



Commissioners

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Tom Albro
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John Creighton
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Chief Executive Officer

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**APPROVED MINUTES
COMMISSION REGULAR MEETING MAY 8, 2012**

The Port of Seattle Commission met in a regular meeting Tuesday, May 8, 2012, at Port of Seattle Headquarters, Commission Chambers, 2711 Alaskan Way, Seattle, Washington. Commissioners Albro, Bryant, and Tarleton were present. Commissioner Holland was excused in order to attend to other Port business. Commissioner Creighton was excused to attend to other Port business and was present after 1:20 p.m. Commissioner Bryant was absent after 2:48 p.m.

1. CALL TO ORDER

The regular meeting was called to order at 1:10 p.m. by Gael Tarleton, Commission President.

2. EXECUTIVE SESSION pursuant to RCW 42.30.110

None.

PLEDGE OF ALLEGIANCE

3. (00:01:38) APPROVAL OF MINUTES

Regular meeting of March 13, 2012.

Motion for approval of minutes for the regular meeting of March 13, 2012 – Bryant

Second – Albro

Motion carried by the following vote:

In Favor: Albro, Bryant, Tarleton (3)

Absent for the vote: Creighton, Holland

4. SPECIAL ORDERS OF BUSINESS

None.

5. (00:01:55) UNANIMOUS CONSENT CALENDAR

- 5a. Authorization for the Chief Executive Officer to execute a contract for a state government relations advocacy firm for monitoring of state legislation and regulatory activity, and acting on behalf of the Port at its direction. The estimated cost for these services is \$350,000 over four years starting in mid-2012 and ending in mid-2016.**

Request document(s): Commission agenda [memorandum](#) dated April 25, 2012, provided by Clare Gallagher, State Government Relations Manager.

- 5b. Authorization for the Chief Executive Officer to execute up to two professional services indefinite delivery, indefinite quantity contracts for dock and diving support services for a not-to-exceed amount of \$2,000,000 (\$1,000,000 each) with a three-year ordering period upon execution. No funding is associated with this authorization.**

Request document(s): Commission agenda [memorandum](#) dated April 26, 2012, provided by Cassie Fritz, Manager, Seaport Project Management Support Services.

- 5c. Authorization for the Chief Executive Officer to execute a purchase order for \$349,000 to continue annual software support for existing Oracle Financial and Human Capital Management systems.**

Request document(s): Commission agenda [memorandum](#) dated April 26, 2012, provided by Kim Albert, Senior Manager, Information and Communications Technology Business Services.

Motion for approval of consent items 5a, 5b, and 5c – Albro

Second – Bryant

Motion carried by the following vote:

In Favor: Albro, Bryant, Tarleton (3)

Absent for the vote: Creighton, Holland

(00:02:40) PUBLIC TESTIMONY

As noted on the agenda, an opportunity for public comment was provided, although no public comment was offered at this time.

6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS

- 6a. (00:03:25) Adopt a motion honoring National Travel and Tourism Week, May 5-13, 2012.**

Request document(s): Commission agenda [memorandum](#) dated April 26, 2012, computer slide [presentation](#), and video provided by Jane Kilburn, Director of Tourism Development. A copy of the [complete motion](#) and statement in support was circulated to the Port Commissioners.

Presenter(s): Ms. Kilburn.

Commissioner Creighton was present after 1:20 p.m.

Ms. Kilburn reported on the history of National Tourism Week and recommended passage of the motion. She commented on the economic impact of travel and tourism, noting that one in nine American workers relies on travel and tourism for a livelihood and that travel and tourism spending in Washington was approximately \$16.9 billion in 2011. Ms. Kilburn noted the Port's integral role in travel and tourism and the economic impact of international travel to the region. She stated that research indicates that for every 35 international visitors, one new job is created. Ms. Kilburn commented on the strong condition of Washington's tourism market, noting that Seattle and Washington led the U.S. in percentage of growth of visitors from overseas markets over the past two years. She stated that the U.S. is viewed as a safe destination internationally and that new marketing efforts are underway in Canada, the United Kingdom, and Japan to encourage travel to the U.S.

Ms. Kilburn presented a promotional video by Brand USA featuring Roseanne Cash titled "Land of Dreams."

Ms. Kilburn reported on the status of the Washington Tourism Alliance (WTA), formed in 2011 in response to the closure of the Washington State Tourism Office to market Washington as a tourism destination. She stated the WTA's second annual tourism summit in April 2012 was attended by approximately 480 participants. She added that there are now 400 members of the WTA, which has taken over the State's tourism website and publication of the *Washington State Visitors' Guide*. Ms. Kilburn commented on the WTA's plans to establish a sustainable, industry-supported funding source, with an initial funding goal of \$7.5 million.

