

**MINUTES OF EVERETT PORT COMMISSION
REGULAR MEETING
December 3, 2019**

PRESENT:	Glen Bachman	President
	David Simpson	Commissioner
	Tom Stiger	Secretary
	Lisa Lefeber	Executive Director
	Eric Russell	Chief Finance Officer
	Brad Cattle	Port Attorney

CALL TO ORDER: Commission President Glen Bachman called the meeting to order at 4:00 p.m.

1. CEO/EXECUTIVE DIRECTOR'S REPORT

CEO/Executive Director Lisa Lefeber presented the updated Strategic Plan, creating a new road map for the next ten years. The last comprehensive update to the plan was more than ten years ago. Much has changed since then and many of the projects in the Port's current Strategic Plan are now complete, underway or nearing completion. There has been marine and industrial business growth, identification of new projects and changes in staff and elected leadership. The Port has been, and continues to, engage with commissioners, staff, tenants, citizens, stakeholders and community partners to develop a plan that reflects the values and character of our community; considers the needs of thousands of people who make their living through the Port; emphasizes an ever-changing economic climate as well as local and international market opportunities; and observes the highest levels of environmental stewardship and recreational access.

Ultimately, the Strategic Plan will guide how the Port fulfills its mission to the community. The Strategic Plan will update the Port's mission, goals, and strategies, and will be embedded in the Port's annual budget development.

The Port Commissioners and Staff used the feedback received during the centennial year outreach and through 2019 to update the Mission Statement and strategic focus areas and action items.

The Port's new Mission reads: ***Enhancing maritime commerce, jobs and a healthy community.*** And created six strategic initiative buckets, each will be looked through the lens of **environmental stewardship, technology and innovation.**

- Sustainable Performance
- Seaport Modernization and Industrial Real Estate
- Destination Waterfront, Boating and Recreation
- Economic Development and Transportation
- Outreach and Partnerships
- Environmental Stewardships

Next week, Staff will be requesting the Commission to consider the adoption of the Strategic Plan.

Lisa Lefeber also reminded the Commission that Holiday on the Bay is this Saturday, December 7.

2. CHIEF FINANCE OFFICER'S REPORT

Bond Presentation by Northwest Municipal Advisors

Chief of Finance Eric Russell introduced Alan Dashen and Scott Bauer, Northwest Municipal Advisors and Scott McJannet with K&L Gates. Scott Bauer presented the bond resolution for the 2020 Limited Tax General Obligation (LTGO) bonds which authorizes the sale of up to \$27 million of bonds to finance the purchase of the former Kimberly-Clark mill site and the Norton property. Both sites were purchased during 2019 utilizing the Port's line of credit and the issuance proceeds will be used to repay the line of credit. Per the financing plan for the Port's 2019-2023 capital plan, this bond issue was anticipated to be completed in 2019. Due to delays in the acquisition of the properties, the bond issue is now scheduled for January 2020.

Commissioner Stiger asked Scott about the tax on the bonds. Scott explained that there will be three series of bonds issued, due to IRS regulations on the use of the properties

purchase. Property purchased for purely governmental reasons will allow the issuance of tax-exempt bonds (Series A). Property used for Port purposes will allow the issuance of tax-exempt bonds that are subject to AMT tax preference by the bond owner (Series B). Property that is used for commercial purposes will require the issuance of taxable bonds (Series C).

Scott Bauer presented a bond market update and how the rates have changed since 1990. Rates for this year, 2019, have come down to historical lows and it is an excellent time to be selling debt. The large driver this year has been partly due to trade wars which helps with interest rates.

The Port's outstanding general obligation bonds balance is approximately \$14 million. The Port also has three revenue bonds outstanding plus the RIFF loan with the federal government.

