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**APPROVED MINUTES
COMMISSION REGULAR MEETING OCTOBER 2, 2012**

The Port of Seattle Commission met in a regular meeting Tuesday, October 2, 2012, at Port of Seattle Headquarters, Commission Chambers, 2711 Alaskan Way, Seattle, Washington. Commissioners Albro, Bryant, Creighton, and Tarleton were present. Commissioner Holland was excused to attend to other Port business.

1. CALL TO ORDER

The regular meeting was called to order at 12:03 p.m. by Gael Tarleton, Commission President.

2. EXECUTIVE SESSION pursuant to RCW 42.30.110

The regular meeting was immediately recessed to an executive session estimated to last approximately 60 minutes to discuss matters relating to labor, sale or lease of real estate, potential litigation, and performance of a public employee. Following the executive session, which lasted approximately 50 minutes, the regular meeting reconvened in open public session at 1:08 p.m.

PLEDGE OF ALLEGIANCE

(00:01:24) ANNOUNCEMENT regarding work of the temporary committee on Airport Concessions Disadvantaged Business Enterprises (ACDBEs)

Commissioner Tarleton announced that the temporary committee on which she and Commissioner Holland served had sent a letter to the Federal Aviation Administration on September 28, 2012, seeking guidance on the Commission's September 11, 2012, motion to undertake efforts to extend current leases or negotiate new leases with ACDBEs at Seattle-Tacoma International Airport.

3. (00:01:59) APPROVAL OF MINUTES

Special meeting of August 14, 2012.

Motion for approval of minutes for the special meeting of August 14, 2012 – Albro

Second – Creighton

Motion carried by the following vote:

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

Absent for the vote: Holland

4. SPECIAL ORDER OF BUSINESS

4a. (00:02:28) Commission Activities Report.

Presentation document(s): Commission agenda [memorandum](#) dated September 26, 2012, provided by Mary Gin Kennedy, Director of Commission Services.

Commissioner Creighton summarized Commission activities for September, noting participation in Century Agenda outreach events, port-related panel discussions, meetings of the Washington Public Ports Association, Freight Mobility Strategic Investment Board, and Puget Sound Regional Council Transportation Policy Board, meetings with state and federal officials, and participation in a Tourism Mission to the United Kingdom and Germany.

5. (00:02:39) UNANIMOUS CONSENT CALENDAR

[Clerk's Note: Items on the Unanimous Consent Calendar are considered routine and are not individually presented or discussed; however, the Port Commissioners receive the request documents for review prior to the meeting and have an opportunity to remove items from the Consent Calendar for separate discussion and vote in accordance with the Commission bylaws.]

5a. Authorization for the Chief Executive Officer to proceed with design and construction of the Rental Car Baggage Claim Renovation Project, including: (1) preparing design documents; (2) perform construction, using Small Works contracts and Port crews; and (3) executing a contract to purchase furniture, for a total amount of \$1,207,800. This request is time-sensitive and seeks a single authorization for design and construction.

Request document(s): Commission agenda [memorandum](#) dated September 26, 2012, provided by Michael Ehl, Director, Airport Operations, and George England, Program Leader, Aviation Project Management Group.

5b. Authorization for the Chief Executive Officer to proceed with design and construction of the Pier 66 Security Camera Upgrade Project, including: analysis and design, project management, preparation of construction documents, and use of Port crews, for a total project cost not to exceed \$540,000. This request is time-sensitive and seeks a single authorization for design and construction.

Request document(s): Commission agenda [memorandum](#) dated September 21, 2012, provided by Rees Robinson, Senior Marine Maintenance Project Manager, and Marie Fritz, Cruise Services Manager, Cruise and Industrial Properties.

5c. Authorization for the Chief Executive Officer to enter into and implement an interlocal agreement with Green River Community College (GRCC) for GRCC to provide curriculum development and classroom delivery of Frontline Supervision training courses (or within-course modules) to Port employees at an annual cost not to exceed

\$60,000. The interlocal agreement includes an initial two-year term with the mutual option of three one-year extensions ending in 2016 for a total cost of \$300,000.

Request document(s): Commission agenda [memorandum](#) dated September 24, 2012, interlocal [agreement](#), and GRCC [description](#) provided by Annalee Luhman, Learning and Leadership Manager, Human Resources and Development.

5d. Authorization for the Chief Executive Officer to advertise and execute up to three consulting services indefinite delivery, indefinite quantity contracts for building and structure related design, construction, and engineering support services for a total not-to-exceed amount of \$1,000,000 with a three-year contract ordering period. No funding is associated with this request.

