



Commissioners

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Stephanie Bowman
Bill Bryant
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**APPROVED MINUTES
COMMISSION SPECIAL MEETING MAY 14, 2013**

The Port of Seattle Commission met in a special meeting Tuesday, May 14, 2013, in the International Auditorium at Seattle-Tacoma International Airport, Seattle, Washington. Commissioners Albro, Bowman, Bryant, Creighton, and Gregoire were present.

1. CALL TO ORDER

The special meeting was called to order at 12:00 noon by Tom Albro, Commission President.

2. EXECUTIVE SESSION pursuant to RCW 42.30.110

The special 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, potential litigation, and legal risk. Following the executive session, which lasted approximately 60 minutes, the special meeting reconvened in open public session at 1:02 p.m.

PLEDGE OF ALLEGIANCE

3. APPROVAL OF MINUTES

Please refer to the Unanimous Consent Calendar.

4. SPECIAL ORDERS OF BUSINESS

None.

ANNOUNCEMENT

Commissioner Albro welcomed newly appointed Commissioner Stephanie Bowman, who was administered the oath of office for Port of Seattle Commission Position No. 3 on May 3, 2013, and announced that Commissioner Bowman had signed the Port Commissioner Transparency Code of Conduct for 2013. Commissioner Bowman made brief remarks.

5. UNANIMOUS CONSENT CALENDAR

[Clerk's Note: Items on the Unanimous Consent Calendar are considered routine and are not individually discussed. 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 meetings of March 26 and April 2, 2013, and the special meeting of April 2, 2013.**
- 5b. **Approval of [Claims and Obligations](#) for the period of April 1, 2013, to April 30, 2013, in an amount \$36,167,861.88.**
- 5c. **Ratification of \$3,903 for costs already incurred in excess of current authorization to reconcile final costs for the Common Use Lounge Remodel project at the Seattle-Tacoma International Airport.**

Request document(s): Commission agenda [memorandum](#) dated May 6, 2013, provided by Wayne Grotheer, Director, Aviation Project Management Group.

- 5d. **Authorization for the Chief Executive Officer to proceed with design of the Sea-Tac Airport Fire Station Electrical Service Upgrade project and use Port crews to support site investigation needed to develop the construction contract documents in the amount of \$346,000 for a total estimated project cost of \$2,033,000.**

Request document(s): Commission agenda [memorandum](#) dated May 6, 2013, provided by David Soike, Director, Aviation Facilities and Capital Program, and Wayne Grotheer, Director, Aviation Project Management Group.

- 5e. **Authorization for the Chief Executive Officer to execute annual purchase orders to renew the Port's existing Oracle Financial and Human Capital Management software license and support agreement for the next three years, at a cost not to exceed \$1.12 million.**

Request document(s): Commission agenda [memorandum](#) dated May 7, 2013, provided by Peter Garlock, Chief Information Officer, and Kim Albert, Senior Manager Information and Communications Technology Business Services.

- 5f. **Authorization for the Chief Executive Officer to execute a new collective bargaining agreement between the Port of Seattle and the Teamsters Local Union No. 117, representing the Rental Car Facility Bus Drivers, covering a period from March 15, 2013, through March 14, 2016, and affecting 65 positions, including full-time, part-time, and relief drivers.**

Request document(s): Commission agenda [memorandum](#) dated May 7, 2013, and collective bargaining [agreement](#) provided by Lisa Hornfeck, Labor Relations Manager.

- 5g. **Authorization for the Chief Executive Officer to proceed with design and preparation of construction documents for the Fishermen's Terminal Net Shed Building No. 9 Roof Overlay Project for an estimated cost of \$80,000, bringing the current authorization for this project to \$130,000 for a total estimated project cost of \$498,000.**

Request document(s): Commission agenda [memorandum](#) dated May 6, 2013, provided by Rod Jackson, Capital Project Manager, Capital Development, and Kenneth R. Lyles, Senior Manager, Fishing and Commercial Vessels, Real Estate.

- 5h. **Authorization for the Chief Executive Officer to execute amendments to the existing contract starting June 1, 2013, with CMS Natural Gas to provide natural gas for Seattle-Tacoma International Airport extending through 2018 and to include provision of**

natural gas for the Transit Operations Center through 2018 for an estimated total contract value not to exceed \$12,000,000. The resulting contract will be structured as a one-year agreement with up to four years of additional service.

Request document(s): Commission agenda [memorandum](#) dated April 29, 2013, provided by David Soike, Director, Aviation Facilities and Capital Program.

