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PROPOSED MINUTES
COMMISSION SPECIAL MEETING AUGUST 20, 2013

The Port of Seattle Commission met in a special meeting Tuesday, August 20, 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 12:06 p.m. 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 potential litigation, sale or lease of real estate, and performance of a public employee.

Following the executive session, which lasted approximately 50 minutes, the special meeting reconvened in open public session at 1:10 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.]

At the request of Commissioner Creighton, agenda item 5c was removed from the Unanimous Consent Calendar for separate discussion and vote.

5a. Approval of the minutes of the retreat of July 23, 2013, and the regular meeting of July 23, 2013.

5b. Approval of the claims and obligations of the period July 1, 2013, through July 31, 2013, including accounts payable checks nos. 814502 through 815552 in the amount of $29,368,542.33 and payroll checks nos. P-174766 through 174912 in the amount of $7,953,906.32 for a fund total of $37,322,448.65.

As noted above, the following agenda item –

5c. Authorization for the Chief Executive Officer to execute a lease and concession agreement, substantially as drafted in Exhibit A, with a foreign currency exchange company to provide foreign currency and other ancillary services in multiple locations at the Seattle-Tacoma International Airport for a term of seven years.

– was temporarily postponed.

Motion for approval of consent items 5a and 5b – Creighton

Second – Gregoire

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.

Without objection, the Commission advanced to the following agenda item, which was removed from the Unanimous Consent Calendar for separate discussion and vote, as noted above –

5c. Authorization for the Chief Executive Officer to execute a lease and concession agreement, substantially as drafted in Exhibit A, with a foreign currency exchange company to provide foreign currency and other ancillary services in multiple locations at the Seattle-Tacoma International Airport for a term of seven years.

Request document(s) provided by James Schone, Director, Aviation Business Development, and Deanna Zachrisson, Manager Concessions Business:

- Commission agenda memorandum dated August 5, 2013.

Presenter(s): Ms. Zachrisson.

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

- There are currently four locations for foreign currency exchange in the Airport; staff proposes four locations that are better aligned to passenger flows following the recent airline realignment project.
- Terms of the lease include a seven-year term, which is the industry standard, square footage rent, minimum annual guarantee, and percentage of sales.

- 2012 revenue to the Port for this lease was approximately $750,000.
- The April request for proposals received four responses, which are being evaluated by Port staff and a consultant in anticipation of a September award.
- Services under the lease would commence January 2014.
- Services provided are typical of large financial institutions, and small business opportunities are usually limited to vendor contracts, support services, or joint ventures. All proposers have committed to small business participation.
- In scoring proposals, the financial offer is not necessarily the most important component, and small business participation is a criterion for which points are awarded to proposals.

Motion for approval of agenda item 5c – Creighton

Second – Bowman

Motion carried by the following vote:

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

Following consideration of agenda item 5c, the Commission advanced to consideration of –

6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS

None.

7. STAFF BRIEFINGS

7a. Baggage Recapitalization and Optimization Follow-up Briefing.

Presentation document(s) provided by David Soike, Director, Aviation Facilities and Capital Program, and Wendy Reiter, Director, Aviation Security and Emergency Preparedness:

- Commission agenda memorandum dated August 14, 2013.

Presenter(s): Mr. Soike.

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

- Responses to questions from the Commission on August 6, 2013, are detailed in the briefing memo and in email communication to each Commissioner. Those questions and responses are summarized as follows:
  - ***What is the current state of airline involvement and support?*** Staff from multiple airlines have participated in design team meetings; the Airline Airport Affairs Committee has indicated approval for a $40 million pre-approved project amount within the proposed signatory lease and operating agreement (SLOA); a majority-in-interest vote is possible in early 2014; and the Airline Airport Affairs Committee has noted it may name a consultant representative to participate in the full design process on behalf of the airlines.

