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**APPROVED MINUTES
COMMISSION REGULAR MEETING NOVEMBER 1, 2011**

The Port of Seattle Commission met in a regular meeting Tuesday, November 1, 2011, at Port of Seattle Headquarters, Commission Chambers, 2711 Alaskan Way, Seattle, Washington. Commissioners Albro, Bryant, Creighton, Holland, and Tarleton were present. Commissioner Bryant was excused after 2:07 p.m. in order to attend to other Port business.

1. CALL TO ORDER

The regular meeting was called to order at 1:07 p.m. by Bill Bryant, Commission President.

2. EXECUTIVE SESSION pursuant to RCW 42.30.110

None.

PLEDGE OF ALLEGIANCE

3. APPROVAL OF MINUTES

None.

4. SPECIAL ORDER OF BUSINESS

a. (00:01:30) The Port Centennial 1911-2011.

Presentation document(s): Commission agenda [memorandum](#) dated October 24, 2011, and computer slide [presentation](#) provided by Jane Kilburn, Tourism Development Director.

Commissioner Albro presented the Port Centennial moment, which described the Port's long relationship with the cruise industry. He described Seattle's proximity to Asian ports and Alaska as factors in the success of Seattle's cruise business, and outlined the industry's decline and resurgence over time. He noted the arrival in the United States of current Port Chief Executive Officer Tay Yoshitani with his family aboard the ocean liner Hikawa Maru in 1954. Commissioner Albro described the economic benefit of the cruise business, noting that each home-ported vessel

call in Seattle infuses approximately \$1.9 million into the local economy, and added that Disney Cruise Line joins the suite of cruise lines home-ported in Seattle in 2012.

5. (00:03:45) UNANIMOUS CONSENT CALENDAR

- a. **Authorization for the Chief Executive Officer to execute the following contracts: (1) up to two indefinite delivery/indefinite quantity (IDIQ) contracts for mechanical and electrical design services for a total maximum value of \$8,000,000 and (2) up to two IDIQ contracts for commissioning design services for a total maximum value of \$2,000,000. Each contract will have a contract ordering period of three years. No funding is associated with this authorization.**

Request document(s): Commission agenda [memorandum](#) dated October 21, 2011, provided by Wayne Grotheer, Director of Aviation Project Management Group.

- b. **Authorization for the Chief Executive Officer to execute a professional services indefinite delivery/indefinite quantity (IDIQ) design contract for passenger loading bridge (PLB) design services to be used in support of the replacement or refurbishment of Port-owned PLBs at Seattle-Tacoma International Airport, as well as the purchase and replacement or refurbishment by the Port of PLBs that are currently airline-owned. One IDIQ contract will be issued for the not-to-exceed amount of \$750,000 with a four-year ordering period. No funding is associated with this authorization.**

Request document(s): Commission agenda [memorandum](#) dated October 21, 2011, provided by John Christianson, Aviation Maintenance General Manager; Michael Ehl, Airport Operations Manager; and Wayne Grotheer, Director of Aviation Project Management Group.

Motion for approval of consent items 5a-5b – Albro

Second – Creighton

Motion carried by the following vote:

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

6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS

- a. **(00:04:50) Second reading and final passage of Resolution No. 3653 authorizing the issuance and sale of revenue refunding bonds, in an amount estimated at \$140,000,000 for the purpose of refunding certain outstanding Port bonds.**

Request document(s): Commission agenda [memorandum](#) dated October 3, 2011, and [Resolution No. 3653](#) provided by Elizabeth Morrison, Senior Manager of Corporate Finance.

Presenter(s): Ms. Morrison.

Resolution No. 3653 was admitted for first reading on October 11, 2011.

Ms. Morrison summarized the bonds to be refunded under Resolution No. 3653, noting that first reading was approved on October 11, 2011, at which time a question was raised concerning possible amendment of the resolution to direct savings to reduce the Port's property tax levy. She reported that the Port's bond counsel, K&L Gates, had advised staff that the particular amendment described would not be enforceable within the bond resolution and would affect the enforceability opinion of the bond underwriters. She explained that staff recommends proceeding with second reading of the resolution without the amendment, adding that changes to the amount of the tax levy could be addressed directly in connection with adoption of the 2012 Port budget and plan of finance.

