



Commissioners

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**APPROVED MINUTES
COMMISSION REGULAR MEETING APRIL 2, 2013**

The Port of Seattle Commission met in a regular meeting Tuesday, April 2, 2013, at Port of Seattle Headquarters, Commission Chambers, 2711 Alaskan Way, Seattle, Washington. Commissioners Albro, Bryant, Creighton, and Gregoire were present.

1. CALL TO ORDER

The regular meeting was called to order at 12:01 p.m. by Tom Albro, Commission President.

2. EXECUTIVE SESSION pursuant to RCW 42.30.110

The regular meeting was immediately recessed to an executive session estimated to last approximately 60 minutes to discuss matters relating to sale or lease of real estate and potential litigation. Following the executive session, which lasted approximately 80 minutes, the regular meeting reconvened in open public session at 1:30 p.m. There was no public announcement prior to extension of the executive session.

PLEDGE OF ALLEGIANCE

3. APPROVAL OF MINUTES

Please refer to the Unanimous Consent Calendar.

4. SPECIAL ORDERS OF BUSINESS

4a. Commission Activities Report.

Presentation document(s): Commission agenda [memorandum](#) dated March 27, 2013, provided by Mary Gin Kennedy, Commission Services Director.

Commissioner Creighton reported on Commission activities of March 2013, noting appointment of Courtney Gregoire to vacant Port Commission Position No. 2, opening of the process to identify an appointee to fill vacant Port Commission Position No. 3, and advocacy for transportation and freight mobility issues such as mitigation for effects of the streamlined sales tax. He commented on Commission participation in advocating for important port-related issues with State Legislators and King County Councilmembers and noted events involving Commissioner outside board participation during March.

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 February 5, 2013, and the special meetings of February 8, 2013, and February 14, 2013.

5b. Authorization for the Chief Executive Officer to expand the scope of the project to add a new exit lane and associated mechanical and electrical work and increase the project budget by \$360,000 for a total estimated project cost of \$1,310,000 for the Security Exit Lane Breach Control-Phase 1 project at Seattle-Tacoma International Airport.

Request document(s): Commission agenda [memorandum](#) dated March 21, 2013, Airport [diagram](#), and exit lane [site plan](#) provided by Wayne Grotheer, Director, Aviation Project Management Group, and Wendy Reiter, Director, Aviation Security and Emergency Preparedness.

5c. Authorization for the Chief Executive Officer to advertise bids, award, and execute a major public works construction contract for the Rental Car Baggage Claim Renovation project for an additional \$146,700 for construction, construction management, project management and other soft costs at Seattle-Tacoma International Airport. This amount is in addition to \$1,207,800 previously authorized for a total project cost of \$1,354,500.

Request document(s): Commission agenda [memorandum](#) dated March 26, 2013, provided by Michael Ehl, Director, Airport Operations, and George England, Program Leader, Aviation Project Management Group.

5d. Authorization for the Chief Executive Officer to design, prepare construction documents, and perform advanced preparatory work to replace distressed concrete pavement panels and joint sealant for the 2014 Airfield Apron Pavement Replacement project at Seattle-Tacoma International Airport in the amount of \$300,000. The total estimated project cost in 2014 is \$6,500,000.

Request document(s): Commission agenda [memorandum](#) dated March 26, 2013, provided by Michael Ehl, Director, Airport Operations, and Wayne Grotheer, Director, Aviation Project Management Group.

5e. Authorization for the Chief Executive Officer to enter into an interlocal agreement with Seattle Community Colleges Television, part of the Seattle Community College District VI of the State of Washington, in the amount of \$1,185,000.

Request document(s): Commission agenda [memorandum](#) dated March 22, 2013, and [interagency agreement](#) provided by Patricia Akiyama, Director, Public Affairs, and Nancy Blanton, Manager, Business and Corporate Communications.

5f. Approval of a motion to authorize payment of defense costs for current employees for claims related to the Airport Concessions Disadvantaged Business Enterprise program.

Request document(s): Commission agenda [memorandum](#) dated March 27, 2013, provided by Craig Watson, General Counsel.

Motion for approval of consent items 5a, 5b, 5c, 5d, 5e, and 5f – Bryant

Second – Gregoire

Motion carried by the following vote:

In Favor: Albro, Bryant, Creighton, Gregoire (4)

Without objection, the Commission advanced to consideration of –

6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS

Without objection, consideration of the following agenda item –

6a. First Reading of Resolution No. 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 postponed until April 23, 2013.

