



**Commissioners**

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

P.O. Box 1209  
Seattle, Washington 98111  
www.portseattle.org  
206.787.3000

Tay Yoshitani  
Chief Executive Officer

*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 27, 2012**

The Port of Seattle Commission met in a regular meeting Tuesday, November 27, 2012, in the International Auditorium at Seattle-Tacoma International Airport, Seattle, Washington. Commissioners Albro, Bryant, Creighton, Holland, and Tarleton were present. Commissioner Tarleton participated by telephone and was absent after 1:38 p.m.

**1. CALL TO ORDER**

The regular meeting was called to order at 12:06 p.m. by John Creighton, Commission Vice 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 legal risk and potential litigation. Following the executive session, which lasted approximately 30 minutes, the regular meeting reconvened in open public session at 1:05 p.m.

**PLEDGE OF ALLEGIANCE**

**3. (00:01:27) APPROVAL OF MINUTES**

Regular meeting of October 2, 2012.

**Motion for approval of minutes for the regular meeting of October 2, 2012 – Albro**

**Second – Bryant**

**Motion carried by the following vote:**

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

**4. SPECIAL ORDERS OF BUSINESS**

None.

**5. (00:01:49) 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. Ratification of a lease agreement with a 30-year term and a concession agreement with a 10-year term between the Port of Seattle and Payless Car Rental, as described in the attached executed agreements.**

Request document(s): Commission agenda [memorandum](#) dated November 15, 2012, and lease and concessions [agreements](#) provided by James R. Schone, Director, Aviation Business Development, and Jolene Culler, Senior Property Manager, Aviation Properties.

**5b. Authorization for the Chief Executive Officer to execute a lease agreement with a 30-year term and a concession agreement with a 10-year term between the Port of Seattle and Sixt Rent A Car substantially consistent with the terms described in this memorandum and the attached agreements.**

Request document(s): Commission agenda [memorandum](#) dated November 15, 2012, and lease and concessions [agreements](#) provided by James R. Schone, Director, Aviation Business Development, and Jolene Culler, Senior Property Manager, Aviation Properties.

**5c. Approval of an additional \$1,100,000 to replenish construction contingency due to disputed costs and authorization for the Chief Executive Officer to issue Change Order No. 121 for Contract MC-0316677, Centralized Pre-Conditioned Air (PC Air) Project at Seattle-Tacoma International Airport, in the amount of \$344,558 to resolve the remaining disputed costs related to Change Order No. 113 for changes to the routing of PC Air piping at Concourse D.**

Request document(s): Commission agenda [memorandum](#) dated November 15, 2012, provided by Ralph Graves, Managing Director, Capital Development, and Janice Zahn, Assistant Engineering Director.

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

**Second – Tarleton**

**Motion carried by the following vote:**

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

**(00:02:49) PUBLIC TESTIMONY**

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

- Fred Felleman, Northwest Consultant for Friends of the Earth. Mr. Felleman commented on the timing of consideration of the 2013 budget resolution, agenda item 6c, and on public debate on the budget.

**6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS**

*As noted on the agenda, the Commission advanced to consideration of –*

- 6b. (00:05:05) Motion to amend the 2013 budget, contained in Resolution No. 3670, to increase the 2013 Commission Office Budget in order to add additional full time equivalent employees.**

Request document(s): None.

Commissioner Holland stated his interest in postponement of the agenda item for additional discussion. Commissioner Creighton stated his support for the idea of having interns for the Commission but commented on the need to tailor such a program to flexibly meet the needs of the Commission. Commissioner Albro commented on the importance of managing well the time of elected officials with responsibility for effecting regional economic development while avoiding a variety of pitfalls associated with the addition of interns or similar Commission staff.

Commissioner Holland commented on the costs of running for county-wide elected office and the time commitment required to fulfill the duties of a Port Commissioner and stated that it is appropriate to request the assistance of interns.

*At the discretion of the Chair, further consideration of agenda item 6b was indefinitely postponed.*

- 6c. (00:13:06) Second Reading and Final Passage 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 9, 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 relevant information:

- There have been no changes to the 2013 budget numbers as presented to the Commission for first reading on November 13, 2012;
- The schedule of budget briefings and actions from June 2012 to December 2012 was reviewed;
- Budget briefings from earlier sessions are available on the Port's website;
- Total operating revenues are budgeted at \$550 million, and total operating expenses are budgeted at about \$329 million, which results in a net operating income of roughly \$221 million, which is \$14.6 million, or 7.1 percent, higher than was budgeted in 2012; and

- The Airport supplies approximately 75 percent of Port operating funds, although use of Aviation revenue is limited by federal regulations to Airport-related projects and debt service.

