



Commissioners

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**APPROVED MINUTES
COMMISSION REGULAR MEETING DECEMBER 11, 2012**

The Port of Seattle Commission met in a regular meeting Tuesday, December 11, 2012, at Port of Seattle Headquarters, Commission Chambers, 2711 Alaskan Way, Seattle, Washington. Commissioners Albro, Bryant, Creighton, Holland, and Tarleton were present.

1. CALL TO ORDER

The regular meeting was called to order at 12:04 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 real estate and a complaint against a public employee. Following the executive session, which lasted approximately 45 minutes, the regular meeting reconvened in open public session at 1:12 p.m.

PLEDGE OF ALLEGIANCE

3. APPROVAL OF MINUTES

None.

4. SPECIAL ORDERS OF BUSINESS

None.

(00:01:35) ANNOUNCEMENT

Commissioner Tarleton announced that in response to an Ethics and Compliance Hotline relating to Commissioner Creighton and the Airport Concessions Disadvantaged Business Enterprise Program, the Commission had retained attorney Russ Perisho to investigate the complaint and that review to date had found no basis for the complaint.

5. (00:02:02) 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 November 1, 2012, through November 30, 2012, in the amount of \$35,414,168.88.

5b. Approval to increase the project budget authorization by \$60,000 for the Pier 66 Bell Street Sky Bridge Repainting Deferred Maintenance project for a new total project budget of \$500,000.

Request document(s): Commission agenda [memorandum](#) dated December 3, 2012, provided by Beth Britz, Marine Maintenance Project Manager.

5c. Authorization for the Chief Executive Officer to execute a series of indefinite delivery, indefinite quantity - ICT master service agreements to hire temporary information technology contractors as needed to support systems, projects, and services for an amount not to exceed \$6 million, with a contract ordering period not to exceed five years. No funding is associated with this request.

Request document(s): Commission agenda [memorandum](#) dated November 26, 2012, provided by Peter Garlock, Chief Information Officer, and Kim Albert, Senior Manager, ICT Business Services.

5d. Authorization for the Chief Executive Office to execute up to 13 indefinite delivery, indefinite quantity service agreements for services related to construction management, scheduling, estimating, auditing, claims analysis, and safety monitoring in support of Aviation, Seaport, and Real Estate Division construction projects in an amount not to exceed \$8,100,000, with an ordering period of three years. No funding is associated with this authorization request.

Request document(s): Commission agenda [memorandum](#) dated December 4, 2012, provided by Raymond P. Rawe, Director, Engineering Services; Janice Zahn, Assistant Director, Engineering Services; and Alan Norris, Manager Construction Safety.

5e. Authorization for the Chief Executive Officer to: (1) authorize \$14,018,890 of tenant reimbursement budget associated with the design and construction of the Zone 2 ticket counter pushback, ramp offices and United Club in support of the United Airlines (United) tenant project; (2) execute a tenant reimbursement agreement with United for this purpose under the Airport's AV-2 Policy; and (3) authorize an additional \$2,028,500 for tenant project support. The total estimated Port cost of this project is \$16,047,390.

Request document(s): Commission agenda [memorandum](#) dated December 3, 2012, provided by Michael Ehl, Director, Airport Operations; Wayne Grotheer, Director, Aviation Project Management Group; and James Jennings, Manager, Aviation Properties, Aviation Business Development.

5f. Authorization for the Chief Executive Officer to: (1) increase scope and budget for International Window Wall Ticket Counters (C899490) by \$785,000 for changed location of bag belt and to add self-service bag drop system; (2) increase scope and budget for Baggage System Renovation – Airline Realignment (C800382) by \$2,011,000 to add connections to both the C60 and C61 baggage systems; (3) advertise and execute a construction contract for the International Ticket Lobby Window Wall Ticket Counters and Bag Belt project at Seattle-Tacoma International Airport; and (4) utilize Port crews. The total amount of this request is \$5,246,000. The total projected cost for both projects is \$11,656,000.

