



Commissioners

Stephanie Bowman
Commission Co-President
Courtney Gregoire
Commission Co-President
Tom Albro
Bill Bryant
John Creighton

Ted Fick
Chief Executive Officer

P.O. Box 1209
Seattle, Washington 98111
www.portseattle.org
206.787.3000

**APPROVED MINUTES
COMMISSION SPECIAL MEETING OCTOBER 7, 2014**

The Port of Seattle Commission met in a special meeting Tuesday, October 7, 2014, in the International Auditorium at Seattle-Tacoma International Airport, Seattle, Washington. Commissioners Bowman, Bryant, Creighton, and Gregoire were present. Commissioner Albro was absent.

1. CALL TO ORDER

The special meeting was called to order at 1:02 p.m. by Stephanie Bowman, Commission Co-President.

2. EXECUTIVE SESSION pursuant to RCW 42.30.110

None.

PLEDGE OF ALLEGIANCE

3. SPECIAL ORDERS OF BUSINESS

ANNOUNCEMENT

Commissioner Bowman welcomed new CEO Ted Fick to his first Port Commission meeting. She continued, noting the formal and historic announcement by the Ports of Seattle and Tacoma of their intention to form a Seaport Alliance to strengthen the Puget Sound gateway for marine cargo and grow jobs throughout the region. The alliance would be formed to jointly manage and operate marine terminals and related cargo facilities. It was noted that strengthening the Puget Sound region's competitive edge in relation to other West Coast ports in Southern California and British Columbia is critical to the preservation of Puget Sound as a gateway for cargo, most of which is bound elsewhere in the United States. It is hoped that price lowering from intra-regional competition and the resulting lack of capacity to re-invest in marine terminals will come to an end and that the alliance will set the stage for new economic growth. The intended Seaport Alliance was described as an example of public policy adapting to suit the times.

4. 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.]

- 4a. Approval of the minutes of the regular meetings of March 11, 2014 and June 3, 2014.**
- 4b. Authorization for the Chief Executive Officer to execute a contract for two years, with three one-year extension options, for general maintenance supplies for the Aviation Maintenance (AVM) department, through the use of on-site vendor managed inventory at the AVM Distribution Center.**

Request document(s) provided by Stuart Mathews, General Manager, Aviation Maintenance Department:

- Commission agenda [memorandum](#) dated September 17, 2014.

Motion for approval of consent items 4a and 4b – Creighton

Second – Gregoire

Motion carried by the following vote:

In Favor: Bowman, Creighton, Gregoire (3)

Absent for the vote: Albro, Bryant

5. PUBLIC TESTIMONY

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 (1) increase the project budget for the Centralized Pre-Conditioned Air Project (PC Air) at Seattle-Tacoma International Airport by \$5,500,000; (2) execute Change Order 220 for Contract MC-0316677, Centralized Pre-Conditioned Air Project, at Seattle-Tacoma International Airport in the amount of \$1,850,000 and to extend the contract duration by 156 calendar days for a new contract completion date of May 16, 2014; (3) change the project scope to include Concourse A chilled water piping anchors, guides, and insulation and replacement of chilled water piping anchors and guides at the South Satellite and Concourses B & C; (4) execute professional service agreements for design of the additional scope; (5) advertise, bid, and execute construction contracts to complete work associated with this request; and (6) use of Port Construction Services and small works contracts to complete PC Air installation at four gates (CIP #C800238).**

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

- Commission agenda [memorandum](#) dated September 29, 2014.
- Presentation [slides](#).

Presenter(s): Ms. Zahn and Mike Tasker, Capital Program Leader, Aviation Project Management Group.

