

**Commissioners**

Bill Bryant  
Chair and President  
John Creighton  
Patricia Davis  
Lloyd Hara  
Gael Tarleton



Tay Yoshitani  
Chief Executive Officer

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*An audio of the meeting proceedings and meeting materials are available on the Port of Seattle web site -*

<http://www.portseattle.org/about/organization/commission/commission.shtml>

*(The approximate point in the audio recording for the specific item is identified by minutes and seconds; example: 01:30 – Please note: For the August 11, 2009 meeting, there are two separate audios.)*

**APPROVED MINUTES  
COMMISSION REGULAR MEETING AUGUST 11, 2009**

The Port of Seattle Commission met in a regular meeting at 1:00 p.m., Tuesday, August 11, 2009 in the Commission Chambers at Pier 69, 2711 Alaskan Way, Seattle, WA. Commissioners Bryant, Creighton, Davis, Hara and Tarleton were present.

**1. CALL TO ORDER**

The regular meeting was called to order at 1:12 p.m. by Bill Bryant, Chair and President.

**2. EXECUTIVE SESSION pursuant to RCW 42.30.110**

The regular meeting was immediately recessed to an executive session for approximately one hour to discuss legal risk and real estate issues and reconvened to open public session

**PLEDGE OF ALLEGIANCE**

**3. APPROVAL OF MINUTES**

**(Audio part one - 00:00:48) Motion for approval of the minutes of the regular meeting of July 14, 2009 - Davis**

**Second – Creighton**

**Motion carried by the following vote:**

**In Favor: Bryant, Creighton, Davis, Hara, (4)**

Commissioner Tarleton was absent from the subject meeting.

**Motion for approval of the minutes of the special meeting of July 21, 2009 – Davis**

**Second – Creighton**

**Motion carried by the following vote:**

**In Favor: Bryant, Creighton, Davis, Hara, Tarleton (5)**

**4. SPECIAL ORDER OF BUSINESS**

None.

**5. (00:01:33) UNANIMOUS CONSENT CALENDAR**

- a. Authorization for approval of Outstanding Claims and Obligations for the period of July 1 through July 31, 2009 in the amount of \$49,984,200.33**
- b. Authorization for the Chief Executive Officer to amend four professional services contracts that support Investigations for the Lower Duwamish Waterway (LDW) and Harbor Island superfund sites and provide notification to Commission in accordance with RCW 53.19.060 that the amendments exceed 50% of the cumulative value of the initial contract.**

Request document: Commission agenda [memorandum](#) dated July 10, 2009 from Stephanie Jones Stebbins, Senior Manager, Seaport Environmental Programs and Kathy Bahnick, Environmental Program Supervisor, Seaport Environmental Programs

- c. Authorization for the Chief Executive Officer to execute a Category 3 professional services contract for consultant support for environmental investigation and associated regulatory coordination at Terminal 115N ranging from approximately \$750,000 to \$1,000,000.**

Request document: Commission agenda [memorandum](#) dated July 14, 2009 from Stephanie Jones Stebbins, Senior Manager, Seaport Environmental Programs and Kathy Bahnick, Senior Environmental Program Manager

- d. Authorization for the Chief Executive Officer to issue Change Order Number 010 for the North and South Satellites Food Courts Flooring Replacement Project to add the additional time required, 61 days, to complete the project.**

Request document: Commission agenda [memorandum](#) dated August 3, 2009 from Ralph Graves, Managing Director, Capital Development Division

- e. **Authorization for the Chief Executive Officer to authorize all work, execute Category III procurement process, and execute all contracts and amendments for photographic services to provide both scheduled and on-call photography and related services for a one-year contract, with the option to renew for an additional two years. Estimated annual contract value of \$80,000, with the option to renew for up to three years, for a total procurement amount not to exceed \$240,000.**

Request document: Commission agenda [memorandum](#) dated July 28, 2009 from Jane Kilburn, Director, Public Affairs and Nancy Blanton, Manager, Corporate Communications

- f. **Authorization for the Chief Executive Officer to handle [requests](#) for privileged documents by the State Auditor as part of the current performance and accountability audits.**

Request document: Commission agenda [memorandum](#) dated July 31, 2009 from Craig Watson, General Counsel and Tom Tanaka, Senior Port Counsel

#### **Motion for approval of Consent Calendar Items 5a-5f – Tarleton**

**Second – Davis**

**Motion carried by the following vote:**

**In Favor: Bryant, Creighton, Davis, Hara, Tarleton (5)**

Commissioner Davis commented on the two consent items regarding the Duwamish superfund site cleanup (Items 6b and 6c), noting for the record that the money for these projects comes from the tax levy.