Request document(s): Commission agenda [memorandum](#) dated December 3, 2012, and [diagram](#) of project area provided by Michael Ehl, Director, Airport Operations, and Wayne Grotheer, Director, Aviation Project Management Group.

5g. Authorization for the Chief Executive Officer to (1) reduce the scope of the Miscellaneous Building Improvements project that is part of the Airline Realignment program at Seattle-Tacoma International Airport; (2) execute a contract estimated at \$220,000 for purchase of equipment; and (3) use Port crews for project construction. No additional funding is requested with this authorization.

Request document(s): Commission agenda [memorandum](#) dated December 3, 2012, provided by Wayne Grotheer, Director, Aviation Project Management Group, and Tina Soike, Senior Manager, Airport Operations.

5h. Authorization for the Chief Executive Officer to proceed with design of the Long-Term Cell Phone Lot project in the amount of \$408,000. The total project cost is \$1,768,000.

Request document(s): Commission agenda [memorandum](#) dated December 3, 2012, and [attachment](#) provided by Mike Ehl, Director, Airport Operations, and George England, Program Leader, Aviation Project Management.

5i. Authorization for the Chief Executive Officer to: (1) proceed with design and construction; (2) use Port crews; and (3) competitively procure portals for the Known Crew Member and Employee Bypass project at Seattle-Tacoma International Airport in the amount of \$630,000 for a combined project cost of \$650,000. This request is time-sensitive and seeks a single Commission authorization for design and construction in order to expedite project completion in a timely manner.

Request document(s): Commission agenda [memorandum](#) dated December 3, 2012, provided by Wendy Reiter, Director, Security, and Wayne Grotheer, Director, Aviation Project Management Group.

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

Second – Creighton

Motion carried by the following vote:

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

(00:02:40) PUBLIC TESTIMONY

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

- Sally Clark, Seattle City Council President. Ms. Clark commented in favor of agenda item 6a and on the role of the City of Seattle in ensuring local freight mobility.
- Max Vekich, 2830 S.W. Raymond Street, Seattle. Mr. Vekich commented in favor of agenda item 6a and on the environment of competition between the ports of Seattle and Tacoma.
- Steve Johnson, Director, City of Seattle Office of Economic Development. Mr. Johnson commented in favor of agenda item 6a on behalf of Seattle Mayor Michael McGinn and the importance of collaboration between the ports of Seattle and Tacoma.
- Sung Yang, Chief of Staff for King County Executive Dow Constantine. Mr. Yang commented on the benefits to King County's economic vitality of maintaining strong international shipping partnerships and on support for the Century Agenda and agenda item 6a.
- Vince O'Halloran, Sailors Union of the Pacific. Mr. O'Halloran commented in support of agenda item 6a and the importance of the Terminal 46 lease to the Puget Sound maritime trades and regional maritime jobs.
- Maud Daudon, President and Chief Executive Officer, Seattle Metropolitan Chamber of Commerce. Ms. Daudon commented in support of agenda item 6a and noted the benefit to Seattle's working waterfront of the Terminal 46 lease and the priority of international trade for the region. She noted several advantages of Seattle's port.
- Terry Finn, Director of Governmental Affairs, BNSF Railway. Mr. Finn commented in support of agenda item 6a and noted the relationship between BNSF and Hanjin and the importance of the maritime jobs that benefit from the amended lease. He commented on the implications of shipping business for rail investment.
- Daniel Assefa, President of Lion Trucking. Mr. Assefa commented on the loss of business to his company since the movement of the Grand Alliance to the Port of Tacoma, support for agenda item 6a, and the importance of business at Terminal 46 to the survival of his company and its truck drivers.
- Dave Gering, Executive Director, Seattle Manufacturing Industrial Council. Mr. Gering commented in support of agenda item 6a and congratulated Linda Styrk for the work of the Seaport Division in retaining shipping business at Terminal 46.
- John Torrance, Senior Vice President, CBRE (Coldwell Banker Richard Ellis) Group, Seattle. Mr. Torrance commented on alternative long-range plans for Terminal 46, including a convention center, sports arena, and cruise terminal and his preference that Total Terminals International and shipping company Hanjin would move their business to the Port of Tacoma to remove barriers to these plans, noting international freight competition with ports in Puget Sound.
- Matt King, Senior Program Director, Young Women's Christian Association (YWCA). Mr. King commented in support of agenda item 6c, noting the YWCA's partnership with the Port for lost and found services at the Seattle-Tacoma International Airport, the high level of service provided by these services and the opportunities the partnership provides for disadvantaged women, men, and their families.

