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APPROVED MINUTES COMMISSION SPECIAL MEETING MAY 17, 2016

The Port of Seattle Commission met in a special meeting Tuesday, May 17, 2016, at Port of Seattle Headquarters, Commission Chambers, 2711 Alaskan Way, Seattle, Washington. Commissioners Bowman, Creighton, Felleman, and Gregoire were present. Commissioner Albro participated by telephone until 4:15 p.m. Commissioner Gregoire was present until 5:35 p.m.

1. CALL TO ORDER

The meeting was called to order at 12:15 p.m. by Commissioner Stephanie Bowman.

2. EXECUTIVE SESSION pursuant to RCW 42.30.110

The public meeting was immediately recessed to an executive session estimated to last 60 minutes to discuss two matters relating to litigation and legal risk and one matter relating to litigation, legal risk, and national security. Following the executive session, which lasted approximately 70 minutes, the public meeting reconvened at 1:40 p.m. Commissioner Creighton led the flag salute.

3. SPECIAL ORDERS OF BUSINESS

3a. May 17, 2016, CEO Report.

Ted Fick, Chief Executive Officer, reported on passenger volumes and wait times at the Airport and announced the start of new international service to Mexico and China. Mr. Fick reported on growth in cruise business at the Port of Seattle and inclusion of new short itineraries to Victoria, British Columbia. Oshu Go, International Business Protocol Liaison, was recognized on the occasion of his retirement from the Port of Seattle after more than 30 years of service.

A recording of this part of the meeting has been made available online.

3b. Cooperative Tourism Promotion Grants.

Presentation document(s) included a Commission agenda [memorandum](#) and presentation [slides](#).

Presenter(s): Dave McFadden, Managing Director, Economic Development; Ron Peck, Director, Tourism Development; Sherrye Wyatt, Public Relations/Marketing Manager, Whidbey and Camano Island Tourism; Mike Stewart, Executive Director, Ballard Chamber of Commerce; and Louise Chernin, CEO, Greater Seattle Business Association.

The background of the grant program and the projects awarded funding for 2016 were summarized. Grants are capped at \$10,000 per recipient and a total of \$99,674 was awarded for

2016. Promotional efforts receiving funding included Whidbey and Camano Island Tourism, the Ballard Chamber of Commerce's Visit Ballard effort, the Greater Seattle Business Association's Travel Gay Seattle initiative, Visit Rainier's efforts to promote Mt. Rainier National Park, marketing efforts of the Port of Walla Walla and Visit Walla Walla, and the Skamania Chamber of Commerce, among others.

A recording of this part of the meeting has been made available online.

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.]

At the request of Commissioner Gregoire, agenda item 4e was removed from the Unanimous Consent Calendar for separate discussion and vote.

4a. Approval of the minutes of the regular meeting of April 26, 2016.

4b. Authorization for the Chief Executive Officer to execute an inter-agency agreement with the Washington State Department of Ecology to accept 100 percent reimbursement of up to \$25,000 to perform a one-time maintenance action at the recently completed stabilized and rehabilitated Terminal 108 west bank-line. The funds will provide reimbursement of Port staff and material costs to perform this maintenance work.

Request document(s) included a Commission agenda [memorandum](#) and [interagency agreement](#).

4c. Authorization for the Chief Executive Officer to prepare and sign an interlocal agreement with the Muckleshoot Indian Tribe, substantially as described in this memorandum, allowing for additional shoreline fish and wildlife habitat rehabilitation actions at the existing Duwamish Waterway Terminal 105 public shoreline access site.

Request document(s) included a Commission agenda [memorandum](#) and [contract services agreement](#).

4d. Single authorization for the Chief Executive Officer to (1) proceed with design of carpet replacement on Concourses A, B, and C at the Seattle-Tacoma International Airport; (2) advertise and execute a construction contract to install carpet on Concourses A, B, and C; and (3) authorize the use of Port crews to assist in construction activities for the project. This single authorization is for \$3,636,000 of a total estimated project cost of \$3,661,000. (CIP #C800766).

Request document(s) included a Commission agenda [memorandum](#) and presentation [slides](#).

As noted above, agenda item 4e was temporarily postponed.

- 4f. Authorization for the Chief Executive Officer to execute Change Order 23 for Contract MC-0317700, Cargo Hardstand Improvements Project, at Seattle-Tacoma International Airport in the amount of \$265,000 and to extend the contract duration by 192 calendar days for a new contract completion date of September 22, 2015. (CIPs #C800247, #C800254, #C800390, and #C102573).**

Request document(s) included a Commission agenda [memorandum](#).