Commissioner Creighton commented on the lack of reflection in the 2013 budget of Commission priorities such as removing the Real Estate Division's reliance on tax levy funding and long-term sustainability for the Seaport Division independent of the tax levy. He noted the lack of specific plans for funding toward the Alaskan Way Viaduct Replacement or plans to reduce the tax levy overall.

Commissioner Bryant commented on the growing expectation of other regional governments that the Port will continue to contribute to transportation and environmental projects.

Commissioner Holland stated his interest in considering a trend toward reducing the tax levy in future budgets. Commissioner Bryant noted that the trend under the administration of the current Commission has been to keep the tax levy from growing or to reduce it. He also noted that reduced transportation funding and diversion of environmental funding by the state correspond to increased participation by the Port in funding many of those projects.

Commissioner Tarleton commented on the Port's commitment to funding deferred maintenance as well as environmental and transportation needs and stated that there is a need to develop a better Real Estate strategy in light of a volatile real estate market.

In response to Commissioner Albro regarding availability of funding for internship positions in the Office of the Commission, Chief Executive Officer Yoshitani stated that there may be options available, but that he would rather have specific direction from the Commission before proposing a course of action. He stated he was comfortable that options could be found that would not require an amendment to the budget currently under consideration.

Mr. Yoshitani stated that the Commission would receive a briefing in January or February on a plan for managing various real estate assets in light of the Commission's sensitivity toward the trends in the Real Estate Division, including suggestions for possible sale of assets.

**Motion for second reading and final passage of [Resolution No. 3670](#) – Albro**

**Second – Tarleton**

**Motion carried by the following vote:**

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

*Commissioner Tarleton was absent after 1:38 p.m.*

*Following consideration of agenda items 6b and 6c, the Commission returned to consideration of –*

- 6a. (00:36:43) Motion regarding the formation of a temporary Committee on Ethics and the selection of an outside advisory panel on ethics to assist the Commission in re-establishing the Seattle Port Commission's Board of Ethics.**

Request document(s): [Motion](#) dated November 27, 2012, provided by Mary Gin Kennedy, Commission Services Director.

Presenter(s): Ms. Kennedy.

It was reported that the motion under consideration was in response to recommendations made by the Commission's ethics consultant, LeeAnn Pelham, in her report on Port of Seattle ethics policies of October 23, 2012. Reconstituting the Ethics Board was one of the recommendations of that report. Ms. Kennedy noted that the Commission's Code of Ethics adopted in 2007 is still in effect, but that there are vacancies on the Ethics Board. The temporary committee described in the motion would begin the process to fill those vacancies to reconstitute the board.

### **AMENDMENT**

Commissioner Holland stated he would serve on the temporary committee with Commissioner Bryant.

The motion now reads as follows:

**The Commission hereby authorizes the formation of a temporary committee of the Commission, as provided by Article III, Section 6 of the Commission's Bylaws, to:**

- (1) Select and consult with an outside advisory panel to assist the Commission in reconstituting the Board of Ethics and in advising the Commission on any proposed amendments to the Code of Ethics regarding the composition and term of members of the Board of Ethics.**
- (2) Commissioners Bryant and Holland shall represent the Commission on this temporary committee and shall report their findings and recommendations to the full Commission in public session no later than January 31, 2013.**

**Motion, as amended, to authorize the formation of a temporary committee of the Commission, as described above – Albro**

**Second – Holland**

**Motion carried by the following vote:**

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

**Absent for the vote: Tarleton**

*Agenda items 6b and 6c having been disposed of previously, the Commission advanced to consideration of –*

- 6d. (00:41:08) Second Reading and Final Passage 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 9, 2012, [Resolution No. 3671](#), [proposed salary ranges](#), and [redline version of Resolution No. 3671](#) provided by Ann McClellan, Compensation Supervisor, and Tammy Woodard, Senior Manager, Total Compensation.

There was no presentation at this time. The Port Commissioners received a briefing on Resolution No. 3671 during the November 13, 2012, Commission meeting, and the request documents were distributed for review prior to the meeting of November 27, 2012.

Commissioner Creighton commented on his concerns over increased employee medical cost sharing proposed for 2013. He noted the employee health care benefits of regional companies including Starbucks, Weyerhaeuser, and Costco and stated he would not support the resolution in its current form.

Chief Financial and Administrative Officer Dan Thomas stated that the level of employee cost sharing for medical coverage is a budget assumption, and that the salary and benefit resolution does not set the level of cost sharing. Rather, the level of cost sharing is a component of the 2013 budget.

Commissioner Albro noted the importance to treat represented and nonrepresented employees consistently and stated that the Port's negotiating position with respect to represented employees is one that encourages health care cost sharing. He proposed going forward with the resolution under consideration and looking at the issue again for the future.

