



MINUTES
Tuesday, March 2, 2021
Managing Member Regular Meeting

Held virtually in accordance with Senate Concurrent Resolution 8402 and Governor's Proclamation 20-28. Dial in: 1 253 617 4257 Conference ID: 995 335 214#

CALL TO ORDER

The meeting was called to order at 9:02 a.m. Port of Seattle Commissioners Ryan Calkins, Sam Cho, Fred Felleman and Peter Steinbrueck were all present. Commissioner Stephanie Bowman was delayed and signed on at approximately 10:10 a.m. Port of Tacoma Commissioners Kristin Ang, Deanna Keller, John McCarthy, Dick Marzano and Don Meyer were all present.

RECESS TO EXECUTIVE SESSION

The Managing Members then recessed for an executive session to discuss with legal counsel representing the agency, two matters relating to litigation or potential litigation to which the agency is, or is likely to become, a party. The executive session ended at 9:59 a.m.

CLOSED SESSION

Following executive session, at 10:00 a.m., the Managing Members, the commissions of the Port of Seattle and Port of Tacoma, held a closed confidential session as authorized under Federal Maritime Commission (FMC) regulations and related laws found at 46 U.S.C. § 40306; 46 C.F.R. §535.608; and 46 C.F.R. 535.701(i)(1) and as authorized by the Port of Seattle/Port of Tacoma Alliance Agreement, FMC Agreement No. 201228. The closed session lasted 64 minutes.

RETURN TO ORDER AND PLEDGE OF ALLEGIANCE

The Managing Members reconvened at 11:35 a.m. Roll was taken and all commissioners were present.

Commissioner Felleman provided opening comments acknowledging the land of the co-Salish people. He also reflected on the memorial of the first Coronavirus death. He expressed gratitude for the frontline workers and encouraged the passage of a COVID relief package. He then led the Pledge of Allegiance.

CHIEF EXECUTIVE OFFICER'S REPORT

CEO, John Wolfe, provided a summary of the agenda. Following the summary, Commissioner Marzano introduced a motion adjusting the directive on litigation timing related to CMA CGM (*see January 5, 2021 motion to commence suite by March 31, 2021 CMA CGM America, LLC*).

It was moved and seconded (Marzano / Keller) to extend the deadline for legal counsel to file suit against CMA CGM as was previously set by motion passed on January 5, 2021, from March 31, 2021 to April 16, 2021.

The motion passed 2-0 by the following vote:

Port of Seattle – 1		Port of Tacoma – 1	
Bowman:	Aye	Ang:	Aye
Calkins:	Aye	Keller:	Aye
Cho:	Aye	McCarthy:	No
Felleman:	Aye	Marzano:	Aye
Steinbrueck:	Aye	Meyer:	No

CONSENT AGENDA

CEO Wolfe briefly summarized the consent agenda.

3A. Approval of the February 2, 2021 minutes.

- 3B. Approval of the payment of checks 707844 through 707918, and wire transfers in the total amount of \$12,820,912.54 during the period of January 16, 2021 through February 12, 2021 as reported for the March 2, 2021 Managing Member meeting.
- 3C. Waive two readings and adopt Resolution 2021-02 appointing NWSA CFO, David Morrison, as NWSA Treasurer and clarifying certain terms. *Amends and supersedes Resolution 2015-03.*
- 3D. Waive two readings and adopt Resolution 2021-03, the Master Benefit and Salary Resolution. *Amends and supersedes Resolution 2020-01.*
- 3E. Project authorization in the amount of \$310,237 for work associated with the Lighting Upgrade at East Blair Breakbulk (EB1) Yard, Master Identification Number 201122.01.
- 3F. Waive two readings and adopt Resolution 2021-04 declaring approximately 436 timber piles with a net book value of approximately \$390,473.50 surplus and no longer needed for NWSA purposes.
- 3G. Construction authorization in the amount of \$320,000, for a total authorized amount of \$520,000, for work associated with the Washington United Terminals (WUT) Crane Power Addition Project, Master Identification Number 201110.01.

Staff confirmed for Commissioner Meyer that future shore power capability will not be impacted by work associated with item 3G.

Commissioner McCarthy commented on item 3F. He shared his concern over the timber piles sitting to the point where their value may have been impacted, especially given his concerns over the costs of Terminal 5 (T5) Modernization Program.

It was moved and seconded to approve the consent agenda.
The motion passed unanimously.

PUBLIC COMMENT

None.

ACTIONS

- 5A. First Reading - Pacific Maritime Association (PMA) New Lease Agreement at Terminal 46
Presented by Jennifer Maietta, Interim Director, Alliance Real Estate

It was moved and seconded (Bowman / Keller) to advance to a second reading, authorization for the CEO or his delegate to execute a new lease agreement with the Pacific Maritime Association for training facilities at Terminal 46 (T46).

