



Commissioners

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**APPROVED MINUTES
COMMISSION REGULAR MEETING OCTOBER 22, 2013**

The Port of Seattle Commission met in a regular meeting Tuesday, October 22, 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 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 and potential litigation. Following the executive session, which lasted approximately 60 minutes, the regular meeting reconvened in open public session at 1:14 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 regular meeting of September 24, 2013.

5b. Approval of the Claims and Obligations for the period of September 1, 2013, through September 30, 2013, including accounts payable checks nos. 816609-817409 in the amount of \$33,506,453.94 and payroll checks nos. P-175133-175278 in the amount of \$7,883,207.41 for a fund total of \$41,389,661.35.

- 5c. Request Commission (1) approval of an additional authorization of \$965,000 to replenish construction contingency due to disputed costs and (2) authorization for the Chief Executive Officer to issue Change Order No. 173 for Contract MC-0316677, Centralized Pre-Conditioned Air Project at the Seattle-Tacoma International Airport, in the amount of \$453,143 to resolve the costs related to changes to the pipe hangers/supports and seismic restraints for the PC Air mechanical plant piping.**

Request document(s) provided by Ralph Graves, Managing Director, Capital Development Division; Wayne Grotheer, Director, Aviation Project Management Group; and Janice Zahn, Assistant Director of Engineering, Construction Services:

- Commission agenda [memorandum](#) dated October 15, 2013.

- 5d. Authorization for the Chief Executive Officer to execute a five (5) year contract for the purchase of liquid and solid pavement deicers for use at Seattle Tacoma International Airport.**

Request document(s) provided by John Christianson, General Manager Aviation Maintenance, and Luisa Bangs, Senior Maintenance Manager Facilities, Fleet, Systems, and Grounds:

- Commission agenda [memorandum](#) dated September 25, 2013.

- 5e. Authorization for the Chief Executive Officer to execute procurement contracts for the purchase of three pieces of runway snow removal equipment at Seattle-Tacoma International Airport for a total authorization of \$2,200,000.**

Request document(s) provided by John Christianson, General Manager Aviation Maintenance, and Luisa Bangs, Senior Maintenance Manager Facilities, Fleet, Systems, and Grounds:

- Commission agenda [memorandum](#) dated September 25, 2013.

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

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):

- Marion Yoshino, City of Des Moines Economic Development Manager and City Councilmember for the City of Normandy Park. Ms. Yoshino commented in favor of agenda item 6b, which she said would provide truck access and facilitate development of the Des Moines Creek Business Park.

6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS

- 6a. Second Reading and Final Passage 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 October 3, 2013.
- Resolution No. [3683](#).

There was no presentation at this time. The Port Commissioners received presentations on Resolution No. 3683 on September 24, 2013, and during its consideration on October 8, 2013, and the request documents were distributed for review prior to the meeting of October 22, 2013.

Motion for second reading and final passage of Resolution No. [3683](#) – Gregoire

Second – Creighton

Motion carried by the following vote:

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

6b. Authorization for the Chief Executive Officer to execute Amendment 3 to 2005 Port/City of SeaTac Interlocal Agreement (2005 ILA), which will add the “Connecting 28th/24th Avenue South,” and “South 170th Street Roundabout” projects to the list of projects identified in the 2005 ILA as eligible to receive funding from parking tax collected by the City from Port-owned parking facilities.

Request document(s) provided by Linda Stewart, Director, Aviation Community Partnerships:

- Commission agenda [memorandum](#) dated October 4, 2013.
- [Presentation](#) slides.
- Interlocal agreement [amendment](#).

Presenter(s): Ms. Stewart and Tom Hooper, Senior Planner, Aviation Planning.

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

- The intent of the interlocal agreement is to provide access to parking tax funding to execute projects that mitigate traffic impacts of the Airport on city streets.
- The projects listed are Port priorities because they improve access to Airport facilities.
- The City of SeaTac approved an ordinance on October 10, 2013, to executive the amendment.
- The projects added to the list of projects eligible for funding from the parking tax include the South 170th Street roundabout and the connection of 24th and 28th Avenues.
- The interlocal agreement expires in February 2016 and governs land uses, permitting authority, surface water management fees, details for hauling materials over 100,000 cubic yards, and allocation of city parking tax funding to Port priority transportation projects.
- Of the parking tax collected, 36.9 percent is available for Port priority projects including the South Access Road, Westside Trail, and others.

