



Commissioners

Tom Albro
Commission President
Bill Bryant
John Creighton
Rob Holland

Tay Yoshitani
Chief Executive Officer

P.O. Box 1209
Seattle, Washington 98111
www.portseattle.org
206.787.3000

**APPROVED MINUTES
COMMISSION REGULAR MEETING MARCH 12, 2013**

The Port of Seattle Commission met in a regular meeting Tuesday, March 12, 2013, at Port of Seattle Headquarters, Commission Chambers, 2711 Alaskan Way, Seattle, Washington. Commissioners Albro, Creighton, and Holland were present. Commissioner Bryant was absent.

1. CALL TO ORDER

The regular meeting was called to order at 1:10 p.m. by Tom Albro, Commission President.

2. EXECUTIVE SESSION pursuant to RCW 42.30.110

None.

PLEDGE OF ALLEGIANCE

3. APPROVAL OF MINUTES

Please refer to the Unanimous Consent Calendar.

4. SPECIAL ORDER OF BUSINESS

None.

ANNOUNCEMENT

Commissioner Albro announced acceptance of applications during the period March 16-22, 2013, from prospective appointees to fill the vacancy in Commission Position No. 3 that becomes effective March 15, 2013. He reported that first-time applicants would be asked to address the Commission at its public meeting on March 26 and that there will be a moderated town-hall-style meeting with finalists on April 2 at 6:00 p.m. at the Port's headquarters at Pier 69. He stated the Commission hopes to fill the Position No. 3 vacancy at the end of April or early May.

5. UNANIMOUS CONSENT CALENDAR

[Clerk's Note: Items on the Unanimous Consent Calendar are considered routine and are not individually discussed; however, Port Commissioners receive the request documents prior to the meeting and may remove items from the Consent Calendar for separate discussion and vote in accordance with Commission bylaws.]

- 5a. Approval of the minutes of the regular meeting of January 8, 2013.
- 5b. Approval of the [Claims and Obligations](#) for the period of February 1, 2013, through February 28, 2013, in the amount of \$36,208,767.08.

Motion for approval of consent items 5a and 5b – Creighton

Second – Holland

Motion carried by the following vote:

In Favor: Albro, Creighton, Holland (3)

Absent for the vote: Bryant

PUBLIC TESTIMONY

As noted on the agenda, public comment was received from the following individual(s):

- Roger McCracken of Masterpark, LLC. Mr. McCracken spoke in opposition to the lease with ATZ Inc. in agenda item 6c, noting a competitive advantage to ATZ's not having to disclose to the public Airport access fees that are passed on to customers.

6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS

- 6a. **Second Reading and Final Passage of Resolution No. 3678: A Resolution of the Port Commission of the Port of Seattle setting the annual salary compensation of Port of Seattle Commissioners at the same amount as paid to legislators in the State of Washington.**

Request document(s): Commission agenda [memorandum](#) dated March 6, 2013, [Resolution No. 3678](#), and [letter](#) from Commissioner Albro dated February 26, 2013, provided by Mary Gin Kennedy, Director of Commission Services.

There was no presentation at this time. The Port Commissioners received presentations on Resolution No. 3678 on February 26, 2013, and during its consideration on March 5, 2013, and the request documents were distributed for review prior to the meeting of March 12, 2013.

Motion for Second Reading and Final Passage of [Resolution No. 3678](#) – Albro

Second – Holland

Motion carried by the following vote:

In Favor: Albro, Creighton, Holland (3)

Absent for the vote: Bryant

Without objection, the following agenda item –

- 6b. **First Reading of Resolution 3677: A Resolution of the Port Commission of the Port of Seattle establishing a rates and charges methodology and other policies for the use of facilities at Seattle-Tacoma International Airport; and authorizing the Managing**

Director, Aviation Division to calculate Airline rates and charges in accordance with said methodology, and implement all other provisions of this Resolution.

– was indefinitely postponed.

