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(The approximate point in the audio recording for the specific item is identified by hours, minutes, and seconds; example: 00:01:30)

**APPROVED MINUTES
COMMISSION REGULAR MEETING MAY 3, 2011**

The Port of Seattle Commission met in a regular meeting Tuesday, May 3, 2011, at Port of Seattle Headquarters, Commission Chambers, 2711 Alaskan Way, Seattle, Washington. Commissioners Albro, Bryant, Creighton, Holland, and Tarleton were present.

1. CALL TO ORDER

The regular meeting was called to order at 12:20 p.m. by Bill Bryant, Commission President.

2. EXECUTIVE SESSION pursuant to RCW 42.30.110

The meeting was immediately recessed to an Executive Session lasting approximately 30 minutes to discuss real estate issues. The regular meeting reconvened in open public session at 1:12 p.m.

PLEDGE OF ALLEGIANCE

3. APPROVAL OF MINUTES

None.

4. SPECIAL ORDER OF BUSINESS

a. (00:01:20) The Port Centennial – Moment in History.

Presentation documents: Commission agenda [memorandum](#) dated April 28, 2011, from Jane Kilburn, Public Affairs Director. Also provided was a computer slide [presentation](#).

Commissioner Albro presented the Port Centennial Moment for May, which focused on the Port of Seattle's waterfront facilities and maritime industries. The Port's four recreational marinas were

highlighted, as were events contributing to the Seattle Maritime Festival held from May 1 to 14, 2011. Commissioner Albro noted the Port's responsible environmental practices and boater education that characterize its marinas and described the economic impact of these recreational boating facilities.

5. (00:03:20) UNANIMOUS CONSENT CALENDAR

- a. Authorization for the Chief Executive Officer to execute the Second Amendment to Crowley Marine Services, Inc., Lease No. 262 at Piers 16/17 to reduce the submerged lands portion of the lease by 13,100 square feet and to reduce the annual rent by \$5,361.84.**

Request documents: Commission agenda [memorandum](#) dated April 26, 2011, from Michael Burke, Lease and Asset Management Director, and Scott Pattison, Lease and Asset Management Asset Manager. Also provided was a copy of the [lease amendment](#).

- b. Authorization for the Chief Executive Officer to execute a Public Access Easement Agreement with the City of Seattle ("City"), which is needed to partially meet conditions imposed by the City for the vacation of streets on Harbor Island related to the expansion of Terminal 18.**

Request documents: Commission agenda [memorandum](#) dated April 25, 2011, from Michael Burke, Container Leasing and Operations Senior Manager; public access [agreement](#) with legal descriptions; and a [map](#) of the affected area.

- c. Request \$400,000 of additional project funding for Towers 2, 3 and 5 strengthening and equipment upgrades at Seaport's Terminal 86 Grain Facility for a total authorization of \$2,900,000. (CIP #C800133).**

Request documents: Commission agenda memorandum dated April 25, 2011, from Jasmin Contreras, Seaport Property Manager, and Rod Jackson, Capital Project Manager. Also provided was a [diagram](#) of a spout and tower. *A corrected copy of the [memorandum](#) dated May 11, 2011, clarifying the sales tax of the amount requested was subsequently substituted on the agenda.*

- d. Authorization for the Chief Executive Officer to execute a ten-year license agreement, substantially as drafted in Attachment 1 and according to the terms laid out in this memorandum with Comcast Cable Communications Management, LLC, to provide high-speed internet service at Fishermen's Terminal.**

Request document: Commission agenda [memorandum](#) dated April 26, 2011, from Melinda Miller, Portfolio Management Director, and Rebecca Schwan, Portfolio Management Real Estate Manager. Also provided was the license [agreement](#).

- e. Authorization for the Chief Executive Officer to advertise for and execute up to three Indefinite Delivery, Indefinite Quantity (IDIQ) contracts for regulated materials management consultant services to support Aviation, Seaport, Real Estate, and Capital Development Division project needs. IDIQ contracts will likely not exceed \$750,000 for**

each contract for a total amount not to exceed \$2,250,000. No funding is associated with this request.

Request document: Commission agenda [memorandum](#) dated April 26, 2011, from Ralph Graves, Capital Development Managing Director, and Dwight Rives, Port Construction Services Director.