Next step would be a bond resolution. The bond resolution authorizes the Executive Director and Chief Financial Officer to determine the amount of each series (with approval of bond counsel), complete the administrative paperwork to issue the bonds, select an Underwriter, approve the structure and pricing of the bond issue and complete the issuance, including payment of expenses, as outlined in the resolution. Following the execution of the bond purchase agreement the Commission will receive a report on the pricing and terms of the sale. The Port also agrees to provide on-going disclosures as required by SEC rules.

Commissioner Stiger asked in the case of a GO bond and a revenue bond, which one has priority? Scott McJannet explained that the GO tax revenues cannot be used to pay revenue bond debt service.

Commissioner Stiger also asked once the GO bonds are issued and the Port is already committed to revenue bonds, what's the outlook for the next five years as far as additional bond capacity? Scott Bauer explains the Port will have about \$5 million of GO bond debt capacity remaining after the issuance of these bonds for 2019 and then it grows each year after, so in 2020 it will be \$11 million and continue to increase.

Commissioner Simpson asked if the underwriters are local companies that will be interviewed. Scott Bauer explained, yes, two of the firms have local underwriters, all of them have local bankers so that will be the people who with interface on a day to day basis.

Bond Presentation

Chief Finance Officer Eric Russell explained the debt capacity, as he's looked at the financial plan through 2024, he anticipates where the Port will need funding and where the sources of funding will come from. He does not anticipate needing GO bonds during this period based on the current work plan of the Port.

CEO/Executive Director Lisa Lefeber mentioned that the Port did look at third party revenue financing for the Norton property but didn't get as favorable rates as expected. Since the Port had the GO capacity, staff thought it would be more prudent to take the lower interest rate at this time. Eric Russell said he is continuing discussions with banks to find out how the Port can be more attractive for the revenue type bonds.

Chief Finance Officer Eric Russell reported on the nine (9) Port financial policies:

1. The Port will not borrow on a short-term basis to cover routine operations. In no instance should short term borrowing be considered as a financing option unless a detailed plan for repayment of the borrowing is presented to the Commission prior to the issuance of the debt.
 - a. **The anticipated bond issue is to refund the line of credit for the purchase of the former K-C mill site and the Norton property. It is not short-term nor for routine operations.**
2. Debt payments should not exceed the anticipated useful life of an improvement and in no case should exceed 30 (thirty) years. When long term debt is being considered to finance a capital investment the Port staff shall have developed a written project

financial plan which at a minimum shows the proposed cash flows which will be utilized to service the principal and interest of the debt.

- a. **The anticipated bond issue is a general obligation of the Port for the purchase of land. The term is not expected to exceed 30 years.**
3. Efforts should be made by the Executive Director to maintain or improve the Port's bond rating. Should the Port fall below an "A" rating as measured by either "Moody's", "Fitch" or "Standard and Poor's", management shall develop an action plan which will attempt to raise the rating back to an "A" in the shortest possible amount of time.
 - a. **The 2016 Revenue bond issue was rated A1. We will schedule a call with Moody's later in December and expect an updated rating early January.**
4. The Port may utilize general obligation property tax supported bonding to finance those capital improvements and long term assets which have been determined to be essential to the maintenance of, or improvement to the infrastructure required for the Port's public access activities or for the investments in strategic initiatives requiring the purchase of land and/or other property which do not have revenue sources sufficient to support repayment of the debt.
 - a. **The purchase of the former K-C mill site and the Norton property have been determined to be strategic initiatives requiring the purchase of land.**
5. General Obligation debt may be issued for the replacement of infrastructure supporting Port general obligations in circumstances when the operating division directly benefiting by the capital improvement is deemed to not be able to raise the operating revenues sufficiently to support the debt issuance.
 - a. **This debt is not being issued for replacement of infrastructure.**
6. Generally, debt (other than General Obligation Bonds) should be used only to finance specific improvements that can generate operating cash flows sufficient to service the debt. When debt is used to finance specific capital projects, the means of repayment must be reasonably certain prior to the debt being issued. All repayment schedules must be submitted to the Commission, with a detailed analysis of the repayment sources provided to them in writing.
 - a. **This is General Obligation debt and is not financing specific improvements.**
7. The Port may utilize revenue supported bonds to finance public improvements which can be shown to be self-liquidating and to be needed for purposes of economic development within the Port district and for the benefit of its citizens. Financial feasibility studies shall be presented for each project to show evidence of the self-liquidating nature of the project.
 - a. **This is General Obligation debt and is not financing specific improvements.**
8. The Port will maintain its finances in a manner which will generate cash flows from all sources (before capital projects and long-term debt service payments) sufficient to provide cash to cover all debt covenants required by outstanding bond issues. The Port will strive to maintain cash flows which are at least 2.0 times greater than the maximum amount of future annual debt service of all outstanding bonds, giving consideration to the refinancing options of any debt structured with a balloon payment.
 - a. **The recently approved financing plan for 2020-2024 included the debt. Financing plan cashflows provide sufficient cash to cover all debt covenants and exceed 2.0 the maximum amount of future annual debt service of all outstanding bonds.**
9. The Port will not enter into any bond refunding unless the present value of the cash flow savings exceeds at least 3% of the principal of the bonded debt.
 - a. **The bond issue is to repay the line of credit, which was used for the purchase. It is not a bond refunding to refinance existing bonds.**

