



Commissioners

Gael Tarleton
Commission President

Tom Albro
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John Creighton
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Tay Yoshitani
Chief Executive Officer

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**APPROVED MINUTES
COMMISSION SPECIAL MEETING NOVEMBER 6, 2012**

The Port of Seattle Commission met in a special meeting Tuesday, November 6, 2012, at Port of Seattle Headquarters, Commission Chambers, 2711 Alaskan Way, Seattle, Washington. Commissioners Albro, Holland, and Tarleton were present. Commissioners Bryant and Creighton were absent.

1. CALL TO ORDER

The special meeting was called to order at 11:05 p.m. by Gael Tarleton, Commission President.

2. EXECUTIVE SESSION pursuant to RCW 42.30.110

None.

PLEDGE OF ALLEGIANCE

(00:01:22) ANNOUNCEMENTS

Commissioner Tarleton announced the creation of an outside advisory committee to work with the Commission on reconstituting a semi-independent panel to advise the Commission on revision of its Code of Ethics in accordance with the recommendations presented to the Commission in public session on October 23, 2012, and stated it was the Commission's intention to take action by the end of November.

Chief Executive Officer Tay Yoshitani thanked the Commission for requesting independent review of the legal basis for a finding of no actual, potential or apparent conflict of interest with respect to the CEO's outside board position with Expeditors International. He stated that at the time the provision for serving on outside boards was incorporated into his retention agreement, there was no plan to pursue any particular board membership. He commented on his interest in private board participation in general and the steps taken to ensure that no actual or perceived conflict of interest would arise from his serving on the Expeditors International Board of Directors, including his own review of the company's business and further review by General Counsel Craig Watson. He commented on the controversy surrounding his board membership and ways to avoid similar distractions in the future, including his concurrence with the recommendation of Former Chief

Justice Gerry Alexander that Commission approval of particular independent board memberships be required in the future. Mr. Yoshitani indicated his willingness to amend his current retention agreement to include such a provision going forward. In light of Mr. Alexander's report, Mr. Yoshitani noted that he would continue to serve on the Expeditors International Board of Directors using his private time and resources and that he would continue to protect the public interest while serving as the Port's CEO and noted his long career in public service with a reputation of integrity.

3. (00:06:19) APPROVAL OF MINUTES

Special meeting of September 11, 2012.

Motion for approval of minutes for the special meeting of September 11, 2012 – Albro

Second – Holland

Motion carried by the following vote:

In Favor: Albro, Holland, Tarleton (3)

Absent for the vote: Bryant, Creighton

4. SPECIAL ORDER OF BUSINESS

4a. (00:07:06) Commission Activities Report.

Presentation document(s): Commission agenda [memorandum](#) dated October 31, 2012, provided by Mary Gin Kennedy, Director of Commission Services.

Commissioner Holland noted Commission participation in the 2012 Regional Leadership Conference, including emphasizing the Century Agenda; participation in the Governor's Trade Mission to India and South Korea; and speaking at a ceremony recognizing the inaugural call of Cosco's M.V. Guangzhou, the second largest vessel ever to visit the Port, at Terminal 46.

5. (00:08:37) 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 direct staff to develop design documents, apply for permits, and prepare construction documents as part of the Terminal 46 Dock Rehabilitation project for an estimated cost of \$1,797,000, bringing the total authorized cost of this project to \$1,854,000. The total project cost is estimated at \$24,064,000.

Request document(s): Commission agenda [memorandum](#) dated October 29, 2012, and computer slide [presentation](#) provided by Scott Pattison, Seaport Asset Manager, and Curtis Stahlecker, Capital Project Manager.

