



**Commissioners**

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Commission President  
Tom Albro  
John Creighton  
Rob Holland  
Gael Tarleton

Tay Yoshitani  
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**APPROVED MINUTES  
COMMISSION SPECIAL MEETING OCTOBER 25, 2011**

The Port of Seattle Commission met in a special meeting Tuesday, October 25, 2011, in the International Auditorium at Seattle-Tacoma International Airport, Seattle, Washington. Commissioners Albro, Bryant, Creighton, Holland, and Tarleton were present. Commissioner Creighton was absent after 1:42 p.m.

**1. CALL TO ORDER**

The special meeting was called to order at 11:02 a.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 estimated to last approximately 90 minutes to discuss matters relating to legal risk, real estate, and labor negotiations. Following the executive session, which lasted approximately two hours, the special meeting reconvened in open public session at 1:12 p.m.

**PLEDGE OF ALLEGIANCE**

**3. (00:01:25) APPROVAL OF MINUTES**

Regular meeting of August 9, 2011, and special meeting of August 16, 2011.

**Motion for approval of minutes for the August 9, 2011, regular meeting and August 16, 2011, special meeting – Tarleton**

**Second – Albro**

**Motion carried by the following vote:**

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

4. **SPECIAL ORDER OF BUSINESS**

None.

5. (00:02:02) **UNANIMOUS CONSENT CALENDAR**

- a. Approval of [claims and obligations](#) for the period of September 1 through September 30, 2011, in the amount of \$44,187,981.92.
- b. Authorization for the Chief Executive Officer to execute an amendment to the Seattle-Tacoma International Airport Airline Technical Representative contract in the amount of \$350,000 (P-00315985).

Request document(s): Commission agenda [memorandum](#) dated October 19, 2011, provided by David Soike, Aviation Facilities and Capital Program Director.

- c. Authorization for the Chief Executive Officer to issue Change Order #023 for the North Expressway Relocation, Phase 1, Final Paving Landscaping and Reclamation project for a time extension of 75 days to the contract completion date of April 27, 2011, and in the amount of \$32,990.

Request document(s): Commission agenda [memorandum](#) dated October 18, 2011, provided by Ralph Graves, Capital Development Division Managing Director.

- d. Authorization for the Chief Executive Officer to issue Change Order #6 for a 147 day non-compensable time extension to August 15, 2011, for the C1-C88 Baggage Handling Connection project.

Request document(s): Commission agenda [memorandum](#) dated October 14, 2011, provided by Ralph Graves, Capital Development Division Managing Director.

**Motion for approval of consent items 5a-5d – Albro**

**Second – Holland**

**Motion carried by the following vote:**

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

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

- a. (00:02:46) Approval for Century Agenda Committee preliminary goals arising from the “Achieving our Community Values” roundtable.

Request document(s): Commission agenda [memorandum](#) dated October 18, 2011, provided by Tom Barnard, Research and Policy Analyst, and Geri Poor, Regional Transportation Manager.

Presenter(s): Mr. Barnard and Ms. Poor.

Mr. Barnard reported on the activities of the Century Agenda roundtable of September 12, 2011, on the topic of achieving community values and presented the following goals proposed for approval as preliminary Century Agenda goals:

- Increase the proportion of funds spent by the Port with qualified small business firms on construction, goods, and services to 25 percent of the eligible dollars spent;
- Increase workforce training and job and business opportunities for local communities in trade, travel, and logistics;
- Reflect the worker diversity of the region in the Port workforce at all levels; and
- Benefit the neighborhoods surrounding the Port's facilities through community partnerships, economic opportunities, and other environmental initiatives.

In response to Commissioner Bryant's question about the size of Port capital projects and whether spending 25 percent is a reasonable goal, Mr. Barnard stated that the goal would apply to the portion of project funding for which small businesses are eligible. Ms. Poor added that the actual current percentage for 2010 is approximately 17 percent.

