



Commissioners

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John Creighton
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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.**)*

**APPROVED MINUTES
COMMISSION SPECIAL MEETING MARCH 5, 2009**

The Port of Seattle Commission met in a regular meeting at 12:00 p.m., Thursday, March 5, 2009 in the Commission Chambers at Pier 69, 2711 Alaskan Way, Seattle, WA. Commissioners Bryant, Davis, and Hara and Tarleton were present. Commissioner Creighton was absent.

1. CALL TO ORDER

The regular meeting was called to order at 12:05 p.m. by Bill Bryant, Commission President.

2. EXECUTIVE SESSION pursuant to RCW 42.30.110

The special meeting was immediately recessed to an executive session to discuss real estate and litigation matters and reconvened to open public session.

PLEDGE OF ALLEGIANCE

3. APPROVAL OF MINUTES

(00:01:00) Motion for approval of minutes of the January 27, 2009 special meeting – Hara

Motion carried by the following vote:

In favor: Bryant, Davis, Hara, Tarleton (4)

Commissioner Creighton was absent for the vote

4. SPECIAL ORDER OF BUSINESS

None.

5. UNANIMOUS CONSENT CALENDAR

None.

General Business items were advanced on the agenda as follows:

11. GENERAL BUSINESS

- a. (00:02:02) Request for authorization to execute a new collective bargaining agreement with International Brotherhood of Teamsters, Local 117, representing Police Specialists.**

Request document: Commission agenda [memorandum](#) dated January 20, 2009 from Gary Schmitt, Labor Relations Director

Presenters: Colleen Wilson, Chief of Port Police Department and Jim Smith, Labor Relations Manager

Staff provided background on the three bargaining agreements to be voted on.

Motion for approval of Item 11a – Davis

Public comment was received regarding Items 11a, 11b, and 11c from the following:

- Tracy Thompson, Teamsters Local 117. Ms Thompson spoke in favor of the three collective bargaining agreements, commenting on the good work done between the Port and Teamsters, and urged Commission approval of the agreements.

Motion carried by the following vote:

In Favor: Bryant, Davis, Hara, Tarleton (4)

Commissioner Creighton was absent for the vote

- b. Request for authorization to execute a new collective bargaining agreement with International Brotherhood of Teamsters, Local 117, representing Police Officers.**

Request document: Commission agenda [memorandum](#) dated February 4, 2009 from Gary Schmitt, Labor Relations Director

Presenters: Colleen Wilson, Chief of Port Police Department and Jim Smith, Labor Relations Manager

Motion for approval of Item 11b – Tarleton

Motion carried by the following vote:

In Favor: Bryant, Davis, Hara, Tarleton (4)

Commissioner Creighton was absent for the vote

- c. Request for authorization to execute a new collective bargaining agreement with International Brotherhood of Teamsters, Local 117, representing Police Sergeants.**

Request document: Commission agenda [memorandum](#) dated February 4, 2009 from Gary Schmitt, Labor Relations Director

Presenters: Colleen Wilson, Chief of Port Police Department and Jim Smith, Labor Relations Manager

Motion for approval of Item 11c – Hara

Motion carried by the following vote:

In Favor: Bryant, Davis, Hara, Tarleton (4)

Commissioner Creighton was absent for the vote

Due to technical difficulties with the audio, a brief recess was called by Commissioner Bryant, and the meeting was reconvened.

Agenda Action Items were advanced as follows:

7. MARINE ITEMS

None.

8. AVIATION ITEMS

- a. (00:23:18) Request for authorization to execute amendment to Lease and Concessions Agreements of Prime Concessionaires Host International (Host), Seattle Restaurant Associates (SRA), Concessions International (CI), and Airport Management Services, LLC (dba Hudson News).**

Request document: Commission agenda [memorandum](#) dated February 26, 2009 from James R. Schone, Director, Aviation Business Development and Deanna Zachrisson, Manager, Aviation Concessions Business

Presenters: Mr. Schone and Ms. Zachrisson

Mr. Schone reiterated the fact that today's request is being made due to moves in Airline tenants at the Airport, and not due to the current economic situation.

Ms. Zachrisson gave an update on changes since last week's briefing to the Commission on the planned relief measures. She expressed the importance of being careful to not create any unintended inequities to concessionaires. She commented that most tenants, both primes as well as sub-primes, are in support of the proposal; however, some would like to see even more relief.

