

MINUTES
SPECIAL NWSA MANAGING MEMBER AND PORT OF SEATTLE JOINT MEETING
TUESDAY, AUGUST 4, 2020
REMOTE.

SEATTLE COMMISSIONERS PRESENT:

Stephanie Bowman
Ryan Calkins
Sam Cho
Fred Felleman
Peter Steinbrueck

TACOMA COMMISSIONERS PRESENT:

Kristin Ang
Deanna Keller
John McCarthy
Dick Marzano
Don Meyer

STAFF PRESENT:

John Wolfe, CEO
Kurt Beckett, Deputy CEO
Don Esterbrook, Deputy CEO
Dana Henderson, NWSA General Legal Counsel
David Morrison, Director of Finance & Treasury
Erin Galeno, Chief Financial & Administrative Officer
Dakota Chamberlain, Chief Facilities Development Officer
Tong Zhu, Chief Commercial & Strategy Officer
Jason Jordan, Director Environmental Programs
Andre Elmaleh, Sr. Manager Business Development
Curt Stoner, Sr. Real Estate Manager
Blaine Burk, Sr. Real Estate Manager
Trevor Thornsley, Sr. Project Manager, Engineering
Jon Sloan, Sr. Manager, Environmental Programs, Port of Seattle
Leilani Berinobis, Executive Administrative Assistant
Judi Doremus, Executive Assistant
Juliet Campbell, Clerk

8:30 AM. – EXECUTIVE AND CLOSED SESSION:

Commissioner Steinbrueck called the special joint meeting to order at 8:30 a.m. and immediately recessed. The Managing Members then met in executive session to discuss, in consult with legal counsel, matters relating to litigation or potential litigation that maybe commenced by or against the NWSA and the legal or financial risk of a proposed course of action. (RCW 42.30.110(1)(i)(ii) and (iii)). The executive session lasted 90 minutes. No votes or actions were taken. The executive session was followed by a closed session pursuant to 46 U.S.C. § 40306; 46 C.F.R. § 535.608; and 46 C.F.R. § 535.701 (i)(1) and Port of Seattle/Port of Tacoma Discussion Agreement – Federal Maritime Commission (FMC) Agreement No. 201228. The closed session lasted 90 minutes. No votes or actions were taken during this closed session. The Managing Members took a short break at approximately 11:30 a.m. before joining a pre-meeting audio/visual connection check for the 12:00 noon remote/virtual public meeting.

12:00 Noon - PUBLIC SESSION:

1. **RETURN TO ORDER AND PLEDGE OF ALLEGIANCE:** Commissioner Steinbrueck reconvened the special joint meeting at 12:00 noon and lead the pledge of allegiance.
2. **CHIEF EXECUTIVE OFFICER'S REPORT:** CEO Wolfe provided an update on cargo volumes. Covid-19 combined with the trade war with China has had a dramatic, negative impact. Breakbulk tonnage remains fairly strong down just 1% from last year. The 2020 Goals and Expectations document was provided to Commissioners for their review and feedback.
3. **STUDY SESSION**
 - A. CIP and Financial Targets
Presented by David Morrison, Director of Finance & Treasury.

