



REGULAR COMMISSION MEETING

PORT OF KENNEWICK

OCTOBER 28, 2014 MINUTES

CALL TO ORDER

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

The following were present:

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

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

PLEDGE OF ALLEGIANCE

Ms. Lori Matson led the Pledge of Allegiance.

COMMISSION COMMENT

Mr. Barnes stated Mr. Moak is currently traveling and is scheduled to arrive shortly.

PUBLIC COMMENT

No comments were made.

CONSENT AGENDA

The consent agenda consisted of the following:

- A. Approval of Direct Deposit Dated October 17, 2014**
Direct Deposit totaling \$46,378.
- B. Approval of Warrant Registers Dated October 29, 2014**
Expense Fund Voucher Numbers 36230 through 36276 for a grand total of \$187,665.23.
- C. Approval of Warrant Register Dated October 29, 2014**
Expense Fund Voucher (PS Media) Number 36277 for a grand total of \$7,856.58
- D. Approval of Regular Commission Meeting Minutes dated October 14, 2013**
- 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**

Mr. Barnes stated Consent Agenda items are a number of items taken collectively in one motion to be approved or disapproved. He further stated the Commission has the option to remove items from the Consent Agenda and inquired if any items need to be removed.



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Mr. Novakovich would like to remove Item C and have the item approved separately because on April 12, 2011, he disclosed that Esprit, the company he and his wife owns, has a contract with PS Media to print the Port's newsletter. Esprit does not get paid directly from the Port; they get paid from PS Media. Item C is the payment to PS Media and in the interest of any kind of perception that there could be a conflict, he would like to recuse himself from any action on this item.

MOTION: *Commissioner Novakovich moved for removal of Consent Agenda Item C of the Consent Agenda, for separate consideration; Commissioner Barnes seconded. With no further discussion, motion carried unanimously. All in favor 2:0. Commissioner Moak absent.*

Mr. Barnes stated item C will be removed from the Consent Agenda and placed under Agenda Item VI, Presentations, item D, to allow time for Mr. Moak to arrive.

MOTION: *Commissioner Novakovich moved for approval of the consent agenda, with exception of Item C; Commissioner Barnes seconded. With no further discussion, motion carried unanimously. All in favor 2:0. Commissioner Moak absent.*

Mr. Arntzen welcomed Lori Mattson, Tri-City Regional Chamber of Commerce President and CEO; Kris Watkins, Visit Tri-Cities President and CEO; and Carl Adrian, TRIDEC President and CEO. The collective group will speak on the community's recent joint branding efforts.

PRESENTATIONS

A. *Tri-Cities Community Branding Presentation by:*

- Lori Mattson, Tri-City Regional Chamber of Commerce President and CEO;
- Kris Watkins, Visit Tri-Cities President and CEO;
- Carl Adrian, TRIDEC President/CEO.

Mr. Adrian thanked the Commission for allowing them to speak today regarding community branding. Mr. Mattson, Ms. Watkins and I are meeting with local jurisdictions and presenting the potential of community branding. Two years ago, TRIDEC engaged in strategic planning and concluded that community identity was a major obstacle for the Tri-Cities. We went out for a Request for Proposal and selected Robert Brooks, who is very well recognized in the branding industry.

Rebranding Goals:

- Bring in tourist dollars.
- Put the Tri-Cities on the map as one of the Northwest's best destinations to live, work and play.
- Differentiate the Tri-Cities from other communities.
- Elevate the desirability of the Tri-Cities over every other destination in Eastern Washington (and then beyond).

Product Development Plan:

- Create a wayfinding system.
- Year Round Public market.
- Develop creative office space.
- Showcase gathering places.



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- Create an arts district.
- Emphasize small businesses.
- Performing arts venue.

Next Steps:

- Brand style guide.
- Jurisdictional presentations.
- Change agencies promotional materials to reflect the new brand.
- Form brand leadership team.
- Merchandise and product development.

Mr. Barnes thanked for team for their presentation and reaching out to the Port.

Mr. Moak asked about the rollout time frame expectations.

Ms. Matson stated they are currently working on the presentations, however, the first step will be to form a brand leadership team in January, which will be comprised of individuals from our jurisdictions and local business owners.

Mr. Adrian explained it will be important to reach out to different demographics when forming the leadership team. Creating the brand is not a three year plan, but will take considerably longer.

Mr. Moak believes it is important to get momentum behind the branding, even if it is over a long period of time, it needs to be successful.

Ms. Matson would like to get the jurisdictions on the same page, at the same time, then move forward on individual projects.

Mr. Barnes stated the Tri-Cities deficiencies identified by Mr. Brooks were a lack of: cultural depth; gathering places; and small, organic businesses. Mr. Barnes believes if the Vista Field redevelopment is executed properly and meets our goals and objectives, it will address all the deficiencies. Mr. Barnes thanked the team for their presentation and hopes to work with each organization and help with product development as we move forward.

Mr. Novakovich thanked for the team for their presentation.

B. 2015-2016 Work Plan Approved; Resolution 2014-33

Mr. Peterson stated the final 2015-2016 Work Plan is before the Commission for consideration and adoption, based upon the input and direction received from the October 13 and 14, 2014 meetings. The Port has an ambitious two years planned, with projects on Clover Island, Vista Field, City of Kennewick, West Richland, and the City of Richland.

PUBLIC COMMENT

Jim Wade, 1813 South Rainer Place, Kennewick. Mr. Wade inquired how the Port is able to fund all of the projects listed on the 2015-2016 Work Plan.

No further comments were made.



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COMMISSION COMMENT

Mr. Barnes stated the Port held a public workshop regarding the 2015-2016 Draft Work Plan on October 13, 2014 and had follow up discussions at the October 14, 2014 meeting. Mr. Barnes reassured Mr. Wade that the Port operates with a balanced budget, with funds in hand and we have the funds available for the outlined projects.

Mr. Novakovich indicated that the 2015-2016 Budget is the next item on agenda, which may answer Mr. Wade's question.

MOTION: *Commissioner Novakovich moved approval of Resolution 2014-33 adopting the 2015-2016 Work Plan, as presented; Commissioner Moak seconded.*

Discussion:

Mr. Moak stated, the book states Columbia Drive shows acquiring strategic properties and funding for the 211 Arts Development Building. Mr. Moak confirmed the Commission removed acquiring properties on Columbia Drive and the 211 Arts Development Building would be funded by potential land sales.