Commissioner Albro acknowledged the continuation of lease negotiations with airlines and commented on the Commission's commitment to set rates and charges at the Airport for 2013.

The Commission returned to consideration of –

PUBLIC TESTIMONY

Public comment was received from the following individual(s):

- Alison Leber, Recruiting Manager for Sugar Mountain, operating Beecher's Cheese at the Airport. Ms. Leber spoke in support of Port Jobs and Airport University and the positive experience of Beecher's in working with Port Jobs to staff its Airport operation.

Agenda item 6a having been disposed of previously, the Commission advanced to consideration of –

7. STAFF BRIEFINGS

7a. 2012 Annual Report, Office of Social Responsibility.

Presentation document(s): Commission agenda [memorandum](#) dated March 21, 2013, [Office of Social Responsibility 2012 annual report](#), [Port Jobs 2012 annual report](#), [Resolution No. 3618, as amended](#), and [presentation slides](#) provided by Luis Navarro, Director, Office of Social Responsibility.

Presenter(s): Mr. Navarro; Mian Rice, Small Business Program Manager; Lauren O'Brien, Policy Manager, Office of Social Responsibility; and Heather Worthley, Executive Director, Port Jobs.

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

- The Office of Social Responsibility (OSR) has been responsible for the Port's small business program and coordination of the Port Jobs contract since 2008 and is also involved in workforce development activity in coordination with the Century Agenda;
- Programs supported by OSR served 9,000 community members and small businesses and created \$68 million in value for the community, including over \$44 million for small business, over \$24 million in workforce development, and over \$100,000 in community giving;
- There were over \$180 million in eligible expenditures in 2011, of which about \$52 million or 28 percent went to small businesses;
- The small business percentage increased to 35 percent in 2012, despite eligible expenditures dropping to a little over \$120 million;
- Of the small businesses comprising the 35 percent of eligible expenditures in 2012, eight percent were state or federally certified as minority, woman-owned, or disadvantaged business enterprises;
- Staff is examining the feasibility of conducting a disparity study to understand business participation at the Port by ethnicity;
- Disparity studies typically require 10-12 months to complete;
- Although the Port does not officially track business participation by ethnicity, it has the ability to do so and making a change to tracking of ethnicity would require policy guidance from the Commission with due consideration given to restrictions under Initiative 200;
- Port apprentice utilization requirements and diversity goals on projects over \$1 million and those with project labor agreements support workforce development in the building trades, and 15 percent of eligible labor hours were performed by apprentices in 2012, resulting in over \$1 million in wages earned by 127 apprentices on Port projects;
- In 2012, of nearly 30,000 hours worked on Port projects by apprentices, 13 percent of apprentice hours were performed by minorities and three percent were performed by women;
- During 2012, 171 apprentices who had worked recently on a Port project achieved Journey status;
- Workforce development in the maritime sector is an area of focus for the Office of Social Responsibility;
- Port Jobs served over 7,600 community members in 2012, including placement of 1,088 people through Airport Jobs representing over \$19 million in new household income, predominantly through positions with passenger airline vendors such as baggage handlers, wheelchair attendants, and cabin-cleaning services;
- Port Jobs provided training through Airport University to 234 employees, of whom 108 earned college credit;
- Airport University has partnered for the past seven years with Seattle Community College and Highline Community College to provide training opportunities to Airport employees at the Airport at times that are convenient to the employees' work schedules;
- The Apprenticeship Opportunity Project of Apprenticeship and Nontraditional Employment for Women (ANEW) Program provided support to 212 community members, including placement of over 100 people in apprenticeships in the skilled trades

- with an average starting wage over \$19 per hour, and is the primary vehicle for placing women and minorities into apprenticeships in Port projects; and
- The Port's Community Giving Campaign collected over \$112,000 benefitting 168 community nonprofit organizations selected by Port employees.

In response to Commissioner Albro, Mr. Rice reported that some of the firms that would have qualified for the 2012 Small Contractors and Suppliers program were already doing business with the Port in 2011. Commissioner Creighton commented on his support for provision in the 2014 budget for tracking of ethnicity data in the small business program in order to ensure the economic prosperity created by the Port is shared across diverse communities. Commissioner Albro requested more information on the disproportionate relationship between King County population statistics for minorities and women and the representation of those groups in the apprenticeship numbers for Port projects.

