



Commissioners

Bill Bryant
Chair and President
Tom Albro
John Creighton
Rob Holland
Gael Tarleton

Tay Yoshitani
Chief Executive Officer

P.O. Box 1209
Seattle, Washington 98111
www.portseattle.org
206.787.3000

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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 REGULAR MEETING OCTOBER 26, 2010**

The Port of Seattle Commission met in a regular meeting at 1:00 p.m., Tuesday, October 26, 2010 in the International Auditorium at Seattle-Tacoma International Airport, Seattle, WA. Commissioners Bryant, Creighton, Holland, and Tarleton were present. Commissioner Albro participated via telephone.

1. CALL TO ORDER

The regular meeting was called to order at 1:14 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 minutes of the September 7 regular meeting – Creighton

Second – Holland

Motion carried by the following vote:

In Favor: Albro, Bryant, Creighton, Holland (4)

Commissioner Tarleton was absent for the vote.

Motion for approval of the minutes of the September 28 regular meeting – Creighton

Second – Albro

Motion carried by the following vote:

In Favor: Albro, Bryant, Creighton (3)

Commissioner Holland was absent from the majority of the subject meeting, and abstained from the vote.

Commissioner Tarleton was absent for the vote.

4. SPECIAL ORDER OF BUSINESS

None.

5. UNANIMOUS CONSENT CALENDAR

- a. (00:02:56) Authorization for the Chief Executive Officer to execute a new [Memorandum of Understanding](#) between the Port of Seattle and the HOD Carriers and General Laborers Union Local 242, to authorize the Marine Maintenance Clean Team, janitorial service, to take their holiday breaks on alternate days, within the same pay period. There is no anticipated additional cost to implement this practice.

Request document: Commission agenda [memorandum](#) dated October 8, 2010 from Lisa Hornfeck, Labor Relations Manager

Motion for approval of Item 5a – Creighton

Second – Holland

Motion carried by the following vote:

In Favor: Albro, Bryant, Creighton, Holland (4)

Commissioner Tarleton was absent for the vote.

6. DIVISION, CORPORATE AND COMMISSION ACTION ITEMS

- a. (00:03:42) Request Commission authorization for the Chief Executive Officer to: (1) prepare designs; (2) authorize the use of Port work crews; and (3) execute and amend contracts for materials, abatement, equipment, work, and services to move the Electrical Ground Support Equipment (ESGE) project forward. Request initial

Commission authorization of \$1,510,000 for the EGSE project that is ultimately expected to cost approximately \$44,410,000. (Charging Stations (New Infrastructure) – CIP #C800335; EGSE Rolling Stock (New Vehicles) – CIP #C8004457).

Request document: Commission agenda [memorandum](#) dated October 7, 2010 from David Soike, Director, Aviation Facilities and Capital Program and Wayne Grotheer, Director, Aviation Project Management Group

Presenters: Mr. Soike and Elizabeth Leavitt, Director, Aviation Planning and Environmental Programs

Mr. Soike provided background information on the request, noting that the intent is to eventually replace ground service equipment (GSE) at the Airport which is powered by fossil fuels with electrified equipment, for the benefit of the environment.

Mr. Soike stated that the three components of this project include the actual vehicles used, the charging system for the vehicles, and the electrical power servers within the Airport that feed power out to the chargers. He noted that today's authorization will allow the project to move forward to a level which will allow establishment of more definable cost estimates.

Mr. Soike mentioned the following areas of scope for the project:

- Begin site investigations to determine where electrical systems in the building need to be enhanced
- Perform hazardous materials inventory and abatement
- Perform design work with consultants, while maintaining coordination with other projects underway at the Airport
- Prepare specifications for the power centers and charging stations, rolling stock vehicles, and other various parts and pieces. Public advertisements will go out in the form of requests for proposals in order to determine cost and availability of the type of equipment needed.
- Research specific needs of the Airlines, each of which has their own safety procedures and engineering standards

Ms. Leavitt then commented on environmental strategy goals that this project relates to, namely promoting green vehicles, reducing greenhouse gas emissions, and identifying and implementing leading-edge technologies and process improvements that can reduce energy demands and improve efficiencies. She noted that the project will result in a savings of about 1 million gallons of fuel annually to the Airlines who take advantage of the program as well as a reduction in carbon dioxide emissions of well over 10,000 metric tons.

