



PORT OF OLYMPIA COMMISSION
MINUTES OF SPECIAL MEETING

September 9, 2009

CALL TO ORDER

President McGregor called the meeting of September 9, 2009, to order at 2:02 p.m. at the Large Conference Room at the Port of Olympia. Commissioners Barner and Telford were also in attendance.

Staff in attendance were: Executive Director Ed Galligan, Administrative Manager Jeri Sevier, Airport Director Rudy Rudolph, Finance Director Kevin Ferguson, Harbor Director Bruce Marshall, Engineering Director Rick Anderson, Controller Andi Mounts, Property Manager Clarita Mattox, Communications Manager Kathleen White, Marine Terminal Director Jim Amador, and Marketing and Business Development Director Kari Qvigstad.

Public in attendance were as follows: Richard Wolf and Keith Bausch.

COMMISSION CONSIDERATION

Detailed Review of the 2010 Operating Budget and Capital Investment Plan

Mr. Ed Galligan reported that staff realized we had some mechanical errors and it is not the goal to provide the Commission with last minute materials, however these changes resulted in a revised budget with improved numbers, therefore the Commissioners have received a tabbed budget package with the revised budget.

Mr. Galligan indicated that Mr. Ferguson would provide the Commission with a 10-15 minute overview. At that point, staff needs direction on the Tax Levy and the Merit Pool. He noted that 2009 is showing significant changes on what was budgeted for in 2009, the projections based on current spending patterns shows the revenues are above budget and expenses are below resulting in a positive increase. The proposed budget for 2010 also shows improvements over 2009.

Mr. Ferguson provided the Commission with an overview of the Budget. He reviewed the assumptions used in preparing for the budget. He noted that we assume a relatively stable economy and no emergency capital needs. He reviewed the proposed summary of the annual budget and the summary of changes. He also reviewed the sources and use of funds proposed for 2010.

Commissioner Telford indicated that he thought the \$750,000 proceeds of the sale of property to LOTT would go to capital costs for East Bay. He also indicated that he thought if we need to pay the City of Olympia for West Bay, those funds should come out of the Real Estate Reinvestment Fund since the proceeds of the sale of West Bay went into that fund. Mr. Galligan indicated that staff is working a deal to pay the City when we collect from the liable parties. Commissioner Telford indicated that we should keep the funds in reserve until the deal is made in case something goes wrong. He also noted that there is still a settlement with DNR for their claims of the right of way next to Anthony's. Mr. Galligan stated that we provided an offer to DNR and open to dispute resolution; however, we have received no response yet.

Commissioner Telford commented that we need to make a note on the \$4 million left over for East Bay and reserve those funds for future pad cleanup.

Mr. Ferguson reviewed the Debt Service and Capital Financing Plan with the Commissioners. He noted that new construction is more than anticipated. If the Port were to take new construction, we would gain an additional \$75,000 in tax proceeds. Mr. Ferguson noted that if we take the new construction, the average tax bill for a homeowner would increase by about 60 cents.

Commissioner Telford noted that he recently read the data put out by WPPA, the Port of Olympia is the 3rd lowest levy rate out of Class A Ports. He commented that he is proud of that, but having said that he does not believe in raising taxes because it is there and he has not yet seen a need identified. Mr. Ferguson indicated that the need will be apparent in the Capital Investment Plan. He commented that we have tried to stay within constraints, but many projects have been

delayed because of lack of funds. He noted that there are more projects for next year that we could do, but staff only submitted for those that we can afford to do, there are many projects of equal importance.

Commissioner Telford asked what the environmental projects are that are identified under the tax levy. Mr. Ferguson reviewed the capital projects on page 16 of the budget. It was discussed that we need a total project cost column on the capital projects.

The Commission discussed the Cascade Pole Maintenance Plant. Mr. Rick Anderson noted that we have L & I compliance issues that we need to be addressed. He noted that the maintenance costs will go up for 2010. He noted that we have an additional \$40,000 budgeted for next year. Mr. Anderson noted that the water treatment plant replacement can be delayed however the Department of Ecology (DOE) may not extend the grant money if we don't use it. He reported that if we want DOE dollars we may need to move this to a 2010 project that will cost the Port \$1.5 million.

Commissioner Barner said that it sounds like this would be reason enough to raise the tax and take the new construction because it sounds like we need to deal with the Cascade Pole plant in 2010.

Commissioner Telford indicated that if we are going to call it out in the tax levy for environment issues – we need to set up an account (savings) to have money on hand when things like the plant come up -- set up account like the real estate investment account. He noted that since we can see the end of the road on the cleanup then we should consider the plant.

