



**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 September 17, 2009 meeting, there are two separate audios*

**APPROVED MINUTES  
COMMISSION SPECIAL MEETING SEPTEMBER 17, 2009**

The Port of Seattle Commission met in a regular meeting at 1:00 p.m., Thursday, September 17, 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 1:10 p.m. by Bill Bryant, Chair and President.

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

None.

**PLEDGE OF ALLEGIANCE**

**3. APPROVAL OF MINUTES**

**(Audio part one - 00:01:04) Motion for approval of the minutes of the August 4, 2009 regular meeting – Tarleton**

**Second – Davis**

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

Commissioner Creighton was absent from the subject meeting

**4. SPECIAL ORDER OF BUSINESS**

None.

**5. (00:01:35) UNANIMOUS CONSENT CALENDAR**

- a. Authorization for approval of [Outstanding Claims and Obligations](#) for the period of August 1 through August 31, 2009 in the amount of \$43,116,745.12.
- b. Approval of revised Port Commission Meeting Minutes of [July 28, 2009](#)

**Motion for approval of Consent Calendar Items 5a and 5b – Hara**

**Second – Tarleton**

**Motion carried by the following vote:**

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

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

- a. (00:02:12) Authorization for the Chief Executive Officer to issue Change Order #094 for “Rental Car Facility (RCF) Unsuitable Soil” in the amount of \$900,000.

Request document: Commission agenda [memorandum](#) dated September 8, 2009 and computer slide [presentation](#) from Ralph Graves, Managing Director, Capital Development Division

Presenter: Janice Zahn

Ms. Zahn provided background unsuitable soil and contaminated soil which had been found at the RCF during excavation work. As part of the computer slide presentation, photos were shown of the areas where the unsuitable/contaminated soil was found. She noted that a 10% contingency was included in today’s request and noted that this is a time and materials change order. Ms. Zahn noted that the contractor will work some Saturdays in order to keep the schedule on time.

Responding to Commissioner Davis’ question as to who previously owned the property, Ms. Zahn stated that she could locate and provide that information.

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

**Second: Creighton**

**Motion carried by the following vote:**

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

- b. (00:11:55) Authorization for the Chief Executive Officer to exercise an option to extend a contract for one year for Financial Statement, Single Audit and Passenger Facility Charge auditing services of the Port's 2009 operating period with Moss Adams in the amount of \$577,600.**

Request document: Commission agenda [memorandum](#) dated September 9, 2009 from Dan Thomas, Chief Financial Officer and Rudy Caluza, Director, Accounting and Financial Reporting. Also provided were copies of [two letters](#) to the Port from the Washington State Auditor's Office.

Presenter: Mr. Caluza

Mr. Caluza stated that today's request for contract extension was consistent with the Request for Proposal (RFP) originally let in 2006, and exercises the first of the two-year options. He noted that Moss Adams had engaged the CPA firm of Branch Richards to assist in the audit work, thereby benefitting that firm as well as fulfilling the Port's initiative to work with small businesses. He also stated that Moss Adams has agreed to reduce their contract by 5% for the 2009 audit over the cost of the 2008 audit in response to the Port's attempt to work with current financial challenges.

Commissioner Hara commented on the difference in the pricing between Moss Adams and that proposed by the State Auditor's Office (SAO) in order to do the same or similar work, and stated that he believes this will need further discussion in the future.

Mr. Caluza clarified that the Moss Adams proposed fee for the 2009 audit is a fixed, flat fee, regardless of the forthcoming performance audit. He also clarified that additional charges to last year's audit resulted from a request to do additional work following the SAO audit, and that the additional fees had been approved by the Commission.

Commissioner Tarleton voiced her support of awarding this contract to Moss Adams, noting that the process was done with complete compliance and consistency with Port policy as expressed in Resolution No. 3605, and prior to that, Resolution 3181. She also commented that price and performance are inextricably linked, and noted the timeliness of the issuance of Moss Adams' reports.

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

**Second – Davis**

Comments were made by Commissioners Davis and Creighton emphasizing the fact that to go out with a new RFP at this point for auditing services would likely cause the Port to miss the deadline for the bond covenant, which would not be favorable to the bond ratings.

Carol Ehlinger, Audit Manager, SAO was asked by Commissioner Hara to comment on the policy of the SAO bidding for work. Ms. Ehlinger commented that the SAO does not participate in the RFP process since they have the legal authority within the state to do all audits.