7b. 2013 Operating Budget Forecast, revised 2013 Capital Budget and 2013 Draft Plan of Finance Briefing.

Presentation document(s): Commission agenda [memorandum](#) dated March 22, 2013, [budget update presentation slides](#), and [draft plan of finance presentation slides](#) provided by Dan Thomas, Chief Financial and Administrative Officer; Elizabeth Morrison, Director, Corporate Finance; and Michael Tong, Corporate Budget Manager.

Presenter(s): Mr. Thomas; Mr. Tong; Ms. Morrison; 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:

- Since approval of the 2013 budget, events are expected to significantly negatively affect the Port's operating revenue assumptions for 2013, including expiration of the existing airline lease structure and the need to implement a new container lease structure and rates subsequent to the new lease agreement with Total Terminals International;
- The anticipated negative variance is approximately \$13.7 million, including about \$4.2 million in aeronautical revenue and \$9.5 million in other operating revenue;
- \$4 million represents about one percent of the total aeronautical revenues;
- Opportunities for expense savings of about \$4 million have been identified, resulting in an anticipated net operating revenue reduction of \$9.7 million;
- Updated capital spending in 2013 is planned to be reduced by \$930,000;
- Corresponding updated spending for the five-year plan of finance is reduced by \$284 million;
- As aeronautical costs are reduced, revenue under the cost recovery methodology is also reduced;
- The primary aeronautical change in the Aviation capital budget is a reduction to the potential International Arrivals Facility project from almost \$500 million over 10 years to about \$300 million over 10 years;
- The Seaport capital budget capacity has been revised from \$295 million over five years to \$171 million over the same period by reducing projects of a discretionary nature, that

are on hold pending an outside funding source, or that have been substituted with a project of reduced scope;

- Seaport project reductions are for projects in the category of “pending Commission authorization” that are focused on lease obligations, renewal and replacement, and projects supporting the Century Agenda;
- The cash reserves and debt service coverage built into the five-year capital funding plan, or Draft Plan of Finance, was summarized;
- Funding sources for the Draft Plan of Finance were noted;
- Real Estate Division and Corporate Division capital funding for 2013-2017 remain unchanged;
- A revenue bond debt service coverage forecast for the period 2013-2017 was presented and finance activity for bond refunding and issuance of new bonds was summarized; and
- Anticipated variances for 2012 tax levy funding sources and uses were summarized showing a positive ending fund balance variance of approximately \$39.7 million, mostly due to timing of payments and delays in spending.

There was a discussion of monitoring unanticipated income to the tax levy fund with a view to bolstering the Transportation Infrastructure Fund.

Preliminary Briefing on Special Facility Revenue Refunding Bonds (Resolution No. 3680).

Elizabeth Morrison, Senior Manager, Corporate Finance, reported that Commission would be asked to approve first reading of a bond refunding resolution on April 9, 2013, for bonds originally issued in 2003 as special facility revenue bonds. She stated that the bonds are backed by lease revenue, that about \$100 million of the original bonds is outstanding, and that approximately seven percent or better savings is expected from the refunding. Ms. Morrison noted that the savings of approximately \$7 million in present value benefits the airlines through lowered fueling fees.

Preliminary Briefing on T-91 West Yard Property Surplus (Resolution No. 3679).

Joe McWilliams, Managing Director, Real Estate and Property Management, reported that on April 9, 2013, the Commission will be presented with a resolution for first reading to surplus property at Terminal 91. He provided a brief history of negotiations, including condemnation actions, over the past 15 years to swap real property at Terminal 91 to result in property with commercial value or other consideration for the Port, a combined sewer overflow facility for King County, and a park for the City of Seattle. He described the focus of negotiations on environmental conditions on the site, the existence of an agreed order for the site with the Department of Ecology, and differing clean-up standards for building a sewer overflow facility versus a public park. Mr. McWilliams explained that the terms as currently proposed would provide approximately \$8.4 million in proceeds to the Port with no blanket environmental indemnity for the Port.

ANNOUNCEMENT

Commissioner Creighton commented on his support for agenda item 5f, noting his hopes for an amicable resolution to the subject claims related to the Airport Concessions Disadvantaged Business Enterprise program.

8. NEW BUSINESS

None.

9. POLICY ROUNDTABLE

None.

10. ADJOURNMENT

There being no further business, the regular meeting was adjourned at 3:04 p.m.

Bill Bryant
Assistant Secretary
Minutes approved: May 14, 2013.