Commissioner Albro stated that conversations between Port staff and Alaska Air Group regarding a possible lease alternative to a rates and charges resolution continue and opined that if terms of a lease are not recommended by staff by the first Commission meeting in April, the Commission should proceed with adoption of a resolution establishing Airport rates and charges.

Without objection, the following agenda item –

6c. Authorization for the Chief Executive Officer to execute a lease, substantially as drafted in the attached Exhibit 1, with ATZ Inc. (ATZ), for a term of five years, with two, five-year extension options, upon mutual agreement between the Port and ATZ, for operation of the parking facility commonly known as the Doug Fox Parking Lot located north of 170th Street and east of the North Airport Expressway in the City of SeaTac.

– was indefinitely postponed.

Without objection, the following agenda item –

6d. Authorization for the Chief Executive Officer to advertise for, award, and execute a major public works contract for the construction of the Doug Fox Parking Lot Service Upgrades Project in the amount of \$3,322,000 for construction, construction management, project management, and other soft costs. This amount is in addition to \$1,796,000 previously authorized for a total project budget of \$5,118,000.

– was indefinitely postponed.

6e. Authorization for the Chief Executive Officer to: (1) increase the project budget by \$565,520 for the United Airlines Tenant Improvements Project; (2) increase the project budget by \$484,410 for the Delta Ticketing and ATO Modifications Project; (3) issue two change orders totaling \$950,000 for Contract MC-0317304, Delta Lobby/Airline Ticket Office (ATO) United TKT/ATO RMM Abatement On Call 2012 for additional asbestos abatement required to complete both the Delta Air Lines and United Airlines projects; and (4) extend the contract end date through November 15, 2014. The total amount of this request is \$1,049,930.

Request document(s): Commission agenda [memorandum](#) dated March 7, 2013, and [presentation](#) slides provided by Ralph Graves, Managing Director, Capital Development, and Dwight Rives, Director, Port Construction Services.

Presenter(s): Mr. Graves and Mr. Rives.

The Commission received a presentation that included the following relevant information:

- The budget increase is necessitated by additional asbestos abatement required and discovered during construction;

- The request for extension of the contract end date reflects that work in progress will extend beyond the original date;
- The location of the simultaneous projects, which are being conducted in public areas of the Airport, were presented;
- A description of the abatement containment process was provided;
- Original abatement documents and budget estimates were developed at the stage of 30-percent design in order to accommodate the accelerated schedule for airline realignment;
- Phasing changes and airline requests, as well as discovery of additional abatement areas, contributed to the need for budget increases; and
- There are two change orders associated with the increases, one of which has already been issued for \$410,000 as a critical work under the Port's Delegation of Authority provisions (Resolution No. 3605, as amended by Resolution No. 3628), and another that would be issued for \$540,000.

In response to Commissioner Albro, Mr. Rives reported that in addition to the combined change-order increase of \$950,000, there are project management soft costs of approximately \$99,000.

Motion for approval of item 6e – Creighton

Second – Holland

Motion carried by the following vote:

In Favor: Albro, Creighton, Holland (3)

Absent for the vote: Bryant

6f. Authorization for the Chief Executive Officer to execute a contract for elevator and escalator maintenance and repair services for all elevators, escalators, and moving walks at the Seattle-Tacoma International Airport for the period May 1, 2013, through January 1, 2014, in an amount not to exceed \$1,898,236 with the right to extend the contract for an additional six months.

Request document(s): Commission agenda [memorandum](#) dated March 4, 2013, provided by John Christianson, General Manager Aviation Maintenance, and Stuart Mathews, Senior Maintenance Manager, Mechanical and Conveyance Systems.

Presenter(s): Mr. Mathews.

The Commission received a presentation that included the following relevant information:

- The existing authorization dating to December 6, 2011, provided for procurement of these maintenance and repair services through a State of Washington Conveyance Maintenance and Repair contract that was not extended by the State Department of Enterprise Services as expected;
- This request would ensure provision of maintenance and repair services for elevators, escalators, and moving walkways at the Airport regardless of the outcome of and despite

- possible delays in the state's rebidding of its conveyance maintenance and repair contract;
- Kone Inc., the recommended contractor in the direct Port contract, is currently providing the services through the state contract, and could potentially be awarded the new state contract; and
- Use of the state contract, when available, provides a contracting method for local agencies and may again be used by the Airport in the future.

