



MANAGING MEMBER SPECIAL MEETING | PORT OF TACOMA SPECIAL MEETING

Tuesday, December 3, 2024 9:30 AM

The Conference Center at SEA inside the Seattle-Tacoma International Airport

17801 International Blvd. Seattle, WA 98158

Live streamed <http://www.nwseaportalliance.com/about-us/governance>

Minutes

Commissioners present:

Port of Seattle:

Ryan Calkins

Sam Cho

Fred Felleman

Toshiko Hasegawa

Hamdi Mohamed

Port of Tacoma:

Kristin Ang

Deanna Keller (via Teams¹)

John McCarthy (arrived at 10:10 a.m.)

Dick Marzano

Don Meyer

1. Call to order.

Co-Chair Hamdi Mohamed called the meeting to order at 9:34 a.m.

2. Recess to Executive / Closed Session

The Managing Members immediately recessed to hold an executive session pursuant to RCW 42.30.110(1)(i) to discuss with legal counsel representing the agency litigation or potential litigation to which the agency, the governing body, or a member acting in an official capacity is, or is likely to become, a party, when public knowledge regarding the discussion is likely to result in an adverse legal or financial consequence to the agency. The executive session ended at 10:42 a.m.

Immediately following, the Managing Members continued in closed session pursuant to Federal Maritime Commission (FMC) regulations and related laws found at 46 U.S.C. § 40306, 46 C.F.R. § 535.608, 46 C.F.R. § 535.701(i)(1) and as authorized by the Port of Seattle/Port of Tacoma Alliance Agreement (FMC No. 201228).

An announcement was made in the public meeting room that the Managing Members were extending closed session and would reconvene again in public session at 12:00 p.m. (noon).

3. Return to Order

The Managing Members reconvened in public session at 12:04 p.m. and the meeting was called to order. Co-Chair Mohamed announced the meeting was also a special meeting of the Port of Tacoma Commission as to item 9C(2) and all legal notice and posting requirements were met.

¹ Commissioner Keller was present and participating by electronic means that allowed real-time verbal communication. Her written comments were read in public session at her request due to her location. She was able to hear the action item presentations and discussions and able to vote by audio means (5th Amended Bylaws Article IV, Sec. 10).

4. Flag Salute

The Pledge of Allegiance was recited.

5. Chief Executive Officer's Report

John Wolfe, CEO, summarized the meeting agenda. Mr. Wolfe informed the Managing Members that yesterday, December 2, 2024, the 2025 Industrial Stormwater General Permit (ISGP) was published by the Department of Ecology. It unfortunately contains several of the Key Issues identified as the basis for staff and counsel recommendation of an appeal of the 2025 ISGP which the Managing Members directed and funded in November. Because of the inclusion of those Key Issues, an appeal is being prepared and staff is not seeking rescission of last month's Managing Member direction.

6. Public Comment

- Mark Elverston, ILWU 19 President. Spoke regarding equalization of work needed between north and south harbors. Spoke against additional cruise business in the north harbor.
- Kessa Sten, ILWU 52 President. Expressed disappointment in NWSA efforts to bring cargo to the north harbor and closing of Terminal 30, requested increased communication between NWSA and Labor.
- Ron Manwell, ILWU 19 Labor Relations Representative. Spoke in opposition to a proposed reduction of crane rental rate as to item 9B and against expansion of a new breakbulk terminal in the south harbor until both harbors are fully utilizing existing terminals.

7. Work Group Reports

Co-Chair Ang provided a report from the Environmental Work Group.

8. Consent Agenda

- A. Approve minutes of the October 25, 2024 meeting.
- B. Approve minutes of the November 5, 2024 meeting.
- C. Approve disbursements totaling \$20,503,565.39 on checks 308 through 434 and electronic payments issued during the period of October 29, 2024 through November 25, 2024 certified by the NWSA auditor.
- D. Project authorization in the amount of \$1,815,000 for a total authorized amount of \$2,024,000 for work associated with the West Sitcum Building 950 Sewer Upgrades, Project Identification Number 201189.01
- E. Authorization for the Chief Executive Officer to execute a five-year personal services agreement (agreement number 072140) with Elevate Government Affairs, LLC for federal lobbying services in an amount not to exceed \$1,050,000.

