

**Commissioners**

Bill Bryant  
Commission President  
Tom Albro  
John Creighton  
Rob Holland  
Gael Tarleton



Tay Yoshitani  
Chief Executive Officer

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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 July 26, 2011**

The Port of Seattle Commission met in a regular meeting Tuesday, July 26, 2011, in the International Auditorium at Seattle-Tacoma International Airport, Seattle, Washington. Commissioners Albro, Bryant, Creighton, Holland, and Tarleton were present. Commissioner Holland was absent after 2:16 p.m.

**1. CALL TO ORDER**

The regular meeting was called to order at 12:04 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 45 minutes to discuss real estate, litigation, legal risk, and ethics matters. The regular meeting reconvened in open public session at 1:25 p.m., chaired by Commissioner Bryant.

**PLEDGE OF ALLEGIANCE**

**3. (00:00:50) APPROVAL OF MINUTES**

Regular Meeting of June 7, 2011.

**Motion for approval of minutes for the June 7, 2011, regular meeting – Creighton**

**Second – Holland**

**Motion carried by the following vote:**

**In Favor: Bryant, Creighton, Holland (3)**

**Abstaining: Albro, Tarleton**

**Commissioner Tarleton was absent from the subject meeting.**

**4. SPECIAL ORDERS OF BUSINESS**

**a. (00:02:14) Recognition of the 2011 Port of Seattle Police Department Officer of the Year and Port of Seattle Fire Department Firefighter of the Year.**

Request document(s): Commission agenda [memorandum](#) dated July 19, 2011, provided by Police Chief Colleen Wilson and Fire Chief Randy Krause.

Presenter(s): Chief Krause and Chief Wilson.

Chief Wilson introduced 2011 Port of Seattle Police Officer of the Year, Julia Tanga, and remarked on Officer Tanga's exceptional professionalism and compassion for others. Chief Krause introduced 2011 Port of Seattle Firefighter of the Year, Jason Schnase, and commented on Captain Schnase's impeccable work ethic, loyalty, and tenacity.

**b. (00:07:31) Swearing in of new Police Officers and new Firefighters.**

Request document(s): Commission agenda [memorandum](#) dated July 19, 2011, provided by Police Chief Colleen Wilson and Fire Chief Randy Krause.

Presenter(s): Chief Krause and Chief Wilson.

Chief Wilson presented new Port of Seattle Police Officers Courtney Muse, Brian Petersen, and Hope Jones; and Chief Krause presented new Port of Seattle Firefighters Jenson Evans, Eric Conklin, and Einar Mikkelsen. Commission President Bryant administered the Oath of Honor to the new police officers and firefighters and welcomed them to the Port of Seattle.

**c. (00:16:13) 2011 Triennial/Law Enforcement Full Scale Exercises at Sea-Tac Airport.**

Request document(s): Commission agenda [memorandum](#) dated July 21, 2011, and computer slide [presentation](#) provided by Ron Harmon, Aviation Emergency Preparedness Manager.

Presenter(s): Mr. Harmon.

Mr. Harmon described the full-scale airfield disaster preparedness and response exercises conducted July 15, 2011. He outlined the law-enforcement scenario focused on a seized aircraft and explained that the additional full-scale exercise conducted afterward is required by the Federal Aviation Administration every 36 months in order for the Airport to maintain its certification. Commissioner Tarleton emphasized the importance of the exercises to prepare Airport staff to respond effectively during a regional emergency.

5. (00:21:56) UNANIMOUS CONSENT CALENDAR

- a. **Authorization for the Chief Executive Officer to (1) update and complete design and provide construction support using an existing indefinite delivery/indefinite quantity contract; (2) execute one-year contracts, with options to renew for four one-year periods, to lease or purchase nine two-megawatt generators and associated equipment and material; (3) advertise and execute a major construction-project-specific, unit-price contract; and (4) authorize utilization of Port forces for the Seattle-Tacoma International Airport Temporary Backup Power Project, for a total project authorization of \$3,100,397. Fuel for generators will be procured under an existing open order contract (WP #104570).**

Request document(s): Commission agenda [memorandum](#) dated July 19, 2011, and [site plan](#) provided by David Soike, Aviation Facilities and Capital Program Director, and Wayne Grotheer, Aviation Project Management Group Director.