- Michael Yost, United Airlines. Mr. Yost thanked the Commission for its approval of agenda item 5e, related to the Zone 2 Ticket Counter Push-Back Project supporting United tenant improvements.
- M.C. Halvorsen, 10002 Aurora Avenue North, Seattle. Ms. Halvorsen stated her objection to the Commission's format of holding public testimony before staff briefings, opining that there should be another opportunity for the public to comment on items after staff presentations.
- Selena Carsiotis, Ballard District Council Member. Ms. Carsiotis submitted comments in written form regarding the resignation of Commissioner Tarleton as Commission President and the election of an Interim President to serve until election of officers for 2013 in January. A copy of the document is, by reference, made a part of these minutes, is marked [Exhibit A](#), and is available for inspection in Port offices.

6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS

6a. (00:25:23) Authorization for the Chief Executive Officer to execute the 13th amendment to the lease for Terminal 46 with Total Terminals, Inc., substantially as drafted in the attached amendment.

Request document(s): Commission agenda [memorandum](#) dated December 6, 2012, and draft lease [amendment](#) provided by Michael Burke, Director, Seaport Leasing and Asset Management.

Presenter(s): Mr. Burke and Linda Styrk, Managing Director, Seaport Division.

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

- Total Terminals Inc. (TTI) is a joint venture subsidiary with Korean-based Hanjin Shipping and Terminal Investment Limited, associated with Mediterranean Shipping Company;
- The lease amendment would retain TTI for 10 years, through 2025, and advance the Century Agenda 25-year goals of creating 100,000 new jobs, increasing cargo to 3.5 million TEUs (twenty-foot-equivalent units), and doubling the value of Port of Seattle exports;
- The lease would be executed substantially as drafted, possibly with minor edits, and is not expected to be presented to the Commission again before execution unless there is a substantive change to the lease terms;
- The lease amendment represents a major change to the land rent structure and property rate structure of terminal leases and makes the lease consistent with leases at similar West Coast ports, which are characterized by a volume-based structure with minimum annual guarantees;
- There are two tiers in the volume-based rate in which the first tier is equivalent to the minimum annual guarantee and the second tier is fairly low, incentivizing increased business and providing increased Port revenue based on increased cargo volume, which is absent from the Port's current terminal lease structure and helps to keep the interests of the terminal operator aligned with the interests of the Port;
- The initial minimum annual guarantee is based on 2100 lifts per acre, adjusting to 2300 lifts per acre in 2016, and begins with a land rent at \$105,000 per acre, which is lower

- than the current rate, and grows based on the Consumer Price Index with a growth minimum of two percent and a growth maximum of five percent; and
- Incentives provided include a \$4 million fee in consideration of construction impacts at Terminal 46 due to construction of the Alaskan Way Viaduct Replacement Project, transfer of five Port cranes to TTI consistent with the Port's trend toward eliminating Port ownership of cranes, and commitment to various capital improvements of \$20-35 million.

In response to Commissioner Creighton, Mr. Burke confirmed that the revised lease terms would become an option for other terminal operators under the Port's "most-favored-nation" policy, more closely aligning the operators' interests with the Port's and added that although the rental rate will drop below the Port's Eagle Rate initially, it soon grows. He noted that other ports benefit from higher rates reflective of strong markets such as in California where there is a large local market and excellent national rail connections.