**The motion for approval of consent items 4a, 4b, 4c, 4d, and 4f carried by the following vote:
In favor: Albro, Bowman, Creighton, Felleman, Gregoire (5)**

See agenda item 4e below.

A recording of this part of the meeting has been made available online.

5. PUBLIC TESTIMONY

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

- David Harsila, Chair, Fishermen's Terminal Advisory Committee, regarding the Fishermen's Terminal long range plan.
- Joshua Berger, Governor's Maritime Sector Lead, regarding the maritime long range plan.
- Peter Philips, President, Seattle Marine Business Coalition/Philips Publishing, regarding the maritime long range plan. Mr. Phillips submitted written materials, which are included here as minutes [Exhibit A](#) and are available for public review.
- Matt Nichols, CEO, Nichols Brothers Boat Builders, regarding the maritime long range plan.
- Charlie Ball, Executive Vice President, Holland America Group, regarding the maritime long range plan.
- Sheila Stickel, Puget Sound Dispatch, regarding taxi service and congestion at the Airport.
- Robert Lerch, Director, EHI Holdings LLC (Enterprise Holdings), regarding the relationship between car share programs and rental car companies.

A recording of this part of the meeting has been made available online.

Following consideration of public testimony, the Commission advanced to consideration of –

ITEMS REMOVED FROM CONSENT

- 4e. Authorization for the Chief Executive Officer to (1) advertise and execute a contract for the first phase of construction of the Video Systems Improvements Project (CIP #C800642) at Seattle-Tacoma International Airport for an estimated cost of \$2,500,000; (2) increase design authorization by \$530,000 for a total request of \$3,030,000; and (3) amend an existing service agreement to add \$1,100,000 for a new contract total of \$2,000,000.**

Request document(s) included a Commission agenda [memorandum](#) and presentation [slides](#).

Presenter(s): Sean Anderson, Capital Project Manager, Aviation Project Management Group, and Christian Samlaska, Senior Manager, Aviation Security.

The scope and cost increases for the project were explained and it was reported that increasing the number of cameras to be installed was driven by the increased grant funding by the Transportation Security Administration.

The motion for approval of agenda item 4e carried by the following vote:

In favor: Albro, Bowman, Creighton, Felleman, Gregoire (5)

A recording of this part of the meeting has been made available online.

6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS

6a. First Reading of Resolution No. 3720: A resolution of the Port Commission of the Port of Seattle amending Resolution No. 3712 as amended, the 2016 Salary and Benefits Resolution, to modify the Pay for Performance program to add a lump sum incentive pay plan component to the existing base pay increase component.

Request document(s) included a Commission agenda [memorandum](#), [draft resolution](#), and presentation [slides](#) provided on May 13, 2016.

Presenter(s): Paula Edelstein, Senior Director, Human Resources, and Tammy Woodard, Assistant HR Director – Total Rewards.

The rationale and methodology for the employee incentive pay proposal was summarized. Self-funding financial goals and agency values-driven non-financial goals were described. Funding and payout of the incentive pay pool was explained, and it was noted that financial goals must be met in order for the pool to be funded and that employees would receive a benefit before executives. Examples of payout calculations based on performance review ratings were provided. Three non-financial goals related to small and women- and minority-owned business participation, customer satisfaction and public engagement, and environmental stewardship were described.

Commissioners addressed the need for the Commission to drive the setting of non-financial goals, the need to incent staff in all divisions, and the need for each employee to understand how he or she is contributing to the non-financial goals. In light of the program's being funded by a positive budget variance, Commissioners discussed the need to adjust the Port's traditional approach to budgeting over the previous year's budget and the need for a more realistic distribution of employee performance ratings.

The motion for approval of First Reading of Resolution No. 3712 carried by the following vote:

In favor: Albro, Bowman, Creighton, Felleman, Gregoire (5)

A recording of this part of the meeting has been made available online.

- 6b. Authorization for the Chief Executive Officer to (1) approve the design and construction of the Additional Space for Outbound Baggage Project in an amount not to exceed \$18,500,000 and (2) approve design and construction of the project scope to be completed via a change order to a contract executed for an existing project; the International Arrivals Facility design/build contract. The total estimated cost of this project is \$18,500,000. (CIP #C800836).**

Request document(s) included a Commission agenda [memorandum](#) and presentation [slides](#).