- f. Authorization for the Chief Executive Officer to authorize Port Construction Services to self-perform the work in conjunction with small works contractors and issue small works contracts in support of the Communications Cabling Additions Project at Seattle-Tacoma International Airport. This authorization is for \$377,000 of a total estimated project cost of \$377,000. (CIP# C800331).**

Request document: Commission agenda [memorandum](#) dated April 26, 2011, from David Soike, Aviation Facilities and Capital Program Director, and Wayne Grotheer, Aviation Project Management Director.

- g. Authorization for the Chief Executive Officer to execute a purchase order for \$339,000 to continue annual software support for the Port of Seattle's existing Oracle Financial and Human Capital Management systems.**

Request document: Commission agenda [memorandum](#) dated April 25, 2011, from Kim Albert, Information and Communications Technology Business Services Senior Manager.

Motion for approval of consent Items 5a-5g – Creighton

Second – Tarleton

Motion carried by the following vote:

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

At the discretion of the Chair, the Commission advanced to the order of –

8. (00:04:20) NEW BUSINESS

Public comment was received from the following individuals:

Yusuf Warsame, SeaTac Limousine Association President. Mr. Warsame commented on the negative impacts associated with passage of Washington Senate Bill 5502, which he said authorizes the City of Seattle to enforce State regulations pertaining to limousine services. Mr. Warsame asked the Port to provide increased opportunities for limousine drivers at Pier 91.

Yusuf Cabdi, United African Public Affairs Committee. Mr. Cabdi requested the Port consider leasing empty lots at Pier 91 to small limousine companies through a competitive process and asked the Commissioners to consider ways in which to improve contracting opportunities for small and disadvantaged businesses.

Jason Decker, Elcon Corporation Co-owner. Mr. Decker commented on schedule delays, design changes, change orders, and related financial impacts to his company, which he stated is the primary electrical contractor for the Airport's Rental Car Facility (RCF) project.

Mr. Decker provided a packet of written comments regarding the RCF project. A copy of these documents is, by reference, made a part of these minutes and is collectively labeled [Exhibit A](#) and is available for inspection in Port offices.

The Commission resumed consideration of –

6. DIVISION, CORPORATE AND COMMISSION ACTION ITEMS

- a. (00:17:49) **Second Reading and Final Passage of Resolution No. 3650, as amended, adopting, revising and updating existing Port SEPA procedures to conform with current law and Port structure, and formalizing new Port policies clarifying how greenhouse gas emissions and climate considerations will be incorporated into SEPA review when the Port is acting as a “lead agency.”**

Request documents: Commission agenda [memorandum](#) dated April 26, 2011, from Elizabeth Leavitt, Aviation Planning and Environmental Programs Director; Stephanie Jones Stebbins, Seaport Planning and Environmental Programs Director; Michael Lufkin, Senior Environmental Program Manager; and Paul Meyer, Permitting and Compliance Manager. Also provided were a copy of [Resolution No. 3650](#), including [Exhibit A](#) with [Attachment 1](#) and [Attachment 2](#); a [redline](#) version of changes requested at First Reading; and a computer slide [presentation](#).

Presenters: Ms. Jones Stebbins, Mr. Lufkin, and Mr. Meyer.

Ms. Jones Stebbins presented the resolution and reviewed the background of Commission consideration and opportunities for public comment. Ms. Jones Stebbins outlined the changes incorporated into the current proposed resolution since its First Reading on April 12, 2011, including the following:

- Clarification in Section 5.3 that delegation of the responsibilities of a SEPA responsible official to another Port official requires concurrence of the Chief Executive Officer; and
- Clarification in Section 15.2 of the conditions for exercising additional optional notice to the public and provision for increased length of public comment.

**Motion for Second Reading and Final Passage of [Resolution No. 3650](#), as amended – Tarleton
Second – Albro**

Motion carried by the following vote:

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

- b. (00:21:18) **Authorization for the Chief Executive Officer to execute a professional services contract for design services in an amount not to exceed \$8,000,000 in support of anticipated capital improvement projects related to South Satellite Heating, Ventilating, Air Conditioning (HVAC), Lighting, Ceiling Replacement and North Satellite HVAC, Lighting, Ceiling Replacement Projects at Seattle-Tacoma International Airport. This contract will have an ordering period of five years. No funding is associated with this authorization. (CIP #C800376 and CIP #C800377)**

Request document: Commission agenda [memorandum](#) dated April 25, 2011, from Wayne Grotheer, Aviation Project Management Group Director, and David Soike, Aviation Facilities and Capital Program Director.

