Commissioners

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APPROVED MINUTES
COMMISSION REGULAR MEETING OCTOBER 8, 2013

The Port of Seattle Commission met in a regular meeting Tuesday, October 8, 2013, at Port of Seattle Headquarters, Commission Chambers, 2711 Alaskan Way, Seattle, Washington. Commissioners Albro, Bowman, Creighton, and Gregoire were present. Commissioner Bryant was absent.

1. CALL TO ORDER

The regular meeting was called to order at 12 noon 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 60 minutes to discuss matters relating to legal risk. Following the executive session, which lasted approximately 25 minutes, the regular meeting reconvened in open public session at 1:05 p.m.

PLEDGE OF ALLEGIANCE

3. APPROVAL OF MINUTES

Minutes available for approval are included in 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. 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 meeting of September 10, 2013.

5b. Authorization for the Chief Executive Officer to execute a lease for a five-year term with two additional five-year options according to the terms laid out in this memorandum at a fair market rate, with Fishing Vessel Owners Marine Ways Inc. at Fishermen's Terminal.

Request document(s) provided by Melinda Miller, Director Portfolio and Asset Management, and Rebecca Schwan, Real Estate Manager:

- Commission agenda memorandum dated September 30, 2013, and revised October 4, 2013.
- Presentation slides.
- Lease agreement.

5c. Authorization for the Chief Executive Officer to execute a lease for a five-year term with two additional five-year options according to the terms laid out in this memorandum at a fair market rate with Kirby Offshore Marine Pacific LLC at the Maritime Industrial Center.

Request document(s) provided by Melinda Miller, Director Portfolio and Asset Management, and Rebecca Schwan, Real Estate Manager:

- Commission agenda memorandum dated September 30, 2013.
- Presentation slides.
- Lease agreement. *[Clerk's Note: The lease agreement was not listed in the agenda memorandum as an attachment, but was provided to the Commission and the public with the memorandum prior to the meeting of October 8, 2013.]*

5d. Authorization for the Chief Executive Officer to execute Lease Amendment No. 23 (Attachment 1) of the existing Main Lease (Exhibit A) with the Transportation Security Administration represented by the General Services Administration. This amendment extends the term of the lease for five additional years and decreases the leased premises by 403 square feet.

Request document(s) provided by James R. Schone, Director, Aviation Business Development, and James Jennings, Manager, Aviation Properties:

- Commission agenda memorandum dated September 18, 2013.
- Office location exhibit.
- Lease amendment.

5e. Authorization for the Chief Executive Officer to execute Lease Amendment No. 1 (Attachment 1) of the existing Mezzanine Lease (Exhibit A) with the Transportation Security Administration represented by the General Services Administration. This amendment extends the term of the lease for two additional agreement years and reduces the leasehold from 3,768 square feet to 1,844 square feet.

Request document(s) provided by James R. Schone, Director, Aviation Business Development, and James Jennings, Manager, Aviation Properties:

- Commission agenda memorandum dated September 18, 2013.
- Office location exhibit.
- Lease amendment.

5f. Authorization for the Chief Executive Officer to execute a new collective bargaining agreement between the Port of Seattle and the Pacific Northwest Regional Council of Carpenters, Local 30, representing the Marine Maintenance and Aviation Maintenance

Department, covering the period from January 1, 2013, through December 31, 2015, and affecting 24 positions, including regular full-time carpenters, millwrights, and piledriver employees.

Request document(s) provided by Milton Ellis, Labor Relations Manager:

- Commission agenda memorandum dated October 2, 2013.
- Collective bargaining agreement.
- Attachment to the collective bargaining agreement.

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

Second – Bowman

Motion carried by the following vote:

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

Absent for the vote: Bryant

PUBLIC TESTIMONY

As noted on the agenda, an opportunity for public comment was provided, although no public comment was offered at this time.

6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS

6a. First Reading of Resolution No. 3683: A Resolution of the Port Commission of the Port of Seattle concluding the 2013 Federal Aviation Regulation Part 150 Noise and Land Use Compatibility Study Update for Seattle-Tacoma International Airport.

