

AGENDA

***Port of Kennewick
Regular Commission Business Meeting
Port of Kennewick Commission Chambers
350 Clover Island Drive, Suite 200, Kennewick, Washington***

Tuesday, October 28, 2014
2:00 p.m.

- I. CALL TO ORDER**
- II. PLEDGE OF ALLEGIANCE**
- III. PUBLIC COMMENT** *(Please state your name and address for the public record)*
- IV. COMMISSIONER COMMENTS**
- V. CONSENT AGENDA**
 - A. Approval of Direct Deposit and Warrants Dated October 17, 2014
 - B. Approval of Warrant Registers Dated October 29, 2014
 - C. Approval of Warrant Registers Dated October 29, 2014 (PS Media)
 - D. Approval of Special Commission Meeting Minutes Dated October 13, 2014
 - E. Approval of Emergency Repair of Electrical Service Panel and Code Required Modification for East Parking Lot at 350 Clover Island Drive, Kennewick; Resolution 2014-32
- VI. PRESENTATIONS**
 - A. Tri-Cities Community Branding Presentation by
 - Lori Mattson, Tri-City Regional Chamber of Commerce President & CEO;
 - Kris Watkins, Visit Tri-Cities President & CEO;
 - Carl Adrian, TRIDEC President/CEO
 - B. 2015-2016 Work Plan Approved; Resolution 2014-33 (**LARRY**)
 - C. 2015-2016 Preliminary Budget Hearing (**TAMMY**)
- VII. REPORTS, COMMENTS AND DISCUSSION ITEMS**
 - A. Tri-Cities Rivershore Enhancement Council Update (**TANA**)
 - B. Vista Field Master Plan Design Charrette Schedule (**LARRY**)
 - C. November 4, 2014 Special Commission Meeting (**BRIDGETTE**)
 - D. Commissioner Meetings (formal and informal meetings with groups or individuals)
 - E. Non-Scheduled Items
- VIII. PUBLIC COMMENT** *(Please state your name and address for the public record)*
- IX. COMMISSIONER COMMENTS**
- X. ADJOURNMENT**

PLEASE SILENCE CELL PHONES



SPECIAL COMMISSION MEETING

PORT OF KENNEWICK

DRAFT

OCTOBER 13, 2014 MINUTES

CALL TO ORDER

Commission President Don Barnes called the Commission meeting to order at 6:00 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: Don Barnes, President
Skip Novakovich, Vice-President
Thomas Moak, Secretary

Staff Members: Tim Arntzen, Executive Director
Tana Bader Inglima, Director of Governmental Relations & Marketing
Tammy Fine, Director of Finance/Auditor
Amber Hanchette, Director of Real Estate & Operations
Larry Peterson, Director of Planning & Development
Bridgette Scott, Executive Assistant
Lisa Schumacher, Special Projects Coordinator
Lucinda Luke, Port Counsel

PLEDGE OF ALLEGIANCE

Mayor Brent Gerry led the Pledge of Allegiance.

PUBLIC COMMENTS

West Richland Mayor, Brent Gerry thanked the Commission for the opportunity and submitted a letter for the record (*Exhibit 1*). The City of West Richland and the Port of Kennewick have worked hard on the race track property and Mayor Gerry briefly update the Commission on the progress with the Urban Growth Application (UGA). City and port staff met with Futurewise and he is confident there will not be any opposition to the UGA. He also stated the city presented the project to the Benton-Franklin Council of Governments for a Comprehensive Economic Development Strategy (CEDS) grant, and the project was ranked number one in rural areas. Mayor Gerry is requesting approximately \$400,000 for economic development, to help fund the infrastructure around the racetrack, which is estimated to cost \$1,843,000. Mayor Gerry requested the Commission consider the proposal and feels if the port is able to go above the minimal \$25,000 investment, both entities would benefit.

COMMISSION COMMENTS

Mr. Novakovich asked Mayor Gerry if the requested \$1,843,000 is for extending infrastructure to the racetrack or if it is for other purposes.

Mr. Gerry indicated it would be for extending the utilities to the racetrack and surrounding properties.

No further public comments were made.



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PRESENTATION

A. 2015-2016 Planning Workshop

Mr. Arntzen appreciates the opportunity bring the draft 2015-2016 Work Plan to the Commission and the public. Previously, the port has presented a one year Work Plan and budget; however, it was recommended that the port move to a two year Work Plan and budget. This created more of a challenge to determine what projects are a priority for the port. What is being presented tonight, is a draft plan with rough budget numbers. Mr. Arntzen stated that Mr. Peterson will work through the draft, property by property and will summarize the strengths and weaknesses of each plan. He further stated that the port needs to budget for the next two years, and the wish list is ambitious, so items will need to be prioritized. There are projects that the port is committed to and there are projects that the community has rallied around, so this will be the time to prioritize and budget. Mr. Arntzen explained not every detail needs to be figured out tonight, but he would like to get through a large portion tonight, and narrow down the list at the Regular Commission Meeting on October 14, 2014. Mr. Arntzen suggested that after each property summary, the public be allowed to comment.

Ms. Fine briefly explained that the draft Work Plan currently has \$11,000,000 in capital expenditures. Ms. Fine is currently working on the preliminary two year budget, and explained that the port has approximately \$7,400,000 available for the 2015-2016 Work Plan, however, \$5,200,000 are committed funds. Ms. Fine explained \$3,700,000 will need to be cut from the draft plan, and this will leave the port with \$2,500,000 in contingency funds, and approximately \$200,000 in unrestricted funds. Ms. Fine stated the exact amount will be rolled out during the preliminary budget process on October 28, 2014. Ms. Fine further stated the Commission should consider the numbers are staff estimates, so completing committed projects first is key, then prioritize the remaining projects. Ms. Fine indicated the \$7,400,000 includes the property taxes the port receives in April and October, and many capital projects are funded through the property taxes. Generally, the port does not spend the entire budgeted amount for capital projects; for example, 2014 budgeted amount was \$5,000,000, however, to date, we have only spent \$2,300,000, in which some funds will be rolled over into 2015.

Mr. Novakovich inquired about the port's current reserve fund.

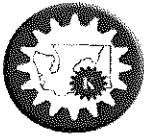
Ms. Fine stated, the port currently has \$9,600,000. Generally, the State Auditor will not write a finding, unless you fall below a three month cash reserve. The \$2,500,000 will give the port an eight month reserve.

Mr. Novakovich confirmed our reserves will drop down to \$2,500,000, plus \$200,000 in restricted funds. He asked what the port's reserves have been for the past three years.

Ms. Fine indicated the reserves have held steady at \$10,000,000.

Mr. Peterson stated through previous discussions with the Commission and a review of current port commitments, there is an \$11,000,000 wish list. At this time, the port has \$5,200,000 in committed funds projects, such as:

- Columbia Drive Redevelopment with the City of Kennewick
- Clover Island boat ramp
- Vista Field Redevelopment Contracts



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The Commission will need to cut \$3,700,000 in projects from the identified list, however, with the projects that will ultimately make it on the Work Plan, it will be an active, productive and beneficial two years for the port.

The following are achievements for the Port of Kennewick 2013-September 2014

CLOVER ISLAND

- Obtained \$238,000 R.C.O. Grant for Boat Launch Facility Improvements
- Marina at 94% Occupancy
- Pursued Removal of Corps of Engineers Corner Parcel Deed Restriction
- Joint Port/Yacht Club Site Improvements- Shed & Landscaping
- Port Office Interior Remodel (90% Complete)
- Secured 1135 Program Approval from U.S.A.C.E.

COLUMBIA DRIVE

- Columbia Gardens Partnership Interlocal Agreement with City of Kennewick
- Closed 1.88 ac Land Acquisition (Chieftain/Mejia) - \$800,000
- Demolished to Grade (14) Dilapidated Motel Units Located at 305 E. Columbia Drive
Designed 3 New Winery Buildings & Site Improvements (40% Complete)

VISTA FIELD AIRPORT

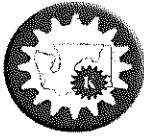
- Undertook and Completed Vista Field Planning, Environmental and Economic Analysis with Integrated Environmental Impact Statement (EIS) (No Legal Challenge of Process Final Report)
- Negotiated Settlement with State Department of Transportation Aviation Division for Repayment of WSDOT Grant Funds
- Negotiated Settlement with PCLI for Return of Pre-Paid Through-the-Fence and Apron Usage Fees which the Port Collected in Conjunction with PCLI Land Sale
- Negotiated Settlement with Mike Shannon for Early Lease Termination and Purchase of Hangar Building Improvements
- Successfully Closed the Airport after 70+ Years of Operation
- Removed Underground Storage Tanks and Fuel Dispensers Related to Former Airport Fuel Station
- Applied for and Received City of Kennewick Approval to Change the Comprehensive Land Use Designation and Zoning from Public Facility to Commercial

VISTA FIELD INDUSTRIAL PARK

- 88% Occupancy - VFDF A and VFDF B

OAK STREET INDUSTRIAL PARK

- Development Buildings A & B Renovations
- Closed 2.20 ac Land Sale (Julie Luke) - \$96,000
- Closed 2.20 ac Land Sale (Julie Luke) - \$3,800



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WEST RICHLAND INDUSTRIAL PARK

- Planning Former Racetrack Concept Development Plan Phase I (100% Complete)
- Planning Former Racetrack Concept Development Plan Phase II (75% Complete)
- Partnered with City of West Richland on Urban Growth Boundary Amendment Request
- Partnered with City of West Richland, Benton County, Benton REA and WSDOT in support of the West Richland Red Mountain Interchange Project

SPAULDING BUSINESS PARK

- Design and Construction Project - Replacement/Upgrade of Light Poles (80% Complete)

FINLEY / HEDGES / TWIN TRACKS INDUSTRIAL

- Surveyed and Updated Finley & Hedges Parcel Holdings
- Reconfigure Property Rail Holdings for Divestment
- Closed 5.81 ac Land Sale (Tennis) - \$105,000

DISTRICT WIDE

- Conducted Joint Meetings with Development Partners
- Memorandum of Understanding Finalized with CTUIR
- Responded to Several Complex Public Records Requests
- Evaluated Staffing Levels, Duties and Responsibilities to Create Restructured Workforce
- Partnered With Local and Regional Fire, SWAT and Police Agencies for Trainings (Columbia Drive, Oak Street, Vista Field)
- Transferred Rail Spurs to Private Sector

The following are work in progress for the Port of Kennewick

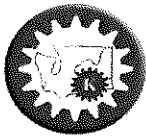
CLOVER ISLAND

- Boat Launch Ramp, Site Paving & Bathroom Improvement Design
- Village at Island Harbor Site and Building Design
- U.S.A.C.E. 1135 Program Coordination & Participation
- Marina Security Upgrades (HD Cameras & Gates)

COLUMBIA DRIVE

- Columbia Drive Wine Village Partnership Interlocal Agreement with City of Kennewick
- Removing Asbestos from 7 Columbia Drive Buildings & Demolition Plan/Specifications for 5 Columbia Drive Buildings
- Winery Buildings Design and Construction at 421 E. Columbia Drive
- Designing Utility System for 6 Acre Central Focus Area
- Supporting City's Design of Streetscape and Duffy's Pond Trail Improvements Including Required Easements

VISTA FIELD REDEVELOPMENT AND INDUSTRIAL PARK



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- Vista Field Redevelopment Planning with DPZ Assistance (Includes Supporting Vista Vision Task Force & Public Outreach)
- VFDF-A Building Rejuvenation Project (Bruker)

OAK STREET INDUSTRIAL PARK

- Marketing Renovated Development Buildings A & B to Attract Industrial Businesses and Obtain Lease Income

WEST RICHLAND INDUSTRIAL PARK

- Marketing 1 Acre Parcels Adjacent to Black Heron Distillery
- Refining Former Racetrack Development Concept Plan

SPAULDING BUSINESS PARK

- Promoting Park to Medical, Professional and Office Industry

FINLEY / HEDGES / TWIN TRACKS INDUSTRIAL

- Coordinating Sale of 150 Acres to Mercer Farms LLC
- Coordinating Sale of 12 Acres to Agrium

OTHER

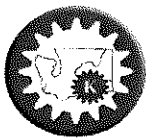
- Coordinating Sale of Plymouth Upland 94+ Acres to AgReserves, Inc.

The following are suggested projects for the Port of Kennewick

CLOVER ISLAND SUGGESTED WORK & PROPERTY MANAGEMENT PLAN

- Design & Construction of Boat Launch Improvements - \$600,000 (\$238,000 RCO Grant)
- Implement Public Art Project - \$95,000 (Confederated Tribes of the Umatilla Indian Reservation -CTUIR \$94,000; Eagle Artwork \$1,000)
- Design & Construct Village at Island Harbor Boardwalk & Site Improvements - \$650,000 (\$75,000 Design under contract)
- Shoreline Restoration Design Assistance (USACE 1135 Program) \$125,000
- “Bank” 1135 Program Matching Funds - \$500,000 (\$1,000,000 needed in 2017-2018 budget)
- Market “West Marina” Frontage Parcel for Development Consistent with Village at Island Harbor Design Concept
- HOLD Corner Parcel For Complementary Development Project

Ms. Bader Inglima gave a brief description of the CTUIR artwork. The installation will feature a bronze of an elderly woman in a traditional deerskin dress representing a time period of about 200 years ago. This grandmother figure will be gathering Tule reeds with a traditional knife, and will be installed at a higher level, gazing across the water feature toward the figure of a young man who is also gathering Tule--symbolically looking forward toward the Tribes' future. Alternatively, the bronze of the young man, who is also gathering Tule reeds, will appear in modern dress of cut-off jeans and t-shirt, and using a modern knife, will be gazing back across the pond and across time toward the elderly woman—symbolically recognizing and reflecting on the Tribes' past.



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Mr. Peterson indicated that over the next two years, there will be approximately \$2,100,000 invested in design and construction on Clover Island.

PUBLIC COMMENT

No comments were made.

COMMISSION COMMENTS

Mr. Novakovich asked if any value engineering could be applied to the Village at Island Harbor project.

Mr. Peterson indicated there is a potential to complete the Village at Island Harbor in phases. The shoreline would be completed first, then work from shore line in, by creating a boardwalk, a stable bank, railing and some landscaping around the artwork installation. The remaining improvements, as drawn out in the conceptual plans could be completed in phase two.

Mr. Novakovich believes Clover Island is the showcase of the port and if we are going to undertake a project of this magnitude, it should be completed and done right. Mr. Novakovich asked if the port could earmark the land sale money for the 1135 matching funds.

Mr. Peterson stated the Commission has the option to use the land sales to fund the matching.

Mr. Moak inquired if staff is aware when the federal government may fund the 1135 project.

Mr. Peterson indicated the Army Corps of Engineers has approximately \$4,000,000 budgeted to the port. Staff understands there is quite a bit of support from the Corps to improve the habitat around the Island. Mr. Peterson stated the project may likely be funded in the 2017-2018 federal budget.

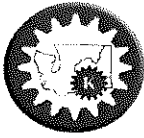
Ms. Bader Inglima stated the 1135 project is an ongoing, continuing, authorization program for the Corps. The port is currently going through the feasibility assessment and analysis, which sets us up for construction and implementation. Ms. Bader Inglima stated she has heard positive feedback from the Corps staff, and they are very excited for the opportunity. It has taken eight years to get to this point and allocating the funds would show the Corps the port's strong commitment to the habitat restoration. Ms. Bader Inglima stated our partners with the CTUIR would like to be involved and were very pleased with the West Causeway restoration and would bring an added level of support for the port.

Mr. Barnes inquired if the parcel west of the marina would be marketed for a land sale or a long term ground lease.

Mr. Peterson stated the Commission has previously directed staff to lease property on Clover Island.

Mr. Barnes asked what the anticipated income from a ground lease might be.

Mr. Peterson indicated the parcel is approximately 1.2 acres at \$5/per square foot, rate of return varying, the potential income could be \$30,000-\$40,000 per year.



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Mr. Arntzen stated, part of the improvements are ancillary to the Native American artwork, which is a high value for the tribes. Although the project does not have a high return on investment, the non-economic value to the port is immeasurable.

COLUMBIA DRIVE SUGGESTED WORK & PROPERTY MANAGEMENT PLAN

- Complete Building & Site Demolition in Advance of Port & City Improvements - \$350,000
- Complete Design Work and Construct Phase 1 Columbia Gardens Wine Village -\$2,075,000
- Complete Design Work and Fund Construction of Effluent Building Shell Phase 1 Columbia Gardens Wine Village -\$350,000
- Undergrounding of Overhead Distribution Lines and Extension of Utilities in Conjunction with City's Streetscape Project - \$175,000
- Undertake Renovation of 211 E. Columbia Drive Building for Wine Effluent Treatment Facility and for Tenant Spaces - \$ 1,250,000 (\$500,000 additional funding required; Grants or other Non-Port sources)
- Acquire Strategic Properties - \$ 1,175,000
- Explore Potential Lease Tenants and Complementary Private Sector Development
- HOLD Properties Until Planning Process Complete, However Market the Concept to Refine Final Stage of Planning with Market Influences

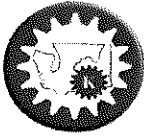
Mr. Peterson stated approximately \$5,400,000 is slated for Columbia Drive projects, with \$3,000,000 in funds already committed.

PUBLIC COMMENTS

Ed Frost, 609 West Albany Avenue, Kennewick. Mr. Frost inquired when the walkway around Duffy's Pond will be completed.

Mr. Peterson explained the City of Kennewick has completed the design and permit process and is currently bidding the project. The estimated completion of the walkway is June of 2015.

