



**Commissioners**

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**APPROVED MINUTES  
COMMISSION SPECIAL MEETING OCTOBER 28, 2014**

The Port of Seattle Commission met in a special meeting Tuesday, October 28, 2014, 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 12:13 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**

**3a. Seaport Alliance Update.**

Presenter(s): Kurt Beckett, Deputy CEO, and Julie Collins, Port of Tacoma Chief External Affairs Officer.

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

- The Seaport Alliance between the ports of Seattle and Tacoma will produce three likely outcomes: expanded choices for the ports and their customers; greater services, both in flexibility and in quality; and greater surety of investments.
- The due diligence team is organized into six main areas of emphasis: Commercial Groups, Finance and Administration, Legal and Governance Issues, Infrastructure and Capital Development Delivery, Communications and Outreach, and Transition Plan Development.
- On October 14, 2014, both port commissions passed and approved an interlocal agreement that has been submitted to the Federal Maritime Commission (FMC).
- The interlocal agreement describes how the Alliance will be framed. A 45-day FMC review period of the agreement commenced on October 17 and is scheduled to end December 1. Details of the review and public comment period were reviewed.
- Public engagement activities, such as updates at Port of Seattle Commission meetings, attendance of port commissioners at the meetings of each other's port commissions, and

joint presentations to area municipal governing boards are underway. A series of town hall meetings is planned in Pierce and King Counties to engage citizens and stakeholders and receive public comment on the proposed Alliance.

- Comments provided online, via comment cards, and through social media are also being compiled.

Port of Tacoma Commissioner Don Johnson stated that the Alliance would benefit taxpayers by providing more effective management of capital expenditures. The Alliance also carries the prospect of greater port influence with railroads, enabling more efficient return on existing railroad capital investment.

#### **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 minutes of the special meetings of April 9 [removed], August 19, September 10, and September 11, 2014.**

*Minutes of the April 9, 2014, meeting were removed from consideration. Only the minutes of the special meetings of August 19 and September 10 and 11, 2014, were considered at this time.*

##### **4b. Authorization to execute a consulting contract for up to \$5 million as part of the Federal Aviation Administration's Pilot Program for Redevelopment of Airport Properties.**

Request document(s) provided by Mark Griffin, Director, Real Estate Development:

- Commission agenda [memorandum](#) dated October 10, 2014.
- [Supplementary Map](#).

##### **4c. Authorization for the Chief Executive Officer to approve the design development and permitting to abate and demolish the W-50 Building in the amount of \$50,000 with a total estimated project cost of \$1,088,000.**

Request document(s) provided by Lindsay Pulsifer, General Manager, Marine Maintenance, and Mark Lewis, Project Manager, Marine Maintenance:

- Commission agenda [memorandum](#) dated October 21, 2014.
- [Presentation slides](#).

##### **4d. Authorization for the Chief Executive Officer to (1) proceed with design for the replacement/renewal of the passenger loading bridges (PLBs) at Gates B6, B8, B14 and S15 and the installation of a new PLB and fixed walkway at Gate C3; (2) purchase 4 new PLBs, a fixed walkway and one PLB refurbishment kit; (3) advertise and execute a major works construction contracts for the work up to two gates; and (4) use Port crews to perform site work and complete replacement of the PLB at up to four gates. The amount of this request is \$7,250,000 (CIP #C800653).**

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

- Commission agenda [memorandum](#) dated October 20, 2014.

**4e. Authorization for the Chief Executive Officer to prepare design and construction bid documents, execute utility agreements, and utilize Port crews for the Construction Logistics Expansion project at Seattle-Tacoma International Airport for an estimated \$2,468,000. The total estimated project cost is \$7,400,000 (CIP #C800688).**

Request document(s) provided by Tina Soike, Director, Engineering Services, and Wayne Grotheer, Director, Aviation Project Management Group:

- Commission agenda [memorandum](#) dated October 20, 2014.
- [Presentation slides](#).