Mr. Peterson stated that is correct, acquiring Columbia Drive properties is not identified on the spreadsheet, and will be corrected in the booklet. The 211 Arts Development Building is listed in booklet, however, it is identified on the spreadsheet to receive second tier funding from land sale proceeds.

Mr. Moak would like it to be identified under the narrative of Columbia Drive.

Mr. Peterson will correct the narrative and clarify within the booklet.

Mr. Moak appreciates Mr. Peterson's efforts and stated the 2015-2016 Work Plan looks good.

Mr. Barnes asked if there should be an amendment.

MOTION: *Commissioner Moak moved to amend the motion, to correct and clarify the wording related to the Columbia Drive 211 Arts Development Building and acquisition of strategic properties on Columbia Drive. Commissioner Barnes seconded. With no further discussion, the motion to amend the motion carried unanimously. All in favor 3:0.*

Mr. Barnes reiterated the main motion on the floor, approving the 2015-2016 Work Plan.

With no further discussion, the amended motion carried unanimously. All in favor 3:0.

Mr. Barnes thanked staff for great work plan and is looking forward to the next two years.

C. 2015-2016 Preliminary Budget Hearing (see presentation)

Ms. Fine presented the 2015-2016 Preliminary Budget.

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



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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 and 2016 throughout the Tri-Cities.

It is 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 and 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 and 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 and 2016 budget highlights include the following:

- The 2015 and 2016 operating revenues are budgeted at \$2.16 million.
- The 2015 and 2016 operating expenses are budgeted at \$3.65 million.
- The 2015 and 2016 non-operating revenues are budgeted at \$7.92 million.
- The 2015 and 2016 non-operating expenses are budgeted at \$3.03 million.
- 2015 and 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 and 2016.

The Port's 2015 and 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



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methodology involves estimating the amount of time each staff member will spend in each individual division. Budgets also include several assumptions for 2015 and 2016, therefore, actual results may vary.

Marine Division

The Marine Division includes two functional workgroups: Lease and Asset Management and Haul Out and 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 and 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 and 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 and Asset Management, Property Operations and 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 and 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 and 2016 budget amounts.

2015 and 2016 Property Management Division operating revenues are budgeted at \$1,529,471. Total



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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 and 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 and 2016.

Economic Development and Planning Division

The Economic Development and Planning Division includes three functional workgroups: Engineering, Port Construction Services, and Planning. The Economic Development and 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 and 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 and 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 and 2016 is approximately \$8.9 million.

Real Estate Division

The Real Estate Division includes one main functional workgroup: Property Sales and 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.

Real Estate Division non-operating revenues from land sales (net the capital cost of land) is estimated to be \$200,000 for 2015 and 2016 and the non-operating expenses are budgeted at \$29,716.



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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 and 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 and 2016 is just over \$267,000. This amount includes direct staffing cost and indirect cost allocation.

CAPITAL BUDGET

The total capital budget for 2015 and 2016 is \$8.9 million as previously described in the Economic Development and 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 and 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.



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NEW PORT STAFF INITIATIVES

New staff initiatives for 2015 and 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 and 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.

Ms. Fine indicated the Final 2015-2016 Budget will be presented at the Special Commission Meeting on November 18, 2014, for Commission approval.

Mr. Barnes asked why there is a difference of \$1,715,000 for 2015-2016 capital expenditures in the preliminary budget versus the 2015-2016 Work Plan.

Ms. Fine indicated that \$1,000,000 has been allocated for staff time associated with capital projects, \$175,000 for unexpected capital expenditures, and the remainder will cover items such as; miscellaneous Port equipment, minor repairs at Oak Street, shoreline improvements, Commission Chambers technology upgrade, and upgrading the marina gates and security cameras.

Mr. Novakovich asked why there was 10% vacancy rate for marina.



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Ms. Fine stated it is conservative estimate and, typically during economic uncertainties, luxury items are the first to go.

Mr. Novakovich appreciates Ms. Fine's conservative budget.

Mr. Moak inquired if the marina rates are under-valued.

Ms. Fine indicated Ms. Hanchette has analyzed our facility and we are setting the market rate for the area. Our facility boasts many amenities, such as a restaurant, a pump out, a mobile pump out, a fuel station, and restroom facilities.

Mr. Arntzen stated the Port has been trying to maximize the revenue for the marina and keep our marina tenants happy.

Mr. Moak wanted to ensure that taxpayers of the Port District are not supporting the enhancements, provided in the marina.

Mr. Novakovich stated the marina is a highly profitable venture and the taxpayers are not subsidizing the upgrades.

Ms. Hanchette reported that for 2014, the Port created a new moorage agreement, raised the marina rates and required our tenants to increase their liability insurance from \$300,000 to \$1,000,000, which created an additional expense for our tenants.

It is the Board's consensus that the marina rate increase for 2015 is acceptable.

Mr. Novakovich stated the 2015-2016 Preliminary Budget Memo, prepared by Ms. Fine, is an outstanding document, which is very beneficial to the public. He thanked Ms. Fine for her hard work on the Draft 2015-2016 Budget.

Ms. Fine stated the Preliminary 2015-2016 Budget and the 2015-2016 Preliminary Budget Memo will be publicized on the Port website. Ms. Fine further stated, the law requires the Port to advertise for public comment two consecutive weeks prior to passing the final budget.

Mr. Barnes stated the Commission will formalize the 2015-2016 Budget hearing at the November 18, 2014 Special Commission Meeting.

PUBLIC COMMENTS

Jim Wade, 1813 South Rainer Place, Kennewick. Mr. Wade approves of the very thorough budget and inquired how the Port determines the rate for uncovered moorage.

Ms. Fine indicated the Port charges by the foot.

No further comments

COMMISSIONER COMMENTS

No comments were made.



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Mr. Barnes called for a recess of the meeting at 3:59 p.m. for approximately eight minutes.

Mr. Barnes reconvened the meeting at 4:08 p.m.

Mr. Barnes stated item C from the Consent Agenda was moved to the end of Agenda Item VI, Presentations, for the Commission's consideration.

D. PS Media Voucher

MOTION: *Commissioner Moak moved for approval of Consent Agenda Item C, for payment to PS Media; Commissioner Barnes seconded. Commissioner Novakovich recused himself. With no further discussion, motion carried. In favor 2:0. 1 abstained.*

REPORTS COMMENTS AND DISCUSSION ITEMS

A. Tri-Cities Rivershore Enhancement Council Update

Ms. Bader Inglima reported that the Port is continuing our involvement with the U.S. Corps of Engineers for the Clover Island Shoreline Enhancement Program. Ms. Bader Inglima had the opportunity to participate with the Tri-Cities Rivershore Enhancement Council in welcoming the new Lieutenant Colonel of the Corps of Engineers. Ms. Bader Inglima and Mr. Arntzen attended lunch with Commander Vail; and staff and joined the Commander on a bus tour of the different jurisdictional sites. Commander Vail, a biologist/engineer, was very impressed with the work the Port has completed on Clover Island and the West Causeway. Ms. Bader Inglima relayed to the Commander that the Port has been working with the Walla Walla Corps team, under his command, and encouraged the Commander to continue expediting the 1135 process.