- b. **Authorization for the Chief Executive Officer to prepare design and construction bid documents, using Port engineers to design the replacement of approximately 167,000 square feet of roof systems located at the fire station and on the north end of the main terminal at Seattle-Tacoma International Airport. This authorization is for \$200,000 of a total estimated project cost of \$4,770,000 (CIP #C800459).**

Request document(s): Commission agenda [memorandum](#) dated July 19, 2011, and passenger terminal [diagram](#) provided by Wayne Grotheer, Aviation Project Management Group Director, and John Christianson, Aviation Maintenance General Manager.

- c. **Authorization for the Chief Executive Officer to advertise and execute a major construction contract for the United States Postal Service (USPS) Demolition Project at Seattle-Tacoma International Airport and authorize Port Construction Services to self-perform work in support of the USPS Demolition Project. The amount of this request is \$5,605,000, and the total cost of the project is \$43,900,000 (WP #104110/CIP #C800254).**

Request document(s): Commission agenda [memorandum](#) dated July 20, 2011, and site [plan](#) provided by Michael Ehl, Airport Operations Director; Wayne Grotheer, Aviation Project Management Group Director; and Ralph Wessels, Airfield Program Leader, Project Management Group.

- d. **Authorization for the Chief Executive Officer to issue a contract amendment to the Port of Seattle's existing Elevator and Escalator Maintenance Contract for the balance of the 2011 calendar year. This amendment provides additional repair and maintenance workers to be on duty to respond to escalator outages during the construction project and will increase the monthly cost of the existing contract by \$130,115 for the five remaining months of 2011 beginning in August. The amount of this request is \$650,575, which makes the total estimated cost of the work \$3,965,891. Commission previously authorized \$3,315,316 of the total in the 2011 budget.**

Request document(s): Commission agenda [memorandum](#) dated July 11, 2011, provided by David Soike, Aviation Facilities and Capital Program Director.

- e. **Authorization for the Chief Executive Officer to proceed with executing service agreements, preparations of construction documents, project management and permitting tasks for the design phase of Terminal 91, C-175 Building Roof Replacement Project. The amount of this request is \$190,000, bringing the current authorization for the project to \$240,000 for a total estimated project cost of \$2,445,000 (CIP #C800430).**

Request document(s): Commission agenda [memorandum](#) dated July 18, 2011, provided by Joan Knutson, Seaport Property Manager, and Curtis Stahlecker, Capital Project Manager.

**Motion for approval of consent Items 5a – 5e – Albro**

**Second – Creighton**

**Motion carried by the following vote:**

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

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

*At the discretion of the Chair, the Commission entertained public comment on agenda items 6f, 8a, and 8b, as follows –*

**(00:22:51)** Public comment was received from the following individuals:

- LeeAnn Subelbia, Chief Executive Officer of Filo Foods/BF Foods LLC. Ms. Subelbia described her business, located at the Airport, as a family-owned disadvantaged business enterprise (DBE) and asked the Commission not to create a politically driven roadblock to innovative, small businesses by implementing a worker retention program that she described as unnecessary.
- Cecilia Cordova, Co-owner and attorney at Connell Cordova Hunter & Gautschi, representing Filo Foods/BF Foods LLC. Ms. Cordova submitted a written statement in opposition to the Draft Proposed Directive on Worker Retention for the Concessions Program at Seattle-Tacoma International Airport described in agenda item 8b. The document is, by reference, made a part of these minutes, is marked [Exhibit A](#), and is available for inspection in Port offices. Ms. Cordova described her opposition to the proposed directive, commenting that it is coercive in effect and establishes a constructive mandate that disfavors DBEs and which she stated might violate the National Labor Relations Act (NLRA).
- Genevieve Aguilar, Port Campaign Organizer for Puget Sound Sage. Ms. Aguilar commented in opposition to the draft worker retention directive described in agenda item 8b, stating that the draft directive does not provide sufficient guarantees for workers. She pointed to worker retention policies in San Francisco and Los Angeles as models of successful policies.
- Erik Van Rossum, Secretary Treasurer and Executive Officer, Unite Here Local 8. Mr. Van Rossum commented that concessionaires should be interested in their workers

keeping their jobs, regardless of whether a particular concession continues at the Airport and criticized the concessions stakeholder involvement process as being too segregated.

