

**THE NORTHWEST SEAPORT ALLIANCE
MANAGING MEMBER MEETING
TUESDAY, February 5, 2019
The Conference Center at Seattle-Tacoma International Airport
17801 International Blvd. Seattle, Washington.**

SEATTLE COMMISSIONERS PRESENT:

Stephanie Bowman, Co-Chair
Ryan Calkins
Fred Felleman
Courtney Gregoire
Peter Steinbrueck

TACOMA COMMISSIONERS PRESENT:

Clare Petrich, Co-Chair
Don Johnson
John McCarthy
Dick Marzano
Don Meyer

STAFF PRESENT:

John Wolfe, CEO
Don Esterbrook, Deputy CEO
Kurt Beckett, Deputy CEO
Tong Zhu, Chief Commercial Officer & Chief Strategy Officer
Carolyn Lake, Legal Counsel
Anne Porter, POS Capital Program Leader
Paul Meyer, POS Seaport Environmental
Nick Demerice, Public Affairs Director
Katie Whittier, Communications Director
Jean West, Chief HR Officer
Loni Shorten, HR Manager
Leilani Berinobis, Executive Administrative Assistant
Juliet Campbell, Clerk of the Port

10:00 AM – EXECUTIVE SESSION:

1. **CALL TO ORDER:** Commissioner Bowman called the meeting to order at approximately 10:04 a.m. and recessed into Executive Session.
2. **RECESS INTO EXECUTIVE SESSION:** One item related to the performance of a public employee. RCW 42.30.110(1)(g).

No votes or actions were taken.

11:30 AM – MANAGING MEMBER MEETING PUBLIC SESSION:

1. **RETURN TO ORDER:** Commissioner Bowman reconvened the meeting at approximately 11:48 a.m. and lead the Pledge of Allegiance.
2. **CONSENT AGENDA:**
 - A. Minutes of January 15, 2019
 - B. Check Certification approving the payment of checks 704634 through 704771, and wire transfers in the total amount of \$5,053,08.77 during the period of January 5, 2019 through January 28, 2019.
 - C. Ratification of Emergency Contract No. 071080, Master Identification No. 201070.01 for culvert repair.

Commissioner McCarthy requested item 2B be removed from the consent agenda for individual consideration and vote.

It was moved and seconded (Bowman/Johnson) to approve the consent agenda items 2A and 2C as presented.

PORT OF SEATTLE VOTE:

Commissioner Bowman	Aye
Commissioner Calkins	Aye
Commissioner Felleman	Aye
Commissioner Gregoire	Aye
Commissioner Steinbrueck	Aye

PORT OF TACOMA VOTE:

Commissioner Petrich	Aye
Commissioner Johnson	Aye
Commissioner McCarthy	Aye
Commissioner Marzano	Aye
Commissioner Meyer	Aye

MOTION CARRIED 5-0 / 5-0

It was moved and seconded (Petrich/Johnson) to approve the consent agenda items 2B as presented.

PORT OF SEATTLE VOTE:

Commissioner Bowman	Aye
Commissioner Calkins	Aye
Commissioner Felleman	Aye
Commissioner Gregoire	Aye
Commissioner Steinbrueck	Aye

PORT OF TACOMA VOTE:

Commissioner Petrich	Aye
Commissioner Johnson	Aye
Commissioner McCarthy	Abstain
Commissioner Marzano	Aye
Commissioner Meyer	Aye

MOTION CARRIED 5-0 / 4-0

3. PUBLIC COMMENT:

Karen Zima, RoadOne Intermodal Logistics, VP Field Operations – West: Expressed appreciation to the commissioners and staff on behalf of the non-compliant trucking community related to the extension of the Clean Truck Program deadline to January 1, 2019 and other assistance from The NWSA.

John Parrot, Foss Maritime CEO: Current tenant of T5. Spoke in support of The NWSA's long-term vision for T5.

