



**Commissioners**

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*Audio and video recordings of the meeting proceedings and meeting materials are available on the Port of Seattle web site – [www.portseattle.org](http://www.portseattle.org). The approximate point in the video recording for each agenda item is identified by hours, minutes, and seconds; example: 00:01:30.*

**APPROVED MINUTES  
COMMISSION REGULAR MEETING NOVEMBER 13, 2012**

The Port of Seattle Commission met in a regular meeting Tuesday, November 13, 2012, at Port of Seattle Headquarters, Commission Chambers, 2711 Alaskan Way, Seattle, Washington. Commissioners Albro, Bryant, Holland, and Tarleton were present. Commissioner Creighton was absent.

**1. CALL TO ORDER**

The regular meeting was called to order at 1:05 p.m. by Gael Tarleton, Commission President.

**2. EXECUTIVE SESSION pursuant to RCW 42.30.110**

None.

**PLEDGE OF ALLEGIANCE**

**(00:01:20) ANNOUNCEMENTS.**

Commissioner Tarleton acknowledged Veterans Day, November 11, 2012, and recognized veterans in attendance at the meeting.

Commissioner Tarleton announced that in light of her election to the Washington House of Representatives representing the 36<sup>th</sup> Legislative District, she would plan to resign her position as a Port Commissioner following the first Commission meeting of January 2013. She explained that a successor would be selected by the Port Commission by a majority vote at a public meeting and would serve until the next general election, at which time a candidate would be elected to serve the remainder of her unexpired term. She noted that the Commission has 90 days under state law to make an appointment and stated that additional details would be provided following certification of the November 6, 2012, election on November 27, 2012.

Commissioner Tarleton announced that on November 8, 2012, Paul Lawrence of the Pacifica Law Group filed a motion in U.S. District Court to dissolve the injunction in the case of *CityIce Cold Storage v. the Port of Seattle*, as authorized by the Port Commission on October 23, 2012.

**3. (00:04:05) APPROVAL OF MINUTES**

Special meetings of September 20, 2012, and September 25, 2012.

**Motion for approval of minutes for the special meetings of September 20, 2012, and September 25, 2012 – Bryant**

**Second – Holland**

**Motion carried by the following vote:**

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

**Absent for the vote: Creighton**

**4. SPECIAL ORDERS OF BUSINESS**

None.

**5. (00:04:29) 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. Approval of the [Claims and Obligations](#) for the period of October 1, 2012, through October 31, 2012, in the amount of \$ 26,067,291.86.**

**5b. Authorization to increase the Century Agenda program budget by \$85,000, from budget approved October 4, 2011, to meet the added costs of the Century Agenda program, including the extension of the Century Agenda completion from June 2012 to December 2012, additional outreach programs, and the development of Regional Initiatives. With this authorization, the revised program budget is \$310,000.**

Request document(s): Commission agenda [memorandum](#) dated November 6, 2012, provided by Geri Poor, Regional Transportation Manager; Tom Barnard, Research and Policy Analyst; and Holly Decker, Century Agenda Liaison.

**5c. Authorization for the Chief Executive Officer to execute a contract to conduct commercial pest management at the Airport's Main Terminal, North and South Satellites, parking garage, and several other Port-owned buildings at the Airport. The total estimated cost of the contract will not exceed \$750,000 for the three-year ordering period (2013-2015).**

Request document(s): Commission agenda [memorandum](#) dated November 2, 2012, provided by Michael Ehl, Director Aviation Operations.

**5d. Authorization for the Chief Executive Officer to execute a major works construction contract to install one new passenger loading bridge (PLB) at Gate B1 and to refurbish**

**one PLB at Gate B11 for the amount of \$597,093. No additional funding is requested to execute this contract.**

Request document(s): Commission agenda [memorandum](#) dated November 5, 2012, provided by Michael Ehl, Director, Airport Operations, and Wayne Grotheer, Director, Aviation Project Management Group.