Request document(s) provided by Stan Shepherd, Manager, Airport Noise Programs:

- Commission agenda memorandum dated September 26, 2013.
- Resolution No. 3683.

Presenter(s): Mr. Shepherd.

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

- First reading of the resolution was approved on September 24, 2013.
- There were no changes to the resolution between first and second readings.
- Approval at this time is to forward the study to the Federal Aviation Administration (FAA), not approval of specific projects.
- A record of approval is expected from the FAA in the spring of 2014. If FAA funding is not needed to proceed with the noise insulation pilot projects, they might begin within six months of the record of approval. It would take longer to begin those pilot projects if FAA funding is required.
- Should projects in the Port's recommendations to the FAA not be approved for Part 150 purposes, the Port could elect to implement them without FAA funding or the use of passenger facility charges.

- So far, in its preliminary reviews, the FAA has not signaled objection to any of the recommendations in the Port's Part 150 study.
- Tax levy funds were used for the school insulation program in the Highline School District. Passenger facility charges are no longer permitted by the FAA to be used for noise insulation outside the approval process of the Part 150 study.
- Closure of federal government offices could slow down approval of the Part 150 study by the FAA.

Motion for first reading of Resolution No. 3683 (agenda item 6a) – Creighton

Second – Gregoire

Motion carried by the following vote:

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

Absent for the vote: Bryant

6b. Authorization for the Chief Executive Officer (1) to request an authorization increase of $1,385,000 in addition to the $5,118,000 previously authorized to construct the Doug Fox Lot Service Upgrades project at the Seattle-Tacoma International Airport for a total project authorization of $6,503,000 due to bids exceeding the engineer's estimate by more than 10 percent and (2) to execute a major public works construction contract with the low responsive and responsible bidder to construct the project.

Request document(s) provided by James R. Schone, Director, Aviation Business Development, and George England, Program Leader, Aviation Project Management Group:

- Commission agenda memorandum dated October 1, 2013.

Presenter(s): Mark Reis, Managing Director, Aviation Division; Wayne Grotheer, Director, Aviation Project Management Group; and Mr. Schone.

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

- There were seven bids for the project, and the lowest of them was over 40 percent higher than the Port's engineer's estimate.
- Staff believes the reasons for the bids being this much above engineer's estimate include costs and risks associated with the need to keep the lot operational during construction, the need to perform the work during wet weather, permitting and construction costs for manufactured components, and general improvement in the construction market for contractors.
- Staff considers the low bid of $3.99 million fair and reasonable due to the number and amounts of the bids received.
- Since 2010, bids for projects in the Capital Development Division have exceeded engineer's estimate by more than ten percent in only seven out of 61 competed projects.
- Steps taken to improve cost estimating by staff include clarification of department procedures to avoid exceptions to development or review of estimates by consultants or

agency professional cost estimators. Such development or review was not performed in the case of this project. The clarified procedure has been reviewed with staff.

- Despite the bid irregularity, staff asserts that the project is still viable from a nonaeronautical revenue perspective.
- The original Port cost estimate at the time of design authorization was $6.1 million and was later reduced. The lowest responsive and responsible bid was higher than the original estimate, but not high enough to have created a bid irregularity requiring further Commission action.
- It is a common approach for public agencies to secure a lease agreement prior to requesting contractors to bid on a related construction project. This sequence promotes predictability for the contracting community. Performing costly or complicated improvements prior to securing a lease places a greater risk on the Port to bear the cost of improvements or perform improvements unique to a particular tenant.

In response to Commissioner Creighton's inquiry as to whether obtaining an accurate cost estimate prior to executing the lease that commits the Port to make the improvements would have affected the lease negotiations for operation of the lot, Mr. Schone reported that lease negotiations were not driven *per se* by the 2012 cost estimates. Commissioner Creighton commented on the lack of a mechanism in the lease for the Port to renegotiate the lease in the event project costs exceeded estimate by a defined threshold. Mr. Reis reported that the risk associated with selecting a five-year lease term as opposed to a ten-year term for the Doug Fox lot affected lease negotiations more profoundly than the underestimated project cost and contributed to the Port's commitment to the improvement project.

