

PORT DISTRICT OF SOUTH WHIDBEY ISLAND

Minutes of the Special Meeting

September 27, 2011

Freeland, Washington

Commissioners Present: Chris Jerome (Langley), Curt Gordon (Clinton) and Geoff Tapert (Freeland)

Others Present:

Port Staff: Ed Field (Port Manager), Ron Rhinehart (Port Finance Manager) and Molly MacLeod-Roberts (Port Clerk); **Others:** Paul Schell (Boatyard Inn Co-Owner)

MEETING CALL TO ORDER: The Special Meeting of the Port District of South Whidbey Island's Board of Commissioners was convened on Tuesday, September 27, 2011, in the Port office conference room at 1804 Scott Rd. in Freeland, WA. As announced, the primary purpose of the Special Meeting was for Commission and Staff review and direction on the draft Preliminary Budget for 2012, along with other Harbor coordination issues. Although the Meeting was of course open to the public, it was scheduled primarily to enable the Commission to review and discuss the draft Budget in detail prior to its issuance, and public participation was not on the Agenda. Commissioner Jerome, President, called the Special Meeting to order at 9:02 a.m., followed by the Pledge of Allegiance.

PROJECT ACTION ISSUES

Review of draft Preliminary Budget for 2012: Rhinehart had prepared two versions of the draft Preliminary Budget for 2012. The first version ("NoCon") assumes no harbor expansion (**EXHIBIT A**) and the second version ("SWH-Con") includes boarding floats and harbor expansion (**EXHIBIT B**). He explained that the Revenue Opportunities in both versions included 1% levy growth, the Humphrey parking lot and the moorage forecast. The NoCon version included grants from the Port Security Grant Program (cameras) and from the Clean Vessel Program. The SWH-Con version included both of those grants as well as the grants from the Boating Facilities Grant program for the boarding floats and from the Rural County Economic Development Fund for the SWH Expansion. The Investments & Expenses in both versions included the cost of the updating the Comprehensive Scheme and proactive maintenance at all facilities (\$2,000-\$5,000 at each facility).

Rhinehart explained that the 1% levy growth number is very preliminary because we don't yet have the certified assessment values from the County (should have them by Friday; delayed by a software glitch on their end). Gordon asked if the Assessor had provided an estimate of the change of values, and Rhinehart said he had not. The baseline amount for property tax revenue in the preliminary budget is \$510,050. He said, *"That is the rock bottom number – we will get that or more, and chances are good there will be more."* Additionally, he did some conservative modeling on the projected Humphrey Road Parking Lot revenues, and noted that the 2012 budget of \$22,800 differed substantially from the 2011 budget of \$8,200. For the first half of 2011, the Port leased the parking lot for \$683 per month. Now that the Port is operating the parking lot, the revenue has dramatically increased. He used the same conservative guidelines for the moorage revenue forecast.

Regarding the Comprehensive Scheme update, Dennis Gregoire (running unopposed for Port Commissioner, District 1) had emailed Rhinehart earlier and suggested that there are alternatives to doing a full update; there are some intermediate steps. Rhinehart had replied that it would be good to understand what the alternatives are and discuss what we want to come out of it. The 2012 budget has

\$25,000 for the update, which is less than the \$50,000 paid for consultants to run the whole Comp Scheme update. The \$25,000 figure assumes that consultants will do the facilitation, production and publication stuff and Rhinehart will be the project manager and drive the process through.

Jerome asked if the budget included any income from Possession for a cell tower lease, and Rhinehart said it did not because it is still so early in that negotiation.

Field voiced his concern regarding the Clinton dock, explaining that there's really no way to do any preventive maintenance given the way it is constructed and designed. If it "goes" it will be very expensive. He said, *"It does not look immediate or urgent, but it's something that needs to be sitting in front of the Comp Scheme."* The Commission agreed.