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

**Second – Holland**

**Motion carried by the following vote:**

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

**Absent for the vote: Creighton**

### **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. (00:06:10) Authorization for the General Counsel to enter into a Stipulation and Agreed Order for Immediate Possession and Use of Port property consisting of easements over portions of the West Yard at Terminal 91 for King County's construction and operation of the South Magnolia Combined Sewer Overflow Project.**

Request document(s): Commission agenda [memorandum](#) dated November 5, 2012, and easement [diagram](#) provided by Joe McWilliams, Managing Director, Real Estate Division, and Craig Watson, General Counsel.

Presenter(s): Mr. McWilliams.

The Commission received a presentation that included the following information:

- The combined sewer overflow project is proceeding simultaneously down a path for negotiated sale of the property in fee to King County with a fall-back position by which the County would condemn the easements needed for construction of the facility;
- There is a valuation trial scheduled in February 2013;
- Staff recommends agreeing to the County's request for immediate possession and use in order to allow continuation of the valuation trial and negotiated settlement in fee and, in the event the easements are obtained by condemnation, execution of immediate possession and use will facilitate recovery of legal fees; and
- The amount for the easements deposited by the County into the Court's registry is approximately \$3 million "all in," although the action does not stipulate to a \$3 million value.

**Motion for approval of item 6a – Bryant**

**Second – Holland**

**Motion carried by the following vote:**

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

**Absent for the vote: Creighton**

**6b. (00:08:35) First Reading and Public Hearing of Resolution No. 3670: A resolution of the Port Commission of the Port of Seattle adopting the final budget of the Port of Seattle for the year 2013; 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 2013.**

Request document(s): Commission agenda [memorandum](#) dated November 2, 2012, [Resolution No. 3670](#), and computer slide [presentation](#) provided by Dan Thomas, Chief Financial and Administrative Officer, and Michael Tong, Corporate Budget Manager.

Presenter(s): Mr. Thomas and Mr. Tong.

The Commission received a presentation that included the following information:

- The 2013 budget process was reviewed;
- Aviation has reduced terminal realignment expense by \$1 million and added \$290,000 for joint marketing expense related to new international air services;
- Capital Development eliminated \$200,000 of litigation expense and reduced terminal realignment support by \$165,000;
- Corporate Division added \$115,000 for economic impact study expense and \$50,000 for Information and Communications Technology assessment follow-up expenses;
- The net change in expenses is a reduction of \$910,000;
- When lower operating costs are applied to cost recovery formulas, aeronautical revenues are down by \$700,000;
- Rental car customer facilities charges decreased operating revenue by \$405,000 and increased nonoperating revenue by the same amount;
- The overall change in net assets from the \$82.014 million presented on October 9 to \$82.224 million as of October 23 represents an increase of \$210,000;
- Changes to the budget since October 23 include reduction of public parking revenue by \$2.8 million, increase of concession revenue by \$500,000, and removal of \$525,000 associated with the valet parking program, resulting in a reduction in non-aeronautical net operating revenue of almost \$1.8 million;
- Total operating revenue for 2013 is \$550 million, which is \$33 million, or 6.5 percent, higher than budgeted for 2012 and is due to higher terminal realignment and debt

service costs, higher concessions and rental car facility revenue, and the effects of Terminal 18 special facility bond refunding;

