



**Commissioners**

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**APPROVED MINUTES  
COMMISSION REGULAR MEETING APRIL 9, 2013**

The Port of Seattle Commission met in a regular meeting Tuesday, April 9, 2013, at Port of Seattle Headquarters, Commission Chambers, 2711 Alaskan Way, Seattle, Washington. Commissioners Albro, Bryant, and Gregoire were present. Commissioner Creighton was excused to attend to other Port business.

**1. CALL TO ORDER**

The regular meeting was called to order at 1:05 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 ORDERS OF BUSINESS**

None.

**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 special meeting of February 14, 2013, and the special meetings (two) of February 26, 2013.**

**5b. Approval of Claims and Obligations for the period of March 1, 2013, to March 31, 2013, in an amount of \$40,239,669.91.**

- 5c. Authorization for the Chief Executive Officer to issue Change Order No. 009 for the Bag Claim Device 14 and Lower Inbound Conveyor Replacement project to grant a no-cost time extension of 71 calendar days to the contract completion date. Upon approval of this change order, the new contract completion date will be March 30, 2013. No additional funds are requested as this is a no-cost change order.**

Request document(s): Commission agenda [memorandum](#) dated April 1, 2013, provided by Ralph Graves, Managing Director, Capital Development Division, and Janice Zahn, Assistant Director of Engineering – Construction Services.

- 5d. Authorization for the Chief Executive Officer to execute a Memorandum of Agreement (MOA) between the Port of Seattle and the International Longshore Workers Union Local 9, representing Tour Group Coordinators. This MOA extends the terms of the current collective bargaining agreement for one year and provides wage rates for the 2013 cruise season. This MOA affects 12 seasonal positions. The estimated combined total of annual cost increases to the Port for the duration of the MOA is \$4,639.93.**

Request document(s): Commission agenda [memorandum](#) dated April 2, 2013, [collective bargaining agreement](#), and [memorandum of agreement](#) provided by Kim Ramsey, Labor Relations Manager.

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

**Second – Gregoire**

**Motion carried by the following vote:**

**In Favor: Albro, Bryant, Gregoire (3)**

**Absent for the vote: Creighton**

### **PUBLIC TESTIMONY**

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

- Don Harper, member of the Neighborhood Advisory Committee and Queen Anne Community Council. Mr. Harper commented in support of agenda item 6a, transferring the Terminal 91 West Yard to the City of Seattle and King County, noting the ability for the City to use the property as a public park.
- John Coney, Co-President of the Uptown Urban Alliance. Mr. Coney commented in support of agenda item 6a noting that the Uptown Urban Center is connected to the Terminal 91 West Yard by bicycle and pedestrian facilities that may eventually extend to Lake Union and that conversion of the West Yard into a park is of benefit to the Uptown Urban Center and its residents.
- Bruce Carter, President of Friends of Smith Cove Park. Mr. Carter commented in support of agenda item 6a and the creation of a park at the West Yard and thanked the Commission and various elected officials and staff for making it possible.
- Susan Kostoff, NorthSTAR Program Manager for Alaska Air Group. Ms. Kostoff commented in support of agenda item 6b, regarding a project labor agreement for the NorthSTAR program at the Airport, noting Alaska's support of a project labor agreement for the program.

**6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS**

- 6a. First Reading of Resolution No. 3679: A Resolution of the Port Commission of the Port of Seattle declaring surplus and no longer needed for port district purposes approximately 5.39 acres of Port-owned real property located in the City of Seattle, commonly known as the T-91 West Yard; amending the Comprehensive Scheme to reflect that the property is surplus to the needs of the Port and is deleted from Unit No. 1; and further authorizing the sale of said real property to the City of Seattle and King County.**

Request document(s): Commission agenda [memorandum](#) dated April 1, 2013, [exhibits](#), and [Resolution No. 3679](#) provided by Joe McWilliams, Managing Director, Real Estate Division.