B. Vista Field Master Plan Design Charrette Schedule

Mr. Peterson reported on the upcoming Charrette, which is scheduled from November 10-15, 2014 at Hangar B at Vista Field. Mr. Peterson stated on November 6, 2014, Visit Tri-Cities (formerly Tri-Cities Visitor and Convention Bureau) will hold their Annual Meeting and Tourism Showcase, and Andres Duany, of Duany Plater-Zyberk, will be the keynote speaker.

The Charrette Schedule is as follows:

- November 10, 2014, 9:00 a.m. – 4:00 p.m.: Pattern Language with Gary Black and 35 stakeholders.
- November 10, 2014, 5:00 p.m. – 8:00 p.m.: Opening Presentation and Pattern Language review.
- November 12, 2014, 9:00 a.m. – 10:30 a.m.: Regional Context and Impacts
- November 12, 2014, 10:30 a.m. – 12:00 p.m.: Transportation and Infrastructure
- November 12, 2014, 1:00 p.m. – 2:30 p.m.: Development Program and Mix of Uses
- November 12, 2014, 3:00 p.m. – 5:00 p.m.: Public Open Space and Public Art
- November 12, 2014, 6:00 p.m. – 7:00 p.m.: Design Walk-Through (recap of day)
- November 13, 2014, 9:00 a.m. – 10:30 a.m.: Architecture and Urban Design
- November 13, 2014, 11:00 a.m. – 12:30 p.m.: Development Economics, Finance and Implementation
- November 13, 2014, 6:00 p.m. – 7:30 p.m.: Mid-Term Pin-Up (recap of all sessions)
- November 15, 2014: 3:00 p.m. – 5:00 p.m.: Closing Presentation



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Mr. Peterson indicated that 14 members of the Vista Vision Task Force (V. V. T. F.) will be working with Gary Black on the Pattern Language, and the additional twenty-one seats were filled by members of our community who expressed interest in the redevelopment of Vista Field. Those seats were advertised via email and were determined on a first come basis response.

Mr. Peterson reported on the October 20, 2014 V. V. T. F. meeting, the task force discussed the importance of the redevelopment project and what it means to community. There is a growing concern of losing key properties which are not owned by the Port of Kennewick. The task force discussed how the Port should move forward with our partners, until the master plan is unveiled. The task force made a unanimous motion, to send a letter, on behalf of the task force, stating "the desire of the Vista Vision Task Force, is to protect the area of development and that would limit the master planning process." Mr. Peterson stated the task force would like to forward the letter to the City of Kennewick, for their consideration.

Mr. Peterson attended a meeting with Chuck Freeman, manager of Kennewick Irrigation District (KID), who could not speak for the KID Board, but understood that waiting to sell KID property could mean an increased value to property. The KID Board is looking for a formal request from the Port of Kennewick, to hold Vista Field property sales, until the master planning process is complete.

Mr. Arntzen asked Mr. Peterson if there were other properties the Port should be concerned about, other than KID properties.

Mr. Peterson stated the property boundary identified by KID, includes land owned by the city, county and private citizens, however, from a development standpoint, there are key pieces to the redevelopment within the boundary.

Mr. Arntzen confirmed with Mr. Peterson that the V. V. T. F. is requesting the Commission consider the following;

- A letter to KID, asking them to withhold selling property, inside the Vista Field boundary, for a six month period;
- A letter to the City of Kennewick, requesting a six month moratorium inside the boundary of Vista Field.

Mr. Peterson verified that the V. V. T. F. would like the Commission to send a letter to KID, requesting a six month hold on selling property within the boundary of Vista Field. Mr. Peterson inquired if the Commission desired to ask the City of Kennewick to consider a six month moratorium in Vista Field, so our effort for redevelopment is not lost.

Mr. Novakovich asked who approves the pattern language committee.

Mr. Arntzen stated the Commission has given guidance to Mr. Peterson on how we would assemble the pattern committee and in reviewing our policy and procedures, the Port Commission would impanel the committee. Mr. Barnes has the authority to put together a standing Ad-Hoc Committee.

Mr. Novakovich stated the Port of Kennewick is the leader in the development of Vista Field, and needs to be cognizant of the responsibilities and duties we have, to ensure that the development occurs successfully. Mr. Novakovich recommends staff prepare a letter to KID, requesting holding



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Vista Field property for six months. Furthermore, he recommends a similar letter to the City of Kennewick, requesting a moratorium on all new development in Vista Field. It is important that the Port protects the area until the master plan is completed, vetted and approved by the public and the Port, to ensure the development occurs in a proper way.

Mr. Barnes agrees with Mr. Novakovich, that the Port is the largest stake holder and leader of the redevelopment effort and it will take collaboration and team work to complete this project. Mr. Barnes believes there should be a temporary freeze to the layout and existing infrastructure, until the master plan is completed. The Port should be reaching out to the public, our partners and adjacent property owners, to join us in the master planning and redevelopment effort.

Mr. Arntzen stated if the Port requests a moratorium from the City of Kennewick, as the land managing agency, the city would pass a resolution and place an ordinance on all properties in the area

Mr. Novakovich inquired if the Commission is willing to prepare letters for KID and the City of Kennewick.

Mr. Barnes is in favor of preparing letters for KID and the City of Kennewick. Mr. Barnes believes the Port should reach out to the private property owners as well.

Mr. Arntzen confirmed with Ms. Luke, if the City proposes a moratorium on the area, do they notify all the property owners.

Ms. Luke believes it would be required, if there is an impact to the properties where the moratorium is proposed.

Mr. Moak believes the Port should communicate with the city, our jurisdictional partners and private landholders, in a positive manner and reach out to the private landholders and explain what the Port is doing, why we are doing it and how it will benefit our community. Once the Port has contacted the private landholders, it would then be beneficial to request the moratorium from the City of Kennewick.

Mr. Peterson confirmed that the proposed KID boundary is acceptable to the Commission. Mr. Peterson requested direction regarding the proposed communication with KID, the City of Kennewick, Benton County and private landholders.