- Operating expenses for 2013 will increase \$328 million, which is \$19 million, or 6.2 percent, higher than budgeted for 2012 and is due to terminal realignment, full-year operation of the rental car facility, and deferred maintenance;
- Net operating income for 2013 will increase \$221.7 million, which is \$14.6 million, or 7.1 percent, higher than budgeted for 2012;
- The methodology for the 2013 budget assumed continuation of rate-making under the existing airline lease agreement and changes to the airline lease structure may require budget revisions;
- Similar changes to Seaport lease structures may have the same effect on Seaport budget revisions;
- Payroll costs are \$7 million, or 3.4 percent, higher than 2012 budget and non-payroll expenses are \$12 million, or 12 percent, higher than 2012 budget due to pay increases, new full-time-equivalent (FTE) positions, contractual increases, higher utility costs, support for terminal realignment and the Century Agenda, environmental remediation, insurance premium increases, and additional rental car facility pass-through expense;
- Baseline increase in operating expense is \$4.9 million, or 1.6 percent;
- Corporate costs as a percentage of revenue and expenses were presented for 2011, 2012, and 2013;
- Corporate costs for 2013 are 14.3 percent of revenues and 24.0 percent of expenses;
- A comprehensive summary of 2013 revenues and expenses was presented with variance explanations showing total revenues of \$743 million, an increase of \$21 million, or 3.0 percent, total expenses of \$662 million, an increase of \$20 million, or 3.1 percent, and a change in net assets of \$80 million, an increase of \$1.4 million, or 1.8 percent;
- Total 2013 FTEs are 1,789.8, a decrease of 3.9 FTEs from 2012;
- The capital budget summary did not change since the October 23 briefing, the 2013 capital budget is \$225 million, and the 2013-2017 capital plan is \$1.8 billion;
- Of funding sources, operating revenues represent 74.1 percent, the tax levy provides 9.8 percent, and passenger facility charges contribute 8.7 percent;
- Fund uses were presented showing 37.7 percent for operations, including 27.1 percent operating and maintenance expense, 8.0 percent corporate administrative expense, and 2.6 percent law enforcement costs; 26.3 percent capital expenditures; 17.4 percent interest payments; and 12.1 percent bond redemptions;
- The tax levy amount is established each year, the maximum allowable levy for 2013 is \$91.5 million, and the levy amount proposed for 2013 is \$73 million;
- Tax levy uses include general obligation bond debt service, public asset expense for freight mobility, environmental remediation liability, a portion of Real Estate operating expenses, Real Estate capital improvements, Argo road capital project, funding for Aviation High School, and the Office of Port Jobs; and
- In view of the Commission's desire to hold the tax levy amount at \$73 million, staff recommends contributing \$6 million annually to replenish the Transportation and Infrastructure Fund instead of an up-front contribution of \$24 million.

The remaining budget schedule was presented, including second reading of the budget on November 27, 2012, not November 23, 2012, as indicated in the presentation documents.

**Motion for first reading of Resolution No. 3670 – Albro**

**Second – Bryant**

**PUBLIC HEARING on Resolution No. 3670**

Commissioner Tarleton declared the public hearing for Resolution No. 3670 open. There was no public comment offered at this time. Following the opportunity for public comment, the public hearing on Resolution No. 3670 was closed.

Commissioner Holland announced his intent to abstain from the vote due to the need to have more discussions with fellow Commissioners.

The question recurred on the motion by Commissioner Albro, seconded by Commissioner Bryant, for first reading of Resolution No. 3670.

**Motion carried by the following vote:**

**In Favor: Albro, Bryant, Tarleton (3)**

**Abstaining: Holland (1)**

**Absent for the vote: Creighton**

- 6c. (00:31:27) First Reading of Resolution No. 3671: 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, 2013, and repealing all prior resolutions dealing with the same subject, including Resolution No. 3655.**

Request document(s): Commission agenda [memorandum](#) dated November 2, 2012, [Resolution No. 3671](#), [salary ranges](#), [redline version of Resolution No. 3671](#), and computer slide [presentation](#) provided by Ann McClellan, Compensation Supervisor, and Tammy Woodard, Assistant Director, Human Resources and Development – Total Rewards.

There was no presentation at this time. The Port Commissioners received a briefing on Resolution No. 3671 during the November 6, 2012, Commission meeting, and the request documents were distributed for review prior to the meeting of November 13, 2012.

Commissioner Albro requested more information on the distribution of salaries within each pay grade relative to the midpoint for the range. Ms. Woodard stated that overall salaries are 102 percent of midpoint. In response to Commissioner Holland, Ms. Woodard stated that the information on health care costs requested on November 6, 2012, was provided separately by email by Dan Thomas, Chief Administrative and Financial Officer. Mr. Thomas reported that freezing employee contributions for health care for 2013 would cost the Port approximately \$200,000.