- Stefan Moritz, Strategic Affairs Director, Unite Here Local 8. Mr. Moritz spoke in opposition to the draft worker retention directive stating that it does not do enough to guarantee the jobs of Airport workers during a concessions transition and does not alleviate workers' fears of losing their economic security despite many workers' decades of service to the Port.
- Julia Nottingham, employed by HMSHost. Ms. Nottingham commented that she has worked at the Airport for 12 years. She spoke of colleagues who had worked at the Airport for 20 or 30 years and the importance of the livable wages and great benefits available to her as a worker at the Airport. Ms. Nottingham described the sacrifices she makes in order to support her family and urged the Commission to adopt a worker retention program.
- Geomar Nicolo, employed by HMSHost. Mr. Nicolo stated that he has worked at the Airport for 15 years and urged the Commission to avoid political games and do the right thing for Airport workers.
- Geraldine Peralta, employed by Concessions International. Ms. Peralta commented on her 17 years of working at the Airport and said that she should not lose her job if a new company takes the place of her current employer.
- Lourdes Barredo, employed by HMSHost. Ms. Barredo stated that she has worked at the Airport for 19 years and needs the job security provided by a strong worker retention program.
- Greg Ramirez, External Organizer, SEIU (Service Employees International Union) Local 6. Mr. Ramirez described the custodial and hospitality personnel at the Airport represented by SEIU Local 6, about 100 of whom he stated have worked at the Airport for over ten years. He emphasized the importance of job security and spoke in favor of a worker retention program.
- Quang Dam, employed by HMSHost. Ms. Dam commented on her almost 22 years of work at the Airport and asked the Commission to adopt a worker retention program.
- David Fukuhara, Owner of Concourse Concessions LLC. Mr. Fukuhara commented on financial challenges for DBE businesses at the Airport and commented on the negative effect the draft worker retention directive would have on his small business's ability to compete for Airport concessions. Mr. Fukuhara predicted that none of the current small or DBE businesses at the Airport would be able to survive if forced to hire union employees and urged the Commission not to apply the requirements of the draft worker retention directive to small and DBE businesses.
- Tammie Hetrick, Vice President of Retail Services for the Washington Retail Association, submitted a letter in opposition to the draft worker retention directive that enumerated what she described as a number of unintended consequences of the program. A copy of the letter is, by reference, made a part of these minutes, is marked [Exhibit B](#), and is available for inspection in Port offices.
- A petition signed by 35 Airport concessions workers requesting adoption of a strong worker retention policy was submitted immediately following the meeting. A copy of the

petition is, by reference, made a part of these minutes, is marked [Exhibit C](#), and is available for inspection in Port offices.

*Following public comment on agenda items 6f, 8a, and 8b, at the discretion of the Chair, the Commission advanced to consideration of –*

- f. (00:50:41) Authorization for the Chief Executive Officer to execute a project specific contract to support Concessions Planning and Leasing Services at Seattle-Tacoma International Airport. The services to be provided under this procurement are estimated at a maximum of \$3.0 million for three years with a one two-year extension option. No budget is associated with this authorization. Budget will be included within annual budget requests that are reviewed and approved by the Commission.**

Request document(s): Commission agenda [memorandum](#) dated July 15, 2011, and terminal concessions [diagram](#) provided by James R. Schone, Aviation Business Development Director, and Deanna Zachrisson, Aviation Concessions Business Manager.

Presenter(s): Ms. Zachrisson.

*Commissioner Holland was absent after 2:16 p.m.*

Ms. Zachrisson described the overall status of the Airport's concessions program, noting that concessions sales for the first half of 2011 are within one percent of sales during the same period in 2008, which was a peak sales year, despite the economic downturn later in 2008. She reported that 2011 concessions revenue is on target to exceed the budgeted amount of \$20.7 million by \$2.3 million.

Ms. Zachrisson described the fast-paced environment of the various concessions opportunities and challenges at the Airport and outlined two phases of work contained in the procurement contract, leasing assistance and long-term strategic planning. She explained that leasing opportunities at the Airport have outpaced the staffing resources of the concessions program and highlighted the following aspects of the leasing assistance phase of the contract, which would begin in 2012:

- Evaluating concept mix;
- Conducting market research;
- Conducting business outreach;
- Evaluating concept and operator viability;
- Providing tenant recommendations; and
- Assisting with lease agreement negotiations.

