

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
Tong Zhu, Chief Commercial and Strategy Officer
Dakota Chamberlain, Chief Facilities Development Officer
Geraldine Poor, Regional Transportation Manager, POS
Andre Elmaleh, Senior Manager Business Development
Tom Bellerud, Director Business Development
Emma Del Vento, Capital Program Leader, Seaport Project Management POS
Amy Kiessling, Capital Project Manager II POS
Ryan McFarland, Federal Government Relations Manager
Lindsay Wolpa, Senior Manager, Waterfront Redevelopment Programs External Relations POS
David Morrison, Director Financial Planning and Treasury
Juliet Campbell, Clerk
Leilani Berinobis, Executive Administrative Assistant

EXECUTIVE SESSION: The meeting was called to order at 9:00 a.m. and immediately recessed to executive session for 40 minutes to discuss one litigation or potential litigation item and one item related to the legal risk of a proposed course of action. RCW 42.30.110(1)(i)(iii). No votes or actions were taken.

FMC CLOSED SESSION: The executive session was followed by a closed session pursuant to 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 – Federal Maritime Commission (FMC) Agreement No. 201228. The closed session lasted one hour and 50 minutes. No votes or actions were taken.

PUBLIC SESSION:

- 1. RETURN TO ORDER AND PLEDGE OF ALLEGIANCE:** Commissioner McCarthy reconvened the special meeting at 12:04 P.M. and lead the Pledge of Allegiance.
- 2. CHIEF EXECUTIVE OFFICER'S REPORT:** CEO Wolfe provided an overview of the day's agenda.
- 3. CONSENT AGENDA:**

It was moved and seconded to approve consent agenda items 3A and 3B-1 consisting of the minutes of the June 2, 2020 Managing Member meeting and the payment of checks 707092 through 707149, 707151 through 707174 and wire transfers in the total amount of \$12,765,529.59 during the period of May 23, 2020 through June 19, 2020.

The motion carried.

It was moved and seconded to approve consent agenda item 3B-2, the check certification for the payment of check 707150 to the State Auditor's Office.

The motion carried. (McCarthy abstained)

4. PUBLIC COMMENT: None.

5. ACTIONS:

A. Dual Action NWSA and POS: Partnering Agreement for the West Seattle Ballard Link Extensions.

Presenter: Geraldine Poor, Regional Transportation Manager, Port of Seattle (POS)

It was moved and seconded to authorize The Northwest Seaport Alliance (NWSA) CEO and the Port of Seattle Executive Director to enter into a Partnering Agreement among Sound Transit, the Port of Seattle, and the Northwest Seaport Alliance for the West Seattle Ballard Link Extensions (WSBLE), GA 0089-20.

The dual motion carried for the Managing Members and for the Port of Seattle.

Discussion:

- Commissioner Bowman and staff were recognized for their significant work related to this project and proposed partnering agreement.
- Staff provided the background of the Sound Transit 3 (ST3) project.
- The link alternatives and their proximity to Port of Seattle/NWSA properties were described as was the preferred alternative of Sound Transit going into their Draft Environmental Impact Statement (DEIS). In certain sections, the preferred alternative corresponds with staff recommendations.
- The impacts of COVID-19 to funding are under review by the Sound Transit Board of Directors to identify whether more revenue can be found for the program or if realignment is necessary for funding individual projects. The Board expects completion of the current phase of the project. This project is in the Environmental/Review phase.
- The partnering agreement establishes a common understanding of roles and responsibilities for timely delivery of the West Seattle and Ballard Link Extension project.
- Highlights of the partnering agreement were described, including the establishment of measures to ensure the project runs smoothly and without surprises to any party.
- The agreement has no costs associated with it. It sets the framework for a good faith funding agreement for Sound Transit to reimburse the Port of Seattle and the NWSA for staff time for certain services during the Planning and Environmental Phase of the Sound Transit 3 project.
- Commissioner Felleman asked how there can be a preferred alternative without any cost estimates. Staff responded that after the alternative development phase (2017-2019) there was a certain amount of work done and that is what the Board based its initial preferred alternative on, fully recognizing more information will result from the Environmental Impact Statement (EIS) phase. The Board recognized that tunnel alternatives had a lot of public support, however the tunnel alternative is without funding. The West Seattle Bridge (WSB) closure in March of this year happened after the freeze point on the EIS. Additional work to understand how the city will address the WSB impacts will need to occur.
- Commissioner Bowman stated while the partnering agreement may sound simple, a formal agreement provides the Port of Seattle and NWSA with greater awareness to the project. In particular she noted that the "no surprises" element of the agreement is very important. Also key is the possibility for reimbursement staff time. She also highlighted that the WSB connection with ST3 is by far and away the single biggest issue moving forward. The NWSA has the opportunity to help lead this process and provide a sense of urgency. The NWSA needs resolution as to what alignment over Harbor Island looks like and how it is coordinated with a rebuild/repair of the WSB. Though not spelled out in this agreement, there is nothing in the proposed partnering agreement that prohibits staff from taking into consideration the WSB impacts.
- The NWSA does not have condemnation authority. The intent of this agreement is that the parties would be having those conversations before it became an issue.

