

**Minutes of Everett Port Commission  
Commission Retreat Meetings  
April 12, 2021**

<b>PRESENT:</b>	Tom Stiger	President
	David Simpson	Vice President
	Glen Bachman	Secretary
	Lisa Lefebber	Executive Director
	Eric Russell	Chief Finance Officer
<b>ZOOM:</b>	Brad Cattle	Port Attorney

**CALL TO ORDER:** Commission President Tom Stiger called the meeting to order at 9:02 a.m.

**Commission President's Report**

There was no Commission President's Report.

**Commission Discussion**

There was no Commission Discussion.

**Citizen Comments**

There were no citizen comments.

**WELCOME**

CEO/Executive Director Lisa Lefebber welcomed the Commissioners to the 2021 Commission Retreat. Last year's retreat was cancelled due to COVID-19 so Lefebber was excited to be able to have a hybrid meeting this year.

**2021 Goal Review**

Lefebber gave an overview of the progress on the high-level goals for 2021. At Waterfront Place, the north housing building grand opening at Fisherman's Harbor is expected to have a ribbon cutting on May 26. This year the Port plans to start construction on A17 and A8 this fall, and expects to bid the two buildings together. There is a Letter of Intent on the available pad at Port Gardner Landing. Also, working to secure funding and innovative financing opportunities for Millwright Loop Road and public access enhancements at Boxcar Park. The Port received a lot of interest from the RFI on the Weyerhaeuser Building and hopefully will have a path forward to get the building back into productive use. New landscaping has been planted at the entry ways to the Port of Everett as part of the landscaping and beautification efforts and staff hopes to open the splash fountain at Pacific Rim soon. The parking management program will be implemented on May 1, 2021. Staff will continue to permit dredging and upland disposal sites to support programmatic dredge effort.

At the Terminals, the Port will be finalizing the environmental review and work for the Norton Terminal and expect mid-July to break ground. The Port will continue to work on diversification efforts at the Seaport and identify a path forward for the KC warehouse. For Mill A the Port will finalize and get an extended grant agreement in place, so funding does not get de-obligated in the future and move forward into the Remedial Investigation and Feasibility Study.

The Port will complete the Baywood and former KC parking lot land sales this year. The Port is working with Arlington to expand the Foreign Trade Zone and need to finalize the Memorandum of Understanding (MOU) with Northpoint Development, LLC as well as renew the MOU regarding the Cascade Industrial Corridor with the cities of Arlington and Marysville. The Port will secure the NOAA property and ensure upland buildings are remediated.

Public Affairs Manager Catherine Soper and her team are designing new banners for light poles on West Marine View Drive.

### **Strategic Plan Overview**

Lefebvre gave a brief overview of the Strategic Plan that was adopted in December 2019 which serves as the guiding document for Commission policy direction for Staff. It has six different elements: sustainable performance, seaport modernization and industrial real estate, destination waterfront and boating, economic development and transportation, outreach and partnerships and environmental stewardships. They were presented as report cards last year to report on what had been accomplished in 2020. Despite COVID-19, 2020 was a very productive year and staff expects to have just as much or more of a productive year in 2021. Many goals are tied into sustainable performance and the Plan is a draft document as it will evolve over the year and will be finalized at the end of 2021.

### **FINANCIAL OVERVIEW**

Chief Financial Officer Eric Russell reported last month's presented financial results for 2020 were based off operational results but had reminded the Commissioners there would be some changes due to accounting estimates that would be updated before giving the 2020 report to the auditors. There were three non-cash adjustments anticipated, an adjustment for pension obligations, which went down by \$1 million, an adjustment for other post-employment benefits related to previous employee costs, which went up \$1 million. The final adjustment relates to environmental liabilities. The Norton Terminal is considered an environmental clean-up project and a \$28 million non-cash expense needs to be recognized for 2020. As the environmental clean-up is undertaken the liability will decrease.

Russell also reminded the Commission that the 2020 results from operations, while revenue went down \$1.5 million, saw expenses down \$2.6 million primarily due to the efforts that Staff put into place last year to keep track of expenses. The result was the income before depreciation went up \$1.1 million.

### **Budget 2020/2021 – COVID-19 Impacts**

Russell reported staff did a forecast in November 2019 pre-COVID and projected ending cash in 2024 of \$23.8 million while completing several projects during that time. The income before depreciation for 2021 to 2024 was projected to be \$35.3 million.

For the 2021 budget, the projected ending cash is \$27.8 million, primarily resulting from the increase grant amount for the BUILD grant for Norton Terminal. However, income before depreciation for 2021 to 2024 went down to \$27.7 million, resulting in an \$8 million impact on cash from the pre-COVID baseline that would have been available for future projects. Some of that difference is directly related to lower income offset by a continued focus on expense reduction.