Mr. Barnes is comfortable with KID's proposed boundary and believes the immediate vicinity is appropriate.

Mr. Novakovich stated it is Mr. Moak's desire to send a letter to each property holder, who would be encumbered by a moratorium.

It is consensus of the Commission to accept the Vista Field-KID boundary map.

Mr. Peterson thanked the Commission for listening to the V. V. T. F. input and supporting their efforts and recommendations.



REGULAR COMMISSION MEETING

PORT OF KENNEWICK

OCTOBER 28, 2014 MINUTES

Mr. Arntzen confirmed the following administrative duties with the Commission; staff has the authorization to create letters that capture the Commission sentiment and due to timing issues, to present the letters to the Commission President for signature.

Mr. Moak believes the Commission should formally vote for the Kennewick City Council, to adopt a moratorium, to be on the record.

Mr. Arntzen stated requesting a moratorium is a large item, which was not on the Agenda, and believes it should be advertised and addressed at the November 4, 2014 Special Commission meeting. Mr. Arntzen asked if the Commission would like staff to proceed with the letters and give the authorization for the President to sign the letters.

Mr. Novakovich stated timing is an issue and asked if the KID letter could be sent prior to their Board meeting on November 4, 2014.

Mr. Peterson stated he could present the letter to the KID Board at their meeting on Tuesday, November 4, 2014.

Mr. Arntzen confirmed that the Commission would like staff to prepare a letter for the KID, to be signed by the Commission President, regarding a six month hold on selling property within the Vista Field boundary. Mr. Arntzen also confirmed the Commission would like staff to prepare a resolution for the Kennewick City Council, to consider a moratorium for Vista Field properties for the November 4, 2014 Special Commission Meeting.

Mr. Peterson stated, if the Commission approves the resolution, he could present the request to the City Council at the evening meeting on November 4, 2014.

Mr. Novakovich confirmed with staff, if the Commission approves a resolution at the Special Commission meeting on Tuesday, November 4, 2014, the resolution and letter would go before the City Council at their Council meeting that evening.

Mr. Arntzen indicated that is correct and asked if a Commissioner is available to join Mr. Peterson at the Council Meeting.

Mr. Barnes believes the letter is stronger if it is supported by a resolution and Mr. Barnes asked if there could be staff communication in the interim.

Mr. Arntzen placed a call to Ms. Mosely earlier today regarding the V. V. T. F.'s request and will apprise Ms. Mosely the conversation at today's meeting.

Mr. Barnes confirmed staff will prepare a letter for the KID, for the Commission President to sign, communicate with the City regarding a moratorium at Vista Field and place a resolution for the Commission's consideration on the November 4, 2014 Agenda.

Mr. Arntzen asked how the Commission would like to formalize the selection of members for pattern language process on November 10, 2014.



REGULAR COMMISSION MEETING

PORT OF KENNEWICK

OCTOBER 28, 2014 MINUTES

Ms. Luke stated the Port Commission President has the authority to create the Pattern Language Committee, however, the President has the authority to delegate the task to the Executive Director, to create an Ad-Hoc Committee.

Mr. Barnes, under his authority as Commission President, delegates the Executive Director and staff to appoint members of the pattern language ad hoc committee.

C. November 4, 2014 Special Commission Meeting

Ms. Scott reminded the Commission of the Special Commission meeting November 4, 2014.

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

E. Non-Scheduled Items

1. Mr. Peterson attended the Alliance for a Livable and Sustainable Community (ALSC) Forum and Dave Andersen, Eastern Regional Manager of the Growth Management Services Office for the Washington Department of Commerce spoke on the economics of urbanism. His presentation fell in line with what the Port is trying to accomplish at Vista Field.
2. Ms. Bader Inglima stated the Port had a display at the ALSC Forum which featured Columbia Drive and Vista Field. It was a good opportunity to remind people about the upcoming charrette process. We spoke to many people and received a lot of positive feedback.

PUBLIC COMMENTS

Steve Mallory, 5822 West Yellowstone Avenue. Mr. Mallory thanked the Commission and staff for their support for the Alliance for a Livable and Sustainable Community (ALSC) Forum. Mr. Mallory indicated the forum was very successful and there were 105 people in attendance. Mr. Mallory believes it is important for the Port to invest in the brand analysis, but asked the Commission to consider reducing the Port contribution amount and allow other entities to invest. Mr. Mallory also offered to attend the Kennewick Irrigation meeting on November 4, 2014 with Mr. Peterson.

No further comments were made.

COMMISSIONER COMMENTS

No comments were made.

ADJOURNMENT

With no further business to bring before the Board; the meeting was adjourned at 5:09 p.m.



REGULAR COMMISSION MEETING

PORT OF KENNEWICK

OCTOBER 28, 2014 MINUTES

APPROVED:

**PORT of KENNEWICK
BOARD of COMMISSIONERS**

A blue ink signature of Don Barnes, written in a cursive style.

Don Barnes, President

A blue ink signature of Skip Novakovich, written in a cursive style.

Skip Novakovich, Vice President

A blue ink signature of Thomas Moak, written in a cursive style.

