



PORT COMMISSION OF THE PORT OF EDMONDS

MINUTES OF REGULAR MEETING

May 31, 2016

COMMISSIONERS PRESENT

Jim Orvis, Secretary
David Preston
Steve Johnston

STAFF PRESENT

Bob McChesney, Executive Director
Tina Drennan, Finance Manager

OTHERS PRESENT

Bradford Cattle, Port Attorney
Karin Noyes, Recorder

COMMISSIONERS ABSENT

Bruce Faires, President
Fred Gouge, Vice President

CALL TO ORDER

Acting President Orvis called the regular meeting to order at 7:00 p.m. He excused Commissioners Faires and Gouge from the meeting and welcomed new Commissioner Johnston.

PLEDGE OF ALLEGIANCE

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

CONSENT AGENDA

Item C was pulled from the Consent Agenda.

Mr. Cattle advised that Robert's Rules of Order allow Commissioners who were not in attendance to vote to approve the meeting minutes, as long as he/she does not try to change the minutes. Approval of the minutes is simply a housekeeping matter. Although Commissioner Johnston was not present at the May 9th and May 25th Meetings as an acting Commissioner, he is allowed to participate in approval of the minutes.

COMMISSIONER PRESTON MOVED THAT THE REMAINING ITEMS ON THE CONSENT AGENDA BE APPROVED TO INCLUDE THE FOLLOWING:

- A. APPROVAL OF AGENDA**
- B. APPROVAL OF MAY 9, 2016 MEETING MINUTES**
- D. APPROVAL OF PAYMENTS IN THE AMOUNT OF \$528,309.49**

COMMISSIONER JOHNSTON SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

APPROVAL OF MAY 25, 2016 SPECIAL MEETING MINUTES (Item C on the Consent Agenda)

Commissioner Orvis asked that the minutes be amended to change the motion on the last page to read,

“COMMISSIONER ORVIS NOMINATED STEVE JOHNSTON FOR THE COMMISSIONER-AT-LARGE POSITION 5. COMMISSIONER PRESTON SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.”

COMMISSIONER PRESTON MOVED THAT THE SPECIAL MEETING MINUTES OF MAY 25, 2016 BE APPROVED AS CORRECTED. COMMISSIONER JOHNSTON SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

PUBLIC COMMENTS

On behalf of the Edmonds City Council, Council Member Teitzel welcomed Commissioner Johnston and said he looks forward to working with him the future.

WATERFRONT FESTIVAL UPDATE

Mr. McChesney announced that June 3rd through 5th is the 29th Annual Waterfront Festival at the Port of Edmonds. He introduced Valerie Claypool, who has been retained by the Rotary Club to act as the event organizer. She was present to report on the changes that have been made and announce the features of this year's event.

Valerie Claypool, Waterfront Festival Organizer, provided a copy of the Rotary Club's emergency plan for the festival, which was also given to the Edmonds Police Department and Fire District 1. She also provided a packet of information related to the 2016 festival. She advised that numerous changes have been incorporated to build upon the nautical theme. The events include:

- Fin the Giant Salmon, a fiberglass, 25-foot salmon will be present for event participants, particularly children, to climb inside.
- Beach Camp of Sunset Bay will provide beach camp classes on Saturday and Sunday.
- Seth Muir from Salish Seas Expeditions will have a booth at the event.
- Home Depot will offer tile painting for children.
- A balloon arch will be used to emphasize the location of the Classic Yachts.
- Just Frogs will be present for the children.
- There will be buses taking people to and from the fish hatchery on Saturday afternoon.
- Roving actors will portray Thurston Howell III and Gilligan from the television show Gilligan's Island.
- Yacht Rock music will be provided by The Windbreakers.
- Extra ground parking will be available at Edmonds Elementary, and the trolley will transport people to and from the festival.
- Disney Pixar will bring "Finding Dory," a blue fish with a yellow tail that was in the movie, Finding Nemo.
- The Seafair Pirates, along with Moby Duck, will visit the marina between 12:00 and 1:00 p.m. on Saturday afternoon.
- The Snohomish County Fire Boat will be on display and tours will be offered.
- The Coast Guard will have a booth.
- A vendor will be selling 3D wooden maps of the Snohomish County area.
- Vinyl Radio and Power 99 will broadcast live at the festival and talk about the Port and the festival.
- Social Media is being used this year to advertise the event (Instagram, Facebook, and Twitter). In addition, the Rotary Club paid to set up social media for the Port.
- A survey will be conducted asking visitors if they live in Edmonds and how they heard about the festival. The survey is being partially funded by a lodging tax grant and the intent is to inform the Rotary Club on how they can best spend their money going forward.
- A lodging tax grant also provided partial funding for signage on eight transit busses throughout the region to advertise the event. The Rotary Club has submitted a grant for full funding for the bus advertisements in 2017.