4. STAFF BRIEFING:

A. North Harbor Commercial Strategy and Terminal 5 Modernization Program Briefing.

Presenter(s): John Wolfe, Kurt Beckett, Don Esterbrook, Tong Zhu, Paul Meyer, Anne Porter

- Staff provided a preview of how it proposes advancing the strategic business plan formed as a result of the formation of The NWSA three years ago.
- The plan is to enter into a master lease with SSA Terminals (SSAT) and Terminal International Limited (TIL Group). TIL Group is a terminal operating company owned by MSC Lines. They are both current tenants of The NWSA.
- Accommodating this plan requires realignment of major terminals and introducing additional marine cargo and maritime uses.
- The NWSA estimates a capital investment of \$340 million. Private sector investment is anticipated in both phases 1 and 2 of the program. The combined investment in the gateway from both public and private sector is anticipated to be over \$500 million.
- Commissioners reflected on the history of T5 and commented on the vision and rigorous financial and program review necessary to get to a point of potential execution.
- Overviews of The NWSA North Harbor commercial strategy, marine terminal lease authorizations, and T5 modernization program authorizations were provided. Specific attention was given to The NWSA's Economic Impact Report released last week (and available on The NWSA public website), the Business Plan's purpose and benefits, the North Harbor strategy commercial arrangement, and the T5 modernization program.
- Staff was asked how the proposed investment will impact market share. Discussion took place on the significant amount of change in the industry, including larger vessels and shipping lines alliances. Staff reported that other gateways are touching on some capacity constraints which create opportunities for this gateway provided we have the right capacity to lean into those opportunities. It was also stated that our gateway is well positioned for export opportunities and that federal policy is driving for more exports. It was noted that the entire customer base that exists in the transpacific trade is already doing business here. The focus is to grow the share of cargo moving through this gateway.
- Staff further suggested that investment is necessary to simply maintain as the fourth largest gateway in North America for international container trade and the jobs that go with it. Significant capital improvement programs are taking place throughout North America at all the major gateways.
- Key cashflow assumptions include: total program cost for T5 of \$340 million; the lessee pays \$150,000 per acre per year beginning January 1, 2021 for 30 years; the lease for phase 2 at T5 to begin 2024; and waiver of the IY fee at T18 retroactive to January 1, 2019 through the remaining term of the lease. Staff estimates an 18-year payback period.
- Commissioners asked for more clarity on the financial risk. The upfront investment of \$340 million is for the entire T5 program, including phase 2. Commissioners asked to see cash flow projections for all three possibilities (phase 1 only, phase 1 plus and phase 1 and 2). They are interested in seeing cash flow if phase 2 is not exercised by the operator. Staff will

provide a sensitivity analysis and work through assumptions about other revenue streams that would be plugged in phase 2 if the operator does not exercise phase 2.

- Commissioner Felleman noted that The NWSA is not just in the construction business; it is committed to preserving an inclusive middle-class economy. Commissioner Bowman shared her perspective that by not moving on the project, The NWSA risks losing the opportunity to have an inclusive middle class.
- Commissioner Meyer identified the fundamental issue and concern from his perspective is the premium being payed up front to build a 2-berth facility priority without a signed lease requiring full use of T5.
- Commissioner McCarthy stated that at Husky Terminal, there was an existing long-term customer where rates of returns could be calculated. Those rates were approximately 8 or 8.4 percent. Because of the risk relative to phase 2, the numbers presented today are substantially less, though the financial risk appears to be more profound.
- Commissioner Johnson stated that when considering risk his concern is finances. The finances have been well presented by staff as long as the numbers don't change between now and when the items come to a vote. We need to be able to handle the risk and make an assumption of whether we can complete phase 2 or can we not complete phase 2.

PUBLIC COMMENT: Edward DeNike, President, SSA Containers: SSA expects this gateway to grow and it is SSA's intension to convince the major carriers to put more cargo through this area. SSA would not invest \$150 million for a one berth, four-crane, 60-85-acre facility without thinking they would exercise phase 2. Though he states there are reasons SSA does not want to commit to phase 2 at this time, their intention is to take the entire terminal and fill it. He stated his belief that the deal is a very good calculated gamble for both SSA and The NWSA. Opportunities for working with labor and the eventuality of needing night gates were discussed.

