

COMMISSION RETREAT
APRIL 24, 2019

PRESENT:	Glen Bachman	President
	Bruce Fingarson	Vice President
	Tom Stiger	Secretary
	Les Reardanz	Executive Director
	Eric Russell	Chief Finance Officer
	Jordan Stephens	Port Attorney

ABSENT: Port attorney Brad Cattle was absent due to out-of-town business travel.

CALL TO ORDER: Commission President Glen Bachman called the meeting to order at 8:23 am.

RETREAT

1. STRATEGIC PLAN FRAMEWORK AND APPROACH

Commissioner Bachman announced that the intent of the Retreat was to review the 2018 Strategic Framework, the approach and overview of trends to provide a Commission foundational baseline for strategic discussion with the goal of validating vision, and to answer key strategic questions. The outcome will be to gain strategic level guidance as the Port moves into the Strategic Planning update process.

Executive Director Les Reardanz provided an overview of the Port's current strategic plan and how the Port has tied the strategic planning and initiatives together. Reardanz added that the Port's goals and action strategies have been ingrained in the daily operations of Port Staff. The Port's vision remains strong, but the current Mission Statement is lengthy, hard to remember and needs to be updated.

The guidance sought during the Retreat will include Mission Statement review, planning horizon timeframe, planning assumptions, constraints, threats, opportunities and strengths that will be considered in development of the Strategic Plan.

Business Lines – Activities/Trends

Seaport & Shipping

Chief Operating Officer Carl Wollebek provided an overview of 2018 Terminal activities. The overview included activities based upon aircraft deliveries (777x, 767, 747), cargo handling, Canadian diversionary cargoes, logs, mining, energy projects and others.

Wollebek stated that the Marine Terminals will continue to support aircraft deliveries for Boeing, the Washington State Convention Center rebuild with delivery of steel beams from China, Canadian cargoes, G2 Ocean cargoes, the marketing of a shipyard, bulk cargoes, Next Market Aircraft for Boeing, acquisition of container cranes, energy support for Santos (an Australian Company), and activities surrounding the completion of the South Terminal.

Marina

Marina Director Jeff Lindhout reported for 2018 that average occupancy in boats 28 feet and under at the Marinas was 65%; for boats 45 feet and above the average occupancy was 95%, with average overall occupancy at 85%. Guest moorage was down slightly in 2018; storage yard, work yard and travelift services were down slightly in 2018; boat launch transactions held steady at 33,000 transactions.

Boating trends – new boat sales improved each quarter in 2018 over 2017 numbers; the industry saw increased sales in non-motorized smaller watercraft, and sales improved in larger yacht category vessels.

Challenges that remain at the Marina include deferred maintenance, unfunded larger scale projects and projects that do not generate new revenue; rising costs to recapitalize facilities such as floats and dredging, higher than average labor costs, maintaining competitive rates within the regional market, and boater attrition.

Targeted 2019 projects include the completion of K-dock, Guest Dock-5, the new G-dock in 2020/21, permanent slip relocation for displaced boathouses, improved slip mix, Staff restructuring through attrition, and improved efficiencies and processes.

E&P - Facilities

Chief of Engineering & Planning John Klekotka provided an overview of projects completed at the Port over the last five years, and the proposed 2019 – 2020 project work for the Port's eight initiatives as follows:

1. Seaport Modernization: completing South Terminal wharf; container cranes and berth expansion;
2. Waterfront Place Central: completing the Southeast Millwright Loop and open spaces; pads in Fisherman's Harbor;
3. Facility Upkeep: various facility replacement and refurbishment
4. Environmental Cleanups: Mill A; NRDs; Ameron-Hulbert; Bay Wood
5. Marina: G-Dock, dredging, and boathouse relocation
6. Real Estate: K-C
7. Public Access: Riverside Business Park trails & viewpoints; boat launch
8. Other: vehicles; equipment; security

John Klekotka said that capital program challenges include aging facilities, environmental cleanups, increased regulatory requirements and funding.

Finance – Financial Outlook/Trends

Chief Finance Officer Eric Russell reported that 2018 was not a superb year for the Port from a finance perspective. The Port did not hit projected budget numbers and was below last year's numbers on income as well. Boeing plane sets were down in 2018 which was reflected in the numbers, and Mt. Baker Terminal numbers were quite a bit lower than they have been over the last several years even though other parts of the Marine Terminals have risen.

The Marina and Properties both did well, but could not overcome the drag on the plane sets coming through.

The Port is doing better in the first quarter of 2019 from a revenue and profit margin perspective than the first quarter of 2018; the Marine Terminals brought in over \$1 million more in the first quarter of 2019 than in the first quarter of 2018. Overall the profit margin is 12.7% in the first quarter of 2019 and it was just under 9% in the first quarter of 2018.

The capital projects forecast is for a lot of work to be done in 2019 – with the South Terminal Wharf being the biggest piece of that. The Port is expecting to receive some grants, revenue from the sale of properties such as Bay Wood and Riverside Business Park lot(s), notes receivable payments and the issuance of General Obligation bonds.

The Port's cash position at the beginning of the year was \$21 million, and the Port is assuming approximately \$11 million of income to flow into the Port this year from operations and non-operating activity minus net debt service to pay existing bonds leaving the Port with approximately \$10 million of cash at the end of the year. For the reserve coverage, the Port has an operating reserve of three months of operating expenses, a \$1 million emergency fund, and revenue debt service leaving approximately \$2 million. There will be changes in revenue based upon new revenue opportunities or increased capital project costs. The Port does not have a lot of room for new project activities beyond what has already been

programmed into the budget. If new things do come to be programmed in, the Port will have to make decisions on what can be taken out or deferred.