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

- a. **(00:03:04) Authorization for the Chief Executive Officer to authorize permitting, design and project management to be performed for the completion of the South Wall reconstruction at Fishermen’s Terminal (FT) in the amount of \$980,000.**

Request document: Commission agenda [memorandum](#) dated July 27, 2009 from Melinda Miller, Director, Portfolio Management and Tim Leonard, Capital Project Manager; and computer slide presentation.

Presenter: Ms. Miller

Ms. Miller referenced a recent briefing to the Commission on the background of this project and the need for completion of the final phase of the seawall replacement at

Fishermen's Terminal, noting that this request is for design, permitting, and project management, the majority of which would be done by Port staff. She stated that staff would return to Commission at a future date for authorization to proceed.

Ms. Miller clarified that if the project remains on schedule, the work will be done during the fish window opening which begins in October, 2010 and is anticipated to be about an eight month period of construction.

**Motion for approval of Item 6a – Davis**

**Second – Creighton**

**Motion carried by the following vote:**

**In Favor: Bryant, Creighton, Davis, Hara, Tarleton (5)**

**b. (00:10:45) Authorization for the Chief Executive Officer to:**

- 1. Enter into agreements to complete design and permitting for the replacement of four (4) [mooring dolphins](#) at the north end of Harbor Island, and;**
- 2. Procure long lead materials required to complete the project within the current schedule. Total amount of the request is \$480,000.**

Request document: Commission agenda [memorandum](#) dated July 24, 2009 from Mike McLaughlin, Director, Cruise and Industrial Properties; Scott Pattison, Manager, Industrial Properties and Business Development; and Mark Longridge, Project Manager, Capital Development Division; and computer slide presentation

Presenters Mr. McLaughlin and Mr. Longridge

Mr. McLaughlin noted that today's request was to move forward with design and permitting of the project required to replace mooring dolphins at Terminal 18. It was noted that staff would return at a later date with an estimate of the final construction costs and a request for authorization to proceed.

Mr. Longridge provided background information of the project as well as the planned project schedule, which is expected to be completed by the spring of 2010.

Commissioner Davis commented that this project will result in the removal of some old creosote pilings and noted the benefit of that with respect to the environment.

Staff confirmed that they believe this project will create benefits for the barge industry throughout the harbor.

**Motion for approval of Item 6b – Hara**

**Second – Davis**

**Motion carried by the following vote:**

**In Favor: Bryant, Creighton, Davis, Hara, Tarleton (5)**

- c. (00:21:39) Authorization for the Chief Executive Officer to perform full design documents; prepare, execute, award and amend service agreements; and execute service directives for C1 to C88 Baggage Handling Connection Project at Seattle-Tacoma International Airport for an estimated cost of \$280,000. The ultimate cost for the constructed project is estimated to be \$2,800,000.**

Request document: Commission agenda [memorandum](#) dated July 24, 2009 from Michael Ehl, Director, Airport Operations and Robert F. Riley, Director, Aviation Capital Improvement Program

Presenters: Dave Soike, Deputy Director, Aviation Division and Ed Weitz, Capital Project Manager

Mr. Soike provided background of the project, noting that this project will connect two of the seven baggage handling systems at the Airport, and stated that it will allow Alaska Airlines baggage to move to the north satellite via an existing underground tunnel rather than being towed across the airfield by tugs. He clarified that the project has been approved by the airlines and they have agreed to pay for it.

Responding to Commissioner Creighton's question as to whether or not this project is eligible for federal grant money, Mr. Soike responded that since the project does not enhance security, it would not be eligible for that funding.

**Motion for approval of Item 6c – Davis**

**Second – Hara**

Prior to the vote, Commissioner Creighton asked whether there was a hard deadline for the completion of this project, Mr. Soike noted that a full design of the project will be done before going out to an open public bid, and that there is no hard deadline.