There was no presentation at this time. The Port Commissioners received a presentation on Resolution No. 3679 during a preliminary briefing on April 2, 2013, and the request documents were distributed for review prior to the meeting of April 9, 2013.

**Motion for first reading of Resolution No. 3679 – Bryant**

**Second – Gregoire**

**Motion carried by the following vote:**

**In Favor: Albro, Bryant, Gregoire (3)**

**Absent for the vote: Creighton**

- 6b. Authorization for the Chief Executive Officer to enter into a project labor agreement covering the NorthSTAR program's five major construction projects.**

Request document(s): Commission agenda [memorandum](#) dated April 1, 2013, provided by Ralph Graves, Managing Director, Capital Development Division, and Gary Schmitt, Director Labor Relations.

Presenter(s): George England, Capital Program Leader.

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

- The NorthSTAR program is estimated at \$300 million, includes five major projects, is a complex, multi-year program, and will involve all crafts at one time or another;
- A programmatic project labor agreement is recommended for the entire NorthSTAR program due in part to the fact that all the collective bargaining agreements with the various crafts expire prior to project completion, creating potential for labor delays;
- More than 2,000 jobs are expected to be created by the NorthSTAR program;
- Interconnectivity of the projects and their schedules and the Port's commitment to schedule milestones are critical to the project; and
- The implementation of a project labor agreement should ensure the ability to stay on schedule, navigate the various provisions of collective bargaining agreements associated with the project and related jurisdictional issues, minimize impacts to Airport

and airline operations, and ensure labor harmony, a quality workforce, and a safe and uniform project environment.

**Motion for approval of item 6b – Gregoire**

**Second – Bryant**

**Motion carried by the following vote:**

**In Favor: Albro, Bryant, Gregoire (3)**

**Absent for the vote: Creighton**

**6c. Authorization for the Chief Executive Officer to direct staff to develop design documents, execute consultant contracts, apply for permits, and prepare construction documents as part of the Terminal 46 Lease Improvements project for an estimated cost of \$6,000,000.**

Request document(s): Commission agenda [memorandum](#) dated March 20, 2013, provided by Michael Burke, Director Seaport Leasing and Asset Management, and Ticson Mach, Capital Project Manager.

Presenter(s): Mr. Burke and Mr. Mach.

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

- Lease Amendment 13 with Total Terminals International approved by the Commission on December 11, 2012, committed the Port to improvements at Terminal 46, of which this request is the first phase;
- Improvements include pavement overlay, stormwater treatment facilities, and crane rail extension; and
- Work will be phased over multiple years and construction authorization will likely be requested toward the end of 2013.

Commissioner Bryant noted that Terminal 46 is adjacent to the proposed sports arena in the Duwamish Manufacturing and Industrial Center (SoDo) and that the terminal represents about 3,200 jobs, \$370 million in business income, and over \$24 million in state and local taxes. He stated the authorization is a new investment by the Port of approximately \$25-\$30 million in Terminal 46 to promote jobs and generate business.

**Motion for approval of item 6c – Bryant**

**Second – Gregoire**

**Motion carried by the following vote:**

**In Favor: Albro, Bryant, Gregoire (3)**

**Absent for the vote: Creighton**

- 6d. First Reading of Resolution No. 3680: A Resolution of the Port Commission of the Port of Seattle amending and restating Resolution No. 3504; authorizing the issuance and sale of special facility revenue refunding bonds in the aggregate principal amount of not to exceed \$100,000,000, for the purpose of refinancing the Port's Special Facility Revenue Bonds (SEATAC Fuel Facilities LLC), Series 2003; setting forth certain bond terms and covenants; and delegating authority to approve final terms and conditions of the bonds.**

Request document(s): Commission agenda [memorandum](#) dated April 1, 2013, and [Resolution No. 3680](#) provided by Elizabeth Morrison, Director, Corporate Finance.

Presenter(s): Ms. Morrison.