Presenters: Mr. Soike and Mr. Grotheer.

Mr. Soike reported that the South Satellite HVAC system is part of aging infrastructure at the Airport that is the subject of customer complaints because it no longer functions properly. He explained that the system, designed to last 25 years, has been in use for 40 years and often has to be adjusted to maintain comfortable conditions, especially in the international corridor and customs areas, which often become overheated.

Mr. Soike remarked that HVAC system improvements would contribute to energy-efficiency gains at the Airport. He explained that the size of the authorization, \$8 million, is reflective of the large size of the facility, and noted that the request encompasses only the beginning of the process of obtaining a design consultant for the project.

Mr. Soike stated that both North and South Satellites were included in the same request because of their similar size, shape, design, and age. He noted that the South Satellite serves international travel, which is expected to increase over the years, and that the North Satellite serves the Airport's largest domestic carrier, Alaska Airlines.

Mr. Grotheer described the benefits of using the same design firm for both the North and South Satellites, including savings of operating and maintenance expenses during the 25-year design life of new HVAC systems.

Mr. Grotheer stated that design and construction support costs for the projects are expected to be close to 15 percent of anticipated construction costs due to the complexities inherent in updating HVAC, lighting, and ceiling replacement throughout the structures and the interconnectedness of these systems.

In response to Commissioner Creighton, Mr. Grotheer stated that the construction project related to the current request is estimated at approximately \$55 million. In response to Commissioner Creighton's question about savings related to energy-efficiency improvements in the project, Mr. Soike explained that it is difficult to quantify such savings because the current system is not properly metered. There was a brief discussion of availability of grants for improving energy efficiency in public facilities.

In response to Commissioner Holland, Mr. Soike stated that the design firm selected subsequent to the current authorization would provide guidance on potential savings available from performing energy efficiency retrofits.

Commissioner Tarleton commented that airports that modernize facilities now will maintain the competitive advantage necessary to attract international travel and cargo transport during the next 25 years.

Motion for approval of Item 6b – Tarleton

Second – Holland

Motion carried by the following vote:

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

- c. (00:32:38) Request additional funding to complete the in-progress construction of the Terminal 91 Smith Cove Cruise Terminal Restroom Expansion project at an additional cost of \$110,000 for a total project cost of \$370,000. This is a capital project funded in the 2010 Seaport Small Project CIP C800311. Additional funds for the project are available due to under-spending in the 2011 Seaport Small Project CIP C800358. Marine Maintenance crews are performing the work.**

Request document: Commission agenda [memorandum](#) dated April 25, 2011, from Lindsay Pulsifer, Marine Maintenance General Manager, and Rees Robinson, Marine Maintenance Project Manager.

Presenter: Ms. Pulsifer.

Ms. Pulsifer reported that there would be a \$110,000 shortfall on a project to complete added restrooms in the approach area of the Smith Cove cruise terminal. She stated that the original project was not anticipated to exceed \$300,000, but inaccurate design drawings and the need to complete the project before the start of the 2011 cruise season have driven up the cost. Ms. Pulsifer added that the project gathered more overhead cost than anticipated due to the calculation of internal charges, and alerted the Commission that there would be other projects coming forward with similar overruns.

In response to Commissioner Albro, Ms. Pulsifer stated that the restroom project is near completion and that when the shortfall was recognized, she told crews to continue work while arrangements were made to seek Commission approval for the additional expense. Commissioner Albro requested consideration of how similar overruns might be avoided in the future.

In response to Commissioner Creighton, Ms. Pulsifer confirmed that the second-floor restrooms do not require expansion at this time.

Commissioner Tarleton stated the importance of a contract team's including someone sufficiently knowledgeable about the project work to ensure adequate evaluation of the bid proposal and noted that the facilities serve other tenants outside of cruise season. Linda Styrk, Seaport Managing

Director, remarked that there was no indication of inadequate performance by the consultant in question prior to the restroom portion of the project to signal concern to staff and that Port staff is looking at ways to prevent similar overruns in the future.