Motion for approval of item 6f – Creighton

Second – Holland

Motion carried by the following vote:

In Favor: Albro, Creighton, Holland (3)

Absent for the vote: Bryant

7. STAFF BRIEFINGS

7a. 2012 Financial Performance Briefing.

Presentation document(s): Commission agenda [memorandum](#) dated February 25, 2013, 2012 [Financial and Performance Report](#), and [presentation slides](#) provided by Dan Thomas, Chief Financial and Administrative Officer, and Michael Tong, Corporate Budget Manager.

Presenter(s): Mr. Thomas; Mr. Tong; Ralph Graves, Managing Director, Capital Development Division; Borgan Anderson, Director, Aviation Finance and Budget; and Boni Buringrud, Director, Seaport Finance and Budget.

The Commission received a presentation that included the following relevant information:

Portwide Overview

- Total 2012 operating revenues were \$521.6 million, which was \$38.5 million, or eight percent, above 2011 actuals; of these, approximately \$25 million were due to aeronautical revenues related to capital costs and about \$9 million in accounting changes related to customer facilities charges;
- Operating revenues for 2012 were \$4.8 million, which was 0.9 percent, above budget;
- 2012 Portwide operating expenses were \$298 million, which was \$11.9 million, or 3.8 percent, below budget, and all divisions' expenses were under budget;
- Net operating income before and after depreciation was presented and both figures were above budget;
- Challenges facing the 2013 budget include a new lease arrangement with Total Terminals International at Terminal 46 that will result in reduced revenues for 2013 and the potential for a new rates and charges system at the Airport that may result in changes to Airport revenue in 2013;
- A new 2013 revenue forecast is being developed and cost savings are being examined, including in the area of capital improvement projects, and a presentation on the revised forecast is anticipated for the Commission on April 2, 2013;

- Major revenue and expense variances were presented, as was a net operating income comparison for the years 2006-2012;
- Port operating revenue in 2012 of \$521.6 million is a new record, and the net operating income before depreciation of \$223.7 million was the highest since 2008, although still lower than pre-Recession levels;
- Total revenues in 2012 were \$727.7 million, which was \$6.2 million above budget;
- The negative variance for depreciation expense was \$8.8 million higher than budget due to additional assets and accounting changes related to bond refunding for Terminal 18;
- Revenue bond interest expense was below budget by \$13.6 million;
- A negative variance for public expense, which was \$15.3 million over budget, is related to capital improvements for the Rental Car Facility Off-Site Roadway Improvements project that were accounted as an expense when the improvements were transferred to the City of SeaTac;
- Non-operating expenses were over budget approximately \$26.4 million due to retirement of the C-22 baggage handling system; and
- Capital spending for all divisions was below budget in 2012, for a positive variance of \$52.1 million.

RECESSED AND RECONVENED

The regular meeting was recessed at 1:56 p.m. and reconvened at 2:01 p.m., chaired by Commissioner Albro, and the Commission returned to consideration of –

7. STAFF BRIEFINGS

7a. 2012 Financial Performance Briefing.

Presentation of the following relevant information continued:

Aviation

- 2012 enplanements rose 1.2 percent over 2011;
- Operating costs were below budget by \$8.5 million;
- Non-airline revenues rose 7.0 percent over 2011 and 2.3 percent over 2012 budget;
- Actual cost per enplanement was \$13.17, below the budgeted amount of \$13.25;
- Approximately 74 percent of budgeted capital expenses were spent;
- 2012 international enplanements rose by 8.8 percent over 2011, contrasted with domestic enplanement growth of only 0.5 percent;
- Unanticipated abatement challenges for regulated materials resulted in higher-than-budgeted environmental remediation liabilities;
- Net operating income was higher than budgeted and higher than 2011 actual;
- Relatively high debt per enplaned passenger was compared to higher-than-budgeted debt service coverage, and the trend for debt per enplaned passenger continues to drop gradually since there is no new debt factored in the 2013 budget projections;
- Additional debt is anticipated in 2014;
- Customer facility charges have contributed to a rise in non-aeronautical revenue;
- Concessions revenue is above budget, and sales per enplaned passenger in 2012 was \$10.91, above the budgeted \$10.42;

