



Commissioners

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

Tay Yoshitani
Chief Executive Officer

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**APPROVED MINUTES
COMMISSION REGULAR MEETING NOVEMBER 22, 2011**

The Port of Seattle Commission met in a regular meeting Tuesday, November 22, 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 2:27 p.m.

1. CALL TO ORDER

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

2. EXECUTIVE SESSION pursuant to RCW 42.30.110

None.

PLEDGE OF ALLEGIANCE

3. (00:01:20) APPROVAL OF MINUTES

Special meeting of September 12, 2011, and regular meeting of September 27, 2011.

Motion for approval of minutes for the September 12, 2011, special meeting and September 27, 2011, regular meeting – Tarleton

Second – Holland

Motion carried by the following vote:

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

4. SPECIAL ORDER OF BUSINESS

None.

5. (00:01:53) UNANIMOUS CONSENT CALENDAR

- a. Approval of [Claims and Obligations](#) for the period of October 1 through October 31, 2011, in the amount of \$44,076,300.63.

Motion for approval of consent item 5a – Creighton

Second – Albro

Motion carried by the following vote:

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

6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS

- a. (00:02:28) **Second Reading and Final Passage of 2012 Budget Resolution No. 3654, as amended: A Resolution of the Port Commission of the Port of Seattle adopting the final budget of the Port of Seattle for the year 2012; making, determining, and deciding the amount of taxes to be levied upon the current assessment roll; providing payment of bond redemptions and interest, cost of future capital improvements and acquisitions, and for such general purposes allowed by law which the Port deems necessary; and directing the King County Council as to the specific sums to be levied on all of the assessed property of the Port of Seattle District in the Year 2012.**

Request document(s): Commission agenda [memorandum](#) dated November 4, 2011, [Resolution No. 3654](#), as amended, and computer slide [presentation](#) provided by Dan Thomas, Chief Financial and Administrative Officer, and Michael Tong, Corporate Budget Manager.

Presenter(s): Mr. Thomas; Mr. Tong; Elizabeth Morrison, Senior Manager, Corporate Finance; and Borgan Anderson, Senior Manager, Aviation Finance and Budget.

Mr. Thomas presented the resolution, noting changes since first reading were mostly modifications to the Aviation capital plan. Mr. Tong outlined the process and timeline for adoption of the 2012 budget. He noted an upward revision of aeronautical revenues by \$37,000 to \$235.7 million and summarized that total operating expenses are up 8.4 percent or \$24 million compared to the 2011 budget. Mr. Tong presented a summary of the 2012 operating budget by division, noting terminal realignment and the rental car facility as key budget drivers in Aviation operating expenses. In highlighting the bottom line, Mr. Tong noted that net operating income in 2012 is projected to be \$207 million, slightly higher than the 2011 budget. He stated total revenues will increase approximately \$11 million to \$722 million versus the 2011 budget and total operating expenses are \$642 million, which represents a decrease of about \$2 million from the 2011 budget. Finally, Mr. Tong reported an increase in net assets compared to the 2011 budget of \$12.9 million.

Mr. Tong reported the Port's total proposed full-time-equivalent (FTE) positions for 2012 is 1,793.7.

Mr. Anderson reported on Aviation division capital budget changes since first reading of the resolution. He commented on projects removed from the 2012 Aviation capital budget, including the electrified ground support equipment (EGSE) project for which the airlines were not able to organize the expected equipment-purchasing consortium; a lighting upgrade project that has been reconceptualized to leverage existing operating expenses; and an emergency power surge project

that will be performed instead by the Transportation Security Administration. He stated these cuts represent \$28 million in savings and that an additional \$15 million in savings will come from the rescoping of a baggage handling system project. He commented on ongoing cash-flow revisions, including possible savings from the terminal realignment project.

In response to Commissioner Creighton, Mr. Anderson commented on the status of grant funding previously earmarked for the EGSE project and confirmed for Commissioner Bryant that if the airlines are not able to take advantage of the grant opportunities, they will pay for the equipment upgrades themselves.

Mr. Tong provided a capital budget summary and capital spending history for the past 10 years. He presented an overview of the tax levy showing the amount for 2012 at \$73.5 million and listing the sources and uses of the levy funds. He noted that the maximum statutory amount of property tax available to be levied by the Port in 2012 is approximately \$90 million and that there would be an additional \$13 million balance in the Transportation and Infrastructure Fund.

In response to Commissioner Bryant, Mr. Thomas reported that the maximum available levy amount would increase by one percent in 2012, which would not require special Commission action.

**Motion for second reading and final passage of Resolution No. 3654, as amended – Tarleton
Second – Holland**

PUBLIC HEARING on Resolution No. 3654, as amended

Commissioner Bryant declared the public hearing for Resolution No. 3654, as amended, open.

Public comment was received from the following individuals:

- Heather Worthley, Executive Director of Port Jobs. Ms. Worthley commented on funds she said were deleted from the Port Jobs 2012 operating budget. She noted the consequences of removal of the funds and requested their restoration. She stated that without the funding, Port Jobs would be unable to complete their commitments under their three-year contract with the Port of Seattle, noting various services and deliverable objectives that would not be able to be provided.