- ***What is the relative cost per enplaned passenger (CPE) impact [of baggage optimization] compared to the International Arrivals Facility (IAF) and Alaska Air Group's NorthSTAR projects?*** CPE of the IAF project will be offset by available passenger facility charge revenues and Transportation Security Administration (TSA) reimbursement funding is expected to reduce the baggage optimization project's CPE impact by approximately 30 percent. Those considerations were incorporated into a table of CPE impacts for the three projects over a ten-year period. The figures showed impact of baggage optimization rising from $0.05 in 2015 to $0.88 in 2023; NorthSTAR rising from $0.05 in 2015 to $1.00 in 2019 and then dropping to $0.92 in 2023; and IAF rising from $0.18 in 2018 to $0.19 in 2023.
- ***Will full design, or partial design, be used for bidding the optimization projects?*** Each of the phased projects in the baggage optimization program will be fully, 100-percent designed before being put out for bid and each project will receive Commission authorization prior to design and construction.
- ***What is the TSA funding process and timing?*** The TSA will contribute between $50 million and $100 million of the estimated project cost of $286 million to $317 million. Federal budget preparations are driving changes to the TSA's ability to guarantee funding over multiple years for baggage optimization. On September 10, the Commission would be requested to approve a funding agreement with the TSA and for continuing design funds for 2014. After the Airport's execution of the agreement, the TSA would provide informational Congressional notification on the spending of funds already appropriated to the TSA. Following the five-day notification period, the TSA would execute the funding agreement.

- In consultation with Airport staff, the airlines have prepared a request for proposals for an airline technical representative to monitor the project's design process over a multiple-year period.
- Staff is currently negotiating with the TSA over the amount of TSA funding to be provided.

  [Clerk's Note: It was subsequently announced on September 10, 2013, that the TSA is prepared to contribute approximately $93 million for baggage optimization at the Seattle-Tacoma International Airport.]

Commissioner Bryant noted his appreciation for the CPE information and requested for the current budget cycle a graph depicting the CPE growth through 2023 in light of the NorthSTAR, IAF, and baggage optimization projects.

7b. Lora Lake Environmental Remediation Briefing.

Presentation document(s) provided by Elizabeth Leavitt, Director, Aviation Planning and Environmental, and Bob Duffner, Environmental Compliance Programs Manager, Aviation:

- Commission agenda memorandum dated August 12, 2013.
- Presentation slides.

Presenter(s): Ms. Leavitt; Mr. Duffner; Susan Ridgley, Senior Port Counsel; Joe McWilliams, Managing Director, Real Estate Division; and Mark Reis, Managing Director, Aviation Division.

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

Site and Clean-up Background

- The Lora Lake sites were acquired by the Port in 1998 to satisfy Federal Aviation Administration flight safety guidelines associated with construction of the Third Runway.
- Portions of the Lora Lake properties were used for a barrel-washing facility in the 1940s-1950s, as an auto-wrecking yard in the 1950s-1980s, and as apartments between roughly 1986-1998. Contamination likely occurred before the apartment use of the site.
- Field investigation results led to a remedial investigation and feasibility study, which was completed in January 2013. Since then staff has been coordinating with the Department of Ecology to develop a cleanup action plan.
- The Department of Ecology has participated in briefings with the cities of Normandy Park, SeaTac, and Burien.
- There are three parts of the Lora Lake properties, which are located in SeaTac and Burien. The primary contamination site and former apartment location is in Burien west of Des Moines Memorial Drive. The lake is located in SeaTac adjacent to the runway protection zone for the Third Runway, and there is an area of contaminated dredge spoils from the lake located in SeaTac and within the runway protection zone. A small portion of the apartment site is located within the runway protection zone and therefore is limited in potential uses.
- There is a wetland protection area related to construction of the Third Runway adjacent to the lake site.