Ms. Zachrisson described the need for the long-term strategic planning phase of the contract, which is intended to coordinate with the concessions stakeholder process and to establish a sustainable cycle of future lease renewals. She explained the rationale for the request amount, which was based on similar costs during the concessions turnover between 2002 and 2005, and stated that the procurement process is expected to take the remainder of 2011 to conduct.

Commissioner Albro commented on the link between economic security and economic opportunity and described small business as an engine of economic opportunity that in turn yields economic security. In response to Commissioner Tarleton, Ms. Zachrisson stated that awareness of Airport concessions employment opportunities is promoted among diverse and immigrant communities through the vehicle of Port Jobs and the businesses that participate in the concessions program. Mr. Yoshitani added that the Office of Social Responsibility makes a concerted effort to communicate the availability of these employment opportunities as well.

**Motion for approval of Item 6f – Albro**

**Second – Tarleton**

**Motion carried by the following vote:**

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

**Absent for the vote: Holland**

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

**8. NEW BUSINESS**

**a. (01:08:24) Overview of Concessions Stakeholder Involvement Process and Worker Retention.**

Presentation document(s): Commission agenda [memorandum](#) dated July 19, 2011, and computer slide [presentation](#) provided by Mark Reis, Aviation Managing Director; James R. Schone, Aviation Business Development Director; and Deanna Zachrisson, Concessions Business Manager.

Presenter(s): Mr. Reis and Ms. Zachrisson.

Mr. Reis reported that a significant number of the Airport's concessions contracts are due for transition in 2015, followed by another group of concessions transitions in 2016-2017. He explained that a stakeholder process has been initiated to gather information and opinions from existing large and small concessionaires, workers, prospective concessionaires, existing and prospective disadvantaged business enterprise (DBE) tenants, and others well in advance of potential 2013 procurements.

Ms. Zachrisson outlined the stakeholder involvement process, noting the primary benchmarks in the process since its start in May 2011 and the preliminary work of staff.

In response to Commissioner Creighton, Mr. Reis described the best practices research conducted in preparation for the last major concessions transition in 2004, prior to which he said the Airport had a single concessionaire for 34 years.

Mr. Reis reported on the primary considerations contributing to a worker retention program for concessions and described the trade-off between employment security for concessions workers and the impact to small and specialized concessionaires. In response to Commissioner Tarleton,



Mr. Reis stated that integration of separate stakeholder groups for combined discussion might occur in October 2011.

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

**b. (01:30:48) Commission Discussion of a (Draft) Proposed Directive on Worker Retention for the Concessions Program at Seattle-Tacoma International Airport.**

Presentation document(s): Commission agenda [memorandum](#) dated July 21, 2011, website [directions](#), and draft worker retention [directive](#) provided by Mary Gin Kennedy, Commission Services Director.

Presenter(s): Ms. Kennedy.

Ms. Kennedy reported on the draft proposed directive on worker retention distributed to Commissioners and the public and invited the Commissioners to comment on the directive in public session.

Commissioner Tarleton described the draft proposal as a work in progress and stated that the important consideration is to create and save opportunities for workers, who are responsible for the success of the companies for which they work and should have equal access to equal opportunities. She spoke of the need for worker security in order for businesses to compete effectively and stated that businesses must have the best workers to compete.

Commissioner Creighton commented on the changes posed by transition in the concessions at the Airport and the value of experienced workers. He noted the importance of small businesses in creating jobs and the need to strike a balance to avoid creating obstacles for small businesses.

Commissioner Albro described long-term employment security as dependent on the risk associated with one's performance and agreed that there should be a balance between risk and security. He questioned whether the draft worker retention directive provides enough flexibility for small business to take risks that promote economic development and cautioned that removing that flexibility stunts job creation. Commissioner Albro acknowledged the long employment histories of many of the people calling for a worker retention program, and noted that maintaining their jobs despite past major concessions transitions suggested a worker retention program had not been necessary before. He agreed that businesses need to have the best employees to succeed and invited Commissioners to consider whether the Port should determine who the best workers are by creating a worker pool, or allow businesses to determine it for themselves.

Commissioner Tarleton invited the public to submit further comment on the draft worker retention directive via a link on the Port website.