Rhinehart presented the following summary information of each of the draft budgets:

<p>➤</p> <p><u>2011 Actuals (projected)</u> Revenues = \$701k --Property Taxes = \$525k --Marina = \$130k</p> <p>Expenses = \$661k --Marina = \$161k</p> <p>Ending Cash Balance --\$583k</p>	<p>2012 Draft "NoCon" Budget:</p>	<p><u>2012 Budget</u> Revenues = \$694k --Property Taxes = \$510k --Marina = \$127k</p> <p>Expenses = \$678k --Marina = \$160k</p> <p>Ending Cash Balance --\$610k</p>
<p>➤</p> <p><u>2011 Actuals (projected)</u> Revenues = \$701k --Property Taxes = \$525k --Marina = \$130k</p> <p>Expenses = \$746k --Marina = \$161k --Expansion = \$85k</p> <p>Ending Cash Balance --\$498k</p>	<p>2012 Draft "SWH-Con Budget:</p>	<p><u>2012 Budget</u> Revenues = \$2,924k --Property Taxes = \$510k --Marina = \$120k --Boarding Floats = \$230k --Rural Econ Dev = \$1,200k --PoSW Bond = \$800k</p> <p>Expenses = \$2,955k --Marina = \$173k --Expansion = \$2,000k --Boarding Floats = \$289k</p> <p>Ending Cash Balance --\$467k</p>

Rhinehart explained that he determined the \$800k PoSW Bond amount by rolling out Field's estimated monthly expenditures for the construction and then layering in bond financing revenue to keep the Port cash positive all the way through. Field pointed out that although we are still working toward it, the Port Security Grant (with the exception of the cameras) is not included since it is not a safe budget assumption.

Jerome wanted to know what the lead time is for bond funds and Gordon noted that the Port needs to get a bond rating. Rhinehart said he would find out the necessary information and report back to the Commission.

Regarding the Port Security Grant, Field explained that the best case scenario is if the grant documentation is signed, and all the environmental permitting is signed and the project goes out to bid in February/March 2012 with full reimbursement. The fallback presumption he is making at this point is that if the Port follows the proper procedures, bidding processes, etc. so we meet the Port Security Grant process requirements, if the grant agreement itself isn't signed when the contract is signed and we spend \$100,000 before the grant agreement is signed, he would hope and presume from that point on that the rest of it would be reimbursable. Field said, *"That's another research point we're working on. But for us to wait the project pending their agreement might kill the construction season."*

While discussing maintenance expenses, Field said he hopes to go out to bid by the end of the year for the landscape maintenance contract (Humphrey Lot, Clinton Beach and Phil Simon Park) as well as the SWH ramp cleaning contract.

Field noted that the Possession floats had major repair done this year with the steel dock ends being rebuilt, so the docks and pilings are in "okay" shape. The ramp; however, has rebar showing through. He and Dane Anderson (previous Finance Manager) had programmed to go for a planning grant from the Recreation & Conservation Office (RCO) possibly this Fall to start the design process for the ramp rebuild. Given everything else that is going on, he asked the Commission if they still want to go for the planning grant this year or do they want to pause and do the Comp Scheme update first. Gordon didn't think the Comp Scheme update would change enough to hold off doing the project - Possession is a popular site. He said, *"The sooner we can get going; the better."* Jerome asked what the budgetary implication would be if they went for an RCO planning grant. Field estimated the total for planning would be about \$60,000, and there is a 25% match requirement. Rhinehart said he would add \$60,000 to the capital expense for Possession and \$45,000 in grant revenue to the 2012 budget.

Under the South Whidbey Harbor section of the budget, Gordon noted that the 2011 budget had \$15,000 for the DNR Tidelands Lease, but the 2011 year-end projection is only \$2,414 and the 2012 budget amount is just \$2,305. Rhinehart said the \$15,000 was to lease the additional space for the expansion project. Gordon pointed out that the \$15,000 should therefore be included in the 2012 SWH-Con budget, and Rhinehart said he would make that change.

Rhinehart noted an error on both versions – the moorage revenue should be \$127,000 rather than \$120,000. He said he would make the correction.

The only difference between the two versions is on the 1st page under Grant Funding and on the 3rd page under Capital Expenditures for SWH. Rhinehart said the expenditures include \$250,000 for drawings/bid packages, \$1,745,000 for construction, \$5,000 for permitting and \$289,000 for the boarding floats.