Ms. Claypool advised that, although six parking spaces were lost to accommodate the Port's new restroom facilities, the Rotary Club was able to reconfigure the festival to accommodate all of the events. She provided an event map

for the Commission's information. She also provided a map to illustrate the trolley routes and schedule, as well as a schedule of the performances.

Commissioner Preston asked why one of the "kids activities" was placed so close to the beer and wine garden. Ms. Claypool answered that this was necessary to accommodate all of the events. She noted that the activity in this location would be for older children.

Commissioner Johnston inquired about the typical attendance for the event. Ms. Claypool responded that the typical attendance is 10,000, but the Rotary Club is hoping to increase attendance via improved advertising in *THE EVERETT HERALD*, *MY EDMONDS NEWS*, *SEATTLE TIMES*, and on busses in the region. Commissioner Preston asked if the Rotary Club was able to take advantage of any free press, and Ms. Claypool answered that she has partnered with Teresa Bellucci in an effort to get as much bang for the buck as possible.

Ms. Claypool explained that when she came on board as the event organizer for the Festival, she signed several on-going contracts, and she has already made several reservations for the 2017 festival. She would appreciate input from the Port soon regarding potential problems with the 2017 festival so she can notify the contractors as soon as possible. She is hoping to have an agreement in place between the Port and the Rotary Club by the end of September so she can move forward full steam to make the 2017 festival the best ever. She invited the Commissioners to visit the festival with her and she can answer any questions they might have.

Commissioner Preston said he plans to spend time at the festival to observe. He recalled that the Commission previously requested that the Rotary Club meet with them within 30 days after the festival to debrief and review the financial information. Ms. Claypool responded that the financial information should be available by the first of July and will be provided to the Port as soon as possible. She can also provide information about how the 2016 proceeds will be spent.

Mr. McChesney commended Ms. Claypool and the Rotary Club on their efforts to make the event more marine oriented.

Darlene Stern, Chair of the 5K Run, announced that registration will begin at 8:00 a.m. on Saturday morning, and participants can also sign up online. She invited Commissioners and Port staff to participate, and noted that all proceeds will go to Kids in Transition.

2015 ANNUAL REPORT

Ms. Drennan reviewed that staff presented the draft 2015 year-end financial statements at the February 29th meeting. The final financial statements have been prepared in the format required by the State of Washington and were submitted to the State Auditor's Office on May 11th. The Finance Committee reviewed the statements between April 21st and May 9th. The 2015 Annual Report will be posted on the Port's website within the next few weeks.

Ms. Drennan recalled that the Finance Committee discussed hiring an independent Certified Public Accounting (CPA) firm to audit the 2014 and 2015 annual reports and to audit the annual reports annually thereafter. Staff requested proposals from eight CPA firms and received three proposals on May 18th. She reviewed that the Port paid approximately \$21,200 for the 2012/2013 financial statement audit and accountability audit, and the low bid for the 2014/2015 audit was \$32,000 and \$18,000 annually thereafter. In addition to that amount, the Port would still have to pay for the State Auditor's Office to complete the accountability audit, which ensures that the Port is following State laws and its own policies. Ms. Drennan summarized that because the CPA firm audit costs are so much greater than those of the Washington State Auditor's Office, staff recommends that the Port continue to use the services of the Washington State Auditor's Office. She noted that the 2014/2015 audit is anticipated to start in mid-July of 2016.