- The SR-518 third lane project was added in 2007 and up to \$5 million of the Port's \$10 million commitment to the Washington State Department of Transportation was allocated by the interlocal agreement.
- The 2007 amendment also split the parking tax allocation into a 22 percent allocation for the South Access Road and SR-518 projects and a 14.9 percent allocation for the Westside Trail and the North SeaTac Roadways Project. The projects added by the current amendment would be funded out of the 22 percent portion of parking tax revenue.

Commissioner Creighton commented on the potential to look comprehensively at the various issues treated in the interlocal agreement when it is time to renew it in 2016.

Motion for approval of item 6b – Bryant

Second – Creighton

Motion carried by the following vote:

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

6c. Authorization for the Chief Executive Officer to execute an agreement with TierPoint to allow the Information and Communication Technology Department to relocate Port of Seattle secondary datacenter systems into TierPoint's Spokane, Washington, data center to provide geographic redundancy. The agreement is for three years, with an option to renew for an additional three years at a cost of \$150,000 per year, for a total amount of \$900,000. Actual 2013 costs will be pro-rated at the time of contract execution.

Request document(s) provided by Matt Breed, Senior Manager, ICT Infrastructure, and Peter Garlock, Chief Information Officer:

- Commission agenda [memorandum](#) dated October 2, 2013.
- Proposed [agreement](#).

Presenter(s): Mr. Breed and Mr. Garlock.

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

- The Port of Seattle operates redundant data centers at the Airport and downtown Seattle. While this provides backup for the various systems used by the Port, both data centers are located in the same seismic zone. It has been recommended the Port secure a second facility in a different seismic zone.
- By using the TierPoint location in Eastern Washington, the Port will reduce annual operating costs by \$200,000.
- Other locations were considered in Eastern Washington and outside the state. With increased distance between the data centers, latency is increased, complicating backup of various applications. Connectivity cost was also considered in selecting the TierPoint facility.

Motion for approval of item 6c – Gregoire

Second – Bowman

Motion carried by the following vote:

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

Absent for the vote: Bryant

6d. First reading of Resolution No. 3684: A Resolution of the Port Commission of the Port of Seattle authorizing the issuance and sale of intermediate lien revenue refunding bonds in the aggregate principal amount of not to exceed \$150,000,000, for the purpose of refunding certain outstanding revenue bonds of the Port; setting forth certain bond terms and covenants; and delegating authority to approve final terms and conditions of the bonds.

Request document(s) provided by Elizabeth Morrison, Director, Corporate Finance:

- Commission agenda [memorandum](#) dated October 1, 2013.
- Resolution No. [3684](#).

Presenter(s): Ms. Morrison.

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

- The bonds to be refunded were originally issued in 2003 on the Port's first lien. Currently Airport bonds are commonly issued on an intermediate lien, and the resolution would refund the 2003 first lien bonds to the intermediate lien.
- There is \$138 million outstanding on the 2003 bonds, all of which is expected to be refunded for debt service savings.
- The parameters for sale of the bonds within six months of delegation include a maximum par amount of \$150 million and a four percent minimum savings threshold.
- The bonds are sensitive to interest rate fluctuations, and staff hopes to refund them by the end of 2013, but has requested a six month period in order to take advantage of the best possible interest rates available. Many bonds are funded within three months of Commission approval, and it is staff's intention to move expeditiously to refund these 2003 first lien bonds.
- The bonds will be underwritten by the Port's finance team led by Merrill Lynch, and bond counsel is K&L Gates. The Port's financial advisor will be Piper Jaffray.
- The refunding will not extend the principal on the original 2003 bonds.
- New accounting requirements do not affect the net present value savings, but will affect the financial statements. Costs associated with the refunding will be accounted for as non-operating expenses in the same year the bonds are refunded, rather than being amortized over the life of the bond as in previous practice. The non-operating expenses have been budgeted for.

Motion for approval of item 6d – Creighton

Second – Bryant

Motion carried by the following vote:

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

6e. Authorization for the Chief Executive Officer to: (1) advertise for bids and execute a major construction contract; (2) execute a tenant reimbursement agreement with Alaska Air Group for the Port's portion of construction under the Airport's AV-2 Policy; and (3) use Port crews to provide construction services for the Concourse C Vertical Circulation Project at Seattle-Tacoma International Airport in an amount not to exceed \$16,145,000. The total estimated project cost is \$19,300,000.

