

Commissioners

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Chair and President
John Creighton
Patricia Davis
Lloyd Hara
Gael Tarleton



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(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 NOVEMBER 10, 2009**

The Port of Seattle Commission met in a special meeting at 2:00 p.m., Tuesday, November 10, 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 special meeting was called to order at 2:10 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

**Motion for approval of the minutes of the October 8, 2009 special meeting –
Creighton**

Second – Hara

Motion carried by the following vote:

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

4. SPECIAL ORDER OF BUSINESS

Commissioner Bryant noted that present at the meeting was Commissioner-elect Rob Holland.

5. (00:01:55) UNANIMOUS CONSENT CALENDAR

- a. Approval of outstanding Claims and Obligations for the period of October 1 through October 31, 2009 in the amount of \$56,023,187.46**
- b. Authorization for Port Commission to modify the scope of previous authorizations to complete construction of necessary improvements to the fendering and terminal systems at Terminal 25, Pier 28 and Terminal 46 for no net change in the current \$300,000 authorization.**

Request document: Commission agenda [memorandum](#) dated November 4, 2009 from Mike McLaughlin, Director, Cruise & Industrial Properties and Mark Longridge, Capital Project Manager

Motion for approval of Consent Items 5a and 5b – Creighton

Second – Tarleton

Motion carried by the following vote:

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

Item 7a was advanced on the agenda as follows:

7. STAFF BRIEFINGS

a. (00:03:36) Briefing on the Draft Plan of Finance

Presentation documents: Commission agenda [memorandum](#) dated November 2, 2009 and computer slide [presentation](#) from Dan Thomas, Chief Financial Officer and Elizabeth Morrison, Senior Manager, Corporate Finance

Presenters: Mr. Thomas and Ms. Morrison

Mr. Thomas commented on the Plan of Finance which is prepared annually as part of the budget process, noting that the assumptions imbedded in the Plan at this time are based on the preliminary budget which was presented last month.

Ms. Morrison stated that the Plan of Finance rolls up all of the work that has been done by the operating divisions in developing their operating budgets and forecasts, their capital improvement plans, and the assumptions on the tax levy as presented in the preliminary budget document.

Regarding the funding sources in the Plan include the net operating income from all of the operating divisions and existing fund balances, passenger facility charges, customer facility charges, existing and new revenue bond proceeds, expected grant receipts, as well as assumptions about new bonds and tax levy funding.

Specific areas reviewed included:

- Aviation Capital Funding, 2010-2014
- Seaport Capital Funding, 2010-2014
- Real Estate Capital Funding, 2010-2014
- Corporate Capital Funding, 2010-2014
- Debt service coverage
- Port-wide Revenue Bond Debt Service Coverage, 2010-2014 – Forecast
- 2010 Planned Finance Activity

Item 6e was advanced on the agenda as follows:

6. DIVISION, CORPORATE AND COMMISSION ACTION ITEMS

e. (00:17:01) Resolution No. [3631](#) and Resolution No. [3632](#), First Readings and Public Hearing. 2010 Budget and Tax Levy

Presentation documents: Commission agenda [memorandum](#) dated November 2, 2009 and computer slide [presentation](#) from Michael Tong, Corporate Budget Manager

Presenters: Mr. Tong; Dan Thomas, Chief Financial Officer; Elizabeth Morrison, Senior Manager, Corporate Finance; and Borgan Anderson, Senior Manager, Aviation Finance and Budget

Mr. Thomas provided a summary of information which had been presented to the Commission thus far related to the budget process, and noted that there had been some changes since staff presented to the Commission in October. He stated that some of those changes would be proposed amendments to the budget. He also noted that the meeting shown on the slide presentation for November 24 had been rescheduled to November 23, which would be the intended day for Second Reading and Final Passage of the Budget.

Mr. Thomas highlighted some of the budget reduction efforts taken over the past year in preparation for the 2010 budget. After a review of all key functions, those efforts included:

- Reduction of programs and functions
- Implementation of voluntary separation program
- Modification of medical benefits
- Elimination of 110 FTE's

- Reduction of O&M costs by \$15M

As a highlight of major budget changes since the October 8, 2009 presentation, Mr. Thomas commented on the following:

- Reduced operating revenues by \$2.3M
- Reduced OPEB (Other Post Employment Benefits) medical costs by \$3,018K
- Reduced worker compensation expense in Aviation Division by \$101K
- Total operating costs reduced by \$3,119K

Mr. Thomas also provided clarification to a question which had been asked at an earlier meeting regarding an expense of approximately \$780,000 within the Capital Development Division's Budget related to the Rental Car Facility. The question that had been asked was whether that expense was part of the overall Rental Car Facility program budget, and for the record, Mr. Thomas stated that those costs are part of the overall program budget; are not part of the actual project authorization, but instead are included in the operating budget and are paid for by CFC's (Customer Facility Charges).