Commissioner Albro commented on the importance to the surrounding communities of using small businesses to perform work. Commissioner Holland added that it is important for the industrial base of King County to cultivate workforce development in advance of procuring services through workforce development and training programs. Commissioner Tarleton noted the need to develop a conduit to build capacity for industrial jobs. Commissioner Creighton commented on programs sponsored by the Urban League of Metropolitan Seattle to strengthen small business.

At the request of Commissioner Creighton, without objection, the fourth preliminary goal was amended to remove the word "other" and now reads as follows:

- **Benefit the neighborhoods surrounding the Port's facilities through community partnerships, economic opportunities, and ~~the~~ environmental initiatives.**

**Motion for approval of item 6a, as amended – Creighton**

**Second – Albro**

**Motion carried by the following vote:**

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

- b. (00:15:40) **Authorization to (1) prepare full design documents; (2) authorize Port Construction Services to perform regulated material management (RMM) design and monitoring; and (3) bid and award a major construction contract for RMM abatement in existing elevator shafts and related spaces for the Vertical Conveyance (Elevator) Modernization project, Aero Phase I project at Seattle-Tacoma International Airport for \$2,991,850. The total project cost is \$11,120,000 (CIP #C800251).**

Request document(s): Commission agenda [memorandum](#) dated October 14, 2011, and terminal [diagram](#) provided by David Soike, Aviation Facilities and Capital Program Director, and Wayne Grotheer, Aviation Project Management Group Director.

Presenter(s): Mr. Grotheer.

Mr. Grotheer reported that of 79 escalators and 80 elevators in the Airport main and satellite terminals, 19 of the most critical are proposed to be upgraded with the current authorization request. He explained that construction authorization would be requested in 2012. Mr. Grotheer summarized the previous Commission authorization for replacement of 42 escalators and addition of two new escalators. He noted that future authorization requests for modernization of 15 additional elevators and 12 escalators would be forthcoming to the Commission.

Mr. Grotheer explained that by 2016, all the vertical conveyances at the Airport would be new, rebuilt, or within their functional lifespan. He summarized the age and condition of the elevators and escalators at the Airport and described the need for their modernization to improve passenger and freight mobility.

In response to Commissioner Bryant, Mr. Grotheer stated that airline approval would not be necessary to begin construction design or for design and construction of RMM efforts. He noted that the airlines have been briefed on the overall project and appear to be supportive of it.

In response to Commissioner Tarleton, Mr. Grotheer explained that the current authorization request is in addition to the overall \$55 million elevator and escalator modernization project already agreed to by the airlines. Mr. Grotheer also reported that systems that are out of service and the oldest systems would be the first to be upgraded. Commissioner Tarleton commented on the liability associated with deferring maintenance on failing equipment.

Commissioner Albro remarked on the timing of the authorization prior to an airline vote, and asked for consideration to be given to using a broadened project labor agreement or community labor agreement in connection with the project.

Mr. Yoshitani stated he would request a staff review to better define community labor agreements.

In response to Commissioner Creighton, Mr. Grotheer explained that although the conveyance modernization itself is not required by regulations, the associated RMM abatement is a regulatory requirement triggered by the project.

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

**Second – Creighton**

**Motion carried by the following vote:**

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

*Commissioner Creighton was absent after 1:42 p.m.*

**7. STAFF BRIEFINGS**

**a. (00:28:15) Briefing on the tax levy and draft plan of finance 2012-2016.**

Presentation document(s): Commission agenda [memorandum](#) dated October 7, 2011, computer slide presentations on the [draft plan of finance](#) and the [tax levy funding plan](#), and an online version

of the [2012 Preliminary Budget](#) and Draft Plan of Finance provided by Elizabeth Morrison, Corporate Finance Senior Manager.

Presenter(s): Dan Thomas, Chief Financial and Administrative Officer; Ms. Morrison; and Boni Buringrud, Seaport Finance & Budget Manager.