Former Apartment Location and Dredge Site

- Most of the former apartment site is outside the runway protection zone and could be developed for suitable uses after environmental remediation.
- This portion of the site is favored by potential auto dealers for redevelopment due to its visibility from the highway.
- Cleanup of this area will involve removal of 19,000 cubic yards of soil contaminated with dioxin in concentrations greater than 100 parts per trillion (pptr) and the capping of about 3.8 acres of remaining soil. Removed soil with this concentration of dioxin will be deposited in a permanent landfill.
- Soil on the apartment area of the site with dioxin concentrations between 11 and 100 pptr will be capped to prevent future contact. This soil may be moved to a portion of the site in the city of SeaTac within the runway protection zone and capped in that location.

Lake Area

- Remediation of the lake, which receives stormwater runoff from a sub-basin of approximately 20-30 acres that includes the former apartment site, will include raising the grade to the level of the 100-year floodplain. Contamination will be capped and immobilized. Restoration of the wetland to its historic condition will be designed with soils such that water will migrate below the surface to Miller Creek while still accomplishing the capping of contaminated soil.
- The remediated wetland area may become available for limited public access in the future, although this use is not currently allowed under the consent decree. The restored wetland would not be subject to redevelopment for other land uses.

Financial Considerations

- Potential redevelopment of the former apartment site would be accomplished through sale, rather than lease, of the site due to circumstances surrounding bond issuance for its acquisition and Internal Revenue Service regulations. If leased, the remediated and developable portion of the site would have to go unused until 2023. Proceeds from the sale of this portion of the site are expected to contribute to, but not offset, clean-up costs.
- Recovery efforts from parties responsible for contamination on the site are not likely to return satisfactory results since the original barrel-washing and auto-wrecking businesses likely responsible for the contamination were family-owned businesses that no longer exist.
- Clean-up costs will be considered a non-operating expense and will not be calculated in the airline rate base or affect cost per enplanement.
- Estimated cost of the remediation is about $18.2 million. Clean-up of the lake will be accounted as an operating cost as it is within the object-free area of the runway protection zone. The cost for this part of the project is estimated at $4.9 million.
- Cost for remediation of the apartment site will be accounted for as a non-operating cost and is estimated at $13.3 million.
- So far, the Port has spent about $3.9 million and has received a grant from the Department of Ecology for approximately $1.5 million. Additional grant funding may be available.

Next Steps

- On September 24, 2013, staff will request authorization to execute a consent decree with the Department of Ecology for environmental remediation at the site. Execution of the consent decree commits the Port to the clean-up outlined in the document.
- Following execution of the consent decree, a formal comment period will be conducted in October or November 2013. If substantive changes arise from this comment period, staff will return for further Commission authorization.
- Additional plans for redevelopment, including cargo-related uses, of the larger Northeast Redevelopment Area (NERA) of which the Lora Lake site is a part are being worked out with the city of Burien. An interlocal agreement with Burien is expected to be presented for Commission approval before the end of the year.
- Design of the remediation of the apartment site, including detailed sampling, will occur in 2014-2015, with clean-up expected to be complete by the summer of 2016.
- Clean-up of the lake is anticipated to be complete in 2017.

Chief Executive Officer Tay Yoshitani characterized the cost of the Lora Lake remediation as a cost of building the Third Runway and noted that the Port's clean-up of the site would not have been feasible for other parties. Rather than leave the site unused, the Port is providing a public service in making the area usable, despite the fact that the Port was not responsible for the contamination.

Commissioner Creighton commented on preserving opportunities for property near the Airport for air cargo uses.

7c. 2014 Budget Assumptions.

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

- Commission agenda memorandum dated August 2, 2013.
- Presentation slides.

Presenter(s): Mr. Thomas.