Commissioner Bryant commented on the advantages of the lease amendment for family wage jobs and the Port's business interests and noted that in the future he would like to see the Port of Seattle work toward better integration with the Port of Tacoma.

Commissioner Holland spoke in favor of the lease amendment and commented on approximately 3,200 jobs associated with Terminal 46 and the state tax revenue derived from business at Terminal 46. He stated he doubted a convention center use in the same location would generate similar jobs and tax revenue.

Commissioner Creighton commented on the fairness of the lease amendment and the short-term trade-offs it represents for long-term benefit.

Commissioner Albro noted the need for the Port's terminal leases to be reflective of the current economic situation and commented in support of the lease amendment.

Commissioner Tarleton commented on the commitment to having container trade in Seattle represented by the lease amendment and opportunities for future maritime trade and associated jobs.

Chief Executive Officer Tay Yoshitani noted the role of Governor Gregoire in promoting Washington's interests with the Port in discussions with Hanjin and acknowledged the work of Bari Bookout and Linda Nelson in bringing the lease amendment to fruition.

Motion for approval of item 6a – Albro

Second – Holland

Motion carried by the following vote:

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

6b. (00:54:00) Request the Port of Seattle Commission to approve the Audit Committee Charter and the Internal Audit Department Charter.

Request document(s): Commission agenda [memorandum](#) dated December 5, 2012, [Internal Audit Department Charter](#), and [Audit Committee Charter](#), provided by Tom Barnard, Research and Policy Analyst.

Presenter(s): Mr. Barnard.

The Commission received a presentation that focused on the following relevant information:

- Audit Committee activity in 2012 included review of 10 lease and concessions audits, five comprehensive operational audits, and six limited operational audits;
- Recovery of \$1.6 million was recommended as a result of 2012 lease and concessions audits;
- Two external audits, the Comprehensive Annual Financial Review (CAFR) and State Auditor's Office accountability audit, were reviewed by the Audit Committee in 2012;
- The entrance conference for an external Enterprise Technology Performance and Risk Assessment engagement was conducted;
- Peer review of the Internal Audit Department was conducted and resulted in the recommendation to blend the public sector and commercial standards of the Government Auditing Standards ("yellow book") and International Professional Practices Workbook ("red book");
- A step toward compliance with these auditing standards requires Commission approval of the Internal Audit Department charter; and
- The Audit Committee Charter has also been updated and requires Commission approval.

Commissioner Albro commented on the importance of ensuring that the organization is following policies established by regulatory authorities and the Commission. He stressed the importance of the independence of the Internal Audit Department and explained this was the point of changes to the Commission Bylaws approved in Resolution No. 3672 on December 4, 2012, that made approval of the Internal Audit Department Charter a Commission responsibility. He also noted the clarification in the Internal Audit Department Charter that the Director of the Internal Audit Department serves at the pleasure of the Commission.

In response to Commissioner Creighton, Mr. Barnard noted that the effect of conducting frequent lease and concession audits is increased compliance and a shift in perception of audits as a tool to evaluate operations.

Motion for approval of item 6b – Bryant

Second – Holland

Motion carried by the following vote:

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

6c. (01:09:55) Authorization for the Chief Executive Officer to enter into a five-year contract with the Young Women's Christian Association of King County from January 1, 2013, through December 31, 2017, with an option to renew for one five-year period at the discretion of the Port to perform management and operation of the Airport Lost and Found for an estimated total cost, if both options are exercised, of \$2,992,500.

Request document(s): Commission agenda [memorandum](#) dated December 4, 2012, [attachment A](#), and [attachment B](#), provided by Michael Ehl, Director Aviation Operations, and Ralph Graves, Managing Director Capital Development.

Presenter(s): Jim Witzman, Airport Operations Passenger Experience Manager.

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

- Lost and Found services provided by the YWCA were assigned to them in 2002 by the nonprofit organization Washington Works;
- Approximately 2,500 items are received in Lost and Found every month and are catalogued and stored with the intention of returning the articles to their owners; and
- Workers conduct research to reunite items with their owners and obtain valuable job training while providing a valuable and exceptional experience for Airport travelers.