Commissioner Gregoire commented on the importance of highlighting early and throughout the approval process the risks involved in executing particular leases that commit the Port to construction or other obligations.

Commissioner Albro noted the Capital Development Division's overall good record for project estimation and signs of a tightening in the construction market. He commented that there are risks associated with patterns of overestimating and underestimating.

Commissioner Bowman stated her preference is to have an escape clause built into leases to provide a remedy when lease-required construction results in a bid irregularity.

Motion for approval of item 6b – Gregoire

Second – Creighton

Motion carried by the following vote:

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

Absent for the vote: Bryant

6c. Authorization for the Chief Executive Officer to (1) advertise and execute a single construction contract comprised of Cargo 2 Hardstand Expansion (CIP #C800247), Cargo 5 Hardstand Construction (CIP #C800254), Cargo 6 Hardstand Improvements

(CIP #C800390), and Airfield Pavement Replacement-Cargo 6 Apron (CIP #C102583); (2) execute contracts for 400 Hz ground power units, fire extinguishers, and furniture; and (3) to authorize Port crews to perform advance work associated with project delivery. This authorization is for $50,607,383, and the cost for the complete project is $69,258,000.

Request document(s) provided by Mike Ehl, Director, Airport Operations, and Wayne Grotheer, Director, Aviation Project Management Group:

- Commission agenda memorandum dated September 30, 2013.
- Project vicinity map.
- Cargo 2 area diagram.
- Cargo 5 area diagram.
- Rendering of Cargo 5 area.
- Cargo 6 area diagram.

Presenter(s): Mr. Ehl and Ralph Wessels, Capital Project Manager.

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

- Despite an overall trend of lower air cargo volumes, Seattle-Tacoma International Airport has experienced 2.5 percent growth in air cargo through August 2013. The Airport's largest air cargo operator, Federal Express, has increased cargo activity 3.1 percent.
- Asiana Airlines plans to move its air cargo operations from Portland to Seattle in October 2013.
- Newer cargo aircraft are not easy to accommodate with older facilities. The authorization accommodates larger aircraft, similar to improvements made to accommodate larger passenger aircraft.
- The Cargo 2 area would be expanded and would include a wider taxi lane and three new Group 6 aircraft hardstand positions.
- Group 6 aircraft include the Airbus A380, Boeing 747-8F, and Boeing 747-8 Intercontinental. Due to physical constraints and FAA separation requirements, Group 6 aircraft can be accommodated but are not currently in regular use at the Airport.
- The Cargo 5 area will be converted into hardstands to accommodate nine narrow-body remain-overnight aircraft. Cargo 5 is expected to provide additional capacity for aircraft affected by the NorthSTAR construction program.
- The Cargo 6 hardstand will be expanded to serve two Group 6 aircraft.
- These three projects were combined in the interest of achieving savings of approximately $10 million.
- Bids are expected to be opened in November 2013, with award in December. Construction begins in February 2014 with beneficial occupancy by November 2014.
- Work on Cargo 2 will precede work on Cargo 6. Work on Cargo 5 will begin in 2013 and be complete by November 2014.
- Air cargo goods include high-value or perishable items such as medical devices and cherries.
- This project was included in the agreed list of projects in the new airline lease.
- Expansion of hardstand resources facilitates opportunities for growth in cargo volume and value.

- The Airport's air cargo strategy includes development of off-Airport warehouse capacity, expansion of Airport facilities, and developing new strategies to market the Airport around the world.

Motion for approval of item 6c – Creighton

Second – Bowman

Motion carried by the following vote:

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

Absent for the vote: Bryant

6d. Authorization for the Chief Executive Officer to complete the design, purchase materials and proceed with construction by Port crews of the Terminal 91 Lighting Upgrades project, for a total cost of $1,035,000. This request seeks a single Commission authorization to combine design, materials purchase, and construction.