Commissioner Creighton opined that an amendment of the kind discussed on October 11, 2011, would not amend the bond covenant and should not present an enforceability concern. He stated he would like to see bond savings returned to the public rather than inuring to shipping companies, possibly by allocation to various needs of the Seaport division. He requested additional information on options for allocating bond refunding savings for Seaport environmental issues.

Dan Thomas, Chief Financial and Administrative Officer, commented on the presentation of the draft plan of finance on October 25, 2011, noting its inclusion of the projected savings from the bond refunding, and pointing out that the proposal would still require deferral of approximately \$75 million in Seaport capital spending over the next five years.

The title of Resolution No. 3653 reads as follows:

Resolution No. 3653: A Resolution of the Port Commission of the Port of Seattle authorizing the issuance and sale of revenue refunding bonds in multiple series, in the aggregate principal amount of not to exceed \$140,000,000 for the purpose of refunding certain outstanding revenue bonds of the Port and paying costs of issuance; authorizing preliminary and final official statements; authorizing the Chief Executive Officer to approve the sale date or dates, final principal amounts, interest rates, payment dates, redemption provisions, maturity dates and principal maturities for the bonds; authorizing the designated Port representative to appoint an escrow agent and execute an escrow agreement; and providing for a negotiated sale of the bonds to Merrill Lynch, Pierce, Fenner & Smith Incorporated, Backstrom McCarley Berry & Co. LLC, Barclays Capital Inc., Drexel Hamilton LLC, J.P. Morgan Securities LLC, and Morgan Stanley & Co. LLC.

Motion for second reading and final passage of [Resolution No. 3653](#) – Albro

Second – Tarleton

Motion carried by the following vote:

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

- b. (00:13:05) Authorization for the Chief Executive Officer to execute the Second Amendment to the Rental Car Lease and Concession Agreement to modify the payment terms of the minimum annual guarantee for the rental car companies operating at Seattle-Tacoma International Airport for a partial year beginning November 1, 2011, through spring 2012, or until the Consolidated Rental Car Facility opens.

Request document(s): Commission agenda [memorandum](#) dated October 24, 2011, [Second Amendment to Rental Car Lease and Concession Agreement](#), [Rental Car Lease and Concession Agreement](#), and [minimum annual guarantee comparison](#) provided by James R. Schone, Aviation Business Development Director, and Jolene Culler, Senior Property Manager with Aviation Properties.

Presenter(s): Mr. Schone and Ms. Culler.

Mr. Schone reported that a new lease and concession agreement with the Airport's rental car companies will be executed following opening of the new Consolidated Rental Car Facility (RCF) in April 2012. He stated that during the partial year remaining, an amendment to the current agreement would be required.

Ms. Culler explained that the amendment would cover the period from November 1, 2011, through spring 2012 and is supported by the rental car companies. She described the current arrangement in which rental car companies annually pay the Port the greater of 10 percent of gross revenue or a minimum annual guarantee prorated over 12 equal monthly installments.

Ms. Culler explained that this arrangement does not address proration of the minimum annual guarantee for a partial year. Due to seasonal fluctuations in the Seattle rental car market, she stated that in some months the rental car companies pay one-twelfth of the minimum annual guarantee and in other months pay 10 percent of gross revenue, followed by a year-end reconciliation that often results in a refund by the Port to the rental car company.

Ms. Culler reported that the amendment would divide the minimum annual guarantee into seasonally adjusted monthly payments, in consideration of which the rental car companies would forego the annual reconciliation.

Public comment was received from the following individuals:

- Shane Skinner, Controller for Enterprise Rent-A-Car. Mr. Skinner spoke in favor of the lease and concession agreement amendment and stated that the seasonality of the rental car business would impose a financial hardship on the companies in the absence of the amendment.

In response to Commissioner Creighton, Mr. Schone stated that the amendment would not affect bond repayment.

Motion for approval of item 6b – Tarleton

Second – Holland

Motion carried by the following vote:

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

7. STAFF BRIEFINGS

a. (00:20:05) Total Rewards Philosophy Briefing.

Presentation document(s): Commission agenda [memorandum](#) dated October 25, 2011, and computer slide [presentation](#) provided by Dan Thomas, Chief Financial and Administrative Officer, and Tammy Woodard, Total Rewards Senior Manager.