Jerome asked, *"In principal, couldn't the boarding float project proceed independently of the rest of the construction project, and if it did, could we just back out the rest of the construction numbers?"* Field replied, *"Yes and no. It would back out the biggest portion of the engineering, but it would certainly not be as efficient engineering-wise and it would cost us more (higher percentage) to get the plans and specs done for a smaller job vs. a bigger job."* Jerome suggested a footnote could be included for the option of the boarding float project proceeding solo. Gordon said, *"It almost needs to be a third budget version if you're going to do that."* He said he would prefer that all 3 versions (SWH-Con, Boarding Floats only and No-Con) are published as the draft 2012 budget for presentation at the Public Hearing. Rhinehart said all 3 options could be listed on one budget as Columns A, B and C and that could then be published. The Commission agreed that SWH-Con would be designated as the primary, Boarding Floats only as secondary, and No-Con as tertiary.

Jerome asked if doing only the boarding float project would cause an issue with mitigation. Field explained the mitigation for the floats would be the removal of the 11 existing wooden piles, so the project's mitigation is self-contained. Although the permit has not been issued yet, there shouldn't be any hang-ups with it since the work can be done while the tide is out. He noted that the work must be done by the end of 2012; however, because the existing permits would lapse at that point and we would have to submit for renewal again. Field said, *"The boarding float job by itself wouldn't be real efficient, but it wouldn't be terrible. But to do anything else, like removal of the Hein dock in particular, would be really expensive because it's a major scope increase, etc."* Jerome pointed out that the Port could also lose the mitigation if they did that. Gordon said, *"So it's pretty clear that the Hein dock stays until the big project starts."* Field said, *"Absolutely."*

The Commission had no other comments on the draft 2012 budget. Rhinehart said he would make all the changes as discussed and have it ready that afternoon. He said the revised draft would be available for the public on the website and in the Port office the following day, and the required Legal Notices would run in the newspaper announcing the upcoming Public Hearing on October 11th.

South Whidbey Harbor

1. Coordination with the City of Langley: The City of Langley has scheduled a joint workshop with the Port at City Hall on October 5th at 3 p.m. Field provided the Commissioners with copies of Reid Middleton's email sent late the night before, along with a series of drawings showing potential next steps after the existing breakwater is put in place to continue to move the project forward in increments until the full build-out is reached (**EXHIBIT C**). Field thought the email provided good phasing scenarios and information.

Field said the Port has various display boards that can be used at the joint workshop to show the original 2004 Master Plan and the sequence and steps along the way that got us to where we are today, including the package that has been submitted for JARPA (the overall plan that has been in place since 2009 that remains the ultimate build-out scenario). Shannon Kinsella from Reid Middleton and Joe Callaghan from GeoEngineers will also attend the workshop. Jerome said he would create a PowerPoint presentation and asked Staff to provide him with electronic versions of the different scenarios.

Field explained that the 2004 Master Plan had the original layout based on the assumption of full access and utilization of the Nichols pier, which turned out to be the fatal flaw in that design. Jerome asked if the 2004 Master Plan has ever been updated, and Field replied, *"Officially updated, no. It was adopted by the Port and the City in 2004, and it was used as a basis to start negotiations to transfer the marina from the City to the Port. Negotiations broke down in 2005 and restarted in 2006. Agreement was reached in April 2007, and at that point the Port started working with Art Anderson Associates. The Port spent \$200,000 in the summer of 2007 doing site investigation, etc. and then in December of 2007 presented the "pods concept" layout to the City Council as a Master Plan Update proposal. There was extensive feedback from the Council and the public regarding the configuration and the pods, the exposure to the north, concern about the complete reconstruction of the existing marina, not efficient use of space, etc. The Update was therefore proposed, but not adopted. Based on all the input, in early 2008 Art Anderson modified the layout to remove the pods and leave the existing marina in place. The Port then sought a levy lift in November 2008 to pay for that \$8.5 million plan, and the voters did not approve it. At that point, Art Anderson was done and the Port went to Reid Middleton, who had done a peer review. In March 2009, the Commission selected Reid Middleton's Alternate Plan 4 as the ultimate full build-out, which included 3 phases. After fine tuning and details, Alternate Plan 4 was submitted for JARPA (to the City and all other agencies) in August 2009."*

Jerome said, *"So this has never been adopted by the City, but they reviewed it in the permitting process."* Field explained, *"As a Master Plan, it has not been adopted by the City. It was sent in for SEPA, and the*

City said there was no need to do a Non-Project SEPA on this plan because it was similar enough to the previous plan, and we went straight to the SEPA for this total build-out between August and October of 2009. The City has since approved (with a Mitigated Determination of Non-Significance issued in October 2010) that layout (for the ultimate build-out)."