Request document(s) provided by Robert A. Hoyman, Marine Maintenance Project Manager, and Paul Meyer, Manager of Environmental Programs:

- Commission agenda memorandum dated September 26, 2013, and revised as noted during the presentation. A revised memorandum was made available after the meeting.
- Terminal 91 site diagram.
- Project cost off-set table.
- Lighting comparison photos.

Presenter(s): Mr. Hoyman.

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

- The project objective is to replace 381 high-pressure sodium area lighting fixtures at Piers 90 and 91 and the cruise parking area with 297 light-emitting diode (LED) or light-emitting plasma (LEP) lighting.
- Enhanced security is a benefit to the lighting change.
- Controls would be included in order to modulate the amount of light used based on need to conserve energy and more accurately bill customers for electricity usage.
- Installation would be conducted by Port crews due to required flexibility, knowledge of Port infrastructure and relationship to tenants, and estimated cost savings.
- Modern fixtures will improve the quality of lighting, reduce the number of fixtures, and require less than 50 percent of the energy currently used to light the applicable areas.
- An additional 20 percent energy savings is anticipated due to the installation of modern controls.
- Potential annual savings of about $50,000 in energy use fees is possible with new fixtures and controls. Maintenance cost savings over ten years is estimated at $500,000.
- This project qualifies for energy conservation incentives estimated at approximately $200,000.
- The project should pay for itself in eight years.

- Reduction of greenhouse gas emissions of 400 times current impact is expected from the lighting conversion.
- The project is compliant with the International Dark Sky Association's light-pollution control standards.
- Procurement would occur in 2013 and installation would be conducted in early 2014.

Mr. Hoyman noted the following correction to information contained in the original September 26 Commission memorandum:

- On page 5, in Financial Implications, the previous authorization of $90,000 should have been identified as a capital expense rather than an operating expense.

Mr. Hoyman also clarified that while the memorandum refers to an eight-year return on investment from the project, Attachment B (the project cost off-set table) was compiled to predict a ten-year cost off-set.

Commissioner Creighton noted the potential benefits of controlled, directed lighting to the residential areas adjacent to Terminal 91. In response to Commissioner Gregoire, Mr. Hoyman noted possible community outreach and demonstration efforts.

Motion for approval of item 6d – Gregoire

Second – Creighton

Motion carried by the following vote:

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

Absent for the vote: Bryant

6e. Authorization for the Chief Executive Officer (1) to request an authorization increase of $900,000 to replace the HVAC equipment at the Fishermen's Terminal C-15 Building for a total project authorization of $4,887,000 due to bids exceeding the engineer's estimate by more than 10 percent, and (2) to execute a construction contract with the lowest responsive and responsible bidder to construct the project.

Request document(s) provided by Fred Chou, Capital Project Manager, Capital Development Division, and Rebecca Schwan, Real Estate Manager, Portfolio and Asset Management:

- Commission agenda memorandum dated October 1, 2013.
- Presentation slides.

Presenter(s): Mr. Chou and Ralph Graves, Director, Capital Development Division.

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

- A scattergram graph of bid percentage above or below engineer's estimate for major construction projects for the Aviation, Seaport, and Real Estate Divisions over the period 2010-2013 was presented. The graph showed seven out of 61 projects where low bids were 10 percent or more above engineer's estimate.

- New building construction is a volatile business that suffered between 2005 and 2009 and is only just recovering.
- Reliable heating, ventilation, and air conditioning (HVAC) service is important to tenants at Fishermen's Terminal that provide complementary services for the maritime industry.
- The existing HVAC system at Building C-15 is 26 years old and past its serviceable life.
- Five bids were received for the project to replace the HVAC system, of which the lowest responsive and responsible bid was 27 percent greater than engineer's estimate. Due to this bid being greater than 10 percent above engineer's estimate, staff returned to the Commission for further authorization on September 10, 2013.
- Following further review based on Commission guidance of September 10, 2013, staff is confident that the best course of action is to award the contract at the higher cost.
- The physical limitations of the space in which the work will be performed and applicable current code requirements were presented.
- Alternatives considered for the project included placing new mechanical spaces outside of the existing building envelope, installing new beams and columns below the work area, installing new beams below the roof trusses and enlargement of the roof openings, and installing custom units in smaller sections to fit through the existing roof design.
- The most cost-effective alternative is the last of those above and is the alternative on which the contractor's bid was based.

