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**APPROVED MINUTES
COMMISSION SPECIAL MEETING NOVEMBER 5, 2013**

The Port of Seattle Commission met in a special meeting Tuesday, November 5, 2013, at Port of Seattle Headquarters, Commission Chambers, 2711 Alaskan Way, Seattle, Washington. Commissioners Albro, Bowman, Bryant, Creighton, and Gregoire were present.

1. CALL TO ORDER

The special meeting was called to order at 2:05 p.m. by Tom Albro, Commission President.

2. EXECUTIVE SESSION pursuant to RCW 42.30.110

No executive session was convened at this point in the meeting; however, the Commission recessed into executive session later in the meeting as noted below.

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 October 1, 2013.

5b. Authorization for the Chief Executive Officer to execute the Second Amendment to Fuel System Lease Agreement with SeaTac Fuel Facilities LLC, substantially in the form attached, to (1) reflect addition of hydrant pits associated with airline realignment at Seattle-Tacoma International Airport, and (2) increase the rental rate associated with the lease in accordance with the terms of the lease.

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

- Commission agenda [memorandum](#) dated October 25, 2013.
- [Amendment](#) text.
- [Project site plan](#).

5c. Authorization for the Chief Executive Officer to execute a new collective bargaining agreement between the Port of Seattle and the International Brotherhood of Teamsters, Local 117, covering the period from July 1, 2012, through June 30, 2015, affecting eight Police Specialist positions.

Request document(s) provided by Kim Ramsey, Labor Relations Manager:

- Commission agenda [memorandum](#) dated October 30, 2013.

5d. Authorization for the Chief Executive Officer to (1) proceed with design of the Automated Passport Control Kiosks in FIS project at the Seattle-Tacoma International Airport; (2) execute a purchase order for purchase of electronic kiosks and supporting technology as owner-furnished equipment; and (3) use a combination of Port crews and small works contractors to perform work related to demolition and installation of the new electronic kiosks. The amount of this request is for the total estimated project cost of \$2,207,000. (CIP #C800667)

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

- Commission agenda [memorandum](#) dated October 28, 2013.

5e. Authorization to (1) enable sole-source selection of Washington Tourism Alliance (WTA) to conduct international tourism promotion services by exercising the Commission's authority under RCW 53.19.020(5); and (2) authorize the Chief Executive Officer to execute a contract for services with WTA for one year with one option year, for a total not to exceed \$350,000.

Request document(s) provided by Jane Kilburn, Director, Tourism Development and Senior Communications Counsel:

- Commission agenda [memorandum](#) dated October 18, 2013.

5f. Authorization for an addition to the Commission's 2013 international travel plan.

Request document(s) provided by Kurt Beckett, Deputy Chief Executive Officer:

- Commission agenda [memorandum](#) dated October 24, 2013.

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

Motion carried by the following vote:

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

PUBLIC TESTIMONY

As noted on the agenda, an opportunity for public comment was provided, although no public comment was offered at this time. Correspondence was received from Shane Jones, Vice President, Corporate Real Estate, Delta Air Lines, in support of agenda item 5d, related to automated passport control kiosks. A copy of the letter is, by reference, made a part of these minutes, is marked [Exhibit A](#), and is available for inspection in Port offices.

6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS

Without objection, the Commission advanced to consideration of –

6f. Authorization for the Chief Executive Officer to execute a lease for a ten-year term with one five-year option substantially as drafted in Attachment 1 and according to the terms laid out in the memorandum at a fair market rate, with Masters, Mates and Pilots Maritime Advancement Training, Education, and Safety Program d.b.a. Pacific Maritime Institute at Terminal 34.

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

- Commission agenda [memorandum](#) dated October 28, 2014.
- [Presentation](#) slides.
- Draft [lease agreement](#).

Presenter(s): Ms. Spangler and Bill Anderson Jr., Director of the Pacific Maritime Institute.

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

- The Pacific Maritime Institute currently leases the subject space, which includes 15,000 square feet of industrial flex space and 29,000 square feet of parking at Pier 34. The building is adjacent to Alaskan Way, a U.S. Coast Guard facility, an abandoned BNSF rail spur, and the Jack Perry Memorial Viewpoint.
- The new 10-year lease includes an option to renew for a five-year period. Rental rates increase annually at 2.5 percent. Rent will be renegotiated a fair market rate prior to the sixth year of the lease.
- The tenant is responsible for all maintenance and utilities, and the Port is responsible for the roof, structure, and foundation of the building.
- A perpetual easement through the Jack Perry Memorial Viewpoint provides parking access. This easement will be removed as a condition of the lease in favor of a license for temporary use to provide parking access.

