



MINUTES

NWSA Managing Member Special Meeting

Thursday, October 28, 2021

9:00 AM Executive Closed Session

10:00 AM Open Public Meeting

Remote.

Dial in: 1 253 617 4257 Conference ID: 736 935 384#

1. CALL TO ORDER

Commissioner Marzano called the meeting to order at 9:02 a.m.

Port of Seattle Commissioners Present:

Stephanie Bowman – Present

Ryan Calkins – Present

Sam Cho – Present

Fred Felleman – Present

Peter Steinbrueck – Present

Port of Tacoma Commissioners Present:

Kristin Ang – Present

Deanna Keller – Present

John McCarthy – Present

Don Meyer – Present

Dick Marzano – Present

2. RECESS TO EXECUTIVE SESSION

After calling the meeting to order, the Managing Members immediately recessed for a closed executive session pursuant to RCW 43.30.110(1)(i)(i), to discuss with legal counsel, litigation to which the agency is likely to become a party when public knowledge of such discussion is likely to result in adverse legal or financial consequences to the agency. These closed executive sessions lasted 58 minutes. No votes or final actions were taken.

3. RETURN TO ORDER

The Managing Members reconvened in public session at 10:00a.m. Roll was taken, and all commissioners were present

4. FLAG SALUTE

The Pledge of Allegiance was recited.

5. CHIEF EXECUTIVE OFFICER'S REPORT

- John Wolfe, CEO, provided an update on the Gateway Congestion and at the suggestion of Commissioner Meyer, summarize the key drivers for this global supply chain congestion and how is it impacting our gateway specifically and what steps are we taking to minimize the impact. Staff will send out a document to Managing Members addressing those questions.
- Regular outreach to the export community is occurring and receiving good feedback from them with what they're struggling with and sharing what steps the NWSA is taking and hear any suggested ideas they may have.
- A preview of the meeting agenda topics was provided.

6. PUBLIC COMMENT

None.

7. ACTION AGENDA

- A. Eagle Marine Services, LTD and American President Lines Modification Agreement - Authorization for the CEO to execute a Modification Agreement with Eagle Marine Services, LTD and its parent company American President Lines, LTD. (Zhu/Morrison/Henderson)

It was moved and seconded (Cho/Ang) to authorize the CEO, or their delegate, to execute a Modification Agreement with Eagle Marine Services, LTD and its parent company American President Lines, LTD.

Discussion

- Commissioner McCarthy liked some of the new damages clause added to the agreement. He continues to be opposed to the agreement because we are giving up \$22.6M - \$23.0M that would be owed to us pursuant to contract. We're doing so in their return of guaranteeing container traffic. The problem with that is they previously owed for minimum annual guarantee, and we waived \$5.1M of minimum annual guarantee with the last amendment. Those were jobs that were lost because we didn't collect what was owed. We haven't enforced it in the past and that causes concern. The concern was the agreement required the MAG volume to stay in Seattle in order to receive the benefit.
- Commissioner Meyer understood the value of the agreement was \$22.6M and CMA-CGM owed \$36M over time. Staff confirmed he was correct. If CMA-CGM paid the NWSA \$10M by December 1, 2021, they would owe \$22.6M. Commissioner Meyer commented it's important we understand what we're doing with the cargo throughput. Commissioner McCarthy is right we're trading dollars for throughput value, and he feels it's a reasonable trade-off understanding our role in economic development and being a part of the trade gateway. He also likes we know we're dealing with a customer who is late in payment and likes the way staff has added consequence for late payments in this agreement. He is supportive of this agreement.
- Commissioner Ang likes the fact there are more penalties in this new agreement and language around the letters of credit. The language is much stronger. She asked if staff knew the economic value of increased volume due to this contract by extending the contract by years. Staff will return with specific numbers.
- Commissioner Bowman believes at the end of the day this is about jobs and supporting the businesses and industries that rely on our gateway. Having international containers come into the Ports of Tacoma and Seattle is essential to our Eastern Washington exporters. Anything we can do to increase throughput through our gateway is the job we're supposed to be doing.
- Commissioner Felleman has had the honor of working with Commissioner Marzano in discussions with CMA-CGM, as well as with CEO Wolfe, we've seen this agreement evolve to the betterment to the collective Alliance and feels confident that this is a great piece of work. He wants to emphasize the points Commissioners Ang and Bowman made regarding the role of the ports as an economic development organization. He supports this agreement.
- Commissioner Calkins asked staff to clarify a previous comment that we'd like to be working at 80% capacity which allows for space to shift things around. If every terminal were at 80%, how many TEUs is that at Seattle versus Tacoma? If we could manipulate where cargo traffic goes, we want to divide the traffic, so Tacoma and Seattle are getting the appropriate ratio of cargo. CEO Wolfe gave round figures and explained when we bring Terminal 5 fully on-board, with terminals 18, 30 we will have an estimated 2.5M TEUs. In Tacoma, comparing the international terminals, we have estimated capacity of just over 2M TEUs. It's balanced. If you include the domestic terminals in Tacoma, there are slightly more TEUs than Seattle.
- Commissioner McCarthy wanted to add clarity of where he stands. It's not just about profit and loss. The problem is the waiving of \$5M for failure to meet the MAG less than two years ago and with this agreement, we are waiving an additional \$3M, the problem is this: each 100 TEUs, annualized, is 1.2 jobs. When we waived that, in effect, the NWSA promised those jobs that were going to be created, we lost those jobs by not enforcing those provisions. If we don't collect, we have incentivized their non-compliance. I'm hopeful we're not having this same discussion in two or three years when they haven't complied because we encouraged that non-compliance and we then have failed to deliver on the jobs that we promised to the communities when we don't enforce that.