It was moved and seconded (McCarthy/Ang) to approve the consent agenda items 8A – 8E as presented. The motion carried by the following vote:

Port of Seattle:	Port of Tacoma:
Ryan Calkins - aye	Kristin Ang - aye
Sam Cho - aye	Deanna Keller - aye
Fred Felleman - aye	John McCarthy - aye
Toshiko Hasegawa - aye	Dick Marzano - aye
Hamdi Mohamed - aye	Don Meyer - aye

9. ACTIONS

- A. First Readings: 2025-01 Amending the Master Policy Delegation of Authority and 2025-02 Sixth Amended NWSA Bylaws.

Dana Henderson, NWSA General Counsel, presented proposed changes to the Master Policy Delegation of Authority (Policy) as recommended by the Managing Members Internal Governance Work Group (IGWG) following its annual review of the Policy. IGWG recommended changes to the NWSA Bylaws were also presented. Second reading of both resolutions is scheduled for January 2025.

- B. Husky Sixth Lease Amendment, Husky Fourth Crane Rental Agreement Amendment, FY 2023 MARAD PIDP Grant Acceptance and Husky Terminal Expansion Project Authorization.

Presenters: Don Esterbrook, Deputy CEO
Jeff Bellerud, Chief Operations Officer
David Morrison, Chief Financial Officer
Curt Stoner, Sr. Real Estate Manager
David Myers, Engineering Project Manager

The Crane Hour Rental Minimum Annual Guarantee (MAG) negotiated in 2017 to the Husky Crane Rental Agreement is unsustainable. NWSA and Husky have negotiated an adjustment to that MAG under certain terms. Additionally, the NWSA has been awarded a Federal Maritime Administration (MARAD) FY2023 Port Infrastructure Development Program (PIDP) grant in the amount of \$54,233,330 for the Husky Terminal Expansion Project. CFO Morrison presented the financial impacts. Staff is requesting authorization to accept the grant as well as project authorization for work associated with the project (Husky Terminal Expansion Project, Project Identification Number 201201.01).

It was moved and seconded (Ang/McCarthy) that the Managing Members authorize the Chief Executive Officer or his delegate to execute (i) the Sixth Amendment to the Husky Terminal Lease; (ii) Fourth Amendment to the Husky Crane Rental Agreement and authorize the acceptance of a MARAD FY2023 PIDP Grant in the amount of \$54,233,330 for the Husky Terminal Expansion, and project authorization in the amount of \$9,000,000 for a total authorized amount of \$9,350,000 for work associated with the Husky Terminal Expansion Project (Project Identification Number 201201.01).

The motion carried by the following vote:

Port of Seattle:	Port of Tacoma:
Ryan Calkins - aye	Kristin Ang - aye
Sam Cho - aye	Deanna Keller ²
Fred Felleman - aye	John McCarthy - aye
Toshiko Hasegawa - aye	Dick Marzano - aye
Hamdi Mohamed - aye	Don Meyer - aye

Discussion:

Commissioners engaged in lengthy discussion including:

- Applicability of the NWSA's Gate Efficiency Program as a vehicle to accomplish best-in-class service across both harbors.
- A need for an auditing component to Program giving the NWSA capacity to assess whether fees are used as intended.
- Postponing action on the proposed lease and crane rental agreement amendments and the associated risk.
- The requested actions were negotiated as a package, including millions in terminal improvements by Husky, a five-year lease extension, a rent increase of \$1,850,000 per year, participation in the Gate Efficiency Program and other terms. Dustin Stoker, President, Husky Terminals informed the Managing Members that if the full package is not in place, including the lease amendment he does not have authority from his board to sign the subrecipient agreement for the grant. He noted through these amendments, Husky is providing over \$75 million private investment over the \$40-50 million investment in container handling equipment, and additional infrastructure.
- A solution is needed in the north harbor to achieve the same outcome as what the NWSA hopes to achieve at Husky with this action. A willing partner in the north harbor is needed to negotiate such an agreement. CEO Wolfe informed the Managing Members that the NWSA has been fully engaged in such

² Due to audio issues, Commissioner Keller's 'aye' vote for item 9B was heard only after the motion carried.

conversations with each of the other terminals, thus far, those conversations have not advanced as they have at Husky. NWSA will continue to be a convener of those conversations. Commissioner Hasegawa would like to be at the table for those conversations.