Ms. Drennan reviewed the few changes that were made to the year-end financial statements after the February 29th meeting:

- Staff found that a July 2015 payroll was incorrectly posted to 2014. The error was corrected before completion of the final annual report.

- 2015 invoices that were received after February 29th were posted.

Ms. Drennan referred to the Statement of Cash Flows (Page 13 of the Report), which shows the sources and uses of cash in 2015. She reported that:

- Operating Activities provided net cash of \$3,752,867. She reminded the Commission that it is important that organizations regularly produce positive cash flow from operations, as this is the daily activity of the organization.
- Noncapital Financing Activities provided net cash of \$406,181. These activities primarily include property tax income, but also changes in customer deposits, operating grants, damage expenses and insurance reimbursements.
- Capital and Related Financing Activities used net cash of \$3,771,412. These activities include purchase and construction of capital assets, as well as principal and interest paid on debt.
- Investing Activities used net cash of \$155,951, and activities include the maturity and purchase of long-term investments and interest from the Port's investments.
- Total Cash increased in 2015 by \$231,685. Without the purchase of the long-term investments, total cash would have increased by \$429,610. As per the Cash Flow Model, staff will move \$429,610 into the capital Replacement Reserve in the 2nd quarter of 2016.

Commissioner Preston reported that he met previously with Ms. Drennan to discuss the financial statements and have his questions answered. Commissioner Orvis commented that the financial statements are impressive and complete and provide a good picture of where the Port is and what it is doing. Commissioner Preston agreed that the statements provide a clear picture of what is going at the Port.

APPROVAL OF PURCHASE OF WORK TRUCK

Ms. Drennan explained that the Port is scheduled to replace the 2000 Ford Ranger used by Marina Operations in 2016. She reviewed that in 2012, the Port purchased a ¾-ton work truck that is fully rigged with a rack and tool box. This truck has been a huge asset to the Maintenance Department, and there is now a need for another work truck. Staff is requesting approval to replace the 2000 Ford Ranger with a 1-ton truck with a utility box. With the purchase, one of the Maintenance Department's vehicles would be moved to Marina Operations.

Ms. Drennan said it is anticipated that a 1-ton truck will improve efficiency in the Maintenance Department workforce, allowing maintenance teams to work in two places at the same time without having to swap out tools or be without tools while another staff person is using the truck to pick up materials. She reminded the Commission that the Maintenance Department staff is taking on increasingly larger projects in house, and the new vehicle would allow them to carry more materials, supplies and payload.

Ms. Drennan advised that the Port received three quotes and the bid summary was attached to the Staff Report. She explained that while the sales tax varies by dealer location, the Port will have to pay the difference between the dealer location sales tax and the Port's sales tax to the State of Washington. She noted that staff also contacted Chuck Olson Chevrolet and Dwayne Lane's Arlington Chevrolet but did not receive responses from either.

Ms. Drennan concluded that the 2016 Capital Budget includes a work truck in the amount of \$34,000, and the Port will surplus and send the 2000 Ford Ranger to James G. Murphy's auction. As of the date of the Staff Report, Blade Chevrolet had the truck sitting on its lot. If it has not been sold by tomorrow, the Port will receive that truck. Otherwise, the truck will need to be built. She reviewed that the total cost of the truck would not exceed \$37,000, and the purchase would meet the Port's mission to provide a high level of customer service consistent with the values of the clients and ensure the Port facilities are attractive, safe, clean, user-friendly, and readily accessible. She recommended the Commission authorize staff to purchase a new Chevrolet Silverado 3500 Truck from Blade Chevrolet in an amount not to exceed \$37,000.

Commissioner Preston asked how the Port reached out to the different dealerships for quotes. Ms. Drennan said the Maintenance Manager contacted the dealerships via phone or email. He felt the reason he did not receive quotes

from the other dealerships was because they do not sell commercial vehicles. He evaluated what he wanted and determined that the Chevrolet Silverado would be the best option to meet the Port's needs.

