



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 JANUARY 11, 2011**

The Port of Seattle Commission met in a regular meeting at 1:00 p.m., Tuesday, January 11, 2011, at Port of Seattle Headquarters, Commission Chambers, 2711 Alaskan Way, Seattle, Washington. Commissioners Albro, Holland and Tarleton were present. Commissioners Bryant and Creighton were absent.

1. CALL TO ORDER

The regular meeting was called to order at 1:09 p.m. by Rob Holland, Vice President.

2. EXECUTIVE SESSION pursuant to RCW 42.30.110

None.

PLEDGE OF ALLEGIANCE

3. (00:02:18) APPROVAL OF MINUTES

Minutes for the special meeting of November 30, 2010.

Motion for approval of minutes for the November 30 special meeting – Tarleton

Second – Albro

Motion carried by the following vote:

In Favor: Albro, Holland, Tarleton (3)

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Commissioner Holland noted that the Commission adopted the Port of Seattle Commission Transparency Code of Conduct on January 8, 2008, which all Commissioners are to sign annually. Commissioner Holland announced that all Commissioners have signed the document for 2011.

4. **SPECIAL ORDER OF BUSINESS**

None.

5. **(00:02:50) UNANIMOUS CONSENT CALENDAR**

- a. Approval of **Claims and Obligations** for the period of December 1 through December 31, 2010, in the amount of \$44,086,475.82.

Motion to approve the Consent Agenda covering Items 5a – Albro

Second – Tarleton

Motion carried by the following vote:

In Favor: Albro, Holland, Tarleton (3)

Commissioners Bryant and Creighton were absent for the vote.

Item 5b was removed from the Consent Agenda for consideration at a subsequent meeting pending action by the Audit Committee.

- c. **(00:04:47) Authorization for the Chief Executive Officer to use reimbursement funding from the Federal Emergency Management Agency (FEMA) to execute contracts and purchase two small skid loaders, three new blades for existing snow plows and three new sand hoppers for existing sanding vehicles and to update the Airport Command vehicle. The total amount of this request is \$621,137 of which the Port of Seattle's allocated obligation is \$77,650.**

Request document: Commission agenda [memorandum](#) dated December 15, 2010 from Ron Harmon, Airport Emergency Manager and John Christianson, General Manager, Aviation Maintenance.

Presenters: Mr. Harmon and Mr. Christianson

Mr. Harmon explained that due to the severe storm in December 2008, significant funds were spent on maintaining the continuity of operations at the Airport, such as providing deicing materials for runways and paying staff overtime. The Port of Seattle applied for and was granted Federal Emergency Management Agency (FEMA) reimbursement funds to recover some expenses, such as for an Airport Cruise tent which was damaged due to the weight of the snow. After receiving approval for the reimbursement, it was later determined that the Airport Cruise tent was no longer needed. FEMA approved an Alternative Project, which allows use of the tent funding to put toward other projects and purchases, such as replacement snow equipment.

Mr. Christianson noted that this equipment will enhance the Airport's snow removal capabilities.

Motion for approval of item 5c – Tarleton

Second – Albro

Motion carried by the following vote:

In Favor: Albro, Holland, Tarleton (3)

Commissioners Bryant and Creighton were absent for the vote.

6. DIVISION, CORPORATE AND COMMISSION ACTION ITEMS

- a. (00:08:42) **Motion to endorse the Town Hall Community Forum to discuss “In Our Own Backyard: A Closer Look at the Sex Trafficking of Local Girls” presented by the Women’s Funding Alliance.**

Request document: Seattle Port Commission [motion](#) to endorse the Town Hall Community Forum “In Our Own Backyard: A Closer Look at Sex Trafficking of Local Girls”, dated January 11, 2011, introduced by Commissioner Tarleton.

Commissioner Tarleton explained that the Women’s Funding Alliance has asked the Port of Seattle to endorse the Town Hall Forum discussing sex trafficking of local girls. There is no financial obligation associated with this endorsement. The Commission determined that it would be important to have public acknowledgment that the Port is endorsing the Town Hall Community Forum. The Port has been involved in other anti-trafficking efforts, including hosting a human trafficking forum in November 2010 and participation by the Port Police Department in federal and regional anti-trafficking programs. Commissioner Tarleton noted that King County designated, by proclamation, January 11, 2011, as Human Trafficking Awareness Day.

Commissioners Albro and Holland thanked Commissioner Tarleton for her hard work, efforts and dedication to this issue

Motion for approval of Item 6a – Tarleton

Second – Albro

Motion carried by the following vote:

In Favor: Albro, Holland, Tarleton (3)

Commissioners Bryant and Creighton were absent for the vote.

