



PORT OF KENNEWICK REGULAR COMMISSION MEETING

OCTOBER 9, 2018 MINUTES

Commission President Thomas Moak called the Regular Commission Meeting to order at 2:00 p.m. in the Port of Kennewick Commission Chambers located at 350 Clover Island Drive, Suite 200, Kennewick, Washington 99336.

The following were present:

Board Members: Thomas Moak, President
Don Barnes, Vice-President
Skip Novakovich, Secretary

Staff Members: Tim Arntzen, Chief Executive Officer
Tana Bader Inglima, Deputy Chief Executive Officer
Mike Boehnke, Facilities Manager
Tammy Fine, Advisor/CPE, CFE
Amber Hanchette, Director of Real Estate and Operations
Nick Kooiker, Chief Financial Officer/Auditor
Larry Peterson, Director of Planning and Development
Lisa Schumacher, Special Projects Assistant
Bridgette Scott, Executive Assistant
Lucinda Luke, Port Counsel
Kandy Yates, Office Assistant/Marina Manager

PLEDGE OF ALLEGIANCE

Commissioner Barnes led the Pledge of Allegiance.

APPROVAL OF THE AGENDA

MOTION: Commissioner Novakovich moved to approve the Agenda as presented; Commissioner Barnes seconded. With no further discussion, motion carried unanimously. All in favor 3:0.

PUBLIC COMMENT

No comments were made.

CONSENT AGENDA

- A. Approval of Direct Deposit and E-Payments Dated October 2, 2018***
Direct Deposit and E-Payments totaling \$74,305.81
- B. Approval of Warrant Register a Dated October 9, 2018***
Expense Fund Voucher Numbers 100477 through 100509 for a grand total of \$232,896.89
- C. Approval of Regular Commission Business Meeting Minutes September 25, 2018***

PORT OF KENNEWICK REGULAR COMMISSION MEETING

OCTOBER 9, 2018 MINUTES

MOTION: Commissioner Barnes moved for approval of the Consent Agenda, as presented; Commissioner Novakovich seconded. With no further discussion, motion carried unanimously. All in favor 3:0.

OLD BUSINESS

A. 2019-2020 Work Plan

Mr. Peterson presented Resolution 2018-19 for Commission consideration. The 2019-2020 Work Plan consists mainly of the Port's two priority projects and partnerships with Benton County, the City of Kennewick, City of Richland and the US Army Corps of Engineers (USACE). Mr. Peterson stated projects revolve around Columbia Drive, Vista Field, and smaller projects, such as the Island View Area project.

Commissioner Novakovich appreciates the addition of the Port's perspective vision on page 2. The statement summarizes the Commission's desire to stay focused on Vista Field and the Kennewick Waterfront (Columbia Drive and Clover Island) and the continued pursuit of partnerships.

Commissioner Barnes appreciates the work that has gone into this document and the recognition of the Port's priorities throughout the Work Plan. It is imperative for the Port to remain focused on Vista Field and Columbia Drive.

Commissioner Moak stated the Port of Kennewick is a small port in terms of budget and taxes. With two very large and significant projects, the Port must focus on Vista Field and the Kennewick Waterfront at the expense of anything else the Commission may want to do.

PUBLIC COMMENTS

No comments were made.

MOTION: Commissioner Novakovich moved to approve Resolution 2018-19 approving the 2019-2020 Work Plan; Commissioner Barnes seconded. With no further discussion, motion carried unanimously. All in favor 3:0.

PRESENTATIONS

A. 2019-2020 Budget Hearing Presentations

Mr. Kooiker stated staff has been working on the budget since this summer and today the Commission will hear from staff regarding important projects that are part of the 2019-2020 Budget. Mr. Kooiker presented the 2019-2020 Draft Budget. The Port budget is fiscally conservative and responsible:

- Revenue Budget Represents
 - Current leases in place with terms through 2020;
 - If month-to-month or expiring lease, only included revenue if highly likely tenant will continue tenancy through 2020.