Commissioner Creighton commented on the positive responses received from the beneficiaries of the Airport's Lost and Found services.

Motion for approval of item 6c – Albro

Second – Bryant

Motion carried by the following vote:

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

Absent for the vote: Holland

6d. (01:17:10) Authorization for the Chief Executive Officer to prepare full design documents for the Vertical Conveyance Modernization Project, Aero Phase 2 Project at Seattle-Tacoma International Airport in an amount not to exceed \$2,796,000. The total project cost is \$19,223,000.

Request document(s): Commission agenda [memorandum](#) dated December 3, 2012, [map](#) showing location of elevators and escalators in the project, [computer slide presentation](#), and video clip provided by David Soike, Director, Aviation Facilities and Capital Program, and Wayne Grotheer, Director, Aviation Project Management Group.

Presenter(s): Mr. Soike.

The Commission received a presentation on agenda items 6d and 6e that included the following relevant information:

- The Airport's vertical conveyance system is the largest such system north of San Francisco and east of Denver and includes 80 elevators, 79 escalators, and three horizontal moving walkways;
- Phase 1 of the improvement program contained in the action request included eight existing elevators, two new elevators, and addition of a hydraulic cooling package to 11 elevators;
- Phase 2 of the improvement program includes three elevators and 12 escalators;
- There are 36 facility improvements represented in agenda items 6d and 6e and a total expenditure of \$4.4 million;
- Locations of the improvements were presented;
- There is a security checkpoint that will need to be relocated as part of the improvement program;
- The improvement program will encompass about one-fifth of the Airport's fleet of vertical conveyance facilities;
- A few of the units in the improvement program will be the subject of future requests to be transferred into the NorthSTAR program; and
- New energy efficiencies will be incorporated into the improvements, including computerized diagnostic communication between the facilities, the ability to stop escalators during low-traffic times and start up again as traffic increases, and the ability to reverse escalators to accommodate peak traffic flows in different directions.

Motion for approval of item 6d – Bryant

Second – Holland

Motion carried by the following vote:

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

- 6e. (01:31:35) Authorization for the Chief Executive Officer to: (1) increase the scope of the Vertical Conveyance Modernization, Aero Phase I Project at the Seattle-Tacoma International Airport to add two new elevators at the South Satellite and relocate the South Satellite Transportation Security Administration (TSA) Passenger Checkpoint; (2) increase the total project budget by \$5,793,000 from \$11,120,000 to \$16,913,000; (3) prepare design and bid documents, and execute construction contracts for relocation of the TSA Checkpoint; and (4) prepare design documents for the two added elevators in an amount not to exceed \$1,625,000 for items (3) and (4).**

Request document(s): Commission agenda [memorandum](#) dated December 3, 2012, and computer slide [presentation](#) provided by David Soike, Director, Aviation Facilities and Capital Program, and Wayne Grotheer, Director, Aviation Project Management Group.

There was no presentation at this time; however, the Port Commissioners received the request documents for review prior to the meeting of December 11, 2012, and the presentation for agenda item 6d also covered information relevant to agenda item 6e.

Motion for approval of item 6e – Creighton

Second – Albro

Motion carried by the following vote:

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

7. STAFF BRIEFINGS

7a. (01:33:04) Duwamish Transportation Management Association Sponsorship Briefing.

Presentation document(s): Commission agenda [memorandum](#) dated December 6, 2012, and computer slide [presentation](#) provided by Linda Styrk, Managing Director, Seaport, and Mary Gin Kennedy, Director of Commission Services.

Presenter(s): Ms. Styrk and Dave Gering, Executive Director, Seattle Manufacturing Industrial Council.