Request document(s): Commission agenda [memorandum](#) dated September 25, 2012, provided by Cassie Fritz, Manager, Seaport Project Management Support Services.

5e. Authorization for the Chief Executive Officer to advertise and execute up to three consulting services indefinite delivery, indefinite quantity contracts for infrastructure-related design, construction, and other engineering support services for a not-to-exceed total of \$3,000,000 with a three-year contract ordering period. No funding is associated with this request.

Request document(s): Commission agenda [memorandum](#) dated September 25, 2012, provided by Cassie Fritz, Manager, Seaport Project Management Support Services.

5f. Authorization for the Chief Executive Officer to issue Change Order No. 4 for Contract MC-0317155, Exterior Gates and Airfield Improvement Projects at Seattle-Tacoma International Airport for an amount not to exceed \$470,000.00 and to revise the project scope to add two additional fuel hydrants at Concourse A.

Request document(s): Commission agenda [memorandum](#) dated September 24, 2012, provided by Ralph Graves, Managing Director, Capital Development, and Janice Zahn, Assistant Engineering Director.

5g. Authorization for the Chief Executive Officer to issue Change Order No. 008 for the Consolidated Rental Car Facility - Small Operator Area project to grant a no-cost time extension of 136 calendar days to the contract completion date. Upon approval of this change order, the new contract completion date will be June 18, 2012. No additional funds are requested as this is a no-cost change order.

Request document(s): Commission agenda [memorandum](#) dated September 21, 2012, provided by Ralph Graves, Managing Director, Capital Development, and Janice Zahn, Assistant Engineering Director.

Motion for approval of consent items 5a, 5b, 5c, 5d, 5e, 5f, and 5g – Albro

Second – Bryant

Motion carried by the following vote:

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

Absent for the vote: Holland

(00:06:36) 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. (00:07:02) Authorization for the Chief Executive Officer to re-advertise and execute one construction contract to install one new passenger loading bridge (PLB) at Gate B1 and to refurbish one PLB at Gate B11. The total estimated cost for this phase of the project is \$1,570,000.**

Request document(s): Commission agenda [memorandum](#) dated September 14, 2012, provided by Michael Ehl, Director, Airport Operations, and Wayne Grotheer, Director, Aviation Project Management Group.

Presenter(s): Mr. Grotheer and Ralph Graves, Managing Director, Capital Development.

It was explained that bids received for the subject project were almost double the engineer's estimate for the work on passenger loading bridges at Gates B1 and B11, which was attributed to scheduling restraints related to the airline realignment that are no longer applicable; the fact that there were only two bidders when there would normally be more; and staff's opinion that a noncompetitive bidding environment was created by the requirement that six percent of the dollar value of the work be performed by a small contractor or supplier and the fact that both bids included use of the same small contractor/supplier firm. In coordination with the Office of Social Responsibility, the intention of staff would be to remove the small contractor/supplier (SCS) requirement for this project.

There was discussion concerning the details of the SCS requirement, how often the six percent requirement is exceeded on projects with similar bidding climates, and whether removal of the SCS requirement would be likely to result in bids closer to the engineer's estimate. It was noted that the bids' exceeding the engineer's estimate by almost double is extraordinary and that the ability of the SCS firm selected for both bids to perform both mechanical and electrical work may have contributed to the size of the bids. It was also noted that the removal of the SCS requirement for this project is not a reflection on the Port's commitment to including small businesses, but rather an indication of the Port's responsibility to deliver projects on a cost-competitive basis.

Motion for approval of item 6a – Bryant

Second – Albro

Motion carried by the following vote:

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

Absent for the vote: Holland

- 6b. (00:17:35) Authorization to increase the project budget for the Centralized Pre-Conditioned Air Project at Seattle-Tacoma International Airport by \$2,000,000 to include \$1,250,000 for additional construction contingency; \$250,000 for additional design team**

support; and \$500,000 for additional support by Port Maintenance and Port Construction Services. In accordance with RCW 53.19.060, this memorandum constitutes notification to the Commission that the amended amount of this contract exceeds 50 percent of the original not-to-exceed contract value.

Request document(s): Commission agenda [memorandum](#) dated September 24, 2012, and [notification memo](#) dated August 29, 2012, provided by David Soike, Director, Aviation Facilities and Capital Program, and Wayne Grotheer, Director, Aviation Project Management Group.

Presenter(s): Mr. Soike, Mr. Grotheer, and Janice Zahn, Assistant Engineering Director.