Ms. Kilburn introduced Kevin Clark, Board Chair for the WTA and CEO and President at Argosy Cruises/Tillicum Village/Royal Argosy. Mr. Clark thanked the Port for its role in supporting the establishment and work of the WTA and for recognizing the importance of Washington's tourism industry. He commented on the living-wage jobs that rely on tourism. Commissioner Creighton announced a sponsorship of \$50,000 over the next two years to the WTA by the Port of Seattle, and Commissioner Tarleton clarified that the sponsorship is for \$50,000 in 2012 and another \$50,000 in 2013.

Motion for approval of item 6a – Creighton

Second – Bryant

Motion carried by the following vote:

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

Absent for the vote: Holland

7. STAFF BRIEFINGS

7a. (00:25:35) Century Agenda: Public Engagement Report.

Presentation document(s): Commission agenda [memorandum](#) dated May 2, 2012, computer slide [presentation](#), and video provided by Tom Barnard, Commission Policy Analyst; Geri Poor, Regional Transportation Manager; and Holly Decker, Graduate Student Intern.

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

Ms. Decker presented the Port's Century Agenda promotional video and summarized Century Agenda outreach events so far, noting there have been 38 events, two more than were listed in the agenda memorandum, and that outreach to stakeholders and the public would be extended into June and July 2012. Commissioner Albro commented on the supportive nature of the feedback received so far. Ms. Decker summarized the next steps for the Century Agenda, including drafting and adoption of a Century Agenda strategic plan. She described the composition of the outreach team and public input tools used in the outreach process.

In response to Commissioner Tarleton, Mr. Barnard commented on opportunities to discuss the Century Agenda in greater depth with some groups. Commissioner Albro stated his interest to further brief members of the trades and labor communities on the Century Agenda.

Ms. Decker noted recent reinforcement of the Century Agenda on the Commission's web page and posting of the Century Agenda video on YouTube, where it is viewed three times a day on average. She commented on awareness of the media to the Century Agenda evidenced in articles about or making reference to the Century Agenda.

Ms. Decker described the themes arising out of responses to the public outreach, including comments related to expansion of the Panama Canal and its effect on the Port's logistics goals; questions about opening new markets; acknowledgment of the Port's recognition of the importance of tourism to communities outside Seattle; questions about intergovernmental cooperation in achieving the Century Agenda goals; interest in the 100,000 new jobs being family, living wage jobs; the Port's role in workforce training; and questions about how the Port plans to balance environmental impacts with business competitiveness.

Commissioner Creighton commented on the unanimity of the Commission on the Century Agenda and the support of Port staff in promoting it. Commissioner Tarleton commented on the ongoing process of vetting the Century Agenda and the importance of public discourse in influencing the achievement of its goals.

Commissioner Albro commented on the process of focusing the Century Agenda on identifiable initiatives for collaborative or unilateral action by the Port.

7b. (01:00:54) First Quarter Financial Performance Briefing.

Presentation document(s): Commission agenda [memorandum](#) dated April 26, 2012, Financial and Performance [Report](#), 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; Hanh Nguyen, Senior Manager, Aviation Finance and Budget; Boni Buringrud, Senior Manager, Seaport Finance and Budget; and Ralph Graves, Managing Director, Capital Development Division.

Mr. Thomas reported that overall expenses for the first quarter of 2012 are tracking below budget and revenues are strong. He noted higher-than-anticipated revenue in the Seaport division due to bond refunding; total Port revenues of approximately \$120 million; rental car revenue

approximately \$3 million below budget due to budget timing; operating expenses of approximately \$7.1 million; net operating income of \$7.5 million; and net operating income after depreciation of \$6.4 million.

Mr. Tong reported on the first quarter major revenue variances. In response to Commissioner Albro, Ms. Nguyen stated that the increase in concessions revenue reflects a concession per enplanement of \$10.59 versus \$9.78 for 2011.

In response to Commissioner Tarleton, Chief Executive Officer Yoshitani noted that grain consumption, particularly by China, is increasing.

In response to Commissioner Creighton, Joe McWilliams, Managing Director, Real Estate Division, commented that occupancy at Fishermen's Terminal is down in part due to increased fishing quotas that allow fishermen to remain at sea longer. Linda Styrk, Seaport Managing Director, noted a similar pattern at Terminal 91.

Mr. Tong reported on major expense variances, noting operating expenses \$7.2 million lower than budget due to payroll, outside services, and travel and other employee expenses being lower than expected. He commented on supplies and stock and utilities expenses being higher than expected. Commissioner Bryant requested additional information on Seattle's utility rates for industrial clients compared to Tacoma, Bellingham, and Vancouver, B.C.