In response to Commissioner Creighton, Mr. Thomas noted that the financial impact of the salary range adjustment in the resolution represented only about \$5,000, whereas the cost to the Port of not increasing employee cost sharing for health care coverage would be about \$250,000. He added that staff is preparing additional information for development of a long-term strategy to manage increasing health care costs.

Commissioner Holland commented on his desire to know more about the effect of new health care legislation on the Port's health care coverage and stated that health care benefits are important for public sector employees.

**Motion for second reading and final passage of Resolution No. 3671 – Albro**

**Second – Holland**

**The motion failed to pass; the vote was as follows:**

**In Favor: Albro, Bryant (2)**

**Opposed: Creighton, Holland (2)**

**Absent for the vote: Tarleton**

In light of the failure of second reading and final passage of Resolution No. 3671, and given Commission direction to control operating expenses, Mr. Yoshitani requested clear guidance from the Commission in order to move forward successfully on a plan for salaries and benefits.

**6e. (01:02:56) First Reading of Resolution No. 3672: A Resolution of the Port Commission of the Port of Seattle amending Resolution No. 3611, the Seattle Port Commission Bylaws, regarding the duties and responsibilities of the Port Commission.**

Request document(s): [Resolution No. 3672](#) provided by Tom Barnard, Research and Policy Analyst.

Presenter(s): Mr. Barnard.

The Commission received a presentation that the changes proposed in the resolution are intended to add to the responsibilities of the Commission approval of the charters of the Audit Committee and Internal Audit Department in light of a peer review of the Internal Audit Department and recommendations for compliance with public and private sector audit standards.

In response to Commissioner Creighton, Mr. Barnard indicated that other revisions to the Bylaws may be revisited in a holistic fashion at a later time.

**Motion for first reading of Resolution No. 3672 – Bryant**

**Second – Albro**

**Motion carried by the following vote:**

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

**Absent for the vote: Tarleton**

**7. STAFF BRIEFINGS**

**7a. (01:10:46) Federal and State Legislative Briefing.**

Presentation document(s): Commission agenda [memorandum](#) dated November 15, 2012, provided by Beth Osborne, Manager, Federal Government Relations, and Clare Gallagher, Manager, State Government Relations.

Presenter(s): Ms. Osborne and Ms. Gallagher.

The Commission received a presentation that included the following relevant information:

- Dynamics of Congressional and Senate membership were noted, including Washington representation on aviation and transportation committees, finance and taxation committees, and appropriations committees;
- Issues of importance that are likely to overshadow Port-related legislation in early 2013 were described;
- Port-related issues include cargo diversion due to the Harbor Maintenance Tax, revision of the Water Resources Development Act, the City of Seattle's Elliott Bay Seawall

Project, expedited permitting for infrastructure projects, freight policy planning, uncertainty of funding for the Transportation Investment Generating Economic Recovery (TIGER) Discretionary Grant program, possible gas tax increases, Federal Aviation Administration program funding, passenger facilities charge (PFC) increases, permanent normal trade relations with Russia, continuing negotiation of the Trans-Pacific Partnership, U.S. Environmental Protection Agency (EPA) plans for clean-up of the Lower Duwamish Waterway, finalizing of the Emission Control Area (ECA) for North American coastal waters so that U.S. and Canadian waters are regulated consistently, and potential to increase tourism through expansion of the Visa Waiver Program;

- Changes in the Governor's Office for the first time in eight years and new legislative membership for about one-third of members will be a challenge for coordinating Port-related issues at the state level;
- State budget challenges include new rulings on full funding of education and creation of health benefits exchanges and implementation of new federal regulations;
- Development of the state's biennial budget of approximately \$33 billion will occur in 2013 including a potential gap of about \$3 billion - \$4 billion;
- Potential new taxes affecting trade are being watched closely at the state level, including a new stevedoring tax;
- Transportation funding and possible gas-tax increases or tolling provisions are dynamic areas of focus at the state level in 2013;
- Washington House and Senate membership and leadership changes were noted, including a possible bipartisan governing coalition in the House of Representatives;
- Port focus in 2013 will be on promotion of transportation and environmental project funding and tourism funding; and
- New legislation is possible for derelict vessels, concessions worker policies, and truck safety.

Commissioner Creighton commented on the importance for the Port Commission to craft policies on legislative issues transparently in public sessions. Ms. Gallagher noted that policy work develops quickly in the state Legislature.

**7b. (01:45:42) Capital Improvement Projects for the Third Quarter, 2012.**

Presentation document(s): Commission agenda [memorandum](#) dated November 7, 2012, [report](#), and computer slide [presentation](#) provided by Ralph Graves, Managing Director, Capital Development.