**4f. Authorization for the Chief Executive Officer to execute a first addendum to the Amended and Restated Second Development Agreement with the City of Des Moines.**

Request document(s) provided by Mark Griffin, Director, Real Estate Development:

- Commission agenda [2014\\_10\\_28\\_SM\\_4f.pdf](#) memorandum dated October 3, 2014.
- [City of Des Moines Resolution No. 1278](#).

*The proposed minutes of the special meeting of April 9, 2014, were removed from consideration.*

**Motion for approval of consent items 4a [not including April 9], 4b, 4c, 4d, 4e, and 4f – Bryant**

**Second – Gregoire**

**Motion carried by the following vote:**

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

## **5. PUBLIC TESTIMONY**

An opportunity for public comment was provided, but no testimony was offered at this time.

*[Clerk's Note: Testimony on this date was offered during the public hearing portion of agenda item 6a, below.]*

## **6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS**

**6a. Public Hearing on Airport Dining & Retail Principles and Quality Jobs. [no vote taken]**

Presentation materials provided included the following:

- [Draft motion](#) regarding Airport Dining and Retail Redevelopment.
- [Draft motion](#) regarding Quality Jobs, Service Continuity, and Employment Continuity.

Presenter(s): Larry Ehl, Commission Chief of Staff, and Deanna Zachrisson, Business Leader, Airport Dining and Retail.

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

**Policy Direction Background**

- On July 22, 2014, the Commission passed Resolution No. 3694, a new policy of the Quality Jobs Initiative that pertained specifically to Seattle-Tacoma International Airport employees whose roles are important to Airport safety and security. The resolution included standards of employee wage and compensation, hiring and training practices, and requirements for paid time off.
- Two proposed motions relating to Quality Jobs aspects of the Airport Dining and Retail program were provided for consideration and public comment. No votes are requested at this time.
- The first motion articulates principles for redevelopment of the Airport Dining and Retail program and reaffirms Commission direction given in February 2012 after extensive stakeholder outreach in 2011. Redevelopment of the Airport Dining and Retail program is entering on the execution period of the wide scale transition of concessions leases and program offerings that will be affected by these program principles.

**Airport Dining and Retail Program Principles**

- The motion includes performance reporting requirements related to generation and retention of jobs and provision of operator information to quantify performance.
- Features of the proposed program principles include the following:
  - ▶ Strengthening of a local Pacific Northwest sense of place;
  - ▶ Encouragement of broad business participation by creation of opportunities attractive to all types of businesses;
  - ▶ Use of flexible competitive leasing processes to accommodate both large and small businesses;
  - ▶ Maximized employment continuity for qualified employees;
  - ▶ Creation of new opportunities for small, disadvantaged, and local businesses and the facilitation of such businesses' success in the sometimes challenging operating environment at an airport;
  - ▶ Continuation of 'street pricing' of products and services; and
  - ▶ Greater efficiency and affordability in dining and retail unit build-out processes.
- Outreach efforts for the policy direction motion were described.
- Airport Dining and Retail maintains a leasing website managed by consulting firm Air Projects that collects all leasing inquiries. Anyone interested in leasing at the Airport may apply on the website. The consultants ensure the applicant meets the minimum criteria for the opportunity. All opportunities are competitive, but there are many potential tenants.

**Measurable Goals**

- Goals identified in the motion for achievement by 2025 include the following:
  - ▶ Grow sales per enplanement by at least 40 percent.

- ▶ Reach and remain within the top 10 North American airports as ranked by sales per enplanement.
- ▶ Grow gross ADR revenues to the Port by 50 percent.
- ▶ Grow employment by 40 percent.
- ▶ Grow the share of sales generated by small, disadvantaged, and/or local businesses.

**Service and Employment Continuity**

- The draft motion regarding employment continuity included provisions related to the following aspects of the policy direction:
  - ▶ Use and management of the employment continuity pool;
  - ▶ Expectations of employers regarding components of the Quality Jobs they offer;
  - ▶ Expectations of employers regarding conversations with labor organizations;
  - ▶ The CEO's management of recruitment and selection of new Airport Dining and Retail operators and lessees; and
  - ▶ Staff reporting requirements.