Presenter(s): Mr. Thomas and Ms. Woodard.

Mr. Thomas commented on the Total Rewards initiative and noted that many of the elements incorporated into the plan are based on current practices, citing pay and benefits, training, and diversity initiatives. He described Total Rewards as a refinement and coordination of existing practices with possible introduction of new elements in the future.

Ms. Woodard commented on the staff presentation of June 28, 2011, regarding the Total Rewards initiative and the benefits of developing a defined Total Rewards philosophy. She explained the benefit of defining the Total Rewards philosophy broadly to encompass everything of value employees receive as a result of their relationship with the Port, including pay, health coverage, pension, time off, learning and development, recognition, and work experience, among others. She described executive team review and participation in developing the Total Rewards philosophy and presented the five categories of programs, including pay, benefits, learning and development, recognition, and work experience and culture. Ms. Woodard presented the overarching program strategies related to pay, benefits, learning and development, recognition, and culture and work experience.

In response to Commissioner Albro, Ms. Woodard stated that pay would be targeted at market average and benefits would be targeted at slightly better than market average. In response to Commissioner Bryant, she stated the different targets for pay and benefits are consistent with past trends for public employers while maintaining fiscal responsibility and program sustainability. Commissioner Tarleton commented on the similarities and differences between employment and benefits at the Port and that at other public agencies and urged incorporation of flexibility in the program. Mr. Yoshitani remarked that the program under development is a reaction to current conditions and may not be as generous a package as has been provided by the Port in the past, and is in keeping with program sustainability. Commissioner Albro commented in support of the administration's principles for pay and benefits.

In response to Commissioner Holland, Mr. Thomas remarked that some Port employees may not receive mandatory annual performance review due to the structure of their employment contract. Commissioner Holland urged implementation of annual performance review for all Port employees as expeditiously as possible.

In response to Commissioner Holland's question regarding training and development opportunities for Port employees, Annalee Luhman, Learning and Leadership Manager, described the Port's Real Leadership program and other opportunities available within various business units for certification and additional education.

Ms. Woodard described the process for identifying and addressing where current plans and programs are not aligned with the stated principles. Commissioner Tarleton requested information on the percentage of the Port's workforce that is not currently receiving annual performance review and needs incorporation into the annual performance review process. She requested information on opportunities for employees to provide commentary on implementation of the program. Commissioner Holland commented on successful employee response programs at King County.

b. (00:46:00) 2012 Salary and Benefit Resolution Briefing.

Presentation document(s): Commission agenda [memorandum](#) dated October 25, 2011, computer slide [presentation](#), and [attachment](#) provided by Tammy Woodard, Total Rewards Senior Manager; David Leon, Benefits Manager; and Ann McClellan, Compensation Supervisor.

Presenter(s): Mr. Leon, Ms. McClellan, and Ms. Woodard.

Ms. Woodard reported that the salary and benefit resolution, Resolution No. 3655, is scheduled for first reading on November 8, 2011, with second reading and final passage scheduled for November 22, 2012. She described the application of the resolution to approximately 56 percent of the Port's employees, who are not covered by a collective bargaining agreement, and explained that the resolution does not set actual salaries for nonrepresented employees, but establishes an open salary range structure without subdivision into steps. She explained that the resolution authorizes provision of medical and dental benefits and establishes a methodology for granting pay increases through the Pay for Performance merit-based program.

Ms. Woodard reported on several Commission requests from the previous year, noting that cash reimbursement for unused paid time off (PTO) in 2011 was approximately half that in 2010, and that overtime for non-union, non-represented employees was slightly higher in 2011 compared to 2010. Commissioner Creighton requested additional information on overtime trends prior to 2010.

[Clerk's Note: At the November 8, 2011, regular Commission meeting, during presentation of agenda item 6b, first reading of Salary and Benefit Resolution No. 3655, Ms. Woodard noted a discrepancy in the November 1, 2011, briefing materials presented here. She explained that the presentation of 18 percent as the number of non-exempt employees receiving overtime in slide 6 was in fact the percentage of total non-union employees receiving overtime. She clarified that slightly more than half of the overtime-eligible, non-union employees received overtime pay in 2010 and 2011.]