*Following consideration of agenda items 6f, 8a, and 8b, the Commission returned to consideration of –*



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

- a. (01:46:30) **Authorization for the Chief Executive Officer to execute a professional services indefinite delivery/indefinite quantity contract to perform continuous process improvement services with a total value of \$300,000 and contract duration of two base years plus two individual option years for a total of four years. No budget authorization request is associated with this authorization.**

Request document(s): Commission agenda [memorandum](#) dated July 15, 2011, provided by Kurt Beckett, Chief of Staff; David Soike, Facilities and Capital Program Director; and Kristal Roberts, Organizational Development Manager.

Presenter(s): Mr. Beckett, Mr. Soike, and Ms. Roberts.

Mr. Yoshitani noted that continuous process improvement (CPI) is a systems approach often known as "Lean." Mr. Beckett reported that the CPI effort is closely tied to the Port-wide performance metrics initiative and financial performance reporting. He stated that CPI is a tool to focus on Port activities and projects in need of efficiency improvement and explained that CPI and performance metrics work together to make the Port a more efficient economic engine for King County.

Mr. Beckett described CPI as a way of thinking that strives to eliminate wasteful steps in processes by applying an attitude of methodical, measurable improvement by engaging workers' intimate knowledge of those processes in an environment of ongoing improvement.

Mr. Beckett reported that the initiative is provided for in the 2011 Aviation budget. He stated the authorization request would provide for necessary short-term outside consultant services and a dedicated internal staff position to begin and maintain the CPI initiative.

Ms. Roberts described the consultant's scope of work to provide expert advice and counsel on the most effective way to implement a CPI methodology into the Port's organization so that new ways of thinking in terms of CPI become sustainable. She noted that the program is expected to be integrated with other Port initiatives, such as performance metrics, and to become self-sustaining. She outlined specific activities within the scope of work and stated that initial training and implementation plans are expected to be complete by the end of the first quarter of 2012.

**Motion for approval of Item 6a – Tarleton**

**Second – Creighton**

**Motion carried by the following vote:**

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

**Absent for the vote: Holland**

- b. (02:00:48) Authorization for the Chief Executive Officer to execute (1) a project specific contract to assist Port staff on the runway 16C/34C replacement not to exceed \$1,000,000, until the project is completed, and (2) an indefinite delivery/indefinite quantity contract for airfield technical support assistance not to exceed \$1,750,000 over four years for various upcoming airfield operational and safety evaluations, evaluation of tenant and Federal Aviation Administration projects that may affect airfield operations, and capital improvement projects at Seattle-Tacoma International Airport. The total value of contracts is \$2,750,000, but no funds are requested at this time.

Request document(s): Commission agenda [memorandum](#) dated July 20, 2011, runway [diagram](#), and computer slide [presentation](#) provided by Michael Ehl, Airport Operations Director; Wayne Grotheer, Aviation Capital Improvement Program Director; and Nora Huey, Central Procurement Office Director.

Presenter(s): Ralph Wessels, Capital Project Manager, and Mark Coates, Senior Manager of Airport Operations.

Mr. Wessels presented a diagram showing the airfield locations for the work described in the authorization requests for agenda items 6b, 6c, and 6d. He summarized the request in agenda item 6b as providing for project support for several related airfield projects and stated that no funds are being requested at this time.

In response to Commissioner Creighton, Mr. Wessels explained that the scope of work for technical support assistance would include operational and safety analysis prior to execution of contracts to repave Runway 16C/34C in 2016. He also commented on the bidding climate and impact of runway work on surrounding communities.

Mr. Reis stated that the panel replacement project described in agenda item 6c is in anticipation of repaving Runway 16C/34C in 2016 and explained that the timing of the repaving in 2016 was determined to be the most cost effective, despite the need to perform other runway work prior to 2016.

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

**Second – Creighton**

**Motion carried by the following vote:**

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

**Absent for the vote: Holland**

- c. (02:10:53) Authorization for the Chief Executive Officer to modify the Scope of Work for the Runway 16C/34C Surface Panel Replacement Project by extending the project period through the end of 2012, and approval of the use of \$200,000 of the previously authorized funds to prepare design documents for a surface panel replacement

**construction contract to be advertised and constructed in 2012. The total cost of this project is \$4,169,262 (CIP #C800112).**

Request document(s): Commission agenda [memorandum](#) dated July 19, 2011, provided by Michael Ehl, Airport Operations Director, and Wayne Grotheer, Aviation Capital Improvement Program Director.

