



PORT OF OLYMPIA COMMISSION
MINUTES OF REGULAR MEETING

November 9, 2009

CALL TO ORDER

President McGregor called the meeting of November 9, 2009, to order at 5:30 p.m. at the LOTT Board Room in Olympia. Commissioners Barner and Telford were also in attendance.

Staff in attendance was: Executive Director Ed Galligan, Program Assistant Lorie Watson, Finance Director Kevin Ferguson, Airport Director Rudy Rudolph, Harbor Director Bruce Marshall, Engineering Director Rick Anderson, Marketing and Business Development Director Kari Qvigstad, Marine Terminal Director Jim Amador, Communications Manager Kathleen White, Sr. Manager Property Development Heber Kennedy, Property and Business Development Manager Mike Reid, Contract Administrator Linda Shilley, Controller Andi Mounts, Maintenance Foreman Mike Crawford, Maintenance Mechanics Dan Musser and Paul Mickelson, and Special Projects Coordinator Jennie Foglia-Jones. Bob Goodstein, Port's Legal Counsel, was also in attendance.

Public in attendance who filled in the sign-in sheet were as follows: Mike Raskin, Tom Fell, Arthur West, Jim Wright, Clydia Cuykendall, Ron Spencer, Steve Hall, Kristin Jensen, Richard Wolf, and Joe Blattner.

APPROVAL OF AGENDA

The agenda was approved as revised. President McGregor suggested that the Advisory Calendar be moved to the beginning of the agenda in order to accommodate those members of the public who were attending specifically for those topics. Commissioner Telford added a discussion of the WPPA Centennial Project under the Action Calendar.

President McGregor announced that the Commission held an Executive Session at 4:05 p.m. at the Port Administrative Office to discuss lease negotiations in accordance with RCW 42.30.110(c). The executive session ended at 5:04 p.m. and no decisions were made.

President McGregor called for a moment of silence in memory of the recent tragedy at Fort Hood, and with Veterans Day coming, he recognized those Veterans who are and have served this country.

ADVISORY CALENDAR

NorthPoint Responses to RFP Advisory

Ms. Kari Qvigstad presented an update on the NorthPoint recruitment process. She provided background on the process, indicating that the Port Commission held a series of public workshops in 2004 and 2005 and gathered public input as to the land use. These workshops and the planning sessions resulted in a development concept that includes a pedestrian friendly waterfront site for work, visit and leisure recreation. She indicated that the development concepts that reflect the vision will require elements to provide for recreation and public use of shoreline, take advantage of the views, be pedestrian and consumer oriented, and maximize development by using adjacent parking areas.

Ms. Qvigstad reported that the Port's Comprehensive Scheme of Harbor Improvements adopted in December 2008 called for expansion of this district and for inclusion of a shoreline walking path and open areas, and commercial structures, and the Design Guidelines adopted in 2008 specified a pedestrian oriented commercial waterfront nature. She explained that there has been more than \$20 million spent to date in cleaning up the former Cascade Pole property, and there remains a small parcel, referred to as Phase 3, within the NorthPoint area that needs to be cleaned up to complete the project. She said the Port is eligible for Model Toxic Clean-up Act funds through the Department of Ecology to help in this cleanup, but a development plan is required to come to agreement with DOE. Ms. Qvigstad added that environmental clean-up under a DOE order, issued over 20 years ago, is integral to the program and the redevelopment of the area. She said that to move the Port closer to reaching this goal, the Commission directed staff to move forward with a Request for Proposals from developers.

Ms. Qvigstad indicated that the Request for Proposals was issued September 10, 2009 and due October 12, 2009. The Port received two responses, but one did not meet the Port's criteria. She reported that as part of the recruitment process three public open houses were scheduled; one in Lacey on October 27, one in Olympia on October 28, and one in Tumwater on October 29. Ms. Qvigstad noted that total attendance at all three open houses was 69. She said that at the open houses, MJR Development made presentations on two options: one with a restaurant and hotel and one with a restaurant and office.

She reported that the open houses were extensively publicized to Thurston County residents and businesses including advertising in the local newspaper, e-mails to those on the Port's Thurston County contact list, and news releases to local media. In addition, the following organizations sent the announcement to their membership list: the Visitor and Convention Bureau, Economic Development Council of Thurston County, Olympia – Thurston Chamber of Commerce, Progressive Network contact list, Olympia Downtown Association, Lacey Chamber of Commerce and the Tumwater Chamber of Commerce. The events attracted a front page article in The Olympian and reports from KGY radio.