Field explained that what Larry Cort (Langley's previous Director of Community Planning) had consistently looked at was that the overall configuration that the Port is proposing is very similar to the original Master Plan configuration, so he didn't see the need to go back to that paperwork. Field summarized, *"That was a Non-Project SEPA - we're now going to a Project SEPA. It fit under the same umbrella, so drive on."*

Field pointed out that the Master Plan is for the Harbor and Environs. He said, *"And we have taken the water portion of it and we're charging ahead with that portion by the City's request: 'Here's the Harbor - go do it kind of thing.' For the uplands piece, the City has gone ahead with their Wharf Street Overlay concept and approved it, even though the Port has major concerns about the effects of that Overlay on the Port's property and operations there. The City did so without updating the Master Plan."*

He continued, *"At this point, a really good argument can be made that it's taken us this long to come up with a viable overwater plan - both short-term and long-term. Because we have an initial project and we have a clear path that can get us to the ultimate project. Now we are at the point where we can actually come back to the table and do master planning because now we know what is technically feasible. One of the huge problems with the original 2004 Master Plan is that it was prepared by landscape architects with no technical data on the site conditions and without any engineering input."*

Gordon suggested they remind the City that the Port has a clear picture of what we need to have happen, and let the City know we'll work with them on a fast track for the Master Plan process, but don't slow down the project.

Paul Schell (Boatyard Inn Co-owner) said, *"I sat through the meetings on the Wharf Street Overlay plan. Field and Anderson went to all those meetings, but didn't take any position, and the neighboring landowners were looking for input."* Gordon noted that unfortunately, there wasn't a Port Commissioner at the meetings, and Schell agreed, adding, *"There should have been."*

Schell said, *"My advice is not to play defense. With the right environment in Langley that appears to be there, there is an opportunity for a strong partnership. It makes more sense to figure out what we can do and maximize our resources and opportunities, and build a strong partnership and proceed. I think the attitudes in the City are really positive and ripe and they have capabilities, and so does the private sector. A strong partnership with the City, the Port and the private sector could be put together really quickly if there is a plan that makes sense."*

Field said the 266'+133' design has been submitted to the Army Corps of Engineers and preliminarily to the City as three additional sheets to the existing plan as the 1st build-out phase. The package from Reid Middleton presents a fair series of steps that could get us from the proposed first phase (266'+133') to the ultimate build-out.

Gordon said, *"I would like to present the project that we have been designing and present it very clearly. We can even present different potential options if we do get money for a next phase. But we to do any other phase, we first must find out two major things: how much more money we're going to get and how much parking we're going to have. Those two things will help us define what we can do in a next phase and how soon we can do it. For now, we want to give the City what we've designed and show them how it*

is a legitimate phase – we're not throwing anything away. As soon as there is more money, we can go after an additional mini-phase, etc. We just need to stay real focused on our plan."

Gordon said the City had indicated they want clean phasing steps to get to the ultimate build-out. The concern expressed by the Planning Department is that if the Port puts \$2 million into the Harbor, that's all the Port will do; just walk away and not address the next phase. Jerome said he wanted to push back firmly on that and say, *"Absolutely not. In fact, it's my belief that the only way we can get beyond from where we are to where we really want to be is through an intermediate phase that shows progress. In the absence of progress, we haven't got a hope of building anything."* The Commission agreed.

Jerome thought it would be valuable to have some of the previously considered intermediate scenarios available at the joint workshop, because the Port didn't jump from the full build-out to the current 266'+133' plan, but considered a range of variations in between and invested a significant amount of engineering dollars in them. And basically at this point, this is the one we can do. As soon as funds become available, we've got an upgrade path and we've got engineering in place that will support the final design.

After additional discussion, the Commission agreed that Jerome needed to be at the center of the presentation at the joint workshop. Field, Kinsella and Callaghan would be the experts in the room along with Harbormaster Rick Brewer, with Field making a brief historical presentation.