Don Britain, Mayor Pro Tem, Kennewick City Council. Mr. Britain thanked the Commission for the opportunity to reaffirm the City of Kennewick's commitment to the completion of Columbia Drive. The 2013 Interlocal, which was established between the port and city is historic and mutually beneficial for both entities. Mr. Britain believes the Interlocal not only shows a commitment to redevelop the area, but shows a commitment for other phases. Mr. Britain stated the partnership has been effective and the city has enjoyed working with the port.



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COMMISSION COMMENTS

Mr. Moak inquired if the 211 art development building is part of the Interlocal Agreement.

Mr. Peterson stated the 211 building was initially going to be the site for the wine effluent treatment center however, the location at cable greens was better suited for the facility. The 211 art development building is not part of the Interlocal Agreement with the city.

Mr. Novakovich stated the port is committed, ethically and morally to complete the following projects:

- Complete Building & Site Demolition in Advance of Port & City Improvements - \$350,000
- Complete Design Work and Construct Phase 1 Columbia Gardens Wine Village -\$2,075,000
- Complete Design Work and Fund Construction of Effluent Building Shell Phase 1 Columbia Gardens Wine Village -\$350,000
- Undergrounding of Overhead Distribution Lines and Extension of Utilities in Conjunction with City's Streetscape Project - \$175,000

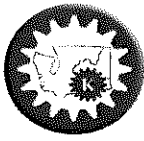
Mr. Barnes agrees with Mr. Novakovich and stated the port has every intention of honoring our commitment to the city.

Mr. Arntzen inquired if the Commission would like to place the 211 art development building in the interim category, until additional funds are secured, which could include as grants and/or partnerships to help rehab the site.

VISTA FIELD REDEVELOPMENT AND INDUSTRIAL PARK SUGGESTED WORK & PROPERTY MANAGEMENT PLAN

- Vista Field Redevelopment - Master Planning Including Pattern Language Process - \$425,000 (\$385,000 under contract)
- Vista Field Redevelopment - Asbestos Removal & Demolition - \$150,000
- Vista Field Redevelopment - Infrastructure Design & Marketing - \$200,000
- Vista Field Industrial Park - VFDF Building Improvements/Common Area and Landscaping - \$950,000 (\$750,000 required in March 2013 lease)
- HOLD Former Vista Field Airport Properties & Verizon Industrial Site Until Completion of Community Visioning & Master Planning Process

Mr. Peterson stated the port is currently contracted with Duany Plater-Zyberk (DPZ) to complete the master plan for the former Vista Field Airport. The port is also contractually committed to renovating the VFDF building for Bruker, as stipulated in their 2013 lease agreement. With



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additional code requirements for the HVAC system, and to bring the building into full compliance with the American Disabilities Act (ADA), the amount has increased from \$750,000 to \$950,000.

PUBLIC COMMENT

No comments were made.

COMMISSION COMMENTS

Mr. Novakovich believes the Bruker building should be completed and inquired if Bruker would be open to extending their lease based upon the increased investment.

Mr. Peterson stated he has spoken to Bruker and they would be open to a lease extension.

Mr. Moak believes the redevelopment at Vista Field is the most important project for the region and stated the \$1,000,000 should be banked, to show our commitment to the project.

Mr. Barnes agrees with Mr. Moak and the port should make a strong commitment, however, he believes with the current estimates on infrastructure, he is not sure \$1,000,000 is enough. Mr. Barnes stated the port should look at other ways of financing the infrastructure investment and believes we need to do more homework. The banked funds may show commitment, but it will not provide ultimate answer regarding the infrastructure.

Mr. Novakovich agrees with Mr. Barnes, and believes we should bank some money, but not \$1,000,000, possibly \$500,000.

Mr. Peterson stated, DPZ, as part of their contract, has been tasked to look financial and economic strategies regarding the redevelopment. They will look at several options:

- pay as you go
- leveraging port assets with private equity from sub-developers, builders or investors
- borrow funds
- utilize land sale funds

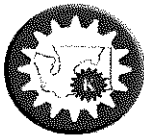
Ms. Fine indicated that Foster Pepper has provided a legal analysis of what the port can do legally, regarding spending, which DPZ has been provided.

Mr. Arntzen asked the Board for clarification regarding the banking of development funds.

Mr. Barnes would like to revisit after staff has reviewed the entire Work Plan.

OAK STREET SUGGESTED WORK & PROPERTY MANAGEMENT PLAN

- Market renovated Development Buildings A & B (formerly known as DB1# & DB#2) spaces and complete tenant-specific improvements as appropriate - \$30,000
- Ag Engineering Building (1515 E. 7th Ave) Phase 1 Building Improvements - \$50,000



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- Ag Engineering Building (1515 E. 7th Ave) Phase 2 Building Improvements - \$60,000
- Market Land Southeast of Development Buildings A, B, & C

PUBLIC COMMENT

No comments were made.

COMMISSION COMMENTS

Mr. Novakovich agrees with Mr. Peterson's suggestions.

Mr. Barnes stated the port needs to be a good landlord and update the Ag Engineering Building.

Mr. Barnes recessed the Special Commission Meeting at 7:52 p.m. for eight minutes.

Mr. Barnes reconvened the Special Commission Meeting at 8:00 p.m.

RICHLAND SUGGESTED WORK & PROPERTY MANAGEMENT PLAN

- Pursue Acquisition of Additional Sites within the Richland Island View Area - \$150,000 (1st Year of Potential 3-Year \$750,000 Contract Purchase)
- Identify Functional, Architecturally Appealing Lights and Install 3 New & Replace 19 existing Lights & Poles—\$75,000 (\$15,000 for Georgia Avenue Lights Delayed Since 2010)
- Continue Marketing 1.29 Acre Parcel

PUBLIC COMMENT

No comments were made.

COMMISSION COMMENTS

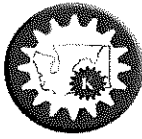
Mr. Novakovich believes the lighting in Spaulding Business Park should be replaced and funds committed to Badger Mountain/Trailhead Park. In regards to purchasing additional land in Richland, Mr. Novakovich stated that the port should forgo purchasing or fund with additional land sales.

Mr. Moak agrees with replacing the lighting and committing funds to Badger Mountain/Trailhead Park, but does not believe we should be purchasing more land in Richland at this time.

Mr. Barnes is in favor of committing funds to Badger Mountain/Trailhead Park, because it is in line with the port mission, goals, and objectives. Mr. Barnes would like to see the lighting replaced in Spaulding Business Park and believes the acquisition of Richland property could be funded at a later date.

WEST RICHLAND SUGGESTED WORK & PROPERTY MANAGEMENT PLAN

- Complete Former Racetrack Phase II Master Planning



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- Complete Entitlement Tasks (KID Easement, BPA & WSDOT Approval) \$25,000
- Market Both Keene Road Lots (Lots 3 & 4); However Only Release 2nd Lot Following Successful UGB Expansion Resulting in Entire Inclusion of Former Racetrack Property
- HOLD Former Racetrack Property

Mr. Peterson reported that the West Richland suggested Work Plan is consistent with the Board's consensus at the August 12, 2014 Regular Commission Meeting, where staff would complete a series of steps and activities for West Richland, prior to development. The Racetrack is currently unincorporated land and UGA is currently in a sixty day appeal period.

PUBLIC COMMENT

No comments were made.

COMMISSION COMMENTS

Mr. Novakovich agrees with the \$25,000 and the proposed action for West Richland and believes there is not enough concrete information to consider the Mayor's request.

Mr. Peterson explained that there are many issues the port needs tie up in West Richland, before we are ready to build.

Mr. Moak stated the port needs to prepare the property and we can revisit West Richland, once the property is ready.

Mr. Barnes agrees with Mr. Novakovich and Mr. Moak. At this time, there are higher ranking projects for the port, however, once the entitlement issues are take care of, we can move forward.

SOUTHRIDGE SUGGESTED WORK & PROPERTY MANAGEMENT PLAN

- Monitor and Report on Development and LRF Improvements
- HOLD 8.50 Acre Parcel at least 36 months after Trios Health Hospital Construction completion (Hold thru June 2017)

PUBLIC COMMENT

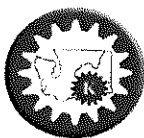
No comments were made.

COMMISSION COMMENTS

No comments were made

FINLEY-HEDGES-TWIN TRACKS SUGGESTED WORK & PROPERTY MANAGEMENT PLAN

- Complete Sale of 150+ Acres to Mercer Farms LLC (\$562,000 proceeds)
- Complete Sale of 12+ Acres to Agrium (\$75,000 proceeds)



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- Market Hedges Parcels Consistent with Benton County Land Use & Zoning
- Hold Twin Track Site & Adjacent Parcels Pending Update of the Comprehensive Scheme

PUBLIC COMMENT

No comments were made.

COMMISSION COMMENTS

No comments were made

PLYMOUTH INDUSTRIAL SUGGESTED WORK & PROPERTY MANAGEMENT PLAN

- Complete sale of 94+ acre upland parcels to Agri-NW (\$265,000 proceeds)
- HOLD Island, Consult with CTUIR, and Consider Options to Assure Protection of Habitat and Cultural Resources Including Exploring Potential Transfer to CTUIR or Federal Government

PUBLIC COMMENT

No comments were made.

COMMISSION COMMENTS

No comments were made.

OTHER PORT PROJECTS

- Comprehensive Scheme Update: refine direction with substantial public involvement
- Brand Evaluation: analyze branding issues, website and marketing updates
- Operations: replace front end loader

PUBLIC COMMENT

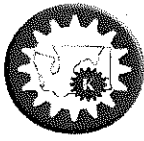
No comments were made.

COMMISSION COMMENTS

Mr. Moak expressed his desire to add funds for brand evaluation, but did not believe we needed to invest \$150,000. Mr. Moak believes the branding will help the port identify who we are and where we are going.

Mr. Barnes agrees with Mr. Moak that there should be some investment in brand analysis

Mr. Novakovich stated that he has been involved with the brand analysis being performed by TRIDEC and Tri-Cities Regional Chamber of Commerce and it is a very time consuming project. Mr. Novakovich is not opposed to rebranding or funding, but he would rather the port on work bricks and mortar projects. He supports the comp scheme and the purchase of the front end loader.



SPECIAL COMMISSION MEETING

PORT OF KENNEWICK

DRAFT

OCTOBER 13, 2014 MINUTES

COMMISSION COMMENTS

Mr. Peterson confirmed with the Commission to remove purchasing additional properties on Columbia Drive for the amount of \$1,175,000.

Mr. Arntzen confirmed with the Commission to remove \$300,000 from the Village at Island Harbor.

Mr. Novakovich did not believe there was Board consensus to remove \$300,000 from Village at Island Harbor and stated that spending the additional funds would be in the best interest of the port and our partners.

Mr. Barnes indicated he would not want to do anything to slight our partnership with the Army Corps of Engineers or the CTUIR.

Mr. Moak would like to see \$500,000 budgeted for the Village as Island Harbor, and once the design is completed, then we can take a further look at it, and potentially find extra money.

Mr. Peterson and Mr. Arntzen confirmed with the Commission to remove the arts development building and hold for later.

Mr. Peterson and Mr. Arntzen confirmed with the Commission to reduce the Vista Field Infrastructure Construction Bank to \$500,000.

Mr. Peterson and Mr. Arntzen confirmed with the Commission to reduce the brand evaluation to \$75,000.

Mr. Peterson will revise the draft 2015-2016 Port of Kennewick Capital Budget Spreadsheet and present it to the Board at the Regular Commission Meeting on October 14, 2014. Mr. Peterson thanked the Board for their insight and explained it has been very helpful.

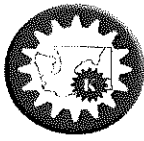
Mr. Arntzen stated the Board has done a very good job on the Work Plan and we are at a good ending point. Mr. Arntzen further stated, the Board will be able to formally approve the 2015-2016 Work Plan at the Regular Commission Meeting on October 14, 2014, which will allow Ms. Fine adequate time to finish the budget. Mr. Arntzen appreciated the process and public comment and thanked the City of Kennewick for attending.

PUBLIC COMMENTS

Don Britain, Mayor Pro Tem, Kennewick City Council. Mr. Britain thanked the Commission for allowing him to address the Board. Mr. Britain explained that the port has done a great job in pursuing important projects, with the greatest benefit to the community. Mr. Britain agrees with Mr. Moak, that there are projects that are very important to the port and the region, which will require a balancing act. The opportunity to redevelop Vista Filed is a tremendous opportunity and the Columbia Drive Wine Village partnership is a significant investment by both entities. Mr. Britain explained the Commission and staff have done an excellent job on pushing Columbia Drive forward and the partnership between city and port staff has been very positive and we look forward to a continued partnership for the success of Kennewick.

COMMISSION COMMENTS

Mr. Barnes agrees with Mr. Britain, and is proud of port and city staff, for the collaborative effort on the



SPECIAL COMMISSION MEETING

PORT OF KENNEWICK

DRAFT

OCTOBER 13, 2014 MINUTES

Columbia Drive project. Mr. Barnes looks forward to working with the City of Kennewick for the benefit of our community, to move the project forward to completion and the opportunity to work together on future projects. Mr. Barnes thanked port staff for their hard work on draft 2015-2016 Work Plan.

Mr. Peterson reiterated, if the Commission moves forward with the items on the proposed list, by the end of 2016, the port will have accomplished the following:

- New Boat Ramp and Bathrooms
- Village at Island Harbor boardwalk
- Installation of the CTUIR Heritage Artwork
- Three new wineries located on Columbia Drive
- Vista Field Master Plan completed
- Badger Mountain/Trailhead Parking Completed with the City of Richland
- West Richland Entitlement Issues Completed
- 1135 Partnership with U.S. Army Corps of Engineers

ADJOURNMENT

With no further business to bring before the Board; the meeting was adjourned at 9:00 p.m.

APPROVED:

**PORT of KENNEWICK
BOARD of COMMISSIONERS**

Don Barnes, President

Skip Novakovich, Vice President

Thomas Moak, Secretary



3801 W. Van Giesen Street * West Richland, WA 99353 * www.westrichland.org
Office of the Mayor (509) 967-3431 FAX (509) 967-5706

October 13, 2014

Port of Kennewick Commissioners
350 N Clover Island Drive
Kennewick, WA 99336

Reference: 2015-2016 Work Plan

Dear Commissioners:

The City of West Richland appreciates the cooperative and quality working partnership that we have all worked hard to develop and enhance over the past few years. We look forward to continuing this great relationship and working together into the years to come.

The work over the last year on the Urban Growth Area (UGA) expansion has brought us closer to turning the old West Richland Race Track (Track) property into an active business development area that will bring both economic investment and jobs into the Port District and the City of West Richland. On September 30, 2014, the Benton County Commissioners approved adding 93 acres into the City's UGA. This is a fantastic accomplishment that we achieved working together towards this common goal.

The City was notified on October 7, 2014 by the Benton-Franklin Council of Governments, that the City's project proposal under the Comprehensive Economic Development Strategy (CEDS) Project Application process was ranked #1 in the rural category. This project proposes to extend public infrastructure, including water, sanitary sewer, and industrial sewer main extension, to the Track property. Extending infrastructure to the Port's property is vitally important to make progress towards the ultimate goal of having development ready property.

The infrastructure planned for this project is estimated at \$1,843,000, which includes engineering & design - \$218,000, and construction - \$1,625,000. In support of this project and in the spirit of continuing our effective partnership, we request that the Port commit approximately 20% of this project amount totaling \$400,000 within the Port's 2015-16 Work Plan. As with other projects the Port is actively pursuing, this project is not just for the City of West Richland and the Port of Kennewick, it will benefit all jurisdictions within the Port's district.

Thank you again for being a great partner. We look forward to working cooperatively with the Port of Kennewick to make redeveloping the West Richland Race Track Project an overwhelming success.

With Highest Regards,

Brent Gerry, Mayor

PORT OF KENNEWICK

Resolution No. 2014-32

***A RESOLUTION OF THE PORT OF KENNEWICK
BOARD OF COMMISSIONERS DESIGNATING THE EMERGENCY REPAIR OF
ELECTRICAL SERVICE PANEL AND CODE REQUIRED MODIFICATION FOR
EAST PARKING LOT AT 350 CLOVER ISLAND DRIVE, KENNEWICK AS
EXEMPT FROM PUBLIC WORKS COMPETITIVE BIDDING REQUIREMENTS***

WHEREAS, in accordance with RCW 39.04.280, the Port of Kennewick (Port) is authorized to designate certain public works contracts as emergencies and, therefore, exempt from competitive bidding requirements; and

WHEREAS, the Port of Kennewick's electrical service panel located in the east parking lot at 350 Clover Island Drive Kennewick required a code modification controlling parking lot and street lights thereby preventing any negative impact to the essential functions of lighting for safety purposes; and

WHEREAS, under his delegation of authority, the Executive Director authorized emergency repairs with Garrett Electric and each Commissioner was notified individually.

NOW, THEREFORE, BE IT RESOLVED that the Port of Kennewick Board of Commissioners designates the repairs and parts replacement to electrical service panel at 350 Clover Island Drive, Kennewick, as an emergency public works project within the guidelines of RCW 39.04.280, and therefore exempt from competitive bidding requirements.

ADOPTED by the Board of Commissioners of the Port of Kennewick on the 28th day of October, 2014.