Ms. Qvigstad provided a report on the numbers of public comments received, which included 17 comment cards from open house attendees, 26 e-mails, 1 phone message, and 1 blog. Copies of the comments were made available for Commission and public review. She added that since the closing of the public comment period, we've received eight additional comments. She then displayed and described the options presented by MJR.

Public Comment

Mike Raskin of MJR Development thanked the Commission for the opportunity to present to the community at the open houses. He said they appreciated all the public comment, and received some great feedback on open space, views, and the choices between hotel, office, and restaurant. He said they learned a lot. He added that this is a unique and special site where there is an opportunity for win-win, to provide the public what they talk about in their comments, and for the Port to be successful in their investments.

Tom Fell said he attended two of the open houses and he is impressed with the work involved. He said he is interested in a different aspect of NorthPoint. He commented that there is limited access to the waterfront and views in this area, and he believes all of NorthPoint should be for public access and reserved for the people. However, if the Commission decides to develop it, he hopes they will commit to only one building instead of two, and that it is backed up to the parking area, with the rest of the property used for public access or a park. He reminded the Commission that part of the Port's mission is to improve recreation options and environment, and he thinks we do that. He added that we have an opportunity to create a real jewel at NorthPoint.

Arthur West commented that he thought some of the building proposals looked ok. He said there are very few people who think we ought not to develop this area. His concern is that we do a full survey of what's there to determine how contaminated it is so we can safely use it. He said he hopes the Commission waits until East Bay is finished before taking on a further building project, and when we do, he hopes the MTCA isn't used as a vehicle to try to avoid the state environmental policy act. He indicated that East Bay will be used as a test case, and added that he hopes a full geological survey is done before building occurs at NorthPoint and a full impartial round of testing is done.

Commissioner Telford said he went through the comments received up until the last batch today and tried to gain some sense of consensus. He asked if perhaps staff could do a matrix. He indicated that some substantial number of people was saying the same things, adding that the one comment that came out in preponderance was more green space. He said there were five people who had concerns about view and building height, five expressed concerns about Building A which is the restaurant and said it is too close to the water and takes up public space, six people said yes to a restaurant and hotel, and six said yes to a hotel. He continued, indicating that four people talked about housing. He said seven people said save KGY, three said move it and others didn't comment on KGY at all.

Commissioner Telford said that there's never been an attempt to write down the reasons the previous Port commission, and part of the current commission, felt that the KGY building had seen its day and would essentially be replaced. He shared a draft document he'd prepared listing the KGY building facts and considerations, and said he'd be happy to accept input on it. He indicated that he put the document together because he didn't want to go through the arguments. He added that it is obvious that the general public doesn't know why the Port was on that track. He indicated that KGY has an obligation to tell us if they have an alternate long term proposal.

He said the Port would be remiss if we gave them another long term lease because they're on a septic system they will need to do something about, they need to do their parking, their building might have concerns from a code standpoint, and the pilings might be questionable about how much longer they'll last. He's said he's also found it interesting that on a comparative lease basis between them continuing to lease land at the Port, it is the most expensive option to them.

Commissioner Barner responded that he is befuddled, and not comfortable commenting on Commissioner Telford's submittal without taking time to review it. He said he's asked people in the community and they wonder why we're in such a hurry to put this project in place. He indicated that he voted against the decision to seek submittals and we got two proposals, and only one met the qualifications. He added that he is not opposed to the submittal by MJR, but is opposed to the process. He commented that the proposed concepts all have parking lots, roofs, and real estate development, but he doesn't think that's what needs to be there. He said he thinks it's wrong to proceed the way we are at the pace we are, adding that we need deliberate and community wide discussion and the incoming Commissioner needs to sit at the table and be the third contributor to discussions. He indicated that it is the people's proposals we need to look at, not just an out of town developer.