PORT OF KENNEWICK REGULAR COMMISSION MEETING

OCTOBER 9, 2018 MINUTES

- Expense Budget Represents:
 - Projected 2018 expenses and applied linear regression analysis on trends while reflecting current contracts and anticipated future contracts;
 - Based on a 5% inflation factor for 2019-2020
 - Cost includes our best estimate on new operations.

Mr. Kooiker reported the levy rate has decreased from \$.44 to \$.00 per \$1,000 assessed value.

The Marine Division is comprised of two functional workgroups: lease and asset management; and haul out and storage operations. These workgroups are responsible for operations and management of marina leases, haul outs and storage, as well as repairs and maintenance for these facilities and all property connected to this business:

- Proposed 2% increase in 2019 and 2020 with a 90% occupancy rate;
- Expenditures are indexed to a 5% annual inflation factor or actual contract amount, which is even higher;
- Expenditures include an estimated cost allocation of staffing and indirect expenses.

Ms. Hanchette and Ms. Yates reported that there has been an increase in guest moorage usage. Over the past summer the Port has seen many yachts utilizing the guest moorage and several are return guests. Ms. Hanchette would like to add signage at the top of the marina ramp and the fuel dock.

Commissioner Novakovich inquired if staff knew why there was an increase in usage.

Ms. Yates believes it is through word of mouth and has heard many compliments on the facility, the amenities and our customer service.

Commissioner Moak inquired if the Port is pricing guest moorage appropriately.

Ms. Hanchette stated guest moorage was funded through a Recreation and Conservation Office (RCO) grant several years ago and the overnight rate is commiserate of the RCO grant stipulations. Ms. Hanchette stated the rate is \$15.00 per night with a maximum of 14 nights.

Ms. Bader Inglima stated there are restrictions on the amount the Port can charge and the RCO grant was intended to encourage recreational boating. The guest moorage is an opportunity to bring in people, who will spend money at the hotel and restaurants, and now, Columbia Gardens Wine Village.

Ms. Hanchette stated in addition to the signage, the Port is also looking to add personal watercraft docks on B dock.

Ms. Yates stated several of the larger boats have jet skis and inquired about mooring because the personal watercraft does not fit in their slips. Ms. Yates stated there are a few open slips on B dock that rarely get filled and with the tenant interest, believes this would be a good investment. The Port would rent the slips for \$75.00 per month with a three month commitment.

PORT OF KENNEWICK

REGULAR COMMISSION MEETING

OCTOBER 9, 2018 MINUTES

Ms. Hanchette would like to use 5 or 6 slips on B dock for the personal watercraft docks and stated this would generate revenue and provide another service for our tenants.

Commissioner Novakovich inquired how much does the personal watercraft dock cost.

Ms. Hanchette stated \$2,000 each.

The Property Management Division includes two functional workgroups: lease and asset management and property operations and maintenance. These workgroups oversee the management, operation and maintenance of various Port assets including the Port's retail, commercial and industrial buildings:

- Revenues are based on signed leases in place through 2020 and month-to month or expiring leases which are highly likely to renew;
- Expenditures are indexed to a 5% annual inflation factor or actual contract amount, whichever is higher;
- Expenditures include an estimated cost allocation of staffing and indirect expenses.

Ms. Luke stated the Port sold the last parcel at Spaulding Business Park and are now in the process of closing out our commitments to the park. In May the Port signed an Interlocal Agreement (ILA) with the City of Richland which outlines an agreement where the City will take over responsibility and maintenance of street lighting. The Port is now in a position to set up the owners association and turn over management of the association to the property owners.

Commissioner Moak inquired if that will conclude our responsibility for Spaulding.

Ms. Luke stated once the owners association is set up and turned over, the Port will have concluded business at Spaulding.