For the first two months of 2021 the Port has had good revenue results and good expense results. Forecasting for the full year of 2021, Russell expects revenue to do better than budget. However, after last week's presentation from the insurance brokers leading to the expectation of higher insurance premiums Russell expects to finish 2021 slightly better than budget and better than last year.

Looking forward, projected ending cash in 2024 is \$23.1 million. One of the factors for a lower cash estimate relates to an assumption in financing the utilities in Millwright Loop Road which does not appear likely. There is also the increase in insurance premiums over the next few years. However, this is offset with KC parking lot sale price greater than anticipated. Income before depreciation over the 2021 to 2024 period is a little bit higher, \$28.9 million, which is still less than the 2019 forecast but better than it was in November 2020 during the 2021 budget process.

Russell also presented a negative scenario forecast, which included no further grants for Norton Terminal and an increase in cost of the construction at Norton Terminal, offset by reduced planning for future projects and a reduction in budget contingency. There were no adjustments to operating revenue or expenses. In this case, ending cash would end up slightly under \$18 million and multiple projects would be stopped.

Just to put into perspective, currently the Port has about \$16.5 million in cash with cash reserves of \$8.3 million, including a \$1 million emergency fund, a three-month expense fund and a debt service reserve fund of \$1.3 million this year, resulting in roughly half of the cash on hand set aside for reserves.

#### **Debt & Debt Service Reduction Strategy**

Currently, the Port has \$102 million of debt outstanding. There are three types of debt the Port issues which are typical for most government agencies. Senior debt is a pledge of the tax revenue that comes into the Port meaning the Port will maintain a tax levy that is sufficient to pay that debt. There is a limit of how much tax supported debt can be issued per RCW based on the property tax value in the Port district. Currently that limit is approximately \$56 million, and about approximately \$15 million in capacity would be available at the end of 2021. Russell does expect the capacity to increase annually for two reasons, including assuming property values will continue to increase, and existing debt will be paid off. The Port does have some exposure to a reduction in property values with Boeing shutting down the 787, as Boeing is a significant property holder within the district.

The Port debt issued a year ago in January 2020 as senior debt is a limited tax general obligation (LTGO) bond. Currently, the Port has two LTGO issues, one from 2013 issue, and last years, with a balance of about \$37.7 million between the two of them. One feature with this type of bond is a 10-year prepayment lockout. It is not a prepayment penalty that requires a larger payment to redeem the bonds; the Port is not allowed to pay off the bonds for 10 years after being sold. There are ways to refinance without paying off the bonds immediately but with investment rates being at the currently low level there is not a lot of savings. However, Russell looks at the option about every six months to see if the savings are sufficient.

The other two senior debt borrowings include the line of credit with U.S. Bank which renews annually and is a floating rate based on LIBOR. There is about \$2.5 million outstanding on the line of credit with a capacity of \$10 million. The other senior debt is a Community Economic Revitalization Board (CERB) loan at a 1.5% interest rate for 20 years maturing in 2039 and \$1.8 million outstanding. Senior debt totals about \$42 million.

The second type of debt is revenue debt. This is a pledge of the Port's revenues after expenses and after senior debt is paid so capacity is related to the Port's revenues. There are two types of revenue debt the Port has issued. Revenue bonds are sold to the public like LTGO bonds and also have a ten-year prepayment lock out. The Port has three issues outstanding, 2007, 2015 and 2016 totaling about \$30.5 million outstanding. The other revenue debt outstanding is the Railroad Rehabilitation & Improvement Financing loan, with a fixed rate of 3.39% a 35-year term. This is the Port's longest-term debt and the 35-year long term results in low payments. There is \$5.7 million outstanding and no restrictions on prepayment. There are considerable reporting requirements and, as of last week, Russell found out that there is going to be a Federal Single audit every year for the life of the loan resulting in a \$7,000 expense going forward.

The third class of debt is subordinate debt. This debt is repaid after other debts are paid and usually has a slightly higher interest rate. The Port has three different programs as subordinate debt. The State Rail Bank loan program for rail improvements has provided four loans with \$13.7 million outstanding with 10- or 15-year terms and no prepayment penalties. One of the loans has an interest rate of 1.125% and the other three loans are not charged interest. These loans are for shorter terms resulting in higher payments. The second subordinate loan is the Model Toxic Control Act (MTCA) loan program with Department of Ecology. It is

designed to provide the recipients match for MTCA grants. The Port received this loan for the Mill A work. It is a 10-year loan for \$4.3 million, no prepayment penalty and 1.3% interest rate. The final subordinate loan program is capital leases. The Port leases several pieces of equipment on financing leases. There is currently \$12.6 million outstanding at up to 10-year terms. There are currently seven leases outstanding at various interest rates. There are prepayment lockouts but five of those have expired.