***PORT OF KENNEWICK
BOARD OF COMMISSIONERS***

DON BARNES, President

SKIP NOVAKOVICH, Vice President

THOMAS MOAK, Secretary

PORT OF KENNEWICK

Resolution No. 2014-33

***A RESOLUTION OF THE PORT OF KENNEWICK
BOARD OF COMMISSIONERS ADOPTING THE 2015-2016 WORK PLAN***

WHEREAS, the Port of Kennewick Commission conducted a Planning Workshop at its Special Meeting on Monday, October 13, 2014, to receive public input and discuss in open session proposed plans and development policies to be undertaken and implemented in calendar years 2015-2016; and

WHEREAS, following input from the public and discussion amongst the Commission, the Commission requested additions and modifications to the Work Plan presented by staff; and

WHEREAS, the requested additions and modifications have been incorporated into the document titled "Port of Kennewick 2015-2016 Work Plan".

NOW, THEREFORE, BE IT HEREBY RESOLVED the Board of Commissioners of the Port of Kennewick hereby adopt the 2015-2016 Work Plan as attached hereto and identified as "Exhibit A".

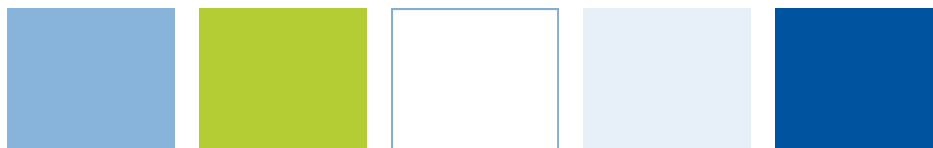
ADOPTED by the Board of Commissioners of the Port of Kennewick this 28th day of October, 2014.

***PORT OF KENNEWICK
BOARD OF COMMISSIONERS***

By: _____
DON BARNES, President

By: _____
SKIP NOVAKOVICH, Secretary

By: _____
THOMAS MOAK, Secretary



2015-2016 WORK PLAN

Approved by Resolution 2014-33
October 28, 2014

Public Meetings
Port Commission Chambers

September 23, 2014 2:00 p.m.
October 13, 2014 6:00 p.m.
October 14, 2014 2:00 p.m.

350 Clover Island Drive, Suite 200
Kennewick, WA 99336

Tel: (509) 586-1186
Fax: (509) 582-7678

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PROSPECTIVE VISION

- **Follow Direction Established by 2011 Comprehensive Scheme of Development and Harbor Improvements and as Amended in April 2013**
- **Undertake Vista Field Redevelopment Visioning & Planning Process with Broad Community Involvement**
- **Complete Columbia Drive Wine Village Phase 1 Development**
- **Pursue Projects with Development Partners Demonstrating Support (Match Funding, Political Support and Enthusiasm)**
- Pursue Fewer Projects while Selecting Projects with the Greatest Benefit to the Community
- Focus on Waterfront Development/Redevelopment
- Realize & Support Economic Development Opportunities with Wine & Tourism Industry
- Continue to Secure Grant Funding Opportunities
- Remain Focused on Containing Operational Expenses
- Fund Projects with Resources In-Hand
- Continue to Maximize Economic Efforts by Obtaining Strategic Real Property

ACHIEVEMENTS (2013—September 15, 2014)

- **CLOVER ISLAND**

- ☒ Obtained \$238,000 R.C.O. Grant for Boat Launch Facility Improvements (Effort to Secure Grant 100% Complete)
- ☒ Marina at 94% Occupancy
- ☒ Pursued Removal of Corps of Engineers Corner Parcel Deed Restriction (Complete)
- ☒ Joint Port/Yacht Club Site Improvements- Shed & Landscaping (Complete)
- ☒ Port Office Interior Remodel (90% Complete)
- ☒ Secured 1135 Program Approval from U.S.A.C.E.

- **COLUMBIA DRIVE**

- ☒ Columbia Gardens Partnership Interlocal Agreement with City of Kennewick
- ☒ Closed 1.88 ac Land Acquisition (Chieftain/Mejia) - \$800,000
- ☒ Demolished to Grade (14) Dilapidated Motel Units Located at 305 E. Columbia Drive (100% Complete)
- ☒ Designed 3 New Winery Buildings & Site Improvements (40% Complete)

- **VISTA FIELD AIRPORT**

- ☒ Undertook and Completed Vista Field Planning, Environmental and Economic Analysis with Integrated Environmental Impact Statement (EIS) (100% Complete & No Legal Challenge of Process or Final Report)
- ☒ Negotiated Settlement with State Department of Transportation Aviation Division for Repayment of WSDOT Grant Funds
- ☒ Negotiated Settlement with PCLI for Return of Pre-Paid Through-the-Fence and Apron Usage Fees which the Port Collected in Conjunction with PCLI Land Sale
- ☒ Negotiated Settlement with Mike Shannon for Early Lease Termination and Purchase of Hangar Building Improvements
- ☒ Successfully Closed the Airport after 70+ Years of Operation (100% Complete)
- ☒ Removed Underground Storage Tanks and Fuel Dispensers Related to Former Airport Fuel Station (100% Complete)
- ☒ Applied for and Received City of Kennewick Approval to Change the Comprehensive Land Use Designation and Zoning from Public Facility to Commercial

- **VISTA FIELD INDUSTRIAL PARK**

- ☒ 88% Occupancy - VFDF A and VFDF B

ACHIEVEMENTS (2013-September 15, 2014)

- **OAK STREET INDUSTRIAL PARK**

- ☑ Development Buildings A & B Renovations (100% Complete)
- ☑ **Closed 2.20 ac Land Sale (Julie Luke) - \$96,000**
- ☑ **Closed 2.20 ac Land Sale (Julie Luke) - \$3,800**

- **WEST RICHLAND INDUSTRIAL PARK**

- ☑ Planning Former Racetrack Concept Development Plan Phase I (100% Complete)
- ☑ Planning Former Racetrack Concept Development Plan Phase II (75% Complete)
- ☑ Partnered with City of West Richland on Urban Growth Boundary Amendment Request
- ☑ Partnered with City of West Richland, Benton County, Benton REA and WSDOT in Support of the West Richland Red Mountain Interchange Project

- **SPAULDING BUSINESS PARK**

- ☑ Design and Construction Project - Replacement/Upgrade of Light Poles (80% Complete)

- **FINLEY / HEDGES / TWIN TRACKS INDUSTRIAL**

- ☑ Surveyed and Updated Finley & Hedges Parcel Holdings (100%)
- ☑ Reconfigure Property Rail Holdings for Divestment
- ☑ **Closed 5.81 ac Land Sale (Tennis) - \$105,000**

- **DISTRICT WIDE**

- ☑ Conducted Joint Meetings with Development Partners
- ☑ Memorandum of Understanding Finalized with CTUIR
- ☑ Responded to Several Complex Public Records Requests
- ☑ Evaluated Staffing Levels, Duties and Responsibilities to Create Restructured Workforce
- ☑ Partnered With Local and Regional Fire, SWAT and Police Agencies for Trainings (Columbia Drive, Oak Street, Vista Field)
- ☑ Transferred Rail Spurs to Private Sector

WORK IN PROGRESS

CLOVER ISLAND

- Boat Launch Ramp, Site Paving & Bathroom Improvement Design
- Village at Island Harbor Site and Building Design
- U.S.A.C.E. 1135 Program Coordination & Participation
- Marina Security Upgrades (HD Cameras & Gates)

COLUMBIA DRIVE

- Columbia Drive Wine Village Partnership Interlocal Agreement with City of Kennewick
- Removing Asbestos from 7 Columbia Drive Buildings & Demolition Plan/Specifications for 5 Columbia Drive Buildings
- Winery Buildings Design and Construction at 421 E. Columbia Drive
- Designing Utility System for 6 Acre Central Focus Area
- Supporting City's Design of Streetscape and Duffy's Pond Trail Improvements Including Required Easements

VISTA FIELD REDEVELOPMENT & INDUSTRIAL PARK

- Vista Field Redevelopment Planning with DPZ Assistance (Includes Supporting Vista Vision Task Force & Public Outreach)
- VFDF-A Building Rejuvenation Project (Bruker)

OAK STREET INDUSTRIAL PARK

- Marketing Renovated Development Buildings A & B to Attract Industrial Businesses and Obtain Lease Income

WEST RICHLAND INDUSTRIAL PARK

- Marketing 1 Acre Parcels Adjacent to Black Heron Distillery
- Refining Former Racetrack Development Concept Plan

SPAULDING BUSINESS PARK

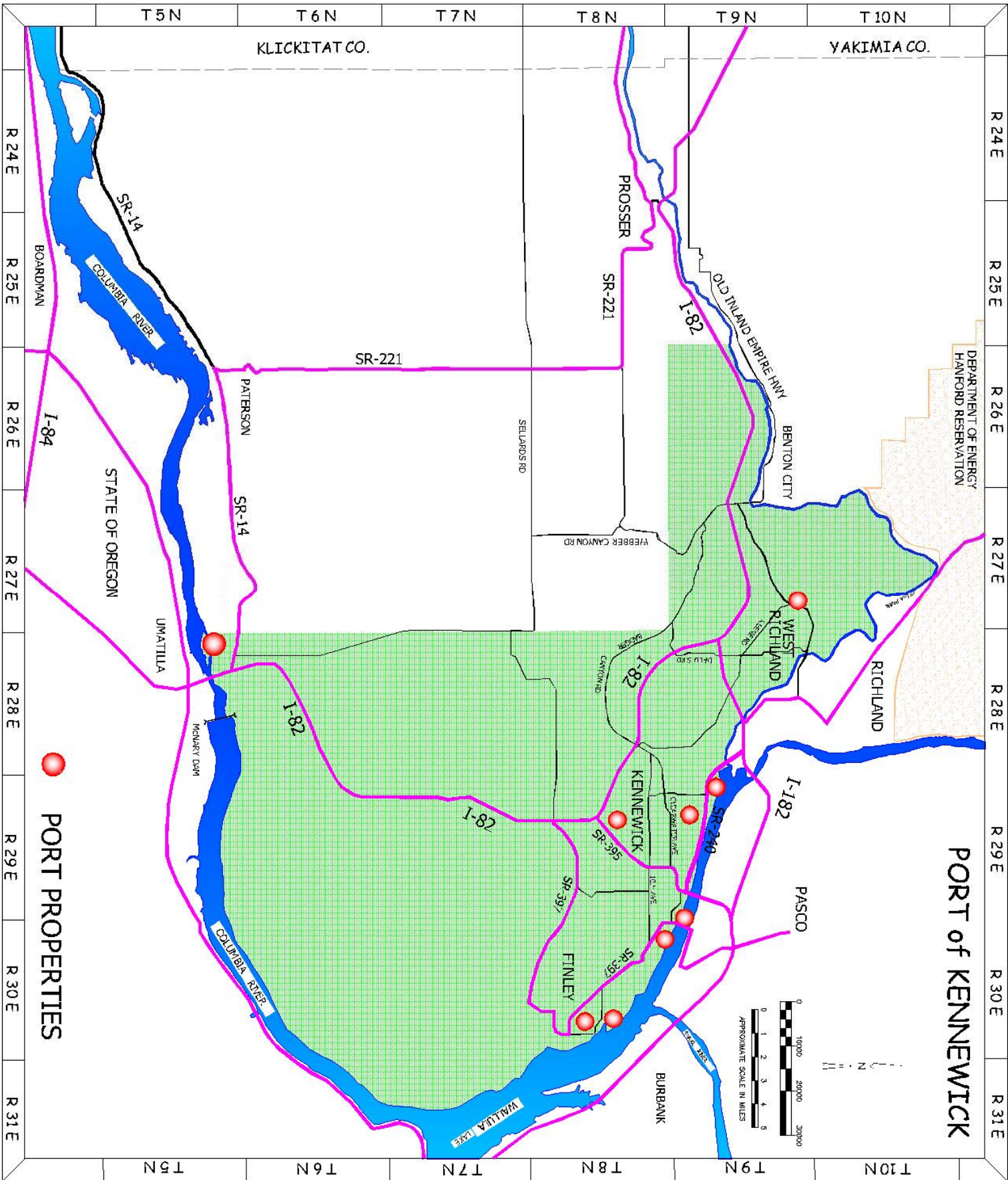
- Promoting Park to Medical, Professional and Office Industry

FINLEY / HEDGES / TWIN TRACKS INDUSTRIAL

- Coordinating Sale of 150 Acres to Mercer Farms LLC
- Coordinating Sale of 12 Acres to Agrium

OTHER

- Coordinating Sale of Plymouth Upland 94+ Acres to AgReserves, Inc.



PROPERTY PORTFOLIO

CLOVER ISLAND

- 17 Acres
- Zoning: City of Kennewick - CM (Commercial Marina)
- Municipal Services: Water, Sewer, Electricity and Natural Gas

STRENGTHS

- Unique, Waterfront Property
- Lighthouse, Gateway, Public Plazas, Shoreline Trails & Public Art Amenities
- New Moorage, Premier Food Service & Hospitality Amenities
- 12,200sf Yacht Club/Professional Office Building
- Tourism, Mixed Use, Commercial & Recreational Opportunities

CHALLENGES

- Lack of Curb Appeal on Approach to Island
- Inconsistent Design Development Standards for Main Arterial Road to Island

SUGGESTED WORK & PROPERTY MANAGEMENT PLAN

- ☐ Design & Construction of Boat Launch Improvements - **\$600,000** (\$238,000 RCO Grant)
- ☐ Implement Public Art Project - **\$95,000** (Confederated Tribes of the Umatilla Indian Reservation -CTUIR \$94,000; Eagle Artwork \$1,000)
- ☐ Design & Construct Village at Island Harbor Boardwalk & Site Improvements - **\$650,000** (**\$75,000** Design under contract)
- ☐ Shoreline Restoration Design Assistance (USACE 1135 Program) **\$125,000**
- ☐ “Bank” 1135 Program Matching Funds - **\$500,000** (\$1,000,000 needed in 2017-2018 budget)
- ☐ **Market “West Marina” Frontage Parcel for Development Consistent with Village at Island Harbor Design Concept ®**
- **HOLD Corner Parcel For Complementary Development Project ®**

Contractual Obligation
Support Previously Expressed
® Revenue Generation Potential



COLUMBIA DRIVE

- 15.32 Acres
- Zoning: City of Kennewick - CC (Commercial Community)
- Municipal Services: Water, Sewer, Electricity, Natural Gas and Wireless Coverage

STRENGTHS

- Unique Waterfront Property
- City & Port Partnership Formation for Columbia Drive Wine Village Development
- Columbia Drive and Clover Island Drive Exposure
- Tourism Opportunities - Within River Proximity For Trails/Recreation

CHALLENGES

- Blighted Neighborhood Consisting of Residential, Low-Income, Commercial-General and Light Industrial Business-Use Properties

SUGGESTED WORK & PROPERTY MANAGEMENT PLAN

- ☐ **Complete Building & Site Demolition in Advance of Port & City Improvements - \$350,000 ®**
- ☐ **Complete Design Work and Construct Phase 1 Columbia Gardens Wine Village - \$2,075,000 ®**
- ☐ **Complete Design Work and Fund Construction of Effluent Building Shell Phase 1 Columbia Gardens Wine Village - \$350,000 ®**
- ☐ **Undergrounding of Overhead Distribution Lines and Extension of Utilities in Conjunction with City's Streetscape Project - \$175,000 ®**
- ☐ **Undertake Renovation of 211 E. Columbia Drive Building for Wine Effluent Treatment Facility and for Tenant Spaces - \$ 1,250,000 ®** (\$500,000 additional funding required; Grants) or other Non-Port sources)
- ☐ **Acquire Strategic Properties - \$ 1,175,000 ®**
- ☐ **Explore Potential Lease Tenants and Complementary Private Sector Development ®**
- HOLD Properties Until Planning Process Complete, However Market the Concept to Refine Final Stage of Planning with Market Influences

Contractual Obligation
Support Previously Expressed
® Revenue Generation Potential



COLUMBIA RIVER

N

Duffy's Pond

Clover Island Drive

6.69 ACRES

5.40 ACRES

3.23 ACRES

Columbia Drive

SR-397

VISTA FIELD REDEVELOPMENT & INDUSTRIAL PARK

- 116± Acres Combined
- Zoning: City of Kennewick - Former Airport Site & Adjacent CR (Commercial Regional and properties south of Deschutes IL (Industrial Light)
- Municipal Services Available

STRENGTHS

REDEVELOPMENT SITE:

- Centrally Located in the Tri-Cities, Surrounded by Vibrant Commercial District
- Adjacent to the Three Rivers Entertainment District (Toyota Center Coliseum, Three Rivers Convention Center and Tri-Cities Business & Visitor Center)
- Flat, Consolidated Ownership with All Utilities Available

CHALLENGES

REDEVELOPMENT SITE:

- Refining Community Input into a Viable Redevelopment Effort
- Undertaking Massive Redevelopment Effort while Balancing District-Wide Objectives
- Establishing Connection to Transportation Network and Adjacent Anchors (Columbia Center Mall & Three-Rivers Entertainment District) while Balancing District-Wide Objectives

SUGGESTED WORK & PROPERTY MANAGEMENT PLAN

- ☐ Vista Field Redevelopment - Master Planning Including Pattern Language Process - \$425,000 (**\$385,000 under contract**)
- ☐ Vista Field Redevelopment - Asbestos Removal & Demolition - **\$150,000**
- ☐ Vista Field Redevelopment - Infrastructure Design & Marketing - **\$200,000** ®
- ☐ **Vista Field Industrial Park - VFDF Building Improvements/Common Area and Landscaping - \$950,000 (\$750,000 required in March 2013 lease) ®**
- HOLD Former Vista Field Airport Properties & Verizon Industrial Site Until Completion of Community Visioning & Master Planning Process

Contractual Obligation
Support Previously Expressed
® **Revenue Generation Potential**



OAK STREET INDUSTRIAL PARK

- 74+ Acres
- Zoning: City of Kennewick - IH (Industrial Heavy)
Benton County - LI (Light Industrial)
- Municipal Services: Water, Sewer and Electricity Available

STRENGTHS

- Close to Historic Downtown and Transportation Corridors - SR 397 Nearby
- Flat Topography
- Municipal Utilities
- 20,000sf Available Following 2013 Renovation of Development Buildings A & B

CHALLENGES

- Poor Visibility
- No Rail Access
- High Ground Water
- Aging Area; Comparable Buildings/Sites Situated in “Perceived” Superior Locations
- Municipal Utilities Unavailable to Land Located in County

SUGGESTED WORK & PROPERTY MANAGEMENT PLAN

- ☐ **Market renovated Development Buildings A & B** (formerly known as DB1# & DB#2) **spaces and complete tenant-specific improvements as appropriate - \$30,000** ®
- ☐ **Ag Engineering Building (1515 E. 7th Ave) Phase 1 Building Improvements - \$50,000** ®
- ☐ **Ag Engineering Building (1515 E. 7th Ave) Phase 2 Building Improvements - \$60,000** ®
- **Market Land Southeast of Development Buildings A, B, & C** ®

Contractual Obligation
Support Previously Expressed
® **Revenue Generation Potential**

COLUMBIA RIVER

N

NUTMEG STREET

OAK ST.