Alan Dashen explained that timing of selling bonds is very important. Rates are really low right now. This week, there is something like \$19 billion of bonds being sold which is a record for the United States. Everyone quits selling for the year around the holidays. In

the New year, no one gets busy and start to sell bonds until late January, early February, which is called the January affect.

3rd Quarter Financial Update

Chief Finance Officer Eric Russell reported on 3rd quarter financials. The revenue year to date as of September 30, 2019, Marine Terminals, Marina, Net Fuel and Property Management are greater than budget by \$1.7 million and great than 2018 by \$2 million. Operating expenses totaled \$18.9 million which is 1.2% higher than 3rd quarter 2018. Operating income is \$160k greater than budget and \$1.8 million greater than September 2018. The big thing to look at for non-operating revenues would be the other income for 2018 was much higher due to selling of Port property and for non-operating expenses for 2018 was higher because the Port repaid principle in November 2018 therefore lower interest expected in 2019. Expectation for ending cash is \$19.2 million and bond issue budgeted in 2019 is now going to be in 2020. Statement of Net Position, current assets have gone down mainly because the Port has spent a lot cash in investments to build projects, resulting in the capital assets (net) has gone up. Current liabilities went down but long-term liabilities have gone up due to the RIFF loan and the leases on the cranes.

Commissioner Bachman asked what the value of the cranes are. Eric Russell explained that the Port will value them at the total cost of what we paid, the cost to get them here and put them into operation. Until they are in operation, we will continue to add to that value.

Commissioner Stiger wanted to note that with the GO bond issue coming up, there is no increase in the property tax rate.

3. MARITIME INDUSTRIAL EXPANSION (K-C)

CEO/Executive Director Lisa Lefebber gave a project overview for the Maritime Industrial Expansion. Port staff have been working diligently on this strategic initiative which converts a former mill site into maritime commerce jobs and a job generating hub. It also leverages some of the Port's existing footprint for maritime industrial uses such as the shipyard. The Port's short-term (5-10 years) objectives, which is what the Port is focused on right now, are to create temporary and long-term jobs as it relates to maritime commerce, ensure the upland is cleaned up, increase the acreage to support maritime commerce, adaptive reuse of the warehouse facility which is noted for light industrial. The Port believes they can generate a significant amount of jobs from the warehouse facility.

