

Minutes

Managing Member Meeting – Regular and Port of Tacoma Commission – Special
Tuesday, April 4, 2023
9:30 a.m. Closed Session
11:30 a.m. Open Public Meeting
The Conference Center at SEA, 17801 International Blvd. Seattle, Washington
Live streamed on meetings page at www.nwseaportalliance.com

1. Call to Order.

Commissioner Hasegawa called the meeting to order at 9:34 a.m.

Port of Seattle Commissioners Present:

Ryan Calkins (until 12:30 p.m.)

Fred Felleman

Toshiko Hasegawa

Hamdi Mohamed (via Teams)¹

Excused: Sam Cho

Port of Tacoma Commissioners Present:

Kristin Ang

Deanna Keller

John McCarthy (via Teams)

Dick Marzano

Don Meyer

2. Executive Session – Closed Federal Maritime Commission (FMC) Session.

After calling the meeting to order, the Managing Members immediately recessed for an executive session pursuant to RCW 42.30.110(1)(g) to review the performance of a public employee and 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 lasted 63 minutes.

Directly following the executive session, the Managing Members continued in closed session permissible under FMC laws and regulations found at 46 U.S.C. § 40306, 46 C.F.R. § 538.608, 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 76 minutes.

The closed session was extended by 30 minutes and an announcement was made in the public meeting room that the Managing Members would reconvene at 12:00 p.m.

¹ Article IV, Sec. 10 Fourth Amended Bylaws allows commissioner participation by audio or video conference.

3. Return to Order.

The Managing Members reconvened in public session at 12:04 p.m. and Commissioner Hasegawa called the meeting to order. The meeting is also a special meeting of the Port of Tacoma Commission as properly noticed and as reflected in the posted NWSA meeting agenda.

4. Flag Salute.

The Pledge of Allegiance was recited.

5. Report by Chief Executive Officer.

CEO Wolfe provided an overview of the day's action agenda. He then invited Deputy CEO Esterbrook to provide an update regarding recent customer visits to Asia. The goal of the visit was to communicate that the NWSA is bullish in gateway expansion, inform customers regarding unique service delivery approaches and initiatives, and to seek customer feedback on how the NWSA can provide better services. Customers in Asia shared that they foresee the softening market to improve, according to some by the second half of this year, others predict in the next year.

6. Public Comment.

Matt Ventoza, Vice President of International Longshore Warehouse Union Local 19 Seattle submitted written comments thanking the Managing Members on behalf of ILWU 19 membership for the NWSA's Resolution regarding Terminal 46.

7. Work Group Reports.

A. The Environment Work Group met on March 29, 2023. Commissioner Keller provided an update. Topics included acceleration of the NWSA's scope 1 and 2 Greenhouse Gas targets to net zero by 2020. The Work Group also plans to deliver a final draft of a Vulnerability Assessment and Response Framework to the Managing Members for consideration in December 2023. NWSA Director of Environmental and Planning Services provided preliminary briefing on the NWSA's truck collaborative. Commissioners discussed potential for federal funding opportunities for decarbonization projects for drayage trucks and fleets and the 'first user' advantages. A discrepancy in the house and senate budgets for investments regarding medium and heavy trucks was highlighted. A commissioner was able to connect with a state senator on this topic. A recommendation was made to staff to reach out to the Transportation Committee regarding a Clean Trucks program and heavy transportation infrastructure. A commissioner commented on the lack of visibility to the commissioners regarding support of a hydrogen hub.

Commissioner Calkins was excused from the remainder of the meeting at 12:30 p.m.

B. The Internal Governance Work Group met on March 31, 2023. Commissioner Keller provided an update regarding the group's 2023 work plan. Annual review of the Master Delegation of Authority has started. Focus includes continued review of Charter provisions related to environmental sections and a review of the NWSA's approach to the valuation of

properties contributed to or removed from the NWSA. Staff intends to bring recommendations to the Work Group at its next meeting. Staff provided the Work Group with a recommendation for the use of 2023 Water Resources Reform and Development Act (WRRDA) Section 2106 and Harbor Maintenance Tax (HMT) Donnor Port funds. Staff plans to bring a recommendation to the Managing Members for consideration at the May 2023 meeting.

8. Consent Agenda.

- A. Approval of the minutes from the March 7, 2023 Managing Member regular meeting.
- B. Approval of the payment of checks and wire transfers during the period of February 17, 2023 through March 16, 2023, in the total amount of \$30,401,096.93.

It was moved and seconded (Meyer/Ang) to approve the consent agenda.

The motion carried.

Brief 30-second recess to address technical issues due to sound board – reconvened at 12:43 p.m.

9. Action.

A. CEO Evaluation and Action Regarding Compensation.

Co-Chairs, Cho and Keller led the Managing Member Commissioners in a process in evaluating the performance of NWSA CEO John Wolfe. Commissioner Hasegawa read a letter from the Co-Chairs to CEO Wolfe regarding his performance and presented their recommendation regarding compensation.