E. 3RD AVE.

E. 3RD AVE.

BNSF Mainline
SR-397

DB3

DB-A

DB-B

DB-C

OAK ST.

Ag
Engineering

E. 7TH AVE.

E. 10TH AVE.

SR-397



SPAULDING BUSINESS PARK

- 30.35 Acres Sold
- 1.29 Acre Parcel Available
- Zoning: City of Richland - C2 (Central Business)
- Municipal Services: Water, Sewer, Electricity, Natural Gas, Wireless Coverage

STRENGTHS

- Central Location Between Two Interchanges on SR-240 (Columbia Center Boulevard and Columbia Park Trail)
- Freeway Frontage Visibility
- Ideally Suited for Professional, Medical, Office & Retail Business
- Recorded Covenants, Conditions and Restrictions (CCRs)

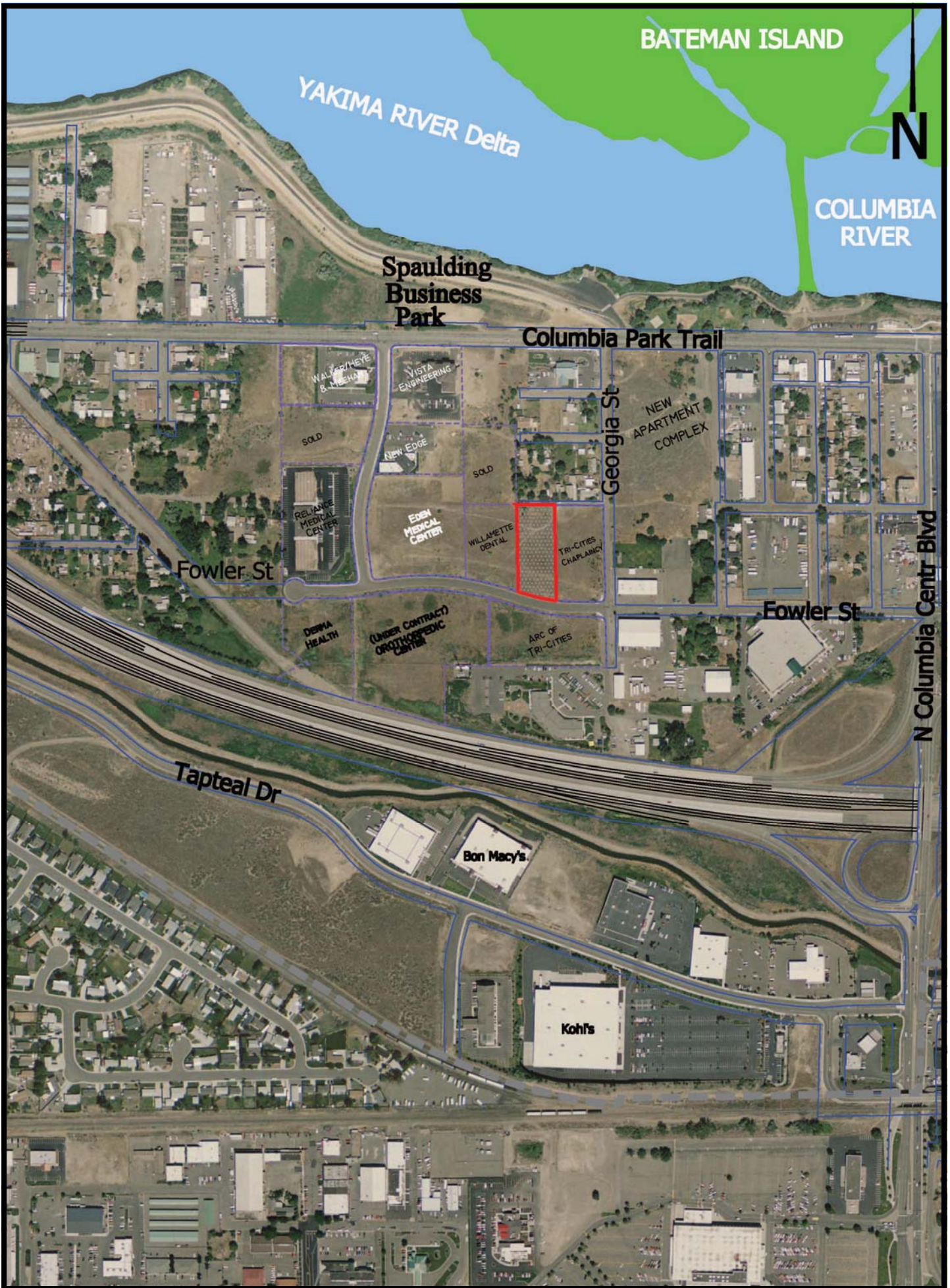
CHALLENGES

- Buffered Between Aging Residential, Transitional Properties and New Professional Businesses
- Inconsistent Development Standards Between Surrounding Properties

SUGGESTED WORK & PROPERTY MANAGEMENT PLAN

- ☐ Pursue Acquisition of Additional Sites within the Richland Island View Area - **\$150,000** (1st Year of Potential 3-Year \$750,000 Contract Purchase)
- ☐ Identify Functional, Architecturally Appealing Lights and Install 3 New & Replace 19 existing Lights & Poles—**\$75,000** (**\$15,000** for Georgia Avenue Lights Delayed Since 2010)
- **Continue Marketing 1.29 Acre Parcel** ®

Contractual Obligation
Support Previously Expressed



WEST RICHLAND INDUSTRIAL

- Keene Road: 14 Acres Incorporated (12 Acres Leased)
- Former Racetrack Property: 92+ Acres Unincorporated (45 Acres Leased to Alexander Farms)
- Zoning: West Richland (Industrial) and Benton County (Light Industrial)
- Municipal Services: Water, Sewer and Electricity Available to Keene Road Parcels

STRENGTHS

- Ideally Suited for Wineries and Red Mountain AVA Ancillary Businesses
- Planned Major Intersection Adjacent to Property
- Between Two Rapidly Growing Community Areas
- Close Proximity to World-Renowned Wine & Spirits: Hedges, Pacific Rim, Col Solare, Fidelitas, Kiona, Terra Blanca, and Black Heron Distillery

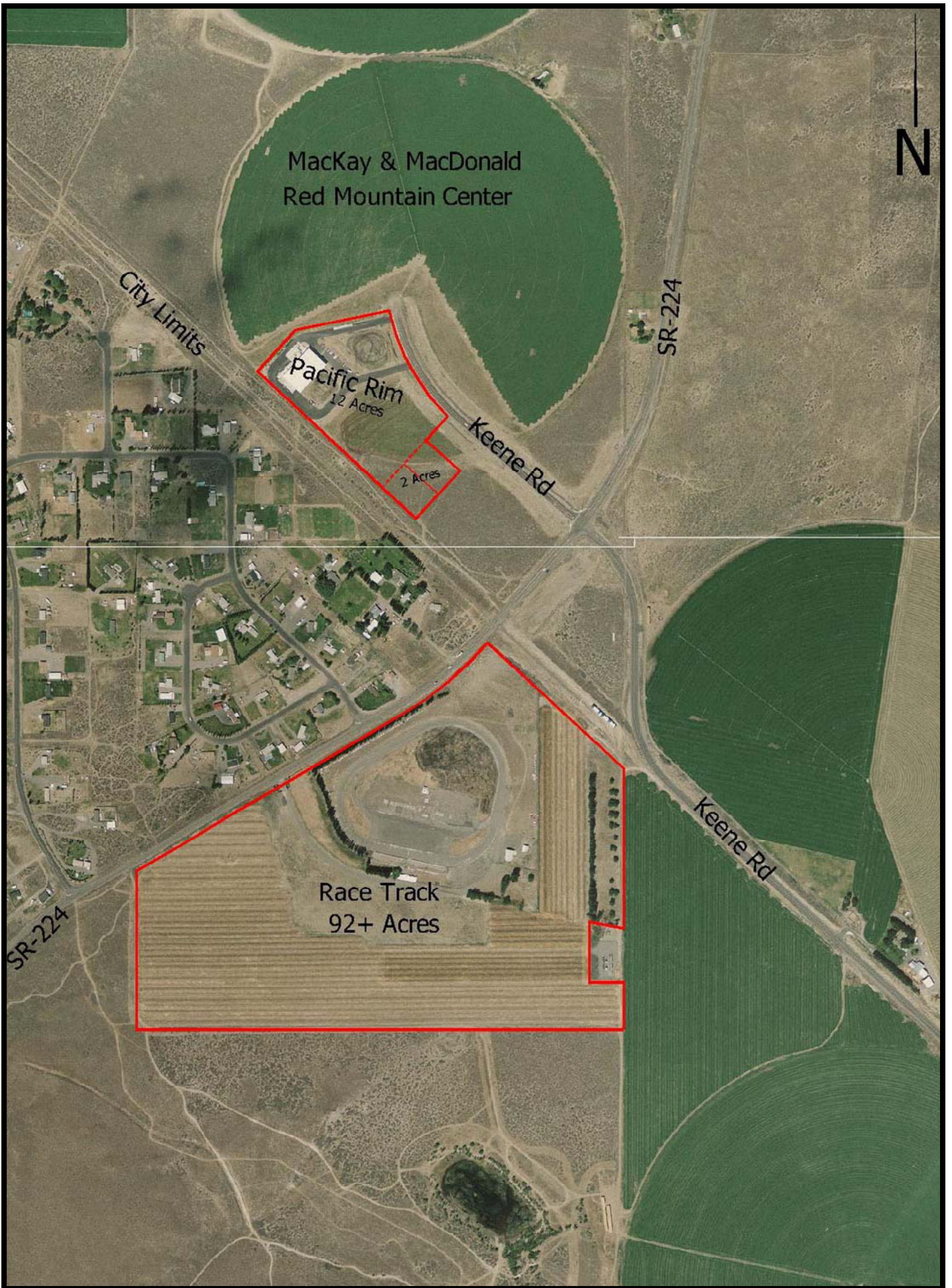
CHALLENGES

- Catalyst Development Needs to be Initiated to Spur Ancillary Businesses in Immediate Vicinity
- Presently Perceived as Isolated
- Municipal Utilities Presently Unavailable to Former Raceway Property
- Outside City of West Richland Urban Growth Boundary

SUGGESTED WORK & PROPERTY MANAGEMENT PLAN

- ☐ **Complete Former Racetrack Phase II Master Planning** ®
- ☐ **Complete Entitlement Tasks (KID Easement, BPA & WSDOT Approval) \$25,000** ®
- ☐ **Market Both Keene Road Lots (Lots 3 & 4); However Only Release 2nd Lot Following Successful UGB Expansion Resulting in Entire Inclusion of Former Racetrack Property** ®
- **HOLD Former Racetrack Property** ®

Contractual Obligation
Support Previously Expressed
® **Revenue Generation Potential**



SOUTHRIDGE "DICKERSON"

- 8.50 Acres
- Zoning: City of Kennewick - CC (Commercial Community)
- Municipal Services Available

STRENGTHS

- South Gateway Entrance into Kennewick
- Highly Visible
- Interstate 82/Highway 395 Accessibility
- Prime Commercial, Mixed Use and Residential Development Area
- Adjacent to Trios Health (KGH) Hospital Development

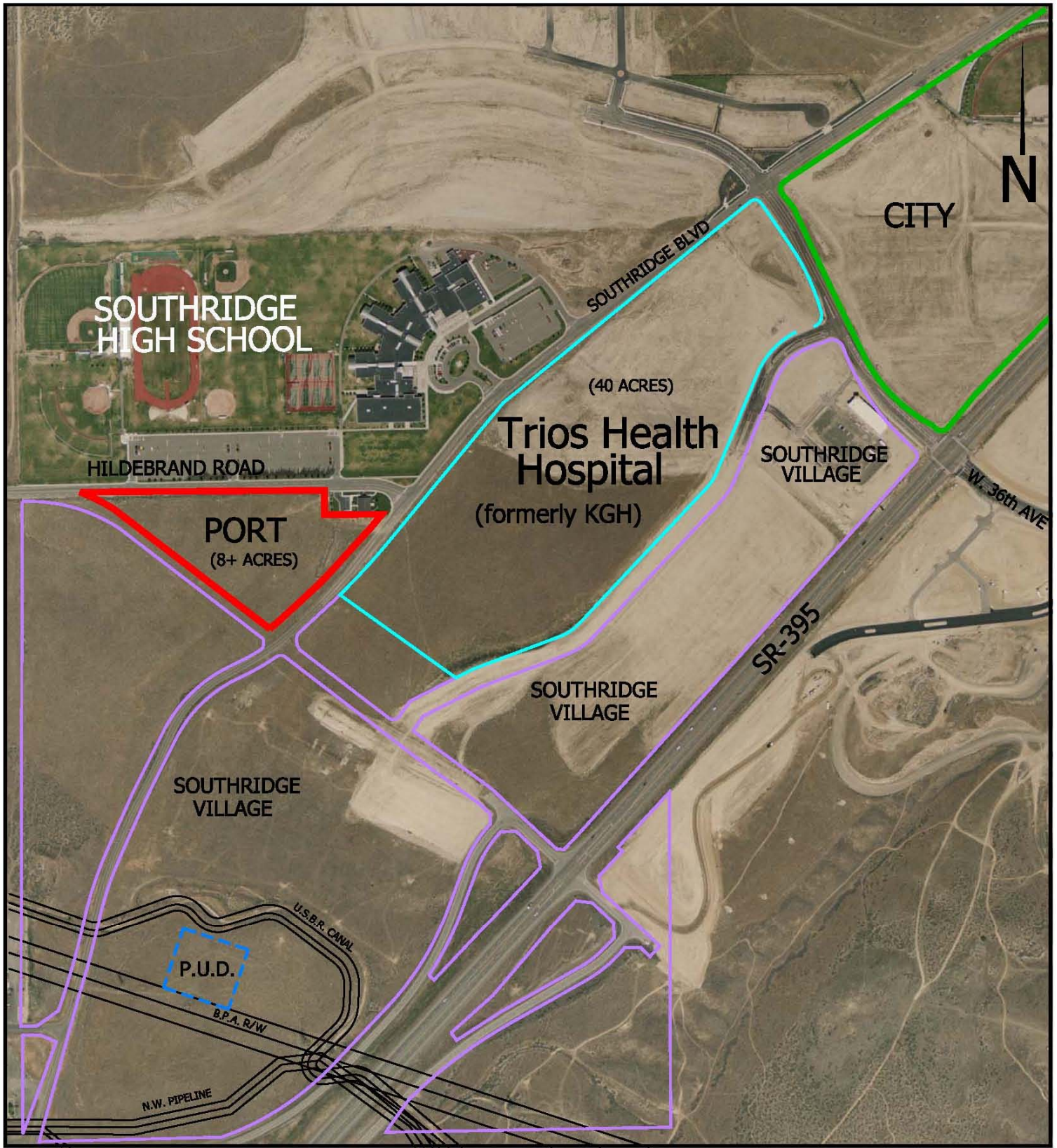
CHALLENGES

- Municipal Utility Extension Required
- Topography Challenges
- Adjacent to High School and High-End Expanding Residential
- City Redirected LRF Funds Originally Designated for Abutting Road (Ridgeline Drive)

SUGGESTED WORK & PROPERTY MANAGEMENT PLAN

- ☐ Monitor and Report on Development and LRF Improvements
- **HOLD 8.50 Acre Parcel at least 36 months after Trios Health Hospital Construction completion** (Hold thru June 2017) ®

Contractual Obligation
Support Previously Expressed
® **Revenue Generation Potential**



**SOUTHRIDGE
HIGH SCHOOL**

HILDEBRAND ROAD

PORT
(8+ ACRES)

(40 ACRES)

**Trios Health
Hospital**
(formerly KGH)

**SOUTHRIDGE
VILLAGE**

W. 36th AVE

SR-395

**SOUTHRIDGE
VILLAGE**

**SOUTHRIDGE
VILLAGE**

P.U.D.