Ms. Leavitt spoke briefly of various grants expected to be received which will help with the funding of the project.

Ms. Leavitt stated that once this project is completed, it will allow for banking of emission reduction credits with the Puget Sound Clean Air Agency on an annual basis.

Regarding infrastructure needed for the project, and whether or not that might impede other operations at the Airport, Mr. Soike noted that there will be no footprint which will impede operations; however, a gate will need to be taken out of service during the time charging stations are being put in place.

Motion for approval of Item 6a – Holland

Second – Tarleton

Motion carried by the following vote:

In Favor: Albro, Bryant, Creighton, Holland, Tarleton (5)

- b. (00:29:33) Resolution No. 3644, First Reading. Declaring certain Port of Seattle property surplus and no longer needed for its intended Port purpose and authorizing the Chief Executive Officer to take all necessary steps to arrange for the sale of this surplus personal property by public auction or other legal means and to execute all documents necessary to accomplish its disposal in accordance with the Revised Code of Washington 53.08.090. The estimated resale value of the personal property is \$104,500.**

Request document: Commission agenda [memorandum](#) dated October 19, 2010 from Tim Jayne, Senior Manager, Procurement Services. Also provided was a copy of the [Resolution](#).

Mr. Jayne provided brief background information as to the items which are eligible to be sold by auction, noting that an auction is currently scheduled with a tentative date of November 20.

Motion for Resolution No. 3644, First Reading – Tarleton

Second – Creighton

Motion carried by the following vote:

In Favor: Albro, Bryant, Creighton, Holland, Tarleton (5)

- c. (00:31:44) Resolution No. 3643, Second Reading and Final Passage. Authorizing the sale and issuance of Passenger Facility Charge Revenue Refunding Bonds, Series 2010A and 2010B, in the aggregate principal amount of not to exceed \$165,000,000 (preliminary) for the purpose of refunding for interest cost savings a portion of existing Passenger Facility Charge Revenue Bonds.**

Request document: Commission agenda [memorandum](#) dated September 23, 2010 from Elizabeth Morrison, Senior Manager, Corporate Finance. Also provided was a copy of the [Resolution](#).

Ms. Morrison noted that there have been no changes to this Resolution since First Reading, which was held on October 5, 2010. She also clarified that this is not an issuance of new bonds, rather a

refinancing of existing bonds to reduce debt service, and stated that interest rates currently remain favorable. The present value savings resulting from the refunding are estimated at \$13 million.

In response to Commissioner Creighton's question about current bond market conditions, Ms. Morrison said interest rates are close to record lows for long-term bonds and well below the long-term average. There have been a number of airport issuances recently and a large number of additional airport issuances are scheduled before the end of the year. The Port will seek to insert our issuance into an advantageous slot. Our issuance should compare favorably with other issuances because of our strong Passenger Facility Charge collections and our strong Airport fundamentals.

Motion for Resolution No. [3643](#), Second Reading and Final Passage – Creighton

Second – Tarleton

Motion carried by the following vote:

In Favor: Albro, Bryant, Creighton, Holland, Tarleton (5)

d. (00:35:29) Approval of the revised Audit Committee Charter and a review of the Audit Committee's work in 2009 and 2010.

Request documents: Commission agenda [memorandum](#) dated October 20, 2010 from Tom Barnard, Research and Policy Analyst. Also provided were a copy of the [current charter](#) as well as a [redline](#) version of the proposed revised charter.