Motion for approval of Item 6c – Albro

Second – Holland

Motion carried by the following vote:

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

- d. (00:45:32) **Authorization for the Chief Executive Officer to amend the Arai Jackson Ellison Murakami Professional Service Agreement for up to \$450,000 for design support during construction of the Bus Maintenance Facility and to provide notification to the Port of Seattle Commission in accordance with RCW 53.19.060 that the total amended amount exceeds 50 percent of the original contract not-to-exceed value of \$1,900,000. Considering earlier amendments and with the execution of this amendment, the total value of the Agreement would be \$2,920,000. No new funding is requested to amend this Agreement as funds have been previously authorized as part of the Bus Maintenance Facility project budget.**

Request document: Commission agenda [memorandum](#) dated April 27, 2011, from Nora Huey, Central Procurement Office Director, and George England, Aviation Capital Improvement Program Leader.

Presenter: Mr. England.

Commissioner Bryant noted that this item was originally slated for the Unanimous Consent Calendar, but was moved, prior to agenda posting, to the order of Division, Corporate and Commission Action Items to be presented, due to the amended agreement amount exceeding 50 percent of the original contract not-to-exceed value.

Mr. England reported that the requested amendment is necessary to complete construction-support services critical to completion of the Bus Maintenance Facility. He explained that the amendment accommodates an increase in the level of effort required for construction support and does not reflect an expansion of the original scope of work. Mr. England stated that the addition of the compressed natural gas fueling facility to the Bus Maintenance Facility project and the associated review of new plans, coordination meetings, and anticipated requests for information have contributed to the need for the amendment.

Mr. England noted that the request includes \$100,000 of contingency funding.

In response to Commissioner Albro's question regarding the background of the increase of the original contract from \$1.9 million to the current \$2.47 million, Mr. England reviewed the Commission budget authorizations for the project in 2008 and June of 2010, including the July 2009 authorization that added the Compressed Natural Gas Fueling Facility to the project.

In response to Commissioner Bryant, Mr. England stated that the funds to increase the contract to \$2.92 million will come from the Bus Maintenance Facility budget and are available due to other aspects of the project being bid below estimated cost.

In response to Commissioner Albro, Mr. England explained that following completion of the design, including design changes, subsequent negotiation of support services resulted in the need for the contract amendment. Commissioner Albro expressed his concern over the process by which the Commission's authorization of \$607,000 for design of the Compressed Natural Gas Fueling Facility carried with it an unanticipated need for a \$1.02 million budget increase for construction support services. Mr. England stated that current procedures should ensure better Commission control over construction budget increases of this kind and stressed that while \$2.92 million is the total value of the Port's contract with Arai Jackson Ellison Murakami, the budget increase for construction support services is \$890,000, including \$100,000 of contingency.

In response to Commissioner Bryant, Mr. England stated that, barring a construction change order requiring Commission approval, he did not anticipate having to return to Commission for further budget amendments for any aspect of the Bus Maintenance Facility project.

Commissioner Tarleton expressed her support for modification based on the importance of completing the Bus Maintenance Facility project as part of the Rental Car Facility by spring of 2012, given the estimated 3,000 jobs and applicable revenue associated with the project. She stressed the importance of keeping further costs within the established contingency fund limits and of keeping the Commission informed if the contingency funds are at risk of being exceeded.

Motion for approval of Item 6d – Tarleton

Second – Albro

Motion carried by the following vote:

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

- e. (00:54:40) Approval of Century Agenda Committee preliminary goal to “add 100,000 Port-related jobs in the next 25 years.”**

Request document: Commission agenda [memorandum](#) dated April 28, 2011, from Tom Barnard, Research and Policy Analyst, and Geri Poor, Regional Transportation Manager.

Presenter: Mr. Barnard.

Mr. Barnard reported on the Century Agenda roundtable of April 12, 2011, titled “Fostering Economic Growth.” He stated that subsequent conversations with the Century Agenda planning committee and staff produced a proposed preliminary Century Agenda goal to “add 100,000 Port-related jobs in the next 25 years.”