- The philosophy staff used in setting the 2021 budget targets was to provide as much operating cash as possible back to the Homeports, and to make strategic capital investments in alignment with NWSA goals, provide healthy rates of return and support growth and efficiency of the NWSA's business activity
- Historical distributable cash and 2021 targets were presented. The NWSA exceeded budgets each year from 2016-2020, at approximately \$111 million/year average of distributable cash. Staff is expecting a decrease to approximately \$86 million from operations. Because of a Charter change, staff was able to distribute approximately \$10.2 million in cash previously held in the NWSA due to the original charter definition of distributable cash. In 2020 distributable cash is expected to be approximately \$96 million.
- Staff proposed that an achievable target for distributable cash for 2021 is \$100 million.
- Staff highlighted changes in 2016-2019 that impacted cash flow/distributable cash.
- The 2020 Capitalized Project Target does not include Husky or Terminal 5 (T5) as they are ongoing projects previously authorized by the Managing Members.
- Staff recommended a budget of \$25 million for 2021 Homeport funded projects in addition to the Husky and Terminal 5 projects. Some of those projects were highlighted.
- Staff proposed delaying the following projects:
 - Clean drayage system for domestic terminals (they are currently meeting clean air requirements)
 - Terminal 7
 - EB1
 - Main gate portable restroom
 - Electric forklifts
- Addressing the philosophy for the budget described by staff, Commissioner Calkins commented that, so long as the NWSA isn't concerned about solvency, the preservation of cash should be secondary to the consideration of strategic capital investments in alignment with NWSA goals as the NWSA is an economic development authority. He noted there is no greater time of economic development need than in the midst of a recession. For the NWSA to pull back simply to distribute more cash to the Homeports as a priority in and of itself is shortsighted. The NWSA should consider the merit of projects so long as the NWSA is solvent, particularly to the extent the projects provide good-paying jobs for the community. Staff noted the reason for emphasizing distributable cash is to differentiate the NWSA as a joint venture of the two Homeports. The NWSA has a much narrower focus than the individual Homeports. The Homeports are the economic development engines, the NWSA is formed and designed to manage, preserve and grow its book of business to generate cash for the Homeports to fund the Homeport activity.
- Commissioner McCarthy asked for a breakdown between the North and South harbors or the \$25 million proposed for 2021 homeport funded projects. He also expressed concern over the downward forecast from \$111 million to \$100 million.
- Commissioner Steinbrueck asked for clarification on the rationale of the original Charter as to why cash is distributed from the NWSA to the Homeports, and then back to the NWSA, he asked why not just keep it in the NWSA. Staff explained that it is to be true to the bond holders. The bond holders for both Homeports, before the formation of the NWSA, invested based on the stream of revenue that was available when those bonds were issued. The bond covenants say for both Homeports, that the first use of cash is to pay operating expenses and then debt, and then only what is left over can go into capitalized projects.
- The 2024/2025 forecast reflects investments in a major dredging project in front of Husky Terminal and a rebuilding project in Terminal 18, subject to Managing Member approval. These projects have been in the forecast since the beginning of the NWSA but 11 years out. They are only now showing up in the 5-year plan.
- Delayed projects can be revisited.

- Commissioner Felleman asked if it is possible that the Managing Members would calculate a potential deferral for the lease back of 25 acres by the Port of Seattle, from the NWSA at Terminal 46 for cruise. Commissioner McCarthy reminded the Managing Members that the only reason the T5 program was approved, on a split vote by the Port of Tacoma of 3-2, was a promise that the Port of Seattle would lease this property.
- Commissioner Bowman requested a future briefing regarding the basis and justification to delay the identified projects. The briefing should include how delayed projects may be brought back as the revenue situation improves.
- Staff provided a historic point of reference of the business purpose as set forth in the NWSA Charter and the delegation of authority.
- Commissioner Steinbrueck commented that there has not been an adequate level of discussion about guiding principles for the 2021 budget.

4. PUBLIC HEARING:

A. Adoption of Amendment to Fee Schedule for Public Records

Presented by Erin Galeno, CFAO and Public Records Officer

- The current fee schedule for the NWSA public records production is out of date. The purpose of the amendment is to establish a fee schedule in the event there is an actual cost to the NWSA, for example third-party costs associated with filling a public records request. Most NWSA records that exist electronically are provided electronically in response to request and there are no fees charged.
- Commissioner Steinbrueck called for public comment. There was none and no written comments were submitted.
- Due to the administrative nature of this topic, the action has been placed on the consent agenda.

5. CONSENT AGENDA:

It was moved and seconded to approve consent agenda items:

- 5A minutes from the July 2, 2020 Managing Member meeting.
- 5B payment of checks 707175 through 707268 and wire transfers in the total amount of \$15,999,971.64 during the period of June 20, 2020 through July 24, 2020.
- 5C technical updates to the Catalogue of Government Affairs Positions.
- 5D adoption of an amendment of the fee schedule for public records.
- 5E amend previously adopted item 5E from the July 2, 2020 meeting to delete "and South" from the previously adopted motion so that the authorization of the Managing Members is to advertise and construct the North marine building at Terminal 5.

The motion passed unanimously.