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

Second – Bowman

Motion carried by the following vote:

In Favor: Albro, Bowman, Bryant, Creighton, Gregoire (5)

PUBLIC TESTIMONY

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

- Karen Gruen, Vice President of Corporate Real Estate, Alaska Air Group. Ms. Gruen commented in opposition to agenda item 6a, regarding airline rates and charges. She stated that the rate structure affects Alaska disproportionately to other airlines at Seattle-Tacoma International Airport and is not compliant with federal law.
- Andrea Goodpasture, Manager of Airport Affairs, Southwest Airlines. Ms. Goodpasture commented in opposition to agenda item 6a, regarding airline rates and charges. She stated that the proposed rate structure penalizes airlines for efficient use of Airport facilities and is contrary to the public good.

RECESSED AND RECONVENED

The special meeting was recessed at 1:09 p.m. and reconvened at 1:14 p.m., chaired by Commissioner Albro.

6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS

- 6a. Second Reading and Final Passage of Resolution No. 3677, as amended: 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 further 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; and further authorizing the Managing Director, Aviation Division, to suspend the implementation of Resolution No. 3677, as amended, in the event Port staff and the Airlines reach agreement prior to July 1, 2013, on an airline lease and operating agreement which would, at a later date, be presented to the Commission for approval.**

Request document(s): Commission agenda [memorandum](#) dated May 8, 2013, Resolution No. 3677, as amended, and [Exhibits A-J](#) provided by Mark Reis, Managing Director, Aviation.

Presenter(s): Mr. Reis.

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

- Changes since first reading of the resolution include the addition to the authorization request the authority for the Airport Managing Director to suspend implementation of the rates and charges should a lease agreement be reached with the airlines. *[Clerk's Note: This addition is reflected in the authorization request found in the request memorandum. It is not incorporated in the language of the resolution itself.]*
- In the resolution's Section 7.4, the percentage of rent from an airline operating a club that would sell liquor was reduced from 18 to 10 percent. This was to preclude the Airport's being considered a partner in such a club, based on definitions from the Washington State Liquor Control Board. The reduction represents a monthly revenue loss of about \$500.
- The term sheet of a lease proposal representing the alternative to a rates and charges resolution was presented to Alaska Airlines on April 12 and to the other airlines operating at the Airport on April 17.
- Key issues between the parties have been identified and it is hoped that a lease arrangement will be agreed upon. In the meantime, due to the need to justify and document the basis for the Airport's rates and charges and recover costs for 2013, the resolution is proposed.

Commissioner Bryant commented in support of concluding a negotiated lease agreement with the airlines prior to July 1, 2013, that would strengthen the Port's relationships with its airline partners. Commissioner Gregoire commented on the need to recover 2013 Airport costs and promote solid management at the Airport in partnership with the airlines. Commissioner Creighton commented on the need to move forward in negotiations with the airlines but noted he would not support the final passage of the resolution due to litigation risks and potential damage to the Port's relationship with the airlines. Commissioner Bowman expressed her hope for a lease agreement before July 1 and noted her intention to abstain from final passage of the resolution. Commissioner Albro commented on the need to support the long-term sustainability of the Airport and the obligation of the Commission to establish rates and charges.

Motion for second reading and final passage of [Resolution No. 3677, as amended](#), and to authorize the Managing Director of the Aviation Division to suspend implementation of the resolution as described in the action request for agenda item 6a – Bryant

Second – Gregoire

Motion carried by the following vote:

In Favor: Albro, Bryant, Gregoire (3)

Opposed: Creighton (1)

Abstaining: Bowman

6b. Second Reading and Final Passage of Resolution No. 3681, as amended: A Resolution of the Port Commission of the Port of Seattle establishing a revised Code of Ethics for Port Commissioners and repealing all prior resolutions dealing with the same subject, including Resolution No. 3583.

Request document(s): Commission agenda [memorandum](#) dated May 8, 2013, [redline of amended portion of the resolution](#), [Resolution No. 3681, as amended](#), and [Code of Ethics](#) provided by Mary Gin Kennedy, Director, Commission Services.

Commissioner Bryant reported on the resolution as the culmination of an effort to revise Port Commission procedures in the wake of the 2007 State Auditor's Report, including rewritten ethics procedures. He stated the revised code of ethics would reinstitute the Commission's Ethics Board to provide guidance and review of ethics issues.