Commissioner Bryant asked a question of Elizabeth Morrison, Senior Manager, Corporate Finance regarding bonds and how the market might look at this issue if the Port decided to start the RFP process over again, or if it was decided to just go with the SAO proposal. Ms. Morrison replied that investors tend to be more comfortable with independent CPA firms and that she does not know whether choosing the SAO would create a distinct disadvantage. She stated that staff would want to explain the choice and provide some justification of the decision to change auditors.

Commissioner Hara reiterated his concern of the price difference between Moss Adams and the SAO as well the need for Moss Adams to complete their work in a timely manner. He also stated that he would like to see the Audit Committee discuss this topic further over the upcoming year.

**Motion carried by the following vote:**

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

**Opposed: Hara (1)**

**c. (00:45:29) Resolution No. [3628](#), First Reading. Amending Resolution No. 3605, as amended; the Master Policy Directive.**

Presentation documents: Commission agenda [memorandum](#) dated September 9, 2009 from Tom Barnard, Research and Policy Analyst and Ralph Graves, Managing Director, Capital Development Division; computer slide [presentation](#); and proposed resolution.

Presenter: Mr. Graves

Mr. Graves stated that a briefing had been given to the Commission regarding proposed changes to Resolution 3605, and that he would provide summary information at today's meeting. He noted that there were also some additional proposed edits which he would review and explain.

Mr. Graves noted four major items being proposed and introduced at the recent briefing as:

- Raising Commission authorization levels on most contracting from \$200,000 to \$300,000
- Raising Commission authorization levels on purchased goods from \$200,000 to \$500,000
- Setting Commission authorization levels for maintenance work at \$500,000

- Replacing and clarifying the term “Authorized Budget Limits”

Additional proposed changes mentioned by Mr. Graves included:

- Adding language for Section 7.3: Goods and Purchases Services, to address a possible “Critical Work” situation
- Adding language on approving competition waivers
- Retention of legal counsel
- Review period
- Language changes for clarity

Commissioner Tarleton noted that at the briefing previously provided by staff, neither Commissioner Bryant nor CEO Yoshitani were present. It was also clarified that today’s action would be for First Reading of the Resolution only, and that there would be a comment period of at least 30 days prior to Second Reading and Final Passage.

Regarding information on the Resolution review period, Commissioner Creighton stated that his preference is to have a two-year review period since Commission elections are held every two years and there could be new Commissioners cycling on.

Mr. Graves noted that additional language to the Resolution to provide more clarity would include the following areas:

- Non-public work projects
- Change orders and Small Works change orders
- “Best Bid” definition
- Project changes
- Personal services
- Audit and accounting services
- Affirmative action

It was noted that staff would return to the Commission for Second Reading and Final Passage of Resolution No. 3628 sometime in October.

Public comment regarding Item 6c was received from the following:

- Ed White, Vice-president Corporate Real Estate, Alaska Airlines and Horizon Air. Mr. White commented on the vested interest that both Alaska Airlines and Horizon Air have in the Port’s capital project process, and desire for that to be effective, efficient and cost-effective. He stated that he would work with CEO Yoshitani and his staff to add any comments, input or further recommendations to the proposed resolution.

### **Motion for First Reading of Resolution No. 3628 – Creighton**

### **Second – Tarleton**

**Motion carried by the following vote:**

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

**7. STAFF BRIEFINGS**

None.

**8. NEW BUSINESS**

**(01:33:44)** Public comment regarding the ‘cruise ship report card’ was received from the following individual:

- Fred Felleman, Friends of the Earth. Mr. Felleman commented on a ‘cruise ship report card’ which had recently been released by Friends of the Earth.

Written public comment regarding the Eastside Corridor was received from Mr. Dwight Baker. A copy of Mr. Baker’s comments is, by reference, made a part of these minutes, is marked Exhibit ‘[A](#),’ and is on file in Port offices.

*A brief recess of the meeting was called at 2:48 and the meeting was reconvened at 3:00 for a Budget Workshop*

**9. POLICY ROUNDTABLE – BUDGET WORKSHOPO**

**a. (Audio part two – 00:00:35) 2010 Budget – Preliminary Tax Levy Discussion**

Presentation documents: Commission agenda [memorandum](#) dated September 3, 2009 from Dan Thomas, Chief Financial Officer and Elizabeth Morrison, Senior Manager, Corporate Finance; computer slide presentations titled, “[Preliminary Tax Levy Discussion](#),” and “[Seaport Division 2010 Preliminary Capital Budget](#)”

Presenters: Mr. Thomas, Ms. Morrison, and Boni Buringrud, Manager, Seaport Finance and Budget

Mr. Thomas, for introduction and to set some context, noted that this presentation was prepared as response to earlier request from the Commission for staff to evaluate the implications of having the Seaport eliminate its use of the tax levy moving forward. He stated that one set of implications relates to the Seaport’s capital plan and another would be related to the policy of how the tax levy is used.