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

- The Duwamish Transportation Management Association (TMA) is affiliated with the Duwamish Manufacturing Industrial Council (MIC) and designed to provide a voice for businesses in the Duwamish Manufacturing and Industrial Center regarding transportation issues;
- The Commission authorized a contribution to the Duwamish TMA of \$50,000 on November 6, 2012, for an outreach program related to freight and transportation mitigation needs for the Port's container terminals;
- The Duwamish TMA has a multi-modal focus that considers freight, pedestrian, and bicycle interests;
- Projects of the Duwamish TMA include safety studies, nonmotorized transportation needs, sidewalks, bicycle routes, and commute trip reduction;
- The Duwamish TMA's SoDo Transportation Project was presented;
- Thirteen agencies have jurisdiction over transportation in the Duwamish Manufacturing and Industrial Center; and
- The Duwamish TMA expects to be able to match the Port's \$50,000 contribution and has about \$40,000 so far.

Commissioner Bryant commented on the disparity between the billions of dollars invested by the State of Washington in freight mobility in the Duwamish Manufacturing and Industrial Center compared to the currently suggested \$40 million for mitigation for the impacts of a new sports arena in the neighborhood.

Commissioner Creighton commented on the relevance of the work of the Duwamish TMA's SoDo Transportation Project to the Century Agenda, particularly in the areas of increasing container volume and the value of the cruise industry.

Commissioner Holland emphasized that the last mile connectors between Washington and the rest of the world are in Seattle.

8. NEW BUSINESS

8a. (01:49:00) Port of Seattle Commission President Resignation and Election of an Interim President of the Port of Seattle Commission.

RESIGNATION OF COMMISSION PRESIDENT

Commission President Gael Tarleton noted that with the certification of election results by the Secretary of State on December 5, 2012, it had become official that she has been elected to serve the people of Washington's 36th Legislative District in the Washington House of Representatives. She announced that she would be sworn in on January 14, 2013, and plans to resign the office of Port Commissioner on January 31, 2013. She then announced her resignation as Commission President effective immediately in the interest of preventing disruption in the work of the Port of Seattle Port Commission. She noted she would continue to serve as a Commissioner until the end of January.

Commissioner Tarleton reflected on the many accomplishments of the Commission in 2012, noting especially gains in transparency and open government, positive business accomplishments of the Port of Seattle in 2012, and various public policy achievements related to Airport concessions, clean air, and policy collaboration with regional partners.

COMMISSION VICE PRESIDENT IN THE CHAIR

Commission Vice President John Creighton assumed the duties of the Chair and entertained a motion for nomination of an interim President to complete the term that ends with election of officers at the first Commission meeting in January.

ELECTION OF INTERIM COMMISSION PRESIDENT

Motion to elect Tom Albro as Interim Commission President – Bryant

Second – Holland

Motion carried by the following vote:

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

INTERIM COMMISSION PRESIDENT IN THE CHAIR

Commissioner Albro assumed the duties of the Chair and summarized the following process for selection of an appointee to fill the vacancy left by Commissioner Tarleton's resignation from the Port Commission:

- January 22, 2013 – The Commission will hold a public meeting to present the work of the Port and respond to questions from individuals interested in serving as a Commissioner in a town-hall setting.
- January 15, 2013, or close to that date – the Commission will notice a vacancy in the office of Port Commissioner.
- January 31, 2013 – Commissioner Tarleton's last day as a Port Commissioner.

- February 5, 2013 – The Commission plans to have narrowed the pool of interested parties to about 20 and will have applicants address the Commission briefly during a public meeting.
- February 12, 2013 – The Commission will have narrowed the list of applicants to four-to-six finalists for whom background and reference checks will be conducted.
- February 26-28, 2013 – Additional town-hall-style meetings will be held for applicants to respond to questions from a moderator and the public.
- March 5, 2013 – The Commission hopes to appoint a successor for Commissioner Tarleton by this time.

9. POLICY ROUNDTABLE

None.

10. ADJOURNMENT

There being no further business, the regular meeting was adjourned at 3:15 p.m.

Rob Holland
Secretary

Minutes approved: March 5, 2013.