Schell said, *"Nobody ever really believed the big plan – you don't have anything close to the amount of parking needed and the rest it will take to do it. Nobody will ever believe that's what you're going to end up doing. The concern with where you are now is that it is not very expandable and it's a 'go-it-alone-thing' with the Port doing it by itself. There are simpler ways to almost double the amount of moorage by building a partnership with Langley. I think you could get a significant dollar commitment from Langley if you play your cards right, because that's what they want. I think they believe that whatever you do will be 'it' for their generation – no matter what you might say or promise. Have something that they can see that if they play along and partner with the Port, they'll see a really good expanded marina that is the right size for Langley."* Jerome stated, *"I have to disagree. I believe that (pointing to the full build-out drawing) is where we are going, and I want to convince the Council that's where we're going. We've been committed to the full build-out for 2½ years with the permitting process, and I'm not wavering from that commitment."* He plans to demonstrate to the Council: *"This is where we are going. The question is: How do we get there?"*

Schell said, *"I don't think what you've got now is great and I don't think it's going to sell. I think you could do more with the first phase than you're doing by having A) a partnership and B) a little more flexibility. Once you break apart the Bremerton breakwater, you start to limit a whole lot of things down the road and you've signaled that you're not really serious about the full build-out plan. Be flexible and see if by working with the City and private partners, you can end up with more in the 1st phase than this proposed plan. There is really not anything to be happy about with this plan because it doesn't do very much for all the time and money that has been spent."* Jerome and Gordon disagreed with Schell's opinion that it doesn't do very much.

Gordon said, *"I really believe that we're not wasting money starting this and that the City of Langley really needs the shot in the arm this will give them. The piece that you keep going over the top of is that any deviation of the plan that we are currently continuing to pay to design will cause a guaranteed delay of construction until 2013 and delay of additional moorage until 2014. Any change we make right now means we extend for at least another year, and I think we owe it to the public to get something going there now rather than delay for another 1-3 years. This is a bird in hand."* Schell replied, *"As a business owner who owns a large part of the tourism industry in Langley between the Boatyard Inn and*

the Inn at Langley, I will tell you that business is up substantially. So I don't feel any sense of panic or rush to do something that we'll wish we hadn't done." Schell left the meeting at 10:45 a.m.

For the presentation of the 266'+133' design, Field said he would highlight features to be added and/or improved such as the utilities, the overall uplands plan and the removal of the Hein dock. Jerome said he would emphasize the following in his PowerPoint presentation of the proposed plan: 1) there are immediate benefits, 2) we're not wasting time or money here; we're getting something done, and 3) the Port's Comp Scheme will be updated next year and the Harbor Master Plan is absolutely a key component of that. Jerome said, *"We're looking for the City's commitment to match the Port's commitment to moving forward and getting something done for Langley in the near-term and the long-term."*

Field and Jerome agreed to meet later in the week to work on the presentation for the workshop at City Hall on October 5th at 3 p.m. Jerome suggested it would be good to start the workshop with a 20-minute presentation. Rhinehart agreed, and suggested it would include a quick summation of history but the balance of the presentation would focus on what is the current plan, what is the future plan, and what is the value that everyone is going to get from it. The Commission agreed. Rhinehart added, *"I think during the quick history summation, you can categorize and characterize all of the options you've looked at in terms of two criteria: budgetary and engineering. All of the previous interim options were rejected because they had budgetary and/or engineering problems that made them infeasible. Then you transition to the current plan and explain that it is the one option that passes both of those 'sniff tests' - it's feasible engineering-wise and it's feasible budgetary-wise."* The Commission agreed.

2. *Operations Update:* None.

Upcoming Meeting Topics: Not discussed.

ADJOURNMENT: The Special Meeting was adjourned at 11:06 a.m.

Approved:

Minutes prepared by:



Commissioner Chris Jerome, Langley



Edwin S. Field, Port Manager



Commissioner Curt Gordon, Clinton



Commissioner Geoff Tapert, Freeland

- Exhibit A: 2012 Preliminary Budget Model: NoCon
- Exhibit B: 2012 Preliminary Budget Model: SWH-Con
- Exhibit C: 9/26/11 Reid Middleton email & attachments regarding potential future floats & phasing