Ms. Woodard commented on the Port's tuition reimbursement program, which is not addressed in the salary and benefit resolution but is a component of the Total Rewards package. She presented information showing that since 2007, 91 mostly non-union employees have taken advantage of the program with tuition reimbursements of \$630,544, representing an average of approximately 64 percent of required tuition. She noted that approximately 15 percent of these employees have been promoted during the same period.

In response to Commissioner Albro, Ms. Woodard explained that the tuition reimbursement program is available to non-represented employees and those represented employees whose agreements include the program. In response to Commissioner Tarleton, Ms. Woodard stated payment for tuition reimbursement is funded in the Human Resources and Development (HRD) department budget, which serves to balance potential inequity between divisions of varying sizes

and budget constraints. In response to Commissioner Albro, Ms. Woodard stated the Port has offered tuition reimbursement since prior to 2007 and that the benefit is taxable over a threshold of approximately \$5,250. Ms. Woodard explained that the reimbursement does not cover books, fees, and other non-tuition costs, and that educational programs and individual classes must be pre-approved by HRD.

Ms. Woodard noted that although tuition reimbursement does not appear to be a major recruiting tool, survey results indicate that employees with degrees are more satisfied with their employment, which suggests tuition reimbursement may aid in employee retention.

Ms. Woodard presented information on 2011 salary range increases compared with market trends.

Commissioner Bryant was excused after 2:07 p.m. to attend to other Port business, at which time the meeting was chaired by Rob Holland, Commission Vice President.

Mr. Leon presented background information on the benefits portion of the salary and benefits resolution, noting that lower-than-anticipated medical and dental benefit cost increases are attributable to adoption of a self-funding model and changes to the premium-sharing formula. He stated premiums, co-payments, and deductibles would increase slightly for 2012 and plan design changes for 2013-2014 are under review.

Commissioner Tarleton commented on the importance of fairly distributing employee cost sharing as benefit costs increase. Mr. Leon confirmed that the employee contribution to approximately nine percent of benefit premiums is averaged across plans and tiers.

Commissioner Albro requested more information on what amount of employee benefit cost sharing is anticipated to reach the Total Rewards target of providing benefits in the 50th to 75th percentile of the market average. Commissioner Holland commented on the importance of strong health care benefits in attracting employees to public sector positions.

Mr. Leon noted an upward trend in the Consumer Price Index and presented proposed changes to the 2012 salary and benefit resolution as compared to the 2011 resolution, noting an updated holiday schedule, clarifications in the text, and reduction of the PTO balance limit from 800 to 700 hours.

Ms. McClellan reported that the Port's salary ranges are currently 0.3 percent below market average and provided information on survey results of other local public employers related to cost of living and step increases planned in 2012. She stated that a two-percent range adjustment is recommended for 2012, noting that increase in hiring activity in 2012 could result in recruiting challenges for the Port.

In response to Commissioner Albro, Ms. McClellan reported that the average increase proposed for the Pay for Performance program is three percent. Commissioner Albro commented that slower increases for pay ranges than in the Pay for Performance program could result in employees arriving at the top of their pay ranges more quickly than anticipated.

c. (01:23:55) Century Agenda: Presentation and Discussion on Environmental Five-Year Milestones.

Presentation document(s): Commission agenda [memorandum](#) dated October 25, 2011, and computer slide [presentation](#) provided by Elizabeth Leavitt, Director of Aviation Planning and Environmental Services, and Stephanie Jones Stebbins, Director of Seaport Environmental and Planning Programs.

Presenter(s): Ms. Jones Stebbins and Russ Simonson, Senior Environmental Program Manager.

Ms. Jones Stebbins and Mr. Simonson presented five-year milestones proposed to support the Century Agenda 25-year environmental goals. Ms. Jones Stebbins presented milestones applicable to the Seaport division, and Mr. Simonson presented milestones applicable to the Aviation division for each 25-year goal as listed below:

For the goal to reduce air pollutant emissions by 50 percent from 2005 levels:

Seaport:

- Reduce diesel particulate matter emissions from trucks by 50 percent, or 1.5 tons per year, and diesel particulate matter emissions from ocean-going vessels by 80 percent, or 47.2 tons per year; and
- With the ports of Metro Vancouver and Tacoma, update the Northwest Ports Clean Air Strategy in 2012 by setting new goals for diesel particulate and carbon emissions through 2020.