The Port was able to secure a shipyard to support the commercial and military repair needs. Everett Ship Repair is up and operational under a Temporary Use Agreement and working on a long-term lease. The Port will need to secure the access of the existing footprint into the Kimberly-Clark site, so the Port can still have one point of entry to comply with Homeland Security requirements for the Transportation Worker Identification Credential. What the Maritime Industrial Expansion is set to accomplish will create short-term and long-term strategy to restoring the jobs that were lost. It continues to grow and expand the maritime jobs in the community. Sixty percent of all the jobs in Snohomish County are tied to trade. It ensures the ongoing success and protection and compatible land use of the working waterfront complex. It allows the Port to support the growth of the 4,000 acres of the Arlington and Marysville area with their Manufacturing Industrial Center now called the Cascade Industrial Center. It also cleans up the historic contamination on the property.

The Port closed on the K-C property on October 31. The Port will be doing site engineering which includes grading, utilities, stormwater, lighting and paving of up to 30 acres to be able to allow for maritime commerce to occur on the site. The Port will be doing geotechnical exploration and looking at future rail access that can be on the site. As part of the central waterfront plan, there are buffer and landscape requirements to shield some of the impacts of the operation. There will be a demolition and relocation of the substation, fence and security for cargo access and will need to create offsite public access.

An update on post-closing activities, Kimberly-Clark signed on November 25, the second agreed order interim action which allows for the cleanup. There will be a kick off

meeting on December 9 with Ecology, K-C and the Port. K-C expects to start the rubble removal as well as the cleanup in the February/March timeframe and is expected to be complete by December 31, 2020. The Port's goal is to pair capital construction project with this project so that as soon as this project is complete, the Port can come in right behind it.

The Port has met with Snohomish County PUD and City of Everett about the timing of the power needs on the site. The City will need power to the clarifiers they just acquired. There are several streets that are still City streets, but they don't go anywhere so the Port will be looking at street vacation and utility corridors.

There is an upcoming cleanup and project meeting with the City of Everett to talk about how to put it back into use. There have been meetings with the City to discuss the land use overlay around the working waterfront that essentially notifies people that are doing projects within this area, that they are next to a working waterfront and hoping to achieve this through the City's Rethink Zoning process.

The Port also updated their Comprehensive Scheme of Harbor Improvements with the Kimberly-Clark property.

In terms of finance, the Port was awarded a \$15.5 million federal grant. Nancy Overton and Lisa Lefebber are working with the Maritime Administration on a revised scope. The Port put in for the grant for acquisition and paving but only put in three acres of paving because the Port wanted to provide some flexibility in the event that they close in advance of the grant award. The Port will be committing the same amount of resources in the grant but expanding the universe of paving. Ecology has given the indication that they will allow the Port to apply for an integrated planning grant for the K-C site. Also, the Port is exploring the financing and acquisition of some property in between the warehouse and the shipyard.

In terms of permitting, on November 21, the Port issued a Statement of Qualifications for Engineering and Planning services to get the project underway. Next steps will be the initial terminal design as well as SEPA and NEPA requirements, especially for the federal grant and the shoreline permitting process.

As for public access, the Port has been exploring the requirements for permitting upland river dredge material disposal in some of the Tideflat area. The Port will be going out for solicitation for a plan and design with the hope of adding public access and habitat restoration to the Tideflats.

Commissioner Bachman asked if it was possible to make the entire length of the Tideflats beach access. Lisa Lefebber will look into this but suspects that it would not be permissible.

The Port received an Letter of Intent to purchase the warehouse which the Port would retain ownership of the underlying land for the warehouse. The proposal would be to purchase the warehouse, the Port would still own the underlying land. Also, the Port is actively marketing the rest of site and looking to expand the foreign trade zone to add the additional acreage.

Commissioner Simpson asked of the possibility when looking at firms to do work for the Port, is it local? Procurement Manager Maija Lampinen gave a quick overview of how firms are selected, local or not. The Port can only consider geographic preference if it's all things considered equal or if it's in a non-competitive environment. If it's low bid, geographic preference cannot be given, however, if it's request for qualifications, that can be a component of the Port's evaluation criteria but not the sole deciding factor.