Presenter: Mr. Barnard

As background, Mr. Barnard briefly reviewed the creation of the Audit Committee and its main tasks. He also commented on some of the notable achievements of the Committee during the period of January, 2009 through September, 2010.

Mr. Barnard then addressed a number of minor changes proposed to the Audit Charter, most of which had been previously discussed by the Committee. Final revisions to the Charter, however, are required to be approved by the full Commission, as was noted in Mr. Barnard's memo.

Areas which had been discussed by the Committee included procedures followed in response to audits performed by the State Auditor's Office (SAO) as well as further clarification as to requirements for the public member of the Committee.

In the area of the reporting structure of the Internal Audit Department, Mr. Barnard stated that the Committee had requested a discussion by the full Commission. Currently that department has a dual reporting structure to both the Commission and the CEO. It was noted that a proposal from Commissioner Albro had been received to have the department report to only the Commission.

Commissioner Creighton thanked Commissioners Albro and Tarleton for their good work on the Audit Committee, noting that he agreed with all of the changes proposed in the redline document provided. Commissioner Creighton suggested (page 4 of the redline document) further clarification as to the appointment of the Committee's public member, as follows, in bold:

"Each committee member will be independent of Port management and any external audit firm **currently employed by the Port or subcontracted by any auditor employed by the Port.**"

A separate suggestion made (page 3 of the redline document) was to include the following language, noted below in bold:

"Provide an annual report to the Commission that describes how the Audit Committee has discharged its duties and met its responsibilities. **Commissioners who are Committee members may make interim reports as necessary.**

Motion for approval of Item 6d – Tarleton

Second – Albro

Motion carried by the following vote:

In Favor: Albro, Bryant, Creighton, Holland, Tarleton (5)

7. STAFF BRIEFINGS

a. (00:51:36) Part 150 Aircraft Noise and Land Use Compatibility Study (Study) Update

Presentation documents: Commission agenda [memorandum](#) dated October 20, 2010 and computer slide [presentation](#) from Stan Shepherd, Manager, Airport Noise Programs

Presenters: Mr. Shepherd and Marco Milanese, Aviation Community Relations Manager

Mr. Shepherd provided background information on the Study, noting that as part of a community outreach process, two public workshops have been held over the past several months, and were well attended.

Mr. Milanese provided further information about outreach efforts being done, offering a variety of engagement opportunities for the public, and tailored to those with different interest levels. He stated that the third workshop to be held is scheduled for the following day, October 27, at Mt. Rainier High School in Des Moines.

Other areas of outreach noted included the following:

- Ongoing briefings and discussions at the Highline Forum
- Technical Review Committee meetings
- Tailored briefings to several elected officials

- Special public meeting on noise metrics
- Open invitation to attend community and city council meetings
- Extended outreach to limited English-speaking community

Mr. Shepherd then reviewed the following topics to be addressed with the public:

- Temporary noise monitoring vs. permanent noise monitoring
- Air traffic forecast
- 2009 Baseline vs. 2016 DNL Contours
- Runway use plan – letter of agreement between the Port and the FAA

Mr. Shepherd then spoke about the program's next steps, which include:

- Beginning hush house feasibility/siting study
- Compatible land use analysis
- Review mitigation alternatives
- Review noise abatement procedures
- Possible improvements to the Fly Quiet Program
- Evaluate flight tracking and noise monitoring system
- Prepare 10-year forecasted contour

Mr. Shepherd also stated that in response to Commission's request, work will also be done to develop a long-range contour for the year 2030 to look at what operations and land use might be at that point. He noted that this will not be an element of the Part 150 program, as that is not something the FAA allows to be included, but it will be provided to the communities and land use planners for their use into the future.