Commissioner Tarleton asked to receive updated information regularly to stay apprised of the situation as it unfolds, specifically regarding the number of jobs being affected and whether or not there are any disproportionate impacts to Minority and Women-Owned businesses.

Commissioner Hara stated concern over meeting goals of FAA standards as well as working with the WMBE (Women and Minority Business Enterprise) program.

Mr. Schone noted that information addressing Commissioner Hara's concerns could be incorporated into the update reports requested by Commissioner Tarleton.

Motion for approval of Item 8a – Davis

Motion carried by the following vote:

In Favor: Bryant, Davis, Tarleton (3)

Opposed: Hara (1)

Commissioner Creighton was absent for the vote.

- b. (00:48:16) Request for authorization to procure and execute service agreements with consultants to perform design, prepare contract documents, and perform contract administration for South Air Operations Area (AOA) Fence Replacement Project at Seattle-Tacoma International Airport in the amount of \$375,000.**

Request document: Commission agenda [memorandum](#) dated February 18, 2009 from Dave Soike, Deputy Managing Director, Aviation Division and Mike Ehl, Director, Airport Operations

Presenters: Tina Soike, Senior Manager, Airport Operations and Steve Osmek, Wildlife Biologist, Airport Operations

Staff explained the need for this request, which is due to dangers caused to aircraft by coyote presence on airfield at the airport and noted that the presence of coyotes is happening at an increased frequency.

Mr. Osmek noted three points of importance regarding the request:

- A substantial increase of the number of coyote sightings on the airfield
- Current state regulations which make coyote trappings difficult
- Lethal removal by shooting being the only current effective of removal of coyotes on the airfield

Motion for approval of Item 8b – Davis

Staff clarified that the source of funds for the project would be the Airport Development Fund.

Comments were made by Commissioners appreciating the use of recycled materials within the project.

Motion carried by the following vote:

In Favor: Bryant, Davis, Hara, Tarleton (4)

Commissioner Creighton was absent for the vote

- c. (00:57:56) Resolution No. [3612](#), Second Reading and Final Passage. Declaring surplus and no longer needed for Port District purposes certain property, including eight x-ray machines; seven explosive trace detection machines; and 17 walk-through metal detectors; authorizing transfer of the property to the Transportation Security Administration (TSA), including payment of one dollar per unit of equipment and the assumption of costs and liabilities associated with maintaining and disposing of the property.**

Request document: Commission agenda [memorandum](#) dated February 25, 2009 from Michael Ehl, Director, Airport Operations and Nick Harrison, Senior Manager, Airport Operations

Presenter: Mr. Harrison

Motion for Second Reading and Final Passage of Resolution No. 3612 – Hara

Motion carried by the following vote:

In Favor: Bryant, Davis, Hara, Tarleton (4)

Commissioner Creighton was absent for the vote

- d. (00:58:55) Request for authorization to execute a Lease for Multifunction Document Devices for the Airport Office Building at an estimated cost of \$463,251.**

Request document: Commission agenda [memorandum](#) dated February 13, 2009 from Tony Baca, Manager, Airport Buildings and Facilities Services and Michele Fideler, Airport Facilities Manager

Presenters: Mr. Baca and Ms. Fideler

Motion for approval of Item 8d – Tarleton

Motion carried by the following vote:

In Favor: Bryant, Davis, Hara, Tarleton (4)

Commissioner Creighton was absent for the vote

9. CAPITAL DEVELOPMENT

None.

10. REAL ESTATE

- a. (01:04:32) Request for authorization to execute Fourth Amendment to [Management Agreement](#) for operation of Bell Harbor International Conference Center between Port of Seattle and Columbia Hospitality, Inc. to include the [“Maritime Event Center at Bell Harbor”](#) premises (former Odyssey space), as exclusive premises, and use those premises for events, meetings, and catering.**

Request document: Commission agenda [memorandum](#) dated February 18, 2009 from Joe McWilliams, Managing Director, Real Estate Division and Pat Spangler, Real Estate Manager

Presenter: Mr. McWilliams

Motion for approval of Item 10a – Hara

Commissioner Tarleton commented that substantial public discussion had been held regarding this item, both at Commission meetings and Audit Committee Meetings, which assured ample transparency. Commissioner Davis noted the importance of keeping educational programs and non-profit community activities.

A copy of a letter regarding Item 10a to CEO Yoshitani, dated March 2, 2009, from Gary Stauffer, Youth Maritime Training Association was submitted for the record. A copy is, by reference, made a part of these minutes; is marked Exhibit 'A,' and is on file in Port offices.