Commissioner Barner said he doesn't understand the need for Commissioner Telford's submittal about KGY. He said he agrees with some comments that Mr. West made, and that all things need to be weighed and analyzed. He said KGY has been in existence for almost 100 years; they are an icon who has been critical to our citizens. He added that treating them like Hearthfire based on square footage and the price they're paying is embarrassing to him. He indicated that he heard that there was a Native American proposal to put a long house at NorthPoint. He said we never spend time considering the history of Native Americans. He thinks this is a travesty in the making and if we don't slow down we're going to be sorry. He also said that to try to do this (NorthPoint) at the same time as East Bay is a travesty; let's do a good job on East Bay first. He added that if we're serious about NorthPoint, we could move the fencing to create more land. He commented that other options need to be talked about; there is no hurry.

President McGregor responded that on August 26, 2009 the Commission held a special meeting with public comments taken. He said his comments back then apply just as much today. He stated that we did what we said we would do; we took the proposal to the public in open houses. He noted that these were widely publicized public meetings and we still only got 69 people to show up. He said he believes the plan is to bring this back for Commission action on November 23. He added that KGY isn't involved in the development of the project. The area is 2.4 acres, 1 acre is only suitable for parking because it's within the slurry wall; the other 1.4 acres are outside the slurry wall. He noted that parking is the only thing that can happen inside the slurry wall except for very light buildings such as the temporary ones on it now. He said he wants time to review this some more; he's not ready to go one way or another at this point. He suggested this be brought back for action on November 23.

Commissioner Barner said he spent the entire weekend before the Commission's special meeting calling people to attend. He commented that it was held during the work day when people can't get there. He said this is not good public policy in his view and he would have changed the meeting time to the evening. He also commented that the meeting was held behind our fenced property which intimidates some people. He added that our public process is full of holes and if we don't sit down and discuss that, we're in trouble. President McGregor commented that the Open Houses were held at 6:30 at night and there was still low attendance. He said he is still of the mindset that we need to bring this back on November 23 for further discussion and action. Commissioner Barner indicated that the comment he's heard from people is that the decision is already made and they won't be listened to. He said that with only 69 comments received, we're not getting word out to the citizens.

Commissioner Telford said that based on his years of experience on the board, people don't show up. The Commission needs to read the comments received and draw conclusions based on where we stand. Commissioner Barner responded that we only held three meetings, and people were not there because they think we don't care and the decision has already been made.

Commissioner Telford commented that Commissioner Barner wants citizens to decide what goes out at NorthPoint. He said his own attitude is to go to people who are willing to put money into the project. He indicated that there are people who think this ought to be a park, but Ports aren't in the park business. He said if that's what we want, then we should consider selling the land. He added that he can understand the emotional ties people have, but there's a time to do something. He said he guessed you could set the development of NorthPoint aside for 10 years until East Bay is finished, but the fundamental guide is to develop the resources of the Port.

Commissioner Barner commented that he has never advocated housing on the Port anywhere, and he still argues that. He said we're a working Port, and it needs to be protected. He indicated that he's talking about promoting access during evening hours for leisure activities. He's promoting use for all citizens of the county. He added that we're not the developer, we put in the infrastructure; that Port's live on revenue from business activity.

East Bay Letter of Intent Advisory

Ms. Kari Qvigstad reported that in its desire to redevelop the East Bay District into a new anchor for downtown Olympia and strengthen Olympia's position as a regional destination for the South Puget Sound, the Port of Olympia engaged in a two-phase marketing process for the East Bay District. The process consisted of a Request for Qualifications (RFQ) followed by a Request for Proposals (RFP) for redevelopment of the parcels in the District not already committed to public partners. This marketing effort culminated in the selection of Tarragon L.L.C. as the preferred master developer in June 2009 for the seven remaining available properties in the East Bay District.

She noted that the Port and Tarragon then entered into an Exclusive Negotiation Agreement (ENA) in order to provide adequate time and protection to allow the parties to put together a development agreement for the seven remaining properties. This development agreement will provide extensive detail commensurate with the complexity of developing a large, multiphase, catalytic project, and will be submitted to the Port Commission for ratification. Oftentimes, such an agreement is preceded by a non-binding Letter of Intent (LOI), which helps the parties frame and refine the material terms of the final written agreements. The ENA contemplates the parties signing an LOI by November 15, 2009.

Ms. Qvigstad indicated that Port staff is drafting the terms of the LOI, which will cover the following topics: Property Included, Description of Project, Roles of Parties Involved, Tarragon Commitments, Port Commitments, Mutual Commitments, Property Valuation, and Project Schedule.