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

- This is the final change order from the contractor, Lydig Construction, to close the project.
- The Centralized Pre-Conditioned Air (PC Air) Project installed a system of chillers, heaters, and pipes to provide heating and cooling to standing aircraft from a central plant at the Airport. The central plant keeps aircraft at a comfortable temperature when parked at the Airport's gates more effectively than the use of aircraft auxiliary power units (APUs).
- Use of the central plant saves airlines approximately 5 million gallons of fossil fuel annually. Consequently the airlines, especially the Alaska Air Group (AAG) are supportive of the project.
- PC Air serves the Port of Seattle's Century Agenda goals of environmental stewardship by preventing the emission of 40,000 metric tonnes of greenhouse gases annually.
- Of the project's total cost, \$22 million has been reimbursed to the Airport by an FAA grant. The grant application deadline required Notice to Award by September 13, 2010, resulting in acceleration of the design schedule. As a result, the project went out to bid with design about 80 percent complete, which led ultimately to additional project cost of about \$14.5 million.
- The total estimated project cost is slightly more than \$55.1 million with an airline payback schedule of 2.4 years. This is above the original budget of \$40.6 million, with a payback schedule of 1.4 years.
- Cost growth was due to unforeseen environmental abatement issues found throughout the Airport, errors and omissions, schedule impacts, and unanticipated scope changes. These factors also added to the construction schedule by 18 months. These factors would have driven project cost growth even if design were complete from the beginning of construction.
- The original project plan was to re-use existing water piping insulation, anchors, and guides in Concourses A, B, and C, and in the South Satellite (SSAT) facility, which were designed in 2003 to be operated at a water temperature of 36 degrees Fahrenheit. However, the PC Air system, designed in 2010, uses 20-degree-Fahrenheit chilled water. The discrepancy leads to poor thermo-dynamic performance, and ice collects on the piping system due to insufficient insulation. Ice expansion causes anchors and guides to pop off. Therefore, \$3.2 million is requested to advertise, bid, and execute a major work contract to replace or install new insulation on Concourses A, B, C and in the South Satellite.
- The installation of a PC Air system at four gates (S-3, S-16, D-1 and N-6) was removed from the contract due to the difficulty of scheduling gate outages when the contractor was ready to work on them. The contractor and gates are now both ready, and the gates will be put back into the project scope.
- The project team is currently exceeding its original payback estimate, with 12,000 to 13,000 hours of gate use of preconditioned air by aircraft per month as opposed to the original estimate of 10,000 hours a month.
- This project has won the Associated General Contractors of America 2014 Build Washington and the Engineering News-Record's Airports/Transit Best Project awards.

In response to Commissioner inquiry, the following information was reported:

- Every gate originally planned to have conditioned air will have it upon completion of gates S-3, S-16, D-1, and N-6. This does not include small gates, walk-out gates, and commuter jet gates. New gates planned will be incorporated into the PC Air system.
- Regarding customer response to the effectiveness of the new system versus running aircraft auxiliary power units while standing, it was reported that passengers seem to appreciate the Port's rapid response to project challenges.

Motion for approval of item 6a – Creighton

Second – Gregoire

Motion carried by the following vote:

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

Absent for the vote: Albro

7. STAFF BRIEFINGS

7a. Sustainable Airport Master Plan Forecast and Facilities Challenges.

Presentation document(s) provided by Mark Reis, Managing Director, Aviation Division:

- Commission agenda [memorandum](#) dated September 15, 2014.
- Presentation [slides](#).

Presenter(s): Mr. Reis and Linda Perry, Director, Leigh Fisher Associates.

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

- The Port Commission authorized the development of Seattle-Tacoma International Airport's Sustainable Airport Master Plan (SAMP) in 2012, approving the scope and budget. Leigh Fisher Associates was contracted in 2013.
- In February 2014, the Commission increased the SAMP budget from \$6 million to \$9.6 million to include planning support to advance project definition for the International Arrivals Facility (IAF).
- The SAMP activity forecast is now complete, projecting annual aircraft operations, annual passenger volume, annual landed weight of cargo, and planned day flight schedules.
- Over the next six months, the planning team will work with the FAA on approval of the forecast and will use the forecast to analyze facility requirements and evaluate development alternatives to be completed in the third quarter of 2015.
- The four key passenger components of the forecast include domestic Origin & Destination (O&D) passengers, accounting for 68 percent of total Airport traffic; domestic connecting passengers, accounting for 22 percent; international O&D passengers, accounting for six percent; and international connecting passengers, accounting for four percent.
- O&D passengers consist of passengers who either begin their trip at the Airport as residents traveling to another domestic destination, or end their trip at the Airport as

visitors to Seattle. Connecting passengers come through an airport to connect to other flights to continue their trips.