The Commission received a presentation on agenda items 6b and 6c that included information relating to use of auxiliary aircraft engines to heat and cool air on board aircraft at the gate and the expectation that the Centralized Pre-Conditioned Air Project is estimated to save the use of approximately 5 million gallons of jet fuel annually, which represents the equivalent in CO₂ emissions of removing over 13,000 cars from the road. The challenges involved in routing specialized piping for the project to over 70 gates were described, and the causes of budget increases and change orders during the project and lessons learned by staff were noted. Information on potential future change orders on the project were described. Staff acknowledged the role of project acceleration for the sake of pursuing grant funding on the many budget changes and recommended that in similar future situations the risks of acceleration be clearly enunciated and that the project contingency be increased to cover unexpected changes. Factors affecting particular change orders and the status of claims related to budget increases and schedule variances were summarized. It was noted that heated air for the project is expected to be ready in December or January and that cooled air should be ready by spring 2013.

Commissioner Tarleton commented on the benefits of including consideration for exploratory imaging for projects of this kind in future bids. Commissioner Creighton noted that project acceleration in the interest of obtaining grant funding often results in budget and scheduling problems and stressed that the information presented to the Commission related to acceleration of grant-eligible projects should address these risks up front. Commissioner Albro recommended establishing an acceleration premium to transparently represent the added cost of project acceleration.

Motion for approval of item 6b – Bryant

Second – Creighton

Motion carried by the following vote:

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

Absent for the vote: Holland

6c. (00:34:46) Authorization for the Chief Executive Officer to issue Change Order No. 119 for Contract MC-0316677, Centralized Pre-Conditioned Air (PC Air) Project at Seattle-Tacoma International Airport, in the amount of \$509,013 for changes to the routing of piping at the North Satellite Utility Tunnel and Mechanical Room.

[Clerk's Note: The contract number in the action request and in the signed agenda memorandum for agenda item 6c was listed incorrectly as "MC-036677" and published so prior to the Commission meeting of October 2, 2012. The correct number, which is shown above, should have been "MC-0316677." A corrected agenda memorandum was prepared and posted on the Port's website on October 10, 2012.]

Request document(s): Commission agenda [memorandum](#) dated September 24, 2012, and subsequently corrected on October 10, 2012, provided by Ralph Graves, Managing Director, Capital Development, and Janice Zahn, Assistant Engineering Director.

There was no presentation at this time; however, the Port Commissioners received the request documents for review prior to the meeting of October 2, 2012, and the presentation for agenda item 6b also covered information relevant to agenda item 6c.

Motion for approval of item 6c – Creighton

Second – Albro

Motion carried by the following vote:

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

Absent for the vote: Holland

7. STAFF BRIEFINGS

7a. (00:35:50) Part 150 Aircraft Noise and Land Use Compatibility Study Update.

Presentation document(s): Commission agenda [memorandum](#) dated September 25, 2012, and computer slide [presentation](#) provided by Stan Shepherd, Manager Airport Noise Programs.

Presenter(s): Mr. Shepherd; Mark Reis, Managing Director, Aviation Division; and Rob Adams of the firm of Landrum & Brown.

Regarding the timing of the briefing on the Part 150 Study update, Chief Executive Officer Yoshitani commented that the Port was defending against a proposed class-action lawsuit associated with the operation of the Third Runway that resulted in suspension of work on the Part 150 Study, pending a judge's decision on the class action. He stated that staff has been working on study revisions required by the Federal Aviation Administration (FAA) since the judge's ruling in April 2012 denying certification of the class.

The Commission received a presentation on the status of the Part 150 Study and the Airport's efforts to reduce aircraft noise in the communities surrounding the Airport. It was explained that final decisions on noise mitigation have not been made, and that all the mitigation proposals would need to be discussed in detail before recommending specific actions on noise mitigation.

An updated 2018 noise contour and proposed noise remedy boundary map was presented that showed that the average Day/Night Level (DNL) contour for the 65 DNL is expected to encircle a smaller area in 2018 than the current 65 DNL boundary due to changes in aircraft technology and

operations. The 65 DNL contour affects the area within which noise mitigation proposals approved by the FAA would be eligible for federal funding assistance. It was explained that overflight activity has a more significant effect on the 65 DNL than ground run-up enclosure (GRE, or "hush house") placement. Factors affecting the extension of the 65 DNL farther to the north and south than to the east and west were discussed.