Currently, the Port has debt service payments of approximately \$9.5 million for 2021. Payments are scheduled to decrease in 2022 and 2023 to \$9.4 million so the effort would be to try to lower the payments further by refinancing. In 2024, payments are scheduled for \$8.5 million and in 2025 decreases to \$7.7 million. Refinancing and extending terms means paying a little bit more interest but there are advantages for cash flow. The expectation is the low rates continue for another year, so an extended window to complete a refinancing.

The Port is looking at options to advance some of the projects, specifically Millwright Loop Road. The railbank may also have additional funds available in July 2021 to use at Norton Terminal.

## **SEAPORT OPERATIONS OVERVIEW**

### **Operations Overview**

Chief Operations Officer Carl Wollebek gave a brief overview of what goes on at the seaport. There are three lines of business; general cargo (aerospace, project cargo, forest products, energy, steel, agriculture), cement (Lehigh), and marine industrial (Everett Ship Repair, vessel maintenance, lay berth, non-cargo related opportunities).

Commissioner Tom Stiger asked what the status was with the Great Northern Rail project especially in light of the congestion that is being seen at the other West Coast ports and other projects as well when shippers are looking at alternatives to other ports? Wollebek stated the Port has been trying to promote this idea of using the Port as an alternative to some of the congested West Coast ports. The vessel size and rail service is an issue that the Port has been working to mitigate with its facility enhancements, including dredging. Wollebek stated the Port is a member of the Great Northern Corridor Coalition, which is ran by BNSF, and is a policy group to lobby for federal funding to upgrade the tracks. The Port does work with the railroad quite a bit with pulp and pushing to get more freight through the Port. Lefeber added that the Memorandum of Understanding and partnership with Northpoint Development LLC will really help grow the business from the Midwest.

Wollebek gave an overview of the seaport operating strategy. The Port of Everett is an operating port and everything to and from the ship, the Port is responsible for. The Port operates this way to control our destiny, set the pricing, and have control of the profitability. The Port is also an agent for The Boeing Company as part of a Services and Facility agreement that was signed in 2005 that initiated the construction and operation of Mount Baker Terminal.

### **Cargo Marketing Update**

Wollebek gave a brief overview of the seaport marketing strategy. The seaport is targeting agriculture, seafood, wind energy, project, mining, containers, and military.

For the Norton Terminal, the Port is assessing equipment and labor requirements to get the facility operational. There have been several meetings with Customs and Border Protection to discuss how to get cargo between the two facilities. Marine Terminal staff have been assisting Engineering and Planning in designing of the facility and actively market the facility to potential users.

Stiger asked about the connection from the current terminal to the Norton site, is there rail access? Wollebek explained there is a plan to put rail siding from the mainline, but there currently isn't a plan to get rail from the existing terminals.

**Special Guest: Broadband Access Week Presentation by Nate Nehring, Snohomish County Council – District 1**

Snohomish County Councilman Nate Nehring gave a presentation on Broadband Access Week. Nehring went over the broadband needs in Snohomish County. COVID-19 has exposed existing broadband access issues with telecommuting, e-learning, telehealth not being available to many residents and businesses. Following the pandemic, many remote opportunities will become commonplace. In March 2021, Snohomish County partnered with the State Broadband Office along with a broad range of stakeholders including providers, businesses, non-profit, healthcare, education, and local government to identify needs, plan for projects and advocate for funding. Broadband Access Week in Snohomish County was held March 29 – April 2, 2021 and included a community survey to identify broadband speed. The next steps for the Broadband Action Team will be to continue to push out the survey, work with stakeholders to identify areas of specific need, identify specific projects for broadband expansion and advocate to internet providers and state/federal funding agencies.

**Executive Session**

Commission President Tom Stiger recessed the meeting into Executive Session at 12:56 p.m. for approximately three (3) hours – to conclude by 4:00 p.m. The purpose of the Executive Session is to discuss with legal counsel a potential litigation matter and potential real estate transaction matters discussion of which in public would disadvantage the Port.

At the conclusion of the Executive Session, there was no action taken by the Commission and there were no announcements. The Commission Retreat meeting recessed to April 13, 2021, 9:00 a.m., at the conclusion of the Executive Session.

**THE COMMISSION RETREAT MEETING WAS RECESSED at 4:00 p.m.**

**APPROVED** this 11<sup>th</sup> day of May, 2021.

EVERETT PORT COMMISSION

By:   
Tom Stiger, President

By:   
David Simpson, Vice President

By:   
Glen Bachman, Secretary