Commissioners inquired about the program's expanded goals for small business engagement, and it was reported that staff are working closely with the Office of Social Responsibility to ensure a successful connection with the small business community.

Commissioners expressed an interest in micro-business opportunities, and staff reported that the Airport kiosk program is moving forward. Three kiosks were established in early 2014 as a trial for small businesses that lack capital and previous airport business experience. Tenants who started as small businesses in the Airport have been engaged to act as mentors for the kiosk tenants. While it is still too early to judge the kiosk success rate, it is expected that a portion of the small businesses starting as kiosks will be successful and transfer into traditional, in-line spaces.

The Commission recommended that the Dining and Retail program determine an acceptable business failure rate and potentially work to adjust it within the program.

**PUBLIC HEARING on Airport Dining & Retail Principles and Quality Jobs**

Commissioner Bowman declared the public hearing on Airport Dining & Retail Principles and Quality Jobs open.

Public comment was received from the following individual(s):

- David Fukuhara, Owner of Concourse Concessions LLC. Mr. Fukuhara spoke in favor of the Quality Jobs motion related to compensation and benefits. He spoke in opposition to the motion related to ADR program principles. He challenged the fairness of lease terms for different businesses.
- Jennifer Fulton, Unite Here labor union. Ms. Fulton spoke in favor of employment continuity and said job security requirements should be the same for all companies in the ADR program.
- LeeAnn Subelbia, Owner of Filo Foods and BF Foods. Ms. Subelbia spoke in favor of the motion on ADR program principles. She spoke in opposition to labor continuity provisions.

- Byron Hitchins, Unite Here labor union. Mr. Hitchins spoke in favor of preserving jobs and strong worker retention policies.
- Cary Cruea, Owner and President, Massage Bar Inc. Ms. Cruea commented on her business's status as an Airport Concessions Disadvantaged Business Enterprise. She spoke in favor of providing small business incubator opportunities at the Airport.
- Louvonis McGahee, Unite Here labor union. Ms. McGahee spoke in favor of employment continuity provisions in the Airport Dining and Retail program.
- Julieta Torralba, Unite Here labor union. Ms. Torralba spoke in favor of worker retention provisions in the ADR program.
- Hayward Evans, Community Coalition for Contracts and Jobs. Mr. Evans criticized the Airport's community outreach efforts and spoke in favor of social equity in the ADR program.
- Eddie Rye, Jr., Community Coalition for Contracts and Jobs. Mr. Rye spoke in opposition to discrimination and economic hardship for minorities and stated the Port was in violation of the Civil Rights Act.
- Bizu Woldemachios, Unite Here labor union. Mr. Woldemachios spoke in favor of job security and health insurance and other benefits for Airport workers.
- Max Heigh, Vice President, Filo Foods and BF Foods. Mr. Heigh spoke in favor of the motion regarding ADR program principles and in opposition to the motion related to employment continuity. He commented in support of flexible hiring practices.
- Roxanne Seibel, United Food and Commercial Workers union. Ms. Seibel stated her disappointment that the Port's quality jobs standards are not those passed by SeaTac voters in the City's Proposition One. Nevertheless, she said she supports the minimum standards set in the ADR program principles motion. Ms. Seibel presented a petition, which is by reference made a part of these minutes, is marked [Exhibit A](#), and is available for review in Port offices.
- Stefan Moritz, Unite Here Local 8 Director of Strategic Affairs. Mr. Moritz noted concerns he had with the language of the motion relating to employment continuity. He stated the proposal does not do enough to prevent labor disputes and disruptions at the Airport.
- Cecilia Cordova, legal counsel representing Filo Foods LLC. Ms. Cordova spoke in favor of Resolution No. 3694, and pointed out discrepancies between the employment continuity motion and provisions of local, state, and federal law. She said this motion would be preempted by the National Labor Relations Act.
- Steve Marquardt, United Food and Commercial Workers Local 21. Mr. Marquardt commented in support of minimum paid-time-off standards and requested provisions to prevent retaliation for employees' use of leave.

Following conclusion of public comment, the public hearing was closed.