She then shared an updated conceptual drawing that Tarragon provided to the Port and pointed out some of its key elements. She also indicated that the LOI states that the parties will work collaboratively to develop and implement a public participation process that provides for meaningful public input and community outreach throughout the development process.

Ms. Qvigstad recognized Jim Reinhardtsen of Heartland, Mike Reid from the Port, and Joe Blattner and Kristin Jensen of Tarragon who were present at the meeting.

Commissioner Barner asked if the Port Advisory Committee (PAC) has had the opportunity to look at or make comments on the conceptual plan. Ms. Qvigstad responded that the PAC participated in the process in the spring, but to date the Commission hasn't asked the PAC to be involved. She added that we would put it on a future PAC agenda.

Public Comment

Steve Hall of the City of Olympia commented on the partnership with the Port and others on East Bay. He said barely two years ago we couldn't imagine this redevelopment, but now we can see it, with the infrastructure that the Port is doing, LOTT, and the brand new City Hall two blocks away. He said this redevelopment can be valuable for all of us. He commented that action with Tarragon will ensure that when it's all done, we'll have somebody else in the neighborhood. He added that it is fun to see the vision become a reality.

Joe Blattner, President of Tarragon, thanked the Commission and staff. He said they embarked on this project in July and set a schedule and have maintained and stayed on it. He said they've hit their milestone dates and they look forward to receiving the LOI. He indicated that while doing that they've also been working on design, constructability review and marketability review. He commented that this is not the greatest time to be developing commercial real estate but it is a great time to be making the steps we are now. He added that hopefully, when we complete those steps we'll be out of the woods with the economy in the state it's in. He stated that their objectives are aligned with the Port, and we're going to build a project that stimulates growth. He added that he's enjoyed working with the existing partners and Tarragon is looking forward to being part of the community.

Arthur West commented that he is happy to see a plan for what's going to be built on East Bay. His understanding of the shoreline management act is that a plan for what's being built is a prerequisite. He suggested that on the East Bay consortium, perhaps it might be in accord with

the open public meetings act and he hopes future projects won't be done using a consortium mechanism.

Patti Belmonte, Director of Hands On Children's Museum said she shared Steve Hall's excitement with where we are right now. She said that from the beginning, they envisioned a vibrant open space. She commented that at the last two Sand in the City events held at the Port, they have taken comments from thousands of people. Those comments confirm what we see here with the museum and public plaza.

Commissioner Barner commented that he hopes we enjoy the City's apparent commitment to cooperation in the processing of permits and paperwork. President McGregor said he echoed that, as the City has a vested interest in this project and he is excited about this development opportunity.

Local 47A Bargaining Agreement Advisory

Mr. Jim Amador reviewed the Collective Bargaining Agreement with ILWU 47A that covers four maintenance employees on the Port's Marine Terminal. The agreement is a three year agreement in effect from July 2009 through June 2012. The Port and local have agreed to operate in good faith under the 2006 contract until an agreement had been reached. He has discussed with the Commission the strategy and their input has been incorporated.

Mr. Amador indicated that the agreement is a continuation of the last contract's wage structure. The basic agreement is CPI (Sea-Tac-Bre) plus a performance incentive. The performance incentive is based on 1/10 of 1% for every \$100K performance of the Marine Terminal and it applies only after a net profit of \$100K is achieved. When the terminal is not performing there is a negative 1/4 of a percentage taken from applicable CPI.

He indicated that the Marine Terminal crew has a culture of saving the Port money whenever they can, and this year alone they saved the Port a total of \$33,000. The culture of cooperation and watching out for the terminal funds is not new, but something we want to continue to encourage. The amount this performance incentive comes to is minimal compared to the savings we receive. Mr. Amador then provided a comparison of wages and scheduled increases for a lead person in Olympia, the Ports of Tacoma and Everett, and to the LOTT facility.

Mr. Amador highlighted the changes in the Collective Bargaining Agreement which include clarification on computation, making all current categories lead positions, and establishing future journey level positions 5% below lead. He indicated that there are no anticipated hires, and the increase for the 2009 contract is 2.6%. He said the next step is to bring this back to the Commission for action on November 23.

Commissioner Barner said he's comfortable with this and said that Mr. Amador has done a great job.