Motion carried by the following vote:

In Favor: Bryant, Davis, Hara, Tarleton (4)

Commissioner Creighton was absent for the vote

The agenda was returned to Policy and Staff Briefings as follows:

6. POLICY AND STAFF BRIEFINGS

a. (01:10:19) Briefing on Consolidated Rental Car Facility (CRCF) Finance Status

Presentation documents: Commission agenda [memorandum](#) dated February 19, 2009 and computer slide [presentation](#) from Dan Thomas, Chief Financial Officer; Mark Reis, Managing Director, Aviation Division; and Elizabeth Morrison, Senior Manager, Corporate Finance

Presenters: Mr. Thomas, Mr. Reis, and Ms. Morrison

Mr. Reis provided background of the suspension of the CRCF Project, which was implemented in December, 2008 and commented on changes since then, which included:

- A thawing in financial markets
- Availability of additional financing tools
- A change in Airport passenger traffic forecast

Mr. Reis noted that staff is continuing to work understanding what is happening with projected enplanements possible scenarios and will work closely with the rental car companies to understand related implications. He stated that staff would likely return to the Commission in May or June with a firm financing plan.

Commissioner Tarleton requested that staff provide information – perhaps quarterly – showing indicators of those who are using rental cars.

Mr. Thomas stated that he believes staff now has a sound, reasonable and prudent financing strategy, which would give significant flexibility to manage the plan and would fully fund the construction of the project.

Dick Schober, Seattle Northwest Securities, was introduced by staff and gave an update on current market function and liquidity, noting several recent significant transactions.

Ms. Morrison spoke provided information on possible financing tools that appear to be available, noting that any of the tools would need Commission approval. They included:

- Short-term bank lines of credit
- Long-term, fixed-rate bonds
- Ability to use cash from the Airport Development Fund
- Total resources available are between \$500 - \$700 million

Ms Morrison stated that the tools could be combined in the most appropriate manner and that combinations can help balance certainty, flexibility, and cost.

Mr. Thomas clarified that staff intends to have several tiers of ‘backstops’ available in the plan for funding, depending on market situations.

Responding to Commissioner Bryant’s question regarding CFC (Customer Facility Charge) funds, Mr. Thomas agreed that ultimately the CFC’s would have to pay, regardless of how it is backed up.

Staff clarified answers to questions questions from Commission Tarleton referring to the Commission meeting minutes of January 27, 2009, where questions were asked about the possibility of opening the CRCF later than 2010 and about the amount of money spent.

Ms. Morrison spoke about two possible scenarios:

Scenario 1: Impacts: Base Case

- 2009
 - \$200 million, 10-year fixed-rate bonds
 - \$200 million, bank lines of credit
- 2010 - 2011
 - Repay one bank line with \$100 million 10-30 year fixed-rate bonds
 - Convert one bank line to long-term variable rate bonds
- By 2012 the finance structure will be:
 - \$300 million fixed-rate bonds, 10-30 years
 - \$100 million variable-rate bonds
- By 2019, the 10-year bonds will be refinanced

Impacts of Scenario 1:

- Estimated opening CFC: \$6.50 - \$7.00
- Major projects are typically funded with multiple bond issues
- Advantages
 - Debt issued on Intermediate Lien designed to accommodate CFC-funded debt

- 10-year maturities – lower interest rates than long-term and provide more flexibility
- Variable rate debt – lower interest rates and flexibility to refund or pay off without penalty
- Disadvantages
 - Refinancing risk when bonds mature
 - Rate fluctuations of variable rate debt

Scenario 2: Maximize Certainty

- \$425 million fixed rate
 - 30-year debt
 - First Lien
 - Negative carry of 100% fixed rate debt issued in 2009 requires greater use of capitalized interest; therefore more bond proceeds

Impacts of Scenario 2:

- Estimated opening CFC - \$6.75 - \$7.25
- Advantages
 - Certainty of debut service over 30 years
- Disadvantages
 - Uses first lien capacity for long term
 - Negative carry on full amount of debt
 - No flexibility to restructure or take advantage of future market opportunities

Public comment regarding Item 6a was received by the following individuals:

- Lorie Tallarico, Avis/Budget Rental Car Group. Ms Tallarico commented on her support of the schedule, but expressed the need to scrutinize enplanements and the demand for rental cars.
- Lee Newgent, Seattle Building Trades. Mr. Newgent commented on the close work of Building Trades with the Port and others, including Turner Construction, and expressed support of the recent legislation to find a solution.