President McGregor indicated that he has questions on the Capital Plan. He asked about the five yard dump truck with snow plow – what kind of a snow plow? Mr. Rudy Rudolph indicated that specifications could be provided, but most likely we will get a used truck. President McGregor indicated he would like further discussion on items in the capital plan. He asked about the water truck at terminal – do we need a second one? He asked about the DEF stormwater rehab outfall? Wasn't this already repaired? Staff responded that the work was not done, this is a carryover project. President McGregor asked about the dock concrete rehabilitation. Mr. Anderson indicated that we rebuilt 33 of the floats; this would allow us to do 20 additional floats. The commissioners asked if this wasn't an operational issue as opposed to a capital expense. Mr. Galligan responded that this extends the life and therefore is a capital item.

Commissioner Telford indicated that doing a little bit each year is not an efficient way of doing things. He asked about the concrete pathway construction, on shoreline paths and walkways. Staff responded that the concrete is sticking up and is a safety issue. The shoreline paths were built on fill you always get settling.

Commissioner Telford commented on the five yard dump truck with snow plow, need to look at used, much less than \$200,000. He also mentioned the sweeper vacuum truck and asked why staff could not share the one bought one for the airport. Mr. Amador indicated that the Marine Terminal does share, however that sweeper does not perform what is needed for the stormwater requirements. He noted that staff is going to look at a variety of machines to see what is most effective. Staff has also looked at contracting with Weyerhaeuser for their machine, but it is not cost effective over the long term.

Commissioner Telford asked what the property land acquisition line item is. Staff responded that it was for the Simon Johnson building.

Commissioner Telford indicated that he does not feel comfortable about the five year plan being jammed up with 2010; he would like to see the long term stuff separated from 2010. Mr. Galligan commented that the five year plan is conceptual and we need to prepare a projection and is important from the standpoint of understanding the deferred projects and further requirements. At some point some of these projects will need to be addressed.

Commissioner Telford indicated that having a budget that has this stuff in it implies a buy-in for the future projects. Mr. Galligan indicated that the Commission is not being asked to approve the future year plan; the purpose is a management tool.

President McGregor indicated to him, the plan means that staff is looking ahead and making the Commission aware of what may come up over time. He commented that he is comfortable separating out the five year plan and only have 2010 in the budget.

Mr. Galligan prepared a matrix and shared with the Commissioners the proposal for the merit pool request. He noted that the salary consultants have recommended a 2.2% merit pool and

staff is asking for approval of that. He noted that there has been some changes to salaries significantly in 2009 and that will carry over in 2010. The salary difference will more than cover the 2.2% increase. Therefore overall, there would be a net decrease from 2009 to 2010 including the 2.2% increase.

He also noted that one of the options is to delay the increase for 4 months to implement on May 1st to save even further. Mr. Galligan indicated that he would like to recognize that 2009 is one of the best years in the history of this Port.

Commissioner Telford commented that if you look at 2007 and 2008 we shouldn't have given raises, because we couldn't afford them. He noted that 2009 looks better however; there were not performance goals set so how do you paying for performance.

Commissioner Barner commented that he would prefer not to replace Kennedy's position until we see how 2010 is going and if we can afford the additional \$85,000 increase. He noted that he is comfortable with a 1.5% as opposed to 2.2% increase. He commented that we don't know if 2010 will be as good as 2009. He is uncomfortable committing to the 2.2% number.

Commissioner Telford commented that the effect of delaying 4 months is effectively 1.6% percent for the entire year.

President McGregor commented that if we are not going to give raises, we should have done that in 2008, but in 2009 we are having a good year and the future contract with Weyerhaeuser and the expense reductions by staff -- 2.2% is ok with him. He indicated that he could look at freezing the replacement of Kennedy's position and then see where we are at. The savings would be \$107,000 and that would more than pay for the 2.2% merit pool.

Commissioner Telford asked to defer this decision until the next meeting. He would like to get information to Commissioner Barner on salary resolution and guidelines.

President McGregor commented about the Thurston Regional Planning Council. He asked if we should put money in the budget for the membership. Mr. Galligan indicated that he talked to Lon Wyrick earlier last week, pursuant to discussion at the retreat; he is meeting with the committee. Commissioner Telford indicated that he is supposed to be invited to that meeting.

President McGregor commented on a possible budget for the Inlet cleanup. He noted that regardless of what happens with CLAMP, we need to address the Budd Inlet clean up, there are hot spots on Port property.

Mr. Galligan reviewed the follow-up items as a result of the meeting. He indicated that we need to reserve funds for the West Bay liability, put a total cost column on the capital investment plan, prepare a separate tally on the environmental expenses to use tax dollars for, and to follow up with TRPC on inviting Commissioner Telford to the meeting.

ADJOURNMENT

President McGregor adjourned the meeting of September 9, 2009 at 4:07 p.m.

PORT OF OLYMPIA COMMISSION

President

Vice President

Secretary-Treasurer