Commissioner Albro remarked that the proposed preliminary goal is the first of five or six preliminary goals expected to result from the work of the Century Agenda, with the intention,

through focused discussions on various areas of economic opportunity, to build a Port strategic plan. He outlined the following panel schedule for the Century Agenda committee:

- April – Fostering Economic Growth
- May – Moving Cargo: Logistics and Growing Exports
- June – Moving People: Airport, Cruise Ships, and Tourism
- July – Attracting Next Generation Industries and Jobs
- August – Achieving Our Community Values
- September – Funding Our Strategic Goals and Putting Real Estate to Work

Commissioner Albro stated that the best measure of the success of the Port as a public agency lies in its ability to promote good jobs.

Commissioner Creighton commented on the importance of engaging the public in the Commission's conversations about a vision for the Port for the next 25 years. He stated that the goal presented in the action request is a preliminary goal and that the Commission will have an opportunity at the end of the process to consider the strategic plan from a holistic perspective.

Commissioner Albro added that the goals are presented in a preliminary form in part to give staff an opportunity to articulate how best to go about achieving the goals with measurable milestones.

Mr. Barnard stated that staff has made an effort to incorporate use of new social media in its panel discussions.

Public comment was received from the following individual:

Vicki Orrico, Manager of Global Health Nexus Seattle. Ms. Orrico commented on the growth of Seattle as a hub in the global health industry, provided statistics on the economic impact of the industry to the state of Washington, and described the positive effects of the global health industry worldwide.

Commissioner Creighton remarked on the potential for the Port to act as a catalyst to bring the region's logistics and supply-chain expertise to bear in the global health market. He stated that the goal of creating 100,000 new Port-related jobs in the next 25 years is somewhat more ambitious than the current projected growth of 75,000 new jobs in the next 25 years, but reasonable.

Commissioner Albro stated that incubation of new industries does not detract from the Port's commitment to traditional, core industries, especially when there is a clear nexus between the two.

Commissioner Tarleton commented on the importance of the Port's role in fostering an environment in the Pacific Northwest where people want to live, visit, and work and where they can take advantage of the ability to be connected to the rest of the world. She noted that the Census Bureau estimates that over the next 25 years, the population of King County is expected to grow by approximately 300,000 people, which she stated is consistent with an increase of about 100,000 jobs in the same period.

Commissioner Holland described the need for the jobs generated by the Port to be living-wage jobs and the ability of Port jobs to cultivate diversity in the region.

Motion for approval of Item 6e – Albro

Second – Creighton

Motion carried by the following vote:

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

7. STAFF BRIEFINGS

(01:20:55) Kurt Beckett, Chief of Staff, announced that the Puget Sound Regional Council's Prosperity Partnership is resuming its strategic planning process, in which the Port is pursuing a prominent role for the logistics industry and growth of associated new industries such as global health.

At the discretion of the Chair, the Commission advanced to consideration of –

b. (01:22:20) Port-wide Performance Metrics Initiative Briefing.

Presentation documents: Commission agenda [memorandum](#) dated April 26, 2011, from Kurt Beckett, Chief of Staff, and a computer slide [presentation](#).

Presenters: Mr. Beckett; Ed Goodman, Enterprise Services Architecture Development Manager; and Kristal Roberts, Human Resources Organizational Development Manager.

Mr. Beckett introduced the latest developments in the Port's Performance Metrics Initiative, noting the following:

- The Port's current process of monitoring organizational performance through quarterly reports, ongoing business planning, and the annual budget process;
- Current opportunities for departments to identify new and effective ways to measure performance; and
- Establishment of a new, internal SharePoint resource for identifying performance measures.

Mr. Beckett noted the following key guiding principles embraced by the current performance metrics initiative:

- Keeping it simple – effective measures, not more of the goal;
- Measuring activity and measuring effectiveness are two different things; both may be relevant, but should not be confused;
- Developing performance measures is an evolution; and
- Being persistent and patient in developing the "right" measures.

Mr. Goodman provided a tour of the recently developed SharePoint site designed to provide a centralized resource for Port staff to participate in the development of Port-wide performance measurements. He noted the functionality and flexibility of the SharePoint site and highlighted the relative ease to build the individual department sites. Mr. Goodman presented a sample of several department performance measurement SharePoint sites and noted the protocol site that helps staff begin the process of setting up their departmental sites.

Mr. Beckett acknowledged the work of the executive team and coordinating council in guiding the development of the initiative.