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

- The original bonds were issued in 2003 to fund construction of a fuel hydrant system, including a tank farm, underground fuel pits, and piping to passenger gates that improved safety conditions and was completed in 2006;
- The bonds that funded the project were special facility revenue bonds that are secured by lease revenue collected from the fuel consortium, Sea-Tac Fuel Facilities Inc.;
- Most of the airlines serving the Airport participate in the consortium and pay the consortium through an interline agreement, the fees for which are forwarded to the bond trustee and subsequently conveyed to the bond holders;
- The consortium's rent to the bond trustee is equal to the debt service on the bonds;
- The bonds are also secured by a security agreement and guarantee to the trustee and by a debt service reserve fund held by the trustee;
- The bonds are callable on June 1, 2013, for savings, which is estimated at seven percent or approximately \$7 million in present value, and which will reduce the consortium's annual lease payment by approximately \$500,000;
- Savings to the consortium's lease payments would result in reduction of airline fees;
- The original structure of the bonds is retained by the resolution and all currently outstanding bonds would be replaced by the new bond issue; and
- Parameters under which the CEO is authorized to execute sale of the bonds include not exceeding a par amount of \$100 million, achieving a savings of at least four percent, and sale of the bonds within six months of adoption of the resolution.

In response to Commissioner Albro, Ms. Morrison confirmed that repayment of principal is not delayed by the bond refunding.

**Motion for first reading of Resolution No. 3680 – Gregoire**

**Second – Bryant**

**Motion carried by the following vote:**

**In Favor: Albro, Bryant, Gregoire (3)**

**Absent for the vote: Creighton**

**6e. Industrial Development Corporation (IDC) – Approval of minutes, designation of officers, and annual report.**

Request document(s): [IDC agenda memorandums](#) dated March 22, 2013, regarding approval of minutes, election of officers, and 2012 annual report. [IDC meeting minutes of April 9, 2013](#), will be made available for inspection in Port offices upon approval.

**RECESSED AND RECONVENED**

The regular meeting of the Port of Seattle Commission was recessed at 1:29 p.m. to hold the annual meeting of the Industrial Development Corporation of the Port of Seattle. The regular meeting of the Port of Seattle Commission reconvened at 1:37 p.m., chaired by Commissioner Albro.

**7. STAFF BRIEFINGS**

**7a. Competitive Situation Update – Container Business.**

Presentation document(s): Commission agenda [memorandum](#) dated April 1, 2013, and [presentation](#) slides provided by Bari Bookout, Director Seaport Commercial Strategy.

Presenter(s): Ms. Bookout.

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

- Container vessels are getting larger and the focus of shipping companies is on cost containment;
- Larger ships provide better economies of scale for shippers on a per-unit basis and are more fuel efficient;
- Vessels increasing deployed into the trans-Pacific market carry between 8,800 to 13,000 TEUs (twenty-foot equivalent units);
- Larger ships require infrastructure and operational adjustments to prevent congestion at terminal gates and on rail lines and other delays that slow the turning of cargo vessels;
- The likelihood of ships larger than 10,000 TEUs calling in the Port's market is high based on orders for vessels of this size among shipping lines already calling at the Port of Seattle;
- Expansion of terminal capacity in North America is reflected in \$12 billion in planned capacity expansion in the form of harbor deepening, implementation of automation to move cargo more efficiently and cost-effectively within a smaller footprint, and terminal expansions and upgrades;
- Rail and storage capacity near terminals is another component of upgrades enhancing the ability of competitor ports to accommodate larger vessels;
- Terminal automation ranges from use of automated gantry cranes and shuttle chassis, or "bomb carts," to use of laser-guided cranes;
- The Port's core market in the upper Midwest and Ohio Valley is heavily targeted by competing ports in Canada, Southern California, the Gulf of Mexico, and the East Coast;
- Canadian railroads are aggressively eroding barriers to shipping goods to the U.S.;