**Motion for first reading of Resolution No. 3671 – Bryant**

**Second – Albro**

**Motion carried by the following vote:**

**In Favor: Albro, Bryant, Tarleton (3)**

**Abstaining: Holland (1)**

**Absent for the vote: Creighton**

**6d. (00:37:49) Second Reading and Final Passage of Resolution No. 3668, as amended: A resolution of the Port Commission of the Port of Seattle repealing Resolution No. 3166 and restating Port policy relating to non-discrimination and equal opportunity in employment and subcontracting by Port of Seattle contractors, subcontractors, consultants, and suppliers and establishing policies, procedures, and requirements for compliance.**

Request document(s): Commission agenda [memorandum](#) dated November 6, 2012, [Resolution No. 3668, as amended](#), [Resolution No. 3166](#), [September 1, 2009, nondiscrimination motion](#), and [redline version of Resolution No. 3668](#) showing amendments incorporated after first reading provided by Ralph Graves, Managing Director Capital Development, and Anne Purcell, Senior Port Counsel.

Presenter(s): Mr. Graves.

Mr. Graves reported that the resolution was substantially the same as for first reading, but that in response to Commission input, clarifying provisions were added regarding applicability of federal requirements and application of the aspirational goals of the resolution to labor unions.

**Motion for second reading and final passage of [Resolution No. 3668, as amended](#) – Albro**

**Second – Holland**

**Motion carried by the following vote:**

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

**Absent for the vote: Creighton**

**7. STAFF BRIEFINGS**

**7a. (00:43:25) Metrics and Continuous Process Improvement Initiatives.**

Presentation document(s): Commission agenda [memorandum](#) dated October 26, 2012, August 2, 2012, [email](#) from CEO Tay Yoshitani to Port staff, and computer slide [presentation](#) provided by Kurt Beckett, Chief of Staff, and David Soike, Director Aviation Facilities and Capital Program.

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

The Commission received a presentation that included the following information:

- Measurement has been part of Port culture for many years;
- Metrics and continuous process improvement (CPI) are interrelated tools to address enterprise challenges and opportunities by focusing on objectives, measuring whether priorities match objectives, and clarify how actions achieve maximum value;
- The metrics initiative has been benchmarked against other organizations;
- Efforts to align metrics terminology are underway in the budget process and quarterly reporting process;
- The Port's CPI efforts were launched in the Aviation Division and the effect of the Century Agenda strategy to increase international flights on the Aviation Division and various Aviation departments was presented;
- The benefits of cumulative small metrics improvements were illustrated in relation to crew time efficiency on passenger loading bridges;
- CPI is focused on improving the processes by which employees transact business by removing wasteful steps, simplifying processes, examining processes from the customer's perspective, and capitalizing on employee knowledge to improve processes;
- CPI as applied to maintenance of passenger loading bridges, including mapping of work flow, was presented and outcomes included increased productivity by three percent, reduction of process time by 15 minutes per bridge, reduction of work orders from 51 to 12 per week, reduction of foreman administration time by three hours per week, and reductions of walking distance, fuel use, and truck mileage;
- Application of CPI to the Central Procurement Office's consultant evaluation phase was described and outcomes included reduction from 62 to 34 days for the process, reduced documentation requirements, elimination of re-work, and addition of team consensus meetings;
- Application of CPI to employee time tracking was presented, and outcomes included savings of over \$6,000 in material and labor, reduction of steps from 13 to seven, and reduced paper and walking distance to zero; and
- Port senior leaders have offered their support to metrics and CPI, the programs have been announced to staff, and 16 CPI specialists have been selected.

A video of staff reactions to the CPI process was presented.

**8. NEW BUSINESS**

None.



**9. POLICY ROUNDTABLE**

None.

**10. ADJOURNMENT**

There being no further business, the regular meeting was adjourned at 2:22 p.m.

Rob Holland

Secretary

Minutes approved: January 22, 2013.