- The domestic sector accounts for 90 percent of total Airport traffic; international for 10 percent. O&D accounts for 74 percent of total traffic, and connecting for 26 percent.
- Key drivers for growth in these components include underlying socioeconomic conditions, the cost of travel, airline service decisions related to connecting hub and international gateway operations, route networks of hubbing airlines, overlapping service and competition, and competing service, both among airlines within the Airport and among West Coast gateways.
- Per capita personal income and airfares together account for 97 percent of the historical variation in domestic originating passenger growth. Independent forecasts by the Puget Sound Regional Council predict strong economic growth in the Seattle region. The FAA forecasts a slight decrease in airline yield, a measure of the cost of travel. These forecasts, combined with a strong econometric model as created by Leigh Fisher Associates, suggest continued strong growth in domestic originating passengers at rates above the national average.
- According to U.S. Department of Transportation data, approximately 4.5 million passengers boarded connecting flights at the Seattle-Tacoma International Airport in 2013, with Alaska Air Group (AAG) accounting for nearly 75 percent of the total.
- Between 1998 and 2013, AAG's connecting passengers at the Airport increased at an average of 3.9 percent annually. Delta Air Lines' service expansion is also likely to increase the overall number of connecting passengers, and Delta's overall passenger share.
- There is no historical precedent for strong international service growth at the Airport, but there is a positive forecast, supported by a number of factors. These include the location of global companies and strong international communities in the Seattle region; shorter flight times to Asia compared to other West Coast gateways; the increasing presence of SkyTeam Alliance members at the Airport; Delta's Pacific gateway at Seattle; and Delta's expectation that international passenger activity at the Airport will grow naturally.
- Flights to Asia represent a growing market, with industry forecasts of four to five percent yearly growth.
- Leigh Fisher's forecast predicts Airport traffic to grow by 14 million enplanements (28 million total passengers) in the next 20 years, at a 2.9 percent annual growth. The forecast projects 52 million annual passengers (MAP) by 2024, and 66 MAP by 2034.
- Between 1994 and 2014, aircraft operations decreased by 0.2 percent, from 352,905 to 340,800, due to increased load factors, increased average aircraft size, increased airline operational efficiency, improved connecting hub operations, and aircraft densification.
- Aircraft operations increased by 2.5 percent in 2013 and are estimated to increase by 7.4 percent in 2014. Operations are estimated to increase by 2.3 percent over the next 20 years, to 539,270 in 2034, assuming a load factor of 87 percent and an average aircraft size of 145 seats per departure. This exceeds the Airlines for America operational efficiency recommendation of 85 percent.
- As a result of work accomplished on the Third Runway, the optimal densification of the airfield is approximately 550,000 operations, serving 65 million passengers at an acceptable level of delay.

- Even with expansion work, within the next 20 years, the Airport will approach maximum terminal capacity. Between 2014 and 2034, additional commercial airline service is predicted to commence at another airport facility in the Seattle area. This will impact the Airport's operations only lightly and the current analysis does not adjust for the effect of a new airport in the Seattle metropolitan area.
- In response to Commissioner inquiry, it was reported that there will be a shortage of contact gates for at least the next decade, with the most severe shortage taking place within the next five years, until additional aircraft parking becomes available with the completed North Satellite (NSAT) expansion in 2020. Construction and renovation projects will take gates out of service, and remote hardstand operations may have to be used, especially during the peak summer season.
- Hardstand operations and busing provide a low level of passenger service. Passenger loads at bus access points strain holdroom and concessions capacities and hardstand use competes with Remain Over Night parking capacity at the morning peak.
- By 2034, 50 percent more permanent aircraft parking positions will be required. The SAMP is considering terminal expansion options. There is not yet a comprehensive analysis to determine a preferred expansion alternative.
- Regarding Commission inquiry into preparing shell infrastructure in order to add gates as needed, it was reported that one option for terminal expansion might be to add further to the North Satellite, but that construction would affect numerous other facilities at the north end of the Airport.
- Expansion of the South Satellite is another expansion model, but would add less capacity, require relocation of AAG facilities, and would not add gates at the south end of the Airport until 2026-2030 at the earliest. An alternative southside expansion model would add more capacity, but would require relocation of Delta and AAG hangars.
- Airline growth will require major changes to check-in lobby facilities, with potentially all check-in positions in use by 2015. To handle the increased use, the Airport will have to leverage technology and common use positions, and reposition airlines. Near-term solutions include flow-through ticketing and connecting counters and baggage system-gates. Longer-term possible solutions include a self-bag drop at a remote location, such as the parking garage, Rental Car Facility, promenade, or cruise terminals.
- Internal circulation is an additional complexity, with a current 12-foot wide north-south circulation corridor between ticketing activities. Without major improvements, airline growth will bottleneck Airport access due to traffic congestion.
- In response to Commissioner inquiry, it was reported that a remote check-in area in Bellevue or elsewhere on King County's east side is not a part of the current master plan, but could be examined under the Sustainable Airport Master Plan.
- There may be no long-term alternatives to upper drive expansion, but short-term solutions include re-routing traffic through the garage levels and possibly tolling the entrance to the Airport.
- Rental Car Facility (RCF) busing breaks down at roughly 40 MAP. The Airport is already experiencing a MAP of 37, with 38 MAP projected for 2015, and 52 MAP by 2024. To accommodate that volume, an automated People Mover (APM) would be needed between the RCF and terminal. Near-term steps include immediate preparation for remote

