

**Commissioners**

Bill Bryant  
Chair and President  
Tom Albro  
John Creighton  
Rob Holland  
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)*

**APPROVED MINUTES  
COMMISSION SPECIAL MEETING MAY 18, 2010**

The Port of Seattle Commission met in a special meeting at 2:00 p.m., Tuesday, May 18, 2010 at Port of Seattle Headquarters, Commission Chambers, 2711 Alaskan Way, Seattle, Washington. Commissioners Albro, Bryant, Creighton, Holland were present. Commissioner Tarleton was absent

**1. CALL TO ORDER**

The regular 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**

Following public session.

**PLEDGE OF ALLEGIANCE**

**3. APPROVAL OF MINUTES**

**Motion for approval of Minutes of the regular meeting of April 13 2010 – Holland**

**Second – Albro**

**Motion carried by the following vote:**

**In Favor: Albro, Bryant, Holland, Tarleton (3)**

Commissioner Creighton was absent from the subject meeting.

Commissioner Tarleton was absent for the vote.

**4. SPECIAL ORDER OF BUSINESS**

None.

**5. (00:01:50) UNANIMOUS CONSENT CALENDAR**

*Item 5a was removed from the Consent Calendar for separate discussion:*

- a. Authorization for the Chief Executive Officer to issue a no-cost Change Order No. 15 for the 2<sup>nd</sup> floor HVAC Upgrade at the main terminal building at Seattle-Tacoma International Airport to add the additional time required (70 days) to complete the project.**

Request document: Commission agenda [memorandum](#) dated May 4, 2010 from Ralph Graves, Managing Director, Capital Development Division

Presenters: Mr. Graves and Janice Zahn, Assistant Director, Engineering

Ms. Zahn noted that during construction of the HVAC project, it was discovered by the contractor that the original design would have caused issues resulting in voiding the current roof warranty. An alternative design was created, resulting in a delay of time necessary to complete construction of the project.

Responding to a question from Commissioner Albro, Ms. Zahn clarified that although this Change Order being issues is a no cost Change Order, previous Change Orders have been issued addressing costs associated with changes to the roof design.

Regarding possible take-aways resulting from occasions when there are flawed designs, Mr. Graves commented that staff is working on a procedure to capture lessons learned in the course of projects, as well as reviewing design review procedures.

**Motion for approval of Item 5a – Albro**

**Second – Creighton**

**Motion carried by the following vote:**

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

Commissioner Tarleton was absent for the vote

- b. Authorization for the Chief Executive Officer to issue Change Order No. 015 for the East Marginal Way Grade Separation Project for a not-to-exceed amount of \$430,000.**

Request document: Commission agenda [memorandum](#) dated May 6, 2010 from Ralph Graves, Managing Director, Capital Development Division

**Motion for approval of Item 5b – Albro**

**Second – Creighton**

**Motion carried by the following vote:**

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

Commissioner Tarleton was absent for the vote

*Item 7a was advanced on the agenda as follows:*

**7. STAFF BRIEFINGS**

**a. (00:10:06) Update on the Consolidated Rental Car Facility**

Presentation documents: Commission agenda [memorandum](#) dated May 11, 2010; [attachment](#); and computer slide [presentation](#) from Michael Ehl, Director, Airport Operations; George England, Program Leader, Project Management Group; and Janice Zahn, Assistant Director, Engineering Construction Services

Presenters: Mr. England and Ms. Zahn

Ms. Zahn provided an update on the construction progress of the project which had occurred since the last briefing. She noted that construction placement of the north helix has been completed and commented on areas where concrete placement has been completed. She also commented on areas of work currently in progress, and noted that the intent is to ‘top out’ approximately the middle of July. From the construction standpoint, Ms. Zahn noted that this is nearly 50% complete.

Responding to a question from Commissioner Creighton regarding whether or not issues previously raised about the illuminated art work planned for the helices, had been resolved, Mr. England confirmed that it had, and that appropriate evaluation had been completed.

Mr. England then addressed the design and budget for the Rental Car Facility, the Bus Maintenance Facility, the Off-site Roads Improvement project, and the Main Terminal Improvements project.