**Motion carried by the following vote:**

**In Favor: Bryant, Creighton, Davis, Hara, Tarleton (5)**

- d. (00:32:32) Ratification of critical fender pile work at Terminal 91 in accordance with Resolution No. 3605.**

Request document: [Memorandum](#) dated August 10, 2009 from Ralph Graves, Managing Director, Capital Development Division

Presenters: Mr. Graves and Mark Longridge, Project Manager, Capital Development Division

CEO Yoshitani noted that this was an action item, and clarified that this request for ratification of a critical work situation was the first time this provision has been used since the Commission adopted Resolution No. 3605.

Mr. Graves noted that this work did not rise to the level of being emergency, and therefore there is no need to bypass any contractual steps; however, this would be shortcutting our own procedures' approval of work.

Mr. Longridge provided an overview of the area at Terminal 91 which is referred to in this request, and noted that the work needs to be done in order to allow safe cruise berthing. He clarified that there have been no disruptions to cruise service as a result of the deteriorating fender piles.

**Motion for ratification of Declaration of Critical Work Situation, Item 6d – Tarleton**

**Second – Davis**

**Motion carried by the following vote:**

**In Favor: Bryant, Creighton, Davis, Hara, Tarleton (5)**

**7. STAFF BRIEFINGS**

**a. (00:38:39) South Satellite Common Use Gate Strategy**

Presentation document: Commission agenda [memorandum](#) dated July 27, 2009 from Michael Ehl, Director, Airport Operations

Presenter: Nick Harrison, Senior Manager, Airport Operations

As background to a request for authorization for common use equipment which would be coming soon to the Commission, Mr. Harrison provided an overview of why common use gates are beneficial both to the Port and to the airlines. He noted that the biggest driver of this project was the recent consolidation of Delta and Northwest airlines operations in the south satellite terminal.

**b. (00:43:07) Terminal 30 Apron Upgrade Status Briefing**

Presentation document: Commission agenda [memorandum](#) dated August 3, 2009 and computer slide [presentation](#) from Ralph Graves, Managing Director, Capital

Development Division and Mike Burke, Senior Manager, Container Leasing and Operations

Presenters: Mr. Graves and Mr. Burke

Mr. Graves provided a brief operational update on Terminal 30, including a [video](#) a video showing loading and unloading of containers at the terminal. Also discussed was the recently replace crane cable. It was noted that the settlement of the final cost of the cable is still being negotiated.

Mr. Graves also provided information on the status of the cost of uplands disposal of dredge spoil, noting that the cost came to \$3.6 million; that King County has paid \$1.4 million of that cost; and that discussions are ongoing with King County regarding a \$400,000 balance.

Commissioner Tarleton posed the following questions to staff: How many containers can we now handle with the new terminal operating? How many people are going back to work now that Terminal 30 is serving the container industry again? How many new customers has the Port been able to attract by bringing Terminal 30 online?

Mr. Burke noted that it is difficult to have an exact answer as to how many containers are being handled, as that number can vary due to a variety of reasons. He also stated that the terminal still has significant growth potential and could get into the 400,000-500,000 TEU range. As to the number of jobs, Mr. Burke stated he would need to return with that information. He provided information on current customers at the terminal and stated that staff would continue to provide further and ongoing information about customers there.

*A brief recess of the regular meeting was called at 1:55 and the meeting was reconvened at 2:08 p.m. for a Budget Workshop.*

## **8. NEW BUSINESS**

None.

## **9. POLICY ROUNDTABLE**

### **a. (Audio part two - 00:00:01) Second Quarter 2009 Financial Performance Briefing and Year-end Outlook**

Presentation documents: Commission agenda [memorandum](#) dated July 28, 2009; computer slide [presentation](#); and quarterly performance [report](#) from Michael Tong, Corporate Budget Manager.

Presenters: Mr. Tong; Borgan Anderson, Manager, Aviation Finance and Budget; Boni Buringrud, Manager, Seaport Finance and Budget; and Ralph Graves, Managing Director, Capital Development Division.