hardstand busing operations to be deployed in 2016 or possibly 2015 and the repositioning of airline ticket counters in 2015.

- An inter-departmental task force has been deployed to examine the overlap between long-term SAMP programs and the need to address immediate problems.
- Opportunities for public involvement will be available throughout the SAMP process from 2014-2016. Key public participation milestones will include presentations on the activity forecast and preliminary alternatives, the alternatives analysis, and a preferred alternative. NEPA and SEPA environmental review will be performed, including public comment in 2016. Outreach efforts will also target communities in southwest King County.
- Commission authorization will be sought once an apparent preferred master plan alternative emerges.
- The team will identify post-2020 facility investments and a plan of finance, and finalize a 2020-2030 facility strategy for Commission consideration between 2015 and 2016.

Commissioners expressed interest in innovations initiated by other airports that might inform the SAMP process at Sea-Tac, and it was noted that the contractor's contacts and experience should facilitate acquiring that kind of information.

In response to the suggestion by Commissioners that the Airport might consider tolling its entrance drives, it was reported that the region is not currently prepared for such an eventuality, but that tolling could become part of the funding discussion if and when it makes sense to do so.

Commissioners suggested the possibility of a bag drop closer to the Sound Transit Link Light Rail station with a conveyor to the terminal, which was acknowledged, pending proper review.

7b. Preliminary 2015 Operating and Capital Budget – Aviation Division.

Presentation document(s) provided by Mark Reis, Managing Director, Aviation:

- Commission agenda [memorandum](#) dated September 8, 2014.
- Presentation [slides](#).

Presenter(s): David Soike, Director, Aviation Facilities and Capital Program, and Borgan Anderson, Director, Aviation Finance and Budget.

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

2015 Activity Forecast

- Airport activity is growing, with 2014 enplanements 7.1 percent above those of 2013, and 2015 enplanements up four percent over the 2014 forecast, with a total enplanement growth of over 11 percent, contributing significantly to non-airline revenue growth.
- Enplanement growth is predicted to continue its upward trend, with the Sustainable Airport Master Plan (SAMP) predicting growth of 3.8 percent between 2014 and 2018 and the 2014 budget forecast predicting three percent growth.