Mr. Boehnke reported over the last 12 years, the Port has worked with the Department of Corrections (DOC) Coyote Ridge Crew. The Port started with one work crew and all they did was pick up garbage, now, the Port has two full crews, Monday-Thursday, working on multiple projects, such as gardening, garbage, lawn maintenance, and special projects. The work crew worked with Kevin Barry installing four Willow Fish Trap Baskets and then spent two weeks painstakingly adding individual rocks to the baskets. The work crew is a very good asset to the Port. Recently a sewer line broke at Oak Street and the work crew hand dug a 75 foot trench, three feet deep to fix the line. The work crew assists with lawn maintenance on all Port properties and maintains the clean-up on the bike path from the Wine Village to Clover Island Drive, and The Willows. Mr. Boehnke stated the crew is missed if they do not make it down for a day.

Ms. Hanchette is planning on lobbying DOC for a third work crew, starting one day a week and increasing it as our properties grow, with the additional work with Columbia Gardens and Vista Field. The work crew does a lot of manual labor for the Port and operations has enough work to keep a third crew busy.

PORT OF KENNEWICK REGULAR COMMISSION MEETING

OCTOBER 9, 2018 MINUTES

Commissioner Novakovich inquired if a cost savings analysis has been performed.

Ms. Hanchette stated she has not done an analysis, but believes it is a rather large amount, for example, the Oak Street sewer line project would have cost approximately \$8,000 if the Port had gone out for a small works project. Additionally, for the artwork installations, that could cost an upwards of \$50 per hour to work with the artist. Ms. Hanchette stated the work crew is a good investment for operations.

Commissioner Moak inquired how many DOC workers are on the crew.

Mr. Boehnke stated the crew ranges from 4 to 8 people per van.

Ms. Hanchette stated the DOC invoices are usually under \$3,000 a month and DOC pays salary and benefits for the supervising Corrections Officers. Ms. Hanchette stated it is a great service for the community and the crew, who take pride in their work.

Commissioner Moak thanked Mr. Boehnke and expressed his appreciation for operations and the work crew.

The Corporate Division includes but not limited to accounting, finance and auditing, Board of Directors, legal, and management and administration. These service groups oversee the governance, finance, accounting, auditing, laws and regulations as well as policies and procedures, risk management, marketing of the Port's core operations, grant writing and grant management associated with operations, strategic development, management and admirations that supports the Port in its entirety:

- Expenditures are indexed to a 5% annual inflation factor or actual contract amount, whichever is higher;
- These service groups allocate their direct expenses according to the direct level of service they provide to the divisions. The majority of their function is to support all operations of the Port.

Mr. Arntzen stated included in the 2019-2020 Draft Budget is \$150,000 for Duffy's Pond. The Port has contracted with Hall Engineering and Eco Land Services to outline a plan to solve the algae blooms in the summer months. It is important to resolve the water quality, because of the Pond's close proximity to the Wine Village and the potential to impact to the tenants. Recently, staff spoke with Aquatic Land Services, the contractor hired to address the milfoil in the harbor, on an additional course of action.

Commissioner Moak inquired if the report is an analysis only.

Mr. Arntzen stated Eco Land Services and Hall Engineering will be working on an engineering plan and if the solution is viable, the Port will move forward. Mr. Arntzen stated he is meeting with the Eric Quaempts, Interim Director of the Confederated Tribes of the Umatilla Indian Reservation (CTUIR) this week and will discuss Duffy's Pond.

PORT OF KENNEWICK REGULAR COMMISSION MEETING

OCTOBER 9, 2018 MINUTES

Mr. Arntzen reported that staff recently spoke with Aquatic Land Services who have been very successful in reducing algae at a Gonzaga University pond. This could be a cost effective alternative that may suffice until the Port receives the report from Eco Land Services.

Commissioner Novakovich inquired if the USACE will be involved in the process.

Mr. Arntzen would like to meet with the CTUIR first, before speaking to USACE or the City.