Commissioner Telford commented that this is generally a good agreement and he appreciates the work done on it. He asked Mr. Amador to number the pages. He also requested that he change the wording on the last page, section 22, to "agreement applies to Marine Terminal and any portion(s) of the Admiral District used in support of Marine cargo activities." He said he's anticipating opportunities for slicing a little out of the Admiral District for other uses and it would be helpful to have that clarified to avoid problems in the future.

Commissioner Telford then discussed the wages and wage increases. He said he looked at increases that the Marine Terminal staff received in 2008-2009 as compared to what was allocated to the rest of the staff. He said given that, and what the Commission decided on for merit for the rest of the Port employees for 2010 which is 1.5%, he thinks that should be the number for the first year, but he indicated that he is not sure about the second year. He commented that the idea of incentives and tying it to CPI might work, but he expressed concern about the formula used. He said he doesn't think there is a real direct relationship between the Marine Terminal direct revenues and maintenance wages. He indicated that most of the Marine Terminal revenue increase is a result of Weyerhaeuser being there. He suggested that another way to measure incentive is against the maintenance budget.

President McGregor commented that it's a good move to have current categories all made lead positions with positions under them for future hires.

Commissioner Barner indicated that he wanted time to consider Commissioner Telford's proposal of a 1.5% increase. He said he's wondering about parity when treating one group of staff differently than others. Mr. Amador responded that with non-union, we have the benefit of

looking at it after the year is over. This agreement is looking out ahead. He added that we compared wages with other Ports and ours are on the lower side. He also noted that the 1.5% for staff is a pool of money; some staff will get more and some less. Commissioner Barner requested a meeting with Mr. Amador to discuss his additional questions.

This item will come back to the Commission for action on November 23. Commissioner Telford suggested that it would be good to come up with some other direct relationship for the incentive other than the Marine Terminal profit.

Keith Bausch, President of ILWU 47 spoke on behalf of the maintenance crew. He reminded the Commission that there are some procedural issues when negotiating contracts and any changes will have to go back to the negotiating table. He said he wants to make sure the Commission understands it is a collective bargaining unit.

President McGregor commented that he is fine with Commissioner Telford's suggested wording change under section 22, and he has no problem with the contract the way it's put out.

Commissioner Telford suggested an Executive Session would be appropriate to discuss parameters on which Mr. Amador can negotiate. President McGregor suggested Mr. Amador go back and discuss this with the union and then schedule an Executive Session to go over the contract.

COMMISSIONERS REPORTS

Commissioner Telford reported that he attended the three NorthPoint Open Houses and a WPPA Legislative Committee meeting. He also reported that he sat in on the Open Government Task Force meeting which the Auditor and Attorney General put together to look at public records laws. He said they are headed towards trying to develop a bill that sets up an office of public records which might be a board or an office, and they are still working out the details. He commented that agencies could save a lot of money if they have a clearinghouse for public records. He added that somebody is postulating a modification of the law they call "meet and confer," which says that before filing a lawsuit you have to have met with the person withholding the record. He added that he is sure this will be a topic of discussion at future WPPA meetings.

Commissioner Barner reported that he has a meeting this week with the Transportation Policy Board and one next week with the Solid Waste Advisory Committee.

President McGregor reported that he attended the three Open Houses on NorthPoint.

Commissioner Barner shared with the Commission and Mr. Galligan, copies of a document he found in his mailbox titled Exhibit "E" Schedule of Port and Tenant Improvements after a member of the public had told him that KGY doesn't have power to their antenna. He asked for clarification, since the document he was given indicates we committed to providing power to their antenna. Ms. Kari Qvigstad clarified that the lease agreement with KGY for their tower indicates that the Port will provide power to the lease site, which has been done. Mr. Rick Anderson also clarified that the Port offered to bring power to the tower during construction of the parking lot that it sits on, but KGY had declined due to the cost. Mr. Galligan added that we can't tell what the document is that Commissioner Barner provided, since it has blank lines in it. He indicated that staff would meet with Commissioner Barner to review the entire lease document to help clarify for him what the Port's and KGY's obligations are.

EXECUTIVE DIRECTOR REPORT

Mr. Ed Galligan reported that we had the Paul Bunyan here November 3 discharging 1.5 million board feet of logs from Canada to go aboard future vessels bound for Japan. He also reported that the Laser Ace was in and loaded out 1.5 million board feet of logs bound for China. He noted that these were logs from Pacific Lumber and Shipping and this was their first vessel from Olympia in two years, adding that this is a positive sign. Mr. Galligan also indicated that the Campanula ship is expected back on Wednesday.