Commissioners expressed interest in coordination between the Office of Social Responsibility and the Airport Dining and Retail program in light of accusations made in public comment in order to ensure the validity of information available to the Commission. A request was made for more information about the studies discussed today, including the Port of Seattle Disparity Study.

**6b. Authorization for the Chief Executive Officer to (1) authorize design for the infrastructure modifications associated with the redevelopment of the Airport Dining and Retail program in the amount of \$2,801,000; (2) transfer scope and budget of \$3,400,000 for two elevators pits from this project (CIP #C800638) to the Checked**

**Baggage Recapitalization/Optimization project (CIP #C800612); and (3) transfer design authorization in the amount of \$375,000 from this project (CIP #C800638) to the Checked Baggage Recapitalization/Optimization project (CIP #C800612). The total cost of the project is \$17,353,000.**

Request document(s) provided by James R. Schone, Director, Aviation Business Development and Management, Deanna Zachrisson, Business Leader, Airport Dining and Retail, and Wayne Grotheer, Director, Aviation Project Management Group:

- Commission agenda [memorandum](#) dated October 21, 2014.
- [Presentation slides](#).
- Concourses [floor plan](#).

Presenter(s): Ms. Zachrisson, Sean Anderson, Capital Project Manager, Aviation Project Management Group, and Kent Vanden Oever, Director, Air Projects Inc.

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

**Dining and Retail Program Successes and Demands**

- The Airport Dining and Retail (ADR) program is a critical aspect of passenger experience at Seattle-Tacoma International Airport. The program is successful and growing. A recent enplanement forecast indicates significant growth in the program with respect to gross sales, revenue, sales per enplanement, number of jobs, and percentage of gross sales attributable to Airport Concessions Disadvantaged Business Enterprises (ACDBEs) and small and local business between now and 2025.
- ACDBEs and small and local businesses currently comprise 35 percent of the program's gross sales and are targeted to increase to 40 percent or more by 2025, consistent with Commission direction given in 2012. ACDBE, small, and local business status is based on identification of the operator, not the owner of the brand.
- Additional square footage is needed in order to maximize the ADR program. It is estimated that 230,000 to 250,000 square feet would be needed to meet passenger demand over the next 10 years. Including vacant space, the program currently occupies about 179,272 square feet.
- ADR space in the North Satellite will increase with the expansion of the North Satellite and completion of the NorthSTAR program. Space for ADR is most constrained at the South Satellite, where expansion would not proceed for the foreseeable future.
- Widespread expiration of ADR operators' leases beginning in 2015 and proposed changes to the business concepts targeted for various ADR spaces make investment in infrastructure critical in short order. A wave of lease expirations between 2015 and 2016 is an opportunity for this work. Another wave of expirations is expected in 2017.

**Infrastructure Modifications**

- ADR master plan drivers include ability to meet passenger demand throughout the Airport, maintaining ADR service during construction, and maximizing the use of limited square footage. Currently unused square footage will become available as a result of the modifications.

- Infrastructure modifications affect the main terminal and concourses A, B, C, and D. They include vertical access by elevators/stairs, reconfiguration of existing space, and modification and addition of utilities. Increased square footage in the Central Terminal is expected to compensate for inadequate service on the C and D concourses.
- Synchronizing elevator installation with work on baggage system optimization requires transfer of scope and budget of \$3.4 million to the Baggage Optimization project.
- Examples of work to be performed include reconfiguration of units, cosmetic changes, removal and replacement of grease ducts, conversion of the children's play area to retail space, and similar program improvements. Complementary projects not within the scope of this request, but that support ADR program development, include the Central Terminal HVAC and Concourse C Electrical Capacity projects.
- The entire project investment is \$17.3 million, with a net present value of \$21 million and an internal rate of return at 15 percent.

Commissioner Albro requested clarification of the baseline numbers for revenue and job growth shown in the presentation materials. Commissioner Creighton requested additional breakdown of ACDBE participants versus small and local businesses.

In response to Commissioner Bryant, it was reported that projected program revenue in 2025 of \$64 million is calculated before airline revenue sharing.