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

- 2014 projected operating revenues presented are preliminary and do not reflect aeronautical revenue.
- 2014 budget preparations will incorporate key themes arising from the Commission budget retreat held July 23, 2013, including focus on the Century Agenda and other strategic objectives, seeking efficiencies and process improvement, tight management of overhead expenses, and evaluation of core and non-core functions.
- Key payroll assumptions for non-represented staff include merit pay increases between 2.0 and 3.0 percent; market-based salary range increases up to 2.0 percent; increased medical/dental plan cost increase of 1.9 percent, including increases to employee out-of-pocket costs; and a Public Employees Retirement System employer contribution increase from 8.16 percent to 9.21 percent in July 2014.
- The medical benefit cost increase from 2012 to 2013 was reported as 2.2 percent. The underlying trend for medical utilization is an 8.0-percent increase.
- Port-sponsored health-care plan cost increases in 2014 will apply to non-represented staff and represented staff participating in the Port plan.
- Pay and benefits for represented staff are governed by contract and are typically in the form of a cost-of-living or consumer-price-index adjustment. Other negotiated increases or step increases also may apply. Health-care cost sharing has been a focus in contract re-negotiations with represented groups.
- In September, preliminary operating and capital budgets will be prepared; internal department budget review will be conducted; and executive review of the preliminary budget is scheduled.
- In October, the Commission will be briefed on capital and operating budgets and the draft plan of finance, and the preliminary budget document will be made available to the Commission and the public.
- First and second readings of the 2014 budget resolution will occur in November, and the budget will be filed with King County in December and released to the public.

7d. 2014 Business and Capital Plans.

Presentation document(s) provided by Dan Thomas, Chief Financial and Administrative Officer:

- Commission agenda memorandum dated August 2, 2013.
- Presentation slides.
- Revised presentation slides include corrections to errors and omissions present in the original posted version.

Presenter(s): Mark Reis, Managing Director, Aviation; Borgan Anderson, Senior Manager, Aviation Finance and Budget; Linda Styrk, Managing Director, Seaport; Boni Buringrud, Manager, Seaport Finance and Budget; and Joe McWilliams, Managing Director, Real Estate.

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

Aviation

- Trends contributing to airline profitability were presented. Enplanement growth, air freight, and landed weight have performed well.
- Key indicators were presented. Enplanements have risen since 2009.
- Market share for the Alaska Air Group at the Airport has increased.
- Capital spending has increased steadily since 2010 in non-Rental Car Facility projects.
- Debt level has declined recently but is expected to increase over the next few years.
- Debt per enplaned passenger has declined due to increasing enplanements.
- Non-airline revenues per enplanement are slightly less than for 2012, including consideration of non-revenue passengers not calculated for 2012. With the non-revenue passengers included, revenue per enplanement is forecast at $9.08. When removing non-revenue passengers, the amount would be $9.19.
- The drop in non-aeronautical net operating income in 2012 is attributed to lower rents at the new Rental Car Facility compared to the Airport garage. Rental car minimum annual guaranteed rent was also decreased in 2012. The further drop in non-aeronautical net operating income forecasted for 2013 represents a shift in the airline rate structure to rates and charges by resolution rather than a signatory lease and operating agreement. Those rates and charges would be retroactive to January 1, 2013, but execution of a new airline lease would shift 20-23 percent of terminal costs to the non-aeronautical category and result in relative drop in net cash flow from 2012 to 2013 of about $5 million. Net cash flow takes into account debt service and interest income.
- Cost per enplanement has risen since 2009, including a jump in 2012 largely due to project delays and airline realignment. The cost per enplanement level for 2014 with completion of airline realignment will depend on the capital costs to be factored against the airline rate base.
- The Airport's ranking for on-time arrivals performance has risen from 23rd among major U.S. airports prior to opening the Third Runway to 1st place in 2011 and 3rd place in 2012. Delays are costly to airlines and the benefits of infrastructure investment like the Third Runway is apparent less in the Airport's cost per enplanement than in airline revenue.
- The on-time performance of Alaska Airlines compared to other airlines operating at the Airport has also increased dramatically since 2008.
- Key elements of the proposed new signatory lease and operating agreement include assumption by the Airport of the cost of vacancy for publicly accessible airline office space. In revised space/cost allocations of the new lease, costs will be shifted to the non-aeronautical category. For every dollar earned by the Airport that generates debt service coverage above 1.25 times the debt service, 50 percent will be shared with the airlines. This is expected to contribute to continued alignment of the Airport with its airline customers.

