



Commissioners

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**APPROVED MINUTES
COMMISSION REGULAR MEETING MARCH 11, 2014**

The Port of Seattle Commission met in a regular meeting Tuesday, March 11, 2014, at Port of Seattle Headquarters, Commission Chambers, 2711 Alaskan Way, Seattle, Washington. Commissioners Albro, Bowman, Bryant, Creighton, and Gregoire were present. Commissioner Creighton participated by telephone and was absent after 2:45 p.m.

1. CALL TO ORDER

The regular meeting was called to order at 1:06 p.m. by Stephanie Bowman, Commission Co-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.

3. MINUTES

Minutes available for approval are included in the Consent Calendar below.

PLEDGE OF ALLEGIANCE

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 Albro, agenda item 5b was removed from the Unanimous Consent Calendar and laid on the table without objection.

5a. Approval of the minutes of the special meeting of November 5, 2013.

As noted above, the following agenda item –

5b. Approval of the Commission's 2014 international travel plan. [postponed]

– was removed from the Consent Agenda and laid on the table without objection.

5c. Authorization for the Chief Executive Officer to execute professional services indefinite delivery, indefinite quantity contracts for geotechnical services in the amount of \$1,500,000 with a contract duration of three years and an ordering period of three years in support of upcoming capital improvement and major expense projects for the Aviation, Seaport, and Real Estate Divisions. There is no budget request associated with this authorization.

Request document(s) provided by Cassie Fritz, Manager, Seaport Project Management Support Services:

- Commission agenda [memorandum](#) dated March 4, 2014.

5d. Authorization for the Chief Executive Officer to execute up to three indefinite delivery, indefinite quantity service agreements for services related to special testing and inspection services in support of the Port's Aviation and Seaport Divisions, Real Estate, Marine Maintenance, and Port Construction Services projects with a cumulative total amount not to exceed \$950,000 for three years. No funding is associated with this request.

Request document(s) provided by Ralph Graves, Managing Director, Capital Development Division, and Janice Zahn, Assistant Director, Engineering Services:

- Commission agenda [memorandum](#) dated February 28, 2014.

5e. Authorization for the Chief Executive Officer to execute an indefinite delivery, indefinite quantity contract for PeopleSoft functional and technical services in the amount of \$2,000,000 with a contract duration of four years and an ordering period of four years in support of upcoming capital improvement and major expense projects impacting the Port's Financial and Human Capital Management Systems. There is no budget request associated with this authorization.

Request document(s) provided by Peter Garlock, Chief Information Officer:

- Commission agenda [memorandum](#) dated March 3, 2014.

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

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, but no testimony was offered at this time.

6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS

- 6a. Authorization for the Chief Executive Officer to develop design documents, execute consultant contracts, apply for permits, and prepare construction documents as part of the Terminal 91 Substation Upgrade Project for an estimated cost of \$349,000. The total project cost is estimated at \$1,995,000 (CIP #C800439).**

Request document(s) provided by Michael Burke, Director Seaport Leasing & Asset Management, and Fred Chou, Capital Project Manager:

- Commission agenda [memorandum](#) dated March 3, 2014.
- Presentation [slides](#).

Presenter(s): Mr. Chou.

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

- Uses of Terminal 91 include vessel moorage, cold storage, boat storage, vessel outfitting, manufacturing, and cruise operations.
- Energy needs at the terminal have grown with technology advances over the years, and aging substation infrastructure at Terminal 91 is in need of upgrade or replacement.
- Power at Terminal 91 is supplied by Seattle City Light via two main substations, which distribute electricity to another 15 substations north and south of the Magnolia Bridge.
- Substations No. 1 and 15 require replacement; Substation No. 14 is in need of upgrade and partial replacement. Substation No. 4 will be replaced as part of a separate project.
- Substations No. 14 and 15 serve the sanitary sewer pumping station at the west end of Terminal 91, yard lighting, gate controls, and Port Marine Maintenance facilities.