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

- Commission agenda [memorandum](#) dated October 16, 2013.
- [Project site rendering](#).

Presenter(s): George England, Capital Program Leader, Aviation Project Management Group.

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

- Alaska Air Group supports the Concourse C Vertical Circulation Project and has concurred in writing in accordance with the letter of agreement between the Port and Alaska Air Group.
- A reimbursement agreement for about \$300,000 is included in the request for portions of the Port's work to be performed by Alaska Air Group. This work includes signage and temporary facilities.
- Port crews will be used to relocate electrical ground service equipment charging stations and passenger loading bridges.
- The project provides larger elevators and weather-protected pathways for gates C-2 through C-16 to improve passenger safety and accessibility, enhance customer service, and improve airline efficiency.
- The elevators will be non-hydraulic and energy-efficient.
- Four passenger loading bridges will be removed, of which two will be stored for future use and two that are at the end of their service life will be disposed of.
- Construction phasing is considered the project's biggest risk due to the need to keep gates open during construction.
- Construction is expected to begin in March 2014 and conclude March 2015.
- Small contractor/supplier participation has been set at six percent for this project, and the work is covered by the NorthSTAR project labor agreement.

Motion for approval of item 6e – Creighton

Second – Bowman

Motion carried by the following vote:

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

7. STAFF BRIEFINGS

7a. 2014 Salary and Benefits Resolution.

Presentation document(s) provided by Tammy Woodard, Assistant Director, Human Resources and Development – Total Rewards:

- Commission agenda [memorandum](#) dated October 15, 2013.
- [Presentation](#) slides.
- Draft 2014 graded [salary range structure](#).

Presenter(s): Ms. Woodard.

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

- The salary and benefit resolution delegates to the Chief Executive Officer the authority to direct the administration of pay and benefits, including medical and dental benefits.
- Slightly more than half of all Port employees are covered by the resolution as non-represented staff.
- Actual pay rates are not set by the resolution.
- A merit-based pay-for-performance system is established as the basis for pay increases for non-represented employees. There is no step-in-grade system or cost-of-living increase system for non-represented Port employees. The current pay-for-performance matrix for 2013 is anticipated to be used again in 2014. Increases for performance will range between 0 and 3.5 percent.
- A long-term health care strategy was developed to better align health care benefits with the Total Rewards philosophy.
- In 2013, salary ranges were increased by two percent, and claims administration costs were reduced with a shift to Cigna as the Port's claims administrator.
- Key considerations for 2014 include increasing dependent premiums on the deductible and Group Health plans, increasing the employee cost share for medical services, and increased Public Employees Retirement System contributions.
- Twelve jobs market surveys were used to evaluate adjustments to salary ranges for 2014. Staff analysis indicated salary ranges are just 0.2 percent below market. An average pay increase in the area is expected to be approximately 2.9 percent.
- Local public employer pay increases, including cost-of-living increases, range between 0 and 10.5 percent.
- In 2010, the Port did not provide a salary range increase.
- The goal for salary ranges is that the midpoint approximate the average market rate for the work to be performed.
- Benchmarks include the Puget Sound region and all-industry employers.

- Changes to salary and benefits for 2014 include an updated holiday schedule and reduction of the paid-time-off accumulation limit to gradually reduce the maximum available paid time off for employees to become more consistent with the current limit of 480 hours.
- Other changes include rearrangement of eligibility sections for employees and Commissioners. Actual eligibility will not change, but the two groups will be separated for clarity.
- The foreign language premium is recommended to be eliminated in 2014.
- A two percent increase to salary ranges is recommended. Increasing salary ranges does not increase pay for all Port employees. This increase will cost about \$5,000 in order to bring approximately six employees up to their new salary range minimum.
- Although the Port has not performed a broad-based gender equity evaluation of salaries, the Port performance evaluation system includes re-evaluation of jobs as a group. The process includes evaluation of possible pay inequities by evaluating jobs based on the type of work performed.

7b. Briefing on the Preliminary Tax Levy and the Draft Plan of Finance 2014-2018.