- The drop in public parking revenue is partly due to the loss of about \$388,000 resulting from a credit-card processing error;
- Expenses and net operating income were presented;
- Central runway maintenance costs were highlighted;
- Cost per enplanement was presented by category;
- Cash flow in 2012 was higher than budgeted; and
- Capital spending was below budget;

Seaport

- Net operating income exceeded budget by \$7.2 million;
- Major work completed included the Port/BNSF Railway land exchange at Terminal 5, dock condition assessments at Terminals 25 and 30 and Pier 66, and Terminal 18 pile cap pilot project;
- A lease amendment was executed with Total Terminals International at Terminal 46 to extend the lease to 2025, and a seven-year lease extension was executed with Cruise Terminals of America for operation of the Port's cruise terminals;
- Business performance for the cruise, container, and grain business lines was summarized and contrasted to the growth experienced by Canadian ports;
- Attainment of Seaport environmental goals was summarized, including approximately \$2 million in insurance recoveries for environmental clean-up efforts;
- Net operating income was \$7.2 million, or 14 percent, above budget;
- Key revenue variances, totaling a positive variance of \$5.3 million, were summarized;
- Key expense variances were summarized;
- Net operating income was presented by business group; and
- Capital spending was below budget, but less so than in past years;

Real Estate

- Net operating income exceeded budget by \$674,000, due to favorable expense variances outpacing negative revenue variances;
- A new management agreement for the Conference and Event Center, executed April 4, 2012, is expected to return better revenues to the Port in the future;
- Sales of portions of the Eastside Rail Corridor were executed to King County and the City of Kirkland;
- Marine Maintenance achieved 78-percent completion of deferred maintenance projects, enjoyed their lowest occupational injury rate ever of 9.87, received environmental recognition awards, and continues to actively support workforce development goals;
- Commercial occupancy was 91 percent, higher than the market average of 88 percent;
- Occupancy at Fishermen's Terminal and the Maritime Industrial Center was 74 percent, below the 84-percent target, due in part to movement of fishing vessels to Alaskan and smaller Washington ports, and recreational marinas had 93 percent occupancy, slightly below the target of 94 percent but significantly higher than area competitors;
- Key revenue variances totaling approximately \$1.1 million below budget were summarized, as were key expense variances totaling about \$1.8 million above budget;
- Net operating income before depreciation was summarized; and
- Capital spending was about 33 percent of budget;

Capital Development

- Process-improvement-related projects were noted;
- Average percentage of soft costs for construction projects during the period 2010-2012 was 22 percent, although the aggregate percentage during 2012 grew to almost 30 percent;
- Cost growth during construction was summarized based on key indicators;
- The target for cost growth during construction is no more than five percent for mandatory changes and no more than five percent for discretionary changes;
- Design schedule growth and construction schedule growth were summarized based on key indicators;
- A summary table of cost and schedule growth for 2012 was presented;
- Procurement time by the Central Procurement Office for 2012 for goods and services was 125 days; major public works was 61 days; small works was 50 days; and service agreements was 202 days;
- Expenses were over budget by 6.2 percent due to accommodation of projects that were required after establishment of the 2012 budget;
- Charges to capital projects showed a negative variance of \$716,000, although salaries and benefits showed a positive variance of approximately \$1.8 million; and
- An owner-controlled insurance program in effect during passenger terminal renovations and construction of the Third Runway requires annual payments that failed to be budgeted in 2012 and were drawn from the Capital Development Division;

Corporate

- Century Agenda outreach was noted;
- Airport Jobs helped place people into 1,088 jobs with Airport employers;
- There were 125 Apprenticeship Opportunity Project placements;
- Additional measurements of Corporate performance were presented;
- Total revenues were \$293,000 above budget due to unbudgeted police grants but were \$1.1 million lower than 2011 actual revenue due to the 2011 American Association of Port Authorities conference revenue;
- Due primarily to savings in position vacancies and delayed hiring, expenses were \$3.4 million below budget;
- Major expense variances were summarized; and
- Corporate cost as a percentage of total operating revenues was 14 percent for 2012, lower than 2012 budget and 2010 and 2011 actuals.