- The Port will pay a fee to the tenant's broker of \$93,000 and is responsible for \$85,000 in tenant improvements.
- The net present value of the agreement is \$1.6 million over the term of the lease.
- The building was constructed around 1950 and the interior was completely renovated in 2004 to accommodate the Pacific Maritime Institute. Sophisticated maritime simulation equipment is part of the institute's unique infrastructure and represents an investment by the institute of about \$6 million to install and put into service. There are only three simulators of this kind on the West Coast.
- The tenant is a leading provider of maritime training and education and operational research for the maritime industry. It offers over 100 courses to educate and maintain the maritime credentials of its clients, including tugboat operators and pilots, that are not offered elsewhere on the West Coast north of the San Francisco Bay area.

Motion for approval of item 6f – Bryant

Second – Bowman

Motion carried by the following vote:

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

Following consideration of agenda item 6f, the Commission returned to consideration of –

- 6a. First Reading and Public Hearing of Resolution No. 3685: A resolution of the Port Commission of the Port of Seattle adopting the final budget of the Port of Seattle for the year 2014; making, determining, and deciding the amount of taxes to be levied upon the current assessment roll; providing payment of bond redemptions and interest, cost of future capital improvements and acquisitions, and for such general purposes allowed by law which the Port deems necessary; and directing the King County Council as to the specific sums to be levied on all of the assessed property of the Port of Seattle District in the Year 2014.**

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

- Commission agenda [memorandum](#) dated October 28, 2013.
- [Presentation](#) slides.
- Resolution No. [3685](#).

Presenter(s): Mr. Thomas; Mr. Tong; Borgan Anderson, Director, Aviation Finance & Budget; Boni Buringrud, Director, Seaport Finance & Budget; Michael Burke, Director, Seaport Leasing and Asset Management; Joe McWilliams, Managing Director, Real Estate Division; Ralph Graves, Managing Director, Capital Development Division.

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

Overview

- A reduction in 2014 projected revenue is due in part to renegotiated business arrangements with airline and shipping tenants in 2013.
- Compared to the 2013 revised budget forecasts, revenue is stable and growing, particularly from Airport parking and concessions.
- Over the next five years, \$1.9 billion in capital investment is expected, \$1.5 billion of it at the Airport.
- Corporate overhead has increased slightly, and cost allocation formulas have been adjusted, reducing the expense burden on the Seaport Division.
- 2014 budget planning began in July 2013.
- Updates to the 2013 year-end forecasts are incorporated in the final budget resolution.
- Total operating revenue for 2014 is forecasted at \$536 million, \$14 million lower than 2013 forecast.
- Total operating expenses for 2014 are budgeted at \$322 million, \$6.7 million lower than 2013 budget.
- Net operating income is expected to be \$214.5 million for 2014, \$7.1 million lower than 2013 forecast.
- Total revenue for 2014 is forecast at \$730 million, \$12.5 million lower than 2013 forecast.
- Total expenses for 2014 are forecast at \$653 million, \$10 million lower than 2013 budget.
- Change in net assets, which is comparable to a private company's profit, is budgeted at \$78 million, \$2.5 million lower than 2013 budget. These funds are reinvested in facilities.
- There are 1,820.8 full-time-equivalent (FTE) positions proposed for 2014, an increase of 19.7 FTEs over those proposed in 2013.
- Capital spending for 2014 is proposed at \$295 million. For the period 2014-2018, \$1.9 billion is proposed.
- Total sources of funds for 2014 are anticipated to be a little over \$1 billion, including \$300 million to \$400 million in revenue bonds to fund large capital programs at the Airport. Uses of funds are expected to account for a little less than \$950 million, including large percentages for debt service and capital expenditures.
- The tax levy is budgeted at \$73 million for 2014, the same as in 2013. The statutory maximum is over \$93 million. Tax levy uses in 2014 will include a \$6 million addition to the Transportation Infrastructure Fund, from which the Port's contribution to the SR-99 tunnel project will be funded.

Aviation

- Aviation's enplanement growth assumption has increased from 2.2 percent to 3.0 percent based on enplanement performance in 2013 and recent announcements of additional domestic service at the Airport. Therefore, additional revenue of approximately \$2 million and additional expenses of about \$500,000 have been incorporated into the 2014 Aviation Division budget as a result. Long-term enplanement growth remains forecasted at 2.2 percent pending completion of the Airport's Sustainable Master Plan.

- Public parking revenue is not budgeted to increase over previously reported levels due to delays in deploying a new revenue control system.
- Anticipated revenue from commercial properties has been decreased a little over \$600,000 due to issues affecting the development of the Des Moines Creek Business Park.
- Club revenue is projected to be higher than previously reported in 2014 due to growth in international service and success with existing and new club service at the Airport.
- The increase to concessions revenue between the original reported Aviation budget and the revised budget to be approved is based on enplanement growth expectations.