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

- a. (00:19:31) Authorization for the Chief Executive Officer to execute the Construction Oversight Agreement and the SR99/500 Bridge Seismic Upgrade Agreement with the WSDOT; and allow Port Construction Services to self-perform work, advertise for bids,**

**execute and award small works construction contracts in support of the Off-Site Roadway Improvements (ORI) project, a component of the RCF program. No new funding is requested.**

Request document: Commission agenda [memorandum](#) dated May 11, 2010 from Michael Ehl, Director, Airport Operations and George England, Program Leader, Aviation Capital Improvement Program. Also provided was a [map of the area being discussed, a copy of the construction oversight agreement and a copy of the bridge seismic upgrade agreement.](#)

Presenters: Mr. England and Paul Grace, Senior Manager, Airport Operations, Landside

Mr. England noted that this is an agreement which supports the Rental Car Facility, and is actually two agreements – one is a construction oversight agreement, related to describing the work arrangement between the Port and the State, and the other related to the SR99/500 bridge seismic upgrade, work which will be don't by the Port of Seattle. Mr. England stated that no additional authorization is being requested at this time, as that has all been covered under previous authorizations.

Responding to a question from Commissioner Creighton regarding provisions should there be cost overruns, Mr. England clarified that within the agreement, it is stated that in the event of claims, the Port and the State will work jointly in resolution of those claims, as well as cost sharing, based on the facts that are found for entitlement.

**Motion for approval of Item 6a - Albro**

**Second – Holland**

**Motion carried by the following vote:**

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

Commissioner Tarleton was absent for the vote

- b. (00:25:39) Authorization for the Chief Executive Officer to execute a Developer Extension Contract, and supporting Bill of Sale, Right of Entry and Easement documents, with the Highline Water District in support of the Bus Maintenance Facility (BMF) project, a component of the Rental Car Facility (RCF) program.**

Request document: Commission agenda [memorandum](#) dated May 11, 2011 from Michael Ehl, Director, Airport Operations and George England, Program Leader, Aviation Capital Improvement Program. Also provided was a [drawing of the Bus Maintenance Facility Site Plan and a copy of the proposed contract.](#)

Presenters: Mr. England and Paul Grace, Senior Manager, Airport Operations, Landside

Mr. England that the proposed contract will allow the Water District and the Port to construct water connection to the Bus Maintenance Facility, and allows Highline Water District the ability to come in and make maintenance repairs and updates to that water line.

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

**Second – Holland**

**Motion carried by the following vote:**

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

Commissioner Tarleton was absent for the vote

**7. STAFF BRIEFINGS**

**b. (00:28:05) Seaport Business Objectives and Marketing Outlook**

Presentation documents: Commission agenda [memorandum](#) dated May 12, 2010 and computer slide [presentation](#) from Bari Bookout, Director, Seaport Marketing

Presenters: Linda Styrk, Managing Director, Seaport Division and Ms. Bookout

Ms. Styrk noted that the presentation today would review the following areas within the Seaport Division:

- Container
- Cruise
- Grain
- Fishing
- Tug and Barge

She stated that the current marketing strategy is to focus on retaining existing customers in Seattle; capitalize on any growth opportunities that arise; and foster the Port's environmental initiatives. She commented on the strong collaborative approach to customers to be aware of what their needs are and mold plans accordingly. She stated that another key function is to gather market intelligence while engaging with customers as well as within the trade press.

Ms. Styrk briefly reviewed key marketing messages related to both the container and cruise areas of the Division. On the container side of operations, Ms. Styrk commented that the impacts or benefits to any one of the customer-related areas ( i.e. Marine Terminal Operators, shippers, ocean carriers) are often interrelated with the others. She also noted the importance of the railroads as partners.

Regarding the container industry outlook, Ms. Styrk mentioned issues facing the following areas:

- Terminal Operators – overcapacity and aggressive rate competition
- Ocean Carriers – overcapacity and a weak financial position
- Shippers – high unemployment and low consumer confidence
- Railroads – profitable in 2009, but facing hurdles regarding reregulation

Ms. Styrk responded to Commissioner Creighton's comments regarding realities of the possibility of doubling exports within the next five years. She noted that although we have a very strong export market here, one of the struggles is even though there is a lot of demand for products, there is not enough vessel capacity at this time. Much of this, she said, can be attributed to the difficulty carriers can have finding the balance between supply and demands.

Commissioner Holland commented on the importance of both imports and exports. Ms. Styrk agreed and noted the importance of maintaining a balance between imports and exports.

CEO Yoshitani then commented on an initiative which is coming out of Government Affairs, related to supporting foreign trade agreements. He noted that the effort will be headed up by Patricia Akiyama, Director, External Affairs and Kurt Beckett, Chief of Staff. He commented that this would likely do more to support exporting than anything else, and said that staff may return to Commission at some point in the future with a motion or Resolution in support of foreign trade agreements.

Ms. Styrk reviewed information related to the West Coast market share, noting that it has been shifting over time. She commented on issues over the past several years which have contributed to that shift. Responding to Commissioner Albro's question about possibilities which may exist to reverse the current trend, Ms. Styrk noted that this trend is currently stalled a bit in response to the economic climate over the past two years.