- Streamlining of cargo coming to the U.S. from Canadian Ports is expanding under the auspices of the North American Free Trade Agreement and has the potential to further incentivize movement of cargo bound for U.S. markets to Canadian ports;
- Coordinated expansion of ports in British Columbia includes over 25 projects valued at about \$1 billion in Canadian dollars aimed at improving freight mobility between the ports of Prince Rupert and Vancouver to the Chicago market;
- A shift in manufacturing from Northern China and Japan toward Southeast Asia may shift cargo bound for the U.S. East Coast and Midwest away from trans-Pacific routes to routes through the Suez Canal and across the Atlantic Ocean;
- Near-sourced manufacturing in Central and South America would not be reliant on U.S. Pacific ports for access to markets in the Eastern and Central United States;
- Global container growth is leveling;
- Export capacity for primarily agricultural goods leaving Washington is constrained by deadweight capacity more so than container capacity resulting in export cargo value that is approximately a third of import cargo value;
- Availability of specialized container equipment restricts agricultural exports;
- Rate differentials between the Pacific Northwest and Southern California provide an opportunity to source agricultural products such as hay to China more competitively through California rather than through Washington ports;
- Incentive scenarios employed by Southeastern U.S. ports were presented;
- The status of current Port of Seattle terminals for accommodating larger vessels was described;
- Trans-Pacific import market share trends for the U.S. East Coast, West Coast, and Puget Sound in particular were presented; and
- The Port's strategic focus is on infrastructure improvements to accommodate large ships efficiently and cost-effectively, increased terminal productivity, increasing and anchoring imports to support exports, promotion of transloading to support availability of equipment that supports exports, and to continue to address imbalances promoted by the U.S. Harbor Maintenance Tax.

Commissioner Albro requested more information on the proportion of vessels in the fleets of carriers calling at the Port of Seattle that are in the 10,000 TEU or greater category compared to the carriers' entire fleets.

In response to Commissioner Albro, Ms. Bookout described the process of transloading, which has the potential to reduce customer cost and environmental impact by consolidating container cargo into larger intermodal units for transport to its ultimate destination. Commissioner Bryant noted the need for emphasis on transportation and land-use issues to bolster distribution centers in the Kent/Auburn Valley in support of cargo efforts such as promotion of transloading.

#### **7b. Seattle-Tacoma Airport International Arrivals Facility.**

Presentation document(s): Commission agenda [memorandum](#) dated March 22, 2013, and [presentation](#) slides provided by Elizabeth Leavitt, Director Aviation Planning and Environmental Programs.

Presenter(s): Ms. Leavitt and Mark Reis, Managing Director, Aviation Division.

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

- There are a number of Century Agenda strategies and objectives supported by improvement of the Airport's International Arrivals Facility;
- Statistics on connecting and originating passengers and number of international passengers arriving at the Airport and requiring clearance through the Airport's Federal Inspection Services were presented;
- Approximately two-thirds of international passengers requiring clearance through the Federal Inspection Services facility remain in the region and do not connect to domestic flights with the largest share of these being Delta Air Lines passengers;
- International passenger growth is expected to continue to outpace domestic passenger growth during the next decade;
- The history and capacity constraints of the South Satellite, where international flights arrive, were summarized and it was noted that passenger activity reached capacity in 2013;
- Nonstop intercontinental flight services were presented, including new services to Shanghai and Tokyo and nonstop service to Dubai;
- The mid-day international peak at the Airport is driven by scheduling for connections in originating and final arrival locations and has increased 127 percent since 2004 and is anticipated to increase to 182 percent by 2018;
- Conditions during peak times of 11:00 a.m. to 1:00 p.m., rather than average usage, drives facility capacity for international arrivals;
- The frequency of occasions when international passengers have to be held on board aircraft or in the "sterile" corridor of the Federal Inspection Services facility due to lack of capacity in the facility fluctuates but is trending toward an overall increase, as is the amount of time the events last, which results in inconvenience to passengers and cost to airlines;
- Design and construction of a new facility will require five years to complete;
- Inefficiencies and the poor customer experience associated with the South Satellite facility were summarized;
- Short-term measures to optimize use of the existing facility were described;
- Problems expected after 2018 if no new facility is built were summarized and competition from other airports was noted;
- Long-term facility planning objectives include delivery of just-in-time improvements, minimizing capital and operational costs, minimizing long-term cost of ownership, and encouragement of international service;
- International Arrivals Facility expansion options were described and include a new facility on Concourse A that might cost between \$250 and \$300 million (option 1) and a dual processing facility at the South Satellite and Concourse A that might cost between \$335 and \$405 million (option 4);
- Expansion of the South Satellite facility and expansion of the South Satellite with additional international facilities improvements on Concourse A were considered and rejected due to expense and impacts to operations and adjacent facilities;