Mr. Thomas introduced the briefing on the tax levy funding plan for 2012, noting inclusion of funding for the SR-99 tunnel project. Ms. Morrison reported on the Port's property tax levy, noting the annual establishment of the levy amount up to a statutorily limited maximum of \$90 million for 2012, the rate at which the maximum can increase annually, and determination by the Port Commission of appropriate use of tax levy funding. She commented on the Commission's policy not to use more than 75 percent of the tax levy for general obligation debt service.

In response to Commissioner Albro, Mr. Thomas noted that the restriction on using no more than 75 percent of levy funding for general obligation debt service is at least five years old. In response to Commissioner Tarleton, Ms. Morrison reported that the Port currently uses only 54 percent of the levy to fund general obligation debt service, although she noted that a bump in debt service funding from the levy is expected over the next few years related to purchase of the Eastside Rail Corridor. In response to Commissioner Tarleton, Ms. Morrison stated that refunding of general obligation bonds for savings can reduce the percentage of the tax levy devoted to debt service. She also stated that the 75 percent maximum is well viewed by the bond insurer and helps to improve coverage of revenue bonds. Mr. Thomas noted that the Port's general obligation bonds have a AAA rating.

Ms. Morrison presented a summary of the Port's annual tax levy assessment compared with its statutory maximum over an 11-year period showing that the levy is well below the statutory maximum of \$90.1 million for 2012. She also presented a summary of the budgeted and actual levy revenue for 2011 showing a positive variance of approximately \$28 million due to receipt of environmental reimbursements, a rail corridor payment, and lower-than-expected Real Estate division capital spending.

Ms. Morrison reported on planned uses of tax levy funding for the 2012-2016 time frame, including general obligation bond debt service, transportation projects, aircraft noise mitigation, and environmental remediation. In response to Commissioner Tarleton, Ms. Morrison explained that forecasted environmental remediation costs represent net cost and take into account payments expected to be received from responsible parties. She noted that receipts from grants, insurance payments, and litigation are not factored into the net, but are shown as revenue to the tax levy.

Ms. Morrison described key elements of the 2012-2016 tax levy funding plan. Commissioner Tarleton commented on preserving flexibility in the funding plan and reflecting potential alternative funding sources independent of the tax levy.

Ms. Morrison noted that the beginning tax levy fund balance for 2012 would be approximately \$41 million and summarized key elements of the five-year funding plan. There was a brief discussion of the appropriateness of using the tax levy to fund the Port Jobs program.

Ms. Morrison noted major assumptions and considerations behind the funding plan, including a continued sluggish real estate market and similar uncertainties.

Commissioner Tarleton pointed out that the taxing authority available to the Port of Seattle is much higher than the amount levied. Commissioner Albro commented on the fact that the assumptions include a flat tax levy and no recoveries for environmental liabilities.

Ms. Morrison presented the draft plan of finance for 2012-2016 and outlined several assumptions incorporated into it, noting the Airport would be considered a self-funding operation, Seaport operating income would support its own capital improvements, Real Estate division capital improvements would continue to be supported by the tax levy, and the tax levy for 2012-2016 would remain constant at \$73.5 million per year.

Ms. Morrison described the applicable financial management practices relating to the plan of finance, including maintenance of minimum fund balances and maximum contributions to general obligation bond debt services. She listed the revenue sources incorporated in the draft plan of finance and summarized funding for the Aviation, Seaport, Real Estate, and Corporate divisions. She indicated a funding shortfall for Seaport capital funding of \$25 million, such that \$25 million in spending during 2012-2016 would need to be deferred. Ms. Morrison summarized the debt service coverage forecasted for 2012-2016.

In response to Commissioner Tarleton, Ms. Morrison explained that, of the \$543 million funded by future bond proceeds, approximately \$100 million would fund projects in 2012, approximately \$150-200 million would fund projects in 2013, and a bond issue is anticipated in middle-to-late 2012 or 2013.

In response to Commissioner Tarleton, Michael Burke, Seaport Leasing and Asset Management Director, stated that he knew of no concurrent projects that would interfere with the timing of the Terminal 18 Pile Cap Repair project.