6. PUBLIC COMMENT:

- Todd Hass, Puget Sound Partnership, spoke in support of a "Quiet Sound" program.
- Lynne Barre, National Oceanic and Atmospheric Administration, spoke in support of efforts to reduce underwater noise from large commercial vessels in Washington state waters.
- Michael Jasney, Natural Resources Defense Council, urged the NWSA to establish the "Quiet Sound" program.
- John Veentjer, Executive Director of the Marine Exchange of Puget Sound and Chair of the Puget Sound Harbor Safety Committee; Vessel Operators Committee member of the Enhancing Cetacean Habitat and

Observation (ECHO) Program and the Quiet Sound Planning Team submitted written comments in support of the "Quiet Sound" program.

7. ACTIONS:

- A. Second Reading: GLOVIS America Use Agreement and Auto Warehousing Co. Lease and Operating Agreement Eighth Amendment and Setup of a New Auto Yard at East Sitcum Terminal.

Presenter: Andre Elmaleh

It was moved and seconded to:

- Authorize the Chief Executive Officer (CEO) or his delegate to enter into a five-year Use Agreement with GLOVIS America (GLOVIS).
- Authorize the CEO or his delegate to enter into the Eighth Amendment to the Auto Warehousing Co. (AWC) Lease and Operating Agreement
- Authorize the CEO or his delegate to spend up to \$350,000 for expenses related to the setup of the new auto yard at the East Sitcum terminal.

The motion passed unanimously.

Discussion included:

- This is the second reading. The first reading was at the July Managing Member meeting.
- Staff provided the background and went over the proposed GLOVIS Use Agreement terms and the terms of the proposed amendment to the AWC Lease and Operating Agreement.
- The auto yard at the West Sitcum Terminal will need to move to the East Sitcum Terminal by August 15, 2020 due to the Matson Hawaii business relocating from Seattle to Tacoma. Staff estimates the related cost to be \$350,000.
- Financial implications were presented. Staff analysis indicates that the NWSA produces on average \$960,000 per year more income by retaining GLOVIS assuming 70% occupancy on land which would become available if GLOVIS left the gateway.

- B. West Sitcum Second Amendment and Terminal 5 Lease Termination

Presenter: Curt Stoner and Blaine Burk

DUAL ACTION: It was moved and seconded that the NWSA Managing Members authorize the NWSA CEO or his delegate to execute the SSAT Tacoma West Sitcum Lease 2nd Amendment including the Truck Terminal Dock Demolition Project MID No. 101496.01; authorize the Terminal 5 Lease Termination Agreement with SSAT Terminals, LLC (short-term lease); to relinquish the NWSA's use of six (6) cranes currently located at Terminal 5; and to remove of Matson's Step In Rights for the short-term and long-term Terminal 5 leases and that the **Port of Seattle Commission** authorize the Executive Director of the Port of Seattle or his delegate to execute all documents related to the sale of six (6) canes located at Terminal 5 to SSA Terminals, LLC.

The motion passed unanimously for the NWSA and for the Port of Seattle.

Discussion included:

- Matson decided to move their Hawaii Service from Terminal 5 to the West Sitcum Terminal combining their Hawaii and Alaska services at the same terminal. These action requests are needed support Matson, a long-term customer of this gateway. SSAT (Tacoma) will increase the leasehold area by 27 acres.
- Staff described the key elements of the lease amendment and highlighted that the new terms included an improved rate structure.

- The Lessor will remove the truck transload dock for greater cargo handling efficiency. The transload docks no longer serve a purpose because today cargo is transloaded using a forklift, typically in a warehouse.
- Lessor reserves the right to install vessel shorepower infrastructure at Lessee's preferential use area. Shorepower capable vessels calling at Lessee's terminal are required to connect to and use shorepower during the duration of the vessel call. Lessee has agreed to comply with the Clean Truck program requirements.
- The second component of Matson's move to the West Sitcum terminal includes the Termination Agreement for the short-term T5 lease. The new termination date proposed is September 15, 2020 from March 15, 2021. They would simultaneously expand their lease space at West Sitcum.
- Six Paceco cranes owned by the Port of Seattle have been surplused. All six need to be removed from T5 before June 1, 2020 in order to make way for the T5 Phase 2 redevelopment. SSA will take ownership of the cranes for \$1.00 and additional consideration. Three will be relocated by SSA to West Sitcum, three will be dismantled and removed from T5 by SSA at NWSA's cost. If the NWSA were to remove the cranes the anticipated cost is \$1 million per crane.
- As part of the termination agreement, parties will acknowledge the cancellation/voiding of Matson's Step in Rights for the short term lease and long term lease at T5.