- The advantages and disadvantages of options 1 and 4 were presented; and
- Next steps include further analysis of the alternatives, recommendation of a preferred option, defining the project, environmental review, and request for design authorization in the summer of 2013.

In response to Commissioner Bryant, Mark Reis, Managing Director, Aviation Division, explained that while customs staffing is also critical to efficiently moving international passengers through any facility smoothly, facility improvements can mitigate many of the upstream impacts arising from holding passengers on aircraft or in corridors. Ms. Leavitt noted that facility improvements also address other bottlenecks inherent in the capacity of the current facility.

Commissioner Bryant requested additional information on the lifecycle costs of the international arrivals facility options presented. Commissioner Albro proposed that the international growth projections provided might be under-projected. Mr. Reis noted that accommodation of peak hours varies depending on where new international service is identified globally.

#### **7c. Capital Improvement Projects for the Fourth Quarter, 2012.**

Presentation document(s): Commission agenda [memorandum](#) dated March 21, 2013, [presentation slides](#), and [quarterly report](#) provided by Ralph Graves, Managing Director, Capital Development.

Presenter(s): Mr. Graves.

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

- There are 100 projects in the quarterly report, 56 of which are within or ahead of target schedule and budget, 43 of which have variance either to schedule or budget, and one of which has a variance to both schedule and budget;
- Schedule delays for the Claim 14 and Lower Inbound project were due to Hurricane Sandy;
- Cargo 6 Enhancements was delayed to combine it with enhancements at Cargo 2 and 5;
- Federal Inspection Services Improvements Phase 1 will be delayed due to addition of a 60 percent design phase;
- Doug Fox Lot Service Upgrades is delayed due to weather restrictions on pouring of asphalt;
- Emergency Lighting Parking was delayed due to decisions on scope;
- Vertical Conveyance Modernization Program Aeronautical was altered to install two new elevators and to rephrase construction;
- Runway 16C/34C Panel/Joint Sealant Replacement is in closeout mode and savings of about \$700,000 have been identified;
- Lagoon 3 Bird Wires has exceeded construction cost growth of 10 percent;
- Although the Terminal Escalator Modernization project has exceeded construction cost growth by more than 34 percent and may not have been well suited to the design/build project model;

- Central Plant Pre-Conditioned Air has experienced project growth over 19 percent and will likely increase further; it was noted that design for this project was accelerated to take advantage of a grant opportunity;
- Baggage Handling System (C-22-C1, MK1, and TC3) project has construction cost growth of more than 12 percent and involved less-than-adequate coordination with maintenance;
- The Terminal 115 Declaration of Emergency, in which a waterline break resulted in subsurface erosion, was completed March 20, 2013, ahead of schedule;
- Corporate Information and Communications Technology project schedule variances were summarized; and
- It was noted that the aggregate percentage of small business contracting for 2010-2012 was 31 percent.

**8. NEW BUSINESS**

None.

**9. POLICY ROUNDTABLE**

None.

**10. ADJOURNMENT**

There being no further business, the regular meeting was adjourned at 2:58 p.m.

Bill Bryant  
Assistant Secretary  
Minutes approved: May 28, 2013.