- This action/partnering agreement does not imply any sort of new financial commitment from the NWSA or the Port of Seattle to Sound Transit.

B. 2020 GLOVIS Use Agreement and Auto Warehousing Co. (AWC) Eighth Amendment.

Presenter: Andre Elmaleh, Sr. Manager Business Development

This item was presented as a first reading with no action requested of the Managing Members.

Discussion:

- Staff recommends the Managing Members authorize the CEO to enter into a five-year Use Agreement with GLOVIS America and to enter into the Eighth Amendment to the Auto Warehousing Co. (AWC) Lease and Operating Agreement.
- A background of the GLOVIS and AWC business was provided.
- In order for AWC to service the GLOVIS business, additional property is necessary to meet the current volume needs. Additionally, staff has worked with GLOVIS and AWC to identify incentive programs to retain current customers and entice additional volume through the NWSA gateway.
- The auto yard on the West Sitcum Terminal will need to be relocated to the East Sitcum Terminal by the end of the third quarter of 2020 due to a potential new container opportunity. East Sitcum will need to be prepared for auto storage and staff will be requesting funding for this relocation at a future meeting.
- The terms, including two revenue sharing programs and their conditions, were presented.
- AWC and GLOVIS have been long time customers. Commissioner McCarthy noted the NWSA has expended a lot of money on the properties. He stated he hopes the financial incentives described result in increased volumes through the gateway.
- AWC has 877,200 units in its revenue sharing bank.

C. Intermodal Rail Incentive Program for Gateway Growth

Presenter: Don Esterbrook, Deputy CEO and Tom Bellerud, Director Business Development

It was moved and seconded to authorize and fund the 2020 Northwest Seaport Alliance Intermodal Rail Incentive Program for Gateway Growth at \$1,000,000.

The motion carried.

Discussion:

- Staff described its proposed targeted approach related to the NWSA's discretionary intact intermodal rail business meant to attract new incremental intermodal cargo volume and to recapture and grow some lost market share to Canada. Particularly, partnering with the cargo owners and the service providers to play an active role helping to improve the customer's supply chain.
- The reason staff is recommending an ocean carrier rail incentive is because the ocean carrier pays for the inland transportation and has the greatest influence over the discretionary cargo routing decisions.
- Staff remains committed to finding ways to incentivize the direct cargo owners, however hurdles exist, including the proprietary nature of the shipping details between the Beneficial Cargo Owners (BCO) and the ocean carriers.
- Intermodal volume trends show Los Angeles-Long Beach and the NWSA declining while Canada volumes increase.
- To attract Canadian rail volume the NWSA is partnering with Class 1 railroads to jointly target inland locations to create a competitive package for the ocean carriers, including our rail incentive.
- The proposed terms were presented.

- The proposed program is estimated to result in at least 15,000 incremental rail moves at an expense of \$750,000 to \$1,000,000. Revenue from the incremental lifts, and other cash available are expected to cover a large portion of the incentive costs. The financial impact of the incentive program is a decrease in net income ranging from \$200,000 - \$300,000 split between 2020 and 2121.
- Commissioner McCarthy stated that though the program appears to be a long way from gaining ground on where the gateway has fallen back in intermodal traffic, he hopes that it will lead the rail roads and carriers to create further incentives.
- Commissioner Marzano supports this program. He commented that by not doing anything, the downward intermodal volume trends will continue. He agreed that relationships with class 1 railroads are critical. He also noted the jobs associated with the growth from this program, and that the gateway may see growth beyond expectations. The incentive package offers strong incentives to win back cargo from Canada. Commissioner Marzano highlighted that while the cargo goes through Canada, it is American cargo that used to come through this gateway.
- Rail volume through Canada has crated longer dwell at the terminal level. The Puget Sound region has become competitive in terms of speed to market.