- Terminal 5 program is broken into two projects: 1. Berth Modernization Project and 2. Uplands Improvement Project.
- Staff provided information on several permit conditions that came out of the EIS and permitting processes. The conditions cover air quality, noise, traffic and stormwater. Enhancements that will be implemented as part of the projects include annual reporting requirements. The annual reporting means any potential issues can be identified and addressed quickly.
- Commissioners expressed concern that permits not preclude two eight-hour shifts in the future. Paul Meyer, Manager Seaport Environmental, provided that the current Master Permit allows it and there is no restriction to hours of operation; however, the performance standards of Seattle Municipal Noise Code apply. Those standards are different in the day than at night.
- The implications to project costs and reporting requirements resulting from President Trump's recently signed executive order strengthening the buy-American provisions were noted for further analysis.
- Staff was asked about the reliability of the \$340 million investment estimate and whether approximately \$20 million in design costs give them confidence. The design work requires an estimate at 30-, 60-, and 90-percent levels of design. Then an engineer's estimate is

completed before going to bid as required by state law. The estimates are very much bottom up estimates at this point. Estimates are done by a third party and checked internally. Bids from the Pier 4 project were reviewed to compare/validate some of the unit pricing. Staff also used RS Means and recent bids to make sure the estimates are as accurate as can be.

- A snapshot of the actions that will be requested of The NWSA Managing Members and Homeports was provided and posted in the materials published on the public website.

5. ACTION AGENDA:

A. Marketing and Advertising Support Services

Presenter(s) Nick Demerice and Katie Whittier

- This contract for support services is focused on marine cargo and industry customers and partners and is used by the communications group and the commercial team. The scope of work includes a small portion for producing the Port of Tacoma's annual report, which will be billed separately.
- The scope includes collaboration with The NWSA staff on strategic messaging for the business and community audiences, a brand awareness study, print and digital advertising, and video messaging. Content and usefulness of the Pacific Gateway magazine were discussed. The Port of Tacoma has had contract with JayRay going years back and included the contract for the Port of Tacoma's centennial work.
- Communications Director, Katie Whittier disclosed that JayRay is her former employer. Steps were taken during the procurement process to ensure no unfair advantage in the decision process.

It was moved and seconded (Meyer/Marzano) to authorize the Chief Executive Officer or his delegate to execute a two-year contract for marketing and advertising support services with JayRay Ads and PR for an amount not to exceed \$225,000 per year for a total of \$450,000.

PORT OF SEATTLE VOTE:

Commissioner Bowman	Aye
Commissioner Calkins	Aye
Commissioner Felleman	Aye
Commissioner Gregoire	Aye
Commissioner Steinbrueck	Aye

PORT OF TACOMA VOTE:

Commissioner Petrich	Aye
Commissioner Johnson	Aye
Commissioner McCarthy	Aye
Commissioner Marzano	Aye
Commissioner Meyer	Aye

MOTION CARRIED 5-0 / 5-0

B. Master Benefit and Salary Resolution (MBSR) 2019-01 – FIRST READING

Presenter(s) Jean West and Loni Shorten

- The MBSR provides a summary of The NWSA health and welfare program and salary program.
- At the second reading and adoption of MBSR 2019-01, staff will be requesting:
 - Changes to the leave of absence without pay policy language to accommodate current and future state and federal leave laws.
 - The addition of language to meet the Washington Paid Family & Medical Leave Law. Funded by the employee and employer contributions which began January 1, 2019.
 - A Cost of Labor adjustment of 2.2 percent to the non-represented salary ranges.
- Prior to next year, Commissioner Gregoire would like staff to provide an analysis of whether it would be beneficial to the employees and the organization to create The NWSA's own paid leave program and apply for a waiver of the Washington PFML. She noted that the Port of Seattle has its own program that is more advantageous to the employees and the organization as the benefit is richer and the employee does not have to pay in and the Port of Seattle as an employer doesn't have to pay into it.
- Commissioner McCarthy requested more information on the discretionary performance payout portion of the MBSR. This program, the "Exceptional Lump Sum Award" is a component of a performance management program. Executives do not qualify to receive the award. It is a way to recognize with a small amount of money, employees or teams of employees that have gone above and beyond their job duties to provide exceptional work. The program has been audited and found to comply with all applicable standards. The performance measures are agreed to by the Managing Members in advance of any consideration of whether any team or employee exceeded them. Those performance measures and metrics are made by the Managing Members in consultation with the CEO. Then the full discretion is with the CEO to determine if those metrics have been exceeded.
- Staff will provide the commissioners with the amounts that have been paid out annually, the amount budgeted for the program for 2019, and beginning with the 2020 budget, will include this as its own line item. Commissioner McCarthy may consider amending the MBSR prior to the second reading and adoption to specify reporting requirements to the Managing Members.