Presentation document(s) provided by Elizabeth Morrison, Director, Corporate Finance:

- Commission agenda [memorandum](#) dated September 25, 2013.
- [Presentation](#) slides.
- 2014-2018 draft [plan of finance](#).

Presenter(s): Ms. Morrison.

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

Tax Levy

- The Port's taxing authority is defined by statute and is limited to 45 cents of assessed value. There is also a percentage limit on growth of taxing authority relative to the tax levy. The percentage limit is more restrictive and is the limit applicable to the Port's taxing authority.
- The 2013 tax levy assessment was \$73 million out of a maximum available limit of \$91.5 million. King County assessed value in 2013 was \$313 billion. The maximum allowable limit in 2014 for the Port is estimated at \$93.3 million.
- Port uses of the tax levy are defined by the Commission and any Port costs other than payment of revenue bond debt service.
- Port tax levy uses include community purposes such as environmental remediation, regional transportation and freight mobility initiatives, and Port Jobs expenses. Past uses included major harbor improvements, but since 2010, the Seaport Division has been expected to be self-sustaining without use of tax levy funding.
- Forecasts and budget for the 2013 tax levy status were presented and significant variances were described. Beginning balance surpluses and savings in Real Estate capital spending were noted.
- Staff is assuming a 2014 tax levy of \$73 million.

- It is recommended the Port deposit \$6 million in 2014 to the Transportation and Infrastructure Fund and that there be early redemption of general obligation bonds for the Eastside Rail Corridor.
- A 5-year forecast for tax levy cash flow was presented. A modest shortfall is projected beyond a 10-year forecast period, assuming the levy remains at \$73 million.
- Risks associated with the tax levy include additional environmental liabilities, property acquisitions, currently unfunded transportation improvement projects, possible need to provide support to the Seaport, and unanticipated mandates or initiatives. Potential unexpected levy fund increases could include environmental recoveries or sale of property.

Draft Plan of Finance

- Parameters for the 5-year plan of finance include funding targets, such as minimum fund balances and debt service coverage that have been in use for about the last 10 years.
- The funding target for operations and maintenance coverage is nine months, including six months for the general fund and ten months in the Airport Development Fund. The Seaport revenue bond coverage is 1.50 times debt service. Airport revenue bond coverage is 1.25 times debt service. It is assumed that no more than 75 percent of the tax levy is used to pay general obligation bond debt service.
- Port funding sources include net operating income, operating fund balances, existing and future revenue bond proceeds, passenger facility charges, customer facility charges, grant funding, and the tax levy.
- Airport net income for 2014-2018 is estimated at \$155.6 million. Airport use of the tax levy is for noise mitigation in the Highline School District. Future bond proceeds are estimated at around \$1 billion, which would fund committed as well as prospective capital improvement projects.
- A bond issue between \$200 million and \$400 million is anticipated in 2014, which would fund two or three years of capital spending. Additional bonds might be issued later.
- Seaport net income for 2014-2018 is estimated at \$135.6 million. Seaport use of the tax levy is for completion of the Argo Yard Roadway. Future bond proceeds are estimated at around \$75 million, which would fund committed and prospective capital improvement projects. It is possible for the Seaport to issue these bonds and maintain 1.50 times its debt service coverage.
- New corporate allocation formulas have reduced Seaport operating expenses. This change provides additional capacity to spend about \$65 million more than is currently in the Seaport capital plan. No additional capacity is anticipated for the Seaport for the next 8-9 years.
- A reduction of \$120 million in the Seaport plan of finance was necessary in 2013. This was necessitated by the movement of the Grand Alliance to the Port of Tacoma and subsequent lease adjustments made at the Port of Seattle, reducing the Port's capital spending capacity. That capacity was not transferred to the Port of Tacoma, but was reduced for the entire region.
- The Real Estate Division capital funding is primarily from the tax levy and is supplemented by other divisions' allocations related to use of facilities at Pier 69.
- Portwide revenue bond debt service coverage was summarized.

There was discussion on the topic of keeping the tax levy at \$73 million and the Port's conservative approach to managing tax levy funding in the past.

8. NEW BUSINESS

None.

9. POLICY ROUNDTABLE

None.

10. ADJOURNMENT

There being no further business, the regular meeting was adjourned at 3:00 p.m.

Tom Albro
Secretary

Minutes approved: January 7, 2014.