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APPROVED MINUTES COMMISSION SPECIAL JOINT MEETING JANUARY 13, 2015

The Port of Seattle Commission met in a special meeting Tuesday, January 13, 2015, together with the Port of Tacoma Commission in the Central Auditorium at Seattle-Tacoma International Airport, Seattle, Washington. Port of Seattle Commissioners Albro, Bowman, Bryant, Creighton, and Gregoire were present. Port of Tacoma Commissioners Bacon, Johnson, Marzano, Meyer, and Petrich were also present.

CALL TO ORDER

The meeting was called to order at 9:20 a.m. by Port of Seattle Commission Co-President Stephanie Bowman.

PLEDGE OF ALLEGIANCE

OPENING REMARKS

Opening comments were made by Port of Seattle Commission Co-President Bowman and Port of Tacoma Commission President Don Johnson. Much work remains to be done to iron out the details of a Seaport Alliance. Another filing with the Federal Maritime Commission is expected in April.

SEAPORT ALLIANCE FORMATION: LEGAL ENTITY OVERVIEW

Materials provided included a [summary](#) of Port Development Authority.

Presenter(s): Tom Tanaka, Senior Port of Seattle Counsel, and Carolyn Lake, Goodstein Law Group, representing the Port of Tacoma.

An area of focus for the due diligence team has been identifying by what legal entity the ports of Tacoma and Seattle would form an alliance. Options included using a contract or interlocal agreement between the two ports, creation of third-party non-profit corporation, creation of a limited liability corporation, and creation of a public development authority. The recommendation of the team is to create a public development authority (PDA).

PDAs are defined in statute and have a record of being used already by other entities in Washington. Examples include the Pike Place Development Authority, Seattle Art Museum, and the Foss Waterway Development Authority. There are tax advantages to the use of a PDA and clarity surrounding related statutes applicable to open public meetings, public records, and public procurement. However, ports do not have the legislative authority to create public development authorities in Washington at this time.

A PDA can provide flexibility regarding an alliance governing structure, pursuant to the provisions of its charter or bylaws. The PDA charter would reference the powers unique to ports and not shared with other governmental entities in Washington, such as promotional hosting capabilities, and would describe how the home ports will support the alliance PDA in those functions.

JOINT CUSTOMER CALLS

Port of Tacoma CEO John Wolfe summarized activities during joint customer calls in Asia in which the ports of Tacoma and Seattle visited customers jointly and discussed the implications of formation of the Seaport Alliance. Taiwan, mainland China, Hong Kong, and South Korea were visited in December 2014. Customers visited included Evergreen, Yang Ming, COSCO Pacific, China Shipping, OOCL, China Merchants, COSCO Terminal Company, Hanjin, and Hyundai. Reaction by customers to alliance formation was generally positive.

The labor dispute between the ILWU (International Longshore and Warehouse Union) and the Pacific Merchant Shipping Association (PMSA) was discussed at length during customer calls. Customer concerns regarding the disruption to West Coast shipping were noted. A mediator has been selected, which it is hoped will speed resolution of the dispute.

Port of Seattle Seaport Division Managing Director Linda Styrk commented on customer interests arising out of the calls in Asia. There is a high value placed on reliability and transparency into container disposition within the terminal as containers are transferred from ships to rail or truck transport. Incentives provided by competitor gateways, especially the Southeastern U.S., were a topic of discussion during customer calls. Reliance on rail and the prospect of leveraging additional influence with railroads as an alliance were discussed.

It was noted that the customer calls reinforced the need for the ports to be ready to accommodate larger vessels with capacity for 14,000 and higher TEUs (twenty-foot-equivalent units).

STATE LEGISLATIVE UPDATE

Presentation materials included a draft [Seaport Alliance 2015 State Legislative Agenda](#).

Presenter(s): Clare Gallagher, Port of Seattle State Government Affairs Manager, and Julie Collins, Port of Tacoma Director of External Affairs.

An update on the progress of Port Development Authority legislation was provided. Language has been drafted and reviewed by the Code Reviser's Office. Legislation will be sponsored by State Representative Judy Clibborn. There will be no independent taxing authority for port development authorities.

Advocacy for various issues at the state level were reviewed, including passage of a transportation funding package essential for freight mobility. The effect of the streamlined sales tax on the state's warehousing district, funding for the Model Toxics Control Act (MTCA), completion of SR-509 and SR-167, and proposals for a state carbon emissions cap were discussed. Opportunities for local and state outreach on formation of the Seaport Alliance were noted.

DUE DILIGENCE PROCESS STATUS REPORT

Presentation materials included a Seaport Alliance Due Diligence Process [diagram](#).

Presenter(s): John Wolfe, Port of Tacoma Chief Executive Officer, and Kurt Beckett, Port of Seattle Deputy Chief Executive Officer.

Development of key aspects of an alliance strategic business plan was reported. It includes provision for a variety of cargo types, emphasis on rail coordination, branding considerations, and a focus on consistent, reliable service. Cargo forecasts, milestones for capital investment, and key performance measures are also included. Labor is a critical partner in the success of the strategic plan and its commitment to the plan is essential. Overall TEU volumes will be reported jointly going forward in keeping with the formation of a single alliance gateway in Puget Sound.

Rebuilding relationships with customers damaged by the ILWU/PMSA labor dispute is a high priority for the alliance.

An updated due diligence process diagram was presented. Key topics that continue to be coordinated include the type of legal entity for the alliance, its governance structure, structure of its delegation of authority, employment issues, financial framework, business evaluation approach, key metrics and decision criteria, strategic planning, and a comprehensive view of all components of the alliance for public and Federal Maritime Commission consideration.

Working group updates were provided. Provisions are being made for an appropriate level of delegation of authority, accommodation on the alliance web site for receiving public records disclosure requests, a lease abstract, and consolidated maintenance and repair analysis. Mutual support for TIGER (Transportation Investment Generating Economic Recovery) Grant funding for the Port of Tacoma Pier 4 project was discussed. Martin and Associates and engineering firm KPFF will perform asset valuations for the finance and administration team. A recommendation for alliance accounting standards has been agreed to.

The cost of due diligence work is being split equally between the two ports.

PUBLIC TESTIMONY

An opportunity for public comment was provided, but no testimony was offered at this time.

ADJOURNMENT

There was no further business, and the special joint meeting was adjourned at 10:46 a.m.

Tom Albro
Secretary

Minutes approved: August 11, 2015.