Motion for approval of item 6a – Gregoire

Second – Bryant

Motion carried by the following vote:

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

- 6b. Authorization for the Chief Executive Officer to (1) authorize additional project funding of \$15,400,000 for the new International Arrivals Facility (IAF) at Seattle-Tacoma International Airport; (2) authorize an amendment to the existing Sustainable Airport Master Plan service agreement with Leigh Fisher Associates for IAF-related planning tasks for an increase of \$3,650,000 for a new total contract amount of \$9,650,000; (3) advertise for qualifications and proposals from a design-build team; (4) approve use of a project labor agreement (PLA) covering the IAF program; and (5) authorize procurement of the South Satellite to Concourse A Connector in the same price factors design-build contract as the IAF building to be located adjacent to Concourse A. In accordance with RCW 53.19.060, this memorandum constitutes notification to the Commission that the amended amount of the Sustainable Airport Master Plan service agreement exceeds 50 percent of the original not-to-exceed contract value. *[request prior to amendment]***

Request document(s) provided by Elizabeth Leavitt, Director, Aviation Planning & Environmental Programs; Wayne Grotheer, Director, Aviation Project Management Group; and Michael Ehl, Director, Airport Operations:

- Commission agenda [memorandum](#) dated February 28, 2014.

Presenter(s): Mr. Grotheer; Borgan Anderson, Director, Aviation Finance & Budget; David Soike, Director, Aviation Facilities and Capital Program; and David Tomber, Aviation Planning Program Manager.

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

- Staff requested that clauses (3) and (5) of the original action request shown above be removed from consideration at this time. Both clauses pertain to implementation of progressive design-build procurement of the project.

AMENDMENT

Without objection, the action request for agenda item 6b was amended to remove actions (3) and (5). The requested action now reads as follows:

[6b.] Authorization for the Chief Executive Officer to (1) authorize additional project funding of \$15,400,000 for the new International Arrivals Facility (IAF) at Seattle-Tacoma International Airport; (2) authorize an amendment to the existing Sustainable Airport Master Plan service agreement with Leigh Fisher Associates for IAF-related planning tasks for an increase of \$3,650,000 for a new total contract amount of \$9,650,000; [action 3 deleted] and (4) approve use of a project labor agreement (PLA) covering the IAF program [action 5 deleted]. In accordance with RCW 53.19.060, this memorandum constitutes notification to the Commission that the amended amount of the Sustainable Airport Master Plan service agreement exceeds 50 percent of the original not-to-exceed contract value. [request as amended]

The presentation to the Commission continued with the following relevant information:

- The purpose of the International Arrivals Facility (IAF) project is to accommodate increasing passenger volumes and to maintain and increase the Airport's market competitiveness.
- Expedient completion and establishment of a fair and reasonable cost are benefits of using the progressive design-build project delivery methodology. A savings of eight months is anticipated in project completion due to the use of this methodology. Progressive design-build is also known as "price factors design-build" consistent with the language in state statutes. Lump-sum design-build is also provided for by statute and is often referred to as "fixed-price design-build." Lump-sum design build has been used for projects at the Airport in the past.
- The current IAF cost estimate of \$316 million is very preliminary and will be refined over the coming months. Tens of millions could be added to the cost estimate during that process. An updated and externally validated cost estimate will be brought to the Commission later in the year.