Presenter(s): Ralph Graves, Senior Director, Capital Development; Mike Tasker, Senior Manager, Aviation Facilities and Infrastructure; and David Brush, IAF Program Leader.

In the context of rapid passenger growth at the Airport, the need for expanded baggage make-up capacity for outbound luggage was summarized. Staff is proposing taking advantage of the process for completing a new International Arrivals Facility to attach additional square footage for outbound baggage into the footprint of the IAF. It was explained that although the additional capacity needs are not directly related to the IAF, there are benefits to locating the expanded baggage facilities there. The cost allocation for the new baggage facilities was explained. Although the project is separate from the IAF, the same contract will be used.

The motion for approval of agenda item 6b carried by the following vote:

In favor: Albro, Bowman, Creighton, Felleman, Gregoire (5)

A recording of this part of the meeting has been made available online.

- 6c. Authorization for the Chief Executive Officer to advertise and execute a construction contract related to the Airport Dining and Retail Infrastructure – Central Terminal project at Seattle-Tacoma International Airport for an amount not to exceed \$5,120,000 for a total estimated project cost of \$13,953,000. (CIP #C800638).**

Request document(s) included a Commission agenda [memorandum](#) and presentation [slides](#).

Presenter(s): Jim Schone, Director, Aviation Business Development, and Sean Anderson, Capital Project Manager, Aviation Project Management Group.

The need for modification of Airport Dining and Retail program infrastructure was summarized, and the location of and conceptual depiction of the work to be done in the Central Terminal was presented. It was reported that the project will provide access to the Mezzanine Level of the Central Terminal for restaurant space in addition to new walls and utilities. Commissioners requested clarification on the impacts to particular ADR units and stressed the importance of communicating clearly with ADR tenants throughout construction. They noted concerns about the effect of the final design on visibility for ground floor tenants in the Central Terminal. Design synergy with baggage optimization efforts below the Central Terminal was noted. Commissioners stressed the need to preserve small business and kiosk opportunities in the ADR program in this location.

The motion for approval of agenda item 6c carried by the following vote:

In favor: Albro, Bowman, Creighton, Felleman, Gregoire (5)

A recording of this part of the meeting has been made available online.

6d. Authorization for the Chief Executive Officer to execute contract for security services to be delivered to all Maritime Division locations on both scheduled and ad hoc bases for a total estimated cost over five years of approximately \$8 million.

Request document(s) included a Commission agenda [memorandum](#).

Presenter(s): Lindsay Pulsifer, Managing Director, Maritime.

The proposal for a consolidated contract for security services at all Maritime Division locations was summarized, including a discussion of small business opportunities and environmental impacts of coordinating logistics at properties spread throughout the waterfront.

The motion for approval of agenda item 6d carried by the following vote:

In favor: Albro, Bowman, Creighton, Felleman, Gregoire (5)

A recording of this part of the meeting has been made available online.

Commissioner Albro participated by telephone until 4:15 p.m.

7. STAFF BRIEFINGS

7a. Development of the Fishermen's Terminal Long Term Strategic Plan.

Presentation document(s) included a Commission agenda [memorandum](#), presentation [slides](#), and planning [report](#).

Presenter(s): Stephanie Jones Stebbins, Director, Maritime Environment and Sustainability, and Joseph Gellings, Senior Planner, Maritime Environment and Sustainability.

Staff presented recommendations for phased development of Fishermen's Terminal. Public outreach, on and off site, and opportunities unique to Fishermen's Terminal were discussed. Commissioners proposed consideration of a cruise expansion element and potential to provide a home at Fishermen's Terminal for the Odyssey Center. There was discussion surrounding attracting the public to the Terminal while maintaining its maritime/industrial character.

A recording of this part of the meeting has been made available online.

7b. Long Range Plan Maritime and High Performance Organizations teams.

Presentation document(s) included a Commission agenda [memorandum](#) and presentation [slides](#).

Presenter(s): Kenneth Lyles, Director, Fishing and Commercial Operations, Fishing & Commercial Vessel Management; Marie Ellingson, Cruise Services/Emergency Preparedness Manager, Cruise

Services Management; Stuart Mathews, General Manager, Aviation Maintenance; Bea Rico, Strategic Planning Program Manager, Office of Strategic Initiative; Dave Caplan, Senior Director, Strategic Initiatives, Office of Strategic Initiative; and Kristal Roberts, Organizational Development Manager, Human Resources.