Commissioner Albro commented on the need for forecasted capital spending to be closer to actual to prevent overburdening operating divisions or property taxes. Mr. Thomas noted that the funding plan is also continually updated as spending forecasts are adjusted. Commissioner Creighton requested additional information about tax levy funds assessed but not spent in 2012.

Commissioner Albro requested more information on targets for improving Central Procurement Office procurement times.

Commissioner Albro requested more information on how many new businesses are represented on the Port's new Procurement Roster Management System as opposed to existing businesses previously listed on the former roster system.

Commissioner Creighton requested a briefing during preparation of the 2014 budget on planning for the salary and benefit resolution. There was a discussion on the pressures of rising health-care costs and the best way to balance these costs and provide quality, affordable health care to Port employees.

7b. 2012 Treasury Briefing.

Presentation document(s): Commission agenda [memorandum](#) dated February 15, 2013, and [computer slide presentation](#) provided by Craig J. Kerr, Treasury Manager.

Presenter(s): Mr. Kerr.

The Commission received a presentation that included the following relevant information:

- The Port employs a 2.0 duration target strategy of plus or minus 50 basis points, which equates to about 27 months;
- The Port's strategy of balancing return and risk over cycles outperforms the market when rates are falling and underperforms when rates are rising;
- The Port's benchmark is the Bank of America Merrill Lynch Treasury/Agency Three-Year Index;
- Portfolio composition was summarized;
- Interest-rate trends for 2012 were summarized, including yield rates for federal funds and two- and five-year agency funds;
- Treasury yield curve rates for 2011 and 2012 up to 360 months were presented;
- 2012 yields for the Port's pool were compared to the benchmark, demonstrating a Port yield of 1.02 percent versus the benchmark yield of 0.31 percent;
- Portfolio earnings for 2008-2012 were presented;
- The Port pool's yield history over an 11-year period was presented, demonstrating an overall yield of 3.17 percent versus the benchmark of 2.24 percent;
- The same data was presented as a graph showing the trend for the Port's strategy to outperform the market when rates fall and underperform when rates rise;
- The size of the Port's investment portfolio in 2012 was \$944 million and has fluctuated between \$639 million and \$976 million; and
- The investment pool participating funds were summarized.

Mr. Kerr noted that capital spending reduces the portfolio and bond issues to fund projects increase the portfolio. Commissioner Albro asked for more information on comparison of the Port's investment performance to the performance of King County's treasury function.

8. NEW BUSINESS

None.

ANNOUNCEMENTS

Dan Thomas, Chief Financial and Administrative Officer, reported a successful sale of the general obligation bonds authorized to be refunded on March 5. The Port achieved present value savings of \$16.1 million, which is 15 percent of the par amount, well above the Port's four-percent target.

In anticipation of his resignation effective March 15, 2013, Commissioner Holland expressed his appreciation to the citizens of King County for the opportunity to serve on the Port Commission and expressed his optimism about the Port's influence in economic development, workforce development, and social justice. He spoke of the need for a robust Airport Concessions Disadvantaged Business Enterprise program and a competitive Port and stated it is important for the Port to reflect the diversity of King County.

On behalf of the Port of Seattle, Commissioner Creighton thanked Commissioner Holland for his service and presented him with a model of a Holland-America cruise ship as a symbol of his service on the Port Commission.

9. POLICY ROUNDTABLE

None.

10. ADJOURNMENT

There being no further business, the regular meeting was adjourned at 3:19 p.m.

Bill Bryant
Assistant Secretary
Minutes approved: April 23, 2013.