Thomas Moak, Secretary

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



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

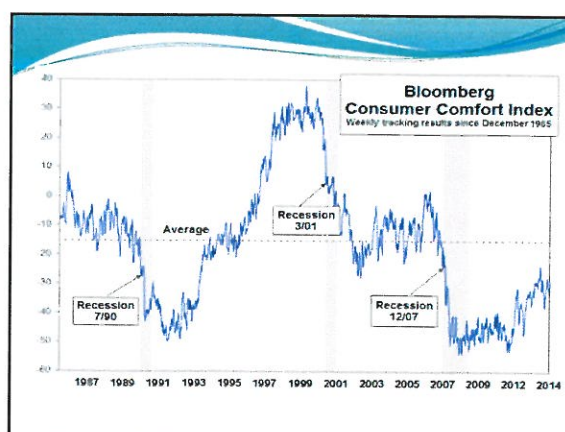
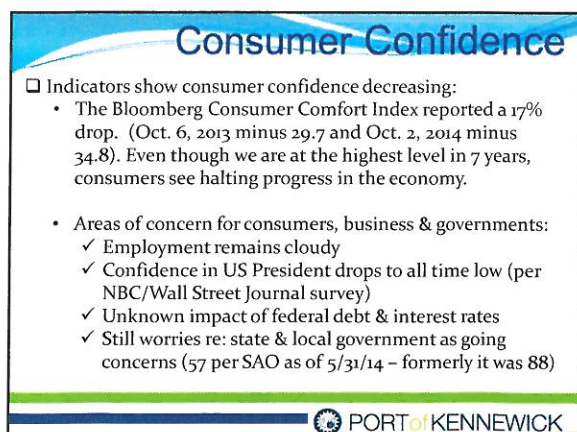
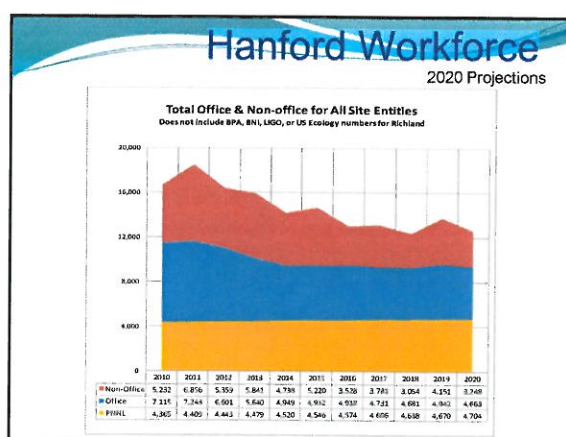
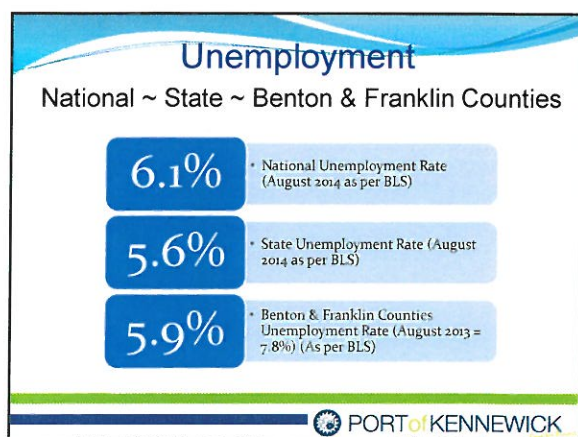
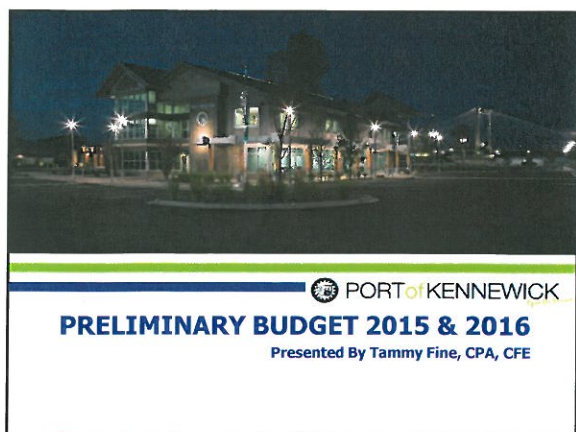
New staff initiatives for 2015 & 2016 include more education for staff in areas of innovative planning, real estate development, property management, accounting, auditing, and records management; updating Port policies and procedures to better assist Port staff and Commission on compliance as well as 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.

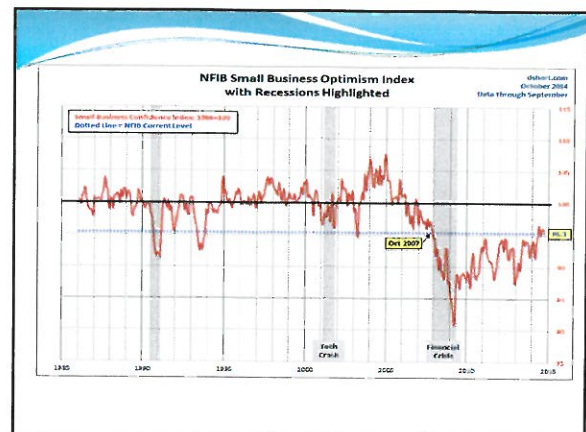
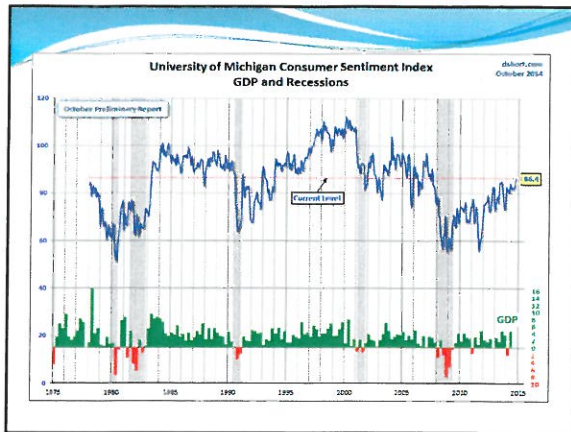
SUMMARY

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.

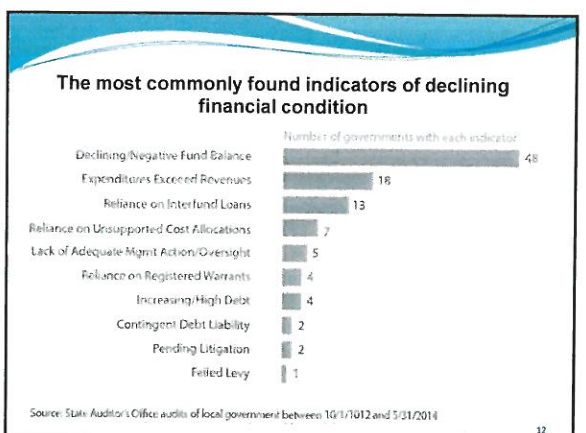
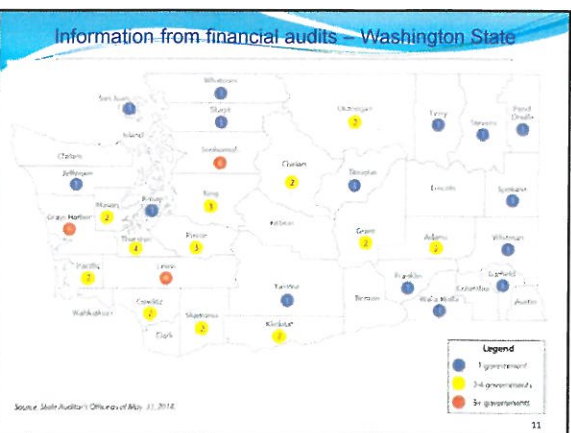
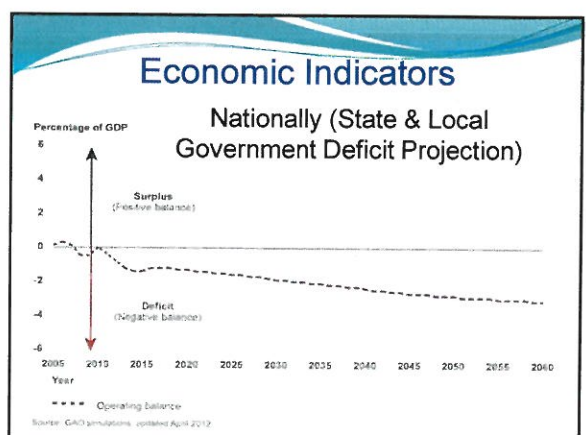