Motion for approval of item 6e – Gregoire

Second – Creighton

Motion carried by the following vote:

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

Absent for the vote: Bryant

7. STAFF BRIEFINGS

7a. 2014 Operating Budget Briefing.

Presentation document(s) provided by Dan Thomas, Chief Financial and Administrative Officer, and Michael Tong, Corporate Budget Manager:

- Commission agenda memorandum dated September 20, 2013.
- Presentation slides. Corrections to Aviation and Seaport slides were announced during the presentation and a revised version was made available after the meeting.

Presenter(s): Mark Reis, Managing Director, Aviation Division; Borgan Anderson, Director, Aviation Finance and Budget; Boni Buringrud, Director, Seaport Finance and Budget; Joe McWilliams, Managing Director, Real Estate Division; Ralph Graves, Managing Director, Capital Development Division; Dan Thomas, Chief Financial and Administrative Officer; Michael Tong, Corporate Budget Manager; Luis Navarro, Director, Office of Social Responsibility; and Jane Kilburn, Tourism Development Director.

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

Aviation

- Aviation budgeting in 2013 was affected significantly by uncertainties centered on a new airline lease and rates and charges resolution.
- The enplanement growth assumption for the 2014 budget is 2.2 percent, although enplanement growth in 2014 could be as high as 3-4 percent. This is due to growth in domestic flights connected to international service growth.
- Operations and maintenance cost increases have a budget target of three percent.
- Expenses due to airline realignment will reduce with the completion of the project while costs for revision of the Airport's sustainability master plan will increase. Reassessment of corporate allocations has resulted in an increased Aviation default allocation for corporate expenses of about 77 percent.
- The new airline lease agreement affects revenue projections by introducing revenue sharing with the airlines above 1.25 percent of debt service coverage. Under the new lease, the Airport will absorb some of the cost for vacant space previously borne by the airlines.
- Nonaeronautical revenue is expected to grow 4.2 percent in 2014, and nonaeronautical revenue will be expected to compensate for loss of revenue resulting from the new airline lease structure.
- Exceptions to the baseline projected expense budget include costs associated with development of the Airport sustainable master plan, concessions master plan and recruitment, and regulated materials management, which is driven by the Airport's capital program. The proposed expense budget for 2014 is approximately $163.5 million.
- Initiatives within the baseline expense budget noted particularly included centralized Port management of contracted Federal Inspection Services operations; joint marketing costs incentivizing new international service; consulting services for the Burien Northeast Redevelopment Area (NERA) grant request and Federal Aviation Administration (FAA) pilot program; fire department costs; and increased janitorial and utilities costs.
- Net cash flow for aeronautical business is forecast at $7.8 billion.
- Total nonaeronautical revenues for 2014 are forecast at $164.4 million.
- Projected concessions income is based on past sales and anticipated enplanements. Potential changes to wage rules in the City of SeaTac are not represented in the current concessions revenue forecast, which is focused on sales rather than concessionaires' bottom line. Possible effects of a new wage law on concessionaires' business models was deemed impossible to predict at this time.
- Terminal operations and maintenance costs previously split between airline and nonairline categories at 80%/20% will now be split 77%/23%. Nonairline expenses will bear a larger share of terminal costs than before and increase the Airport's costs by about $3.9 million.
- Negotiation of a new airline agreement included reduction of the revenue requirement by $18 million, corresponding to the amount of the security fund under the previous airline lease. The resulting revenue adjustment will be accounted for over a five-year period as a reduction in total operating revenues.
- Mr. Anderson noted a correction to the presentation slides under the Budget Summary and Key Measures in which the 2014 budget amount for baseline Airport expenses

should have been listed as $158,391,000 rather than $158,211,000 with the corresponding budget target exceptions correctly listed as $2,750,000 rather than $2,930,000.