Commissioner Barnes appreciates that Duffy's Pond has been included in the Draft Budget and is in favor of the work because of the Port's investment in the Wine Village and the close proximity of pond.

Ms. Scott and Ms. Hanchette recently met with a vendor to get their recommendation on replacing the current audio and visual equipment (10-12 years old) in the Commission meeting room. The upgrade would be a small works project and would include the following:

- Replace current projector and screen with a 65-70" monitor on a swiveling arm;
- 65-70" Monitor near the American flag to make viewing presentations easier for the public;
- A confidence monitor for each Commissioner, which is a small screen that mirrors the larger monitors;
- Sound system upgrades would include a mixer/recorder and 8 microphones for Commission and staff.

Commissioner Barnes inquired if the upgrade is part of the capital budget.

Mr. Kooiker stated it would fall under asset replacement.

Ms. Scott stated the Port recently purchased a Laserfiche, an Enterprise Content Management (ECM) software to replace the current web-based accounts payable (a/p) system. In addition to a/p, the software efficiently manages documents and information, automates business processes, and has a full text search and retrieval, and will replace paper forms with electronic forms. Staff is currently running both a/p systems for a smooth transition.

Commissioner Novakovich inquired if the Port will pay upgrades and maintenance fees.

Ms. Scott stated the maintenance is an annual fee and upgrades are included in that fee.

Economic Development and Planning includes engineering, Port construction services and planning. The Economic development and planning division plans and delivers projects, as well as provides technical and contracting service in support of the Port's business plans and infrastructure needs. This division supports all the Port's capital assets to be planned, acquired, or constructed:

- Costs not capitalized are expenses that can't be reported as a capital asset per GASB accounting standards such as indirect costs and costs before a capital asset is placed into operations;

PORT OF KENNEWICK

REGULAR COMMISSION MEETING

OCTOBER 9, 2018 MINUTES

- Capital expenditures meets GASB capitalization requirements.

The Real Estate Division includes property sales and acquisitions and deals with the process of selling surplus property and purchasing property in support of the business plans and infrastructure needs of the Port. This division also markets Port properties for sale, provides technical and contracting services in support of the business plans and infrastructure needs of the Port;

- Gain on sale of assets is projected at \$400,000;
- Majority of expenditures are indexed to a 5% inflation factor or actual contract cost;
- Expenditures include cost allocation of staffing and indirect costs.

The Non-Operating Division includes functions that do not impact the marina, property management, corporate, economic development and planning or real estate divisions. The costs included in this division are public, regulatory, election, governmental, and other non-operating costs.

Ms. Bader Inglima stated the Commission has made significant investments in art and place making on Columbia Drive and Clover Island, which is driving people to this end of town. Clover Island Inn's business has increased 10-15% over the last decade because of investments the Commission continues to make. Included in the non-operating budget are contracts for Barb Carter, the Port's art liaison and Ken Robertson, the Port's wine consultant. Ms. Carter has been an instrumental part of the art process, ensuring the Port receives the highest quality artwork and works one-on-one with the artists, installers, contractors, and the DOC crew. Mr. Robertson continues to promote Columbia Gardens and assist staff at wine industry related events.

Also included in the non-operating budget is marketing, which includes consumer and trade marketing, and signage for Columbia Gardens and Vista Field. Recently the Port entered into a contract with Rusty George Creative to work on a brand for Vista Field. Rusty George and Senen Antonio of DPZ Partners will be visiting the Port to develop the brand elements and create a graphic representation of what Vista Field will be.

Mr. Peterson reported that two electric vehicle charging stations for electric vehicles will be installed at Columbia Gardens. Each pedestal is \$3,000 and the equipment seller coordinates the billing and quarterly sends the Port 90% of the collected proceeds, which will be used to offset the electrical costs.

Recently, artist Kevin Barry delivered the Columbia Gardens transit bus shelter and suggested backlighting the shelter. As part of Columbia Gardens Phase 2C, the Port will install the conduits and backlighting. The bus shelter will fit in nicely with the Latino Heritage Mural and the other art pieces that will be installed.