Mr. Tong presented a brief overview of the Port-wide financial results for the second quarter of 2009. Included as a part of the overview were the Port-wide income summary, the Port-wide year-end forecast, and total Port capital spending for 2009

Mr. Tong also pointed out that there would be some costs hitting the budget due to the voluntary separation program (VSP) and upcoming layoffs and noted that the current estimate for the VSP is approximately \$2.7 million.

Mr. Anderson reviewed the Q2 Financial Performance of the Aviation Division. Topics discussed included:

- Business Highlights
  - Airline activity
  - Operating budget
  - Non-airline revenues
  - Capital Budget
- Year-to-date operating revenues
- Year-to-date operating expenses
- Aeronautical business and key indicators
- Non-aeronautical business and key indicators
- Year-end expense forecast summary
- Summary of financial results
- Capital budget spending

Ms. Buringrud provided a review of the Q2 Performance of the Seaport Division. Topics discussed included:

- Seaport business goals
  - TEU volume
  - Grain volume
  - Smith Cove cruise facility
- Seaport organizational goals
  - Environmental stewardship
  - Regional transportation
- 2009 expense budget reductions
- Seaport full year operating forecast
- Seaport second quarter year-to-date operating results
- Key variances, revenue and expense detail
- Business groups
- Seaport capital for 2009



Ms. Buringrud then presented an overview of the second quarter performance of the Real Estate Division. Topics reviewed included:

- Business goals
- 2009 expense budget reductions
- Real Estate Division full-year forecast
- Year-to-date operating results
- Second quarter key variances, revenue and expense detail
- Business groups
- Real Estate capital for 2009

Mr. Graves provided an overview of the second quarter performance of the Capital Development Division. Topics reviewed included:

- Year-to-date business events, including:
  - Restart of Rental Car Facility
  - Completion of T91 Cruise Terminal Facility
  - Completion of T30 Container Terminal Redevelopment
- Key indicators
- Operating results and forecast

Mr. Tong then presented an overview of the second quarter performance of Corporate Professional and Technical Services, including

- Operating results
- Corporate highlights
- Corporate indicators

Commissioner Tarleton suggested that under ‘Corporate Highlights’ there be an additional item noted regarding the establishment of metrics to measure the effective performance of the recently created Capital Development Division.

**b. (00:58:01) 2010 Budget – Key Assumptions and Guidelines Discussion**

Presentation documents: Commission agenda [memorandum](#) dated July 28, 2009 and computer slide [presentation](#) from Michael Tong, Corporate Budget Manager

Presenters: Mr. Tong; Dan Thomas, Chief Financial Officer; Borgan Anderson, Manager, Aviation Finance and Budget; and Boni Buringrud, Manager, Seaport Budget and Finance

Mr. Anderson provided background information on the Airline industry since 2001, noting that since during that time, the industry has lost a significant amount of money and does not have a lot of flexibility to absorb additional losses. He stated his belief that capacity cuts and cost-cutting measures taken by the industry have probably not been

enough and the lack of profits is still likely this year. He commented that the current weak economy has depressed travel demand in 2009. Regarding the outlook for Sea-Tac Airport, Mr. Anderson noted that as financial challenges are likely to persist for the airline industry, staff is currently assuming no passenger growth for 2010.

Mr. Anderson also reviewed key assumptions for both airline and non-airline revenues as well as expected trends and risks for 2010.

Ms. Buringrud then provided a brief preview of the Seaport Division budget for 2010, noting that the operating revenue is projected to be approximately flat compared to the 2009 budget. She also commented on primary components of revenue for the division.

Reviewing key revenue assumptions, Ms. Buringrud commented that an 8% decrease from the 2009 budget is expected for TEU volumes. She also noted that there is a 6% increase of cruise passengers expected. Regarding the expense budget, Ms. Buringrud stated that staff is looking at potentially a 10% reduction.

Ms. Buringrud also provided a preview of the 2010 budget for the Real Estate Division, noting that operating revenues are expected to be flat or up slightly relative to the 2009 budget.

Responding to a question from Commissioner Davis regarding possible income from the use of Terminal 91 for the 6 month period of time when there are no cruises, Ms. Buringrud stated that there are no plans in the current forecast, but the possibility is being explored.