Seaport

- Based on new deployment information for Terminal 5, the Seaport has decreased its anticipated 2014 container volume to 1.6 million TEUs (twenty-foot-equivalent units). The adjustment is expected to reduce crane and intermodal lift operating revenues by about \$872,000.
- Non-operating expenses in the 2014 budget include \$275,000 for a pilot project to use compressed natural gas (CNG) trucks and about \$3.1 million for truck scrapping incentives.
- Plans for the grain terminal at Terminal 86 include maintaining a long-term arrangement with tenant Louis Dreyfus.
- The capital budget includes plans for upgrading existing berths at Terminal 5 to accommodate larger ships and to plan for channel deepening.
- Increases and decreases in cruise passenger numbers tend to be indicative of rotation of different ship sizes from year to year.

Schedule

- Second Reading of the budget resolution will be November 19, 2013. The statutory budget will be filed with King County December 2, 2013, and the final budget will be released December 13, 2013.

Workforce Development

Commissioner Gregoire opined that workforce development planning should begin in 2014 and should include work to chart career pathways for employees at the Airport. Commissioners Bryant, Creighton, and Bowman offered their support for the idea. Commissioner Bowman requested consideration for how success in workforce development will be measured.

Real Estate

Commissioner Albro suggested changing the three-month deposit to a market standard of one month, given the market pressures affecting leasing of the World Trade Center. In response, Mr. McWilliams noted that, provided statutory restrictions are met, the Commission could establish or change policy regarding the length of deposit at the World Trade Center.

Mr. McWilliams reported that the Real Estate Division tends to make use of small businesses for more than 20 percent of all goods and services, due largely to the participation of Marine Maintenance in the small business program.

Marina moorage rates are compared with comparable facilities and recreational rates appear to be in balance with demand.

Capital Development

Benchmarks for project schedule growth in design and construction phases are significantly lower than the Port actuals due to a small number of projects that are delayed for very long times and therefore skew the Port's percentages. There is currently no benchmark for the amount of time between bid award and contract execution. Procurement schedule times are measured from the time a request for service is received by the Central Procurement Office until a contract is awarded. The time includes preparation of requests for proposal or qualification, advertising, bid evaluation, and negotiation.

Motion for First Reading of Resolution No. 3685 – Bryant

Second – Creighton

PUBLIC HEARING on Resolution No. 3685

Commissioner Albro declared the public hearing for Resolution No. 3685 open.

Public comment was received from the following individuals:

- Keith Wier, Assistant Executive, Seattle Building & Construction Trades. Mr. Wier commented in favor of funding related to upgrading the Airport Jobs office and development of career pathways. He also spoke in favor of various project labor agreements and funding for Apprenticeship & Non-Traditional Employment for Women (ANEW).
- Robert Comiskey, Owner, McDonald's restaurant on Concourse B. Mr. Comiskey commented in support of the role, importance, and professionalism of Airport Jobs.
- Janet Yoshikawa, ACDBE owner of the Wishing Stone on Concourse C. Ms. Yoshikawa commented in support of Airport Jobs and the ability of Airport jobs to find employees receptive to the specialized knowledge needed to promote her products.
- Jennifer Jackson, Store Manager of the Wishing Stone. Ms. Jackson commented in support of Airport Jobs and their role in finding and training employees at her store.
- Trena Cloyd, Program Manager, Airport Jobs Center. Ms. Cloyd commented in support of Port Jobs. She noted several of the programs by which Port Jobs provides assistance to people employed at or seeking employment at the Airport.
- Mary Turla, Airport University Coordinator. Ms. Turla commented on the programs offered by Airport Jobs.
- Heather Worthley, Executive Director, Port Jobs. Ms. Worthley commented on Port Jobs' 2014 contract and spoke in favor of funding related to upgrading the Airport Jobs office and development of career pathways.

Following conclusion of public comment, the public hearing on Resolution No. 3685 was closed.

The question recurred on the motion by Commissioner Bryant, seconded by Commissioner Creighton, for first reading of Resolution No. 3685.

Motion carried by the following vote:

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

6b. First Reading of Resolution No. 3686: A resolution of the Port Commission of the Port of Seattle establishing jobs, pay grades, salaries, allowances and adjustments for Port employees not represented by a labor union; authorizing and establishing conditions in connection with the following benefits: Social Security, industrial insurance, Unemployment Compensation, military leave; retirement; compensated leave, including civic duty, bereavement leave, holidays, paid time off/extended illness leave, shared leave, and awarded time; insurance benefits, including medical, dental, life and long-term disability; and authorizing this resolution to be effective on January 1, 2014, and repealing all prior resolutions dealing with the same subject, including Resolution No. 3671.