- The choice of a tunnel or bridge connector between the new IAF and the South Satellite is one consideration affecting the validated cost estimate. The \$316 million estimate includes a bridge option for the connector, but is variable based on other factors as well.
- Other factors affecting the part of IAF costs affecting passenger facility charges versus other funding sources include determining FAA eligibility of costs to be applied to passenger facility charges.
- The current request will enable continued progress and reduction of project uncertainties, completion of planning and project definition, allow updating and validation of the cost estimate and schedule, and determine the procurement and contract tools to control costs and procure a design-build team.
- Completion of project definition and initial procurement of the design-build team would both occur in the second quarter with additional information on project definition preceding Commission action on procuring the design-build team.
- A request to advertise for the design-build team and to combine the connector into a single design-build procurement with the IAF itself is anticipated to come before the Commission in May 2014.
- Costs for the new IAF will be added to the Federal Inspection Services cost center, including operating costs and capital costs, including debt service and amortization. Costs hit the rate base in the year during which the asset goes into service. The estimate is for the new IAF to go into service during 2018, and the full cost would not hit the rate base until 2019.
- Capital costs subsidized by passenger facility charges or FAA grants are excluded from the rate base.
- The Port's goal is to maintain a rate for the IAF that is competitive. Funding sources for the IAF would be managed in order to balance costs hitting the rate base. Passenger facility charges would be applied to debt service on revenue bonds, leaving about 20 percent of total capital costs to be applied to the rate base. This would potentially double the passenger facility charge from \$5.75 today to approximately \$11.50 in 2019. This would be within the current 2014 market range of \$11-\$12 for competing airports. The airlines would be billed this amount based on per-passenger use of the facility by deplaning international passengers. The fee will not apply to strictly domestic passengers.
- Diversion of passenger facility charges currently applied toward existing capital debt would result in that debt service being charged to the rate base.
- Conservative estimates on the growth of international enplanements are among the factors used in projecting how much of the IAF project may be funded from passenger facility charges versus application to the rate base. Another factor is uncertainty as to at what amounts projected passenger facility charges will continue to be competitive.
- The Airports Council International (ACI) and airports in general are advocating in Congress for the ability to increase the passenger facility charge that is currently limited to \$4.50. ACI advocates an increase to a maximum of \$8.50. Increasing the passenger facility charge is uncertain and is not accounted for in the current IAF funding plan.
- Minimum connection time reduction and optimal performance is a key factor in designing the IAF to achieve future market competitiveness.

- The goal for passenger capacity for the initial phase of the project is to accommodate 1,900 passengers per hour. The overall parameters of the project shell would accommodate incremental increases to about 2,600 passengers per hour.
- There are currently 30 booths for Customs and Border Patrol, 22-24 of which are generally staffed. Automated passport control increases passenger capacity by 30 percent or more in the Federal Inspection Services facility. With these factors applied, the current capacity in the facility is approximately 1,200 passengers per hour with a processing time of about 45 minutes.
- Pronounced peak arrival times are driven by the need of airlines to connect to other international and domestic flights. Reduction of minimum connect time may have the advantage of dispersing peak activity over a longer time frame, which would increase overall facility throughput. Shortage of gates and baggage claim devices inhibits this benefit.
- Design would be about 15-30 percent complete at the time of selecting a design-build team. Construction on project components would not begin until they were completely designed. Overlapping construction of components while continuing overall design work is a feature of the progressive design-build process that provides for schedule savings.
- The scope of the Airport-wide master planning service agreement was established prior to the decision to move forward with planning for a new IAF. This accounts for the increase of that agreement from approximately \$6 million to roughly \$10 million to include more detailed consideration for inclusion of the IAF.
- Despite removal of two of the five actions in the current authorization request, the total project amount to be authorized remains at \$15.4 million. At the request of Commissioner Albro, Mr. Grotheer estimated in rough terms that \$5 million might be sufficient to cover the remaining components of the action request – continued work on the IAF project, amendment of the Sustainable Airport Master Plan service agreement, and approval of a project labor agreement. He offered to return to the Commission with a more detailed budget request.