The motion carried 2-0 by the following vote:

Port of Seattle – 1

Bowman – Aye
Calkins – Aye
Cho – Aye
Felleman – Aye
Steinbrueck – Aye

Port of Tacoma – 1

Ang – Aye
Keller – Aye
McCarthy - No
Marzano – Aye
Meyer – Aye

B. Co-Chair lead discussion regarding returning to in-person or hybrid Managing Member meetings

Commissioner Marzano presented the recommendation of the co-chairs to return to in-person Managing Member meetings until further notice. He then invited discussion.

It was moved and seconded (Marzano/McCarthy) to amend the direction on virtual meetings previously adopted on September 8, 2021 to provide that Managing Members’ meetings will occur in a hybrid fashion allowing commissioners, staff, and the public to choose whether they will participate in-person or virtually, and this arrangement will continue indefinitely until the Governor issues a proclamation requiring open public meetings to occur exclusively in person or until a different decision on this topic is made by this body.

The motion was amended and seconded (Felleman/Cho) to include language in requiring vaccinations to attend an in-person meeting.

Discussion

- Commission Steinbrueck questions how this will be administered because staff must do a lot of leg work to put together an in-person meeting. How feasible is it to split a last minute, is it in-person, is it virtual, meeting in place? Staff explained an in-person meeting couldn’t happen until the December meeting. SeaTac conference center has been testing a hybrid meeting option and the Alliance will more-than-likely hold this first hybrid meeting option at that location. King County has a vaccination requirement for those attending.
- Commissioner Cho questions the language in the motion where we will use this hybrid option until the Governor issues a proclamation requiring open public meetings to occur exclusively in person. General Counsel answered pre-COVID, under the OPMA, you had to hold your meetings in public so the public may attend. In the current state, with the Governor’s proclamation due to COVID, we can hold our meetings virtually.

The amendment carried 2-0 by the following vote:

Port of Seattle – 1

Bowman – Aye
Calkins – Aye
Cho – Aye
Felleman – Aye
Steinbrueck – Aye

Port of Tacoma – 1

Ang – Aye
Keller – Aye
McCarthy - Aye
Marzano – Aye
Meyer – Aye

The main motion as amended carried 2-0 by the following vote:

Port of Seattle – 1

Bowman – Aye

Calkins – Aye

Cho – Aye

Felleman – Aye

Steinbrueck – Aye

Port of Tacoma – 1

Ang – Aye

Keller – Aye

McCarthy - Aye

Marzano – Aye

Meyer – Aye

8. STAFF BRIEFINGS

A. Cargo Forecast

Don Esterbrook, Deputy CEO and Tong Zhu, Chief Commercial Officer, presented the 2022 Cargo Forecast for 2021 – 2026.