Commissioner Johnston asked about the anticipated lifespan of the new truck. Mr. McChesney answered that the Port tries to wear their vehicles out before replacing them. He anticipates the truck will last at least six or seven years. He noted that the truck that will be sent to auction was dented in 2015 and is at the end of its useful life. One of the trucks currently in the maintenance fleet will be transferred to Marina Operations, which currently has one truck that was built in 2000. He summarized that the Port currently has a pattern of replacing one vehicle each year, and Ms. Drennan added that the Port currently has 6 trucks and 1 van.

Commissioner Orvis commented that the Port's vehicles make frequent starts and stops, and this results in significantly more wear and tear. He asked if the \$36,000 would include the tool rack, and Ms. Drennan answered that it would include both the tool rack and the sprayed-on bed liner.

COMMISSIONER PRESTON MOVED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE DIRECTOR OR HIS DESIGNEE TO PURCHASE A NEW CHEVROLET SILVERADO 3500 WORK TRUCK IN AN AMOUNT NOT TO EXCEED \$37,000. COMMISSIONER JOHNSTON SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

2016 EDMONDS ARTS FESTIVAL

Mr. McChesney reviewed that, for the past several years, the Port has provided use of the vacant gravel parking lot to help support van transportation to and from the annual Edmonds Arts Festival (EAF). In exchange, the Port has been shown as an event sponsor. A few years ago, the Port also started providing a \$1,000 stipend to the EAF to be used as awards for the student art exhibit. In exchange, the EAF has organized the Port's Artist in Action events in the plaza behind Anthony's Homeport Restaurant. In recent months, Port staff has been talking with the EAF about how they can make the Artist in Action Program more interactive. One option is to expand the venue and have larger, but fewer, events. He summarized that the Artist in Action Program provides a nice summer attraction at the waterfront and compliments the Sea Jazz Program. He asked the Commissioners to approve the Edmonds Arts Board of Director's proposal for a Summer Arts Program at the Marina and authorize \$1,000 to sponsor the 2016 EAF.

Commissioner Orvis disclosed that he is the Director of the EAF, but he does not have anything to do with the Artist in Action Program or student exhibit.

COMMISSIONER JOHNSTON MOVED THAT THE COMMISSION APPROVE THE EDMONDS ARTS FESTIVAL SUMMER ARTS PROGRAM AT THE MARINA FOR 2016. HE FURTHER MOVED THAT THE COMMISSION AUTHORIZE \$1,000.00 SPONSORSHIP TO THE EDMONDS ARTS FESTIVAL. COMMISSIONER PRESTON SECONDED THE MOTION.

Mr. McChesney clarified that the EAF is held at the Frances Anderson Center and not the marina. The Port's stipend would be used to sponsor the student exhibit at the festival, but the reciprocating Artist in Action Program would take place at the marina.

THE MOTION CARRIED UNANIMOUSLY.

SEA JAZZ STIPEND

Mr. McChesney reviewed that the Port took on the role as the primary sponsor of the Sea Jazz Program five years ago, providing the venue and promotional materials. The Port received assistance from the Edmonds Daybreakers Rotary and the Jazz connection, who then connected with Seattle Teen Music to schedule and produce each performance. The program provides a great opportunity for talented student musicians to perform in an open plaza setting, and the \$1,000 stipend would be used to support the Edmonds School District's youth music programs. He requested that the Commission authorize him to remit a stipend in the amount of \$1,000.00 to the Edmonds School District Music Department.

Commissioner Preston commented that Sea Jazz was the creation of the Port of Edmonds, in conjunction with partnerships. In addition to those noted by Mr. McChesney, Anthony's also feeds the students after their performances. He summarized that Sea Jazz is now recognized as something that gets people to come to the waterfront, which is what the Port is commissioned to do. It also promotes economic development. Mr. McChesney noted that Commissioner Preston was the godfather of the program, which was based on a similar program in Anacortes.

Mr. McChesney advised that the 2016 Sea Jazz events would start with a performance on June 3rd to open the Waterfront Festival. The events will continue every Wednesday night and Sunday afternoon throughout the summer months.