Ratification of Contract Amendments and Broker Fee Approval for K-C Acquisition
CEO/Executive Director Lisa Lefebber reported that in 2012 when the Kimberly-Clark mill closed, the Port retained the services of Cushman & Wakefield to assist with the property acquisition. In 2012, the Port Commission authorized a Personal Services Contract in the amount of \$200,000. Over the years, the contract was modified to reflect the changing circumstances in the property acquisition. To date, the Port has expended nearly the entire authorized amount. In January 2019, the contract was

modified through an amendment to address real estate commission for the final acquisition. Since the authorized expenditure has been made, and the property transaction is now complete, Port staff is seeking Commission authorization to ratify the amendments to the contract and authorize the final Commission payment to Cushman & Wakefield.

Upon discussion, Commissioner Tom Stiger moved to ratify the amendments to the Cushman & Wakefield Personal Services Contract (2-2012-028) and authorize the CEO/Executive Director to pay the final commission invoice to Cushman & Wakefield in the amount of \$250,000. Commissioner David Simpson seconded the motion. A vote was called for:

Vote:	3-0
Yes:	Stiger, Simpson, Bachman
No:	None
Abstained:	None

Motion carried.

Maritime Industrial Expansion Engineering and Planning Services RFQ Authorization

CEO/Executive Director Lisa Lefeber reported on October 31, 2019, the Port closed its Purchase and Sale Agreement with Kimberly-Clark Corporation for the acquisition of the former K-C paper mill site on the Everett waterfront. In November, the Port was awarded a \$15.5M BUILD Grant from the federal government to contract the improvements needed to convert the site into a Terminal breakbulk cargo yard. To implement the vision of the Commission, the Port needs to hire an engineering team to provide site engineering services, which will include, but may not be limited to: land surveys; geotechnical exploration and recommendations; site grading, drainage and paving; signage and striping; site security (cameras, gates and fencing); stormwater collection and treatment; water distribution/fire protection; site lighting and electrical distribution; sanitary sewer collection and conveyance; railroad track design; coordination with utility purveyors; design of entry and exit gates; irrigation and landscape architecture; architecture design of operations support structures; and other project elements as needed. In addition, the engineering team will provide project management of the team, cost estimating, and environmental support services for required permits such as shoreline substantial development permit, land use review, public works permits and SEPA/NEPA review. The selected firm will also be asked to provide bid-phase and construction-phase services.

In order to remain on schedule to have work begin in 2021, Port staff has begun the process to hire an engineering team and issued a Request for Qualifications (RFQ) on November 12 and is seeking confirmation from the Commission to solicit Statements of Qualifications (SOQs) from qualified firms. Following Staff review of the SOQs, shortlisting to the best teams, and interviewing the shortlisted firms, Staff will make a recommendation to the Commission of the best qualified firms and will bring the selection back to the Commission for contract award in February 2020.

Upon discussion, Commissioner Tom Stiger moved authorize Staff to solicit Statements of Qualifications (SOQs) for Engineering Services for the Maritime Industrial Expansion. Commissioner David Simpson seconded the motion. A vote was called for:

Vote:	3-0
Yes:	Stiger, Simpson, Bachman
No:	None
Abstained:	None

Motion carried.

4. SEAPORT MODERNIZATION

CEO/Executive Director Lisa Lefeber let the Commissioners know that Staff will be shifting from Seaport Modernization to the Maritime Industrial Expansion CIP with the upcoming completion of the South Terminal project, still on schedule to be complete by

December 26. Seaport Modernization Initiative will be moving forward is getting the cranes operational and the Mill-A Cleanup.

Lisa Lefebber also reported on an important note regarding Seaport Modernization. The Port has hit a decision threshold. When the original SEPA document was issued for the cranes, the Port was unaware of the Federal Aviation requirements of having fixed structures over 200 feet. The new cranes are well over 200 feet and the existing cranes are not, only 197 feet. The Port will conduct a public outreach to the neighbors and potentially hold a public meeting to decide on if they keep the cranes the color they are which satisfies the FAA requirements or have the cranes painted a neutral color, then red and white pulsing lights will be required to be placed on the apex and booms of the cranes. The Port is concerned that the lighting may be a negative impact to the neighborhood.