- 5b. Authorization for the Chief Executive Officer to: (1) advertise for construction bids, execute construction contracts, and fund the construction phase to complete the Pier 66 Apron Pile-Wrap Project in an amount not to exceed \$2,843,000 of a total estimated project cost of \$3,010,000; and (2) advertise for construction bids, execute construction contracts, and fund the construction phase to complete the Pier 69 North Apron Corrosion Control Project in an amount not to exceed \$4,800,000 of a total estimated project cost of \$5,100,000. The total amount requested for both projects is \$7,643,000 and the total cost of both projects is \$8,110,000.**

Request document(s): Commission agenda [memorandum](#) dated October 29, 2012, and computer slide [presentation](#) provided by Mike McLaughlin, Director, Cruise and Maritime Operations; Nick Milos, Pier 69 Facility Manager; Fred Chou, Project Manager, Seaport Project Management; and Catherine Chu, Project Manager, Seaport Project Management.

- 5c. Authorization for the Chief Executive Officer to: (1) re-advertise and execute construction contracts for the Security Access Control Door Additions project at Seattle-Tacoma International Airport; (2) increase budget by \$480,000 for a total estimated project cost of \$2,280,000; and (3) transfer \$800,000 of budget and scope from the Security Access Control Door Additions Project (CIP #C800414) to the NorthSTAR North Satellite Renovation and North Satellite Transit Station Lobbies project.**

Request document(s): Commission agenda [memorandum](#) dated October 26, 2012, provided by Wayne Grotheer, Director, Aviation Project Management Group, and Wendy Reiter, Director, Aviation Security and Emergency Preparedness.

- 5d. Authorization for the Chief Executive Officer to execute up to two indefinite delivery, indefinite quantity consulting contracts for transportation planning, analysis, review, conceptual design, and strategic advisory services, for a combined value not to exceed \$500,000 and for a contract ordering period of four years. There is no funding request associated with this authorization.**

Request document(s): Commission agenda [memorandum](#) dated October 30, 2012, provided by Geri Poor, Manager, Regional Transportation, Public Affairs, and Christine Wolf, Transportation Program Planner, Seaport Leasing and Asset Management.

- 5e. Authorization for the Chief Executive Officer to proceed with the Concourse C Vertical Circulation project, prepare design documents, and use Port crews to support site investigation needed to develop the contract documents. The amount of this request is \$3,155,000, and the total project cost is \$19,300,000.**

Request document(s): Commission agenda [memorandum](#) dated October 29, 2012, and Concourse C [diagram](#) provided by Michael Ehl, Director, Airport Operations, and Wayne Grotheer, Director, Aviation Project Management Group.

- 5f. Authorization for the Chief Executive Officer to issue Change Order No. 023 for the Bus Maintenance Facility project to grant a no-cost time extension of 151 calendar days to the contract completion date. Upon approval of this change order, the new contract**

completion date will be July 13, 2012. No additional funds are requested as this is a no-cost change order.

Request document(s): Commission agenda [memorandum](#) dated October 26, 2012, provided by Ralph Graves, Managing Director, Capital Development, and Janice Zahn, Assistant Director of Engineering – Construction Services.

5g. Authorization for the Chief Executive Officer to advertise, award, and execute a major construction contract in an amount not to exceed \$650,000 to construct a new Virgin America airline ticket office at Seattle-Tacoma International Airport. No additional funding is required for this authorization as the increased cost can be absorbed within the total authorized project budget.

Request document(s): Commission agenda [memorandum](#) dated October 29, 2012, provided by Michael Ehl, Director, Airport Operations, and Wayne Grotheer, Director, Aviation Project Management Group.

5h. Authorization for the Port of Seattle to contribute \$50,000 in funding to the Duwamish Transportation Management Association for a community and business outreach program related to freight, transportation, and mitigation needs for the Port's terminals and within the Duwamish Manufacturing Industrial Center.

Request document(s): Commission agenda [memorandum](#) dated October 31, 2012, Duwamish Transportation Management Association [letter](#) dated September 28, 2012, and Port funding [application](#) provided by Mary Gin Kennedy, Director of Commission Services.

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

Second – Albro

Motion carried by the following vote:

In Favor: Albro, Holland, Tarleton (3)

Absent for the vote: Bryant, Creighton

(00:09:25) PUBLIC TESTIMONY

As noted on the agenda, public comment was received from the following individual(s):

- Susan Kostoff, Senior Project Manager for Alaska Airlines. Ms. Kostoff commented in support of agenda items 5e and 6b, related to Concourse C vertical circulation and North Satellite baggage system, respectively.