N.W. PIPELINE

B.P.A. R/W

U.S.B.R. CANAL

CITY

N

FINLEY—HEDGES—TWIN TRACKS

HEDGES:

- 37.43 Acres
- Zoning: Benton County - HI (Heavy Industrial)
- Municipal Services: Electricity Available

TWIN TRACKS: (LONG-TERM LEASE ONLY)

- 148.14 Acres
- Zoning: Benton County - HI (Heavy Industrial)
- Municipal Services: Ground Well, Electricity and Natural Gas Available

STRENGTHS

- Current Dual Rail Service (Twin Tracks)
- Possible Dual Rail Loop Track Development (Twin Tracks)
- Barge Potential (Hedges)
- Flat Topography

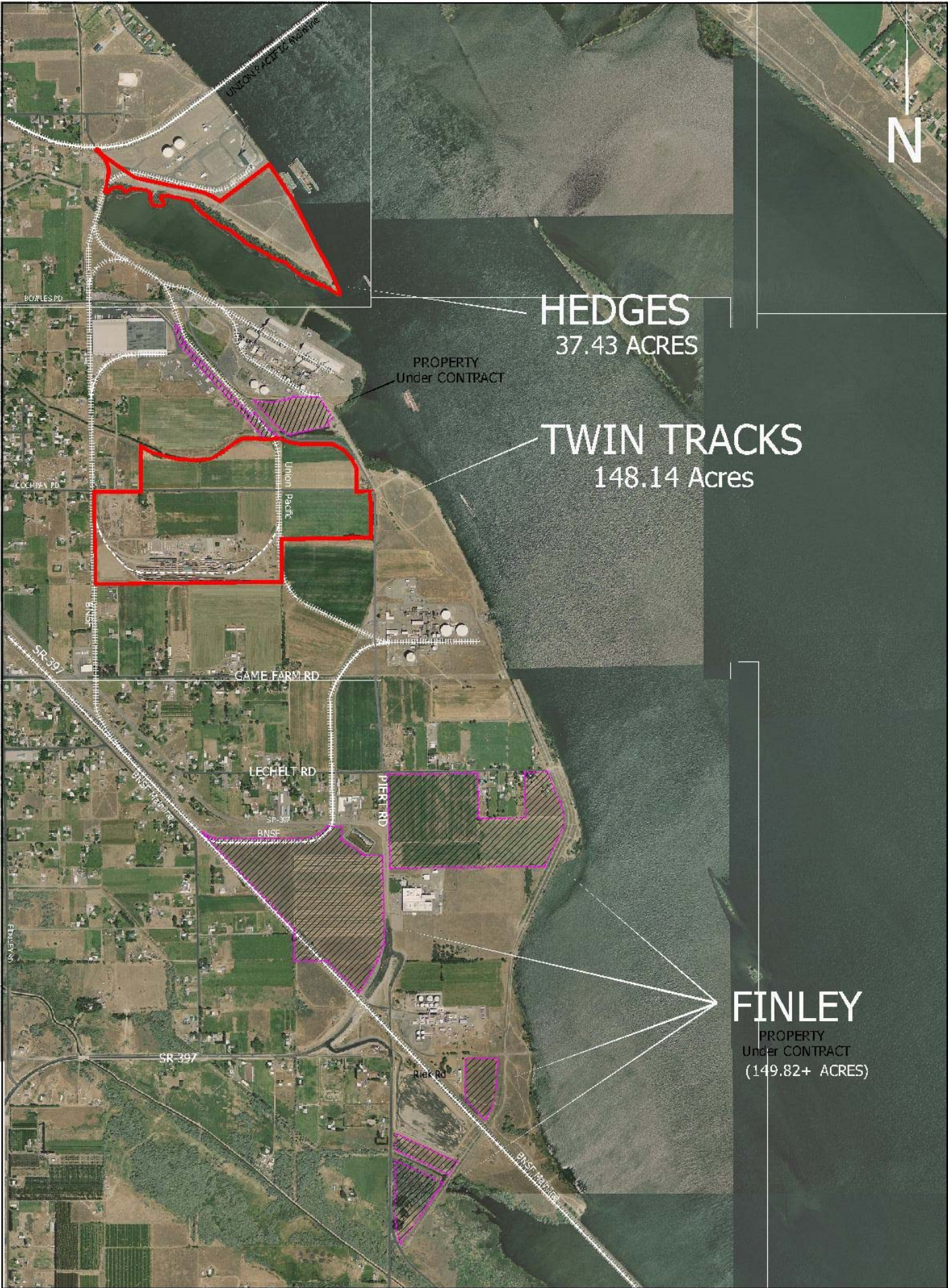
CHALLENGES

- No Municipal Water and Sewer Availability (All)
- Parcel Configuration Creates Internal Circulation Challenges (Hedges)
- Poor Road Access (Hedges)
- Realizing Barge Potential (Hedges)
- Adjacent to Existing & Expanding Residential (Twin Tracks)

SUGGESTED WORK & PROPERTY MANAGEMENT PLAN

- ☐ **Complete Sale of 150+ Acres to Mercer Farms LLC (\$562,000 proceeds) ®**
- ☐ **Complete Sale of 12+ Acres to Agrium (\$75,000 proceeds) ®**
- **Market Hedges Parcels Consistent with Benton County Land Use & Zoning ®**
- **Hold Twin Track Site & Adjacent Parcels Pending Update of the Comprehensive Scheme**

Contractual Obligation
Support Previously Committed
® **Revenue Generation Potential**



HEDGES
37.43 ACRES

TWIN TRACKS
148.14 Acres

FINLEY
PROPERTY
Under CONTRACT
(149.82+ ACRES)

PLYMOUTH INDUSTRIAL

- 157+ Acres (Zoning: Benton County - P (Park District) and HI (Heavy Industrial))
- Municipal Services: Ground Wells and Power Available

STRENGTHS

- Near Interstate 82 and State Route 14
- Natural Gas - 1,000 Feet From Site
- Substantial Electrical Service in Immediate Vicinity

CHALLENGES

- Cultural Resource Protection on Island Areas and Nearshore
- No Municipal Water or Sewer
- Upwind of Residential Neighborhood; Buffer Area
- No Interior Roads

SUGGESTED WORK & PROPERTY MANAGEMENT PLAN

- ☐ **Complete sale of 94+ acre upland parcels to Agri-NW (\$265,000 proceeds) ®**
- HOLD Island, Consult with CTUIR, and Consider Options to Assure Protection of Habitat and Cultural Resources Including Exploring Potential Transfer to CTUIR or Federal Government

Contractual Obligation
Support Previously Expressed
® **Revenue Generation Potential**

N

SR-14

PORT of KENNEWICK
Port of Benton

PROPERTY
Under CONTRACT

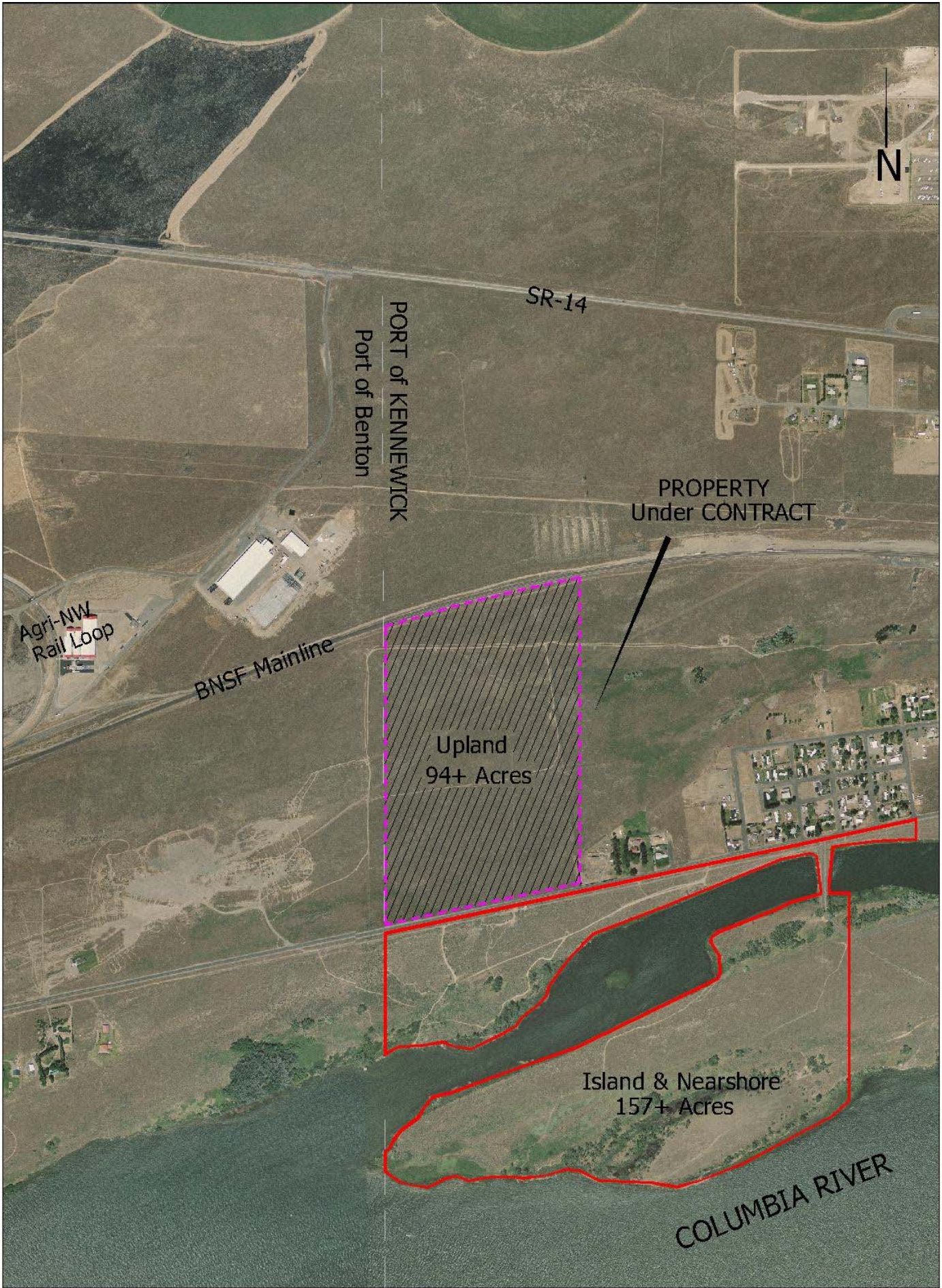
Agri-NW
Rail Loop

BNSF Mainline

Upland
94+ Acres

Island & Nearshore
157+ Acres

COLUMBIA RIVER



DISTRICT-WIDE WORK PLAN PROJECTS

SUGGESTED WORK PLAN

- ☐ Complete Projects Authorized in 2014 Budget
- ☐ Update Comprehensive Scheme of Development & Harbor Improvements **\$50,000**
- ☐ **Acquire Additional Property for Port Portfolio** ®
- ☐ **Pursue Grant Funding as Appropriate** ®
- ☐ **Engage Federal Governmental Relations Firm for Urban Renewal, Transportation Funding, Shoreline Enhancement, Permitting, Agency Relationships and Advising on Federal Funding Opportunities - \$60,000** ®
- ☐ Undertake Brand Evaluation Project **\$50,000**
- ☐ Partnership with City of Richland to Improve Badger Mountain Trailhead Parking & Restroom Facilities **\$150,000**
- ☐ Partnership with Benton County & West Richland to Pursue Red Mountain Interchange Project
- ☐ Continue Strengthening Governmental Relationships with CTUIR
- ☐ Continue Strengthening Governmental Relationships with Jurisdictional Partners: City of Kennewick, City of Richland, City of West Richland, City of Benton City, Benton County
- ☐ Prepare and Implement 100th Anniversary Activities in 2015
- ☐ Miscellaneous Building Demolition, Repairs/Upgrades

Contractual Obligation
Support Previously Expressed
® **Revenue Generation Potential**

2015-2016 PORT of KENNEWICK CAPITAL BUDGET

Updated October 14, 2014 @ 5:30PM

FUNDED
TOTAL

KENNEWICK	CLOVER ISLAND			
		Boat Ramp	Bathrooms, Parking, Overview & In-water Ramps	\$600,000
	Phase #1	Village at Island Harbor	Boardwalk, Artwork Area, Kiosks, Site-Work (Phase 1 & 2)	\$650,000
		Shoreline 1135	Design & Planning	\$125,000
		Shoreline 1135	"Bank" Matching Funds	\$500,000
		Public Artwork	CTUIR Heritage Artwork & Eagle Artwork	\$95,000
	Clover Island TOTAL			\$1,970,000
	COLUMBIA DRIVE			
	Phase #1	Columbia Gardens Demolition	Removed Buildings & Slabs for New Construction & Streetscape	\$350,000
	Phase #1	421 Site (C-1 Building)	(3) Wineries, Site Work, Outdoor Seating	\$2,075,000
	Phase #1	ETF Shell Building (Cable Greens)	Shell Building for City ETF equipment	\$350,000
	Phase #1	Quiet Street & Utilities	Quiet Street, Undergrounding & Stubbing Utilities	\$175,000
	Columbia Drive TOTAL			\$2,950,000
	VISTA FIELD REDEVELOPMENT			
	Phase #1	Master Planning	Master Plan & Implementation Plan	\$425,000
	Phase #1	Demolition	Building Demolition & Artifact Preservation	\$150,000
	Phase #2	Infrastructure Design	Roadways Design & Marketing	\$200,000
	Vista Field Redevelopment TOTAL			\$775,000
	VISTA FIELD INDUSTRIAL			
		415 N. Quay Building A	Renovation of 25-Year Old Building (Bruker)	\$950,000
	Vista Field Industrial TOTAL			\$950,000
	OAK STREET INDUSTRIAL			
		1426 E. 3rd Avenue	Development Buildings A & B (Tenant Improvements)	\$30,000
	Phase #1	1515 E. 3rd Avenue	Ag Engineering Buildings (Rudimentary Repairs)	\$50,000
	Phase #2	1515 E. 3rd Avenue	Ag Engineering Buildings (Rudimentary Repairs)	\$60,000
	OAK STREET Industrial TOTAL			\$140,000
RICHLAND				
		Badger Mt. Trailhead	Interlocal Agreement (Parking & Trailhead improvements)	\$150,000
		Street Lighting Installation/Upgrades	Identify Functional Attractive Lights and Install 3 New & Replace 19 Existing	\$75,000
Richland TOTAL			\$225,000	
West Richl				
		Master Planning & Due Diligence	Investigate & Resolve Entitlement Issues	\$25,000
WEST RICHLAND TOTAL			\$25,000	
DISTRICT WIDE				
		Comp Scheme Update	Refine Direction with substantial Public Involvement	\$50,000
		Brand Evaluation	Analyze Branding Issues, Website & Marketing Updates	\$50,000
		Operations	Replace Front-End Loader	\$75,000
District-Wide TOTAL			\$175,000	
				\$7,210,000

				BUDGET SURPLUS	\$190,000
				LAND SALE PROCEEDS	\$900,000
Priority	LIKELY SECOND TIER FUNDING				\$1,090,000
#1	Phase #2	211 Site (Luster Glaze)	Arts Development Building, Site-Work, Parking Lot		\$1,250,000
#2	Phase #2	Infrastructure Construction	Construction "Bank" Development Partner Matching Funds		\$1,000,000



Port of Kennewick

2015 & 2016 PRELIMINARY BUDGET



Fostering Jobs, Promoting Trade & Enhancing Quality of Life

Mission & Goals

The Port of Kennewick's mission is to provide and support sound economic growth opportunities that create jobs and/or improve the quality of life of the port district citizens.

Economic Development and Job Creation Mission & Goals:

- Provide the public with high quality projects and services within a healthy work environment.
- Evaluate economic development opportunities based on results to be derived district-wide versus project-specific or jurisdiction-specific.
- Encourage transparency, open competition and equal project consideration, fostering a reputation for fairness with the local business community.
- Seek to fund projects with available resources.
- Support intergovernmental cooperation by partnering with entities which demonstrate support.

These above goals will be accomplished through the following projects:

- ✓ Vista Field Redevelopment planning efforts are in full swing with high community and business involvement throughout the 2015 & 2016 years. The Port is working to formulate a financial plan that involves public and private partnerships, a financing mechanism which does not increase taxes, and engages open and competitive practices. The impacts of this project will be substantial to the local area as well as the state and even nationally as we work to spur and retain jobs in the United States.
- ✓ Columbia Drive Redevelopment involves multiple sound economic development projects planned for construction in 2015 & 2016. These construction projects are in conjunction with partnering entities and a competitive bid process will be used. The Columbia Drive Redevelopment projects will positively impact the Port district-wide, while supporting the “Bridge to Bridge, River to Railroad” community plan, and the expansion of Washington’s wine industry.
- ✓ Clover Island shoreline restoration, public amenity enhancements and project planning are all under way. The Port is working with the U.S. Army Corp of Engineering to help fund shoreline improvements; the Washington State Recreation Office Commission (RCO) to help fund public boating improvements; and Confederated Tribes of the Umatilla Indian Reservation to create and install artwork on the Island. These are key projects to restoring the shoreline for salmon habitat restoration, visually improving the island’s aesthetic, and adding very valuable community improvements. These project are important to the Port’s return on investment as they will encourage potential developers and businesses to locate at Clover Island.
- ✓ Vista Field Development Building-A capital improvements will be out to competitive bid in 2015. These improvements will significantly increase the value and marketability of an existing Port asset, and are tied to retaining 100 jobs within Washington State for an international, publicly-traded company. Retaining this business in the Tri-Cities is important, as the company provides high-wage, non-Hanford, non-Ag jobs.