5. WATERFRONT PLACE CENTRAL

Chief of Business Development Terrie Battuello updated the Commission on Parking Management Services. She gave a brief background and how the Port got to point where they are now and then talked about the company that the Port will be moving forward with. Back in 2015, the Port entered into a development agreement with the City of Everett for the Central Marina requiring parking management and a plan to be maintained and created as part of the agreement. In 2016, in an interlocal with the City and County expired for the Jetty Launches, the Port began to negotiate with the City and the County and as part of the discussion, the City and County wanted the Port to maximize its operating revenues at the north dock which also required parking management. In 2017, the Port assumed leases in the Marina Village in the south marina and those leases require parking management. There was also a negotiation between the Port and labor groups to allow parking management to be managed by a contractor versus Port security, so the Port can provide more robust parking management services. In 2018, in order to initiate the program and to really begin to understand what was on the ground with parking and how it all worked, the Port did an exercise by hiring Diamond Parking to work with the Port for the first year which goes through May 2020. The Port has learned a lot through that process. The main objective was to implement the rules as they are to get a better understanding of the site and how it lays and get more insights. Also, implemented parking management for special events which the Port extended the parking fee, as a result, the Port learned that the parking was impacting the whole Port and making it hard for the boaters to get to their boats.

In Fall 2019, the Port worked with the Procurement team to send out a Request for Proposals for Parking Management. Three responses were received in November 2019; ACE, LAZ and Republic Parking. Diamond Parking did not submit. The Port then formed a selection team to review and score the proposals. ACE and LAZ had the highest scores and advanced to the interview round. Based on the interviews, LAZ came out as a clear top candidate. Next step is to enter into a Consulting Contract with LAZ to implement the program and go through Port policies and take everything that was learned over the last year and move forward with the right policies and plans, which should take about three months. Once that is done, the Port will develop the longer-term contract and all recommendations implemented then will be presented to the Commission for approval around March 2020.

Commission President's Report

Commissioner Glen Bachman reported last week the Northwest Defense Council met at the Port of Everett. They are a large membership of private contractors who do defense work, mainly Naval assets.

Commission Discussion

Commissioner Tom Stiger noted that the Port of Everett Marina was honored by Marina Dock Age Magazine as the 2019 Marina of the Year in the large marina category. In addition to taking home the 2019 Marina of the Year trophy, Kate Anderson was also recognized at The Docks Expo with a Young Leader Award.

Commissioner Tom Stiger also noted that on December 7, there will be a special observance at Naval Station Everett for World War II.

Commissioner David Simpson thanked everyone who attended his swearing in ceremony on Wednesday, November 27. He is looking forward to his service on the Port Commission, so much to learn from and what the Commission does for the Port community. He also plans on attending the City of Marysville Council meeting on Monday, December 9.

Commissioner Stiger also wanted to mention, last week, the Port held the United Way Campaign and had a lot of fun with several staff members getting whip cream pies in their faces. The Port raised over \$800 from the one-hour event.

Citizen Comments

Jeff LaLone, Bayside Marine, asked about the parking with regards to the tribes and commercial fisherman using the docks. Their boats are sometimes parked for 24 hours and are there for weeks, so he was curious if they will help pay for parking as well. Terrie Battuello answered in terms of the tribes, the Port doesn't have any special arrangements or exceptions on parking, so they receive the same fees and fines that anyone else would receive.

No Executive Session was held.

THE REGULAR MEETING WAS ADJOURNED at 5:41 p.m.

APPROVED this 14th day of January, 2020.

EVERETT PORT COMMISSION

By: _____

Glen Bachman, President

By: _____

Tom Stiger, Vice President

By: _____

David Simpson, Secretary