6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS

6a. (00:12:17) Authorization for the Chief Executive Officer to advertise and execute a major construction contract, and to execute a contract to provide environmental consultant services for a removal action (cleanup) at the T-117 Early Action Area cleanup site required under an Administrative Settlement Agreement and Order on Consent that the Port entered into on June 8, 2011.

Request document(s): Commission agenda [memorandum](#) dated October 29, 2012, and settlement [agreement](#) and order on consent provided by Kathy Bahnick, Manager, Remediation Programs; Roy Kuroiwa, Senior Environmental Program Manager; and Ticson Mach, Construction Capital Project Manager.

Presenter(s): Mr. Kuroiwa.

The Commission received a presentation that included the following information:

- The authorization is in support of an early action clean-up at Terminal 117;
- The Commission authorized execution of the administrative settlement agreement and order on consent on May 24, 2011;
- The U.S. Environmental Protection Agency has approved project design deliverables;
- Cleanup construction will include excavation of approximately 50,000 cubic yards of upland soil and approximately 10,000 cubic yards of contaminated river sediment;
- A comprehensive approach to communication with the South Park neighborhood during the project is planned;
- Funding for the project is outlined in the 2012 plan of finance and provided for in the annual environmental remediation liability authorization, which carries forward into 2013; and
- The authorization includes advertisement and execution of a major construction contract to conduct the cleanup and execution of a professional services contract for environmental compliance support for the cleanup work, including one year of operation and maintenance monitoring.

Motion for approval of item 6a – Albro

Second – Holland

Motion carried by the following vote:

In Favor: Albro, Holland, Tarleton (3)

Absent for the vote: Bryant, Creighton

6b. (00:16:34) Authorization for the Chief Executive Officer to proceed with the North Satellite Refurbish Baggage System project; direct staff to prepare design documents; and use Port crews to support site investigation needed to develop the contract documents. The total amount of this request is \$3,760,000, and the total projected cost is \$22,000,000.

Request document(s): Commission agenda [memorandum](#) dated October 29, 2012, and baggage screening system [diagram](#) provided by David Soike, Director, Aviation Facilities and Capital Program, and Wayne Grotheer, Director, Aviation Project Management Group.

Presenter(s): Mr. Soike and Mr. Grotheer.

The Commission received a presentation that included the following information:

- The North Satellite Refurbish Baggage System project is part of the airline realignment;
- The existing tunnel that provides baggage to the North Satellite was built in 1970;
- Since there is no room in the existing tunnel to accommodate a bidirectional system, bags on this system only travel to the satellite, and a transfer point will be added at the North Satellite so baggage bound for connecting flights can be processed more quickly;
- Additional baggage handling facilities will be included in the satellite, and sortation in the main terminal will be streamlined by the project;
- Alaska Airlines has been actively involved in the project and the Airport and Alaska have agreed on project priorities;
- The project consists in refurbishment of existing system components and limited re-routing of systems with no effect on security systems since the bags have already been screened before they enter the subject system;
- An existing indefinite delivery, indefinite quantity contract will be used for project design; and
- Staff will return for construction authorization after completion of design.

In response to Commissioner Albro, Mr. Soike described the efforts of Port staff to successfully prolong the useful life of assets like baggage conveyors. Commissioner Tarleton commented on the complicated nature of the Airport's baggage handling system.

Motion for approval of item 6b – Holland

Second – Albro

Motion carried by the following vote:

In Favor: Albro, Holland, Tarleton (3)

Absent for the vote: Bryant, Creighton

7. STAFF BRIEFINGS

7a. (00:24:58) Follow-up on the Tax Levy Briefing.

Presentation document(s): Commission agenda [memorandum](#) dated October 24, 2012, and computer slide [presentation](#) provided by Elizabeth Morrison, Director, Corporate Finance.

Presenter(s): Ms. Morrison; Boni Buringrud, Manager, Seaport Finance and Budget; Dan Thomas, Chief Financial and Administrative Officer; and Joe McWilliams, Managing Director, Real Estate Division.