Financial, Operational, and Budget Philosophy for 2015 & 2016:

- The Port is maintaining its goal of a balanced budget.
- The Port is fiscally sound and is ensuring its available resources do not exceed expenditures.
- Port budget will maintain current staffing levels and can therefore continue to promote fiscal responsibility.
- Port budget does not reflect incurring any debt; however, if debt is pursued it will be under the goal to be sustainable while meeting cost, risk, legal and economic objectives.
- The Port will continue to report ROI as appropriate and share audited financial reports with the public.

PORT OF KENNEWICK

Accrual Basis of Accounting With Cost Allocations

	2015 & 2016 BUDGET
ANTICIPATED REVENUES	
<i>Total Operating Revenues</i>	\$ 2,159,775
<i>Total Non-Operating Revenues</i>	\$ 7,924,945
<i>Total Anticipated Revenues</i>	<u>\$ 10,084,719</u>
ANTICIPATED EXPENSES	
<i>Total Operating Expenses</i>	\$ 3,641,318
<i>Total Non-Operating Expenses</i>	\$ 3,034,467
<i>Total Anticipated Expenses</i>	<u>\$ 6,675,785</u>
PROFIT (LOSS)	<u>\$ 3,408,935</u>
LESS SPECIAL ITEM - Ongoing Vista Field Decommissioning	\$ 267,132
LESS CAPITAL EXPENDITURES	\$ 8,915,447
LESS PROMOTIONAL HOSTING EXPENDITURES	\$ 9,500
BEGINNING CASH ON HAND	\$ 9,090,363
RESERVE FUNDS	\$ 2,500,000
UNRESTRICTED FUND BALANCES	\$ 807,220
ENDING CASH ON HAND	<u>\$ 3,307,220</u>

Note: Budget does not include depreciation expenses

2015 & 2016 Preliminary Budget Memo and PowerPoint Presentation are integral to the Port of Kennewick's preliminary budget document.

2015 & 2016 PRELIMINARY BUDGET MEMO

BUSINESS PLAN & BUDGET SUMMARY

This memo is an integral part and should be read in conjunction with the 2015 & 2016 preliminary budget presentation on October 28, 2014 and the 2015 & 2016 preliminary budget document.

The fiscal management of the budget is the cornerstone of our success as a Port. The Port is facing a very productive year with plenty of economic and community development projects focused on creating a sound return-on-investment to Port taxpayers. Our goal is to continue stimulating jobs and economic development while maintaining a low levy rate for our taxpayers. We also strive to evaluate all opportunities that are brought forth to the Port for the chance to leverage our investment with partnering jurisdictions and private sector funding. The Port has a unique opportunity to positively impact the community with the vast amount of land in planning stages for re-development in 2015 & 2016 throughout the Tri-Cities.

It's imperative for the public to understand the Port of Kennewick does not pass a politically driven budget. The Port of Kennewick's budgeting process is for the sole purpose of managing finances in a fiscally responsible manner to ensure the Port's long-term viability. A fiscally responsible budget process includes but not limited to:

1. Budgeting for only realistically obtainable revenues. In general, lease revenues have a signed contract through the budget cycle. In the event a lease is a month-to-month or expiring within the budget cycle, the Port develops an expectancy of tenant renewal, based on past history and tenant communications. If highly likely the tenant will renew, the Port includes this revenue in the budget and excludes those revenues if is not highly likely the tenant would renew. Property land sales revenue is based on anticipated and reasonable purchase and sale agreements to occur while factoring in the economic climate and amount of land available for sale in the Port's portfolio.
2. Using a higher than actual vacancy rate for marina moorage revenues to allow for economic or market fluctuations (currently vacancy rate is 0.02% and 2015 & 2016 budget reflects 10.5%).
3. Leaving out revenue that fluctuates vastly from year to year such as miscellaneous revenue sources.
4. Conservatively budgeting expenses by using the higher of either a projected trend analysis based on historical expenditure data, or actual and anticipated contracted expenses.
5. Tying the projected budget year expenses to a rate higher than current inflation rate (3% for 2015 & 5% for 2016).
6. Conservatively budgeting for operating expenses from new capital projects while the operating revenues associated with these new projects is not included. As stated previously the Port does not budget lease revenues absent of a signed contract even though it may be obtainable within the budget cycle. Thus, reflecting an \$160,000 increase in operating expenses while \$0 operating revenues are reflected within the Property Management Division.

The Port's fiscally conservative and responsible 2015 & 2016 budget highlights include the following:

- The 2015 & 2016 operating revenues are budgeted at \$2.16 million.
- The 2015 & 2016 operating expenses are budgeted at \$3.65 million.
- The 2015 & 2016 non-operating revenues are budgeted at \$7.92 million.
- The 2015 & 2016 non-operating expenses are budgeted at \$3.03 million.
- 2015 & 2016 Capital expenditures are earmarked at \$8.9 million.

- The Port is still in process of decommissioning Vista Field Airport. \$267,000 has been set aside for demolition of no longer usable or needed airport buildings/runway in 2015 & 2016.

The Port's 2015 & 2016 budget, which follows an accrual basis of accounting, includes the Port's cost allocation methodology and does not reflect depreciation. Applying the Port's cost allocation methodology involves estimating the amount of time each staff member will spend in each individual division. Budgets also include several assumptions for 2015 & 2016, therefore, actual results may vary.

Marine Division

The Marine Division includes two functional workgroups: Lease & Asset Management and Haul Out & Storage Operations. The primary functions of this division include management of lease operations, management of haul outs and storage, maintenance and repairs of the moorage facility and haul out operation, and the property connected to this business. There are two main service groups that support the Marine Division: Property Management Division and Corporate Division. These service groups are comprised of management, accounting, finance & auditing, administration, legal, and marketing. These service groups oversee the governance, finance, accounting, auditing, laws and regulations as well as policies and procedures, risk management, marketing of the marina, grant writing and grant management associated with operations of the marina, and strategic development.

The budget reflects an annual rate increase of 1% for the uncovered moorage, a rate increase of 2% for the covered moorage, and a rate increase of 3% for boat houses. These proposed rate increases help offset the rising costs due to inflation, and help cover tenant requests such as improvements to security cameras, more security patrol, and new gates. Even though the budget reflects a 90.5% occupancy rate, the current occupancy rate 99.98% (includes boat houses). The vacancies consist of only two uncovered moorage slips where the rest of the marina has a healthy waiting list.

2015 & 2016 Marine Division operating revenues are budgeted at \$630,304. Total operating expenses, including direct staffing costs and indirect allocated corporate costs, are \$611,780. Net operating income before depreciation is \$18,524.

Property Management Division

The Property Management Division includes two functional workgroups: Lease & Asset Management, Property Operations & Maintenance. These workgroups oversee the management of various Port assets including the Port's agriculture, retail, commercial and industrial buildings and land; and supports the marine moorage facility and haul out operation. The Corporate Division is a service group which supports the Property Management Division. This service group is comprised of management, accounting, finance & auditing, administration, legal, and marketing. This service group oversees the governance, finance, accounting, auditing, laws and regulations as well as policies and procedures, risk management, marketing of the port properties, grant writing and grant management associated with operations of port properties, and strategic development.

The budget reflects an indirect revenue allocation, plus \$141,364 in month-to-month lease revenue, \$409,607 in leases expiring before 12/31/16, and \$978,236 of signed lease agreements beyond the budget period which were all revenues deemed highly likely to obtain (e.g. \$211,124 of the expiring leases are land lease contracts with significant private sector improvements). The Port's lease rates contained within the signed contracts are based on fair market values developed by appraisals, letters of opinion, or market rate studies. Therefore, \$339,847 of the month-to-month and expiring lease revenues may experience rate increases. Since these rate increases are not under contract, they are not included in the 2015 & 2016 budget amounts.

2015 & 2016 Property Management Division operating revenues are budgeted at \$1,529,471. Total operating expenses including direct staffing costs and indirect corporate costs are \$1,452,600. Net operating income before depreciation is \$76,871.

Corporate Division

All divisions of the Port are supported by the Corporate Division. This service group allocates their expenses according to the direct level of service they provide to the divisions; however, a majority of their function is to support all Port of Kennewick operations. The Port's cost allocation methodology does not allocate all Corporate costs to the various divisions, however, it does apply an indirect cost allocation based on the direct costs associated with the Division, non-operating items, or other special items. These functional service groups include but are not limited to Accounting, Finance & Auditing, Administration, 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 Marine and Property Management Divisions, grant writing and grant management associated with operations, strategic development, management and administration that supports the Port in its entirety.

Corporate operating expenses are budgeted at \$1,586,438 for 2015 & 2016.

Economic Development & Planning Division

The Economic Development & Planning Division includes three functional workgroups: Engineering, Port Construction Services, and Planning. The Economic Development & Planning Division plans and delivers projects as well as provides technical and contracting services in support of the business plans and infrastructure needs of the Port of Kennewick. This division supports all the Port capital assets to be acquired or constructed. As defined by Governmental Accounting Standards, not all Economic Development & Planning Division costs can be capitalized such as indirect costs (e.g. paper supplies, utilities associated with the Port Office Building, and miscellaneous office supplies). The above mentioned costs are located in the non-operating expenses for this division and all costs associated directly and properly identified as capital are reported as capital costs and are located in the capital budget. Capital costs are expenditures necessary and are directly associated with putting a capital asset into place, which includes but not limited to planning, direct staffing costs, site readiness costs, construction, and/or acquisition costs.

Economic Development & Planning Division non-operating grants are budgeted at \$238,000. Non-operating expenses are budgeted at \$639,429, including direct staffing cost and indirect corporate cost. Capital budget for 2015 & 2016 is approximately \$8.9 million. ¹

Real Estate Division

The Real Estate Division includes one main functional workgroup: Property Sales & Acquisition and Marketing. The Real Estate Division deals with the process of selling surplus property and purchasing property in support of the business plans and infrastructure needs of the Port of Kennewick. 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 of Kennewick. The associated staffing and indirect costs related to the Real Estate Division are located within the expenses of this division and all costs associated directly and properly identified as capital are reported as capital costs and are located in the capital budget.

¹ Ken Schermann [krschermann@gasb.org] GASB confirmed the Economic Development Division costs which do not meet capitalization criteria or do not deal with the operating divisions of Marine and Property Management are non-operating costs. Ken Schermann confirmed this accounting treatment did not conflict with any GASB standards. Further he agreed this allows for better matching of revenues and expenses in the period they benefit.

Real Estate Division non-operating revenues from land sales (net the capital cost of land) is estimated to be \$200,000 for 2015 & 2016 and the non-operating expenses are budgeted at \$29,716.²

NON-OPERATING BUDGET

Non-operating budget includes revenues that do not support the Port's Marine and Property Management Divisions. Non-operating revenues include but are not limited to property tax revenue (Ad Valorem Taxes), capital contributions such as non-operating grants, interest income, public revenues and other miscellaneous income not associated with the Port's Marine and Property Management Divisions.

Non-operating costs are expenses incurred by activities not related to the Marine and Property Management Divisions. Furthermore, some of the non-operating costs are non-reoccurring in nature which do not support the current operations of the Port, however, are useful for planning and decision making such as market and feasibility studies. Non-operating costs include but are not limited to interest expense; governmental relations consultant; grant seeking and writing; public costs such as public records request response and records management, and public awareness marketing campaigns; non-capital studies that do not currently impact or improve the Marine and Property Management Divisions; and other costs that do not currently impact or improve the Marine and Property Management Divisions and/or costs that do not meet the capitalization requirements per Governmental Accounting Standards.

Non-Operating Revenues (property taxes, gain on sale of assets, interest income, and capital contribution grants), are budgeted just over \$7.9 million and non-operating expenses are budgeted just over \$2.3 million for public, governmental relations, regulatory, and other non-operating cost plus Real Estate and Economic Development & Planning Divisions discussed above of \$29 thousand and \$639 thousand, for a net non-operating profit of just under \$4.9 million.

SPECIAL ITEM – ONGOING VISTA FIELD DECOMMISSIONING

Vista Field Closure and Decommissioning cost is considered a special item under Governmental Accounting Standards and is required to be reported separately before the ending fund balance since it no longer supports a line of operations. The set aside amount for closure and decommissioning Vista Field Airport in 2015 & 2016 is just over \$267,000. This amount includes direct staffing cost and indirect cost allocation.

CAPITAL BUDGET

The total capital budget for 2015 & 2016 is \$8.9 million as previously described in the Economic Development & Planning Division. This reflects the Port's continuing commitment to promoting economic activities, public amenities, and waterfront revitalization through the investment in the development, expansion, improvement, and renewal of Port facilities that support the Port's Work Plan.

TAX LEVY

The Port's 2015 & 2016 Budget estimates tax revenues just below \$7.5 million, an increase of 4% each year; however, the tax levy rate has decreased from \$0.44 to \$0.33 per \$1,000 of assessed value (a decrease of 24% since 2001). The budget reflects an increase of 1% in property taxes from last year's property tax collection plus the addition of any new construction. Individual taxpayer's **will not** be paying more to the Port due to the increase in new construction value due to the Port and private sector stimulating the local economy.

² Ken Schermann [krschermann@gasb.org] GASB confirmed the Real Estate Division costs which do not meet capitalization criteria or do not deal with the operating divisions of Marine and Property Management are non-operating costs. Ken Schermann confirmed this accounting treatment did not conflict with any GASB standards. Further he agreed this allows for better matching of revenues and expenses in the period they benefit.

NEW PORT STAFF INITIATIVES

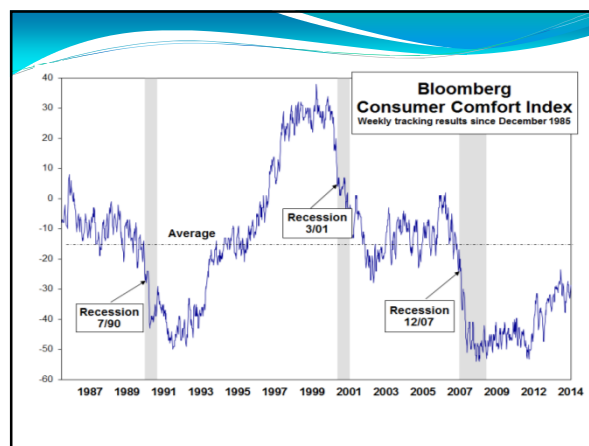
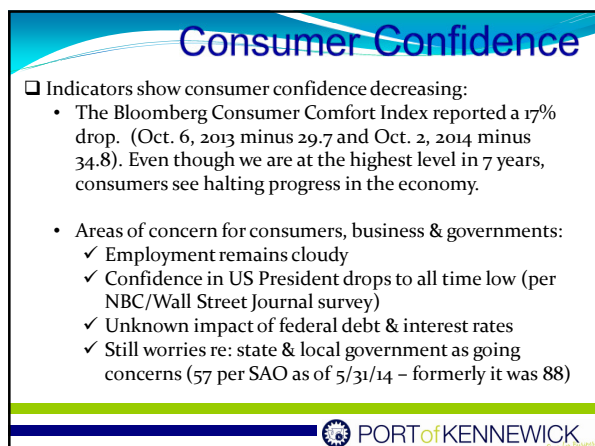
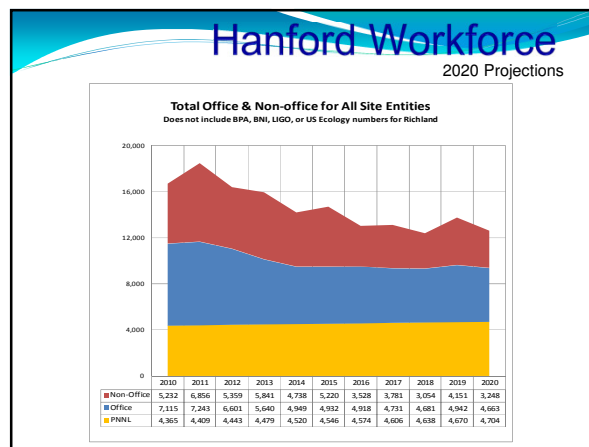
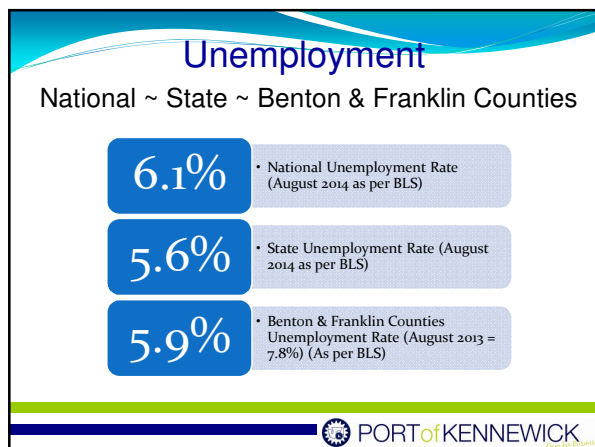
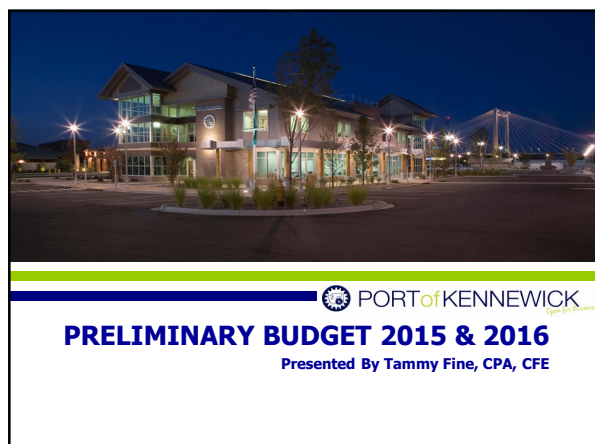
New staff initiatives for 2015 & 2016 include more education for staff in areas of innovative planning, real estate development, property management, accounting, auditing, and records management; updating Port policies and procedures to better assist Port staff and Commission on compliance as well as adding more trainings; developing a prioritization process to ensure the highest and best use of Port resources are being allocated to projects which benefit the Port and the community as a whole; and revamping the Port's filing system by working with the State Archivist and Information Technology Consultant to provide paperless system for faster response to public records request and for more efficient and effective operations.

