

From:

<[REDACTED]@[REDACTED]>

Subject: Letter of Concern

To: "Jay Hupp" <[REDACTED]@[REDACTED]>, "Tom Wallitner" <[REDACTED]@[REDACTED]>, "Jack Miles" <[REDACTED]@[REDACTED]>

Date: Sunday, April 10, 2011, 6:36 PM

Dear, Commissioners,

It is with a heavy heart that I come to you, and only after exhausting my unsuccessful attempts to correct an apparent conflict of interest that puts the Port of Shelton in jeopardy. A conflict of interest that has existed for the duration of my time at the Port of Shelton but which recently has reached an alarming state. What began as apparent subtle gifting of public funds* has now been lowered to outrageous and egregious abuses of authority, power, the public trust and gifting of public funds.

The Port of Shelton's Executive Director is in the final stages of preparing what I fear to be an "under the radar" (out of the Commissioners view) gift of a public asset to a private entity, at a substantial financial cost to the Port of Shelton as well as at a loss of unlimited profit potential. I can not, in good conscience, keep these details from you as Commissioners nor can I enable or participate in what I perceive to be less-than-ethical and less-than-legal behavior. I must bring these facts into the sunlight for you, the Commissioners, to see.

This letter concerns the fairground property. The Port of Shelton currently has commitments from various entities for approximately \$40,000 in rental use fees for May through October of this year. (I do not presently have access to the files and specific figures, but rather am working from memory.) Director Dobson's intention is to give that approximate \$40,000 revenue away for \$3,000 per month, or the equivalent of \$18,000 for this six-month period.

In addition to gifting(?) \$22,000 in revenue directly off the top, we are also investing thousands of dollars for the

benefit of a private entity, an entity established and managed exclusively by the close personal friends of Director Dobson, John and Rachel Hansen. Director Dobson takes the position that we will be saving on expenses related to maintaining the fairground property, but the evidence supports otherwise. For example, Director Dobson is planning on installing a new road**, at a cost of tens of thousands of dollars, investing in fixing the wiring for thousands more, investing thousands of dollars in Port staff time, committing to invest in roofing and committing to continuing to invest staff time and resources throughout the year to maintain the extensive grounds within the fenced area between the main gate and the fenced-in building area.

This Port of Shelton investment for a private entity is not standard operating procedure, in my experience. Typically, we rent our properties "as-is". In the event the Port of Shelton does invest in property improvements for the tenant the cost of such improvements are usually recovered via repayment from the tenant to the Port of Shelton (Examples are Sims Vibration Laboratory, Shearer Brothers, and so on).

Please note that these stated improvements are only the ones I am aware of at this point. Based on my past experiences I can predict with an assured accuracy that there is much more going on that I am not aware of.

However, the immediate profit loss to the Port of Shelton and profit gain to this private entity, which would seem to be a governmental gifting, under this arrangement is inconsequential compared to the overall long-term big picture and unlimited potential revenue lost to the Port of Shelton. The actual situation involves large losses. By the Executive Director's own calculations, the fairground facility stands to generate over \$500,000 the first year it is opened up for special events with a projected profit of \$200,000 - 300,000. Revenue generated by renting the facility is a small fraction of the overall total. The primarily source of revenue will be special events.

These events, events that the Port of Shelton has spent months talking about sponsoring for these same benefits, i.e. making large profits that could then be reinvested in the Port of Shelton. This is money that could go toward building a new special event facility, toward funds for build-to-suit for new and existing tenants, toward the cold storage facility the Executive Director has planned, and toward so many other worthwhile endeavors that are consistent with the goals and objectives of the Port of Shelton, namely, to create jobs, promote industry, and foster the local economy.

As things currently stand, this immense profit potential will be going to this private entity for years to come as dictated by Director Dobson, who stated emphatically no less than 4 times in a staff meeting Friday, [4/09/11](#) with myself, Al Frey and Wendy Smith, ***"I want to help build a business for John and Rachel"***, with a pronounced emphasis on ***"I want"***. He makes it very clear that this is a very personal endeavor for him, not a business decision. Director Dobson also stated during this same meeting that the goal was to eventually have a new event center in which the Hansens would be part owners in a public-private partnership he and the Hansens are working on putting together. Director Dobson referred to this as a "sweetheart deal" he is using to get the Hansens' business started.

Last year, the Port of Shelton's first year running the fairground facility, Director Dobson's argument was that the Hansens were "the only ones" who could "save the fair" and successfully run a special event. Given that the fair generated \$11,000 in profit last year with the Hansen's at the helm, the official figure according to Director Dobson (truly \$6,000 if you deduct the \$5,000 the Port of Shelton gave to them), while Oysterfest, also a single weekend event, generated somewhere in the neighborhood of \$400,000, according to Director Dobson, clearly putting all of our eggs in one basket with John and Rachel Hansen would not appear to be a financially sound business decision for the Port of Shelton, even if there were no "sweetheart deal". (On a side note, regarding the \$5,000 given to Rachel Hansen, (the check was more than likely made out to Northwest Event Organizers, Inc. but Rachel

personally picked it up from the Port office).) Director Dobson said to Debbi Hufana at a staff meeting "...I'll show you where to bury it", then laughed and said, "just kidding, the commissioners know about it". I believe at some point you as Commissioners did know (it may have been discussed at meeting?) but do not know when you knew and Director Dobson's statement seems to show that the initial intention was to keep it under your radar).