Following conclusion of public comment, the public hearing on Resolution No. 3654, as amended, was closed.

In response to Commissioner Bryant, Mr. Yoshitani explained that it is important that Port funding for the Port Jobs program meets legal requirements and also addresses legitimate interests of the Port. He stated at issue is clarification of services to be provided in exchange for the Port's funding. He said that, pending that clarification, \$100,000 in funding would be made available from the Port's contingency funds, rather than as a budget line item.

Mr. Yoshitani explained that the timing of determining appropriate deliverables as a component of the Port Jobs contract lagged behind establishing the 2012 operating budget, which he said the

proposal to use contingency funds for 2012 would resolve without the need for last-minute reallocations to the 2012 operating budget. He noted that he expects the State Auditor's Office to audit the Port Jobs program and stated that he fully supports Port Jobs and will make the arrangements work.

Commissioner Tarleton commented on the proposal to fund Port Jobs from 2012 contingency funds as compliant with the Commission's three-year contract with Port Jobs and noted the importance of clear deliverables for auditing purposes. She said she felt it is the Commission's intention to fund Port Jobs and to work out next year's funding as part of the budget process rather than use contingency funds.

Commissioner Holland stated that the \$100,000 should be restored and going forward the Port should be clear about what it is asking the organization to do to prevent inserting uncertainty into the process.

Commissioner Creighton stated his support for fully funding the Port Jobs contract and categorized the current funding arrangement for 2012 as a learning experience. He noted that the State Auditor's Office requires the Port to document the value it receives for contractual payments. The Port's needs may change so there should be flexibility built into the contract. Commissioner Albro agreed and said one of the Commission's Century Agenda strategic objectives is a meaningful workforce development program to provide industrial opportunities for the available talent pool.

AMENDMENT

Commissioner Albro commented on the success of the Port of Seattle as represented in the 2012 budget in increases in net assets, staff positions, and adjusted salary ranges. In light of what he described as a positive tax-levy fund balance after five years of \$3.2 million, Commissioner Albro offered an amendment to Resolution No. 3654 as follows:

Motion to modify the budget resolution to reduce the Port's property tax levy to \$73 million from the proposed \$73.5 million – Albro

Second – Creighton

Commissioner Albro stated that the proposed tax levy reduction in 2012 was appropriate given the conservative nature of the Port's revenue expectations from real-estate holdings and insurance recoveries related to environmental remediation, his opinion that bond requirements in the 2016 time frame would likely be less than anticipated, and the tendency to underestimate the ending balance of the tax-levy fund. He stated that the Port has a responsibility to set the levy at an amount that reflects the agency's need and that at this time the need was for less than \$73.5 million but in the future might be higher than \$73.5 million.

Commissioner Creighton commented that he was interested in hearing the other Commissioner's views on the amendment. He noted the value of reassessing the appropriate amount of the tax levy each year based on need as well as the value of having a consistent levy amount over time. He noted that several years ago the Commission had committed to keeping the levy flat over a five-year period.

Commissioner Holland stated that although he was open to reducing the tax levy at some point, he was not convinced this was the right time to do so. He commented on investment in infrastructure, jobs, and environmental remediation and said we have taken a shortcut in recent years by not investing, which has produced infrastructure that is falling apart, inadequate schools, and workforce development needs. To create 100,000 jobs over the next 25 years, the Port needs money to make investments and some of that money comes from the tax levy. He stated that rather than reduce the levy, a two-percent increase would be appropriate to cover future needs.

Commissioner Tarleton commented on the wise use of public funds as an investment in the economic future of the region and stated that setting an appropriate levy amount includes considering short- and long-term needs of the Port. She remarked on various future uncertainties associated with long-term Port obligations, including the costs associated with environmental remediation in the Lower Duwamish Waterway and the amount of potential insurance recoveries. She stated the Commission has provided predictability and a steady course by setting the tax levy at \$73.5 million since 2009 and that she preferred to maintain the levy assessment at \$73.5 million rather than the Commission's having to increase the assessment dramatically later.

Commissioner Albro stated that he was confident that reducing the levy by \$500,000 a year would not compromise anything the Port aspires to do or affect any work plans in 2012 or over the next five years because of the positive balance projected in the tax levy fund. He stated the real question was whether the surplus should be held by the Port or by the taxpayers. He added that the projected balance was based on very conservative expectations and opined that if there is money left over in the tax levy fund, it should remain with King County taxpayers. Commissioner Albro clarified that he supports increasing the annual one-percent raise in the statutory maximum amount available to be levied, despite wanting to reduce the actual levied amount at this time.

Commissioner Creighton commented that reducing the tax levy by \$500,000 over the next five years was an important gesture of fiscal responsibility to King County taxpayers.

The question recurred on the motion by Commissioner Albro, seconded by Commissioner Creighton, to reduce the Port's property tax levy to \$73 million from the proposed \$73.5 million.