Commissioners expressed their support of moving forward with the project, noting the need to focus on jobs; the need to scrutinize enplanement data and CFC projections, and the need to keep costs as low as possible.

Commissioner Bryant commented that it would be helpful to know what some of our major airline partners feel about the possible scenarios for moving forward with the project.

A brief recess was called by Commissioner Bryant and the meeting was reconvened at 3:50.

b. (02:35:32) Annual Treasury and Investment Portfolio Report for 2008

Presentation documents: Commission agenda [memorandum](#) dated February 19, 2009 and computer slide [presentation](#) from Craig J. Kerr, Treasury Manager

Presenter: Mr. Kerr

Commission was briefed on the following:

- Background of Port Treasurer
- Port's Investment Strategy
- Portfolio Composition
- Interest Rate Trends
- 2008 Rates
- Treasure Yield Curve
- Current Financial Environment
- 2008 Yield Comparison
- Portfolio Yield, 2004-2008
- Portfolio Value, 2004-2008

Commissioner Hara noted that he would like the Audit Committee to receive a copy of the status of the Port's portfolio. Mr. Kerr noted that a summary of the portfolio had been added to the regular quarterly financial report.

c. (02:52:59) Briefing on 2008 Year-end Financial Status

Presentation documents: Commission agenda [memorandum](#) dated February 18, 2009, computer slide [presentation](#), and [report](#) from Michael Tong, Corporate Budget Manager

Presenters: Mr. Tong, Borgan Anderson, Manager, Aviation Finance and Budget, and Boni Buringrud, Manager, Seaport Finance and Budget

Mr. Tong provided an overview of the Portwide financial status, including:

- Total Port Income
- Net Operating Income
- Non-Ops Income
- 2008 Capital Spending by Division
- Total Port 2008 Capital Spending

Mr. Anderson reported on the 2008 Aviation Division financial performance, including:

- Business Highlights
 - Airline Activity

- Non-aeronautical Net Operating Income
- Operating and Maintenance Costs
- Airline Cost Per Enplanement (CPE)
- Major Project Milestones
- Air Traffic
 - Enplanements vs. Prior Year
 - Landed Weight vs. Prior Year
- Revenues
- Operating Expenses
- Expense Variance Explanations
- Key Indicators
- Capital Spending 2004-2008 and Major Variances

Ms. Buringrud reported on both the Seaport and Real Estate Divisions regarding:

Seaport

- Organizational Goals
- Operating Results
- Key Variances
- Operating Expenses Year to Year Change
- Net Operating Income (NOI) Before Depreciation
- 2008 Capital

Real Estate

- 2008 Key Events
- Business Goals
- Organizational Goals
- Operating Results
- Key Variances
- NOI Before Depreciation
- 2008 Capital

Mr. Tong reported on the 2008 Financial Performance of Corporate Professional and Technical Services, including:

- Key Events
- Business Goals
- Corporate Indicators
- Major Awards Received in 2008
- Operating Results

d. (03:27:22) Briefing on proposed Audit Committee Charter Revisions

Presentation documents: Commission agenda [memorandum](#) dated March 5, 2009 and computer slide [presentation](#) from Tom Barnard, Research and Policy Analyst

Presenter: Mr. Barnard

Mr. Barnard presented background information on the creation of the Audit Committee, noting that the Committee had taken on a greater amount of work over the past year, and decided it would be appropriate to amend their current charter.

After describing the major changes anticipated to the charter, it was noted that a resolution would come to the Commission for First Reading on March 10, 2009.

Commissioner Davis requested that the Commission receive copies of both the proposed new charter as well as the current charter prior to First Reading.

The agenda was returned to General Business as follows:

11. GENERAL BUSINESS

d. (03:37:31) The Commission special meeting was recessed to a special annual meeting of the [Industrial Development Corporation](#) of the Port of Seattle. Following its adjournment, the special meeting of the Port Commission was reconvened.

12. NEW BUSINESS

Commissioner Davis stated that she would like to see an acknowledgement of recently received awards to the Port at a meeting in the near future.

Commissioner Bryant commented that he would like to have Commission trip reports at the next meeting.

13. ADJOURNMENT

There being no further business, the meeting was adjourned at 5:03 p.m.

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

Lloyd Hara
Secretary