

REGULAR COMMISSION MEETING

PORT OF KENNEWICK

MAY 26, 2009

MEETING MINUTES

CALL TO ORDER

Commission President David Hanson called the Commission meeting to order at 2:00 p.m. in the Port of Kennewick Commission Chambers located at 350 Clover Island Dr. Ste 200, Kennewick, Washington

The following were present:

Board Members: David Hanson, President
Gene Wagner, Vice President
Calvin E. Dudney, Secretary

Staff Members: Tim Arntzen, Executive Director
Larry Peterson, Director of Planning & Development
Tana Bader Inglima, Director of Governmental Relations and Marketing
Dan Cryer, Director of Operations/Airport Manager
Teresa Hancock, Real Estate Analyst
Craig Walker, Attorney
Tammy Fine, Director of Finance & Auditor
Jennifer Roach, Administrative/Accounting Assistant

PLEDGE OF ALLEGIANCE

Commissioner Hanson led the Pledge of Allegiance.

PUBLIC COMMENT:

No public comment at this time

CONSENT AGENDA

The consent agenda consisted of the following:

Approval of Payroll Roster dated May 15, 2009

Approval of Expense Fund Voucher No. 29152 through 29163 totaling \$21,482.54

Approval of Warrant Register dated May 26, 2009

Approval of Expense Fund Voucher No. 29164 through 29206 totaling \$22,674.92

Construction Fund Voucher No. 2548 through 2552 totaling \$672,021.78

Airport Operations Fund Voucher No. 4088 through 4088 totaling \$ 741.52

Approval of Resolution 2009-14 Contract for the Clover Island Shoreline "River Girl" Artwork

- ❖ *Commissioner Gene Wagner moved approval of the consent agenda.*
- ❖ *Commissioner Calvin Dudney seconded and the motion was unanimously carried.*

NEW BUSINESS**➤ Resolution 2009-15 Awarding Contract For Willows Trailer Park Removal:**

In Dan Cryer's absence, Larry Peterson reported on the removal contract of 12 trailers in Willows Mobile Home Park. The Port went through the proper bidding process and received lower bids than the first contractor to remove the 12 trailers. Trailers were purchased from original owners willingly, with no pressure or force made by the Port of Kennewick to acquire the trailers.

❖ *Commissioner Calvin Dudney moved to pass Resolution 2009-15, Contract of Willows Trailer Park Removal.*

❖ *Commissioner Gene Wagner second and the motion, and was unanimously carried.*

- Commissioner Hanson asked on how many trailers the Port has yet to purchase.
- Teresa Hancock reported nine. (Corrected from earlier statement of 20).
- Commissioner Hanson questioned if we anticipate any problem with those remaining.
- Teresa Hancock commented no.

REPORTS, COMMENTS AND DISCUSSION ITEMS**➤ Clover Island Update:**

Clover Island Yacht Club/Mixed-Use Building Update:

Larry Peterson, Planning Director reported the building is moving along quite nicely, scheduled completion date is June 22, 2009. The building will have use of the gangway and parking lot. Contractor Chervenell to open the building with a punch list June 15th and completion by June 22, 2009.

➤ Shoreline Management Permit-Gateway Lighthouse Update:

Larry Peterson Planning Director reported the progress is going quite well, with the Council approving the project and it went on to State Department of Ecology for 30 day comment period. The Commission appreciates the editorial in today's paper quoting this as a quite worthwhile project. The paper complimented the Commission on that project.

➤ Parking Lot Update

Larry Peterson reported the pre-construction meeting was held Wednesday, May 20, 2009. The Parking Lot will begin to see removal of concrete and Wednesday May 27, 2009 we will break ground with observation by the Confederated Tribes of the Umatilla.

➤ Shoreline Management Plan-City Ordinance

Larry Peterson, reported draft plan was sent to State on Monday, June 1st. The City Planning Commission will hold pre-decision meeting and City Council will hold public hearing on June 16, 2009. Port staff will attend the meeting and have been working with

local consultant. The Port is pleased with the plan as it relates to Clover Island. Progress is moving along for the Clover Island area.

➤ ***Public Agency Support for City of Richland's Duportail Bridge Project:***

Tana Bader-Inglima reported the City has requested a letter of support for the Duportail Bridge project. A letter of support will be presented as they move forward with the grant application.

- Tim Arntzen reported to let the minutes reflect that Commission would like to support the City with a letter.
- Tana Bader-Inglima stated she will draft a letter for President Hanson's signature.

➤ ***Vista Field Airport Update***

Tim Arntzen reported May 21, 2009; the Tri-City Herald received a letter to the editor from a citizen in support of keeping Vista Field Airport open. Mr. Arntzen commented the Port keeps news articles regarding Vista Field on file at the Port of Kennewick office.