**Motion for approval of item 6b – Albro**

**Second – Gregoire**

**Motion carried by the following vote:**

**In Favor: Albro, Bowman, Bryant, Gregoire (4)**

**Absent for the vote: Creighton**

*[Clerk's Note: Although away briefly at the time of the vote, Commissioner Creighton later expressed his support of agenda item 6b.]*

**7. STAFF BRIEFINGS**

**7a. 2014 Third Quarter Update on the Airport's NorthSTAR Program.**

Presentation document(s) provided by George England, Program Leader, Aviation Project Management Group, Michael Ehl, Director, Aviation Operations, and Dave Soike, Director, Aviation Facilities and Capital Program:

- Commission agenda [memorandum](#) dated October 20, 2014.
- [Presentation slides](#).

Presenter(s): Mr. England.

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

- The NorthSTAR program is an outcome of Alaska Air Group's goal to concentrate and consolidate its operations at the north end terminal facilities at the Seattle-Tacoma



International Airport. It includes five renovation projects, including related main terminal improvements, a refurbished North Satellite baggage system, and new exterior walkways, stairs, and elevators at Concourse C.

- This briefing addressed program status through September 30, 2014.
- The estimated total capital budget is \$506 million, not including the \$7.7 million costs accounted for under the expense category. Authorization or approval has been obtained for \$484 million of the program budget.
- The overall schedule remains mostly the same. The Refurbish Baggage Handling System project is 69 percent complete and is running one month behind schedule.
- Alaska Air Group recently experienced several staff changes, to which the project team is adjusting.
- Projected savings of \$5.2 million has been identified and transferred from the Concourse C Vertical Circulation project and Refurbish Baggage System project into the NorthSTAR Program management reserve.
- Actual expenditure against the NorthSTAR program management budget was \$2.5 million, well below the forecasted \$11.3 million.
- Small Contractors and Suppliers (SCS) participation in the program was forecast at 27 percent; actual participation is 30.8 percent. The SCS program is currently staffed by a program management consultant.
- Staff anticipates bringing a request for authorization of preconstruction services to a general contractor/construction manager (GC/CM) to the Commission in early January 2015 or late December 2014. Staff is currently in the process of selecting a GC/CM. Four proposals have been received, with three shortlisted. A decision is scheduled in early December 2014, at which time Commission authorization will be sought.
- Alaska Airlines is supportive of the proposed addition of the North Satellite Baggage Expansion project into the NorthSTAR program.
- Thirty percent design review and cost estimate reconciliation for the North Satellite Renovation and NSTS Lobbies project are complete. The project remains within budget.
- There is potential to increase the number of available gates during construction from 10 to 15 or 16.
- SCS participation rates in design and construction work for various component projects were compared to their forecasted percentages. Results are mixed.
- Main Terminal Improvements continues to be the least-defined project relative to the program budget. The project will require coordination with the North Satellite design concept, coordination with Alaska Air Group and the Transportation Security Administration on Checkpoint 5 reconfiguration, and coordination with the upcoming Sustainable Airport Master Plan and Terminal Development Strategy.
- Staff has identified \$2 million in potential project savings from the North Satellite Refurbish Baggage System project. This savings has been transferred to the program management reserve.
- Although 10 system shut-downs were planned during the baggage system project, only two have been experienced.
- The prospective Concourses C and D Exterior Stairs project encompasses construction of exterior stairs to Concourses C and D to provide dual-door operations for Alaska aircraft. It has yet to be decided to include it in the NorthSTAR program.

The Commission inquired about local-hire contract provisions. It was reported that the program does not currently have such provisions. Currently project labor agreements (PLAs) and non-PLA apprentice use as a percentage of work hours are required. There is currently no data on where construction workers live or whether they are local hires. Chief Executive Officer Fick offered to collect and provide local-hire data to the Commission in the future.

**7b. 2014 Third Quarter Update on the Airport's International Arrivals Facility Program.**

Presentation document(s) provided by Frederick Robinson, Program Leader, Aviation Project Management Group, Michael Ehl, Director, Aviation Operations, and David Soike, Director, Aviation Facilities and Capital Program:

- Commission agenda [memorandum](#) dated October 21, 2014.
- [Presentation slides](#).