Aviation:

- By 2015, improve the overall vehicle fleet efficiency by 30 percent over 2005 levels;
- Investigate alternative fuel options for boiler operations; and
- Complete a plan for future emissions-reduction projects.

For the goal to lead the port industry's greenhouse gas reduction strategies by reducing carbon emissions from all Port operations by 50 percent from 2005 levels and reducing aircraft-related greenhouse gas emissions at the Airport by 25 percent:

Seaport:

- Measure and report carbon emissions; and
- Set greenhouse gas emissions in alignment with Washington state reduction goals.

Aviation:

- Complete emissions-related projects, including pre-conditioned air, electric ground support equipment, fuel hydrant system expansion, and fleet improvements;
- Complete a plan for future greenhouse gas emission reduction projects;
- Work with partners to institute the Greener Skies initiative at the Airport;
- Advocate for and implement next-generation air transport system technologies at the Airport; and
- Advocate for and implement delivery and use of 50 million gallons per year of bio-jet fuel at the Airport.

For the goal to meet future growth in energy usage through conservation and renewable sources:

Seaport:

- Complete energy audits at container terminals by 2014 and two other properties by 2016;
- Begin implementation of all identified energy conservation projects that have a positive net present value;
- Complete one renewable energy generation pilot project; and
- Attain energy usage in five years at or below the 2011 annual average.

Aviation:

- Complete energy conservation projects with positive net present value;
- Meter and monitor to evaluate existing energy usage to identify new conservation projects;
- Perform energy efficiency reviews for all Port-sponsored capital projects;
- Update 2009 electrical resource plan;
- Reduce Airport data center server power consumption;
- Identify cost-effective new renewable energy sources, including geothermal use in new buildings; and
- Attain energy usage in five years at or below the 2011 annual average.

For the goal to restore, create, and enhance 40 additional acres of habitat in the Green/Duwamish watershed and Elliott Bay:

Seaport:

- Design and construct six acres of habitat mitigation at Terminal 117; and
- Complete a plan for enhancement and creation of 10 additional acres of habitat.

No Aviation milestones were presented for this goal.

For the goal to prevent sprawl in less-developed areas of Puget Sound by anchoring the region's urban industrial land use:

Portwide:

- Advocate for policies that preserve industrial zoning, maintain economically competitive utility rates, and support completion of transportation infrastructure (presented by Ms. Jones Stebbins).

Seaport:

- Help industrial businesses thrive in the complex environmental regulatory environment through educational efforts such as the environmental compliance assessment program, energy conservation, and sustainable management policies;
- Encourage brownfields development; and
- Support purchase and redevelopment of off-dock container yard property.

Aviation:

- Maximize space closest to the Airport for high-density Airport-related use, including a cargo facility expansion project;
- Break ground on extension of SR-509;
- Update the Airport Master Plan; and
- Partner with Sound Transit to extend Link Light Rail.

Commissioner Tarleton commented in support of Chief Executive Officer Tay Yoshitani's jointly prepared memorandum to the City of Seattle and the Seattle City Council regarding preservation of industrial land, utility rates, and transportation infrastructure. She commented on applying the model of an environmental practices memorandum of understanding to container terminal operators.

For the goal to ensure all stormwater leaving Port-operated facilities will meet or exceed agency requirements and create partnerships that lead the port industry in stormwater quality improvements:

Seaport:

- Complete capitalized comprehensive water quality plan and identify additional five-year milestones by the end of 2012; and
- Use the environmental compliance assessment program and source control grant monies to continue ongoing education and pollutant reduction from Port and tenant sources.

Aviation:

- Achieve and maintain 100 percent best management practices for water quality treatment and flow control over 100 percent of Airport industrial areas; and
- Identify and implement off-Airport property low-impact development practices.

Commissioner Albro commented in support of the five-year milestones proposed by the Seaport and Aviation divisions.

8. NEW BUSINESS

None.

9. POLICY ROUNDTABLE

None.

10. ADJOURNMENT

There being no further business, the regular meeting was adjourned at 2:43 p.m.

Tom Albro
Secretary

Minutes approved: January 10, 2012.