AMENDMENT

Without objection, the action request for agenda item 6b was further amended to reduce the amount requested from \$15.4 million to \$5 million. The requested action now reads as follows:

[6b.] Authorization for the Chief Executive Officer to (1) authorize additional project funding of \$5,000,000 for the new International Arrivals Facility (IAF) at Seattle-Tacoma International Airport; (2) authorize an amendment to the existing Sustainable Airport Master Plan service agreement with Leigh Fisher Associates for IAF-related planning tasks for an increase of \$3,650,000 for a new total contract amount of \$9,650,000; [action 3 deleted] and (4) approve use of a project labor agreement (PLA) covering the IAF program [action 5 deleted]. In accordance with RCW 53.19.060, this memorandum constitutes notification to the Commission that the amended amount of the Sustainable Airport Master Plan service agreement exceeds 50 percent of the original not-to-exceed contract value. [request as further amended]

Motion for approval of item 6b, as amended – Gregoire

Second – Albro

Motion carried by the following vote:

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

7. STAFF BRIEFINGS

7a. Terminal 18 Dock Rehabilitation Project.

Presentation document(s) provided by Michael Burke, Director Seaport Lease & Asset Management, and Curtis Stahlecker, Capital Project Manager:

- Commission agenda [memorandum](#) dated March 4, 2014.
- Presentation [slides](#).

Presenter(s): Mr. Stahlecker.

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

- Terminal 18 is approximately 6,000 feet long and is located on the east side of Harbor Island. It was built in stages between 1963 and 1982.
- The anatomy of the terminal's waterfront facilities was described, including the bulkhead, slope armoring, toe wall, pilings, pile caps or "bents," deck panels, and pilings supporting container cranes.
- Condition assessments have determined a variety of concrete degeneration issues in structural components of the terminal dock, especially the pile caps and deck panels. These include spalling, longitudinal and shear cracking, delamination, and delayed ettringite formation (DEF).
- As cracks worsen, seawater intrudes and accelerates the damage to the structure.
- Eventually this degradation compromises the structural integrity of the dock and results in the need for replacement.
- A 2012 pilot project determined parameters for the work environment to repair dock pilings and contributed to the design estimate for a more comprehensive dock repair project.
- Of Seaport facilities, Terminal 18 is in most critical need of repair.
- Of the facilities at Terminal 18, the 1973 development unit is most in need of attention.
- Future dock rehabilitation requests were outlined.
- Funding proposed to be requested to rehabilitate Terminal 18 is limited at this time to the portion of the dock most in need of repair. Rehabilitation funding presented for Terminal 46 is for the entire dock facility.
- Port staff is working closely with the terminal operator to appropriately phase work to be performed at Terminal 18.

7b. Airport-wide Energy Conservation Program – Stage III Mechanical Energy Conservation Project Analysis and Design.

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

- Commission agenda [memorandum](#) dated February 14, 2014.
- Presentation [slides](#).

Presenter(s): Mr. Soike and Trevor Emtman, Aviation Facilities & Infrastructure Senior Systems Engineer/Utility Business Manager.

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

- The Airport is a wholesaler of electricity and other utilities to its tenants.
- The Airport has engaged in several energy conservation initiatives over the years, including a project that will be presented for authorization in the near future.
- It is hoped that despite growth, the Airport will use conservation to meet increased energy demands.
- The State of Washington Department of Energy Services (DES) provides access to municipalities to a variety of contracts with energy services companies (ESCOs) to find ways to conserve energy.
- Energy conservation projects so far have resulted in \$1.6 million per year in savings.
- Staff typically aims for a 10 percent return on investment for conservation projects. Lower return on investment is acceptable for projects with lower risk.
- The Port has a contract with the Bonneville Power Administration (BPA) to provide power through 2028. If the Port cannot keep its energy consumption below the current levels able to be provided by the BPA, it will offset additional use by the use of renewable energy sources.
- The forecasted energy usage for an Airport hotel is not a factor toward measuring needs for energy conservation and will be removed from further presentations.
- The ESCO process involves contracting with DES through an interagency agreement. DES holds contracts with specific ESCOs selected by the Port. The ESCO conducts an investment-grade audit to establish guaranteed energy savings and costs. Provided the energy audit provides energy savings that meet the Port's 10-percent return on investment, the Port would be expected to proceed with those efforts. If the ESCO's proposal does not meet the return-on-investment standard, the Port is not obligated to continue with the work.
- Staff intends to request approximately \$350,000 later in March. The total project is estimated at \$3.5 million.
- If the ESCO cannot identify appropriate energy savings, the Port is responsible for a \$25,000 termination fee. If the Port chooses not to pursue five bona fide conservation project options of the ESCO, the ESCO is entitled to a design fee.
- The Port has two full-time energy conservation engineers on staff.
- Energy from BPA is about 97 percent sourced from hydroelectric plants.