For the debt forecast, the Port is looking at a new GO bond issue for 2019, a new rail bank loan and equipment lease payments.

Strategic Planning Update Discussion & Guidance

Lisa Lefeber provided an overview of the Port's existing strategic plan, vision, mission statement and balanced waterfront concept.

Staff believes that the Port's vision is still very well suited for the Port and fits its operations – “We are valued for operating in a sustainable manner that improves the community, environment and the economy.” Staff feels that it is a strong representation of the Port's vision. Staff believes that the Mission needs to be reworked as it is too long. Staff also believes that the Port's core values are the same and do not need to be changed.

Staff is recommending that the Port modify its mission statement to read: “We create value; we create economic opportunities” – Staff is looking for feedback from the Commission about the proposed mission statement. The Commissioners provided suggestions resulting in “Creating economic and community opportunities”. Lisa Lefeber added that the words value, economic and community are important to the mission statement. Staff will report back to the Commission with a proposed mission statement.

The current Strategic Plan was adopted in 2007 and many of the goals and action strategies set forth in the plan are no longer strategic for the Port; they are incorporated into how the Port does business and embraced by Staff in their daily operations. Lisa highlighted the plan goals and action strategies.

When organizing the new strategic plan update, Staff is recommending that strategic themes be looked at in the context of financial sustainability, seaport modernization and industrial real estate, destination waterfront and livability, strategic initiatives and transportation, outreach and partnerships and the environment.

Based upon the 2017 Retreat and the 2018 Retreat, Port Staff has assumed that planning assumptions for the new strategic plan should focus on opportunities that have industrial properties to the north and have synergies with the Seaport operations, support growth and investment to the north and east as it relates to transportation freight bottlenecks, support industrial manufacturing (Arlington), job growth and also consider different economic development tools to facilitate economic development and improve transportation congestion in the region, and identifying future industrial lands that the Port should acquire or partner with to support job growth.

Charla Skaggs, of Maul, Foster & Alongi, facilitated an interactive Strategic Planning exercise to obtain feedback for the development of a Strategic Plan for the Port of Everett. The following items were discussed:

- **Planning assumptions** – consider a 5 to 10-year planning horizon (2020 to 2030) with a longer-term 2050 vision statement; identify future industrial lands, help market industrial properties north/east of Everett that have synergies with seaport operations, develop tools to facilitate economic development and improve transportation congestion in the region, explore partnership opportunities for air cargo, support the development of the Arlington-Marysville (MIC) light industrial manufacturing corridor.
- **Financial Sustainability** – consider strengths and constraints; return on investment (ROI) of actions - particularly those outside of Port boundaries; demonstrate how Port balances mission vs margin; increase operating margin over 10-year period; track portfolio of projects; develop criteria

demonstrating when selling vs. leasing Port property is appropriate; opportunities to include Smith Island development, Arlington-Marysville Manufacturing Industrial Center; sequence projects to keep moving forward in keeping with financial capacity

- **Seaport Modernization/Industrial Real Estate** – consider strengths and constraints; consider opportunities outside of Port boundaries; consider shipyard to support military needs; focus efforts on developing long-term cargo contracts; analyze how to diversify Port business; develop “plan b” should the Port not purchase Kimberly-Clark property
- **Destination Waterfront/Livability** – consider strengths and constraints; expand the recreational use of Jetty Island; consider passenger-ferry transportation infrastructure needs; explore transit connecting river to waterfront; develop a landscaping/beautification plan; prioritize staff resources for multiple initiatives and demands for these areas.
- **Strategic Initiatives and Transportation** – consider strengths, constraints and the opportunity to create an upland disposal site; investigate short-sea shipping lane; review transportation improvements partnership opportunities (such as SR 529); continue to pursue strategic port designation; research no-discharge zone; partner with WSDOT or others to make transportation enhancements on the peninsula; conduct a sediment basin flow analysis;
- **Community Engagement and Partnership** – consider strengths, constraints and opportunities; develop options for independent opinion survey to understand baseline of port awareness and opinions about port actions; continue strong public outreach efforts;
- **Environmental Stewardship** – consider strengths, constraints, and opportunities; integrate resiliency planning into capital planning; continue work with partner and regulatory agencies.

Upon discussion, the Commission concurred with the identified strategic “bucket” of items to begin the development of the strategic planning process.

Commission President’s Report

Commissioner Bachman said that at a recent Rotary meeting, Councilman Nate Nehring did a presentation on the Regional Apprentice Partnership Program of which the Port is a participating partner. This program will enhance needed Apprenticeship workers in this region.

Commissioner Bachman said that San Juan Air is starting to land at Paine Field and encouraged the Port to reach out to them.

Commissioner Bachman also attended a second Navy event for their 25th anniversary and did a tour – it was a great event.

Citizen Comments

There were no Citizen comments.

NO EXECUTIVE SESSION WAS HELD.

THE MEETING WAS RECESSED at 4:13 pm.

APPROVED this 11th day of June, 2019.

EVERETT PORT COMMISSION

By: 

Glen Bachman, President


Bruce Fingarson, Vice President


Tom Stiger, Secretary