Mr. Galligan commented that at the last Commission meeting, Finance Director Kevin Ferguson reported on the Port's nine month activity. He indicated that Long Shore hours are up 90% over last year, with 12,000 people hours year to date through October. He sent the Commission a list that Mr. Amador had provided of 30 or so Ports on the west coast, all of which are showing a decline in labor operations.

He also reported that the Port closed on the sale of the LOTT parcel to LOTT alliance, with net proceeds of approximately \$700,000.

Mr. Galligan indicated that during October there were six different community meetings where an update on the Port was given. Those included meetings with Women in Finance, Washington Association of Maintenance and Operations Administrators, the Lacey Chamber, Thurston County Round Table, and Leadership Thurston County.

LEGAL COUNSEL REPORT

Mr. Bob Goodstein provided the Commission with a legal update on matters occurring since the last Commission meeting on October 26.

He reported on Mr. West's appeal of Ecology's SEPA decision for the Model Toxic Control Act (MTCA) interim cleanup action work plan for the East Bay site, indicating that on Friday November 6, 2009, the Court considered Motions to Dismiss filed by the Port, Ecology and the City of Olympia. The Court granted the City's Motion to Dismiss the City from the case, for failure to state a claim upon which relief could be granted. The Court found the City was not a proper party as it played no role in the SEPA decision. On that basis, the Court also granted the City's Motion for Terms, and awarded approximately \$1,500 in fees against Mr. West.

Mr. Goodstein reported that the Court also granted Ecology's Motion to Dismiss the entire action based on Ecology's analysis that Mr. West was bringing an impermissible "orphan" SEPA appeal, meaning Mr. West had appealed only SEPA and not the underlying agency action (i.e., the Interim Action Plan). This ruling effectively terminated the case, so the Court did not have to address the lack of standing issue raised by the Port.

The Court set a hearing on November 20, 2009, for enter of the formal dismissal Order. Mr. West has announced his intention to appeal.

Mr. Goodstein also reported on PCHB No 09-077- West Appeal of Ecology's issuance of NPDES permit to Port of Olympia wherein Mr. West appeals the NPDES permit issued by Department of Ecology to the Port for the East Bay MTCA Clean up work plan.

Mr. Goodstein indicated that Ecology and the Port filed Motions to Dismiss numerous issues pre-hearing. He reported that on October 29, 2009, the Board issued its Decisions on the Motions:

The Board DENIED the Port's Motion for Order of Default and Motion to Dismiss Issue 8 (Lack of Standing). The Board GRANTED the Port of Olympia's Motion to Dismiss Issues 3, 4, 5, 6, and 11(a). (NEPA Issues, Coastal Zone Management Issues, Open Public Meeting Act Issues, Issue Related to Port Comprehensive Scheme of Harbor Improvements and Piecemeal Issues).

The Board GRANTED the Department of Ecology's Motion for Summary Judgment on Issues 10, 12(2), 13, and 14. (Total Maximum Daily Load (TMDL) Requirements, Best Available Technology, and Protection of State Water Quality Laws and Anti-Degradation Standards.)

The Board DISMISSED Issue 11(b) as moot. The Board DISMISSED Issue 12(1) in favor of the Port and Ecology.

Because the Board found that its rulings on the Motions effectively resolved all the substantive issues raised in this appeal, the Board affirmed the Department of Ecology's issuance of NPDES Permit No. WA0040231 and dismissed Mr. West's appeal.

The hearing before the PCHB had been set for November 9 and 10 but was cancelled as a result of the Board's rulings. Dismissal pre-hearing saved the Port and its taxpayers the costs of staff, legal and expert witnesses preparing and participating at the hearing.

PUBLIC COMMENT

No comment was provided.

PUBLIC HEARING

President McGregor called the Public Hearing to order at 7:35 p.m.

Proposed 2010 Operating Budget and Capital Investment Plan

Mr. Kevin Ferguson presented the proposed 2010 Operating Budget and Capital Investment Plan. Handouts were provided to the Commission and will also be on the Port's website for public review. He indicated that the final proposed budget will be presented for adoption at the November 23 Commission meeting.