It was moved and seconded (Keller/Felleman) that the Managing Members approve, per the terms of the CEO's Employment Agreement and in recognition of his good performance, a COLA increase of four percent to the CEO's Base Salary of \$364,000 bringing his salary to \$378,560 and a one-time lump sum payment of \$7,280 (two percent) for exceeding the goals and targets of the Alliance, effective April 1, 2023, and approve a four-year contract extension beginning when the CEO's current contract ends in 2025.

Discussion:

Commissioners provided individual comments and identified the strategic plan process as a priority as well as creative solutions to address reductions in trade volumes.

The motion carried.

The order of business was modified without objection to hear item 9D next.

D. Gateway Automobile Business Agreements and Amendments.

Presenter: Andre Elmaleh, Sr. Manager, Business Development.

Staff provided an overview of the automobile business within the NWSA gateway and an overview of key terms of five proposed agreements, or amendments to agreements, necessary to support the consolidation of GLOVIS in the South Harbor.

It was moved and seconded (Ang/Marzano) that The Northwest Seaport Alliance Managing Members and the Port of Tacoma Commission authorize the NWSA Chief Executive Officer and the Port of Tacoma Executive Director, or their delegates, to enter into agreements listed as items 9D(1) through 9D(5) in substantially the same form presented, on behalf of their respective entities.

- (1). NWSA only vote: Second Amendment to Use Agreement between The Northwest Seaport Alliance and GLOVIS AMERICA, INC.
- (2). NWSA only vote: Ninth Amendment to Lease and Operating Agreement between The Northwest Seaport Alliance and AUTO WAREHOUSING CO.
- (3). Dual Action vote NWSA and Port of Tacoma: Interlocal Agreement between the Port of Tacoma and The Northwest Seaport Alliance Regarding Implementation of the GLOVIS 2020 Use Agreement.
- (4). Dual Action Vote NWSA and Port of Tacoma: Interlocal Agreement between the Port of Tacoma and The Northwest Seaport Alliance Regarding Use of Property at 1202 Port of Tacoma Road.
- (5). Port of Tacoma only vote: First Amendment to Lease and Operating Agreement between the Port of Tacoma and WWL VEHICLE SERVICES AMERICAS, INC.

Discussion:

- Approximately 10 percent of 2500 acres in the Tideflats is used for auto business.
- Staff described for Commissioner Mohamed the cost breakdown for bunching and shuttle charges in the AWC Ninth Amendment and how those will be managed.
- Staff clarified for Commissioner Meyer that there is no intent for offset charges in the WWL First Amendment to continue past March 8, 2023. Any offset charges beyond that would require authorization. Staff also responded to Commissioner Meyer’s concern that the leases/agreements need to incentivize customers to turn quickly. Staff noted that all the cars coming through are assigned and dwell times are minimized. That said, storage fees are charged. Staff noted that such costs are one small aspect when considering the cost of shipping a vehicle from Asia to a dealership in the Midwest.

The motion carried.

B. Terminal 115 Fourth Amendment to Lease with Northland Services, Inc. (Northland)

Presenter: Jennifer Maietta, Director Alliance Real Estate.

The Third Amendment to Lease between The Northwest Seaport Alliance and NORTHLAND SERVICES, INC. at Terminal 115 required Northland to provide structural restoration or removal of an asphalt and ballast deck and that the NWSA would provide a rate abatement toward the improvements. The purpose of the proposed fourth amendment is to extend the time limit of the “Required Dock Work” provision. The factors driving that request were presented. Additionally, language has been incorporated into the amendment to allow the NWSA to incorporate Clean Truck Program in the future as it intends to require domestic marine cargo terminals to comply with NWSA Tariff 300.

Staff corrected information provided in the materials regarding the rate abatement. Northland completed a biennial inspection at a cost of approximately \$100,000 in 2021. The materials incorrectly reflected cost at \$200,000.

It was moved and seconded (Keller/Meyer) to authorize the Chief Executive Officer or his delegate to execute the Fourth Amendment to Lease between The Northwest Seaport Alliance and NORTHLAND SERVICES, INC. at Terminal 115 extending the “Required Dock Work Deadlines” and incorporation of the future Clean Truck Program requirements for domestic marine cargo terminals.

Discussion:

- There is a risk that the dock could get worse and be more costly. The tenant has taken on that risk and the company is financially stable to be able to pay. Staff described the NWSA’s ability to collect in the case of default.
- The Amendment does not change Labor jurisdiction.
- Interest is paid. The NWSA will obtain CPI 2020 through current. The longer repair is delayed, the more money will be paid back.
- The engineer they are using is reputable. Their inspections will be provided to staff who will then send to its own engineers to review to affirm or not.

The motion carried.

C. 2023 Northwest Seaport Alliance Rail Cargo Incentive Program

Presenter: Steve Balaski, Director, Business Development.