➤ ***ICSC Trip***

Tim Arntzen reported he would like to remove the ICSC Trip from the agenda, and present a power point slide presentation at the next scheduled meeting.

➤ ***2008 Annual Financial Report and Presentation***

Ms. Fine reported every year at the end of May, all government agencies are required to compile and report their financial statements to the Washington State Auditor's Office. The Port's financial report demonstrates how far the Port has come since 1997.

Non- Tax Generated Revenue:

- For the purpose of our taxpayers, Ms. Fine wanted to demonstrate how far the Port has come in increasing the non-tax generated revenues along with covering our expenses with non-tax generated revenues.
- The Port generated over \$5.9 million in non-tax revenues in 2008. This is nearly \$5.1 million more than in 1997. Non-tax revenue exceeded total Port expenses by \$4.2 million. (In 1997 the Port had to use \$25k in property tax revenues to cover total expense).
- As for the main non-tax revenue sources in 2008, we have the gain on sale of assets of approximately \$4.4 million, \$1.1 million in operating revenues, \$376,000 in interest income and we received \$129,000 from grants.

Non-Operating Revenues vs. Expenses

- In 2008 the Port had \$7.7 million in non-operating revenues. When comparing 2008 non-operating revenues to total expenses the Port profited \$5.9 million. The 1997 profit was only \$1.1 million for a difference of \$4.8 million more profit in 2008 than in 1997.

Non-operating revenues include:

- Property taxes
 - Gain on sale of assets
 - Interest Income
 - Grants
- 2008 total expenses (less depreciation) are \$1.8 million. This is \$1 million more than in 1997. 2008 Depreciation expenses were \$693,000 for a total expense of \$2.5 million in 2008. 2007 depreciation expense was \$237,000 for a total of just over \$1m expenses. Main increase in expenses from 1997 to 2008 are due to port operations for port owned properties in the amount of \$471,000 (utilities went from \$15,000 to \$107,000, janitorial from \$12,000 to \$50,000 as examples) depreciation in the amount of \$456,000 due to additional properties, \$262,000 for general and administration expenses which include adding more staff positions, \$141,000 for maintenance of port properties.

Property Tax Revenue

- Property tax revenue increased \$1.5 million since 1997. This increase is not due to the Port Commissioners increasing taxes, but primarily due to the increase in the tax base from new construction. Every year the port compiles a complex calculation on the property tax levy rate which is comprised of assessed values of real property from the Assessor's Office. The Commissioner's goal has been to keep the tax rate low. They monitor the levy rate. If the levy rate goes up, taxes go up. Due to the new construction assessed values which the Port plays a major role in creating and spurring new construction every year, the Port Commissioners have been able to reduce the burden of taxes on the taxpayers.

Non-Tax Revenue

- Non-tax revenue (less operating revenue) increased \$4.8 million from 1997. This is primarily made up of gain on land sales, operating income and interest revenue.

Operating Revenues

- 2008 Operating revenues increased \$723,000. This is predominately due to the increase in Port operations since 1997. The Port has added several properties to our portfolio. Some of the more recent additions to the Port's portfolio are the development of the Oak Street Development Building #4, constructing a new marina that added more slips and opportunity to increase revenues to market level, adding a new haul out operations, and added a tenant portion to the new Port Administration building that houses Ice Harbor Brewing Company.

Assets, Liabilities and Owners Equity

- Owner's equity really means what is the Port's ownership in the Port (Total assets less liabilities). 2008 owners' equity (Port's ownership) increased \$27.5 million over 1997.

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- 2008 Liabilities increased \$3.7 million over 1997. The Port added a \$3 million dollar line of credit to utilize the low tax-exempt rate. For almost two years the Port of Kennewick interest rates from investments exceeded the interest cost on the line of credit. Still today, the opportunity loss of not utilizing this tax exempt funding would include loss or stalling of future construction projects that can generate a return greater than 4% per year. And the \$700,000 is comprised of two hanger purchases on contract and a Columbia Drive land purchase on contract, all at 0% interest.
- 2008 Assets increased \$31.2 million over 1997. This is due to all the new projects the Port has underwent over the years

Levy Rate

- A \$150,000 house in 1997 cost a taxpayer \$61.65 a year.
- A \$150,000 house in 2008 cost a taxpayer \$52.65 a year
- That's a 15% decrease for a savings of \$9 dollars per year.