- The baseline Airport expense budget for 2014 represents 2.9 percent growth.
- Cost per enplanement for 2014 is forecast at $12.82.
- Debt service coverage after calculating revenue sharing is forecast at 1.29 percent.
- The cost-per-enplanement forecast through 2018 of up to $15.47 is inclusive of $1.5 billion in capital costs during the same period.
- Debt per enplaned passenger grows from $143.80 to $161.20 between 2013 and 2018. In 2010, debt per enplaned passenger was $173.00.

Seaport

- Key Seaport revenue assumptions include twenty-foot equivalent unit (TEU) volume at 1.66 million, equal to the 2013 budget.
- Cruise volume is forecasted at 178 calls and 805,000 passengers, which is a decrease from 2013 budget, although the presentation slides erroneously listed a decrease from the 2014 budget.
- Grain volume in 2014 is estimated to be 2.2 metric tons. The 2013 Midwest drought reduced grain export volumes significantly.
- Notable expense costs include maintenance dredging at Terminals 5 and 91, removal of cranes at Terminal 18, implementation of the Northwest Ports Clean Air Strategy, and development of a new tribal fishing coordination program in 2014.
- Organizational revenues by business group were presented as compared to the forecast budget for 2013, rather than the revised 2013 budget.
- Operating revenue is forecast approximately $4.9 million, roughly five percent higher than the 2013 forecast.
- Salaries and wages charged to capital budget are lower in the 2014 budget than in 2013, and a full-time-equivalent (FTE) position has been transferred to the Corporate Division.
- Non-payroll costs for utilities have increased. Tenant billings recover 88 percent of utility costs in the Seaport Division.
- Seaport's total baseline budget decreases in 2014 by about $124,000. After increases for projects and initiatives such as maintenance dredging, crane removal, and transportation planning, total operating expenses increase in 2014 by about $2.4 million, 12.3 percent over 2013 budget.
- Overall stormwater management expense for Seaport is approximately $3.1 million for 2014, an increase of about $300,000. Roughly 88 percent of that cost is carried by Port tenants. This cost does not include the environmental and payroll costs associated with the Port's treatment of its own stormwater runoff.
- A contingency of $366,000 covers unanticipated costs.
- Grants will help fund the truck scrapping incentives included in the non-operating expense of the Seaport's clean air program.
- There are 59 proposed FTEs for 2014.
- Corporate and Capital Development Division allocations will drop in 2014 largely due to revised allocation methodology.

Real Estate

- Key budget assumptions for the Real Estate Division include a marina occupancy rate of 94 percent, fishing and commercial occupancy at Fishermen's Terminal and the Maritime Industrial Center of 78 percent and 70 percent, respectively, 92 percent occupancy at commercial properties, and a drop in revenue at the Bell Harbor International Conference Center of 17 percent. Frequent lease turnover tends to result in higher costs for tenant improvements.
- Increased competition and perceived traffic difficulties negatively affect revenues for the conference center.
- Total revenue is expected to drop by $1.2 million, roughly 3.7 percent. This decrease is driven primarily by loss of revenue at the conference center.
- It is hoped that the remaining portions of the Eastside Rail Corridor will no longer be part of the Port's real estate portfolio after the first quarter of 2014.
- Of the Real Estate expenses for maintenance, approximately 35-40 percent is allocated to Seaport. Similarly, about 64 percent of facility expenses at Pier 69 are allocated to Aviation.
- Seaport expenses are forecast to increase $776,000, about two percent.
- Notable expense reductions for 2014 include adjustments based on completion of deferred maintenance and elimination of a $500,000 Real Estate contingency.
- Payroll expenses take into consideration the desire not to re-create a maintenance backlog as well as the maintenance cost associated with obtaining title to a new building at Fishermen's Terminal.
- Significant expenses for 2014 at Pier 69 include carpet replacement and concrete beam rehabilitation. Significant maintenance projects above $50,000 to be performed by maintenance staff were presented.
- Proposed FTEs for 2014 are 1.5 FTEs lower than 2013 at 166.8.
- Net operating income after accounting for direct charges and allocations will be about 21.6 percent lower than for 2013.