- Commissioner McCarthy commented on the discrepancy in capital improvements made in the north and south harbors noting investment of nearly \$500,000,000 for Terminal 5 versus approximately \$200,000,000 at Husky Terminal.

C. Husky Terminal and Washington United Terminal (WUT) Berth Deepening Design Project Authorization and Port of Tacoma Commission dedicate Water Resources and Development Act (WRDA) Section 2106 and Harbor Maintenance Tax (HMT) to Fund the Full Eligible Costs.

Presenters: David Morrison, CFO and Norman Gilber, Engineering Project Manager II

CEO Wolfe provided an introduction. The action requested is to address issues of high spots in berthing areas of terminal space. Husky and WUT terminals are in the south harbor. CEO Wolfe noted a similar project for Terminal 18 in the north harbor will be brought forward early 2025.

Design and construction costs associated with toe wall installation are HMT eligible so separately, the Port of Tacoma will be asked to consider funding the eligible costs of the design associated with the toe wall installation with its Section 2106/HMT funds.

It was moved and seconded (Ang/Meyer) to grant design project authorization in the amount of \$1,500,000 for a total authorized amount of \$3,075,000 for work associated with the Husky Berth Deepening, Project Identification Number 201169.01 and in the amount of \$1,470,000 for a total authorized amount of \$3,465,000 for work associated with the Washington United Terminals Berth Deepening, Project Identification Number 201166.01.

The motion carried by the following vote:

Port of Seattle:	Port of Tacoma:
Ryan Calkins - aye	Kristin Ang - aye
Sam Cho - aye	Deanna Keller - aye
Fred Felleman - aye	John McCarthy - aye
Toshiko Hasegawa - aye	Dick Marzano - aye
Hamdi Mohamed - aye	Don Meyer - aye

It was moved and seconded (McCarthy/Marzano) for the Port of Tacoma to dedicate WRDA Section 2106 / HMT funds to fund the full eligible costs of these design requests, estimated at a total of \$2.6 million.

The motion carried by the following vote:

Port of Tacoma:

Kristin Ang - aye

Deanna Keller - aye

John McCarthy - aye

Dick Marzano - aye

Don Meyer - aye

Discussion:

- These projects do not include any channel deepening.
- The Tribal consultation procedure followed by the NWSA was described. Jason Jordan, Director of Environmental & Planning Services informed the Managing Members that on this particular project there were multiple conversations at a staff level, followed by a formal consultation with the Tribe. The U.S. Army Corps of Engineers is in the process of issuing permits. Commissioner Felleman suggested including status of tribal consultations in future memos regarding permitting.
- Commissioner Keller's comments in support of both the design project authorizations and the use of Port of Tacoma 2106/HMT funds to fund eligible projects were read. The projects are needed to accept larger ships in the south harbor, relieve congestion and allow ships to enter and turn around at the end of the Blair Waterway. She notes that these design projects are a perfect use of 2106 HMT funding.

- D. 2024 NWSA International Container Rail Cargo Program Update and Funding Request
Presenter(s): David Morrison, CFO and Steve Balaski, Director of Business Development, Commercial.

Mr. Balaski presented International Container Rail Cargo Program results for the period of May through October 2024. All 12 international ocean carriers calling the NWSA are participating in the program. Eligible incremental international rail container lifts totaled 103,279. Direct carrier feedback confirms that the incentive program is a factor in routing decisions for intermodal rail.