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

- Commission agenda [memorandum](#) dated October 28, 2014.
- [Presentation](#) slides.
- Resolution No. [3686](#).
- [Schedule](#) of Salary Ranges.
- [Comparison](#) to 2013 Salary and Benefit Resolution.

There was no presentation at this time. The Port Commissioners received a presentation on Resolution No. 3686 on October 22, 2013, and the request documents were distributed for review prior to the meeting of November 5, 2013.

Motion for First Reading of Resolution No. 3686 – 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: (1) adjust the scope of work for the construction of the C60-C61 Baggage Handling System Modification Project at Seattle-Tacoma International Airport to meet airline and TSA needs; (2) advertise, award, and execute a major public works contract for the construction of the project; and (3) authorize the use of Port crews in support of the project and for removal of regulated materials. This request of \$10,075,825 is in addition to the \$1,789,000 that was previously authorized for a total project authorization of \$11,864,825. (CIP #C800168)

Request document(s) provided by David Soike, Director, Aviation Facilities and Capital Program, and Wayne Grotheer, Director, Aviation Project Management Group:

- Commission agenda [memorandum](#) dated October 28, 2013.

Presenter(s): Mr. Soike.

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

- The project benefits additional baggage system capacity for Delta Air Lines, which will have increased international service in the summer of 2014.
- The C60-C61 system also accommodates additional carriers, such as United Airlines, and replacement of baggage computer tracking supports the increased volume and also benefits the Transportation Security Administration.
- There is no overlap between this project and comprehensive baggage optimization efforts, the scope for which was removed from this project and added to the longer-term optimization project.
- The project was included in the 2014 capital plan and the airlines have voted in favor of it.

Motion for approval of item 6c – Gregoire

Second – Bowman

Motion carried by the following vote:

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

6d. Authorization for the Chief Executive Officer to execute a Thirteenth Amendment to Air Cargo Building Site Lease Agreement with Federal Express Corporation, substantially in the form attached, to reflect a 15-year extension of the lease term in exchange for FedEx leasing additional premises and committing to invest \$3 million in capital improvements to the facility during the extended term.

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

- Commission agenda [memorandum](#) dated October 25, 2013.
- Lease [amendment](#).
- Lease amendment [Attachment A](#).

Presenter(s): Mr. Jennings and Tom Green, Senior Manager for Air Cargo Operations & Development.

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

- FedEx is the Airport's largest cargo tenant and operates the world's largest cargo aircraft fleet. In terms of tons flown, FedEx is the world's largest airline. FedEx controls over 47 percent of the Airport's total cargo market share, which represented over 135,000 tons of air cargo in 2012.
- The 15-year extension and commitment to facility improvements signals FedEx's intention to continue a long-term relationship with Seattle-Tacoma International Airport.
- FedEx contributes the largest number of freighter landings at the Airport with approximately 140 flights per month.
- Airlines are billed for use of the Airport's runways based on landed weight. FedEx's landed weight statistics are comparable to American Airlines or U.S. Air. FedEx's landing fees in 2012 were about \$2.2 million.
- FedEx tonnage grew by 5.6 percent in 2012, an increase of 5,380 tons. The airline's growth continues in 2013, and there is potential for further growth through partnership with international carriers.
- The facility used by FedEx is about 85,000 square feet and has received the benefit of more than \$25 million in company investment. It is a highly specialized facility with automation and tracking technology that provide for maximum utilization of space.
- Tenant investment of approximately \$3 million in the facility will have to be approved by the Port and is expected to contribute to the ongoing asset status of the facility.

Motion for approval of item 6d – Gregoire

Second – Creighton

Motion carried by the following vote:

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

6e. Second Reading and Final Passage 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 15, 2013.
- Resolution No. [3684](#).

Presenter(s): Ms. Morrison.

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

- There were no changes to the resolution following first reading.
- Rates are currently similar to those applicable at the time of first reading, due to market stability.

- Savings from the bond refunding would be between six and eight percent under current rates.

Motion for second reading and final passage of Resolution No. [3684](#) – Creighton

Second – Bowman

Motion carried by the following vote:

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

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

7. STAFF BRIEFINGS

None.

8. NEW BUSINESS

None.

9. POLICY ROUNDTABLE

None.

Without objection, the Commission returned to the order of –

2. EXECUTIVE SESSION pursuant to RCW 42.30.110

The special meeting was recessed at 4:12 p.m. to an executive session estimated to last 60 minutes to discuss matters relating to qualifications of a public employee, sale or lease of real estate, legal risk, and potential litigation.

Following the executive session, which lasted approximately 60 minutes, the special meeting reconvened in open public session at 5:45 p.m.

10. ADJOURNMENT

There being no further business, the special meeting was adjourned at 5:45 p.m.

Tom Albro
Secretary

Minutes approved: March 11, 2014.