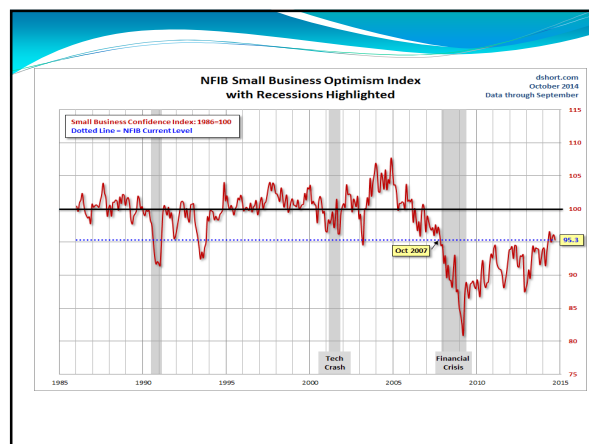
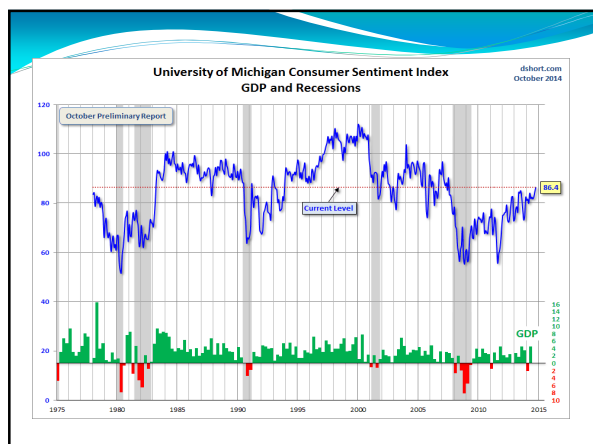
SUMMARY

The Port of Kennewick is in a good financial condition. The Port is not cutting staff, requiring furloughs, or facing budget troubles. We are not looking at bankruptcy, selling off assets to pay for operations, or entering into large amounts of debt due to poor financial planning. The Port of Kennewick is proactive at looking for underperforming assets and finding the highest and best use for those assets. The Port will continue to work on reviewing for any underperforming assets and potentially shifting those to the private sector for better performance or looking at alternative ways to receive better performance in order to avoid long-term or future financial concerns.

Please also note, while the 2015 & 2016 budget is conservative, it is sensible given the current economic situation. This conservative budget approach has kept the Port out of financial troubles for many years and furthermore has proven to be a solid method even in economic downturns. The Port has chosen not to get into the cycle of deferred maintenance, cutting services, or politically driven budgeting. As a result, the budget does not reflect cutting back any services or maintenance in order to maintain the current levels of performance at the Port. This means the Port will be able to maintain properties at their current levels, keep knowledgeable and experienced staff, continue to having clean audits, continue adequately responding to and addressing questions from the public and taxpayers, and continue to spur economic development opportunities while fostering job creation.

The Port has an exceptional track record in prudent and proactive budget management due to the hard work and efforts of our highly skilled and professional staff along with the positive support from the Commission. The Port is confident it will continue our strong record of success in the two year budget cycle and beyond.

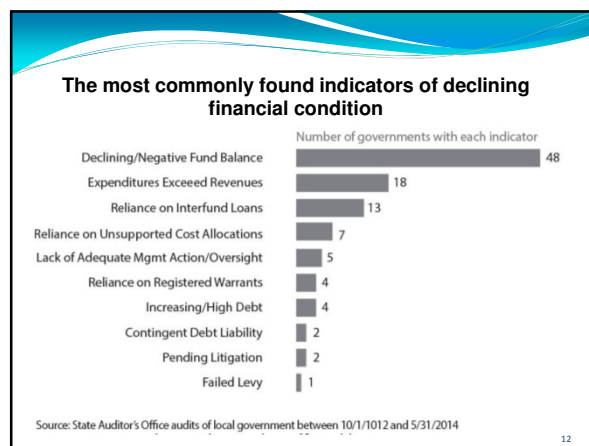
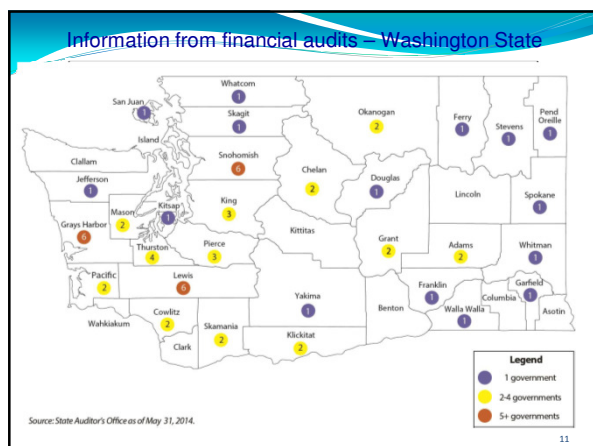
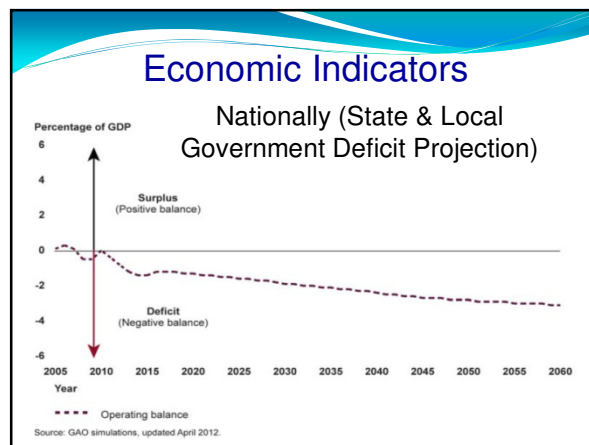


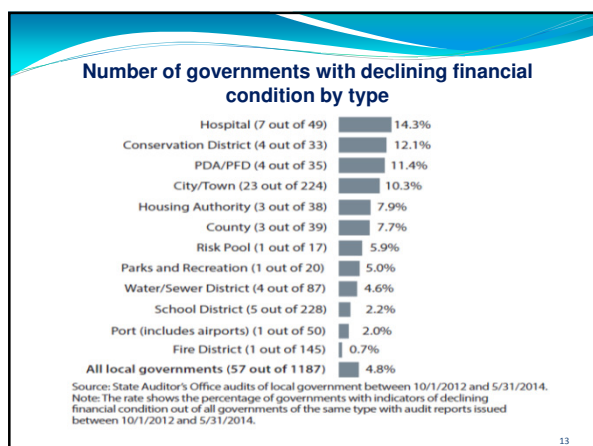


Washington State Auditor's Office

Municipal Budgeting & Fiscal Management
August 13, 2014

9





Assessing local government financial condition

Local governments may wish to examine several areas as they manage their financial operations and evaluate early warning signs. These questions are based on the primary areas the State Auditor's Office considers when conducting audits.

Operating Margin: Are governmental activities sustainable?
YES Do revenues exceed the expenditures for total government funds?
YES Is there revenue in excess of expenditures to contribute towards capital outlays, transfers, increases in fund balances and/or other uses? **\$8.9m!**
YES Is cash flow remaining positive throughout the year, as well as at the end of the year? **\$3.3m projected**
NO Is the government reducing costs or cutting programs/services to resolve the financial difficulties? **Increasing!**
YES Is the government approving budget amendments before making expenditures? **No budget amendments in 2013!**
YES Is the government allocating central services by a fair and equitable method? **Great cost allocation methodology implemented!**

Change in Fund Balance: Did the financial condition of the general fund improve, decline or remain steady?
YES Are the fund balances within reasonable levels? **Nearly 1 year in unrestricted for operations and 1/2 year for all expenses (excluding capital)**
327/173 How many days will the government be able to cover operations with its fund balance?
YES If fund balances are declining or negative, is there a formal action plan to reverse the trend? **Fund balances are declining to implement capital projects in accordance with Port policy.**

Fund Balance Sufficiency: Is the fund balance enough to cover operating expenditures?
NO Are there any anticipated changes in funding levels (i.e. due to changing regulation, grant programs or levies) or new/increased costs (i.e. changing regulation or union negotiations)?
\$175k + What is the government's ability to deal with emergencies and unanticipated needs? **Budget \$178k plus \$67k in repairs**

Source: State Auditor's Office local government audits 2006-2011.

Port's Health Assessment

Ratio	What Does It Reveal or Measure?	SAO Guidelines	Port of Kennewick	Year(s) Evaluated
Current	Current assets should cover current liabilities. Higher the percentage = better coverage.	125% or more	1935%	2013
Fund Balance Sufficiency	The government should be able to deal with unanticipated needs with ending fund balance.	60 days or more	327 of operating expenses and 173 total expenses (excludes capital)	2015 & 2016 Preliminary Budget
Capital Asset Condition	The governments need for capital asset investment.	25% of capital assets useful life remaining	83%	2013
Change in Net Position	Did the governments activities improve or decline? Balance of assets vs. liabilities.	greater than 0%	77%	2004 to 2013
Business Type Activity Self Sufficiency	Are business-type activities supporting themselves?	100% (revenues = expenditures)	104%	2015 & 2016 Preliminary Budget
Debt Load	Governments should be able to make debt payments.	Less than 12% of governmental fund revenues	0%	2014

Port of Kennewick's

2015 & 2016 Preliminary Budget

2015 & 2016 Budget Philosophy

For Full Policy Refer to Resolution 2014-31


- Produce and maintain a balanced budget.
- Provide a fiscally sound approach to finances by ensuring that expenditures and debt repayments do not exceed available resources in current budget and future years impacted.
- Provide for financial stability.
- Promote fiscal responsibility among departments.
- Focus on long-term financial planning.
- Support intergovernmental cooperation by partnering with entities which demonstrate support.
- Provide the public with high quality projects and services within a healthy work environment.


2015 & 2016 Budget Philosophy

- Evaluate economic development opportunities based on results to be derived district-wide, versus project-specific or jurisdiction-specific.
- Acknowledge the Port's limited resources (financial and staffing).
- Establish project ranking.
- Encourage open competition and equal project consideration, fostering a reputation for fairness with the local business community.
- Seek to fund projects with available resources.
- Incur debt only when sustainable while meeting cost, risk, legal and economic objectives.
- Identify and report ROI as appropriate
- Share with the public our audited financial reports.

Port's Financial Outlook

- ❑ Foster job creation in a fiscally responsible manner
 - ▶ Land development projects from 2007 to 2013
 - ✓ Stimulated more than **808 private sector jobs!** (reported by private sector)
 - ✓ Fostered **\$52.2 million in taxable assessed property value!**
 - ✓ Generated more than **\$4.7 million in state and local taxes!**



 PORT of KENNEWICK

Port's Financial Outlook


- ❑ Foster job creation in a fiscally responsible manner
 - ▶ Redevelopment of Vista Field
 - ▶ Innovative cost savings (\$1.3 m 2009-2013)
 - ▶ Private sector partnerships



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Port's Financial Outlook

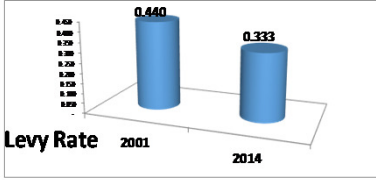
- ❑ Foster job creation in a fiscally responsible manner
 - ▶ Financial snapshot for last ten years shows:
 - ✓ Capital assets jumped **75% to more than \$51 million!**
 - ✓ Owner equity has **grown by 77% to \$50.9 million!**
 - ✓ All while virtually **debt free!**
 - ▶ **\$9.6 million in cash and cash equivalents** as of September 30, 2014.
 - ▶ **2014 Budget to Actual** (Benchmark to reach = 75% as of Sept. 30, 2014)
 - ✓ Total revenues = 94% of budget (exceeds benchmark by 19%)
 - ✓ Total expenditures (excluding capital) = 59% of budget (under benchmark by 16%)

 PORT of KENNEWICK

Port's Financial Outlook


Last thirteen years
levy rate **Reduced**
By 24%!


- ▶ Saving taxpayers more than \$1.2 million in tax dollars each year!




Levy Rate

2001 2014

 A \$200,000 house value in **2001** cost a taxpayer \$88.06 a year in taxes to the Port.

 A \$200,000 house value in **2014** cost a taxpayer \$66.74 a year in taxes to the Port.

 PORT of KENNEWICK

Budget Assumptions


Fiscally Conservative & Responsible

Revenue Budget Represents

- ✓ Current contracts in place with terms through 2016.
- ✓ If month-to-month or expiring lease, only included revenue if highly likely tenant will continue tenancy through 2016.

Expenses Budget Represents

- ✓ Projected 2014 expenses & past trends while reflecting current contracts.
- ✓ Based on the higher of a 3% inflation factor for 2015 and 5% for 2016 or signed contract(s).
- ✓ Cost includes new operations; however, may not have the current lease revenues reflected in the budget to offset that expenditures.

 PORT of KENNEWICK

Budget Assumptions


Fiscally Conservative & Responsible

Port Operating and Non-Operating Budget Reflects

- ✓ Maintaining the current level of services, operations and maintenance (Port has chosen not to foster the cycle of deferred maintenance or cutting services).
- ✓ New Port Staff Initiatives

Port Capital Budget Reflects

- ✓ Continued stimulation of jobs and economic development while reducing the burden to the taxpayers through a low levy rate.
- ✓ A very productive year of sound economic and community development projects.

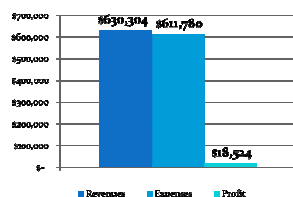
 PORT of KENNEWICK

Marine Division

The Marine Division is comprised of two functional workgroups: Lease & Asset Management and Haul Out & 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.

2015 & 2016 Budget Highlights

- Proposed 1% increase on uncovered moorage; a 2% increase on covered moorage; and a 3% increase on boat houses. The marina is 90.5% occupied (99.8% if boat houses included).
- Expenditures are indexed to a 3% and 5% inflation factor or actual contract amount, which ever is higher.
- Expenditures include cost allocation of staffing and indirect expenses.

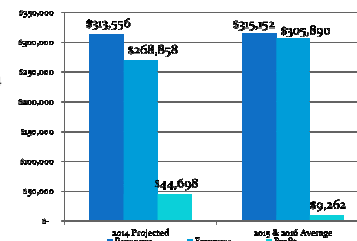


Marine Division

The average of 2015 & 2016 Marine Division Budget Compared to Projected 2014

Budget Highlights

- Revenues for 2015 & 2016 don't include miscellaneous revenues, therefore only 1% increase is reflected from 2014 projected revenues.
- Expenditures for 2015 and 2016 reflect a 14% increase due to the following:
 - 18% increase in staff time allocated to the marine division.
 - 12% increase in outside services due to security patrol.

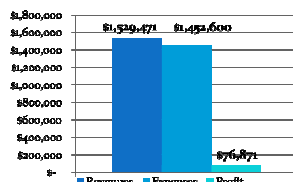


Property Management Division

The Property Management Division includes two functional workgroups: Lease & Asset Management and Property Operations & Maintenance. These workgroups oversee the management, operation and maintenance of various Port assets including the Port's retail, commercial and industrial buildings.

Budget Highlights

- Revenues for 2015 & 2016 are based on signed leases in place through 2016 and month-to-month or expiring leases which are highly likely to renew.
- Expenditures are indexed to a 3% and 5% inflation factor or actual contract amount, which ever is higher
- Expenditures include cost allocation of staffing and indirect

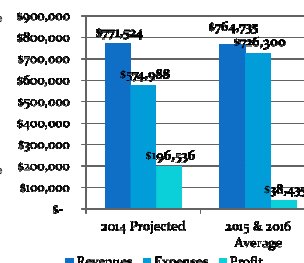


Property Management Division

The average of 2015 & 2016 Property Management Division Budget Compared to Projected 2014.

Budget Highlights

- Revenues for 2015 & 2016 decrease of 1% is due to the following:
 - Not including miscellaneous revenues or expiring leases as per conservative approach for 2015 & 2016.
 - Revenues do not reflect operating revenues from new capital projects.
 - Decrease in tenants in the amount of \$23k due to 2014 land sale and Columbia Drive redevelopment.
- Expenditures for 2015 & 2016 increased 26% due to 3% & 5% inflation rate used and the following:
 - \$80k increase in O&M from new capital projects.
 - \$36k increase in maintenance due to Oak St. DB-A, B, C, D; Port shop; VFDF-A; & VF.
 - \$8k increase in outside services by adding security patrol (Oak & CD), & Oak DB-B fire alarms.



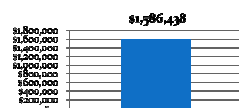
Corporate Division

All divisions of the Port are supported by the Corporate Division (or functional departments). These functional service groups include but not limited to Accounting, Finance & 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 administration that supports the Port in its entirety.