Staff gave a presentation on the background, strategy, drivers of the proposed incentive program. Program key elements and financial implications were also presented. For purposes of “Participating Carrier” agreements, a carrier is deemed to be “Current” if all its accounts with the NWSA are paid or are less than 30 days past due on the date NWSA makes the incentive payments. Staff outlined the conditions under which a Participating Carrier forfeits incentive payments.

It was moved and seconded (Meyer/Ang) to grant Managing Member authorization to fund a Rail Cargo Incentive Program at an initial level of \$3 million and authorize the Chief Executive Officer to execute Participating Carrier Agreements for the program as presented. The rail incentive fund will include \$1.5 million of NWSA cash plus \$1.5 million of credit associated with Tacoma Rail for rental of the South Intermodal Yard.

Discussion:

- Domestic intermodal cargo will not be eligible for this program.
- Incentivizing inland ports is essential and foundational.
- Who are we incentivizing, how do they know and who make the decision. Carriers get the check after the fact. Run me through an example about a carrier getting after the

fact early on. Confident the program is incentivizing the decision maker to move the cargo through our gateway on rail.

- Commissioner McCarthy asked for an example of how paying the incentive to the ocean carrier after the fact helps get the commitment from the carrier to move the cargo here. Staff responded that they are already hearing from potential participants in the program that may shift cargo currently running through Canadian gateways to shift it here. It was further clarified that the ocean carrier is the decision maker regarding routing. Commissioner McCarthy suggested a customer survey after the fact to measure whether the incentive program was a factor in routing.
- Commissioner Ang commented that this is something carriers in Asia and the customers were interested in, especially refrigerated cargo trains through the United States agricultural sector into the NWSA gateway for export.
- Reporting requirements of the Participants were described. And reefer plug in strategy was briefly addressed.
- Staff provided commissioners with a justification for incentivizing empty loads. Empties are necessary to balance the rail network. Revenue generated by the lifts, well cars are also contributing. The program is flexible as to when it can be turned off or on.

The motion carried.

10. Briefings

A. The Northwest Seaport Alliance Eight-Year Financial History

Presenters: Calum Tasker, Sr. Financial and Budget Analyst and David Morrison, CFO. Staff provided a review of the February 2023 year to date financial performance of the NWSA, a comparison between 2022 budget and actuals, and an eight-year history of the NWSA's financial performance. CFO Morrison presented a slide showing a new metric to track how much money is being provided by the NWSA to the Homeports either directly or through grants or HMT and how much it is consuming. Except for in 2020, the NWSA has provided more to the Homeports than it has consumed. For the period 2016 – 2027 the NWSA will provide a total amount of \$630 million to the Homeports.

- Commissioner Meyer suggested for future presentations that staff develop a graph that reflects the level of capital investment relative to revenue growth.
- Commissioner McCarthy requested clarification regarding non-operating expenses in 2023. CFO Morrison informed that the expense is mainly driven by the Terminal 5 public expense plus a \$1 million investment in the South Harbor for electrical infrastructure for shore power at Husky. At the request of Commissioner McCarthy, CFO Morrison will provide a list of the public expenses in the North Harbor. Off hand, he provided three expenses: (i) the Rail Quiet Zone, (ii) Seattle Public Utilities Improvement at the transformers, and (iii) the pedestrian bridge.

- Commissioner Mohamed requested the forecast of what the NWSA is pursuing in state and federal grants. That information is not reflected in the slides. Staff will follow up to provide that information.
- Commissioner McCarthy asked for an update regarding the status of HMT. He noted concern on the impacts to Homeport budgets. CEO Wolfe will provide and update memo to the Commissioners.

11. General Business

A. CEO Announcements.

CFO Tom Bellerud provided an update on gate yard operations. SSA Terminals implemented a 7:00 a.m. flex time when needed. Conversations amongst terminal operators in the South Harbor are taking place regarding the negative impacts of being closed on Fridays and revers peel piles are being used or considered. Continuous operations are off the table. A commissioner asked whether incentivizing a flex hour was possible.

B. Commissioner Comments.

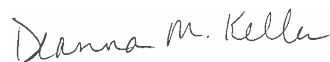
- Commissioner Meyer asked at what point the NWSA may want to speak up on the issue of the West Coast Agreement.
- Commissioner Felleman commented that though disappointed there has not been success in plugging into Terminal 5 yet, he is glad progress is being made.
- Commissioner Marzano thanked staff for their work on the automobile business actions that passed today.
- Commissioners McCarthy and Mohamed thanked Commissioner Hasegawa for conducting the meeting in such a way that they were able to participate successfully virtually.

12. Adjournment

There being no further business the meeting adjourned at 2:58 p.m.



Sam Cho, Co-Chair



Deanna Keller, Co-Chair

Attest:



Fred Felleman, Co-Secretary



John McCarthy, Co-Secretary

Prepared by:

Juliet Campbell
Clerk