- For the purposes of the Airport's five-year capital plan outlook, enplanement growth is anticipated to grow at 2.2 percent per year through 2018. This forecast will be refined with completion of the Airport Master Plan. Passenger growth will put pressure on existing baggage, roadway, and gate infrastructure. Additional non-airline revenue will be necessary to accommodate new capital needs.
- Much of the content of the Airport Master Plan will be completed in 2015, and the overall master planning process is expected to be complete in 2016.
- In addition to the major capital programs planned for NorthSTAR, the International Arrivals Facility, and baggage optimization, ongoing renewal and replacement will continue, especially for the South Satellite, Runway 16C, and the service tunnel, and there will be new projects to implement business plan strategies and noise programs following approval of the Part 150 study. Capital budget allowances mean that addition of new projects will not necessarily result in increased capital budget.
- Authorized, committed capital projects include the NorthSTAR and International Arrivals Facility because some portion of those projects are currently authorized.
- The preliminary capital budget for Aviation over the next five years is almost $1.4 billion.
- Baggage optimization is expected to cost roughly $300 million, but is anticipated to take longer than the five years for which the capital budget is currently forecasted.
- The allowance budget for capital projects helps the Airport project likely capital costs even though specific capital needs are not yet identified. Actual costs depend on projects budgeted and authorized. As projects are identified, allowances may shift accordingly, although not necessarily on a dollar-for-dollar basis. Examples of projects for which the allowance may be used include garage lighting and security checkpoint wait-time information. The Airport's Investment Committee is currently entertaining proposals for more than 40 projects for the 2014 budget cycle.
- Over the next five years net operating income is expected to grow, debt-service coverage will trend down, and cost per enplanement will tend to increase.
- Continued passenger growth at the Airport will result in increased capital needs, eventual increase in debt levels, and rising but still competitive cost per enplanement.
- Aviation strategies and objectives were presented, and those linked directly to the Century Agenda were noted. Specific actions to be undertaken were noted and included the following:
    - Development of metrics to evaluate progress in ensuring safe and secure operations.
    - Projects to accommodate growth in international passengers prior to opening of a new International Arrivals Facility, and use of remote hardstands close to the South Satellite and busing of passengers to the terminal when needed.
    - Work to attract additional air cargo customers.
    - An air cargo/freight forwarding request for proposals for off-airport cargo activity that is expected to be released in the fourth quarter of 2013, not 2015 as noted in the original set of presentation slides.
    - Development of self-service passenger baggage drop on common use facilities, possibly including a garage location.

- ► It was noted that recent technology implemented at other airports to measure and publish security checkpoint wait time is not as robust or useful as the system previously proposed by Airport staff.
- ► The goal of 100-percent baggage transfer for cruise passengers by the fourth quarter of 2018 is a cycle of moving baggage from "plane to ship to plane," not "ship to plane to ship" as noted on the original presentation slides. The challenge is in transferring baggage from returning ships all the way to the Airport and past the ticket counter. There is a peak in ship arrivals that does not necessarily correspond to cruise passengers' flight departures. This strains capacity at ticket counters.
- ► Projects to reduce lifecycle cost of ownership.
- ► Expansion of trusted traveler programs, automation of checkpoint wait time information, and restroom cleanliness as customer service priorities for the Airport.
- ► Updates to the Airport's environmental agenda that will ultimately contribute to the Airport Master Plan that are being pursued in advance of adoption of the master plan, including use of renewable natural gas in Airport-owned natural gas vehicles and increase of solid waste recycling to 50 percent.
- ► Limiting operations and maintenance costs to reduce airline costs by setting a compound annual growth rate of 2.8 percent through 2018, despite passenger growth.
- ► Application of continuous process improvement efforts to contribute to Airport energy conservation efforts.
- ► Maximizing non-aeronautical net operating income by growing non-aeronautical revenue at a compound annual growth rate of 4.5 percent through 2018. Implementing pre-booking of Airport parking by the end of 2014 is expected to support this goal. Utilization of the Airport garage, which is estimated currently at 75 percent, garage capacity, and the shifts of use within different parking markets were summarized.
- ► Re-leasing of Airport food and beverage and retail concessions units.
- ► Leasing of 112 acres of vacant Airport property by 2018, including 75 acres within the Des Moines Creek Business Park.
- ► Increased use of business intelligence systems to effect organizational improvement.
- ► Streamlining the hiring process.
- ► Continue to foster valuable relationships with the Airport's neighboring communities through interlocal agreements and noise mitigation efforts.