Income Growth

- Non-airline revenue growth in 2015 is estimated to be 6.7 percent above the 2014 forecast. 2014 non-airline revenue is expected to be 9.7 percent above that of 2013.
- The 2015 net cash flow will be \$13.2 million higher than the 2014 budget.
- The 2015 aeronautical rate base revenues will total \$253.3 million, 6.4 percent above the 2014 \$238 million, reflecting increasing costs that are accounted against the rate base.
- The non-aeronautical revenues under the 2015 budget total \$188.6 million, a \$22 million increase of 13.3 percent above the 2014 \$166.4 million. This represents a 6.7 percent increase over the 2014 forecast, driven by an increase in activity in public parking, retail, rental cars and international clubs and lounges.
- Non-aeronautical revenues in 2015 are forecast at a total of \$188.6 million, a \$22 million increase of 13.3 percent above the 2014 \$166.4 million. This represents a 6.7 percent increase over the 2014 forecast, driven by an increase in activity in public parking, retail, rental cars and international clubs and lounges.
- The net cash flow for non-aeronautical growth in the 2015 budget is \$49.2 million, 67.3 percent above the 2014 budget of \$29.4 million.
- Total airline revenues are almost flat, due to growth in the non-aeronautical revenues that are a primary source of revenue sharing. 2015 revenue sharing will be \$19.2 million, representing an increase of 214 percent over the 2014 total. Revenue sharing is feature introduced in the most recent signatory lease and operating agreement with the airlines negotiated in 2013.
- 2015 airline revenues total \$242.5 million, 0.5 percent above the 2014 revenues of \$234.6 million. 2015 aeronautical net cash flow is forecast at \$724,000, 88.1 percent below the 2014 \$6.1 million. Industry-wide, the aeronautical sector is projected to break even.
- The 2015 overall net operating income (NOI) is forecast at \$179.5 million, 8.6 percent above the 2014 NOI of \$165.3 million.
- 2015 non-aeronautical revenue per enplanement is estimated to be \$9.74, 4.3 percent above the 2014 figure of \$9.34.

2015 Expense Increases

- The 2015 proposed baseline budget, which is based on actual spending needs rather than prior budget, is \$163.2 million, 3.3 percent above the 2014 baseline of \$158 million.
- Major, non-recurring expenses are identified as exceptions and are segregated from calculation of the baseline budget. Major exceptions for 2015 include an additional \$2.9 million for the Sustainable Airport Master Plan, \$2.6 million for regulated materials management, \$378,000 for international service incentives, \$450,000 for Airport Dining and Retail Program planning and implementation, and \$450,000 for a land development pilot program with the FAA. That program is budgeted at \$500,000.
- The 2015 baseline cost increases total \$6.8 million, and are the largest part of the 2015 budget increase. The four main categories of 2015 cost increases are payroll increases, contractual increases, utilities, and non-aeronautical costs related to revenue growth.
- Before the new FTEs, payroll increases total \$3.3 million. Contractual increases total \$1.6 million. Natural gas consumption is projected to increase by 9.7 percent, total utilities increases at \$1.2 million, and non-aeronautical costs total \$6.8 million.

- 2015 operating and management cost will go up 3.7 percent above the 2014 budget.
- A net change of 14.5 FTEs was proposed, driven primarily by the Capital Program's need for additional staff to support the Airport's upcoming redevelopment phase. The new FTEs will be included in the total 2015 payroll cost of \$104.1 million.
- The Airport Operating and Management cost will increase by 3.7 percent in 2015, to \$169.9 million, including budget exceptions.
- The Capital Development Division (CDD) total cost of \$16.9 million includes project costs now charged to Other Expenses.
- The total operating expense in 2015 will be \$247.9 million, 3.8 percent above the 2014 expense of \$238.9 million.

Budget Requests/Savings

- The 2015 baseline budget requests total \$5.1 million, including \$664,000 for capital program support.
- Project funding included in the baseline budget includes the Safe, Secure Airport at \$300,000; the Arc Flash phase II study at \$400,000 to comply with current electrical safety code; garage facility aesthetic improvements at \$250,000; Music Initiative funding of \$125,000 combined with another \$125,000 from the tenant marketing fund; and noise insulation feasibility studies on insulating apartments and churches at \$150,000.
- FTEs will increase by 14.5, despite elimination of 13.9 vacant positions that have been reassigned as part of this budget.
- 2015 baseline budget savings total \$6.7 million, and Aviation is examining the budget closely to identify potential savings to make room for new items.

Affordability

- Capital Program affordability is determined by two comparative measures with peer airports: cost per enplanement (CPE) and debt per enplaned passenger. The goal is to be within the middle third, where, according to the 2013 CPE and debt comparison, the Airport is currently positioned.
- Using the full budget, cost increases to existing projects can be managed within the existing program budget through the use of allowance CIPs, savings, and deferrals. The higher the debt per enplaned passenger, the higher the revenue stream.
- Allowance CIPs represent undesignated future spending for future new projects and potential budget increases for existing projects and increase annually to meet the needs of customers and aging infrastructure. Allowance CIPs between 2015 and 2019 total \$228 million.
- Historically, the Airport has not spent above 70 percent of its five-year capital budgets, creating a spending "cushion" that allows for new projects and cost increases.
- The current intent is to absorb any IAF cost increases within the existing capital plan limits, which currently stand at \$416.6 million, including a projected underspending of \$118.6 million and \$228 million in allowance CIPs.
- Examples of projects that might be deferred, providing additional flexibility to absorb IAF cost increases, include the South Satellite HVAC, Lights, and Ceiling project; the Cargo 4 Project, elements of which are being reviewed for conflict with the current Sustainable

Airport Master Planning process; the B2 Building Expansion; and restroom upgrades on Concourses B, C, and D.