C. Terminal 5 Hydrant Replacement

Presenter: Kurt Beckett

It was moved and seconded to authorize project authorization in the amount of \$325,000 for the T5 Hydrant Replacement project, Master Identification No. CIP C800807 and authorization to use Port Crews to complete construction.

The motion passed unanimously.

Discussion included:

- This is an underlying, ongoing maintenance issue. These substandard "M&H" brand hydrants are being periodically replaced at all NWSA and Port facilities. This maintenance plan was not defined at the time of the T5 modernization program design and modification.
- The recommended approach is to deal with the 10 most deteriorated hydrants first and the rest, which have not yet met the life safety threshold, over the next two to five years.

D. Wapato Creek Bridge and Culvert Removal

Presenter: Trevor Thornsley

It was moved and seconded to authorize a project authorization increase in the amount of \$720,000 for a total authorized amount of \$3,070,000 for the Wapato Creek Bridge and Culvert Removal, Master Identification No. 201070.01.

The motion passed unanimously.

Discussion included:

- This project came before the Managing Members and was authorized June 2, 2020. There was a culvert failure underneath the entrance to the Pierce County Terminal in Tacoma. There was a temporary fix, followed by a request for a permanent fix. The NWSA went to bid with the engineers estimate, and the bids came in significantly higher than the estimates. The lowest bid was 39 percent over engineer's estimate.
- Over the past three-four months, construction has halted. Now that construction can move forward contractors and suppliers are dealing with a backlog of work in addition to new work.
- Two items in the bid that were substantially higher are the precast concrete panels that make up the bridge deck and the drilled shafts that support the structure itself.
- This request covers costs of the low bid that exceeded the engineer's estimate and includes additional construction cost, sales tax and contingency. The scheduled completion date is November 30, 2021.

- The Port consulted with KPFF Consulting Engineers and an independent consultant that provided an independent cost estimate. Staff consulted with both to come up with the estimate that was presented to the Managing Members back in June.
- Construction will not interfere with trucks queueing up in that area.
- This project has the added benefit of removing a failing culvert and fish barrier that was part of the earlier construction and providing an enhanced fish passage.

8. STAFF BRIEFING:

A. Orca Underwater Noise Briefing

Presenter: Jason Jordan, Sandy Kilroy, Jon Sloan and Tony Warfield.

Staff provided a briefing their progress developing the "Quiet Sound" Underwater Noise Reduction Program. This is in response to Governor's Orca Task Force Recommendation No. 22 to implement shipping noise-reduction initiatives and monitoring programs. It recommends that Washington State set up a program similar to *Enhancing Cetacean Habitat and Observation* program (ECHO, Vancouver-Fraser Port Authority). The purpose, goals, structure and funding were presented.

Discussion included:

- Participating in this program will contribute toward satisfying some of the requirements of the certification of Green Marine. The noise component of Green Marine is a new requirement.
- Commissioner Felleman remarked on the broad coalition the ports brought together to make this program a possibility. The Alliance has written a couple of letters of support to the Governor's Orca Task Force committing to doing at least an exploration of participation. He noted that the testimony given today in support of this program comes from federal and state agencies. In particular, Mr. Ventjeer's organizational involvement. Commissioner Felleman served on the Governor's Vessel Working Group of the Orca Task Force and advocated letting the ports deal with the large vessels and the task force with recreational boats and whale watching vessels. In regard to the budget, he noted it is important to build on the momentum generated. He would like to see the Alliance do something this fall. He noted that recovery of the orcas is a cultural and economic obligation.
- Commissioner Keller voiced her support.
- Commissioner McCarthy remarked that the NWSA and Homeports needs to embrace a program that will have real impact on the southern resident killer whales, but it needs to be a coalition balancing the ports' role in relation to other agencies.
- Commissioner Steinbrueck wants to see an equitable approach too. He wants to identify the NWSA's appropriate level of responsibility, what it can afford, and how it can seek a shared responsibility, beginning with Washington state. He is not clear on how Maritime Blue is the appropriate fiscal agent, noting that it has no background or experience in this area.
- Commissioner Calkins voiced his support including that the ports fund a good portion of this initiative.
- Commissioner Meyer also expressed concerns regarding Maritime Blue delivering on the program. He asked whether it would be better to integrate into the ECHO program versus replicating it.
- Commissioner Felleman addressed some of the points raised and restated some of the impacts to the whales by noise. He agreed that the state needs to be at the table. He is confident that by contributing funding, the NWSA will leverage state and federal funds. He shares Commissioner Meyers concern about Maritime Blue but noted that the Marine Exchange is willing to house this position. He sees Marine Blue in more a fiscal role than in an operational role. He noted that this is the right thing to do on behalf of the whales and that the NWSA has an obligation to mitigate its operations while benefitting the economy of the region.