Capital Development

- FTEs in Capital Development are forecast at 285.1 for 2014, an increase from 2013 budget of 19.6. Of the total salaries and benefits of $45,666,063, $29,134,316 will be charged to capital projects and $16,531,748 is accounted as operating expense.
- The Capital Development 2014 operating budget was presented by division to which funds are charged.
- Staffing by department was presented.

Corporate

- The overall increase compared to the 2013 corporate budget is 1.5 percent, including transfer of an FTE from the Seaport Division. Due to changes in the allocation formula additional corporate costs will be shifted to the Aviation Division.
- A net increase of 1.4 FTEs is proposed for 2014. The total 2014 FTEs are 451.4.
- Key drivers of expense costs include baseline payroll increases, which are partially offset by an $840,000 reduction in non-payroll expenses. This is a four-percent reduction compared to 2013 budget.

- Current small business participation is 29 percent of eligible expenditures as of June 2013, and the percentage is expected to rise to 30 percent in 2014. The Century Agenda goal is set at 40 percent of eligible expenditures.
- The 2014 budget includes an extension of the Port Jobs contract in support of the workforce development interests of the Century Agenda.
- The Office of Social Responsibility will manage a maritime workforce needs study in 2014.
- Tourism Development pursued its focus on international markets in Germany and the United Kingdom in 2013 and hosted 68 in-bound familiarization trips for international tourism professionals in conjunction with Visit Seattle. In-kind contributions to the Port's tourism efforts will exceed $500,000 in 2013.
- France and Japan will be an additional focus for tourism in 2014.
- New cruise surveys will be complete soon with additional demographic information on Seattle's cruise passengers.
- Potential budget additions were presented, including an economic impact study, furniture and equipment for the Airport Jobs Office, a construction labor market survey with the City of Seattle, workforce development strategy and career pathways funding, and an analyst FTE in the Office of Social Responsibility to support workforce development initiatives.

Portwide Summary

- A three percent average merit pay increase for nonrepresented employees consistent with the regional market is a factor in current payroll assumptions. Salary range increases up to two percent are also assumed, but are expected to have a minimal cost impact. Port medical and dental costs are expected to increase 1.9 percent, and the Port's Public Employee Retirement System contribution is expected to increase to 9.21 percent compared with the 2013 average contribution of 8.16 percent.
- Overall net operating income, although forecast to be lower than 2013 budget, is expected to be higher than the 2013 forecast. Net operating income in 2014 is anticipated to be approximately $214.5 million.
- The current budget assumption includes the same tax levy amount as for 2013 at $73 million.
- Total revenues are expected to amount to approximately $731 million.
- New accounting rules prevent amortization of revenue bond issuance costs over the life of the bond and require them to be expensed in the year of bond issuance. Expenses for bonds expected to be issued in 2014 include these costs, and the year-end statement for 2013 will show a significant change due to the need to account in 2013 for existing, as yet unamortized, bond issuance costs.
- The change in net assets for 2014, which is roughly equivalent to a corporate bottom line, is expected to be approximately $77.9 million.
- The comprehensive budget summary slide reflected a column for 2013-2014 budget change, despite being mislabeled as 2013-2012 budget change.
- Port-wide FTEs in 2014 are proposed to be 1,820.8.

ANNOUNCEMENT

Commissioner Albro announced that Mark Reis, Managing Director of the Aviation Division, was elected to serve as the Chair of the Airports Council International – North America for 2014.

8. NEW BUSINESS

None.

9. POLICY ROUNDTABLE

None.

10. ADJOURNMENT

There being no further business, the regular meeting was adjourned at 4:30 p.m.

Bill Bryant
Assistant Secretary
Minutes approved: November 19, 2013.