The Managing Members originally funded the program at a level of \$8,000,000. It is anticipated that as many as 10 carriers could be eligible for the originally planned \$1,200,000 maximum reimbursement. There is insufficient funding authorized in the program to allow this to occur. Staff highlighted that the NWSA is under no obligation to increase the funding level. The Participation Agreements set forth what occurs if multiple carriers earn incentives and the program is exhausted.

To demonstrate the NWSA's commitment to the program, staff requests Managing Members increase funding to ensure maximum potential reimbursement to all carriers who qualify, and to approve proposed amendments to the Participation Agreements to change reimbursements from a percentage to a fixed amount and in addition authorize Exemplary Incentive Payments for the top two performing carriers.

After discussion and amendment, it was moved and seconded (Meyer/Ang) to approve additional funding for the 2024 International Container Rail Cargo Program of \$4,000,000 for a total program funding of \$12,000,000 and amending the allowable maximum reimbursement for any single participating carrier to a fixed amount of \$1,200,000 with a possible Exemplary Incentive Payment of up to \$200,000 each for the top two performing carriers if unused funds are available after all other program obligations are met.

The motion carried by the following vote:

Port of Seattle:	Port of Tacoma:
Ryan Calkins - aye	Kristin Ang - aye
Sam Cho - aye	Deanna Keller - aye
Fred Felleman - aye	John McCarthy - aye
Toshiko Hasegawa - aye	Dick Marzano - aye
Hamdi Mohamed - aye	Don Meyer - aye

Discussion:

- Commissioner McCarthy expressed he has only heard anecdotal evidence that the program moves the needle. Commissioner Cho commented that the counterfactual is unknown and needs to be established.
- Ocean carriers shared with commissioners at a recent conference that empties were rerouted westbound to the NWSA gateway to take advantage of the incentive. This is important to create/maintain railcar balance in the gateway.
- Staff reported that Class 1 railroads took actions to compliment the program reducing the cost delta between the NWSA gateway and other gateways.

- It was noted that one of the original objectives of the program was to protect existing market share, not just growth. Commissioner Marzano noted even if revenue is not realized on lifts, jobs are impacted.
- Some growth observed in the gateway may be attributable to factors such as the Canadian rail strike, the Red Sea, geopolitical tensions, and east coast negotiations.
- The program reinforces NWSA's name in the market place and sends a message to shipping lines that the NWSA is willing to work with them directly, incentivize and facilitate.
- MSC announced last week that it will be adjusting its schedule to bring the Mustang service to Terminal 5 as first port of call. Staff reported that according to MSC, the incentive program played a role in that decision.
- Commissioner Calkins commented that if staff intends to bring the program for reauthorization in the future, he will need evidence beyond what carriers are saying in order to support. He suggested creating an absolute floor under which the carrier cannot drop as a term in any future incentive program agreement.
- He does not want the program used to avoid addressing the big structural issues. As an example, instead of spending \$12,000,000 on incentive payments, NWSA should consider whether there are capital infrastructure improvements that could be funded with those dollars instead that would reduce the cost of moving cargo through the gateway.
- Commissioner Cho reminded everyone that part of the reason for the \$500 per can difference with competitors is the Harbor Maintenance Tax. Providing this incentive only on rail, offsets what is known to be a competitive disadvantage for the gateway.

E. Memorandum of Understanding (MOU) between NWSA and the Puyallup Tribe of Indians (Tribe).

Presenter: Don Esterbrook, Deputy CEO

The proposed MOU provides a framework for the NWSA and Tribe in the development of a Definitive Agreement for the proposed construction of a second terminal on Tribal Property, East Blair Terminal Two (EB2), adjacent to East Blare One (EB1) and the combined operations of EB1 and EB2 by the NWSA and the Tribe.

It was moved and seconded (Ang/McCarthy) to authorize the Chief Executive Officer or his delegate to enter into a memorandum of understanding between the NWSA and Puyallup Tribe of Indians relating to the proposed construction of EB2 and the combined operations of EB1 and EB2 by the NWSA and the Puyallup Tribe in substantially the same form as presented.