Motion for second reading and final passage of [Resolution No. 3681, as amended](#) – Bryant

Second – Gregoire

Motion carried by the following vote:

In Favor: Albro, Bowman, Bryant, Creighton, Gregoire (5)

6c. Second Reading and Final Passage 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 26, 2013, and [Resolution No. 3680](#) provided by Elizabeth Morrison, Director, Corporate Finance.

Presenter(s): Ms. Morrison.

Ms. Morrison reported there were no changes to the resolution since first reading. She noted the bond ratings had been affirmed as A2 from Moody's and A- from Standard and Poor's. Anticipated savings are \$7-8 million in present value, which will reduce airline fuel cost.

Motion for second reading and final passage of [Resolution No. 3680](#) – Creighton

Second – Bryant

Motion carried by the following vote:

In Favor: Albro, Bowman, Bryant, Creighton, Gregoire (5)

6d. Authorization for the Chief Executive Officer to advertise for construction, execute a construction contract, and fund the construction phase to complete the Fishermen's Terminal C-15 Building HVAC Improvements Project in an amount not to exceed \$3,130,000 for a total estimated project cost of \$3,987,000.

Request document(s): Commission agenda memorandum dated May 6, 2013, provided by Fred Chou, Capital Project Manager, Capital Development, and Rebecca Schwan, Real Estate Manager, Portfolio and Asset Management.

Presenter(s): Mr. Chou.

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

- Building C-15, also known as the Fishermen's Center, is the largest building at Fishermen's Terminal. At 98 percent occupancy, it houses 18 tenants, including office space, retail, and restaurants.
- The heating, air conditioning, and ventilation (HVAC) system at Building C-15 is close to 26 years old and had a typical life expectancy of 15-20 years.
- Installation of a replacement HVAC system is planned to commence this summer and be completed in the spring of 2014.
- Physical constraints and phasing the project in occupied tenant spaces pose a challenge to the installation.
- Energy rebates to offset capital costs will be pursued as appropriate.
- The project will be funded from the tax levy.

Motion for approval of item 6d – Gregoire

Second – Creighton

Motion carried by the following vote:

In Favor: Albro, Bowman, Bryant, Creighton, Gregoire (5)

7. STAFF BRIEFINGS

7a. April 2013 Central and Eastern Washington Trip Report.

Presentation document(s): Commission agenda [memorandum](#) dated May 7, 2013, and [presentation slides](#) provided by Mark Wen, Inland and Export Cargo Business Development Manager.

Presenter(s): Mr. Wen.

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

- Products from Eastern Washington, particularly agricultural commodities, account for over half of the Port's containerized exports valued at over \$16 billion.
- The agricultural industry employs over 160,000 people in the state of Washington.
- All Commissioners, including newly appointed Commissioner Bowman, participated in all or part of the Port's third annual tour of Eastern Washington.
- Locations visited included Ellensburg, Wenatchee, Spokane, Walla Walla, Kennewick, and Yakima, and five expert roundtables were conducted.
- Key messages communicated during this tour included the need for support for statewide transportation investment and federal Harbor Maintenance Tax reform.

- During the tour, it was also communicated that developing seaport infrastructure to attract and maintain sustainable export capacity is critical. It was also communicated that statewide collaboration to build and maintain long-term tourism promotion in Washington is essential.
- In Ellensburg, there was discussion of regional transportation challenges and shipping rates for hay exports to Asia through the Pacific Northwest versus through the Pacific Southwest.
- In Wenatchee, there was discussion of the challenges of having adequate refrigerated containers and the need for air cargo opportunities for export of apples and cherries. Transportation issues on the I-90 corridor were also discussed.
- In Spokane the Harbor Maintenance Tax was a topic of discussion.
- Economic development and tourism were discussed in Walla Walla.
- Exports and tourism were emphasized in meetings in Kennewick.
- Fruit exports, the potential impact of a new sports arena in the Duwamish Manufacturing and Industrial Center, and the move of the Grand Alliance from the Port of Seattle to the Port of Tacoma were topics of discussion in Yakima.

7b. 2013 First Quarter Financial Performance Briefing.

Presentation document(s): Commission agenda [memorandum](#) dated April 26, 2013, [Financial and Performance Report for 2013](#), and [presentation slides](#) provided by Dan Thomas, Chief Financial and Administrative Officer, and Michael Tong, Corporate Budget Manager.

Presenter(s): Mr. Thomas; Mr. Tong; Borgan Anderson, Director, Aviation Finance and Budget; Linda Nelson, Assistant Manager, Seaport Finance and Budget; and Susie Archuleta, Seaport Financial Analyst.