Economic Outlook

- It's been the goal of the Port of Kennewick Commissioners to do what is not common to government agencies and work towards closing the operating gap without competing with the private sector. The Port Commissioners have started to focus the Port's resources on developing buildings which will help spur economic development and further help assist the success of private sector projects.
- The Port will be constructing a new multi-tenant building on Clover Island that is the new home for the Clover Island Yacht Club. This building is estimated to cost approximately \$3 million with accrued revenue return of \$119,000.
- The Port has been actively seeking grants and state apportionment money to help fund projects. In doing so, grants will help leverage port funds for future public projects.
- The Port has purchased several properties that will eventually generate a mix of income streams to the Port. Until the properties are developed by the Port or the Port's private sector economic development partners, the Port will experience expenses for maintenance and operations of the properties and no revenue coming in. However, this is the Port's largest efforts to generate long-lasting operating income for the future of the Port. For example: the Port has invested just over \$20 million in Clover Island and Clover Island Drive revitalization (Port Office, Marina, Clover Island Road, Columbia Drive properties). The Port has invested just over \$1.7 million in the West Richland former race track Property. The Port has invested over \$1 million in the Verizon property at Vista Field.
- Tim Arntzen reported Tammy Fine, Finance Auditor, used the term profit, he encourages her to use terms that would make sense to tax-payers. Ms. Fine created a narrative to hand out to track the numbers. We have tremendous success; have gone down from .41 cents in 1997 to .35 cents per thousand in

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2008. Our levy rate is going down drastically and we are building in the community. By buying up the properties now, we will have more opportunities in the future. The Port appreciates Tammy Fine's job and the process.

- Commissioner Wagner commended Tammy on a job well done.

➤ *Meeting Reports*

- Commissioner Wagner attended the Council of Governments Board meeting, WPPA meeting and Benton-Franklin Regional Transportation Planning Organization meeting.
- Commissioner Wagner applauded Ms. Fine for her presentation on rate reduction at the WPPA meeting; he has received many compliments on her presentation.
- Commissioner Dudney attended the luncheon at C.B.C. with President Rich Cummins.
- Commissioner Hanson attended the P.U.D. meeting and the C.B.C. luncheon and tour.
- Tana Bader Inghima attended the C.B.C. luncheon and tour with President Rich Cummins, Tri-Cities Rivershore Enhancement Council and West Richland Board of Directors meeting.
- Larry Peterson attended the WPPA on May 13 and 14th, C.B.C. luncheon with Mr. Rich Cummins, City of Kennewick Council meeting on Shoreline Restoration, Pre-Construction meeting, and met with West Richland's Development Director.
- Dan Cryer attended WPPA meeting, and the Washington Airport Management Association meeting at Sun Mountain.

➤ *Non Scheduled Items*

Tim Arntzen commented on the of the Tri-City Herald editorial regarding the article about the lighthouse on Clover Island.

PUBLIC COMMENTS

- John Parker questioned Tammy Fine on whether Vista Field is listed as a capital asset.
- Tammy Fine confirmed it is.
- John Parker asked what is the fair market value of Vista Field.
- Tim Arntzen reported the fair market appraisal has a range of values at \$5.9 million to over \$7 million.
- John Parker suggested it is between 25% of the capital asset allocation which is 31 million. He commented he wanted to understand if the Port would be giving Vista Field to the City of Kennewick.
- Tammy Fine reported we follow the Governmental Accounting Standards, which Governments are required to report assets at cost. She further stated that the fair market value of Vista Field will most likely be a higher value than the Port's actual cost since it was acquired a long time ago.

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- Tim Arntzen responded that there has not been any suggestion from the staff to Commission that we just give Vista Field to the City of Kennewick. Any asset of that value the Port would expect to receive something of value back.
- John Parker confirmed he was under the impression at the joint meeting that the City Council seemed to think it was a done deal and the Port would give the property back. He wanted to know if he misunderstood this.
- Tim Arntzen verified he was at the meeting and there has never been a recommendation to give the airport to City of Kennewick. Mr. Arntzen suggested within another week or two, the Port Commission may write a letter to the City of Kennewick regarding this issue. Mr. Arntzen confirmed he has never made recommendation to give the property to the City; it is a taxpayer held asset and at this time he would not make this type of recommendation.
- John Parker appreciated the confirmation.

EXECUTIVE SESSION

Real Estate Matter RW 42.30.110(c)


- ❖ *Commissioner Hanson called for 10 minute recess at 2:33 p.m., after which there would be an Executive Session to discuss a real estate matter. Executive Session was anticipated to last approximately fifteen minutes with no action expected.*
- ❖ *Ms. Fine exited the Commission Chambers at 2:55 p.m. to announce Executive Session would be extended an additional ten minutes.*

ADJOURNMENT

Regular Session was reconvened at 3:05 p.m., with no further business to bring before the Board; the meeting was adjourned at 3:05 p.m.

APPROVED:

**PORT OF KENNEWICK
BOARD OF COMMISSIONERS**



David Hanson, President



Gene Wagner, Vice President



Calvin E. Dudney, Secretary