In response to Commissioner Albro, Mr. Shepherd stated that temporary noise monitoring in the Marine Hills neighborhood is being collected now and that a full year of data will be necessary. He added that a monitor on 320th Street had been relocated at the request of the City of Federal Way to the Woodmont School site.

In response to Commissioner Creighton, Mr. Shepherd noted that the existing noise remedy boundary for the Airport was established in 1985 based on expected noise contours for 2000, which did not include modeling related to the Third Runway but was very large due to the very loud aircraft operating at that time. He explained that the FAA allowed the Port to continue to use the larger boundary when mitigating for noise impacts anticipated by construction of the Third Runway.

Potential noise mitigation options anticipated to be submitted to the Commission for inclusion in a draft Part 150 Study to be submitted to the FAA were summarized. These included single-family home sound insulation; inclusion of air conditioning as part of the standard insulation package for single family homes not previously insulated; sound insulation for multi-family owner-occupied and tenant-occupied buildings; and a GRE feasibility study.

It was noted that failure to receive FAA approval would not necessarily preclude additional noise mitigation actions by the Port that could be pursued independent of federal funding, subject to consideration for use of public money under state law.

Commissioners Albro and Creighton requested additional information on mitigation benefits and siting considerations for a GRE.

Additional steps in the Part 150 process were summarized, and it was anticipated that a draft proposal would be presented to the Commission in December, with a draft to be made available for public comment in January 2013. It was explained that a public hearing would be held during the 45-day comment period, after which additional meetings with the Technical Review Committee and a request for Commission approval in February or March 2013, with a final Part 150 Study to be submitted to the FAA in March or April 2013.

7b. (01:04:00) Capital Budget Briefing.

Presentation document(s): Commission agenda [memorandum](#) dated September 14, 2012, and computer slide [presentation](#) provided by Dan Thomas, Chief Financial and Administrative Officer.

Presenter(s): Mark Reis, Managing Director, Aviation Division; David Soike, Director, Aviation Facilities and Capital Programs; Borgan Anderson, Senior Manager, Aviation Finance and Budget; Boni Buringrud, Director, Seaport Finance and Budget; Peter Garlock, Chief Information Officer; and Kim Albert, Senior Manager, Information and Communications Technology Business Services.

The regular meeting was recessed due to lack of a quorum at 2:13 p.m. and reconvened at 2:15 p.m., chaired by Commissioner Tarleton.

Aviation

The Commission was presented with information regarding the 2013 proposed capital budget. Aviation projects presented and linked to Aviation business strategies and preliminary Century Agenda goals included the following new projects:

- Federal Inspection Services (FIS) Facility Long-Term Solution;
- Security Exit Lane Breach Control;
- Known Crewmember and Employee Bypass;
- Access Control System Refresh;
- Emergency Power Transfer Switches;
- Main Terminal Mezzanine Tenant Relocations;
- 800MHz Radio System Upgrade;
- Passenger Loading Bridges at Gates B6, B8, B14;
- Passenger Loading Bridges at Gates B7 and B9;
- Snow Blower and Deicer Trucks;
- Noise System Upgrade Replacement;
- Grease Interceptor Augmentation 2013;
- Concourse D Roof Replacement; and
- Valet Parking Infrastructure.

Commissioner Albro requested additional information related to the effect of FIS improvements on Airport growth trends.

Costs for projects summarized by category as authorized/underway, pending 2012-2013 authorization, pending future authorization, and small projects were presented with annual totals between 2013 and 2017. The total cost of projects authorized/underway in 2013 was stated at approximately \$130 million, with a five-year total estimated at \$511 million. The total 2013 cost of projects pending 2012-2013 authorization was stated at approximately \$44 million, with a five-year total estimated at \$612 million. The total 2013 cost of projects pending future authorization was presented at approximately \$5 million, with a five-year total estimated at \$311 million. The total 2013 cost of projects in the small projects category was stated at approximately \$4.2 million, with a five-year total estimated at \$18.8 million. The total capital spending for Aviation projects between 2013 and 2017 was summarized at approximately \$1.45 billion.

In response to Commissioner Albro, Mr. Anderson reported that the historic high point for Aviation capital spending was 2002 with approximately \$421 million, followed closely by \$416 million in 2004 and \$413 in 2005, and that all three years included work on the Third Runway. Mr. Reis commented on the total \$1.45 billion cost over five years for major capital projects, the consolidation of approximately \$770 million of that cost in three major projects – FIS Solution, NorthSTAR, and Runway 16C/34C reconstruction – and uncertainty as to whether the project spending and assignment of associated resources in the five-year period is practicable.