Presenter(s): Ralph Wessels, Capital Project Manager, and Robert Kikillus, Airport Operations Development Manager.

Mr. Wessels reported that the pavement of Runway 16C/34C has a useful life expectancy of 20 years and is now 42 years old. He stated that several panels of the runway have been identified for replacement and that due to earlier project savings, authorization of new funds is not requested.

**Motion for approval of Item 6c – Albro**

**Second – Creighton**

**Motion carried by the following vote:**

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

**Absent for the vote: Holland**

- d. (02:13:12) **Authorization for the Chief Executive Officer to complete the design and perform any advance work in support of the 2012 Pavement and Joint Sealant Project for non-runway concrete pavement panels and joint seal replacement, spall repair and associated or temporary facilities, such as striping, lighting, etc., on the Aircraft Operations Area in anticipation of a 2012 construction contract. Budget requested for this work is \$465,000 out of an estimated total program cost of \$30,800,000 for the multi-year program (CIP #C102573).**

Request document(s): Commission agenda [memorandum](#) dated July 20, 2011, and runway [diagram](#) provided by Michael Ehl, Airport Operations Director, and Wayne Grotheer, Aviation Capital Improvement Program Director.

Presenter(s): Ralph Wessels, Capital Project Manager, and Robert Kikillus, Airport Operations Development Manager.

Mr. Wessels reported that the authorization is in support of preparation of design documents and advance work, such as airline relocation, associated with repaving non-runway areas.

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

**Second – Tarleton**

**Motion carried by the following vote:**

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

**Absent for the vote: Holland**

- e. (02:15:24) Authorization for the Chief Executive Officer to issue a change order for the Consolidated Rental Car Facility project to extend the completion date by an amount not to exceed 80 calendar days. Although the Port has received a claim for additional costs related to schedule delay, this extension would specifically not, at this time, be compensable to the general contractor/construction manager or any subcontractors (MC-0315405).

Request document(s): Commission agenda [memorandum](#) dated July 15, 2011, provided by Ralph Graves, Capital Development Division Managing Director.

Presenter(s): Janice Zahn, Engineering Construction Services Assistant Director.

Ms. Zahn reported that staff is requesting an 80-day extension of the completion date for the Rental Car Facility Project, resulting in a new contractual completion date of February 3, 2012, due to project delays. She explained that extending the completion date would allow project work to proceed without the need to force work acceleration by the contractor and added that no cost impacts are included in the current change order.

**Motion for approval of Item 6e – Albro**

**Second – Tarleton**

**Motion carried by the following vote:**

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

**Absent for the vote: Holland**

*Agenda item 6f having been disposed of previously, the Commission advanced to consideration of –*

## **7. STAFF BRIEFINGS**

- a. (02:17:37) **Monthly briefing on the Consolidated Rental Car Facility Program.**

Presentation document(s): Commission agenda [memorandum](#) dated July 19, 2011, [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.

Ms. Zahn reported on milestones in completion of the Consolidated Rental Car Facility (RCF), which is 93 percent complete, and noted challenges addressed related to supplying power to the facility and preparing for upcoming tenant improvements. She reported on continuing work on the Off-Site Roads Project, which is over halfway finished, and commented on project challenges. Regarding the Bus Maintenance Facility, Ms. Zahn reported that work is 30 percent complete, highlighted project milestones, and stated that work would be complete February 13, 2012.

In response to Commissioner Bryant, Ms. Zahn reported that of the \$1.5 million of Additional Total Construction Costs designated as in-review, an undetermined amount would soon be moving into executed status and that the unallocated balance is holding at \$7.6 million.

Ms. Zahn noted that a change order for heating systems on the RCF escalators would be forthcoming for Commission approval in an amount over \$300,000. Mr. England explained the unanticipated need for the heating systems, which were not incorporated in the original RCF design.

Ms. Zahn presented combined project construction contingency budget data for the RCF, Off-Site Roads Project, and Bus Maintenance Facility, stating that there is \$5-6 million in unallocated contingency, not including \$6.7 million in unallocated contract allowances or \$8.7 million in the overall program contingency.