The motion passed unanimously.

Discussion:

- PMA is looking to consolidate its regional training facilities to T46 for the purposes of developing a consolidated and state of the art training facility for longshore workers, clerks, foreman and casuals.
- Staff provided a background and the key terms of the proposed lease agreement. Staff noted that slide number 12 in the presentation materials had the incorrect information in the key term description for Environmental. The correct information is that the Lessee is to comply with all local, state and federal environmental regulations as well as all NWSA and Port policies; and use Best Management Practices (BMPs) for stormwater pollution and prevention.

- PMA would like to enter into a future agreement for use of one of the three ZPMC cranes owned by the Port of Seattle for the purpose of marine cargo labor related training.
- Commissioner Bowman offered kudos to all of the staff that brought this lease agreement forward. She commented that one of the last actions the Port of Seattle took in 2019 was to purchase the three ZPMC cranes. She said it was a huge leap of faith to purchase the cranes and to see them used in the central Seattle waterfront for a state of the art facility is exactly the desired result. Longshore, already doing great in terms of productivity, will be able to bring in new members and get them trained. The NWSA is also getting a good lease rate.
- There is no written agreement at this time regarding who will pay for costs associated with maintenance of the cranes. The Port of Seattle is pursuing a contractor but it will take approximately two to two and one-half months to understand the costs. Staff may need to come back to the Managing Members to amend the lease or enter a separate agreement for ongoing maintenance. Commissioner McCarthy commented that when the Port of Seattle purchased the cranes, he was relieved that the NWSA was not going to be burdened. He stated unless the cranes are actively utilized and paying for themselves, he hopes no undue burden will be placed on the NWSA.
- Commissioner Meyer asked staff to explain why the crane element is being incorporated into the NWSA agreement since the Port of Seattle owns the cranes. Staff responded that because the PMA is the NWSA's tenant, the NWSA has a vested interest in having them use the crane. Commissioner Meyer stated that he generally supports the idea, but he wants additional follow up clarifying ownership and obligations related to the cranes prior to taking action on this topic.
- Commissioners requested additional follow up regarding clauses in the draft lease related to termination, relocation, and insurance and indemnification of the NWSA.
- Commissioner Felleman asked about wharfage. The training at the location is for the movement of cargo and to staff's knowledge, no vessel is needed. If a vessel is required, the tariff would be used to determine wharfage.
- There is currently no stormwater permit on the terminal; the activity does not require it. There is a requirement to have specific location for fueling of equipment that is tied to the City sewer. A location has been identified on terminal where this fueling can occur.

5B. *The 2020/2021 Northwest Seaport Alliance Rail Incentive Program for Gateway Growth Presented by Don Esterbrook, Deputy CEO and Tom Bellerud, Director, Business Development*

It was moved and seconded (Ang/Keller) to authorize additional funding in the amount of \$2,000,000 for the 2020/2021 NWSA Intermodal Rail Incentive Program for a total of \$3,000,000.

The motion passed unanimously.

Discussion:

- CEO Wolfe opened the presentation stating the incentive program is to increase cargo activities the NWSA gateway to the benefit of the partners that touch cargo and help move it through our gateway and the jobs that come with it.
- Deputy CEO Don Esterbrook provided a background of the incentive program. The program was implemented in 2020 in response to the trending loss of market share the NWSA was experiencing in the discretionary intermodal rail business. The NWSA has partnered in a more significant way with the class 1 railroads, ocean carriers and beneficial cargo owners (BCOs) to target specific inland locations.

- The railroads contribute by providing more competitive line haul rates to specific inland locations, the alliance contributes by providing the ocean carriers a rail incentive of \$50/container, though the rate is variable based on certain conditions.
- The program has outperformed the 12-month target for incremental rail loads. Staff has revised, increased its target to 40 thousand incremental rail loads, therefore this request for additional funding.
- The objectives and elements of the program were described. Net financial impacts were discussed.
- Commissioner Keller cautioned against going beyond incentive to expectation and creating a new business practice.
- Discussion took place regarding whether the program incentivizes empty exports.
- Commissioner Meyer also suggested using the incentive/subsidy to reduce short haul rates in Tacoma. Staff provided that the line haul rates are inclusive of short haul – the rate is ramp to ramp.
- Commissioner Cho commented that in his view this program encourages more exports from inland areas as it makes exporting cheaper. He also commented that the blank sailings are a macroeconomic trend happening regardless of the NWSA's program. CEO Wolfe stressed that the incentive program does not incentivize empty exports. The issue impacting blank sailings is vessel schedule integrity which is non-existent at this time. The two issues are not connected.