9. GENERAL BUSINESS:

A. CEO Announcements, Events, Recognitions

B. Commissioner Comments:

- Commissioner Calkins noted the NWSA's Fifth Anniversary

- Commissioner Keller reminded all to vote. Thanked all those running for office.
- Commissioner Ang also reminded all to vote. She sent prayers to the people of Beirut after the explosion at their port.
- Commissioner McCarthy reminded all to vote. Wear a mask. Stay healthy.
- Commissioner Felleman said the existential threat that ports face comes down to the public's awareness of the importance of preserving industrial lands and the role ports play in the region's economy. He thanked the Seattle hockey team for naming themselves the Kraken. The trailer features the maritime history of the region.

10. **ADJOURNMENT:** The meeting ended at 3:23 p.m.



John McCarthy, Co-Chair
The Northwest Seaport Alliance

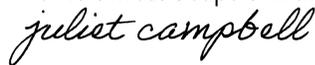


Peter Steinbrueck, Co-Chair
The Northwest Seaport Alliance

ATTEST:



Sam Cho, Co-Secretary
The Northwest Seaport Alliance



Juliet Campbell, Clerk
The Northwest Seaport Alliance



Don Meyer, Co-Secretary
The Northwest Seaport Alliance

NWSA ManagingMemberPublicComment

From: John Veentjer <jeveentjer@marexps.com>
Sent: Monday, August 3, 2020 2:43 PM
To: NWSA ManagingMemberPublicComment
Subject: QUIET SOUND

Follow Up Flag: Follow up
Flag Status: Completed

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe. Report suspicious email using the Report Phish button in Outlook.

This is John Veentjer, Executive Director of the Marine Exchange of Puget Sound and Chair of the Puget Sound Harbor Safety Committee. I also serve on the Vessel Operators Committee of the Enhancing Cetacean Habitat and Observation (ECHO) Program and the Quiet Sound Planning Team.

I write today in support of QUIET SOUND, the whale protection initiative to address the State Orca Task Force Recommendation #22, calling for a program similar to that of the ECHO Program implemented by the Vancouver Fraser Port Authority. The goal of the Quiet Sound program is to better understand and reduce the cumulative effects of acoustic and physical disturbance from large commercial vessels on Southern Resident Orcas throughout their range in Washington State. There are many players in this effort all who will need some level of funding for their sustained participation.

The ECHO Program funded the creation of the Whale Report Alert System (WRAS), which has now been extended to Washington waters of the Salish Sea, mostly do to the efforts of the Washington State Ferry System (WSF) and that of the Port of Seattle. The Marine Exchange also now has access to WRAS, so reports of whale sightings through WRAS are known to us. In the shared and adjacent waterways it is important that we focus on one reporting and alert system and work closely together with ECHO for the maximum benefit for the whales.

The Marine Exchange is a non-profit, member based organization that provides certain communication and vessel information services for our membership. The Marine Exchange, using Automatic Identification System (AIS), is the only private sector comprehensive vessel tracking organization in the region, somewhat analogous with the Coast Guard's Vessel Traffic Service (VTS), but lacking authority to manage vessel traffic. However, the Marine Exchange does work closely with the VTS. The Marine Exchange has access to vessel traffic AIS generally throughout the entire Salish Sea and near offshore, but can also access AIS information for the North Pacific.

Short of a fully funded program, some us will be working with what we have available to us to put in place some form of scaled down program before the end of the year. Like I noted above, WSF is already using WRAS and I'm told that many, but not all, of the Puget Sound pilots also have WRAS. We also have to ensure we minimize any added distraction to those responsible for the safe movement of vessels. And then there a program measurements that will be difficult, if not unlikely, with the resources we currently have.

Regards,

John

John Veentjer

Executive Director

Marine Exchange of Puget Sound

206-443-3830