7c. 2013 Fourth Quarter Capital Improvement Projects Report.

Presentation document(s) provided by Ralph Graves, Managing Director, Capital Development Division:

- Commission agenda [memorandum](#) dated March 4, 2014.
- Presentation [slides](#).
- 2013 Fourth Quarter CIP [Report](#).

Presenter(s): Mr. Graves.

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

- The NorthSTAR project is behind schedule due to the decision to expand the North Satellite and in order to accommodate finalizing of plans for dual-door operations. The Commission has not authorized expansion of the North Satellite.
- Fire station upgrades are behind schedule due to introduction of additional scope.
- The Airport-wide mechanical controls system project is also behind schedule due to introduction of additional scope.
- The concourse laptop power project is behind schedule due to discretionary changes, and construction is nearly complete.
- The Main Terminal mezzanine tenant relocation project is behind schedule due to a scope change in order to accommodate additional relocations.
- Also behind schedule is the known crew member employee bypass project, delayed due to procurement issues.
- The Second Floor Mezzanine infrastructure upgrade project is delayed due to design challenges surrounding egress from the USO facility.
- Home insulation performed 20 years ago for noise abatement has encountered window safety issues that require retrofits. The project is delayed due to nonresponsive homeowners.
- The project to perform sound insulation prior to alteration of the noise contours with a new Part 150 Study is delayed due to difficulties encountered identifying eligible parcels.
- Design of the retail merchandising unit (kiosk) program is delayed due to design taking longer than expected.
- Automated passport control kiosks are ahead of schedule.
- The centralized preconditioned air project continues to be over budget as final change orders are under review.
- The long-term cell phone lot is over budget due to the cost for roundabout access control not being originally programmed into the budget.
- The Port's small business contracting performance for 2013 was below the full Small Business Administration standard achieved for 2012, but 2013 performance in the Small Contractor and Supplier program achieved higher percentages than in 2012.

Commissioner Creighton was absent after 2:45 p.m.

7d. Legislative Update for March 11, 2014.

Presenter(s): Patricia Akiyama, Director of Public Affairs.

Issues and measures being tracked by the Port governmental relations team include the following:

Federal

- Harbor Maintenance Tax reform.
- U.S. Army Corps of Engineers work plan approval, including a harbor deepening study.

State

- No Transportation revenue package is expected to result from the current State legislative session, which ends soon.
- State tourism legislation that provides a mechanism for proposing a long-term funding strategy for tourism promotion.
- Legislation for a manufacturing and maritime economic study.
- Derelict vessel legislation.

Local

- A maritime and freight issues summit directed by Seattle Mayor Ed Murray.
- City of Seattle discussions of income inequality and proposals for a Seattle minimum wage.
- Regulation of petroleum transport through Seattle.
- Regulation of ride-share services, taxis, and for-hire vehicles.
- Additional study of transportation, parking, and pedestrian issues aspects of a final environmental review for a proposed new sports arena in the Duwamish Manufacturing and Industrial Center.
- Waterfront Seattle design and compatibility with through traffic and freight mobility.

RECESSED AND RECONVENED

The regular meeting was recessed at 3:10 p.m. to an executive session estimated to last 60 minutes from 3:30 – 4:30 p.m. to discuss matters relating to labor negotiations and qualifications for public employment. Following the executive session, which lasted approximately 60 minutes, the regular meeting reconvened in open public session at 4:35 p.m.

10. ADJOURNMENT

There being no further business, the regular meeting was adjourned at 4:35 p.m.

John Creighton
Assistant Secretary

Minutes approved: October 7, 2014.