Discussion

- Commissioner Cho asked if presentation on the auto business takes into account any potential expansion with GLOVIS. Staff confirmed, that on the operations side, it was taken into account.
- Commissioner Felleman, two things: Seeing an increase of diversion of some cargo through Panama Canal for all water routes to gulf and east coast ports. How much is that a source a concern? Staff explained in the last 10 years, the west coast ports have lost market share to the east coast as well as to Canada. It's a concern and one of the biggest challenges is the South Atlantic ports continue to upgrade their facilities and second, as that shift occurs for manufacturing migrating to SE Asia, the transit times via the Suez with larger ships calling the east coast and routing via rail to the mid-west, that overall transit time is competitive with our transit time. We're going after more targeted upper Midwest markets where we have a service advantage. Does the port congestion issue exacerbate the issue? Yes.
- Commissioner Meyer asked for more clarity in the 40% in transload business reference made in presentation. In-tact intermodal moves as a percentage of business. Regarding the 40% in transload business, how much does that relate to the 50-foot container? Staff addressed in-tact intermodal as a change in the relationship in how much local versus inter-modal. 10 years ago, we were more 70% intermodal, 30% local. Today, the ratio is more 50-50, split. We have over 100 transload facilities near both Seattle and Tacoma Harbors which is an advantage we have over other west coast ports.
- Commissioner McCarthy wonders what we could have done 10 years ago when Canadian ports were attracting cargo. He read an article that Canadian Pacific Railroad bought Kansas City Southern Railroad which ties Canadian rail roads through the United States. He'd like to be forward thinking and asks staff to look at what possible impact that could have on our cargo now.
- Commissioner Ang is glad we are increasing capacity. Looking at figures from 2019, year-to-date and year-to-date in 2021, there is just a little bit more in 2021. It doesn't seem like we're more congested and our figures are down in 2021. What are we doing to increase these numbers for our exporters and what is the source of why we have lower international exports in 2021 than 2019? Staff explained that exports are a function of imports. When there is a strong demand of consumer demands, the carriers are motivated to turn the box around to return to Asia. Terminals are currently congested preventing our exporters from receiving the boxes and returning the empties in a timely manner. These issues compound the problem. There has been a drop in full export loads going out. Commissioner Ang would like staff to look into the digital infrastructure plan implemented in Canada.

- Commissioner Marzano asked if we've had any success with expanding EB-1. Staff answered we haven't had success with the possibility of expanding onto tribal property. We have been successful in using Terminal 7 for overflow cargo.
- Commissioner Bowman asked for the challenges in what's preventing us from using Terminal 46. Staff answered that due to the Consent Decree, we won't be able to bring T-46 back online until November 2022.
- Commissioner Felleman expressed concerns that the reduction in suitable anchorage and the ability to enable vessels to moor temporarily at T-46 and asked if there is any interest in shipping lines to use T-46 rather than have vessels anchored off-shore. Staff is exploring those options and currently have no takers.

B. Budget Study Session

David Morrison, Chief Financial Officer, reviewed the 2022 and future year Cargo forecast, the proposed 2022 NWSA operating budget, the 2023-2026 operating forecast, and the proposed 2022-2026 Capital Investment Plan (CIP).

Discussion

- Commissioner Meyer would like staff to address the congestion issue in the cover letter of the budget document, so the public understands how we're addressing that problem and add data points in the goal statement in section two. Harbor Maintenance Tax should go to the home ports. If we agree to projects that are prioritized to the Alliance, regardless of source of funding, that is an individual home port decision.
- Commissioner Keller asked when we look at capital improvements are we looking at the long-range piece of potential electric vehicles because roads will also need to be repaired as well as paving? What are the FTEs with the Seaport Alliance at this time? Staff proposes to grow to 56 FTEs from the 54 we are currently. Staff lowered allocations for needed support from the home ports to create these two positions. We need a marketing metric that determines if we are effectively hitting the correct markets in business development.
- Commissioner McCarthy asked why we're able to get more grants for the north harbor projects than the south harbor. Staff answered that the money is projected for Terminal 18 shore power which was a higher prioritized project.
- Commissioner Calkins asked what was included in the 2022 distributable cash in terms of the estimate of HMT we received. Staff explained there was no HMT in that figure. How are we budgeting Terminal 46 as unanticipated use? What are we anticipating for the revenues for that usage and is it included in the budget? Yes. Staff listed each revenue stream at T-46.

9. ADJOURNMENT

There being no further business, the meeting adjourned at 1:29 p.m.

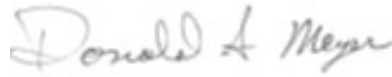
MINUTES

10-5-21 NWSA MM Regular – Port of Seattle Special

Page 6 of 6



Ryan Calkins, Co-Chair
The Northwest Seaport Alliance

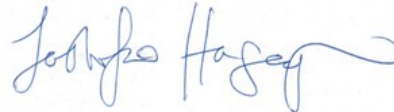


Don Meyer, Co-Chair
The Northwest Seaport Alliance

ATTEST:



Kristin Ang, Co-Secretary
The Northwest Seaport Alliance



Toshiko Hasegawa, Co-Secretary
The Northwest Seaport Alliance

Leilani Berinobis

Leilani Berinobis, Acting Clerk
The Northwest Seaport Alliance