COMMISSIONER PRESTON MOVED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE DIRECTOR TO REMIT A STIPEND IN THE AMOUNT OF \$1,000.00 TO THE EDMONDS SCHOOL DISTRICT MUSIC PROGRAM IN CONSIDERATION OF SEA JAZZ SUMMER MUSIC PROGRAM AT THE MARINA FOR 2016. COMMISSIONER JOHNSTON SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

ACCEPTANCE OF FUEL SUPPLIER CONTRACT

Mr. McChesney reviewed that the fuel supplier contract is a result of the Commission's discussion relative to the type of fuel the Port will provide to its customers. He reviewed that approximately five years ago, the Port changed the product from non-ethanol fuel to E-10 (10% ethanol) with ValvTect. At that time, the Port's distributor indicated that non-ethanol fuel was in limited supply and would become increasingly expensive. The distributor indicated that the better way to go would be to accept the E-10 fuel and provide ValvTect as a stabilizer. From a financial point of view, this arrangement worked well. However, the Port received complaints over the past several months that outboard motors do not perform well with the E-10 fuel, and the issue was brought forward to the Commission for reconsideration. The Commission was persuaded to switch back to non-ethanol fuel, and staff was directed to go out to bid for a new fuel supplier contract.

Commissioner Orvis said he was confused about why the Port received quotes for two different types of diesel fuel. He asked if the intent was for the Port to choose one or the other or if both would be offered. Mr. McChesney answered that one quote was for the diesel product, itself, and the other was for the ValvTect additive that would be put in the fuel.

Commissioner Orvis questioned why there was a separate quote for diesel fuel for Port equipment. Ms. Drennan explained that a smaller truck must be used to deliver fuel for the forklifts and other Port equipment because there is no method for getting the product from the larger tanks at the fuel dock to the smaller tanks.

Commissioner Orvis summarized that the major difference between the four quotes is identified by the markup totals (bottom line). Ms. Drennan explained that the markup totals are based on a weighted average of the fuel sold in 2015. Mr. McChesney added that the number of gallons sold can go up and down depending on demand.

Commissioner Johnston asked if there is on-site storage for fuel that is used for the Port's equipment. Mr. McChesney answered that the Port does not have its own dispensers and storage for the equipment fuel. Ms. Drennan said the Port previously considered this option, but it was cost prohibitive due to permit requirements, etc.

COMMISSIONER JOHNSTON MOVED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE DIRECTOR TO ENTER INTO A FIVE-YEAR CONTRACT WITH ASSOCIATED PETROLEUM PRODUCTS, INC. FOR THE FUEL SUPPLIER CONTRACT. COMMISSIONER PRESTON SECONDED THE MOTION, WHICH CARRIED UNANIMOUSLY.

EXECUTIVE DIRECTOR'S REPORT

Mr. McChesney announced that there would be a limited fish opening in Areas 9 and 10 from July 16th through August 15th for hatchery Chinook. There will be no Coho fishery and it is an off year for pinks so there may not be much of a fishery in August or September.

Mr. McChesney reported that the Port is back to full employment with a new Operations Assistant, new Part-time Security Officer, and a full complement of seasonal staff. He announced that an All-Staff Barbeque is scheduled for June 8th to welcome the new employees, as well as Commissioner Johnston. He invited the Commissioners to attend.

Mr. McChesney provided an update on the City's progress with the Shoreline Master Program (SMP) Update. He reported that he met with Mayor Earling and several City of Edmonds staff to discuss what is likely to go forward to the City Council for final approval. He reviewed that the Port's main concern relative to the SMP Update is the proposed new buffer and setback requirements. As mentioned before, the Port believes that the current 25-foot buffers are adequate and appropriate. Although the City staff and the Department of Ecology (DOE) have advised that the existing 25-foot buffers meet the "no net loss" criteria and there is no science to support expanding them beyond that, it is likely that the City Council will vote to expand the buffers to 50 feet with an additional 15-foot setback. At this stage, the Port is not satisfied that is the appropriate solution, and Port staff will meet with DOE representatives next week to express the Commission's concerns. He reviewed that the Commission's stand is that the 50-foot buffer, plus the 15-foot setback, would likely make problems with the Edmonds Marsh worse rather than better. It is on record that the single biggest impediment to restoring the marsh has to do with unfiltered stormwater that runs through Harbor Square, and the Port's solution is to come up with a redevelopment plan for Harbor Square that will address that problem and others. If Harbor Square cannot be redeveloped, the increased buffers and setbacks will simply be lines on a map in a planning document that will result in no benefit.