Presenter(s): Mr. Robinson.

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

- International flights for which passengers were held in the sterile corridor totaled 335 in 2013. There have been 419 through August 2014.
- The estimated IAF program budget is \$344 million, of which \$24.5 million has been authorized and \$4.2 million expended to date. The previous budget estimate of \$316 million was based in part on a gross description of approximate square footage, which has increased. The project team has also identified supporting projects that have added to the cost estimate.
- Reconciliation of program cost and scope is underway, as is assessment of alternatives for cost savings. As a result, the request for proposals and request for qualifications for design-build teams is currently on hold. Commission authorization will be requested to issue a request for proposals to a short list of design-build teams.
- Following reconciliation, estimated program cost could remain higher than expected. The delay in issuing a request for qualifications could strain the makeup of design-build teams.
- Construction and project close-out are now expected in 2019.
- Design work at this stage is less than five percent complete and focuses on identifying project features and developing a reasonable project budget. An updated cost estimate will be completed in December 2014.
- Planning and pre-validation work resulted in a scope that includes a 312,000 square-foot facility. Following validation, this was increased to 385,000 square feet to accommodate Customs and Border Patrol and to account for logistical and code requirements.
- Following validation, the IAF program would include a landside IAF facility with Federal Inspection Services located adjacent to Concourse A, an above-ground connector bridge between the landside IAF facility and the South Satellite, and an elevated sterile corridor landside of the connector bridge to separate international and domestic passengers.
- Major component alternatives were presented, including phasing construction of the sterile corridor. Elimination of the sterile corridor would rule out use of the facility for international flights. Reducing international gates would be counterproductive to the

Airport's international service program. A concourse-level corridor was analyzed and might result in as much as \$50 million in savings. However, this alternative would reduce holdroom capacity on Concourse A.

- Additional cost-saving trade-offs were described.

The Commission expressed interest in the project schedule and the timing of Commission actions. No designer has been hired at this time.

Commissioners requested clarification on cost estimate drivers, such as increased square footage and identification of supporting projects.

Regarding functionality and aesthetics, the Commission stressed the need for a balance, given the need for the Airport to accommodate over 60 million passengers per year over the next 30 years. Service metrics will be developed to aid in Commission decision making. I was emphasized that the proper balance between look and function should be agreed now, before major construction work makes alteration difficult and costly.

A revised cost estimate will follow updates on the program direction and budget. The next Commission action will be in early January 2015.

### **7c. Briefing on the Preliminary Tax Levy and the Draft Plan of Finance 2015-2019.**

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

- Commission agenda [memorandum](#) dated October 10, 2014.
- Plan of Finance [presentation slides](#).
- Tax Levy [presentation slides](#).

Presenter(s): Ms. Morrison and Dan Thomas, Chief Financial Officer.

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

#### **General Information**

- The 2015-2019 draft plan of finance is based on division Capital Improvement Programs (CIPs) and operating budgets of the Capital Development and Corporate divisions, the Aviation division, and Seaport and Real Estate divisions.
- The draft plan of finance includes funding from net operating incomes, operating fund balances, existing and future revenue bond proceeds, passenger facility charges, grants, and the tax levy.

#### **Aviation**

- Total Aviation capital funding between 2015 and 2019 is \$1.7 billion. The Seattle-Tacoma International Airport will generate a net income of \$206.4 million to cash-fund a number of projects.
- The Airport is expecting federal grants in the range of \$171.8 million, much of it associated with the Baggage Optimization project.

- The passenger facility charge is cash-funding \$183.4 million in capital improvements. Future bond proceeds total \$1.15 billion over the next five years. The bonds are expected to be issued in installments, the first beginning next year.