7. STAFF BRIEFING

- a. (00:13:45) Briefing and Public Hearing to consider the findings of and receive public comment on the State Auditor's Office Performance Audit of the Port's Real Estate Management and Selected Programs released on December 13, 2010, pursuant to RCW 43.09.470.

Presentation documents: Commission agenda [memorandum](#) dated January 5, 2011, from Dan Thomas, Chief Financial & Administrative Officer, and Rudy Caluza, Director, Accounting & Financial Reporting and SAO Audit, and the State Auditor's Office Performance [Audit](#) on the Port of Seattle Real Estate Management and Selected Programs dated December 13, 2010.

Presenters: Mr. Thomas and Mr. Caluza

Mr. Thomas explained that the State Auditor's Office (SAO) focused on the Port's real estate management and leasing activities. The audit excluded Airport activities and was focused on the Seaport and Real Estate Divisions. The audit covered real estate purchases and sales, and whether lease rates were established at fair market value. Other areas of focus were billings and collections at Fisherman's Terminal, and the audit also incorporated the accountability audit for 2006 through 2008. The audit identified several opportunities to improve overall Real Estate management and provided a number of policy recommendations for Commission consideration, particularly in the area of establishing real estate goals and objectives and the Commission's oversight role in real estate transactions. Mr. Thomas noted that the Commission will need to engage in policy discussions on a number of recommendations in the Commission's sphere.

Mr. Thomas stated that the field work for the audit was primarily conducted in 2009, but the audit period went back as far as 2004. Since the audit period went back to 2004, Mr. Thomas commented that many changes had occurred at the Port over that time frame and that the State Auditor had acknowledged the changes, particularly in the areas of transparency and accountability.

Mr. Thomas stated that the Port appreciated the audit and that many of the recommendations have already started to be implemented. He also said that the collaborative approach taken by the State Auditor's Office and the contract auditors, Thompson, Cobb, Bazilio and Associates (TCBA) and IMS Worldwide, is much appreciated. The Port's initial response to the audit is contained in Appendix F of the report. Mr. Thomas concluded that the Port will have two staff members, Mark Griffin in the Real Estate Division and Mike Burke in the Seaport Division, co-lead the audit response, track the interim responses and prepare periodic reports for the SAO until all the outstanding items and recommendations are resolved.

Commissioner Albro read a letter into the record to Mr. Yoshitani from TCBA that expressed their appreciation of the Port's level of cooperation during the audit. The letter thanked Rudy Caluza and Jasmine Contreas for their hard work, communication, leadership and their level of professionalism. A copy of this document is, by reference, made part of these minutes, is marked "[Exhibit A](#)" and is on file in Port offices.

Mr. Caluza said he was pleased to receive the recognition and was honored to be a part of the Port of Seattle's Audit team and he also thanked the other members. SAO staff members had testified before the

state legislature's Joint Legislative Audit Review Committee (JLARC) on January 5 and had also publicly expressed appreciation to the staff for its professionalism and cooperation with these auditors. The Port is regularly audited by many outside auditors and is consistently recognized for its professionalism and cooperation with these auditors.

Commissioner Albro asked to enter into the record a letter dated November 22, 2010, that he and Commissioner Tarleton sent to state Auditor Brian Sonntag that helps to explain the Port's response to the audit. The Commission has not delegated the responsibility of responding to the SAO to Port staff and has not been able to respond to the audit because the Commission must discuss the audit in open public session. The SAO's procedures do not allow public discussion of the audit until after it is issued. The letter recommends that this process be modified for future audits as outlined in the November 22 letter. A copy of this document is, by reference, made part of these minutes, is marked "[Exhibit B](#)" and is on file in Port offices.

Commissioner Holland then declared the meeting a public hearing, and public comment was received from the following individuals:

- Adam Lloyd, a Burien resident, said the Port should analyze its current and future needs consistent with the long-term strategic plan; devise a comprehensive plan for each real estate asset; implement the Harbor Development Strategy as soon as possible; compare fair market value and fair market rents with economic value; and develop the several hundred acres of Port property that isn't being used. He said the Port should adopt the recommendations made in the audit.
- Aubrey Davis, a Seattle resident, representing the Municipal League and the Harbor Development Strategy Group. Mr. Davis referred to the Commission's adoption of the Harbor Development Strategy on June 26, 2001, and said that, if the Port had carried the Strategy out, it would have had a clean audit. The first priority of the Strategy was asset utilization and stewardship. The Municipal League had also looked at the Port's real estate policies a year ago and was concerned that the public policy rationale for the Port's continued ownership of extensive real estate holdings was not regularly reviewed or justified. The Commission should see that the real estate recommendations happen and make sense as public policy. Mr. Davis submitted a document entitled "Portfolio Management and Analysis Process" for the record. A copy of this document is by reference, made part of these minutes, is marked "[Exhibit C](#)" and is on file in Port offices.
- Bruce Carter, a resident of Seattle and Chair of the Municipal League Foundation Board, Port of Seattle Committee Chair. Mr. Carter concurred in Mr. Davis' recommendations that were provided in the Harbor Development Strategy, which seem to represent "best practices" in the industry. The Port should have a plan for undeveloped or under-developed real estate that provides transparency and accountability for Port staff and the Commission. Undeveloped property is a particular concern. The Municipal League agrees with the general views of the SAO; the Port should observe these "best practices." Mr. Carter submitted public comment for the record. A copy of this document is, by reference, made part of these minutes, is marked "[Exhibit D](#)" and is on file in Port offices.

There being no further comment, the public hearing was declared closed.

Commissioner Tarleton noted that the Port is "all about" industrial land – how the Port uses and takes care of industrial land and conducts land transactions with the public interest in mind. Last summer, the most

difficult part of the audit was that it was not clear to her that the SAO realized the extent of the new organization and management that is now in place for real estate. Compared to January 2008, when 200 people were in the room after the last SAO audit and 45 testified, it is a different day at the Port. Since 2008, the Commission, Mr. Yoshitani and the Port's internal auditor have done our own audits. The SAO had to go back as far as 2004 to find four real estate purchases or sales. It is clear the Port is not in the real estate market to buy or sell, but it is in business to hold real estate and figure out the long-term benefit and value in the assets we hold.

Commissioner Tarleton explained that the Century Agenda Panel developed a list of Guiding Principles about real estate in 2008-2009. The Commission decided to conduct a public process to look at a new strategic plan for 2011 and has established Century Agenda Committee. The Commission will be leading the discussion of asset management and utilization and will make sure it is the top priority. Commissioner Tarleton thanked the SAO auditors for attending all the Audit Committee meetings where they could see these changes that the Port is trying to institute. JLARC met with only three of its 14 members and the State Auditor himself did not attend the hearing. They know we are working on this. Commissioner Tarleton concluded that she looks forward to the full Commission's final, formal response, with public input, to the audit.

Commissioner Albro said the Commission takes the SAO audit report and the public testimony seriously, and thanked the three individuals who had testified. There are major issues of public policy that the Commission must grapple with as an elected body to provide Port staff with policy direction for asset management and strategic planning. Commissioner Albro said the intent that Port staff's actions be overseen and that Port staff is accountable for best practices and return on investment is important. The issue that should be discussed is how should a part-time elected Commission hold Port staff accountable.

Commissioner Albro pointed out some areas where he had concerns about the recommendations, such as asserting the same level of authority over real estate transactions as was established in Resolution No. 3605 for construction management. He opined that the oversight of construction management required in Resolution No. 3605 was less than useful for Port staff or the public interest for things like approving change orders. He also inquired about what the right time horizon should be for managing each piece of real estate – and asked for input on that question. He questioned the SAO's recommendation that the Commission should develop an independent review system with an outside expert who reports to the Commission to review and verify information on property transactions. He said this is a fatalistic approach that sounds like the Commission does not trust Port staff. If the Commission doesn't trust the Chief Executive Officer, it should fire the Chief Executive Officer.

Commissioner Albro concluded that some of the recommendations, while well-intentioned, don't quite work for an agency with \$6.5 billion in assets and 650 leases. The Commission's responsibility is to see that the assets are well stewarded, that they work strategically over the long-term, that they earn a return and that tax dollars are not harvested from King County taxpayers to subsidize empty property. He urged the public to participate in the Century Agenda. A major part of the work in the strategic plan involves the real estate sector.

Commissioner Holland also urged the public to work with the Port on the Century Agenda to manage our assets for the next 100 years.