Commissioner Orvis said it is also important to keep in mind that the stormwater contamination going into the marsh as a result of Harbor Square development is miniscule. The roofs of the buildings are thermoplastic polyolefin (TPO) rather than tar or zinc so the roof runoff is not contaminated. The main contamination comes from uphill, as well as the City and Department of Transportation's storm drains. While redeveloping Harbor Square can help, the primary problem will still have to be taken care of. Laying blame on Harbor Square for the marsh contamination is misguided. Mr. McChesney agreed that the unfiltered stormwater does not originate at Harbor Square. It transfers through Harbor Square from other sources.

COMMISSIONER'S COMMENTS AND COMMITTEE REPORTS

Commissioner Preston reported on his attendance at a recent Washington Public Port Association (WPPA) Meeting in Skamania. In particular, he attended the Public Relations Meeting where he learned that port facilities can only be used free of charge by organizations that are directly affiliated with the port. Other groups must pay a user fee. Mr. McChesney explained that the Port used to have an open-door policy. A new policy was established several years ago that limited the use of the meeting room to groups that were connected with the Port. However, a few organizations were grandfathered in. He noted that the policy came about because the meeting room was being used frequently, and it resulted in disruptions to the Port administrative staff.

Commissioner Preston suggested that perhaps it would be appropriate for the Port to revisit the groups that were grandfathered. Mr. Cattle agreed that it would be appropriate for the Commission to review the Port's policy, as well as the groups that have been grandfathered. He explained that, as long as there is a connection to the Port, albeit limited, the Port would be serving the community by allowing its meeting room to be used by outside groups even if the connection is somewhat tenuous. However, the Port should avoid creating a situation where the productivity of Port staff is impacted.

Commissioner Preston reported that he recently attended a Solutions Summit where the discussion focused on transportation and education and how things could change in Washington State. The concept of education savings accounts came up. The concept is already utilized by some states, and it is anticipated that the trend will spread. There was also significant discussion about California's water and energy problems, which are more of a political problem than a shortage.

Commissioner Preston reported that he participated in the annual Memorial Day event at the Edmonds Cemetery. He also participated with Evergreen Washelli and the Boy Scouts to put flags out earlier in the day.

Commissioner Preston said he looks forward to attending the Waterfront Festival and will be considering options for including additional events that will encourage youth in boating.

Commissioner Johnston commented that it is great to be a Commissioner and he looks forward to working with the Port and City for the betterment of the community. He said he looks forward to future committee and commission assignments, including representing the Port in Olympia relative to environmental issues.

Commissioner Orvis announced his plan to attend the WPPA Environmental Seminar and he encouraged Commissioner Johnston to attend, as well.

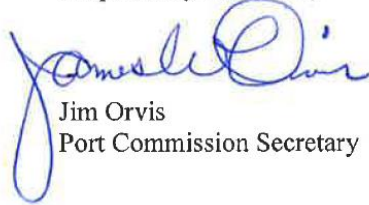
Commissioner Orvis reported on his attendance at the Economic Alliance Snohomish County (EASC) Board Meeting. He also reported that he will participate on the EASC's Nominating Committee for the next year, which will handle both new board members and the new slate of officers.

Commissioner Orvis announced that the Arts Festival will be Father's Day Weekend (June 17th through 19th). He invited Commissioners to attend.

ADJOURNMENT

The Commission meeting was adjourned at 8:10 p.m.

Respectfully submitted,



Jim Orvis
Port Commission Secretary