Seaport

The Seaport Division's key strategies aimed at commercial business, asset stewardship, and advancing the Green Gateway were summarized, as was the process for the capital budget review. Cost for all categories of Seaport projects – Commission authorized/underway, pending 2013 authorization, pending future authorization, and small projects – was summarized for 2013 at approximately \$13 million, with a five-year total estimated at \$296 million.

Projects in the Seaport capital plan were summarized. It was noted that authorized/underway projects related to Terminal 5 crane cable reels, cruise capital allowance for the CTA lease, and Building C175 roof replacement under CIP #C800430 represent lease commitments. Projects pending 2013 authorization that represent lease commitments include Terminal 106 and Terminal 108 drainage and paving. It was noted that Terminal 46 Viaduct-replacement-driven capital work is being funded by the Washington State Department of Transportation and that the capital funding in the Seaport capital budget is for project oversight. Projects pending future authorization that represent lease commitments include new cranes at Terminal 5. Timing on any action on the Pier 66 Shorepower project was discussed, given the five-year cost of \$13.7 million and the need for coordination with the City of Seattle in further development of the project.

Projects supporting preliminary Century Agenda goals were presented. There was discussion on the issue of stormwater management, the responsibilities of tenants versus the Port for stormwater treatment, and the high standards for treatment of stormwater.

Real Estate

The Real Estate Division's review process for the capital budget was described. It was noted that the funding capacity for Real Estate projects has not yet been determined. Cost for all categories of Real Estate capital projects was summarized for 2013 at approximately \$17 million, with a five-year total estimated at \$69 million. Projects in the categories of Commission authorized/underway, pending 2013 authorization, pending future authorization, and small projects were noted. There was discussion of the live-aboard use and market value of facilities at Shilshole Bay Marina related to the five-year cost of \$4.8 million for replacement of restrooms that were built in the 1960s and are not accessible by current standards (not compliant with the Americans with Disabilities Act).

Commissioner Albro requested more detailed information about Real Estate projects correlated to the particular asset over time in order to compare asset revenue to investment levels.

Corporate

In the summary of Information and Communications Technology costs it was noted that despite introduction of over 50 new or enhanced systems since 2008, the average annual budget growth has remained relatively flat at about 1.2 percent. The total 2013 cost for all project categories was presented as approximately \$11 million, with a five-year total estimated at \$45.4 million. Projects were summarized by category. The PeopleSoft Financials Upgrade was noted as a key driver of Corporate costs in 2013.

Portwide

Overall capital budget totals by category and by division for all Port divisions were presented, showing a 2013 total for all categories of approximately \$225 million and a five-year total of slightly less than \$1.9 billion. Mr. Thomas stated that a presentation on the draft plan of finance and tax levy funding analysis would be provided on October 23, 2012. Commissioner Albro requested more information about the range of possible capital spending above and below the expenditures represented by staff proposals, particularly for projects that draw upon the tax levy.

Mr. Thomas described the process by which variances are tracked against the capital budget, noting that CIP cash flow is updated on a quarterly basis and that the forecast made at the end of the second quarter of 2012 for budget planning purposes would necessarily be out of date by the time actual expenditures for 2013 start to be recorded. He explained that the cash-flow forecast for 2013 is updated based on the cash-flow update for the fourth quarter of 2012, using the same list of capital projects. He stated that the plan-of-finance forecasts are not part of the formal funding plan for bond issuance or other funding needs.

The 2013 capital budget was presented by division percentage, with 81.7 percent in the Aviation Division, and capital spending trends between 2005 and 2013 were summarized against plan-of-finance forecasts.

8. NEW BUSINESS

(02:30:18) Airport Duty-Free Concession Update.

Mr. Reis announced that, on October 1, 2012, following an evaluation process reviewed by a board of review described on September 11, 2012, and composed of Ralph Graves, Managing Director, Capital Development Division; Joe McWilliams, Managing Director, Real Estate Division; and Nora Huey, Chief Procurement Officer, an apparent proposer for the Airport duty-free concession had been identified. He explained that a 48-hour protest period began following the announcement of the selected bidder during which an administrative protest of the selection may be filed by unsuccessful bidders. He added that the protest period should conclude by October 4, 2012.

9. POLICY ROUNDTABLE

None.

10. ADJOURNMENT

There being no further business, the regular meeting was adjourned at 3:40 p.m.

Tom Albro
Secretary

Minutes approved: November 27, 2012.