It has been my position all along that we, the Port of Shelton, should be organizing and running special events (which is not a unique business model with other governmental agencies, as I understand it) in addition to leasing out the facility to special interest groups who are interested in doing such. All along, until well into our meeting last Friday, Director Dobson has led us to believe this was a possibility. Even on Friday early on in our meeting Director Dobson asked, "Do you want to do it?" to which I responded, as I had each and every time when this question had been asked previously, "Yes!" (Not only I but other members of the staff feel that it should be done in-house as well, not outsourced). As recently as [March 23, 2011](#), Director Dobson, Al Frey and myself met and discussed the various special events we could sponsor and the substantial profit potential. We had a long list including an endless array of music festivals and events, various cultural events, a Haunted Fairgrounds at Halloween, a [Christmas](#) festival of lights, etc., etc., a long list. Director Dobson then took our plans and turned the ideas over to the Hansens, now telling us they were going to lease the fairground facility for the next three years, until a new facility is in place, and run the special events. All for \$3,000 a month for the first year, \$4,000 a month for the second year and \$5,000 a month for the third year. Considering they are planning on profiting \$200,000 to \$300,000 the first year, and paying rent of \$36,000 I would say that this is, indeed, one handsome "sweetheart deal" for Director Dobson's friends, the Hansens, and a huge loss to the Port of Shelton.

When asked why he does not want the Port to manage our own special events, Director Dobson's response is twofold

(1) "I don't want to be in the fair business" to which I have responded that it is not the "fair" business, it is the "special event" business which is a goldmine and one that he is not willing to allow us to do but yet is willing to give away, all the while acknowledging the huge profit potential it has, and (2) "we don't have the staff". Admittedly, initially the cost of additional staff would have to be funded outside of the profits, until such time as we have an event, however that would be short-lived. Once we are up and running the facility will be self-supporting, even according to Director Dobson's own calculations. Director Dobson then added another twist on [Friday](#), saying during our meeting "the commissioners are telling me to get rid of the fairgrounds" to which I responded "do they have all the facts? I don't believe they do."

My ongoing position has been *why* give this valuable asset away for a pittance? We do not need to outsource this; once again, doing such has no value to the Port of Shelton and will be at a huge cost to the Port of Shelton.

At a time when businesses are closing, to the tune of approximately \$300,000 annual loss in revenue to the Port of Shelton from Olympic Fabrication alone, downsizing and barely hanging on, now is the most opportune time for the Port of Shelton to be maximizing its assets and focusing on maximum revenue generation to the best of our ability.

I believe the evidence outlined in this email supports the position that Director Dobson has a conflict of interest due to his close and personal relationship with John and Rachel Hansen and that he is not able to make sound, objective business decisions for the welfare and benefit of the Port of Shelton, the community and the taxpayers, all to whom we have a fiduciary responsibility. I believe the evidence supports that Director Dobson, rather than looking out for the overall health and well-being of the Port of Shelton, is gifting away valuable Port assets, as well as gifting unlimited profit potential to his friends. At an absolute minimum, please consider having Director Dobson recuse himself from any and all interaction between the Port of Shelton and John and Rachel Hansen, Northwest Event

Organizers, Inc. and all entities they may create or be involved with now or in the future.

Somehow Director Dobson's compass seems to have lost the ability to define magnetic North, the navigational system has completely malfunctioned and it feels as though he has us heading toward a looming mountainside in a dense fog. Together we can recalibrate and restore the system, correcting the course to lead us back to the safety and serenity of good stewardship and responsible government. Please join me in working toward this goal.

To summarize, it is my belief that the Port of Shelton's ethical standing and financial well-being is in jeopardy of being tarnished and all involved being pulled into the insidious vortex created by Director Dobson's choices. The Executive Director is planning on leasing the fairground facility to close personal friends in what he blatantly calls a "sweetheart deal" to get them "started in their business". This would be at a great financial loss to the Port of Shelton while at the same time an unlimited profit potential for his personal friends, John and Rachel Hansen. There are no plans that I am aware of which would open this up to the public process, allowing other entities to compete for the same opportunity. Also please note that I believe another motivation of Director Dobson undervaluing this asset is to keep the limits of the contract within his scope of authority, therefore keeping this arrangement under the radar until such time as the agreement has been consummated with signatures.