Following the presentation, Commissioner Bryant noted that the mayors of surrounding communities had been part of a briefing and policy roundtable with the Commission in February, 2010, and stated that he wants to have another such meeting during the first quarter of 2011.

b. (01:21:21) Monthly Update: Briefing on the Consolidated Rental Car Facility

Presentation documents: Commission agenda [memorandum](#) dated October 19, 2010 from Michael Ehl, Director, Airport Operations; George England, Program Leader, Project Management Group; and Janice Zahn, Assistant Director, Engineering Construction Services. Also provided were an [attachment](#) and a computer slide [presentation](#).

Presenters: Ms. Zahn and Mr. England

Ms. Zahn noted that construction is over 2/3 complete, with over 300 workers on site daily, with over 900,000 work hours to date. She also commented on a number of changes that are being worked on, both suspension and non-suspension related. Responding to a question from Commissioner Bryant as to whether or not there are an inordinate number of change orders that Commission should be concerned about, Ms. Zahn stated that based on a project this size, they

are not excessive, and that issues are worked as quickly as possible. Ms. Zahn then provided updated information on the Off Site Roads project and the Bus Maintenance Facility, both well in process.

Ms. Zahn responded to a question from Commissioner Bryant regarding any possible significant impacts to the calendar or budget, stating her belief that with the current unallocated balance, staff should be able to deal with any perceived issues.

Related to Commissioner Bryant's comment about any possible 'yellow or red flags' that may be coming up, Ms. Zahn noted that in construction, it is not uncommon to have 'yellow flags,' and that there are currently no more of these than there were a month ago. She stated her belief that there is enough of a contingency to deal with problems that may arise.

Commissioner Creighton commented on the possibility of working with the Rental Car companies to push more green technology within their fleets, noting they are likely to go with more fuel efficient vehicles before considering electrification. Mr. England responded that the possibility of incorporating charging stations into the facility had been reviewed at a cursory level, and there is limited capacity to do so, and would depend on a number of factors.

Mr. England then reported on Main Terminal Improvements as well as a recent business and technical meeting held with the rental car industry, which included a review of signage mock-ups. He also provided a brief update on the project budget.

8. NEW BUSINESS

New business was advanced on the agenda to allow for public comment from the following individual:

- Fred Felleman, Friends of the Earth. Mr. Felleman commented on the Cruise MOU, stating that something which is still unresolved in the MOU discussions is ways in which residuals of the advanced wastewater treatment systems will be dealt with.

The agenda was then returned to **STAFF BRIEFINGS** as follows:

c. (01:46:05) Budget Briefing : Draft Plan of Finance

Presentation documents: Commission agenda [memorandum](#) dated October 11, 2010 and computer slide [presentation](#) from Elizabeth Morrison, Senior Manager, Corporate Finance and Diane Campbell, Senior Corporate Financial Analyst.

Presenters: Ms. Morrison and Dan Thomas, Chief Financial and Administrative Officer

Ms. Morrison began the presentation noting that each year, as part of the budget process, staff provides to the Commission a Port-wide capital funding plan, based on the five-year Capital Improvement Plan (CIP). Also factored in are operating budgets and forecasts. In this current

analysis, also used was the \$73.5 million assumption, annually, for the next five years, as was discussed at a previous meeting.

Ms. Morrison noted the following funding sources:

- Net operating income
- Operating fund balances (above minimum requirement)
- Existing and future revenue bond proceeds
- Passenger Facility Charges
- Customer Facility Charges
- Grants
- Tax levy

A review was then provided of each division's capital funding for 2011-2015, included information on both committed and business plan prospective projects and funding sources, as well as projects within the Seaport Division that will need to be deferred.

Ms. Morrison provided a recap of information provided to the Commissioners at a previous meeting regarding Seaport Business Plan Prospective projects, and then addressed adjustments that the division intends to make in order for projects to fit within its self-funded capital capacity. Within the presentation, it was clarified that Port contributions to the rebuilding of the Southpark Bridge had not yet been fully established, and still awaits Commission direction.

Continuing, Ms. Morrison gave background on the Real Estate's funding plan for projects both committed and business plan prospective, as well as on the funding source, which is the tax levy. Further, Ms Morrison commented on the capital funding for the Corporate Division, noting that these projects are primarily Information Technology projects, and are funded jointly by all of the operating divisions, done on an allocated basis.