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

Portwide Overview

- Following a briefing on April 2, 2013, the 2013 budget has been revised to reflect changes to airline rates and charges, new container lease structure, and an adjustment to the pass-through leasehold tax.
- Operating expenses have been reduced by about \$5 million by delaying hiring, reducing travel allotments, and applying other cost-saving measures.
- Finance and Budget staff will compare expenditures to the revised budget rather than to the approved budget when reporting budget variances in 2013.
- Excluding aeronautical revenues, other operating revenues in the first quarter are \$2.9 million below revised budget, due to lower rental car, concessions, and grain revenue.
- Total operating revenues were \$10.8 million, which is 8.8 percent, below revised budget.
- Total operating expenses were \$11.8 million, which is 15.3 percent, below revised budget.
- Total year-end operating revenue is projected to be \$4.4 million below revised budget.
- Total year-end operating expenses are projected to be about \$56,000 below revised budget due to savings from Corporate departments.

- Corporate expenses are projected to be \$70,000 below revised budget by year end due largely to a delay in filling a vacant position in the Office of the Commission.
- Capital Development Department expenses before charges to capital projects are \$1.4 million below revised budget.

Aviation

- There are no changes to forecast to report compared to the revised 2013 budget for the Aviation Division.
- Aeronautical revenues are \$7.8 million below revised budget, reflective of the fact that in the absence of an airline lease or a current rates and charges resolution, the Airport is collecting rates at 2012 levels. If that trend were to continue, the deficit at year end would be approximately \$30-35 million.
- Non-aeronautical revenues are \$2.4 million below revised budget, largely due to lower rental car revenue, which is attributed to seasonality and the timing of the opening of the new rental car facility. It is expected non-aeronautical revenue will be closer to revised budget by the end of the year.
- Expenses are below revised budget, including anticipated realignment expense savings.
- The revised Aviation budget is based on a proposed rates and charges methodology that alters assumptions based on space allocation. This will result in more terminal costs being allocated to non-aeronautical cost centers, which results in a lowering of non-aeronautical net operating income. The shift is approximately \$2.8 million.

Seaport

- Net operating income is above revised budget by \$213,000, a variance of about two percent.
- An unfavorable revenue variance of \$633,000 is largely due to a drop in volume of grain exports.
- Expenses are below revised budget by \$877,000, which is attributed to timing of expenses that are not expected to return a favorable variance at the end of the year.
- Year-end net operating revenue is expected to be below revised budget by about \$4.4 million, due to revenue shortfalls of \$2.5 million for grain and \$1.8 million for Terminal 18 crane rent. Although there is a provision for minimum crane rent at Terminal 18 through 2015 for MHI cranes, if full-year volume at Terminal 18 falls below 250,000 lifts, no minimum payment is required. The tenant has indicated that the number of lifts will be slightly below that level in 2013. Staff is monitoring the number of lifts closely.
- Only four grain vessels were loaded in the first quarter of 2013, compared to 27 in the first quarter of 2012, a reduction of 68 percent compared to revised budget and 84 percent compared to 2012 actuals. The drop is attributed to drought conditions in the Midwest that will continue to affect grain exports through August 2013.
- The Port's grain terminal tenant anticipates a return to more normal grain volumes beginning in October.

Real Estate

- A settlement agreement was reached with King County related to a condemnation action at the Terminal 91 West Yard for the County's combined sewer overflow project. An initial settlement payment to the Port of approximately \$2 million has been received.
- The Port's commercial properties are 91 percent occupied, just below the 92-percent target and higher than the market average of 88 percent.
- Moorage at Fishermen's Terminal and the Manufacturing Industrial Center is at 79 percent, compared to the target of 81 percent.
- Recreational moorage at Shilshole Bay Marina, Harbor Island Marina, and Bell Harbor Marina is at 94 percent, above the target of 91 percent.
- Net operating income year-to-date is 85 percent higher than revised budget, due to expense reductions most of which are attributed to timing, and the year-end forecast is for net operating income to be neutral compared to the revised budget.
- The Real Estate Division anticipates spending \$9.9 million of its revised capital budget of \$12.2 million, for a savings of 19 percent, due to a combination of timing of spending and project savings.

8. NEW BUSINESS

None.

9. POLICY ROUNDTABLE

None.

10. ADJOURNMENT

There being no further business, the special meeting was adjourned at 2:23 p.m.

Bill Bryant
Assistant Secretary
Minutes approved: June 25, 2013.