Aviation Capital Program

- The total proposed Capital Improvement Project (CIP) five-year budget stands at \$1.7 billion and includes 121 projects categorized as authorized and underway projects, pending projects (current and future), and proposed new projects. Authorized projects may be completely or only partially authorized.
- Authorized and underway projects account for 96 of 121 projects, totaling \$1.3 billion over five years and including the Airport's four largest programs. These four comprise 82 percent of the total and include NorthSTAR, the new International Arrivals Facility, Baggage Optimization, and Reconstruction of Runway 16C/34C.
- Twelve projects are pending Commission authorization, at a total five-year budget of \$70.5 million. Of these, the Emergency Backup Power project, with a total five-year budget of \$36 million, is the most urgent, due to the Airport's aging electrical grid.
- The Passenger Loading Bridges project, at \$5.5 million, is necessary due to the need to replace the Airport's aging passenger loading bridge fleet.
- Eight new projects have been proposed for inclusion in the Capital Budget, with a five-year total of \$43.9 million. These include the North Loop Interconnect Piping project, the New Power Center in Concourse C, and the Construction Logistics Expansion.

2014-2019 Financial Forecast

- The 2014-2019 financial forecast, fully incorporating capital costs, projects net cash flow remaining strong.
- Revenue sharing will grow and remain very high, higher than forecast with the Airport signed the airline agreement.
- Peak CPE will be reached in 2021, when the costs from the completed NorthSTAR program hit the rate base. Peak CPE is projected to be \$14.63, with a total CPE of \$1.7 billion, well within the middle third of the peer airports' CPE scale.
- The Airport's 2019 debt per enplanement is projected to be \$144, within the middle third of its peers.
- The new Airport debt levels are expected to grow and, combined with the current \$129.25 debt per enplaned passenger, pay for the \$1.7 billion capital program, with significant capacity for future investments after the program completion.

Cost per Enplanement (CPE)

- 2015 cost per enplanement (CPE) will decrease by seven percent compared to the 2014 budget.
- Due to increased enplanements and strong growth in non-aeronautical revenues, the 2015 CPE is projected to be much lower than previously predicted, at \$11.79, seven percent below the 2014 CPE of \$12.68 and even below the 2013 actual of \$11.85.
- According to the historical study performed for each item, CPE in 2006 was \$11.79. Overall CPE growth has been flat.
- 2015 Operating and Management CPE is \$12.81, 4.5 percent below the 2014 figure of \$13.42.

Debt

- Debt service coverage will be 1.4x, 7.8 percent higher than the 2014 budget of 1.3x. It is projected to decrease to 1.35x in 2019, but will remain above the 1.25x minimum.
- This increase is driven by the overall 2015 adjusted net cash flow increasing by 35.9 percent, from \$43.1 million in 2014 to \$51.5 million.
- In response to Commission inquiry, the Airport can afford such an increase in coverage despite projected aggressive revenue sharing due to the requirement that 50 percent of every dollar increase above \$1.25 is shared between the Airport and the airlines.
- 2015 debt per enplaned passenger is \$129.25, 3.3 percent below the 2014 \$133.72, and lower than historic trends.

PFCs

- PFCs are used to fund capital improvements and pay debt service on PFC-eligible projects. Costs paid by PFCs are excluded from the airline rate base.
- The Airport has historically used PFCs to manage rates, and plans to continue this policy on a balanced basis.
- Use of PFCs on particular projects must be approved by the FAA.
- The Airport is currently using almost \$25 million in PFCs to pay revenue debt service on revenue bonds that funded the Third Runway project. Without PFCs, the landing fee would have been \$1.50 higher.
- With the Commission's authorization, the capital program will develop a 2015 PFC application to the FAA for future use on the IAF and North Satellite projects.