Motion carried by the following vote:

In Favor: Albro, Bryant, Creighton, (3)

Opposed: Holland, Tarleton (2)

The question recurred on the motion by Commissioner Tarleton, seconded by Commissioner Holland, for second reading and final passage of [Resolution No. 3654, as further amended](#).

Motion carried by the following vote:

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

- b. (01:00:23) **Second Reading and Final Passage of 2012 Salary and Benefit Resolution No. 3655: A Resolution of the Commission of the Port of Seattle establishing jobs, pay**

grades, salaries, allowances and adjustments for Port employees not represented by a labor union; authorizing and establishing conditions in connection with the following benefits: social security; industrial insurance; unemployment compensation; military leave; retirement; compensated leave, including civic duty, bereavement leave, holidays, paid time off/extended illness leave, shared leave, and awarded time; insurance benefits, including medical, dental, life and long-term disability; and authorizing this Resolution to be effective on January 1, 2012, and repealing all prior resolutions dealing with the same subject, including Resolution No. 3647.

Request document(s): Commission agenda [memorandum](#) dated November 15, 2011, [Resolution No. 3655, redline version](#) of Resolution No. 3655, and [schedule of salary ranges](#) provided by Tammy Woodard, Total Compensation Senior Manager; David Leon, Benefits Manager; and Ann McClellan, Compensation Supervisor.

Presenter(s): Ms. Woodard.

Ms. Woodard reported that there had been no changes to the resolution since its first reading on November 8, 2011, and requested Commission approval.

Motion for Second Reading and Final Passage of [Resolution No. 3655](#) – Creighton

Second – Tarleton

Motion carried by the following vote:

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

7. STAFF BRIEFINGS

a. (01:02:25) Century Agenda Committee: Discussion of Real Estate Goals.

Presentation document(s): Commission agenda [memorandum](#) dated November 15, 2011, and computer slide [presentation](#) provided by Tom Barnard, Research and Policy Analyst, and Geri Poor, Regional Transportation Manager.

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

Mr. Barnard outlined the three guiding principles related to real estate adopted in 2008 and presented in the meeting materials. He summarized the real estate roundtable held October 11, 2011, with participation by representatives of the real estate development, maritime, industrial, and public sectors, and presented the following questions for consideration by the Commission:

- Should the Century Agenda include real estate goals at all, or are policy decisions in this area a means to achieve other goals?
- Given the dynamic nature of the real estate market, is it possible to state goals that are as concrete as those involving the Seaport and the Airport?
- How does the Port decide between multiple goals that may conflict with one another? For instance, should the Port proceed to develop a property that may have economic development benefits, but not pencil-out on the Port's bottom line or vice versa?

Commissioner Albro commented on real estate as a means to an end for the Port and the difficulty in developing specific goals for real estate.

Commissioner Creighton stated that the Port should not support assets that are not beneficial to the Port's basic objectives and core mission.

Commissioner Tarleton remarked on the importance of considering the proximity of the Port's real estate to land, air, and water corridors for movement of people and goods. She stated that it is important to measure how the Port's real estate contributes to job creation and commented on the need to work collaboratively with jurisdictions that control zoning and land-use decisions that affect the Port's real estate.

Commissioner Holland encouraged the use of public-private partnerships in achieving the Port's real estate objectives.

Commissioner Albro stated that portfolio performance of the Port's real estate holdings is less important than the value of the real estate in creating jobs. He commented on the interrelationship of real estate with transportation access, long-term vacancy of property, temporary uses such as parks, and use of Port property for air cargo logistics and support for the maritime sector.

Commissioner Holland was absent after 2:27 p.m.

Commissioner Creighton commented on the importance to the public of the Port's developing a plan for unused real estate.

In response to Commissioner Tarleton, Mr. Yoshitani described the difficulty in developing a 25-year plan for the Port's diverse portfolio of real estate, which he said the Port has to utilize in an opportunistic fashion to serve its purposes. He described collaborative efforts by the Port of Oakland to develop real estate as an eco-industrial park and cautioned that development to attract jobs would have little immediate return.

(01:30:25) Preliminary Briefing on Upcoming Airport Realignment Authorization Requests.

Presentation document(s): Computer slide presentation provided by David Soike, Aviation Facilities and Capital Program Director.

Presenter(s): Mr. Soike.

Commissioner Bryant noted that several items with large request amounts on the consent agenda for December 6, 2011, relate to previously approved projects. Mr. Soike reported that the Aviation division would be requesting several authorizations related to the airline realignment project on December 6, 2011. He summarized the projects, which contribute to the rearrangement of eight or nine airlines at the Airport, and categorized them as capital, expense, and AAG Airport Services remodel projects. Mr. Soike presented a graphic showing the location of work to be undertaken for the various projects. A copy of the graphic is, by reference, made a part of these minutes, is marked [Exhibit A](#), and is available for inspection in Port offices.

8. NEW BUSINESS

None.

9. POLICY ROUNDTABLE

None.

10. ADJOURNMENT

There being no further business, the regular meeting was adjourned at 2:55 p.m.

Tom Albro

Secretary

Minutes approved: February 7, 2012.