Ms. Morrison noted that the plan of finance was developed in adherence to financial management policies related to the maintenance of operating funds balances and maintenance of coverage targets.

Highlighting 2011 planned finance activity, Ms. Morrison noted the following areas:

- Complete General Obligation (G.O.) bond refunding for savings
- Refund other bonds for savings as appropriate
- Finalize long-term funding of the Consolidated Rental Car Facility
- Continue to monitor letters of credit available on variable rate debt

d. (02:03:08) Tax Levy Follow-Up Briefing

Presentation documents: Commission agenda [memorandum](#) dated October 14, 2010 and computer slide [presentation](#) from Dan Thomas, Chief Financial and Administrative Officer and Elizabeth Morrison, Senior Manager, Corporate Finance.

Presenters: Ms. Morrison and Mr. Thomas

Ms. Morrison noted that today's presentation would be a follow-up to a discussion held with the Commission at the October 12 meeting, and would respond to a number of questions and discussion items raised at that meeting. As background, she provided a recap of the scenario which was discussed at that meeting.

She noted the following follow-up items to be addressed:

- Background on the fund balances and forecasting of the fund balances of the tax levy
- Background on the G.O. bond refunding and its impact on additional tax levy capacity
- Additional information on environmental expenditures
- An evaluation of the contribution by the Seaport Division toward environmental expenditures
- Level of levy to be used going forward, as directed by the Commission
- Real Estate capital plan
- Funding for the Viaduct replacement and the South Park Bridge

Commissioner Tarleton stated that she would like to hear from the Seaport Division, which projects, if deferred, could potentially affect the decisions in 2013 of the terminal operators to renew their long-term operating agreements, if any.

Ms. Styrk, Managing Director, Seaport Division responded to Commissioner Tarleton, noting that she believes there is only one terminal tenant at this point that would be coming up for renewal (an extension) during the time frame referenced, that being the Terminal 46 facility. She commented on the ongoing need for maintenance and repair work to be done at Port facilities harbor-wide.

Commissioners Holland and Albro both commented on the importance of investing projects in order to continue to grow the business.

Commissioner Albro also commented on the possibility of looking at previous amounts of environmental cleanup liability which had been expensed to the Seaport Division, and perhaps identifying what would happen if those amounts were applied to a funding source, showing the uses and sources of cash for the tax levy.

Commissioner Albro also stated his belief that it is not in either the private or public sector's best interest to defer maintenance, but is important to keep assets in productive use.

Joe McWilliams, Managing Director, Real Estate Division, noted that to hit intended targets of the division's capital plan, there would need to be an additional three-year deferral of projects which have not already been approved, totaling approximately \$24M over that three-year period. He also provided a brief overview of committed capital projects for 2011-2015, as well as those considered as business plan prospective projects.

Ms. Morrison stated that staff is seeking Commission direction on key issues, including:

- Funding of environmental costs
- Potential Real Estate CIP deferrals
- Levy amount assumptions
- Possible funding for SR 99 Tunnel and South Park Bridge

Commissioner Tarleton stated that she is not optimistic that the Port can protect their environmental responsibilities as well as the core mission and not use the tax levy in the way it is being used, and said she wants to see it used on the Port's industrial land.

(03:20:41) Pre-Brief

David Soike, Director, Aviation Facilities and Capital Program, then provided background information on the following Airport issues that would be coming before the Commission in the near future:

- Growth in the Airport's South Satellite and resulting need to enlarge hold room areas as well as expand concessions
- A real estate transaction (land swap) with the City of Des Moines related to the development of the Des Moines Creek Business Park.

9. POLICY ROUNDTABLE

None.

10. ADJOURNMENT

There being no further business, the regular meeting was adjourned at 4:40 p.m.

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

Rob Holland
Secretary