In response to Commissioner Tarleton's suggestion to adopt a policy for staff to aggressively pursue bond refunding opportunities, Mr. Thomas stated that Port staff is very aggressive in looking for such opportunities both internally and with the finance team and team of investment banks, which he said constantly monitor the Port's existing debt and interest rates and make appropriate proposals.

Ms. Buringrud reported on proposed Seaport capital project deferrals in the 2012-2016 time frame due to reduced funding capacity and noted the risks associated with the deferrals. She outlined the specific projects to be deferred and noted the net deferral amount of \$25 million.

Commissioner Albro noted that project deferrals sometimes yield better long-term outcomes and project savings. Commissioner Bryant commented that he would like to try to preserve the container terminal stormwater pilot project in the interest of environmental stewardship of Puget Sound and suggested the money might be able to be funded elsewhere than in the Seaport capital budget. In response to Commissioner Holland, Ms. Buringrud stated that the Pier 66 shore power project is currently estimated at \$13 million.

Ms. Morrison responded to Commissioner Creighton's October 11, 2011, suggestion raised during discussion of agenda item 6a, first reading of Resolution No. 3653 authorizing the issuance and sale of revenue refunding bonds, that half the bond refunding savings contribute toward tax levy reduction. She presented a scenario in which savings are used, as they are realized, to fund projects that would otherwise be funded by the tax levy, in order to allow a corresponding reduction to the tax levy. Under this scenario, approximately \$4 million would be contributed toward tax levy reduction over five years, accommodated by a deferral of \$4 million in Seaport capital projects. She said the Green Port initiative would most likely be deferred in this scenario. In response to Commissioner Bryant, Ms. Buringrud outlined the reasoning behind selecting the Green Port Initiative for deferral.

Mr. Thomas clarified that deferrals required by allocating bond refunding savings to tax levy reduction would be in addition to deferrals already contemplated in the five-year plan of finance. Commissioner Tarleton commented on the consequences of a tax levy reduction and on the need to determine the best use for the funds, whether for tax levy reduction or performance of critical capital projects.

Ms. Morrison reported on planned finance activity for 2012, including prospective bond refundings, new bond issuances, and options for extending or replacing letters of credit that expire in 2013.

Commissioner Albro suggested reducing the tax levy to \$73 million over a five year period, which he said would not compromise the Port's long-term plans and would reduce the projected tax levy balance at the end of five years from \$3.2 million to \$750,000 or \$1.5 million, depending on the funding source for Port Jobs. Commissioner Holland commented on the investment of tax levy funding and his interest in finding the correct balance for the tax levy amount, whether reduced or increased from its current level.

Mr. Yoshitani asked the Commissioners to consider the impact on the Port's financial forecast of its commitments to fund the Alaskan Way Viaduct project and cleanup in the Lower Duwamish Waterway, in view of the question of whether to reduce the tax levy amount.

**b. (01:57:15) Preliminary 2012 Operating Budget Update.**

Presentation document(s): Commission agenda [memorandum](#) dated October 12, 2011, and computer slide [presentation](#) provided by Dan Thomas, Chief Financial and Administrative Officer, and Michael Tong, Corporate Budget Manager.

Presenter(s): Mr. Thomas and Mr. Tong.

Mr. Thomas reported that staff had revisited the 2012 operating budget, based on Commission comments, and trimmed approximately \$3 million overall.

Mr. Tong described changes made to Aviation division revenue and reduced operating expenses in the Aviation, Real Estate, Capital Development, and Corporate divisions, resulting in a net operating income increase of \$994,000. He outlined the major budget changes made since October 4, 2011, including reductions in full-time-equivalent (FTE) positions, maintenance

deferrals, and other budget refinements. Mr. Tong summarized the current operating budget proposal of \$518 million, which represents approximately a 5.1 percent increase in operating revenue compared with the 2011 budget, and the operating expense proposal of \$309.7 million, which represents an increase of approximately 8.4 percent from the 2011 budget. He noted an increase in proposed net operating income of 0.7 percent from the 2011 budget of \$206.9 million to \$208.3 million.