Seaport

- The Seaport Division is focused on growing its business to 3.5 million TEUs (twenty-foot equivalent units) over the next 25 years while minimizing its environmental impact. Particular focus is on maximizing the value of exports and cruise business.
- Seaport strategies center on stewardship of Seaport business, assets, and the environment.
- Seaport revenue by business group was presented, with containers accounting for 62 percent, industrial properties at 15 percent, and cruise business at 13 percent. Security grants are included in this analysis as revenue.

- Net operating income by business group shows containers as 75 percent of net operating income, industrial properties at 15 percent, and cruise business at about 13 percent. The cruise business contribution has been growing over the past couple of years.
- The outlook for trans-Pacific to North America container volume is for growth in 2014, with growth for the Pacific Northwest at between 0-2 percent, including Canadian ports.
- TEUs for Seattle are forecasted at 1.66 million for 2014, despite the loss of cargo from the Grand Alliance.
- Retention of shipping lines will require infrastructure investment to accommodate increasingly larger container vessels.
- The Seaport Division is actively engaged in promoting the Port's foreign trade zone to local economic development groups and shippers.
- Cruise business is projected to grow 3.5-5.0 percent globally in 2014. Although the outlook for Seattle is slightly lower than for 2013, this is attributed to shifts in vessel deployment and is not considered a market trend. It was noted that cruise vessels, like container ships, are growing in size.
- Forecasts for grain exports for 2014 will not be clear until fall, due to harvest cycles. Grain export volume is down, and is estimated at 2.2 million metric tons for revenue assumption purposes. The primary market for the Port's grain terminal is export of soy to China.
- Occupancy rates at industrial properties are high and are expected to increase. Revenue from industrial properties is expected to grow 3-4 percent in 2014.
- Maritime operations includes commercial catcher/processor fishing vessels. More than 90 percent of the fleet of these ships is berthed at Terminal 91. Use by the fishing fleet is in tandem with cruise vessels at Terminal 91 due to timing of the cruise and fishing seasons and optimizes the use of the terminal. Maritime industrial support in close proximity to the harbor helps the Port maintain a competitive advantage for retaining the Alaska fishing fleet over Alaskan ports.
- New incremental revenue has been realized from moorage of barges on submerged land at Kellogg Island.
- Capital projects were presented by facility with 2013 net operating income for the facility noted.
- IHI crane removal at Terminal 18 will be accounted as an operating expense.
- Dock rehabilitation, or pile cap repairs, is a common feature for the various terminals.
- Costs associated with transfer of public access from Terminal 46 to the habitat restoration at Terminal 117 are divided between those assets.
- Seaport 2014 revenue is expected to be similar to revised 2013 budgeted revenue.
- Competitive threats to maintaining a sustainable Seaport at the Port of Seattle include the following risks:
  - Stalling of the U.S. economic recovery.
  - Competing gateways for container traffic.
  - Regulatory inequities nationally and internationally.
  - Escalating land-use pressures on maritime industrial lands in the Seattle area.