Mr. Tong reviewed the Operating Budget, both including and not including Environmental Reserve expenses. Also reviewed was the Net Operating Income since the year 2000.

Mr. Anderson reviewed proposed changes to the Aviation Division's budget which included:

- Revenues
 - Reduce \$200K for Ground Transportation due to reduced costs
- Expenses
 - Add \$1.2M for rental and demobilization costs of emergency backup generators
 - Increase \$110K for International Service Incentive program

Also reviewed was a summary of the budget changes and resulting impacts of the three changes discussed previously.

Mr. Tong then reviewed a summary of the Portwide budget with proposed changes. He also spoke about the non-operating income summary and explained major variances. He also clarified that in the slide (#'s 13 and 14) information being presented, the units of dollar amounts are actually thousands rather than millions as shown on the slides..

Items with significant variances noted by Mr. Tong included:

- Revenue bond interest expense
- Interest income
- Grants and donations
- GO (general obligation) bond interest expense

Mr. Tong then reviewed the summary of the Capital Budget by Division, commenting on the process of the review of capital projects to decide which projects could be either cut or deferred. He provided a breakdown of the 5-year capital plan, noting that the preliminary business plan prospective numbers may change pending the outcome of tax levy discussions. The Capital Improvement Plan beginning in the year 2000 was also reviewed.

Mr. Thomas noted that this presentation does require a public hearing, and also that there were two separate resolutions for consideration; Resolution No. 3631 which does approve the Port's budget and establishes the tax levy as proposed, and Resolution No. 3632, which is a resolution designed to preserve the maximum statutory limit on the tax levy, which is separate from the actual levy that the Commission sets.

Commissioner Creighton stated that he believed Budget Resolution as presented, with a recommended tax levy amount of \$75M, would not receive Commission support and that he would like to see brought forward a Resolution with a recommendation that would have support.

Prior to further discussion, Commissioner Bryant declared the meeting an open Public Hearing.

Public Comment regarding Item 6e was received from the following individual:

- David Freiboth, King County Labor Council. Mr. Freiboth stated his support, in behalf of Labor, of maintaining the current level of financing on the levy, which is \$75 million as he understands it.

There were no further public comments, and the Public Hearing was declared closed.

Motion for Resolution No. 3631, First Reading, as presented – Davis

Commissioner Davis read into the record, as follows, a portion of the mission statement which is included in the Bylaws:

“Commissioners shall safeguard the Port of Seattle as a Public Agency whose primary mission shall be to invest public resources to advance trade and commerce, promote industrial growth, stimulate economic development, and create jobs. This mission depends upon the transportation of people and goods by air, water, and land, and ensures economic vitality and a sustainable quality of life for the people of King County. The Commission shall act to preserve scarce maritime and aviation related resources of unique value for Port uses.”

Commissioner Creighton noted his reasons for not wanting to support a levy at an amount of \$75 million and stated that he would support an amount of \$70 million, which had been suggested by Commissioner Bryant.

Commissioner Hara stated that he would also support an amount of \$70 million, and noted that he was more concerned about the levy rate

Commissioner Tarleton stated that her concern was related more to the budget than the levy, and how the budget allows the Port to accomplish its mission..

Second to motion - Tarleton

Motion failed by the following vote:

In Favor: Davis, Tarleton (2)

Opposed: Bryant, Creighton, Hara (3)

Following further Commission discussion, a new Resolution number (**Resolution No. 3634**) was assigned to the Budget item, a Resolution which would include an amount of \$70 million.

Motion for Resolution No. 3634, First Reading. 2010 Budget – Creighton

Second – Hara

Motion carried by the following vote:

In Favor: Bryant, Creighton, Hara (3)

Opposed: Davis, Tarleton (2)

Prior to the vote on Resolution No. 3632, Mr. Thomas clarified that in order to pass, this Resolution required a super majority, or 4-1 vote in favor of the item.

Motion for Resolution No. 3632, First Reading. Setting maximum tax levy capacity – Creighton

Second – Davis

Motion carried by the following vote:

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

Opposed: Tarleton (1)

Commissioner Hara was excused from the meeting from this point forward.

Item 6d was advanced on the agenda as follows:

d. (01:47:39) Resolution No. [3633](#), First Reading, the 2010 Salary and Benefit Resolution

Request documents: Commission agenda [memorandum](#) dated November 3, 2009 from Tammy Woodard, Senior Manager, Total Compensation

Presenter: Ms. Woodard

Ms. Woodard highlighted changes to the 2010 Salary and Benefit Resolution from the 2009 Resolution noting that changes would be minimal and noted that benefit changes will impact employees and retirees more significantly than Resolution changes will, and all changes will reflect a conservative approach to both pay and benefits for 2010.