Mr. England reported on the status of design contracts and industry meetings and noted that \$675,000 in savings from Main Terminal Improvements is slated to be transferred to the overall project, bringing unallocated contingency to \$8.8 million. He commented that collection of customer facilities charges (CFCs) is \$1.3 million above forecast.

In response to Commissioner Tarleton, Mr. England stated that the project is progressing and should be finished on time.

**b. (02:33:10) Briefing on the Fifth Amendment to the Terminal 18 Lease and the Second Amendment to the Terminal 18 Crane Agreement with SSA Containers Inc. and SSA Terminals LLC and on the First Amendment to the Supplemental Crane Agreement between the Port and the Trustee.**

Presentation document(s): Commission agenda [memorandum](#) dated July 15, 2011, provided by Michael Burke, Leasing and Asset Management Director.

Presenter(s): Mr. Burke.

Mr. Burke reported that the agreements are intended to create an incentive to move more cargo and retain existing customers in the Seaport division by reducing costs through elimination of the Port's intermodal fee. He stated that the agreement would facilitate introduction of the largest available cranes at Terminal 18 and relieve the Port of long-term crane ownership at Terminal 18.

Mr. Burke noted the importance of pricing pressures in retaining Seaport customers and outlined the proposed lease amendments to waive the intermodal lift charge for five years retroactive to January 1, 2011; waive the crane rent minimum guarantee if SSA Terminals' (SSAT's) annual volumes fall below 250,000 lifts; and stipulate that interest from SSAT's lease security deposit would accrue to the benefit of SSAT to be used to meet future lease deposit increases required as rent increases. Mr. Burke added that SSAT would continue to pay crane rent on actual use, notwithstanding a drop in lifts below 250,000 per year.

Mr. Burke explained that when the cranes reach the end of their useful life, the Port would not be obligated to replace them. He stated that the amendments pose a low risk to the Port and described the net present value of the intermodal lift fee paid to the Port over five years as an even swap in terms of cost with the net present value of the Port's replacing the existing cranes at Terminal 18.

Mr. Burke stated the Port's bond insurer has approved the amendment while reinforcing the Port's obligation to provide cranes to Terminal 18 in the event of default of the current tenant and lease of the terminal to a new tenant.

Mr. Burke reported that a similar agreement would be offered to Eagle Marine Services operating at Terminal 5, in accordance with the most favored nation's clause in the Terminal 5 lease. He explained that to qualify for such an agreement, Eagle Marine Services would have to offer the Port a concession similar to the purchase of its own cranes.

Commissioner Creighton noted jobs and environmental benefits of the proposal, but expressed concern over setting a precedent in waiving intermodal fees that could have negative long-term effects. Commissioner Albro commented on the erosion of pricing power that results from the nature of the competition between the ports of Tacoma and Seattle as discretionary ports. Commissioner Tarleton remarked on the current proposal as an outcome of removing the Seaport division from reliance on the tax levy.

Mr. Yoshitani added that the best advantage to the Port in discussion of future rate increases at Terminal 18 would be increased container volume at the terminal.

Public comment was received from the following individuals:

- Paul Marvy, Change to Win Labor Federation. Mr. Marvy spoke in opposition to the proposal. He suggested that the Commission ask more questions about its cost and the cost of its extension to other tenants. Mr. Marvy submitted a copy of a notice of filing of complaint and assignment served to the Federal Maritime Commission December 24, 2009, by SSA Terminals LLC and SSA Terminals (Oakland) LLC against the City of Oakland. A copy of the complaint is, by reference, made a part of these minutes, is marked [Exhibit D](#), and is available for inspection in Port offices.
- David Mendoza, Policy Analyst for Puget Sound Sage. Mr. Mendoza criticized the lack of sufficient cost justification on the part of Port staff. He stated that even in the presence of better cost justification, there would not be a need to extend the new terms to SSA and urged rejection of the proposal.

## **8. NEW BUSINESS**

Agenda items 8a and 8b having been disposed of previously, no additional new business was considered.

## **9. POLICY ROUNDTABLE**

None.

**10. ADJOURNMENT**

There being no further business, the regular meeting was adjourned at 4:21 p.m.

John Creighton

Secretary

Minutes approved: September 27, 2011.