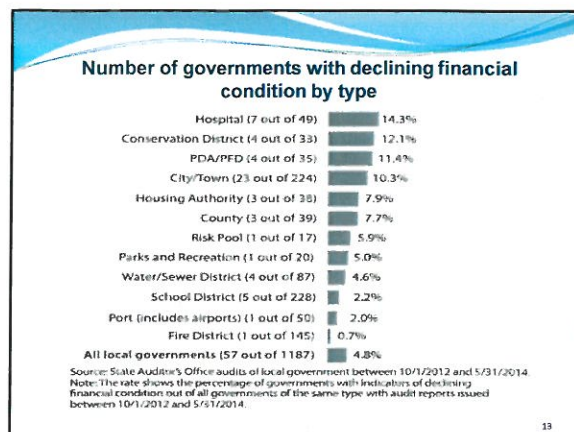


Washington State Auditor's Office

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? **PORT OF KENNEWICK ASSESSMENT ANSWERS**

YES Is there revenue in excess of expenditures to contribute towards capital outlays, transfers, increases in fund balances and/or other uses? **\$4.8m**

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? **Fund balances are declining to implement capital projects in accordance with Port policy.**

YES If fund balances are declining or negative, is there a formal action plan to reverse the trend?

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)?

\$170k What is the government's ability to deal with emergencies and unanticipated needs? **Budget \$170k 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 government's 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



 PORT of KENNEWICK

Port's Financial Outlook

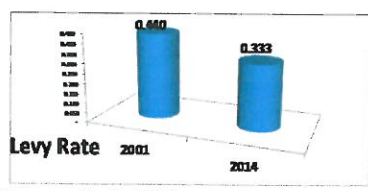
- Foster job creation in a fiscally responsible manner
 - ▶ Financial snapshot for last ten years shows:
 - ✓ Capital assets jumped **75% to more than \$51 million!**
 - ✓ Owner equity has **grown by 77% to \$50.9 million!**
 - ✓ All while virtually **debt free!**
 - ▶ **\$9.6 million in cash and cash 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!




Year	Levy Rate
2001	0.440
2014	0.333

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

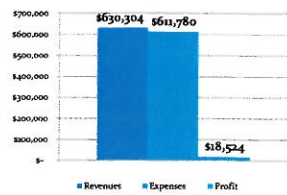
The Marine Division is comprised of two functional workgroups: Lease & Asset Management and Haul Out & Storage Operations. These workgroups are responsible for operations and management of marina leases, haul outs and storage, as well as repairs and maintenance for these facilities and all property connected 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

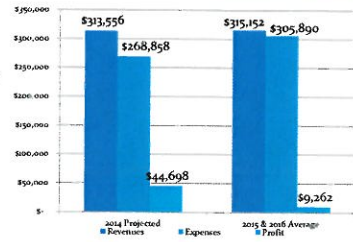
The average of 2015 & 2016 Marine Division Budget Compared to Projected 2014

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

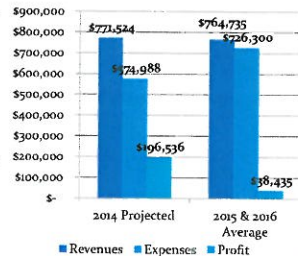
Budget Highlights

- 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 OSM 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

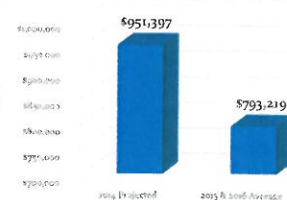
The average of 2015 & 2016 Corporate Division Budget Compared to Projected 2014

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.

Corporate Cost



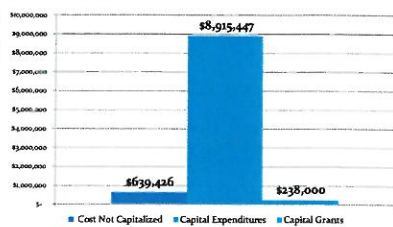
Economic Development & Planning

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.



PORT of KENNEWICK

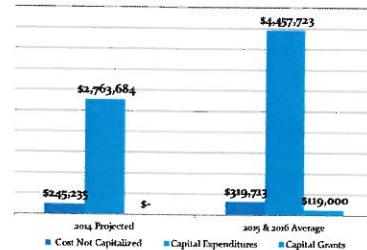
Economic Development & Planning

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.



PORT of KENNEWICK

Real Estate Division

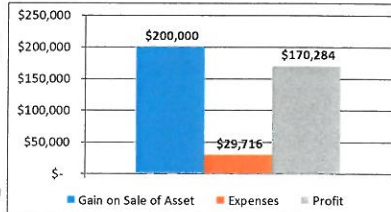
The Real Estate Division includes one main functional workgroup: Property Sales & Acquisition. The Real Estate Division deals with the process of selling surplus property and purchasing property in support of the business plans and infrastructure needs of the Port of Kennewick. This division also markets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



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Real Estate Division

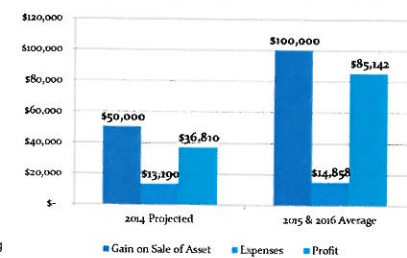
The average of 2015 & 2016 Real Estate Division Budget Compared to Projected 2014