He indicated that the information being presented had been discussed at three separate Commission meetings in September and were reviewed at the last Commission meeting. He reported that the projected 2009 provides approximately \$1 million of operating profit and the proposed budget for 2010 increases that by approximately \$45,000.

He provided a summary of the business unit operating budgets, and sources and uses of funds. Sources are cash from operating and non-operating activities, investments, real estate sales, property taxes and grants. Uses are capital projects, real estate and environmental projects, and debt service. He indicated we would end the year 2010 with approximately \$13 million, and provided the distribution of those funds. He shared the capital finance and debt service plans, indicating that total property taxes are proposed to be \$4,592,000 which is a very small increase over 2009. The debt service is nearly identical, and the remaining funds from those collected will be used for environmental projects.

Mr. Ferguson provided a chart of the distribution of taxes collected in Thurston County, which shows the Port uses about 1.5 cents per dollar collected. He noted that only two other taxing agencies collect less of every dollar than the Port does.

He shared the investment plan summary showing amounts for new capital projects, carry over projects, and real estate investment and environmental projects, all totaling \$8,938,000, of which about half is paid for by grants.

He then briefly described the three resolutions to be included in the budget packet which will require Commission approval. He indicated that there are two remaining items in the budget adoption schedule: the proposed budget adoption on November 23, and filing of the budget with the County prior to December 1, 2009.

President McGregor asked if there is different filing periods for different agencies, because he'd noticed that another agency's deadline was different than ours. Mr. Ferguson confirmed that yes, there are different filing dates for other agencies.

Commissioner Barner asked why grant income for 2010 is down from what we've received from the past. Mr. Ferguson explained that there were a number of projects going on in 2008 and 2009 that brought in grant money, but those projects are completed, so anticipated grant dollars on 2010 projects are less.

PUBLIC COMMENT

Jim Wright commented that this is a great time to see what's going on in the Port. He indicated that every one of the Commissioners should be congratulated, but most of all the staff and people who work for the Port. He said it will be a great year in 2010, and a super year in 2009; much better than the past 5 years or more. He complimented the Commission on the great things they've brought to the community because of their deliberations, staff, and investment of Port resources and properties.

Clydia Cuykendall said she seconded Mr. Wright's comments. She said she attended all three budgets meetings and once again recommends the Commission approve this budget.

Commissioner Barner commented that he is pleased with the work done by staff and Mr. Ferguson. He said we have been well served and he also expressed appreciation for the citizen involvement.

Commissioner Telford said he's still waiting for an explanation on why we're not clearing a million dollars a year on the Marine Terminal. He added that he's tried over the years to get a budget summary that the average person could understand. He said we're getting there, and made some suggestions on format changes. He noted that there are two different balances shown on pages 5 and 13, the Summary Annual Budget and the Business Unit Summary Budget, and suggested the elimination of page 5, budget summary, and moving other pages (11 and 12) in its place.

Mr. Galligan responded that it might not be a problem to rearrange some pages. He said what we've laid out is literally every piece of information someone will want to know. He indicated that some Port critics have expressed concern about showing depreciation and overhead and we

are now showing all those numbers. He noted that page 5 shows the taxes, which need to be shown. Mr. Ferguson also responded that page 5 is nearly identical to what is required to be submitted to the state auditor and suggested that this is a budget document which people can go to the audited results, and see how we were able to predict and sustain what we said we were going to. He added that for ease of citizen review, there ought to be a comparative budget to that which we submit to the state.

Commissioners Telford and Barner made additional suggestions on moving pages, keeping data and charts together, and adding asterisks and footnotes to explain the differences in the balances at the bottoms of pages 5 and 13. Mr. Ferguson indicated that he would like to add a glossary to the document in future years to help people understand the terms we use. He indicated that we've tried to be more specific and clear in the document and will continue to do more of that.

President McGregor commented on the proposed merit pool for 2010. He said that until 2010 increases for staff wages was based on what staff was doing. He noted that if you look at the 2008 actual audited budget, we had a loss of \$286,000 in operating revenues. At that time, we had just started a new pay for performance program, and the Commission gave staff about a 3% increase. He added that in 2009 we adopted a budget with \$340,000 operating income, and the Commission gave 3.5% as a merit pool. He said the current projection for 2009 is a million dollars of total operating income, which is significantly higher than the 2009 adopted budget projections. President McGregor indicated that during this year's budget discussions, the Commission discussed a merit pool range of from 0% to 2.2% for salary increases. He noted that 2.2% is what the consultant who helped develop our pay structure recommended. The Commission came to a consensus of 1.5%. He said he thinks that sends the wrong message to staff. He indicated that we encourage staff to look at ways to cut costs and bring home a much higher end of year budget. This year we're projecting \$1.1 million in operating income. He indicated that this is a morale issue for staff.