Commissioner Davis reiterated her hope that at some point, an elevator would be installed at the T91 facility, which would enable a greater use of the space, and noted that doing so may be an expense that would need to be incurred.

Ms. Buringrud reviewed upcoming expense trends and risks, which included deferred maintenance projects, tenant improvements, and unknowns related to both the Eastside Rail Corridor as well as audit implications.

Mr. Tong then briefly reviewed payroll assumptions for 2010, noting that currently the average pay for performance is expected to be 3.75% and a salary range increase of 1.5%. He commented on the expected reduction in benefit costs, with an average benefit rate projected at 38.7%. He also pointed out that staff would be able to provide a better forecast by the end of August.

Mr. Tong commented on other budgeting issues, which included:

- Revenue assumptions, which are yet to be finalized
- Sustainable O&M cost reductions
- Voluntary separation program
- FTE reductions

- Majority of severance costs recognized in 2009, so will not hit 2010 budget

Mr. Tong then reviewed the proposed 2010 budget calendar for the next several months.

Commissioner Bryant mentioned dates that he anticipated being held for Budget Workshops as follows: Tax levy workshop – September 15 and 29, with the September 29 meeting to include a preliminary discussion of the plan of finance; Operating and Capital Budgets – October 8; Draft Plan of Finance and Tax Levy – October 13. Commissioner Bryant also stated his concern that the current schedule may not allow sufficient time between first and second readings of the 2010 budget resolution.

Commissioner Bryant suggested that staff might make themselves available for discussion regarding the preliminary budget working document on October 20, which would be followed by the release of the preliminary budget document on October 27. The first reading of the budget resolution would then occur on November 10, and the second reading on November 24. He also stated that he would prefer to have 3 weeks between first and second readings, if possible. Staff noted that this could necessitate having a special meeting on November 30, as the budget document needs to be filed by December 1.

**c. (01:38:28) Seaport 2010 Business Plan Overview**

Presentation documents: Commission agenda [memorandum](#) dated July 28, 2009 and computer slide [presentation](#) from Phil Lutes, Deputy Director, Seaport Division; and Wayne Grotheer, Director, Seaport Professional and Technical Services

Presenters: Mr. Lutes and Mr. Grotheer

The overview of the Seaport Division 2010 Business Plan included:

- Seaport strategies for 2010
  - Protecting current business
  - Positioning for recovery and change in the container shipping market
  - Collaborating with others to advance key initiatives
- Critical work for 2010
  - Deliver service to customers
  - Deliver on commitments – clean truck plan and customer support plan
  - Development of T91 into a multi-use facility
- 2010 Preliminary Capital Plan – Committed and Business Plan Prospective
- Market outlook
- Financial outlook – revenue and expense
- Growth risks
- Business unit major goals
  - Containers
  - Cruise
  - Industrial docks and properties

- Service units major goals
  - Finance
  - Planning
  - Security
  - Environmental

Commissioner Tarleton asked, regarding asset evaluation and utilization, whether or not the Commission would be receiving a presentation on the new system that staff is developing. Mr. Grotheer responded that it had not been planned, but staff could do so as part of the budget process.

**d. (02:04:55) Real Estate 2010 Business Plan Overview**

Presentation documents: Commission agenda [memorandum](#) dated July 28, 2009 and computer slide [presentation](#) from Joe McWilliams, Managing Director, Real Estate and Property Management

Presenter: Mr. McWilliams

Mr. McWilliams presented a brief overview of the Real Estate Division structure, noting that this division had been created about 18 months prior. He noted that the division includes Port Real Estate Development and Planning; Portfolio Management and Leasing; Harbor Services; Pier 69 Facilities Management; and Marine Maintenance.

Mr. McWilliams commented on the importance of addressing deferred maintenance items, stating that currently there is about \$20 million in deferred maintenance. Commissioner Bryant asked whether a list of prioritized deferred maintenance projects was available. Mr. McWilliams responded that there is such a list and that it would be provided to the Commissioners immediately.

Mr. McWilliams reviewed what each of the groups within the Real Estate Division have been working on, as well as some of the challenges they are facing.

**10. ADJOURNMENT**

There being no further business, the meeting was adjourned at 5:05 p.m.

(A digital recording of the meeting is available on the Port's website.)

Lloyd Hara  
Secretary