In response to Commissioner Tarleton, Mark Reis, Aviation Managing Director, commented that \$300,000 was being added to the budget for joint marketing for new international air services and that police coverage of the lower drive of the Consolidated Rental Car Facility would be managed through a redeployment of existing officers. He added that the additional FTE for police communications support is still in the proposed budget.

Commissioner Tarleton noted that this is the first time the Port's operating budget has exceeded \$500 million, which she opined is an indicator of economic resilience.

Mr. Tong presented a comprehensive budget summary, excluding capital expenses, noting lower-than-expected interest income and expenses compared to 2011 and a reduction in the Public Expense item. He summarized that the change in net assets compared with the 2011 budget is an increase of 24.5 percent from \$66.5 billion to \$82.9 billion. Mr. Thomas noted that this figure is comparable to a private corporation's net profit because it includes depreciation and is the fullest picture of the financial health of the agency.

In response to Commissioner Bryant, Mr. Thomas noted that a breakdown of the comprehensive budget summary by division was circulated previously to Commissioners.

Mr. Tong reported that 2012 budgeted Corporate costs as a percentage of total operating revenues are lower than 2011 budget and forecast and also lower as a percentage of total operating expenses. He presented an FTE summary showing total proposed portwide FTEs for 2012 at 1,792.7, including 91.2 new FTEs, most associated with the opening of the Consolidated Rental Car Facility. Mr. Tong concluded by outlining the remaining steps to finalize the 2012 budget process.

Mr. Thomas noted that copies of the preliminary 2012 budget document posted on the Port website were distributed to Commissioners for their consideration.

**c. (02:11:56) Monthly Briefing – Update on the Consolidated Rental Car Facility Program.**

Presentation document(s): Commission agenda [memorandum](#) dated October 18, 2011, briefing [attachment](#), and computer slide [presentation](#) provided by Michael Ehl, Airport Operations Director; George England, Project Management Group Program Leader; and Janice Zahn, Engineering Construction Services Assistant Director.

Presenter(s): Mr. England and Ms. Zahn.

Mr. England reported that the opening day for the Consolidated Rental Car Facility (RCF) is set for Thursday, April 19, 2012. He also reported that approval had been obtained to raise customer



facility charges (CFCs) in February 2012 and that all LEED (Leadership in Energy and Environmental Design) construction documents had been submitted in expectation of receiving a silver rating.

Ms. Zahn reported on the progress of main projects at the RCF, noting the number of workers on site, percentages of project completion, notable construction milestones, and construction cost status. She noted an increase of \$930,000 for negotiated support services, due to extension of the project completion date, and inclusion of all outstanding claims in the suspension-related contract changes shortfall of \$2.5 million.

In response to Commissioner Bryant, Mr. England stated there is still \$7.1 million in unallocated contingency left for the RCF project. In response to Commissioner Bryant, Ms. Zahn noted that the trends for executed change orders are higher than the construction contingency budget because transfers from unallocated contingency are not calculated in those trends.

Mr. England reported that Sprint and T-Mobile will not participate in the cellular phone service at the RCF due to merger and budget approval timing. He commented on responses to a request for qualifications for preparation of record documents (as-builts) for the RCF independent of the design consultant team. Mr. England stated tenant improvement construction might begin in early November and that screening and hiring of bus drivers is progressing well.

Mr. England stated that there may be savings in the soft costs of the project, and Commissioner Tarleton requested more information in January 2012 regarding savings forecasts. Mr. England reported that CFC collections are ahead of forecast.

## **8. NEW BUSINESS**

### **(02:28:15) Appointment of Audit Committee Alternate Member.**

Commissioner Bryant announced that he had appointed Commissioner Tarleton to serve as an alternate member of the Audit Committee effective immediately.

## **9. POLICY ROUNDTABLE**

None.

## **10. ADJOURNMENT**

There being no further business, the special meeting was adjourned at 3:40 p.m.

Tom Albro  
Secretary

Minutes approved: January 10, 2012.