The Hansens' and Director Dobson's goal is to use public funds as "seed money" (Director Dobson's words) to get the Hansen's private business up and running with the intention of eventually entering into a private-public partnership where John and Rachel Hansen (or one of their entities) are "part owners in the end" (Director Dobson's words at our meeting on [Friday](#)). The Executive Director made it very clear that his goal is to get "John and Rachel started in business". This, in my view, is an outrageous abuse of the use of public money as well as an abuse of the public trust. The close personal relationship between Director Dobson

and the Hansens presents a clear conflict of interest, which, in my opinion, is evidenced by these actions. However, this deal would be unconscionable even if the Hansens were strangers.

I believe it is in the best interest of the Port of Shelton to finish 2011 fulfilling the commitments we have as they currently stand with other entities (PSER, Oysterfest, etc.) in addition to leasing the facility to the Hansens for the fair in the same manner as with these other entities and hold off on making any commitments as they pertain to renting the entire facility for large blocks of time and other special events until such time we can properly assess (1) whether the Port of Shelton itself should manage and reap the profits from special events at the facility (2) if not, what is a fair price to lease the facility and (3) should it be open to the public process, giving other event organizers an equitable chance to be involved in this opportunity.

Please be aware that signing of the contract I am referencing between Director Dobson and John and Rachel Hansen aka Northwest Event Organizers, Inc., is imminent therefore quick action is required.

Thank you very much for your time, consideration and anticipated timely action.

Best Regards,

A black rectangular redaction box covering the signature of the sender.

*Please note that the Port of Shelton arrangement for the fair in 2010 with John and Rachel Hansen, aka Northwest Event Organizers, Inc., was also highly unusual. Director Dobson had agreed to allow them to rent the facility with no set fee, but rather a split of the profits, up to a specified amount (somewhere around \$11,000). However, the Hansen's refused to have an open accounting system, to share any type of financial data as it pertained to the running of the fair or any type of profit and loss statement. John Hansen's words to me were "I don't want anyone to know how much we made!" Under Director Dobson's direction the Port of Shelton was going to enter into this

arrangement based on faith in the Hansens' word alone. In addition, Director Dobson told me that the Port's expenses would not be factored into this equation: their expenses would but ours would not. Only after the Finance Manager and myself insisted on some sort of accounting did Director Dobson finally agreed to have in the contract that if they paid less than the cap amount the Port would have the option to review their accounting (note it was still discretionary, not mandatory as the Finance Manager and I had requested). Even in that circumstance, Director Dobson and the Hansens agreed that the only person who would have access to their accounting as it pertained to the fair would be Director Dobson himself.

In addition to this egregiously less than transparent agreement, the \$5,000 given to them (gifted?) "for marketing" was an investment that was exclusive to them. No other entities that rented our facility were given the same benefit. In addition, the Hansens had unprecedented free access to the facility prior to the event, without charge, for somewhere in the neighborhood of two weeks. Lastly, the Port of Shelton invested thousands of dollars and man-hours in preparation for their event.

**Regarding the new road, Director Dobson at the last meeting changed the parameter from it being an asset we are installing for the fair to now it is just part of a "full parameter road" he wishes to have in place (even though it will not be on the parameter).

[REDACTED]

April 29, 2011

Michael K. Dorcy
Mason County Prosecuting Attorney
P.O. Box 639
521 N 4th Street
Shelton, WA 98584

RECEIVED

APR 29 2011

MASON COUNTY
PROSECUTOR

Dear Mr. Dorcy,

I am an employee of the Port of Shelton. The Port of Shelton does not publish, and to the best of my knowledge does not have, policies and procedures for "whistleblowers". I have, nonetheless, made a whistleblower complaint to the port Commissioners. The result has not been satisfactory. Given that there are no policies and procedures in place to investigate complaints, the Commissioners, I believe, are investigating me rather than the complaint.

So, pursuant to RCW 42.41 (6) I am reporting what I believe to be improper government action directly to your office. You are authorized to disclose my identity to the Port of Shelton. Please find attached to this letter my original email to the port Commissioners, emailed to them on April 10, 2011, Exhibit "A", which is incorporated by reference herein. My original email contained a factual error, which I corrected via a second email, also sent to the Commissioners. Please find the correction attached and incorporated by reference herein, Exhibit "B".

As stated to the Commissioners, it is with a heavy heart that I take these steps. I have no reason in the world other than a responsibility to the public to report Executive Director Dobson's conduct.

I will be available to discuss what action you intend to take and will cooperate fully with your investigation into my allegations.

Sincerely,
[REDACTED]
[REDACTED]
[REDACTED]@gmail.com

Attachment: Email to Port of Shelton Commissioners

EXHIBIT "B"

from [REDACTED]
to Jay Hupp [REDACTED]
Toms Mail [REDACTED]
"isell" [REDACTED]
cc [REDACTED]
date Wed, Apr 13, 2011 at 8:15 AM
subject ED Delegation of Authority

Dear Commissioners,

The Delegation of Authority To The Executive Director provides for signing leases up to \$2,000 per month I so would like to make that correction as it pertains to my Letter of Concern, mailed 4/10/11.

Thank you,

[REDACTED]

[REDACTED]

[REDACTED]

Port of Shelton

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