Presenter(s): Mr. Graves.

The Commission received a presentation that included the following relevant information:

- There are 91 projects in the third quarter CIP report, of which 50 are within or ahead of schedule and budget, 38 have a variance to either schedule or budget, and three have variances to both schedule and budget;
- The proportion of projects with variances are reflective of the amount of work being performed at the Airport;



- Eleven Aviation projects behind schedule include the Cargo 2 West Hardstand and Cargo 6 Enhancements, which suffered from a negative majority-in-interest votes; Water System Isolation Valve Upgrade, which was extended to minimize operational delays, Loading Bridge Utilities, which was delayed to obtain sole-source justification and for a contract amendment and delay in presentation to the Commission; Industrial Wastewater Treatment Plan (IWTP) Fiber Installation, which was delayed due to inability to use conduit controlled by the Federal Aviation Administration; and Realignment-related delays to the South Satellite Additional Gate Lobby, Common Use System Expansion at Ticket Counters and Gates, and Airport Signage;
- Aviation projects that are over budget include the IWTP Fiber Installation;
- The Concessions Unit Readiness Project is under budget and will return approximately \$1.5 million to the capital budget;
- Projects that have experienced more than 10 percent cost growth include the Terminal Escalator Modernization, for which the cost growth is due to mandatory and discretionary changes, and which despite cost growth of 31 percent is still within original budget and schedule;
- The Preconditioned Air Project, which was rushed to obtain grant funding and is very intrusive has experienced 15.8 percent cost growth;
- One Seaport project, the Pier 66 Pile Wrap, has been intentionally delayed to obtain cost savings by coordinating with the Pier 69 North Apron Corrosion Control project;
- There were no variances to Real Estate projects;
- Corporate projects with schedule variances included technology projects for the Enterprise Project Delivery System (Skire Unifier™) and Police Records Management System;
- New Small Business Contracting statistics were reported that vary from the distributed presentation and indicate 2012 year-to-date major construction contracting at 38 percent, which brings the 2012 Small Contractor and Suppliers participation in that category to 11.5 percent, and 2012 year-to-date small works construction contracting at 85 percent, which brings the 2012 Small Contractor and Suppliers participation in that category to 25 percent.

Commissioner Bryant noted that although the actual Small Contractor and Supplier (SCS) participation in 2012 is at 85 percent, the goal for 2013 is just 60 percent. Commissioner Albro commented on the need to revisit the SCS goals for the Century Agenda in order to ensure that the Port's goals are aspirational. Mr. Yoshitani noted that the Port has been proactive in its efforts to increase small business participation, although it is unclear whether the increasing trend in SCS participation is sustainable.

**(01:56:45) Preliminary Briefing on the Century Agenda.**

Tom Barnard, Research and Policy Analyst, reported that on December 4, 2012, a motion to approve the Century Agenda will be on the agenda for Commission consideration. He stated the motion will include a revised Port mission statement, new vision and commitment statements, minor strategy and objective revisions, and a new small business goal. He stated new regional initiatives to provide collaborative opportunities for regional coalitions to leverage a shared agenda would also be proposed for approval. He commented on the enthusiastic support for the Century

Agenda within the regional community and the willingness of stakeholders to engage in implementation of the agenda.

In response to Commissioner Holland's question about whether the Century Agenda funding in the 2013 budget is dedicated for specific uses or can be used for other things, Mr. Barnard stated that the budget includes funding for initial studies and other up-front implementation costs and reallocation of staffing costs from other departments to the Commission's budget and opined that these costs do not necessarily reflect a static, ongoing cost for the Century Agenda. In response to Commissioner Holland, Mr. Barnard stated that the one full-time-equivalent (FTE) position in the Century Agenda budget would continue for at least a year and that staff roles would evolve as the Century Agenda becomes institutionalized. He noted there is still considerable outreach and networking necessary for promulgating the Century Agenda. Commissioner Bryant noted that the costs reflected in the budget are not necessarily approved for specific uses but are budgeted to use as needed.

Commissioner Albro commented on the transition in oversight of the Century Agenda from the temporary committee to the Commission as a whole and Port staff as the agenda is implemented.

**(02:10:55) ANNOUNCEMENT**

Commissioner Creighton announced that he had reconsidered his previous position on holiday decorations at the Airport and stated that it is good to have a festive environment in the Airport during the holidays. He stated he would support purchase of new holiday decorations for the Airport in 2013.

**8. NEW BUSINESS**

None.

**9. POLICY ROUNDTABLE**

None.

**10. ADJOURNMENT**

There being no further business, the regular meeting was adjourned at 3:17 p.m.

Rob Holland  
Secretary

Minutes approved: February 5, 2013.