BRIEFINGS

6A. Terminal 5 Modernization Program Quarterly Update

Presenters: Thais Howard, Director, Engineering and Emma Del Vento, Capital Project Leader, POS.

- Issues surrounding the construction project itself, combined with the West Seattle Bridge issues and settling at the gate complex have compromised the schedule and budget.
- Staff updated the Managing Members on scope changes and their impacts to the budget. Changes since the last update include addressing a dispute between the NWSA and its lease tenant as to which party bears the financial responsibility regarding the North Reefer Demarcation and the South Reefer Repair project. Tribal agreements will need to be reviewed due to the expanded timeline for completion of in-water work, and gate complex repairs are needed due to the settling damage to the structure and pavement around scales.
- The Program Budget of \$340 million that was approved in April 2019. The financial forecast is currently over budget. The budget is estimated to be \$365-\$380 million. Construction is 63 percent spent and 54 percent complete.
- The impact of grant funding (Department of Ecology Stormwater Grant, Washington State Allocation for Shore Power, PIDP grant) for the T5 Program show a net total cost of \$348 - \$363 million.
- Staff also provided a look ahead for other Q1 2021 and Q2 2021 items.
- Other efforts in pursuit of funds through grants and/or directly from the state of Washington were mentioned.
- More discussion took place regarding cost sharing of unforeseen increased costs with SSA and how addressed, or silent in the lease.

- Commissioner Meyer asked about the budget and how much is obligated at this time. Staff did not have the specific number, only that it is under the \$340 million budgeted. Staff will request additional funding before it commits beyond the \$340 budget. Commissioner Meyer stated the increased cost estimate is a significant issue for the Port of Tacoma budget and wants an analysis of what the higher costs means from cash flow from the alliance to the homeports for the next year or five years. Staff has updated the financial modeling and will be providing.
- Commissioner Keller complemented staff for their management of the Program, especially during the challenges presented with COVID and the WEB, etc. and their transparency to the Managing Members.
- More work is needed during the third fish window than anticipated in order to remain on schedule. There is significant uncertainty regarding in this area due to the need for three permit modifications for the work during the third fish window.

GENERAL BUSINESS

7A. Scorecard and 2021 Key Strategic Initiatives Discussion

- Commissioners discussed what they would like measured in the 2021 NWSA Scorecard. Staff will incorporate changes and bring a revised draft back to the Managing Members at the next meeting.
- CEO Wolfe outlined his top 5 key initiatives for 2021: Complete T5 near budget and on schedule (revised Phase 1 completion year-end), pursue new cargo volume opportunities, operations performance, federal and state funds for infrastructure needs of the gateway, and work with the Homeports, private partners, and local governments to increase industrial land development opportunities in and around the cargo facilities.
- David Morrison, CFO, provided a distributable cash history of the alliance from 2016 through 2020 and as budgeted for 2021. He identified for the Managing Members some of the key components that make distributable cash fluctuate from year to year.
- Trends over time 2016-2021 and as forecast for 2021 were explained in the areas of revenue, operating expense before depreciation, direct expense, maintenance expense, administration expense, security and environmental expenses, NWSA depreciation, non-operating revenue and expense.
- Commissioner Keller requested a performance scorecard per terminal.
- Commissioner Steinbrueck added to the earlier discussion regarding key initiatives. He emphasized the importance of land use beyond lands on or adjacent to terminals to protect industrial and maritime lands from gentrification. We have to keep a close eye on the areas surrounding our facilities and analysis of what we must really protect.
- Commissioner Ang asked why the environmental budget went from \$4 million to \$2 million. The CFO opined that there are two things going on. Environmental staff are identifying better and cheaper ways to do things, and they have also been asked to spend less. Environmental staff was not available for comment at this moment, the CFO ventured to say that the environmental group is still meeting their goals. Commissioner Ang will follow up with the Director of Environmental Programs.

7B. CEO Announcements


- Birthday wishes were given to Commissioner Felleman.

7C. Commissioner Comments

- No closing comments were offered.

ADJOURNMENT

There being no further business, the meeting adjourned at 3:02 p.m.



Fred Felleman, Co-Chair
The Northwest Seaport Alliance

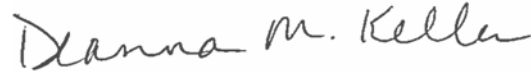


Dick Marzano, Co-Chair
The Northwest Seaport Alliance

ATTEST:



Sam Cho, Co-Secretary
The Northwest Seaport Alliance



Deanna Keller, Co-Secretary
The Northwest Seaport Alliance



Juliet Campbell, Clerk
The Northwest Seaport Alliance