Budget Highlights

- Expenditures are indexed to a 3% & 5% inflation factor or actual contract amount, which ever 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 of Kennewick.

Corporate Cost

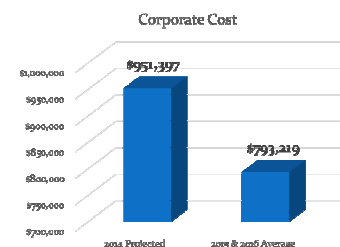


Corporate Division

The average of 2015 & 2016 Corporate Division Budget Compared to Projected 2014.

Budget Highlights

- 2015 & 2016 budget includes high capital outlay. Staff anticipates more time spent in capital projects and non-operating projects.
- 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 of Kennewick.



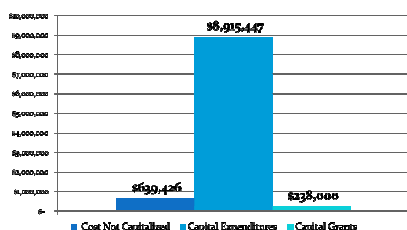
Economic Development & Planning

The Economic Development & Planning Division includes three functional workgroups: Engineering, Port Construction Services, and Planning. The Economic Development & Planning Division plans and delivers projects, as well as providing technical and contracting services 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.

Budget Highlights

- 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.

- Capital expenditures meet GASB capitalization requirements.

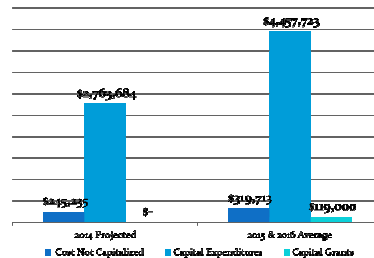


Economic Development & Planning

The average of 2015 & 2016 Economic Development & Planning Division Budget Compared to Projected 2014.

Budget Highlights

- Increase in non-operating costs include the following:
 - Comp scheme update
 - ROI, Market, & Economic Analysis
- Capital budget follows the Port's 2015 & 2016 work plan, includes completing 2014 projects, and includes direct staffing costs associated with the capital improvements.



Real Estate Division

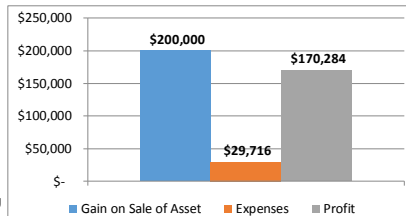
The Real Estate Division includes one main functional workgroup: Property Sales & Acquisition. The Real Estate Division deals with the process of selling surplus property and purchasing property in support of the business plans and infrastructure needs of the Port of Kennewick. This division also markets Port properties for sale, provides technical and contracting services in support of the business plans and infrastructure needs of the Port of Kennewick.

Budget Highlights

- Gain on sale of assets is projected at \$200,000 for 2015 & 2016.

- Majority of expenditures are indexed to a 3% & 5% inflation factor

- Expenditures include cost allocation of staffing and indirect cost



Real Estate Division

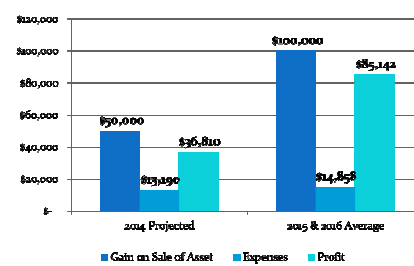
The average of 2015 & 2016 Real Estate Division Budget Compared to Projected 2014.

Budget Highlights

- Gain on sale of assets is projected at \$100,000 per year.

- Majority of expenditures are indexed to a 3% and 5% inflation factor

- Expenditures include cost allocation of staffing and indirect costs



Non-Operating Division

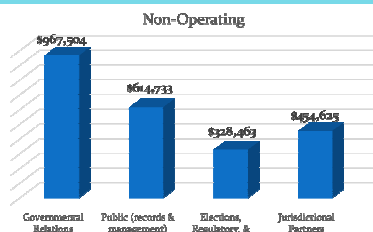
The Non-Operating Division includes functions that do not impact the Port's Marine, Property Management, Corporate, Economic Development & Planning or Real Estate Divisions. The costs included in this division are public, regulatory, election, governmental relations and other non-operating costs.

Budget Highlights

- Majority of expenditures are indexed to a 3 and 5% inflation factor

- Increase in expenditures covered in comparative slide.

- Expenditures include cost allocation of staffing and indirect cost

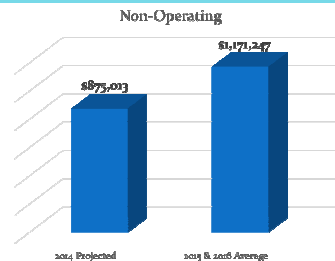


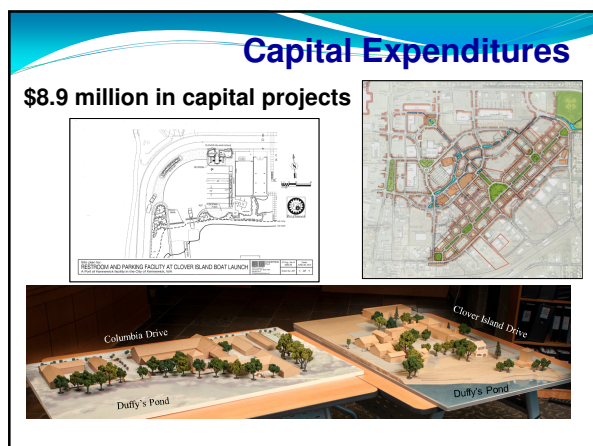
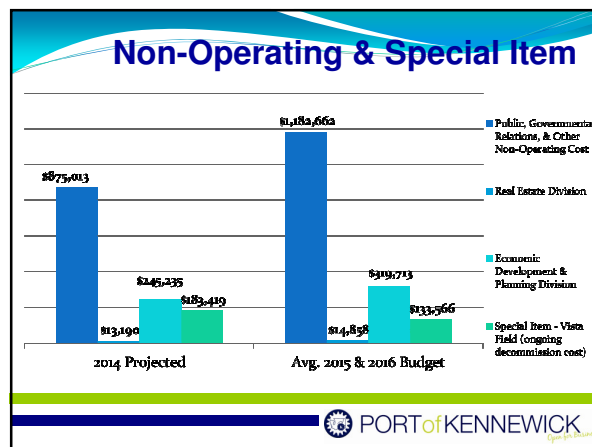
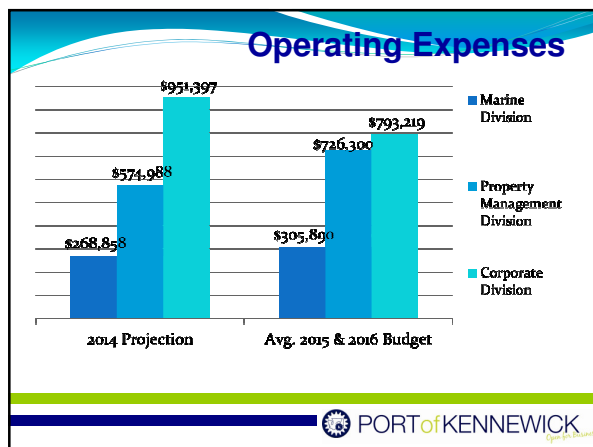
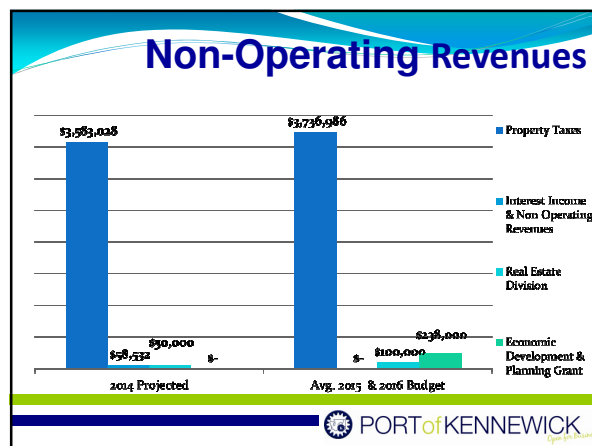
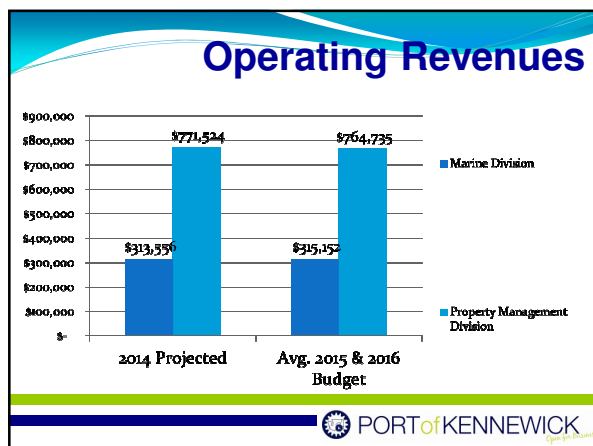
Non-Operating Division

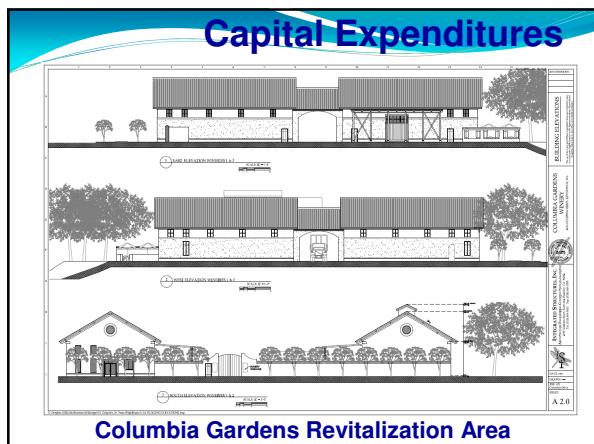
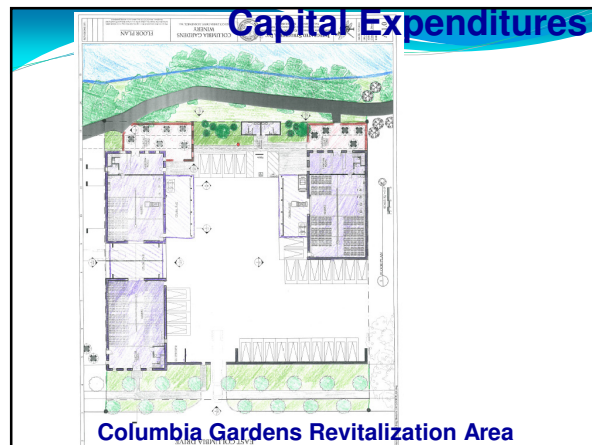
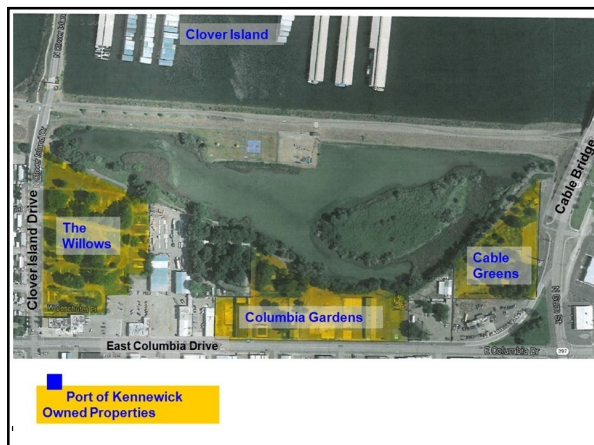
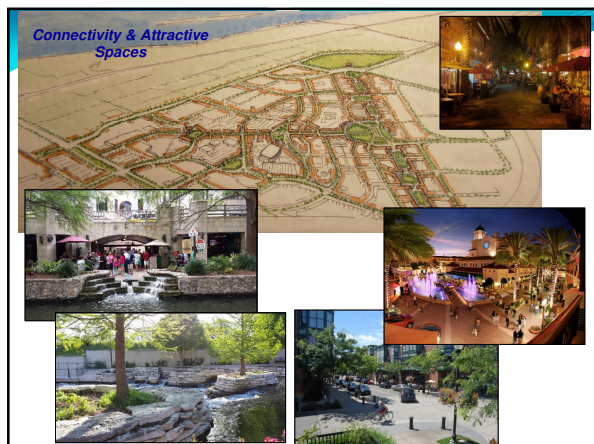
The average of 2015 & 2016 Non-Operating Division Budget Compared to Projected 2014.

Budget Highlights

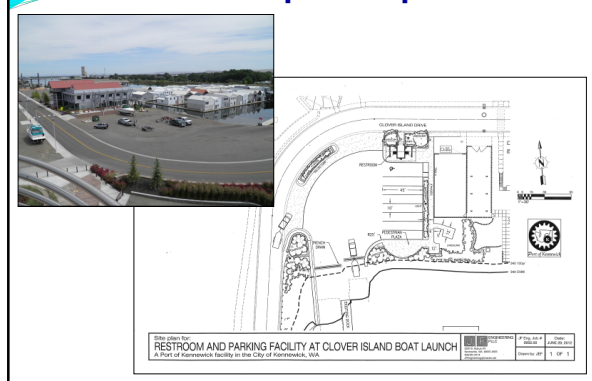
- Increase in 2015 & 2016 expenses include the following:
 - \$50k brand evaluation
 - \$50k for 100th celebration
 - \$45k website
 - \$40k wine & art consultants
 - \$90k port promotion & marketing
 - \$100k records management
 - \$80k Election & Audit Costs
 - 194% increase in staffing time spent in division due to the above activities.



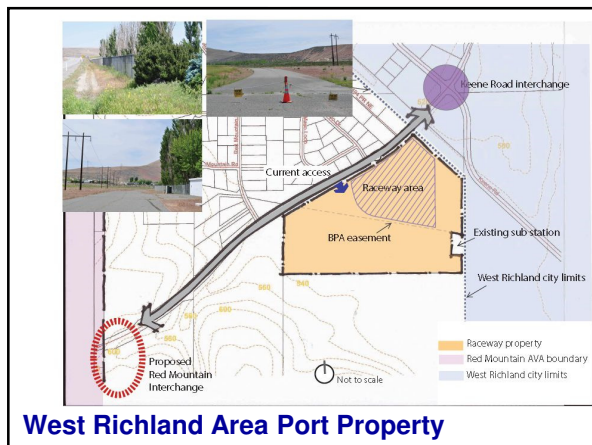
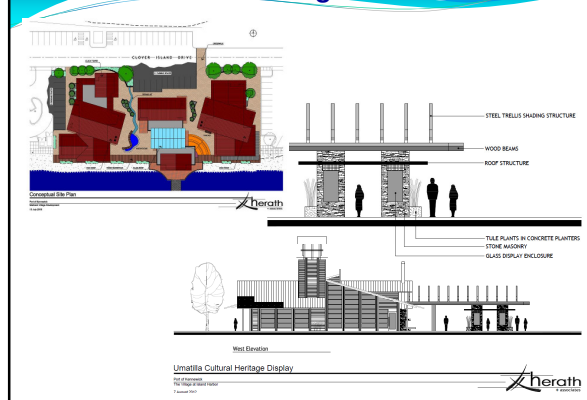




Capital Expenditures



Village at Island Harbor



West Richland Area Port Property

Capital Expenditures

Miscellaneous Capital Items: Building Demolitions, Loader Replacement, Computers, Plotter, & Equipment



PORT of KENNEWICK

Port of Kennewick's

Preliminary Budget Conclusions

PORT of KENNEWICK

Preliminary Budget Conclusions

- Port of Kennewick is in good financial condition and the Port Commission has done an excellent job identifying those holdings which offer no or little economic benefit to the taxpayers and divesting of those holdings and redirecting staff time to more meaningful projects such as the Vista Field and Columbia Drive Redevelopment projects.
- Staff will continue working to identify sound economic development projects which benefit the community through the attributes of job creation, quality of life enhancement, and a positive return-on-investment.
- The Port has an exceptional track record in prudent and proactive budget management which has kept the Port out of financial troubles and has proven to be a solid method even in economic downturns.
- The Port is confident it will continue in the tradition of strong success for many years to come.

PORT of KENNEWICK

Professional Guidance

Francis Ryan, CPA, MBA and member of MACPA, PICPA, AICPA (Western CPE professor)

▪ Crisis Manager for troubled firms, author of series entitled "Rebuilding America", Marine Colonel (Ret.), expert on economic warfare, extensive board level experience (public and not-for-profit) and former CFO of a bank and manufacturing firm and received the "Outstanding AICPA Instructor" award in 1994-95, 2005, and 2010.

Recommendations for Governments & Businesses:

1. Monitor your financial capacity closely and consider reducing your debt financing.
2. Avoid becoming a casualty of too much debt and the inability to refinance.
3. Organizations without debt typically do not go bankrupt.



Professional Guidance

Dan Boyd, Baker & Giles Shareholder/Owner, CPA, and member of AICPA, WSCPA

▪ In practice since 1976 with extensive experience working with and for Not-For-Profit/Public Entities; new Board Member of the Richland Public Facilities District; financial planning and analysis experience.

Recommendations for Governments & Businesses:

1. Be very cautious taking on new debt in our current economic environment.
2. In some situations, *debt ends up driving all your business decisions and reduces your economic flexibility.*



Thank You!

Tammy Fine, CPA, CFE
Chief Financial Officer/Auditor
Port of Kennewick
509.586.1186



www.PortofKennewick.org