Mr. Kooiker concluded that the Port is in strong financial condition and the budget has accounted for substantial increases in the operating and marketing expenses for Vista Field, Columbia Gardens and the Shoreline project. The Port has an exceptional track record in prudent and

PORT OF KENNEWICK REGULAR COMMISSION MEETING

OCTOBER 9, 2018 MINUTES

proactive budget management, which has kept the Port out of financial troubles and has proven to be a solid method, even in economic turndowns.

Commissioner Barnes appreciates the budget process and how conservative the revenues and expenditures are. Commissioner Barnes stated at this point in time, the Port has two major projects going out to bid soon with some level of uncertainty, and to develop a budget around that can be difficult. Commissioner Barnes thanked Mr. Kooiker and staff for their effort and level of detail on the Draft Budget and presentations.

Commissioner Novakovich is pleased with the new budget process and staff presentations, which highlights items that may otherwise get overlooked. Commissioner Novakovich echoed Commissioner Barnes's comments regarding a conservative budget.

Commissioner Moak concurs and liked the new process and appreciated hearing about the overall Port operations from staff. Commissioner Moak expressed his appreciation for the work that has gone into the Draft Budget and presentations.

Mr. Arntzen clarified that the \$150,000 for Duffy's Pond is for engineering and partial funding for implementation.

Mr. Kooiker stated the formal budget hearing will be on October 23, 2018.

RECESS

Commissioner Moak recessed the meeting at 3:47 p.m. and will reconvene at approximately 3:55 p.m.

Commissioner Moak reconvened the Regular Commission meeting at 3:54 p.m.

REPORTS, COMMENTS AND DISCUSSION ITEMS

A. Columbia Drive Update

Mr. Peterson stated construction of the Columbia Gardens Loop Road continues with the grading of the roadway, plaza, and parking lot. Mr. Peterson stated the bus shelter is on site and the Port will need to go out for a small works bid for the concrete slab that the shelter will be placed on.

B. Vista Field Update

Mr. Peterson stated Port and City staff recently met to discuss and confirm elements identified in the Development Agreement. The discussion centered around which elements, such as street lights and various right-of-ways will accepted and dedicated to the City. Additionally, sidewalks will be considered part of public realm.

Commissioner Moak stated the City states that property owners will be responsible for the sidewalks, was it determined that the City will now be responsible for the sidewalks.

Mr. Peterson stated generally the sidewalk is within the public right-of-way, but if the sidewalk heaves, the adjacent property owner is responsible for the improvements. The Port wanted to

PORT OF KENNEWICK

REGULAR COMMISSION MEETING

OCTOBER 9, 2018 MINUTES

ensure that the sidewalks were public, and open 24 hours a day. The property owner will still be responsible for the maintenance of the sidewalk.

Mr. Arntzen reiterated that Senen Antonio of DPZ Partners will be working with Rusty George on the Vista Field branding, logo and they will also discuss street names at the October 24, 2018 meeting.

C. WPPA Legislative Update

Mr. Arntzen attended the Washington Public Ports Association Legislative Committee on behalf of Commissioner Novakovich. In recent years, the session was dominated by pressure to fund the state's K-12 obligations, and this is the first opportunity the session was not dominated by the McClary decision. Other items discussed were:

- Campaign contributions: Ports of Seattle and Tacoma have campaign contribution limits, and WPPA will support legislation which calls for contribution limits for Port races;
- Opportunity Zone: there is a new provision in federal tax law, which relates to innovative partnership or opportunity zones, which allows investors to invest in real estate in specific zones and defer capital gains tax;
- Orca Recovery Efforts: Legislation to protect Orcas in the Puget Sound.

Commissioner Novakovich thanked Mr. Arntzen for attending in his place.