Next Steps

- Next steps include updating the IAF scope and cost estimates, to be presented to the Commission in late 2014 or early 2015; reviewing the "delayed" projects for viability, the analysis of forecasted rate impacts by cost center, and the determination of the optimal deployment plan for PFCs.
- The funding plan will require revenue bond issuance in early 2015.

In response to Commission inquiry, it was reported that, although the Airport is still dependent on the Puget Sound Energy electrical substation and thus vulnerable in case of failure in the Howard-Hansen Dam, PSE has strengthened elements of its infrastructure, and staff are currently working to reduce the Airport's dependence.

In response to Commission inquiry, it was reported that staff is reviewing other airports' parking systems that include red and green lights to indicate available spaces, particularly with respect to possible revenue streams related to red and green lights.

The Commission requested that the Restroom Upgrades B, C and D project become a higher priority, due to negative customer feedback.

7c. Legislative Update for October 7, 2014.

Presenter(s): Beth Osborne, Government Relations Manager-Federal, Public Affairs.

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

Federal Government

- Control of the U.S. Senate will affect the 2015 FAA reauthorization, and may also affect the MAP 21 (Moving Ahead for Progress in the 21st Century) reauthorization in 2015, which could include freight. It will also affect funding for the Army Corps of Engineers, affecting other Port projects.
- The \$20 million TIGER (Transportation Investment Generating Economic Recovery) grant to upgrade Terminal 46 is being implemented. Port staff will begin work this week with Senator Murray's staff to plan the grant delivery to the Port.
- The ports of Seattle and Tacoma collaborated on issuing collective comments to help the Army Corps of Engineers implement new WRRDA (Water Resources Reform and Development Act) regulations.
- The Port has found a cost-sharing agreement for the Harbor Deepening Study. Government Relations recently advocated for increased federal funding for the study's feasibility stage, beginning this month. Government Relations will seek further funding in the President's budget for the next part of the feasibility stage.
- The U.S. EPA's record of decision on the Lower Duwamish clean-up project is expected by the end of 2014.

State Government

- Following the Washington Supreme Court's McCleary Decision, the Legislature must address educational funding issues, possibly to the detriment of transportation funding.
- Port staff continue to monitor Governor Jay Inslee's climate change proposal to reduce greenhouse gas emissions, and its impact on the state and transportation funding.

Local Government

- Port staff and trucking stakeholders continue to meet in sessions with the City of Seattle on a Heavy Haul Corridor, with the aim of having legislation introduced this year. The Heavy Haul Corridor is one of a number of activities that the Port is collaborating with the City on to strengthen the local maritime and industrial sectors.
- Port staff continue to meet with the City to protect freight mobility and Port access as part of the City's Seawall Construction project.
- Following the Commission's action on first reading to create a stormwater utility, at the Commission's direction, Port staff are in discussion with the City about a possible option to mitigate some of the impacts of redirection of fees that would previously have been directed to the City.
- There is an agreement in principle with the City to resolve the long-standing issue about the City's contribution to major maintenance at the Bell Harbor Marina. The Government Relations team will approach the Commission with a proposed agreement soon.
- King County has approved legislation regulating ride-share services, similar to ordinances approved by the City of Seattle.

In response to the Commission's inquiry regarding how to keep transportation in the fore in the Washington State Legislature given next year's focus on education, it was reported that the Port can keep transportation issues in the fore through emphasis on transportation as an investment rather than an additional tax burden, and the job growth and economic benefits that will result from that investment. The Port should also demonstrate the validity of transportation projects, keeping projects prominent through strong coalition work. The Port should apply pressure to legislators to take decisions regarding transportation, job growth, and economic benefit.

The Commission commented on the fierce global competition that is causing unprecedented port collaboration such as the upcoming Seaport Alliance between the Ports of Seattle and Tacoma.

The Commission requested that it be informed on the Port's status in the SDOT mitigation negotiations in light of last week's letter from Fishermen's Terminal tenants regarding SDOT's changes to the Nickerson Street overpass project.

8. NEW BUSINESS

None.

10. ADJOURNMENT

There being no further business, the special meeting was adjourned at 3:07 p.m.

Tom Albro
Secretary

Minutes approved: April 14, 2015.