Staff presented background on the economic impacts of the maritime sector and general opportunities for the Port to support maritime interests as a convener of various maritime interests. Recapitalization of the North Pacific fishing fleet was discussed. Commissioners expressed a desire for concrete proposals and the need to act decisively and expeditiously. Anticipated growth in the cruise industry in Seattle and the Port's role in support of that industry was presented.

The High Performance Organization long-range plan was presented. It was described as being internally focused to enable externally focused initiatives. Strategies in this long range plan include increasing customer satisfaction, eliminating workplace injuries, acting as "one port," becoming a model for workplace diversity and inclusion, and fostering employee development. Objectives for each strategy and a five-year sample action plan for selected objectives were presented, with examples of key priorities.

ANNOUNCEMENT

Commissioner Gregoire inquired about the status of the process for requests for proposals for ground transportation services at the Airport, noting the need for a public briefing in the near future on how elements of Commission policy direction have been applied during the RFP process. She highlighted areas of policy direction given, including fair access for drivers to customers, responsiveness to customer demand as reflected in ground transportation offerings, and the ability for drivers to earn a living wage.

Commissioner Gregoire was present until 5:35 p.m.

A recording of this part of the meeting has been made available online.

7c. 2016 Quarter 1 Baggage Briefing.

Presentation document(s) included a Commission agenda [memorandum](#) and presentation [slides](#).

Presenter(s): Mike Tasker, Senior Manager, Aviation Facilities and Infrastructure, and Ed Weitz, Capital Project Manager, Aviation Project Management.

The scope of the baggage optimization project is to consolidate six existing baggage screening systems into one comprehensive system. Among the scope elements is the goal to increase baggage capacity up to 45 million annual passengers with the ability to continue to expand as needed in the future. Estimates to expand in line with growth estimates of 66 million annual passengers are expected to be presented in the third quarter of 2016. Commissioners were provided with a description of elements that are and are not within the project's current scope. The design schedule was reported, and critical issues and optimization risks were enumerated.

A recording of this part of the meeting has been made available online.

7d. Aviation Plan of Finance Update.

Presentation document(s) included a Commission agenda [memorandum](#) and presentation [slides](#).

Presenter(s): Borgan Anderson, Director, Aviation Finance and Budget.

The focus of the presentation was on the status of the Airport's plan of finance and the use of passenger facility charges and management of future airline rates. Funding is needed over the next 10 years to accommodate \$3.4 billion in capital projects, including improvements to both the North and South Satellites. Passenger facility charges are excluded from the airline rate base. Ten-year rate projections were presented based on a scenario in which PFCs are used to offset all Third Runway debt service, some are allocated to the International Arrivals Facility, but with Federal Inspection Services fees rising to match the highest rates among peer airports, and Terminal projects would benefit from the remaining PFCs. It was reported that the airlines understand the critical nature of the capital investments and realize that cost per enplanement will rise to accommodate those investments, although they would naturally prefer lower cost per enplanement.

Capital investment resulting from the outcome of the Sustainable Airport Master Planning effort is not accounted for in the current plan of finance estimates.

It was explained that the portion of baggage optimization not covered by grant funding would be funding by revenue bonds and the cost would apply to the airline rate base.

Financing scenarios showing the rate impacts of shifting passenger facility charges were presented. Scenario 2 would shift PFCs from airfield projects to terminal projects; scenario 3 would shift PFCs from the terminal to the Federal Inspection Services. The airlines are examining these scenarios for further conversation. Staff plans to submit application to the Federal Aviation Administration to use PFCs for the North Satellite and International Arrivals Facility projects.

A recording of this part of the meeting has been made available online.

Without objection, the following agenda item –

7e. First Quarter 2016 Financial Performance Briefing.

– was laid on the table for consideration at a future meeting.

Without objection, the following agenda item –

7f. Century Agenda Quarterly Update.

– was laid on the table for consideration at a future meeting.

8. ADDITIONAL NEW BUSINESS

Action items planned for consideration on May 24 were previewed, including revenue bond refundings for debt service savings and a budget increase for the North Satellite project.

A recording of this part of the meeting has been made available online.

9. ADJOURNMENT

There was no further business, and the meeting adjourned at 6:03 p.m.

Stephanie Bowman
Secretary

Minutes approved: June 14, 2016.