Ms. Morrison provided background on uses of the tax levy, noting that there are statutory limitations on the annual collection, and that the Port is traditionally collects an amount below the maximum allowed. She noted that by policy, use of levy funds is generally restricted to Seaport/Real Estate capital investments, environmental expenses and freight mobility projects, as well as a small piece for Airport noise mitigation which cannot be

funded from Airport funds due to FAA regulations. Ms Morrison also reviewed prior levy funding criteria.

Ms. Morrison noted that from 1994-2008 Seaport and Real Estate Businesses invested \$1.5 Billion in capital projects, approximately half of which was levy-funded, either through direct cash from the levy or through the proceeds of general obligation bonds that are backed by the levy.

Ms. Morrison commented on results of the Century Agenda Funding Panel's work, and a new policy adopted which notes that the Port should primarily be self-sustaining, but that there are cases where the tax levy should be used for activities that cannot be self-sustaining but do support the Port's core business.

Commissioner Tarleton asked for clarification as to what is included when the 'Seaport' is referred to as far as revenues being generated. Ms. Morrison stated that Seaport includes Container and Cargo Operations and the Cruise business as well as the industrial properties such as tug & barge, Terminal 107, properties along the Duwamish and the fishing boats at Terminal 91.

Ms. Morrison provided information on the cash flow of both the Seaport and the Real Estate Divisions, noting that the Seaport has a positive cash flow and Real Estate's cash flow is negative. She gave a review of options for managing this negative cash flow, which include:

1. Continuing to use Seaport's positive cash flow to pay Real Estate's operating deficit and debt service, or alternatively;
2. Use the tax levy to pay for the Real Estate deficit
3. Retool Real Estate to improve their cash flow

She also noted that these options can be combined, and provided more in-depth information on scenarios 1 and 2.

Regarding other tax levy uses, Ms. Morrison noted that for budget planning purposes, staff is assuming the tax levy will continue to fund:

- Existing G.O. bond debt service
- Public expense projects, including FAST corridor, Eastside Corridor and Highline School noise mitigation
- Seaport and Real Estate environment expenses
- Seaport and Real Estate's portion of PortJobs

Commissioner Tarleton raised the question as to whether or not it might be time for a new policy to be written regarding the use of the tax levy. Mr. Thomas replied that it is probably a good idea to revise and adopt a new tax levy policy, in order to provide more specific guidance for capital planning purposes as well as operating planning purposes.

Ms. Morrison reviewed a potential levy scenario, showing uses of the levy just discussed, noting that in the scenario there is no need seen for new G.O. bonds over the next 5-year period. It was also noted that Port participation in the waterfront tunnel was not included in the calculations.

Commissioner Tarleton commented on thoughts that the public needs to have some degree of predictability of how the tax levy is used and why the Port is choosing that course, and that the Port needs to either set a limit of the dollars for a continuous period of time or set a specific tax rate. She also commented that either of these options must be justifiable.

*Commissioner Creighton was excused and was absent from the meeting from this point forward.*

Ms. Buringrud provided a preview of the Seaport 2010 capital budget as well as information on projects that would be deferred under this scenario. She noted that within the preparation of the budget, all projects are reviewed by cross-functional teams. She noted that driving all of the projects are the Seaport's 2010 key strategies, which are

1. Protecting current business
2. Positioning for recovery and change in the container shipping market
3. Collaborating with others to advance key initiatives

A summary of the Seaport Capital plan was provided and within that plan, Ms. Buringrud reviewed committed capital projects under contract, committed capital projects commission authorized, commission capital projects division pending and capital business plan prospective projects.

Commissioners asked about the possibility of having projects with an environmental component separated out of the Seaport budget in the future, which would allow the Port to measure progress toward a clean/green port as well as get a better look at projects which receive tax levy funding.

Mr. Thomas raised the point that it could sometimes be difficult to pull out an environmental piece which was within a Seaport project.

*Commissioner Tarleton was excused from the meeting and was absent from this point forward.*

Ms. Buringrud provided information on specific projects which may be deferred, noting that they are mainly business plan prospective projects, and that many are within the category of renewal and enhancement.

Commissioner Bryant stated that he did not sense there would be any support for collecting any more from the tax levy, but the fact that there is some stability being



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provided looking out over the next several years will definitely be supported by the Commission.

**10. ADJOURNMENT**

There being no further business, the meeting was adjourned at 4:20 p.m.

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

Lloyd Hara  
Secretary