Mr. Tong noted total operating expenses were \$7.3 million higher than during the same period in 2011 due to higher payroll costs, outside services expenses, utilities expenses, pass-through grant expense, and unanticipated litigation. He commented on increases in payroll costs related to staffing needs associated with the new Consolidated Rental Car Facility.

Mr. Tong presented a 2012 year-end forecast based on first quarter performance, noting aeronautical revenues are expected to be \$1.67 million under budget, but other revenue is anticipated to be \$12.1 million over budget. He also presented a capital spending summary by division.

Aviation

Ms. Nguyen presented a summary of Aviation business highlights, noting an increase in enplanements and decrease in landed weight. She commented on below-budget forecasts for aeronautical revenues and above-budget forecasts for non-aeronautical revenues and stated operating expenses over budget would be offset by savings in outside services and telecommunications. Ms. Nguyen reported on negative variances in landing fees and rental car revenue and a positive variance in collection of customer facility charges and concessions revenue.

Ms. Nguyen reported that total Airport expenses are under budget by \$3.4 million, largely due to payroll variances owing to hiring delays for the Consolidated Rental Car Facility. She said the negative variance in supplies and stock is due to the January ice storm. Ms. Nguyen noted that the positive budget variance for capital costs translates to a \$0.10 savings in cost per enplanement. She stated a positive variance in non-aeronautical revenue is due to increased utility sales and reported that net cash flow after debt service is forecast to be \$1.2 million above budget. She presented net operating income after debt service for aeronautical and non-aeronautical revenues.

In response to Commissioner Tarleton, Mark Reis, Aviation Managing Director, explained that electric car charging stations at the Airport are currently provided as a service and do not realize any revenue. Commissioner Tarleton commented on the ability to use fees for use of car chargers as a measure of usage. In response to Commissioner Albro, Ms. Nguyen commented on the role of the Terminal Realignment project in driving up the cost per enplanement.

In response to Commissioner Creighton, Mr. Reis explained that debt service savings over budget for aeronautical costs goes into the terminal rate base or the airfield rate base to offset airline costs.

Ms. Nguyen reported that capital expenses are forecasted to be higher than budget due to unanticipated projects.

Seaport

Ms. Buringrud reported that Seattle cargo volume was down two percent compared to 2011 although west coast volume rose about two percent, primarily owing to increases at Canadian ports. In response to Commissioner Albro, Ms. Buringrud noted a market share increase at the Prince Rupert Port Authority in British Columbia, Canada, of approximately 95 percent between March 2011 and March 2012.

Ms. Buringrud commented on increased volume of grain export 13.5 percent over 2011 year-to-date and 23 percent over 2012 year-to-date budget. She noted completion of work on the East Marginal Way Grade Separation project and the percentage of vessel calls meeting the emissions standards of the Northwest Ports Clean Air Strategy. She reported on the adoption of a container port element in the City of Seattle's Shoreline Master Plan.

Ms. Buringrud reported that the Seaport division is about \$6.2 million ahead of budget driven by both revenues and expenses and noted the cumulative amount of the revenue variance that is due to refunding of Terminal 18 special facility bonds in December 2011. She summarized budget revenue variances by line of business and expense variances by department. Ms. Buringrud summarized net operating income before depreciation by line of business and full-year operating income forecasts. Regarding Seaport capital performance, Ms. Buringrud stated the variance to budget presented should read as a negative variance of \$0.5 million due to security grant projects approved in 2012 although incorporated in the plan of finance as business-plan-prospective projects.

In response to Commissioner Albro, Ms. Buringrud commented on reasons for difference between capital funds expended and the plan of finance. Commissioner Albro commented on an apparent trend for the plan of finance to be consistently higher than actual expenditure.

Commissioner Bryant was absent after 2:48 p.m.

Real Estate

Ms. Buringrud reported that the Real Estate division is forecast to perform slightly ahead of budget for the year based on first quarter performance. She commented on relocation of the Information and Communications Technology Development group from Pier 66 to Pier 69, freeing the Pier 66 space for lease. She noted a commercial property occupancy rate of 90 percent, which exceeds

the market average of 85 percent, and activity below budget at the Bell Harbor International Conference Center. Ms. Buringrud commented on occupancy below target at Fishermen's Terminal and the Port's recreational marinas due to overall low demand.

Regarding operating results, Ms. Buringrud noted the Real Estate division is approximately 83 percent over budget for net operating income and summarized key revenue and expense variances. She reported on variances to net operating income before depreciation, noting all business groups had favorable variances. Ms. Buringrud summarized the full-year forecasts for the Real Estate division, based on first quarter performance, and stated the division is expected to be ahead of budget. She reported on reductions to capital spending due to project overestimation and deferred projects.