Ms. Styrk then reviewed a history of TEU (twenty-foot equivalent units) at the Port over the past 20 years, noting the most recent variation being related to the economic downturn.

CEO Yoshitani reiterated the importance of staying connected to labor, as well as railroads, regarding competitive threats, and the need of motivating labor to be partners with the Port.

Commissioner Albro commented on the need of remaining vigilant in maintaining infrastructure investment as working with labor, terminal operators and carriers.

Ms. Styrk also reviewed some of the competitive threats on the horizon, including the expansion of the Panama Canal, which occurs in 2014; Canadian Ports, which have been actively competing for out cargo for some time; potential trade barriers and fees; and gateway costs and productivity, which involve many components, including terminal operations, operations of transferring containers to or from the terminals and/or warehouses or rail ramps, and movement to the final destination. She also noted impacts which can result from having different labor groups within each of these components. Responding to comments by Commissioner Albro regarding whether this addressed concerns mainly on the East Coast, Ms. Styrk clarified that the issues speak to concerns at all areas, including the East Coast, Prince Rupert, L.A./Long Beach and Port of Vancouver.

Ms. Styrk provided a map of the region that is currently being competed for, which is primarily the Midwest region of the U.S.

She then reviewed a number of current container business concerns, including competitive pressure from other port terminals; availability of export capacity; a vulnerability for cargo to shift to other gateways; ocean carrier and railroad business strategies which may not favor our gateway; impacts related to upcoming local roadway construction; and changing supply chain patterns of shippers.

Several container growth scenarios were reviewed along with possible impacts, which include the opening of the widened Panama Canal, future expansion of the Prince Rupert facility, and negotiations related to the west-coast ILWU contract.

Moving to the cruise line of business, Ms. Styrk reviewed outlooks and projections for the years 2006 through 2012, as well as the growth of the cruise business in Seattle since it began in 1999.

Responding to questions from Commissioner Creighton about possible collaboration with other ports in order to grow more capacity for cruise operations, Ms. Styrk noted that the Port is directly connected with Alaska on the cruise business, and commented on the importance of recognizing the partnership with the State of Alaska in that regard. Mike McLaughlin, Senior Manager, Cruise and Industrial Properties, also noted that the cruise lines are currently considering itineraries out of Seattle other than Alaska.

Regarding Grain, and the terminal at T-86, Ms. Styrk reviewed capital improvements being made as part of the new long-term lease with Louis Dreyfus; competition in the grain arena, related to Kalama and Longview terminals; the continuing strong global demand for US grain; and the expectation that the US supply of grain for export will remain steady.

For the Fishing Industry outlook, Ms. Styrk stated that the focus is to maintain strong long-term stability and that there might be some further consolidation of major fishing companies. She also noted that some large vessel moorage is being reduced in the Northwest.

Moving on to the Tug and Barge business outlook, it was noted again that there is a focus on maintaining long-term stability, and that a lot of their growth is dependent on the growth of the Seaport's Core Seaport. Ms. Styrk also commented on the dependence on Alaska's economy as tug and barge services are critical to that State's continued success.

Commissioner Albro commented on the importance of maintaining the presence of the Alaskan fishing fleet as well as maintaining vigilance in the cleaning up of Puget Sound.

Ms. Styrk then provided the major metrics being used to track major growth patterns of the lines of business which had been reviewed in her presentation.

Ms. Styrk provided several questions for the Commission to consider for the long-term, which included:

- What capacity do we want to grow to?
- What class container vessel do we want the capability to handle?
- What investments will be needed to maintain existing assets?
- What investments will be needed to meet growth goals?
- What new lines of business should be considered?

In closing, Ms. Styrk briefly reviewed current and ongoing road construction projects and timelines which are likely to have some impact on the Seaport businesses while they are being completed.

(01:33:57) Following the regularly scheduled agenda items, a 'pre-brief' was provided by Susan Ridgley, Senior Port Counsel, regarding an item which would be coming before the Commission soon, related to Terminal 117 and contractor procurement for cleanup. She noted that due to the current length of time it takes for procurement, staff believes it necessary to come to the Commission at this time. She stated that staff would be available for briefings in advance of the meeting should the Commission want further background before that time.

**8. NEW BUSINESS**

None.

**9. POLICY ROUNDTABLE – BUDGET WORKSHOP**

None.

**EXECUTIVE SESSION pursuant to RCW 42.30.110**

The special meeting was recessed to an Executive Session for approximately 15 minutes to discuss Real Estate and Legal Risk matters and reconvened to open public session.

**9. ADJOURNMENT**

There being no further business, the regular meeting was adjourned at 4:03 p.m.

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

Rob Holland  
Secretary