It was moved and seconded (Petrich/Calkins) to advance Resolution 2019-01, the Master Benefit and Salary Resolution (MBSR) to the second reading for final adoption.

PORT OF SEATTLE VOTE:

Commissioner Bowman	Aye
Commissioner Calkins	Aye
Commissioner Felleman	Aye
Commissioner Gregoire	Aye
Commissioner Steinbrueck	Aye

PORT OF TACOMA VOTE:

Commissioner Petrich	Aye
Commissioner Johnson	Aye
Commissioner McCarthy	Aye
Commissioner Marzano	Aye
Commissioner Meyer	Aye

MOTION CARRIED 5-0 / 5-0

6. COMMISSIONER COMMENT:

Commissioner Steinbrueck: Represented The NWSA and Port of Seattle at the opening of the new Highway 99 tunnel. The tunnel will transform the Seattle waterfront for freight mobility through the corridor. Recognized former Governor Gregoire for her leadership, thanked commissioners and former commissioners involved, and King County citizens.

Commissioner Felleman: The NWSA wrote a letter to the Governor's Orca task force. Commissioner Felleman serves on the working group for the vessels. Looks forward to collaborating with the Port of Vancouver's project Echo for ways to recognize vessels that are making efforts to be particularly quiet, especially this time of year when the whales are in the South Sound. Also, he commented on a bill going through the legislature dealing with proposed amendments to SEPA to address guidance on GHG analysis. The bill as written is something he strongly opposes. Recognizing the need to provide direction to Ecology on where to draw the line with GHG analysis, he does not believe this is a vehicle.

Commissioner Petrich: Thanked the Port of Seattle for its investment in the removal of the viaduct and opening of the tunnel.

Commissioner Calkins: Attended an event at the airport with 50 naturalized residents and 50 attorneys as part of Washington New American's push to help them get citizenship. It is an expensive process and all the work was provided pro bono. The event was organized by the Port of Seattle, One America, and other smaller organizations. He challenged The NWSA to find ways to reach out to the immigrant and refugee community surrounding The NWSA to help them take advantage of this free service.

Commissioner McCarthy: The Port of Tacoma staff and Commission have been actively involved with the City of Tacoma, Pierce County, The Puyallup Tribe of Indians, and the City of Fife in developing a work plan to set the stage for comprehensive land changes to the port industrial development district in the Tidelands. There is a meeting on Friday to review a potential work plan. He offered to share lessons learned related to the Port Container Element statute.

Commissioner Gregoire: The Port of Seattle launched a multi-year anti-human trafficking initiative in partnership with other regional agencies. Last week they did a webinar for AAPA to educate all ports around the country on how they could adopt similar initiatives.

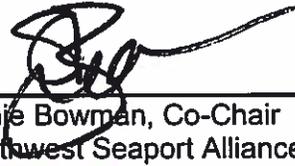
Commissioner Marzano: Offered congratulations on the naturalization/citizenship event.

Commissioner Bowman: Serves on the elected leaders group representing The NWSA and the Port of Seattle with Sound Transit 3 (ST3) on the new alignments through the City of Seattle. Because of the work of staff, in particularly Geri Poor, she's been able to educate the Sound Transit staff about the impacts the North of Spokane Street Alignment would have on Terminals 5 and 18. ST3 has done some additional cost analysis. The original estimate showed that this would be \$200 million less to build; it is now estimated to cost \$300 million dollars more to build – a \$500 million delta. This has changed the conversation and it appears to be moving in the right direction.

7. ADJOURNMENT: There being no further business, Commissioner Bowman adjourned the meeting at approximately 3:27 p.m.

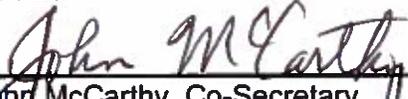


Clare Petrich, Co-Chair
The Northwest Seaport Alliance



Stephanie Bowman, Co-Chair
The Northwest Seaport Alliance

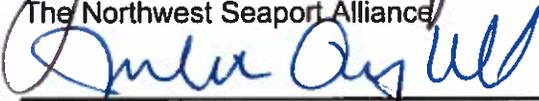
ATTEST:



John McCarthy, Co-Secretary
The Northwest Seaport Alliance



Peter Steinbrueck, Co-Secretary
The Northwest Seaport Alliance



Juliet Campbell, Clerk of the Port
The Northwest Seaport Alliance