Mr. Yoshitani agreed with the SAO audit and the comments made at the meeting. He noted that when he arrived at the Port, he recognized that real estate was not well attended, split out real estate and brought in an expert to set the stage to do the kind of planning and analysis recommended in the SAO audit and at the meeting. The real estate portfolio has been analyzed, and Port staff are ready to implement policy decisions. Mr. Yoshitani also commented that the real estate portfolio was more complicated than it looks, and timing is almost everything in real estate. He wants the private sector to develop the Port's real estate through public-private partnerships rather than using public funds. To do so, the private sector must be there. If it is not, the Port must wait until the private sector is interested. Right now, we are experiencing the worst real estate conditions in 30 years, and the private sector has not been interested. Speaking about the Interbay development, the Port wrote off \$7 million because the City of Seattle would not issue the permits. This time, the Port plans to get full buy-in from the City before spending any money. The Municipal League could be helpful in supporting the Port.

Commissioner Tarleton said she had asked several state legislators for guidance in using Fair Market Value for public real estate compared to the private sector. She said a public agency's ability to hold on to industrial land is what is at stake. The Port needs to talk to the City of Seattle, King County and the state about the value of industrial land.

Commissioner Albro said people can disagree about whether the public sector should divest itself of property, but there is a need for a strategic plan that can be articulated in a way that is actionable and transparent. If the Port decides to subsidize some real estate operations, it should say so and say why.

7b. (01:12:40) Briefing on the Drayage Truck Registry Implementation

Request documents: Commission agenda [memorandum](#) dated January 6, 2011 and computer slide [presentation](#) from Stephanie Jones Stebbins, Director, Seaport Environmental Programs and Sarah Flagg, Air Quality Program Manager, Seaport Environmental Programs.

Presenters: Ms. Styrk and Ms. Stephanie Jones Stebbins

Ms. Styrk reported that implementing the Drayage Truck Registry (DTR) Program on January 3, 2011, represents a major milestone in the Northwest Ports Clean Air Strategy. All trucks entering the Port of Seattle's container terminals must have 1994 or newer engines and must display the *Green Gateway* sticker in order to be permitted into the container terminals. We attribute the success of the program to the extensive outreach to the community, industry and environmental groups. The Port held 118 meetings to advance the program.

Ms. Jones Stebbins explained that the Clean Trucks Programs has been implemented without delays, legal challenges or disruption of gate operations. She repeated this was a major milestone for the Port. Only 44 non-compliance letters were issued to trucks on the first day of the program. The DTR database has nearly 6,500 trucks registered by approximately 1,200 trucking companies. It is an auditable program, and the Port will be able to get the exact number of trucks using our terminals. So far, 276 trucks have been scrapped through the Puget Sound Clean Air Agency's ScRAPPS program, which is administered by Cascade Sierra Solutions. Ms. Jones Stebbins thanked the DTR team members and read the names of those who have worked so diligently on the DTR project.

Mr. Yoshitani thanked the DTR team for their hard work and would like the DTR report accessible to the public as soon as possible.

Commissioner Tarleton congratulated the DTR team for their behind-the-scenes planning and hard work that led to the stunning success of the program, and Commissioner Albro recognized that this program is novel and the only successful program nationally. Commissioner Holland also recognized Sarah Flagg for her work as the Air Quality Program Manager and said there would be other opportunities down the road.

Public comment regarding Item 7b was received from the following individual:

- Kathy Boucher, Cascade Sierra Solutions. Ms. Boucher thanked the Port for its support of the program and said she was glad to be a part of it.

A photograph opportunity took place with the Port of Seattle Commission, CEO Yoshitani and the Drayage Truck Registry team.

Oral pre-brief on General Obligation Bond Refunding Resolution (January 25, 2011 agenda)

Presenter: Ms. Elizabeth Morrison, Senior Manager, Corporate Finance

Ms. Morrison explained that she will discuss the General Obligation (G.O) Bond Refunding Resolution at the January 25, 2011, Commission meeting, which will refund some of the outstanding General Obligation bonds that were issued in the year 2000, in an amount estimated at \$117 million.

Mr. Yoshitani announced the Port's cargo volume for 2010 was 2.13 million containers (TEUs), a 35% increase over 2009 and a 2% increase over the previous record of 2.087 million containers. He said he was optimistic about 2011.

8. (01:37:45) NEW BUSINESS

Public comment was received from the following individual:

Fred Felleman, Friends of the Earth. Mr. Felleman noted that the Port has put environmental conditions on leases, which was not mentioned in the State Auditor's Office Report, and inquired about what would be discussed at the Cruise Memorandum of Understanding meeting on January, 13, 2011.

9. POLICY ROUNDTABLE

None.

10. ADJOURNMENT

There being no further business, the regular meeting was adjourned at 2.51 p.m.

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

Tom Albro
Assistant Secretary