D. Commissioner Meetings (formal and informal meetings with groups or individuals)

Commissioners reported on their respective committee meetings.

E. Non-Scheduled Items

1. Mr. Arntzen indicated the Port has been approached by a developer, who submitted an unsolicited letter of intent for Port property in east Kennewick, which was identified as an opportunity zone. Mr. Arntzen stated there are several ways the Port can sell property: advertise property, walk-ins (non-advertised) or issue Request for Proposal (RFP) on property. The Commission has stipulated that the Port will issue a RFP for Vista Field, which outlines specifics for the development. Mr. Arntzen asked for guidance from the Commission regarding the process and inquired if the Commission would like staff to proceed further on due diligence or stop the process and issue an RFP. Mr. Arntzen stated the Port has had the property for several years and it is strategic to our redevelopment efforts and downtown Kennewick. Mr. Arntzen indicated this is the first person that has shown interest in property. Mr. Arntzen inquired if the Commission is comfortable with staff continuing due diligence on the proposal.

Commissioner Moak inquired what the Port's past practice has been regarding selling of properties.

Mr. Arntzen stated generally, the Port advertises property for sale when it is ready for market. In other cases, the Port has had walk-in's inquiring about the property. The Port has not utilized the RFP process; however, the RFP process will be used for Vista Field.

PORT OF KENNEWICK REGULAR COMMISSION MEETING

OCTOBER 9, 2018 MINUTES

Commissioner Moak inquired if lot lines have been established for the east Kennewick property.

Mr. Arntzen stated Mr. Peterson would be able to determine what needs to be done, if the process and offer is acceptable with the Commission.

Commissioner Moak inquired if the property is listed in the Work Plan as “to sell.”

Mr. Arntzen stated the Work Plan addressed that the property could be negotiated to sell, under the right circumstances.

Commissioner Barnes stated the 2019-2020 Work Plan states that the Port will explore potential and complementary private sector development, sale or lease. Commissioner Barnes would like to see the Port be a dependable partner and the Work Plan gives us flexibility for this property.

Mr. Peterson stated the Comprehensive Scheme was amended in 2017 and is the guiding legal document for the Port. The Work Plan matches the Comp Scheme, which states the property can be sold or leased. Mr. Peterson stated in the last 13 years, the only Port property that went through the RFP process was the FBO Operator.

Commissioner Novakovich stated the Work Plan authorizes the Commission to move forward, and if the Port decides to go through the RFP, the developer may rescind the offer. Commissioner Novakovich would like to see staff move forward with due diligence.

Commissioner Moak does not believe in taking the first offer; however, the Port has a prospect and it is important to perform due diligence. Commissioner Moak stated staff should investigate and report back to the Commission at a later date.

Mr. Arntzen reported the proposal is consistent with the Gary Black’s pattern language process. Staff will perform due diligence and report back to the Commission at a future meeting.

Commissioner Moak inquired if there are specific geographic areas for the opportunity zone.

Ms. Hanchette stated there are several areas in Kennewick that are listed as opportunity zones: downtown, areas near Vista Field and Columbia Center Mall.

2. Ms. Hanchette reported a bass tournament was held on Clover Island last weekend and 30 boats and 60 people participated in the tournament. At the end of October, Clover Island Inn is assisting with the Pure Fishing Class, which will bring additional boaters to the Island.

Ms. Hanchette received a message recently from Victor Palencia regarding his first crush in the new facility. Mr. Palencia expressed his gratitude to the Port for making it a reality.

**PORT OF KENNEWICK
REGULAR COMMISSION MEETING**

OCTOBER 9, 2018 MINUTES

PUBLIC COMMENTS

No comments were made.

ADJOURNMENT

With no further business to bring before the Board; the meeting was adjourned 4:34 p.m.

APPROVED:


**PORT of KENNEWICK
BOARD of COMMISSIONERS**



Thomas Moak, President



Don Barnes, Vice President



Skip Novakovich, Secretary