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



PORT of KENNEWICK

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



PORT of KENNEWICK

Non-Operating Division

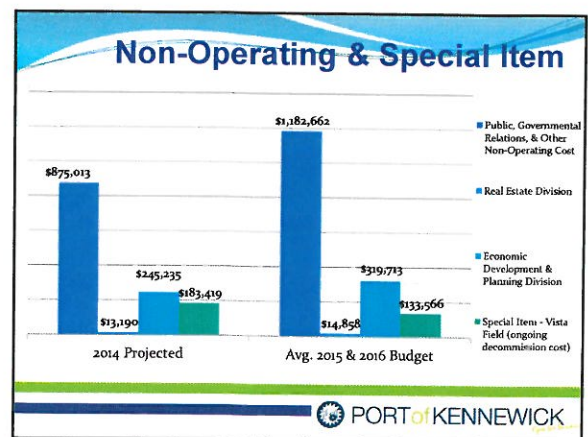
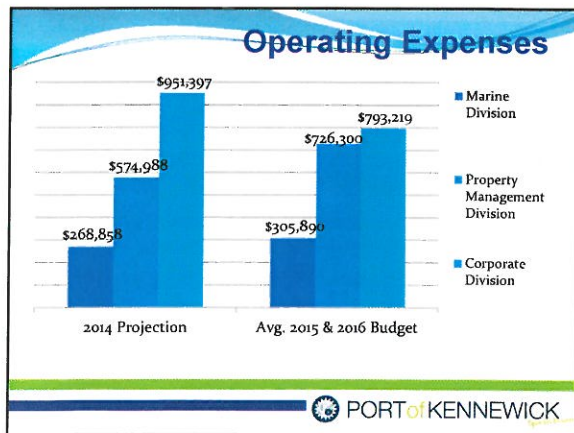
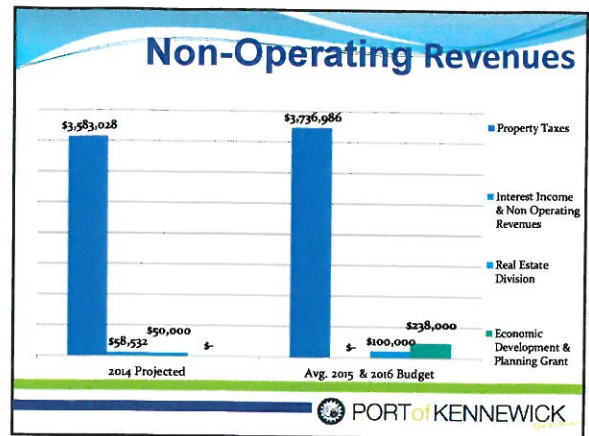
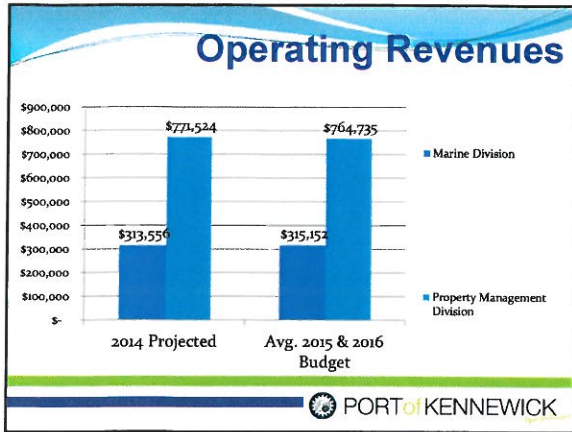
The average of 2015 & 2016 Non-Operating Division Budget Compared to Projected 2014

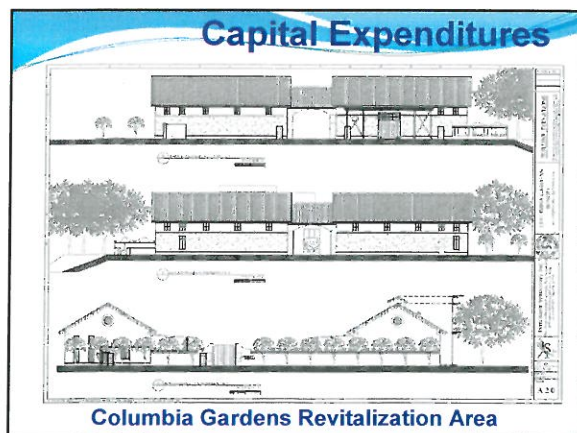
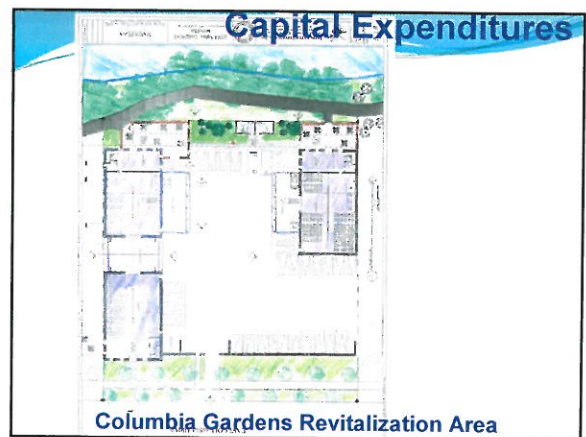
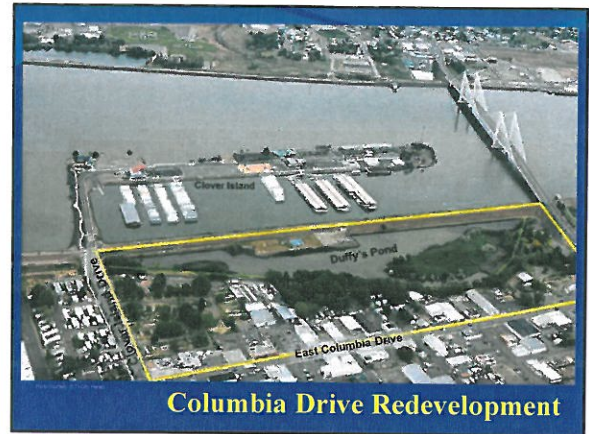
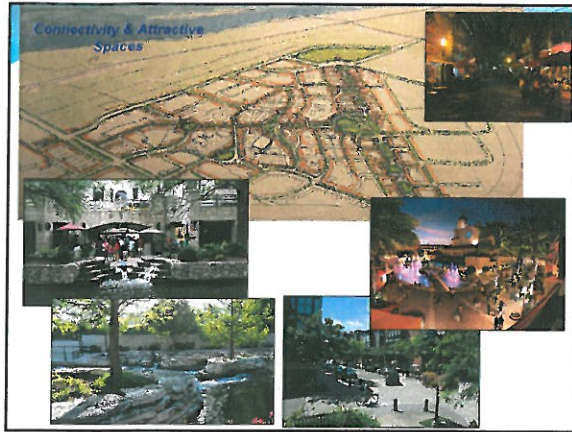
Budget Highlights