The Commission received a presentation that included the following information in response to requests and inquiries made at the October 23, 2012, special meeting:

- Variances from forecast for the tax levy balance for 2012 included \$14 million attributable to differences in timing related to the Eastside Rail Corridor; \$1 million in grant funding for environmental remediation liabilities attributable to absolute savings; \$8 million in environmental remediation liabilities attributable to timing differences;

- \$2 million in absolute CIP savings; and \$8 million in CIP savings attributable to timing differences;
- Variances for the Fishermen's Terminal net sheds are attributable to changes in the net sheds project and the change in accounting for funding as an expense project over two years; and
- Options for contributing to the Alaskan Way Viaduct replacement project that reflected different levels of cash contribution versus bond proceeds were presented.

The following information related to the Real Estate Division 2013-2022 forecast was presented:

- Assumptions for forecast of net operating income include commercial property occupancies consistent with 2013 budget, recreational boating occupancies growing slowly, Consumer Price Index increases for revenue and expenses at 2.5 percent, completion of the deferred maintenance program in 2013, and annual increases for Corporate and Capital Development Divisions of 4.5 percent for each of the 10 years;
- Negative forecast numbers in the Real Estate Division net operating income forecast related to divisional expense allocations represent the structure by which Maintenance and Facilities services are contained in the Real Estate Division, although they allocate costs for service to other divisions;
- Improvements between 2013 budget and 2014 forecast represent completion of deferred maintenance completion and improvements between 2014 and 2015 forecast represents completion of the net shed compliance project;
- Shilshole Bay Marina contributes 92 percent of the 10-year revenue for recreational boating with a low proportion of expense to revenue;
- Fishermen's Terminal represents revenue of \$26 million in the 10-year forecast for fishing and commercial business lines;
- Revenue in the Real Estate Development and Planning category reflect forecasted revenue from the Terminal 91 uplands;
- A capital budget summary through 2022 was presented that reflected work identified in the Fishermen's Terminal condition assessment; and
- Ongoing capital support for the Real Estate Division from the tax levy is driven by needs at Fishermen's Terminal and the need to offset revenue bond debt service.

Commissioner Albro recommended that Corporate allocations should be held close to 20.6 percent of top-line revenue. Commissioner Tarleton commented on the possibility for Corporate costs to be forecasted to grow at 2.5 percent through 2018.

In response to Commissioner Albro's question about the timing of the Fishermen's Terminal 25-year plan, Mr. McWilliams noted that market conditions are improving slowly and that the next version of the plan would be presented in the spring of 2013 and would take into consideration the outcome of the pilot project for code compliance in the Fishermen's Terminal net sheds. Commissioner Tarleton commented on the value of maintaining Fishermen's Terminal as the home port for the North Pacific Fishing Fleet. Mr. Yoshitani commented on the need for workforce development in the fishing and maritime sector to take advantage of the upcoming needs for fishing vessel replacement and refurbishment over the next few years.

The following information was presented regarding alternative scenarios for cash flow of the tax levy presented on October 23, 2012:

- The basic option continues the levy at \$73 million, funds general obligation bond debt service, various projects, and Real Estate Division capital and operating expenses;
- Sources and uses of the tax levy in the basic scenario were presented;
- General obligation bond debt service for the Alaskan Way Viaduct Replacement assumes a bond issuance to cover \$250 million of project costs;
- There is \$36 million in the Transportation and Infrastructure Fund as of the end of 2012 of which \$35 million is available for Viaduct replacement;
- Tax levy cash flow over 10 years based on the basic option results in total uses of \$912 million and a negative tax levy fund balance of \$121 million;
- The second scenario presented on October 23 adds \$24 million to the cash contribution to the Viaduct replacement;
- Scenario no. 3 is based on the assumptions for scenario no. 2 and factors in annual environmental recoveries of \$2 million, property sales of \$7 million, and an excess fund balance of \$24 million;
- Scenario no. 4 takes into account the factors of scenario no. 3 and also factors additional 10-year environmental costs of \$50 million and property acquisitions of \$20 million;
- The four scenarios were presented side by side in terms of options for contribution to the Viaduct replacement, funding gaps resulting from maintaining the tax levy at \$73 million, the percentage tax levy increase needed to close the funding gap, the amount of the levy in each case for 2013, and the percentage tax levy increase needed each year in order to close the gap if increase of the tax levy were postponed to 2014;
- Scenarios no. 3 and 4, as revised based on a 30-percent reduction of Real Estate capital spending, were presented, showing smaller tax levy funding gaps in 2022 and lower percentage increases needed to close the gap;
- The revised version of the four tax levy scenarios did not incorporate additional negative outcomes such as changes in Seaport business and additional environmental costs; and
- Staff recommendations include an additional deposit of \$24 million to the Transportation and Infrastructure Fund, increase of the tax levy in 2013 by three percent to \$75.2 million, and adopting a long-term planning assumption that the levy will increase by three percent annually that can be reviewed and adjusted annually depending on actual circumstances.

Commissioner Holland commented on the potential for the Port to increase overall revenue. Mr. Yoshitani noted that the \$121 million deficit in the tax levy fund balance over 10 years corresponds to the amount the Port will spend on the debt service on general obligation bonds to help fund the Viaduct replacement project. Commissioner Tarleton stated her preference to deposit the additional \$24 million to the Transportation and Infrastructure Fund.

7b. (01:37:23) 2013 Salary and Benefits Resolution Briefing.

Presentation document(s): Commission agenda [memorandum](#) dated October 26, 2012, salary range [structure](#), and computer slide [presentation](#) provided by Tammy Woodard, Assistant Director, Human Resources and Development – Total Rewards.

Presenter(s): Ms. Woodard.

The Commission received a presentation that included the following information:

- There are 925 employees, which is approximately 52 percent of Port employees, covered by the salary and benefits resolution;
- The resolution establishes a merit-based pay-for-performance system as the basis for employee pay increases;
- Port staff researches current market pay levels for non-union staff and expected market pay increases by local public and private employers when proposing changes to the resolution;
- In 2012, the Total Rewards philosophy was introduced and finalized and review of plans and benefits revealed that they align well with the philosophy;
- 2012 market pay increases were anticipated to be 3.1 percent and actually came out to about 2.8 percent;
- Salary ranges were increased by two percent in 2012 and health care cost containment measures continue;
- Port health care cost increased in each of the last three years at less than three percent compared to the overall health care cost trend of 6-8 percent;
- Considerations of the current economic environment, increases to employee medical premiums, and 2013 increases to Public Employee Retirement System rates were noted;
- Port salary ranges are currently one percent below market average and surveys report an anticipated average pay increase for 2013 of 2.9 percent;
- Anticipated cost of living increases for local public employers is estimated between zero and 3.3 percent and total pay increases are estimated between zero and 11.4 percent;
- Anticipated pay increases for Port represented employees are estimated at approximately 2.7 percent;
- The resolution also defines the 2013 holiday schedule, reduces the accumulation limit for paid time off from 700 to 60 hours, and updates benefits eligibility to align dental benefits with medical eligibility; and
- A 2.0 percent increase to the salary range structure is proposed.

Commissioner Holland commented on the value of health care benefits as a requisite of public employment and stated his interest in keeping employee health care premiums flat for 2013. In response to Commissioner Tarleton, Mr. Thomas noted that prior to 2010 Port employees did not pay any health care premium. He stated that employee cost sharing in medical premiums is embedded in the 2013 budget assumptions. Commissioner Holland requested information on the result of maintaining employee premiums static in 2013 and on the effect of new federal health care legislation on Port health care costs. Commissioner Tarleton commented on the importance of predictability in health care costs for employees.

8. NEW BUSINESS

None.

9. POLICY ROUNDTABLE

None.

10. ADJOURNMENT

There being no further business, the special meeting was adjourned at 1:15 p.m.

Rob Holland

Secretary

Minutes approved: January 22, 2013.