Ms. Roberts described the process for reviewing the performance metrics data on a quarterly basis and the ongoing refinement of metrics by department staff anticipated over time. She mentioned the importance of coordinating the measurements gathered with development of the strategic objectives resulting from the Century Agenda process.

Commissioner Creighton asked about the possibility of making the performance measurement data publicly accessible on the Port's website, particularly with respect to real estate information.

Commissioner Tarleton stressed the importance of being able to understand the measurement data and commended the collaborative model for gathering the data.

The Commission returned to consideration of –

a. (01:37:08) First Quarter Financial Performance Briefing.

Presentation documents: Commission agenda [memorandum](#) dated April 18, 2011, from Dan Thomas, Chief Financial and Administrative Officer, and Michael Tong, Corporate Budget Manager. Also provided were the 2011 First Quarter Performance [Report](#) and a computer slide [presentation](#).

Presenters: Mr. Thomas; Mr. Tong; Hanh Nguyen, Aviation Finance & Budget Assistant Manager; Boni Buringrud, Seaport Finance and Budget Manager; and Ralph Graves, Capital Development Division Managing Director.

Mr. Tong presented an overview of Port-wide operating results for the first quarter of 2011, noting the following:

- A summary of operating income and expense totals and variances from budgeted amounts;
- Major revenue and expense variances;
- A quarterly comparison of Port revenues and expenses for 2008-2011;
- The Port-wide year-end forecast for 2011 for operating income and expenses with anticipated variances from budgeted amounts; and
- A summary of 2011 capital spending by division.

In response to questions from Commissioners, Mr. Tong stated the following:

- Public parking revenue is forecasted based on a monthly breakdown, and the year-end forecast is expected to be in line with the budget;
- Concessions are above budget in the first quarter;
- An unfavorable year-end budget variance is anticipated for Seaport security grants; and
- The variance between revenue and expenses in the first quarter of 2011 is not as great as the same variance in the first quarter of 2010 because revenues were higher this year in comparison to last year and adjustments have been made to align actual spending more closely with the budget.

In response to Commissioner Tarleton, Mr. Thomas explained that there is a fuller accrual of expenses in the fourth quarter historically due to close examination of encumbered expenses that have yet to be invoiced. Extreme winter weather events also may contribute to added expenses in the fourth quarter. Commissioner Tarleton requested a measurement of fourth-quarter expenditure trends as a performance metric.

Ms. Nguyen presented an overview of Aviation Division operating results for the first quarter of 2011, noting the following:

- Increase of 4.6 percent in year-to-date enplanements versus 2010;
- Increase of 5 percent in international passenger enplanements;
- Unfavorable variance of \$5.6 million in aeronautical revenues;
- Unfavorable variance of \$1.05 million in non-aeronautical revenues, including parking revenue;
- Shortfall in rental car revenue despite an increase in rental car transactions;
- Favorable variance in concessions revenue, reflective of enplanement increases;
- Favorable operating expense variance of \$5.5 million;
- Total operating expense savings of \$72,000 due to position vacancies;
- Forecasted cost per enplanement of \$12.76, which is the budgeted amount;
- Net cash flow increase of 4.2 percent over 2010; and
- Capital spending forecasted at 83.5 percent of budget.

In response to Commissioner Creighton, Mark Reis, Airport Managing Director, stated that Customer Facilities Charges contributing to the Rental Car Facility are ahead of budget despite a shortfall in revenue because of the increased number of rental car transactions.

Mr. Reis noted that despite the shortfall in aeronautical revenue of \$5.5 million, aeronautical revenue remains the largest source of Port-wide revenue and stressed the importance of cash flow as a complimentary measurement to net operating income.

In response to Commissioner Albro, Mr. Reis explained that the cost per enplanement of \$12.76 has not decreased as enplanements increase because the enplanement forecast has not been adjusted yet.

Ms. Buringrud presented an overview of Seaport Division operating results for the first quarter of 2011, noting the following:

- Cargo volume of 485,000 twenty-foot equivalent units (TEUs);
- Grain volume at 1.4 million metric tons;
- Start of cruise season on April 15;
- Announcement of new Seattle homeport ship for Disney Cruise Lines;
- Continued implementation of the Northwest Ports Clean Air Strategy;
- Net operating income at 23 percent over budget due to increased revenue and decreased spending;
- Key revenue and expense variances;
- Net operating income before depreciation for various Seaport business groups;
- Expectation of Seaport to meet operating income budget for the year overall; and
- Seaport capital projects summary.

