPA Staff were present and introduced themselves to participants, and he enjoyed the opportunity to meet other commissioners and executive directors from throughout the state. He provided staff with the handouts he collected at the seminar.

Commissioner Faires reported on his attendance at the October 21st Edmonds Economic Development Commission Meeting, where there was considerable discussion about whether or not the commission would sunset at the end of 2015 and what their role should be going forward into the future. If the commission continues beyond 2015, it was agreed that the focus should be on the items identified in the Strategic Action Plan that relate to the economic vitality of the community. The commission should also focus on supporting a cohesive planning process for Highway 99. It was noted that the City has identified funding to get the planning process started, and the commission's role would be to ensure that an economic perspective is considered as the plan moves forward. At the meeting, he reported that the Port is still waiting for permits for the restroom project. He also reported that the Port has allocated funding in 2016 for landscape improvements on the southwest corner of Dayton and SR-104.

Commissioner Preston asked if a date has been set for a meeting to recap the 2015 Waterfront Festival. Mr. McChesney answered that he has received feedback from the Rotary Club, but their next meeting is not until November. He agreed to pursue a meeting date.

Commissioner Preston announced that he and Commissioner Orvis met with the Sea Scouts, who are at a low point at this time. He also had some conversations with a representative from the Mount Baker Council who is open to providing assistance, and Mr. Makin has indicated a willingness to accept the help.

Commissioner Preston reported that he attended the Economic Alliance Snohomish County Public Officials Reception, along with Commissioners Gouge and Orvis. He noted that the Alliance is undergoing change with the departure of Troy McClelland, and he is hopeful that the transition period will be temporary.

Commissioner Preston reported on his attendance at the WPPA Small Ports Seminar in Leavenworth. He particularly enjoyed the Friday morning session where participants were given story problems and asked to figure out how to make the situations better. It was a very insightful discussion.

Commissioner Preston commented that although the State's minimum requirement for insurance liability is set at \$300,000, the minimum coverage should not be the standard. The Port must consider risk factors when setting the appropriate coverage level. It is the Port's duty to protect the taxpayers and tenants. Regarding the new requirement to name the Port as an additional insured, Commissioner Preston said he was not aware that this would require some

tenants to obtain a survey of their vessels. Ms. Drennan agreed to do some additional research about why surveys are being required and report back to the Commission. Commissioner Preston also asked staff to research the most common deductible for boaters' coverage and how increasing the deductible would impact their premiums. Ms. Drennan cautioned that this information might be more difficult to obtain since premiums are based on type, size and age of boat, as well as the boater's history. Commissioner Preston suggested it would still be possible to identify an average deductible.

Commissioner Preston asked if staff has checked the suggestion boxes lately, and Mr. McChesney agreed to do so.

Commissioner Preston announced that the Emergency Services Coordinating Agency (ESCA) has disbanded. The Ham radio operators who were part of ESCA have started a new organization called the Swamp Creek Amateur Radio Fraternity (SCARF), and they are ready to go in the event of an emergency.

Commissioner Preston announced that he would attend the Northwest Marine Trade Association meeting in Bremerton, along with Ms. Kempf and Mr. Brown.

ADJOURNMENT

The Commission meeting was adjourned at 8:45 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Fred Gouge". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Fred Gouge
Port Commission Secretary