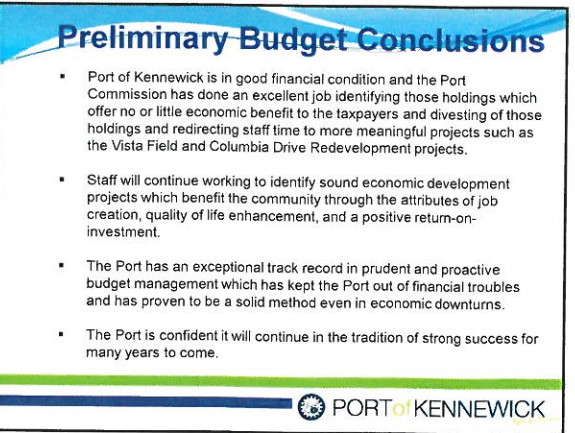
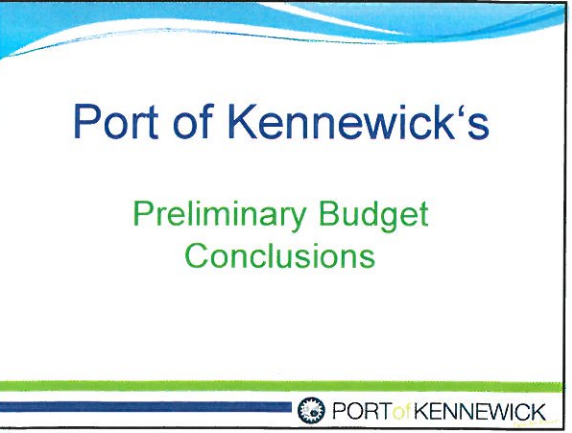
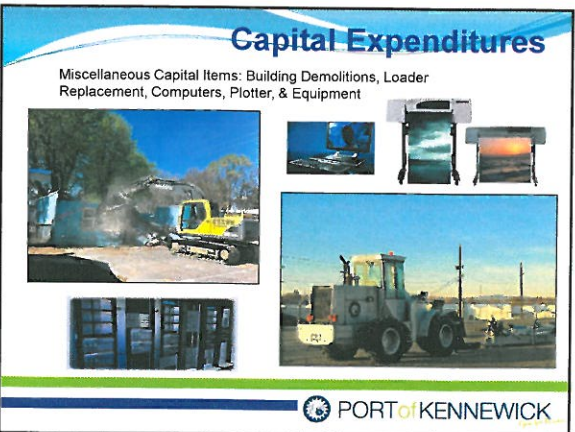
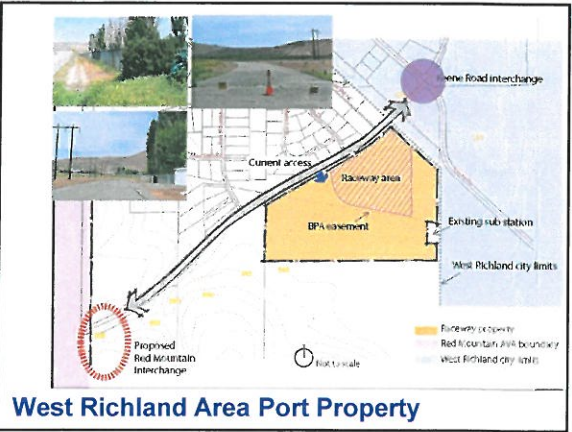
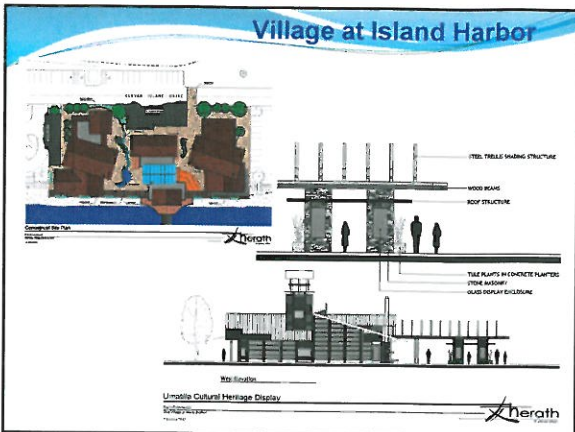
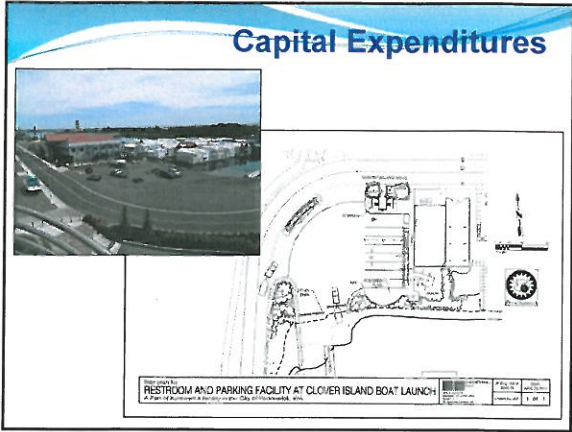
- Increase in 2015 & 2016 expenses include the following:
 - \$50k brand evaluation
 - \$50k for 100th celebration
 - \$45k website
 - \$40k wine & art consultants
 - \$90k port promotion & marketing
 - \$100k records management
 - \$80k Election & Audit Costs
 - 194% increase in staffing time spent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



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.*

 PORT of KENNEWICK


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.

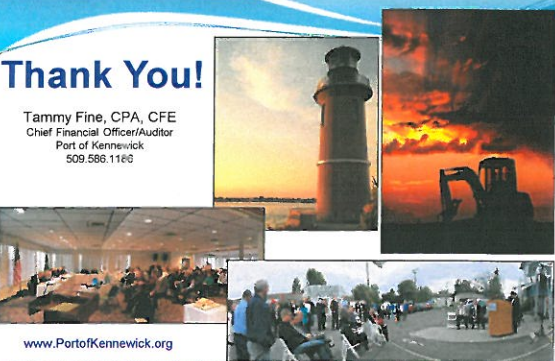
Recommendations for Governments & Businesses:

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.*


 PORT of KENNEWICK

Thank You!

Tammy Fine, CPA, CFE
Chief Financial Officer/Auditor
Port of Kennewick
509.586.1166



www.PortofKennewick.org

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