Commissioner Barner responded that we don't know where East Bay and NorthPoint will end up, and we don't know what we're going to have to deal with for a real estate investment fund. He said we also don't know what will happen with Tumwater and the brewery site. He suggested that since we don't know the cost of what those decisions will be, we need to be austere in our approach. He said he doesn't want to go into an unprecedented year not knowing what the costs will be, and doesn't want to obligate that kind of money.

President McGregor clarified that the difference between 1.5% and 2.2% is only about \$20,000. He said the year-end projected is indicative that staff have gone out and reduced expenses, and they need to be rewarded. He said \$20,000 is a cheap reward to tell staff they're doing a good job.

Commissioner Telford said he was very concerned about sending the wrong message to staff, but the other message is to the public, with the current economy and people losing their jobs. He said 1.5% is a compromise. He indicated that the increase in projected income is because of Weyerhaeuser and other Marine Cargo. Commissioner Barner added that we expect staff to do a good job and we appreciate it.

President McGregor closed the Public Hearing at 8:12 p.m.

ACTION CALENDAR

New Contracting Policies Approval

Mrs. Linda Shilley requested commission approval of the following five new contracting policies developed to support the Master Policy Resolution 2008-17:

Policy No.	Title
1002	Small Works Roster
1003	Contracts Payment Processing
1004	Public Works Contracting
1005	Purchased Services Agreements
1006	Emergency Public Works Contracting

The five new contracting policies will be incorporated into the Port's Policy and Procedures manual which will provide staff with instruction on implementation and administration of the Resolution.

Commissioner Telford moved approval of Contracting Policies 1002, 1003, 1004, 1005 and 1006. Commissioner Barner seconded the motion. The motion passed unanimously.

President McGregor thanked Commissioner Telford for his work with the staff on this, and Commissioner Telford acknowledged Linda Shilley for her work on the policies.

WPPA Centennial Project

Commissioner Telford indicated that the Port received material from the WPPA asking us to participate in their Centennial project. He said the letter asked for \$2,500 participation and described the history link that would be produced. He suggested that we don't need to participate, since we have an older Port history document that could be updated and put on our website.

He said there is a Meeting of the Board of Trustees at the WPPA annual meeting being held November 18-20 where this item will be discussed. Commissioner Telford delegated his role as WPPA representative to President McGregor.

Commission Barner said he understood it was a more comprehensive DVD being produced. Commissioner Telford responded that according to what he read, it seems like a website document and suggested we could put our history document on our website ourselves. Commissioner Barner indicated that he would like to refrain from making a decision until he hears a presentation on this at the upcoming WPPA meeting.

Commissioner Telford said the \$2,500 buys us a 1,500 word essay of the Port. He added that this is not in the budget.

President McGregor indicated that he would go and hear the proposal at the WPPA meeting and report back at the November 23 Commission meeting. This item will be placed on the November 23 agenda as an Action Calendar-Other item.

CONSENT CALENDAR

Minutes – October 7, 2009 and October 12, 2009. Commission Barner indicated that he had not yet read the documents and moved that this item be moved to the November 23 Commission Meeting. Commissioner Telford seconded the motion. The motion passed unanimously.

ANNOUNCEMENTS

President McGregor announced that the next regular Commission meeting is Monday, November 23, 2009 at 5:30 p.m. in the LOTT Board Room.

He also indicated that there is a lack of agenda items for December, and suggested no planned Commission meetings for the month, but if a meeting is needed, a special meeting can be called.

Commissioner Telford shared a copy of Intercity Transit's annual report and asked the other Commissioners to look at it, indicating that it is very well done. He also gave them copies of two of the Port's previous annual reports as well as a copy of the Port's history book for their use.

ADJOURNMENT

President McGregor adjourned the meeting of November 9, 2009 at 8:27 p.m.

PORT OF OLYMPIA COMMISSION

President

Vice President

Secretary-Treasurer