Capital Development

Mr. Graves reported that the percentage of construction soft costs was relatively consistent over the last five quarters at approximately 20 percent. In response to Commissioner Tarleton, Chief Executive Officer Yoshitani estimated that construction soft costs for other agencies probably tend to be lower due to the consistent nature of other agencies' capital plans compared to the Port's wider range of capital projects.

Mr. Graves noted key measures of Capital Development performance related to project cost growth during construction and design. He commented on Central Procurement Office (CPO) procurement time measurements, noting challenges associated with goods and services procurement for electrified ground support equipment chargers. Commissioner Tarleton commented on her concern over procurement time for service agreements increasing from 214 to 238 days and on the effect of the trend on small businesses with restricted cash flow. Mr. Graves reported that a revised evaluation process had been adopted by the CPO that may improve procurement time. Commissioner Tarleton stated she would like to see procurement time reduced to 160-200 days.

Mr. Graves commented that operating results for Capital Development show under-execution of projects due to there being fewer workers on projects than are currently authorized. He stated that another negative variance to budget in the CPO is due to unanticipated litigation.

Corporate

Mr. Tong presented information on key events and metrics for the Corporate division. He noted that there were 14 stakeholder presentations in the first quarter, including 11 Commissioner-led presentations, and that 742 small businesses, including 166 new companies, are now registered on the new roster system.

Commissioner Albro requested information on the number of small businesses actually participating in Port contracts, by contractor.

Mr. Tong presented first quarter operating results for the Corporate division, noting expenses were \$1.254 million below budget, a variance of 6.8 percent, due to position vacancies and delays in

finalizing some labor contracts. He also noted total expense increases compared to the first quarter of 2011 of \$1.48 million due to payroll, outside services, and other employment-related expenses.

Mr. Tong reported that year-end revenues are forecasted to be in line with the budget and that expenses are expected to be \$190,000 below budget due to vacant positions and hiring delays.

Commissioner Tarleton commented on correlating participation in the Port's health assessment to health-care-cost expenses as a measure of the effectiveness of the Port's cost containment strategy for health care.

(02:02:45) Preliminary Briefing on Investment Policy Revisions.

Craig Kerr, Treasury Manager, reported that the Association of Public Treasurers of the United States and Canada and the Government Finance Officers Association of the United States and Canada recommend investment policy review for public entities every 4-5 years. He stated that staff partnered with Seattle Northwest Securities to conduct a review and that updates will be proposed for approval as early as May 22, 2012. The updates recommended will include management of repurchasing agreements with respect to the list of brokers that can participate and the maximum maturity of collateral.

8. NEW BUSINESS

(02:05:10) Authorization for additional funding to complete construction of the Terminal 91 Waterline Replacement project at an additional cost of \$300,000 for a total project cost of \$4,875,000 (CIP #C800298).

Presentation document(s): Commission agenda [memorandum](#) dated May 7, 2012, provided by Ralph Graves, Managing Director, Capital Development Division; Dwight Rives, Director, Port Construction Services; and Rod Jackson, Capital Project Manager, Seaport Division.

Presenter(s): Mr. Graves.

Mr. Graves summarized the changes affecting the project and previous requests for additional funding and the additional labor required to complete the work than previously anticipated. He commented on concerns with the estimating for the project and the timeliness of realizing the need to request additional funding. He also commented on concerns regarding cost controls when using Port staff to complete this and similar projects. Mr. Graves complimented the flexibility and agility of the Commission authorization process in being able to accommodate the last-minute timing of this emergent request. CEO Tay Yoshitani added that the request indicates the commitment of Port staff to a high degree of transparency in resolving the funding issue directly and openly.

Commissioner Albro commented on the value of a contractor's project focus that may be lacking for a maintenance organization and the wisdom of considering this focus when making future decisions about use of Port staff to conduct similar projects.

Commissioner Tarleton remarked on the critical nature of the project and the value of an internal notification when 75 percent of the project funding has been exhausted.

Motion for approval of request for authorization for additional funding to complete construction of the Terminal 91 Waterline Replacement project at an additional cost of \$300,000 for a total project cost of \$4,875,000 – Albro

Second – Creighton

Motion carried by the following vote:

In Favor: Albro, Creighton, Tarleton (3)

Absent for the vote: Bryant, Holland

9. POLICY ROUNDTABLE

None.

10. ADJOURNMENT

There being no further business, the regular meeting was adjourned at 3:25 p.m.

Tom Albro

Secretary

Minutes approved: July 10, 2012.