### **Seaport**

- The Seaport funding plan was developed outside any assumptions about the Seaport Alliance with the Port of Tacoma. As the Alliance develops, the Seaport funding and capital plans will have to be refined.
- Currently, a Seaport funding shortfall of approximately \$110 million is projected over the next five-year period, driven by a reduction in container revenues as a result of 2013 terminal lease amendments, temporary vacancy of Terminal 5, and increased capital spending of \$175 million, forecast in association with the redevelopment of Terminal 5.
- Seaport TIGER (Transportation Investment Generating Economic Recovery) and security grants amount to \$20.6 million.

### **Real Estate**

- The Real Estate division's total CIP between 2015 and 2019 of \$66.2 million will be funded largely from the tax levy, which is expected to contribute \$47.0 million.
- It is currently assumed that \$17.1 million of the CIP will be funded from Real Estate's net income and general fund balance. The net income and general fund balance of \$17.1 million represents capital projects associated primarily with projects at marinas, with the Shilshole Bay Marina being the largest in size and capital cost.

### **Corporate**

- The total Corporate CIP between 2015 and 2019 is \$43.7 million, with the Airport taking the majority at \$33.7 million.
- The Corporate capital program, primarily related to technology projects, is allocated between all three operating divisions. Seaport stands at \$7.8 million, and Real Estate totals \$2.2 million.

### **Bonds**

- The Port has \$120 million to be issued for General Obligation bonds to fund the first installment of the Port's contribution to the state of Washington for the SR-99 Deep Bore Tunnel project, due May 1, 2015. In response to Commission inquiry, it is projected that, by the end of 2015, the Port will be able to contribute \$50 million in cash payment to the SR-99 project.
- The Airport bond issue to fund project spending is between \$400 million and \$500 million, the first new money issuance since 2010.
- The Port currently has approximately \$300 million in bonds callable next year and can save approximately \$25 million at current rates.
- The Port has an existing general obligation bond debt service of \$28.4 million in existing debt in 2015, with \$142.1 million projected over the five years.
- It is expected that general obligation bonds will be issued for the Seaport in the 2016-2017 timeframe. Development of the Seaport Alliance with the Port of Tacoma may affect this projection.

**Tax Levy**

- Use of the Port's tax levy is very flexible from a legal perspective, and can be used for any Port purpose other than payment of revenue bond debt service. Actual use of the levy is governed by Commission policy and currently includes payment on general obligation bond debt service, environmental remediation, local and regional freight mobility initiatives, and Port Jobs.
- Beginning in 2010, the tax levy has been used additionally to support the Real Estate division, funding most capital projects and covering the division's annual net operating income shortfall.
- The tax levy is assumed to remain at \$73 million between 2015 and 2019 without increasing. The maximum the Port can levy is currently approximately \$95 million.
- The tax levy fund balance of \$53.1 million provides the Port with spending flexibility. One potential use is covering the Seaport's funding gap of \$110 million, including a general obligation bond to pay for redevelopment to make Terminal 5 big-ship ready.
- Another potential use of the levy is an additional contribution of \$15 million to the Transportation and Infrastructure Fund. This would increase the cash contribution toward the SR-99 project to \$65 million and reduce the need for general obligation bonds.
- The annual levy amount used for Port Jobs will increase from approximately \$200,000 to about \$600,000. The levy or other source may be needed to reimburse the Airport for in-kind use of space under the current Port Jobs contract. This would result in less spending flexibility due to a potential \$2 million being added to the five-year spending program.
- Constraints on the amount of the Port's tax levy were explained, and there was a discussion of the advisability of banking the tax levy fund balance.

The Commission requested information regarding the principle for general obligation bonds associated with the Port's contribution to the SR-99 project. It was reported that two installments to the project are assumed, \$120 million in 2015 and \$98 million in 2016 from the Transportation and Infrastructure Fund.

It was noted that many Port capital projects serve the overall public good. The Commission expressed general openness toward using tax levy funding to leverage capital infrastructure investments on Terminal 5 redevelopment. Improvements to Terminal 5 serve a broad public purpose, and its upgrade enables the Port to serve as an economic engine for the entire state.

**8. NEW BUSINESS**

None.

**10. ADJOURNMENT**

There being no further business, the special meeting was adjourned at 3:20 p.m.

Tom Albro  
Secretary

Minutes approved: May 26, 2015.