[Highlights reviewed](#) by Ms. Woodard included:

- What the Salary and Benefit Resolution is
- Unique aspects of the Port
- Port salary ranges vs. Typical public employer ranges
- Considerations for 2010
- Proposed changes for 2010
- Non-represented ranges

Commissioner Creighton mentioned it may be prudent to include as a provision of the Resolution, granting the Chief Executive Officer the authority to implement a voluntary separation program, depending on the economic situation, should it be necessary to assist in managing human resource costs, and which would be subject to notifying the Commission. Ms. Woodard noted that the 2009 Resolution had been amended to include this provision and it was kept in the proposed Resolution for 2010.

Commissioner Creighton also referred to furloughs which had been implemented in 2009 and whether or not language specific to possible implementation of future furloughs should be included in the Resolution, and staff noted that this could be done.

Commissioner Creighton then stated that he felt the language regarding the setting of CEO compensation needs to be further clarified

Motion for Resolution No. 3633, First Reading. 2010 Salary and Benefit Resolution – Creighton

Second – Tarleton

Motion carried by the following vote:

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

Commissioner Hara was absent for the vote.

- a. (02:03:09) Authorization for the Chief Executive Officer to execute the 11th Amendment to Lease between the Port and Louis Dreyfus Corporation at the Terminal 86 grain terminal to extend decision dates by six months for the Lessee to notify the Port of its election to exercise its option to extend the lease term on or before May 14, 2010, and the Port would extend its response time to August 14, 2010. The effective dates of the option period would remain unchanged.**

Request document: Commission agenda [memorandum](#) dated October 22, 2009 from Scott Pattison, Manager, Industrial Properties and Mike McLaughlin, Director, Cruise and Industrial Properties.

Presenter: Mr. McLaughlin

Mr. McLaughlin stated that the proposed amendment would revise the date when the Lessee may elect to exercise its next five-year option to extend their lease term. It would also revise the date when the Port must respond to the Lessee's notice. He stated that this would simply allow the parties a greater length of time to negotiate a longer term alternative, which would be beneficial to each side. Mr. McLaughlin noted that staff would return to Commission at a future date early next year to propose a terminal upgrade amendment or an entirely new lease proposal.

Motion for approval of Item 6a – Tarleton

Second: Davis

Motion carried by the following vote:

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

Commissioner Hara was absent for the vote

- b. (02:11:17) Authorization for the Chief Executive Officer to enter into a solicitation process and execute a contract for Financial Advisory Services for five years with the right to extend for two additional years at an estimated cost of \$3,000,000.**

Request document: Commission agenda [memorandum](#) dated October 29, 2009 from Craig J. Kerr, Treasury Manager and Elizabeth Morrison, Senior Manager, Corporate Finance

Presenter: Ms. Morrison

Ms. Morrison noted that the Port's current financial advisory contract with Seattle-Northwest Securities will expire April 1, 2010 and stated that staff hopes to have a new

contract in place prior to that date so that the financial advisor can assist with letters-of-credit that expire in 2010. To be consistent with the current contract term and consistent with the Port's financial management practices, Ms. Morrison stated that staff is requesting that the term of the contract be set at five years.

Motion for approval of Item 6b – Tarleton

Second – Davis

Motion carried by the following vote:

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

Commissioner Hara was absent for the vote

- c. (02:15:33) Request for the Commission, in accordance with RCW 53.19.020(5) to (1) grant an exemption from competition for procuring semi-annual environmental liability support using Environmental Risk Communication Inc. (ERCI) Defender File or Pro Form software; and (2) authorization for the Chief Executive Officer to execute and administer a three-year contract with two one-year options for semi-annual environmental liability support and software upgrade and maintenance. The contract will be \$150,000 per year with the total Not-to-Exceed \$750,000.**

Request document: Commission agenda [memorandum](#) dated October 26, 2009 from Stephanie Jones Stebbins, Senior Manager, Seaport Environmental Programs and David Kleiber, Seaport Environmental Finance Manager.

Presenter: Ms. Jones Stebbins

Motion for approval of Item 6c, part 1 – Davis

Second - Creighton

Motion carried by the following vote:

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

Commissioner Hara was absent for the vote

Motion for approval of Item 6c, part 2 – Creighton

Second – Davis

Motion carried by the following vote:

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

Commissioner Hara was absent for the vote.

8. NEW BUSINESS

Ralph Graves, Director, Capital Development Division provided a brief update on a declaration of emergency which had been issued on this day due to an incident at Harbor Island Marina, where a 65' tugboat sank. He noted that the emergency declaration had been issued due to concern of leaking fuel and the need to recover the vessel, which was tied to a Port pier. He also stated that the owner did not have the resources necessary to recover the vessel and that the State will reimburse the costs up to 90% if the owner is not able to do so.

9. POLICY ROUNDTABLE – BUDGET WORKSHOP

10. ADJOURNMENT

There being no further business, the meeting was adjourned at 4:37 p.m.

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

Gael Tarleton
Vice-chair and Vice President