Commissioner Albro requested information on the number of empty outbound TEUs. In response to Commissioner Creighton, Linda Styrk, Seaport Managing Director, stated that there is room for cruise-ship growth in 2012 and that opportunities to expand weekday service would be pursued as appropriate.

Commissioner Bryant noted a more rapid increase in expenses than in revenue and cautioned against burdening the Seaport and Aviation Divisions with unsustainable increases in Corporate expenses.

Commissioner Albro questioned how much is known about 2011 financial performance after the first quarter. Ms. Buringrud said it is hard to forecast this early in the year. After the second quarter, we should have a much better idea of the accuracy of the forecast. Commissioner Albro requested that we do a "more ambitious" forecast before putting together the 2012 budget.

Ms. Buringrud presented an overview of Real Estate Division operating results for the first quarter of 2011, noting the following:

- Net operating income forecasted to meet budget;
- Key business events in the Real Estate Division;
- Continuation of development of procedures to handle incoming requests related to the Eastside Rail Corridor;
- Marine Maintenance highlights;
- Occupancy goals for Real Estate properties;
- Net operating income results;
- Revenue detail by business unit;
- Key expense variances;
- Net operating income before depreciation by business groups, which are all ahead of budget due to reduction in expenses; and
- Full year revenue and capital cost forecasts expected to be on budget.

In response to Commissioner Tarleton, Ms. Buringrud explained that maintenance expenses have to be charged to operating expenses and that in the past more expenses were able to be charged to capital projects than can be under current rules.

Mr. Graves presented an overview of Capital Development Division operating results for the first quarter of 2011, noting the following:

- Implementation of purchase-card procedures;
- Completion of interim clearance of discarded munitions at Terminal 91 by the Army Corps of Engineers;
- Capital Development key indicators, including growth in costs and schedules;
- Length of time involved in procuring service agreements, due in part to the request for proposal process;
- Gross operating expenses; and
- Key variances to net budget.

Commissioner Bryant requested more information on the increase between the actual expenses in 2010 for the Central Procurement Office of \$387,000 and the actual 2011 year-to-date expense of \$1.1 million. Mr. Graves explained the variance is probably due to maintenance expenses, such as a \$600,000 dredging expense, that would otherwise be attributed to the Seaport Division instead of the Central Procurement Office because these maintenance expenses cannot be capitalized under current rules.

Mr. Tong presented an overview of Corporate operating results for the first quarter of 2011, noting the following:

- Key events of the Corporate Division;
- Corporate key metrics, including an increase to the small business roster of 76 Port-specific applicants;
- Corporate revenue results, with favorable variances for all departments; and
- Major Corporate expense variances.

Commissioner Albro requested information regarding the 2010 actual total expenses for forecasting purposes and urged the Port to do a better job in its future forecasts.

Preliminary Briefing on an Upcoming Aviation Action Request for the Delta Air Lines Sky Club Lounge. (02:46:08)

Presenter: Wayne Grotheer, Aviation Project Management Director.

Mr. Grotheer announced that on May 24, 2011, the Commission would be asked to approve additional expenditures for the Delta Sky Club Lounge on the roof of the Airport's South Satellite. He explained that Delta had put the project on hold and eventually decided to pursue construction of a larger facility than originally planned. He stated that construction is proceeding under a change order at Delta's risk. Mr. Grotheer outlined the process by which the changes would be paid for.

Commissioner Bryant thanked Mr. Grotheer and explained that the purpose of preliminary briefings is to alert Commissioners to upcoming business items to provide an opportunity for private briefings to provide clarifications and answer Commissioners' questions.

8. NEW BUSINESS

(02:50:24) Commissioner Bryant read a letter from the Port Commission addressed to the editor of the *Fishermen's News* and dated April 26, 2011. A copy of the letter is, by reference, made a part of these minutes; is labeled [Exhibit B](#); and is available for inspection in Port offices.

9. POLICY ROUNDTABLE

None.

10. ADJOURNMENT

There being no further business, the regular meeting was adjourned at 4:04 p.m.

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

John Creighton
Secretary

Minutes approved: June 28, 2011