The motion carried by the following vote:

Port of Seattle:	Port of Tacoma:
Ryan Calkins - aye	Kristin Ang - aye
Sam Cho - aye	Deanna Keller – not present
Fred Felleman - aye	John McCarthy - aye
Toshiko Hasegawa - aye	Dick Marzano - aye
Hamdi Mohamed - aye	Don Meyer - aye

Discussion:

- Port of Seattle Commission Tribal Liaisons Commissioners Felleman and Hasegawa commented on government-to-government relationships.
- Operations of EB1 and EB2 will be conducted by ILWU and commissioners asked for clarification on the workforce development aspect of the anticipated Definitive Agreement. Training and apprenticeships and eventual full time employment opportunities for Tribal members are envisioned.
- The historical significance of the NWSA and the Tribe collaborating to increase economic opportunities was discussed. This endeavor will market both harbors in the gateway and the commercial alignment will improve environmental and economic development in the harbors with inclusivity of Labor, the Tribe and industry.
- Commissioner McCarthy cautioned staff from getting ahead of the commissioners. He noted he was surprised by the revenue allocation agreement envisioned in the future Definitive Agreement.
- It was noted that there is a separate cut-back agreement between the Port of Tacoma with the Tribe on property of EB2. The dredging, the cutback and development will be intertwined.
- Commissioner Meyer noted EB1 is a busy terminal and if another berth is added he wants it made certain that any revenue sharing agreement is viewed from an incremental standpoint. He noted the Tribal Land Settlement speaks to the roadway owned by the Tribe and there will need to be clarity around access and impacts to EB1.
- Regarding the workforce development goals, Commissioner Meyer noted previous challenges regarding a business opportunity between the Tribe and Port presented by the Tribe's Tribal Employment Rights Ordinance.

10. BRIEFING

A. Port Community Systems (PCS)

Mark Storslee, Director, Operations Strategy Center and Michael Elguera, Manager, Port Community Systems update the Managing Members on progress of the PCS since the February 2024 briefing.

11. GENERAL BUSINESS

A. Cargo/Operations Update – None.

B. CEO Announcements

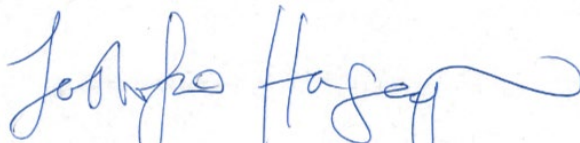
Deputy CEO Esterbrook thanked commissioners for supporting the various initiatives. Relayed NWSA leadership's commitment to addressing north harbor concerns.

C. Commissioner Comments

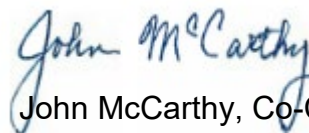
- Co-Chair Mohamed reflected on 2024 and shared it was her honor to serve as Co-Chair.
- Commissioner Ang also reflected on 2024 and also that it was her honor to serve as Co-Chair. Shared her excitement for 2025 initiatives.
- Commissioner Marzano acknowledged Labor partners' concerns and emphasized the NWSA's need to speak with those directly involved.
- Commissioner Felleman noted that the Environmental Work Group's recommended edits to the Zero Emission Truck Collaborative to the draft Decarbonizing Drayage Roadmap - to use green diesel as a transition to zero emissions and to add potential port-owned properties as priorities for spending on infrastructure - were not included. He thanked Co-Chairs.
- Commissioner McCarthy thanked Co-Chairs.
- Commissioner Meyer commented this is a great way to end the year because of subject matter. He noted conversations are needed with a north harbor customer and thanked Co-Chairs.

12. ADJOURN

With no further business before the Managing Members the meeting adjourned at 3:26 p.m.



Toshiko Hasegawa, Co-Chair
The Northwest Seaport Alliance



John McCarthy, Co-Chair
The Northwest Seaport Alliance

Prepared by:

Juliet Campbell, Clerk