Real Estate

- Real estate is a trailing indicator of market trends. There is some commercial development in 2013 and there are changes occurring in the real estate and capital lending markets.
- Much of the Port's real estate is located in areas of major infrastructure construction. Focus is on positioning these assets in order to be able to take advantage of their location once multi-year projects are complete in the 2016-2017 time frame.
- Increased competition for conference center venues and the perception of traffic gridlock on the waterfront are presenting competitive challenges for the Bell Harbor International Conference Center.
- The Port is gradually transferring portions of the Eastside Rail Corridor to other jurisdictions.
- The potential to slip back into a scenario of backlogged deferred maintenance is a risk for the Real Estate Division.
- Debt service on revenue bonds will increase significantly in 2016-2019 as bonds mature.
- Real Estate expects to meet revised 2013 budget due to reduced operating expenses offsetting revenue shortfalls for the conference center.
- Expense budget changes are driven by special maintenance projects, planned tenant improvements, broker fees, and utility increases. The Fishermen's Terminal net shed compliance project, which will be a factor in 2014, is an expense project. Litigation also affects Real Estate profitability.
- Real estate holdings were presented to show income from operations prior to division and corporate allocations.
- Competition from Alaska for fishing vessels is targeted primarily at the smaller vessels that moor at Fishermen's Terminal.
- A financial overview of the Real Estate portfolio was presented.
- The financial impact of Fishermen's Terminal and Shilshole Bay Marina were highlighted.
- The Real Estate five-year capital plan totals for 2014-2018 were presented by authorization status with small projects listed as a separate category. Individual capital projects for Fishermen's Terminal and Shilshole Bay Marina were presented. Fishermen's Terminal represents 40 percent of the Real Estate capital budget. Shilshole Bay Marina represents 16 percent of the Real Estate capital budget.
- A revision to the Fishermen's Terminal 25-year plan is expected to be provided to Commissioners this fall. Also planned is a briefing on the Terminal 91 uplands planning effort.
- A ground lease for the Des Moines Creek Business Park is under development.
- Consideration is being given to moving the entire Marine Maintenance Department to the North Operations Office at Terminal 91 in the interest of improved efficiency and cost savings.
- The Port's role in analyzing the viability of a maritime academy would be as a ground lessor and potentially in encouraging regional entrepreneurialism.
- The Bell Harbor Marina is present as part of a permit condition, despite negative income from operation, and requires pile maintenance on its wavebreak. There may be an opportunity to discuss a change of use with the City of Seattle for this asset.

In response to Commissioner Bowman, Mr. Reis explained that a multi-year preview of capital spending would be forthcoming as the budget process continues. Commissioner Bowman requested a memorandum highlighting air cargo opportunities and related capital costs.

Commissioner Gregoire noted there are several upcoming federal grant opportunities in the area of export promotion that would be of interest to the Seaport Division to watch closely.

Commissioner Creighton commented on the potential for relaxation by the Canadian government on environmental restrictions for cruise vessels to pose a competitive disadvantage to U.S. ports. Ms. Styrk noted that Canadian regulators have been more open to equivalencies in implementing International Maritime Organization emissions restrictions than have U.S. regulators. She also noted regional pricing differences for lower sulfur fuel based on whether the fuel is blended or refined to the lower sulfur standard. For this reason, the fuel available in the Pacific Northwest is more expensive than on the East Coast.

Commissioner Gregoire noted the importance of providing service to the maritime community through whatever consideration may be made toward the Port's fostering of a maritime academy rather than duplicating the services of existing institutions.

Commissioner Bowman requested more consistency between divisions in future briefings of this kind. She also requested additional information on the costs of environmental remediation responsibilities of the Port. Commissioner Gregoire commented on the difficulty for the public to make sense of the material provided for the briefing without higher level, contextualizing information.

8. NEW BUSINESS

None.

9. POLICY ROUNDTABLE

None.

10. ADJOURNMENT

There being no further business, the special meeting was adjourned at 3:55 p.m.

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