D. Terminal 5 Program Quarterly Update

Presenter: Emma Del Vento, Capital Program Leader, POS

Discussion:

- Kurt Beckett, Deputy CEO NWSA provided opening remarks. The bulk of the associated construction costs is going well. Other risks continue to exist with cost and cost avoidance or reduction. A contingency and risk section has been added to the quarterly update memo to provide early visibility to emerging issues and associated costs. The program is within the authorized \$340 million funding, but if all known, potential and future costs occur at the high end of the modelling, the program costs will reach almost the entire authorized amount.
- Impacts to the schedule of the underwater obstructions during the slope stabilization phase were noted. The solution required twice as much demolition and reconstruction. This resulted in moving the completion date from December 2020 to April 2121.
- Significant events impacting the program include COVID-19 and the West Seattle Bridge closure. The berth general contractor implemented safety protocols and has provided continuity and an increased rate of construction on site.
- Progress continues. Staff provided milestones.
- The T5 budget reflects \$3.2 million moving from management reserve to the design and construction category. These are for the marine buildings and reefer studies. The bids are in for the marine buildings and came in \$3.14 million above the conception estimate presented in April 2019. The drivers for the increase in cost include site conditions unknown at the time of the original estimate, tenant input and scope development.
- Staff provided a detail of spending of construction, management reserve, and bid variance contingencies. While spending may exceed the individual contingency buckets, staff will be able to manage the amounts within the total \$68,000,000 overall contingency.
- The program has been awarded a \$5 million Department of Ecology Grant for stormwater.
- The stormwater system is a tenant reimbursement project. Stormwater is the tenants design and permit.
- Grants will potentially reduce overall project costs. Port of Seattle's overall financial contribution could be reduced/refunded. Other grant opportunities were mentioned.

E. North and South Marine Buildings at Terminal 5

Presenter: Amy Kiessling, Capital Project Manager

It was moved and seconded to grant project authorization to advertise and construct North and South Marine Buildings at Terminal 5. This work is an Uplands Improvement Project within the Terminal 5 Modernization Program and is fully funded from the previously authorized T-5 Modernization Program Management Reserves, CIP No. C800988, Master Identification Number U00568, T-5 Marine Buildings North and South. No new monies are requested.

The motion carried 2-0 by the following vote:

Port of Seattle

Bowman	Aye
Calkins	Aye
Cho	Aye
Felleman	No
Steinbrueck	No

Port of Tacoma

Ang	Aye
Keller	Aye
McCarthy	No
Marzano	Aye
Meyer	No

Discussion:

- The T5 lease with SSA Terminals (Seattle Terminals), LLC obligates the NWSA to construct two breakrooms for use by ILWU workers. The buildings are fully funded from Management Reserve. The original estimate to design, permit and construct both buildings was \$3.8 million. The current estimate is \$6.9 million.
- Buildings are prefabricated, delivered to the site and connected to utilities. Due to other ongoing projects at T5, the buildings cannot be constructed on site until October 2020.
- Project scope and schedule were discussed.
- Commissioner Steinbrueck noted the high cost per square foot (\$520/per square foot) for simple wood frame construction.
- Commissioner Calkins asked if consideration was given for the tenant to build these structures instead of the NWSA.
- Commissioner McCarthy expressed concern for building the second Phase 2 building without a tenant for Phase 2. The obligation is to build one for Phase 1 and delay the second building, especially in light of what is going on with the West Seattle Bridge. He also noted the more than doubling of the estimated cost to build the two buildings.
- Commissioner Calkins asked if there are any advantages (cost, legal, private entity build vs. public, etc.) of having the tenant construct the buildings. The option was not considered in original negotiations. Staff provided an explanation of what lead staff down the path of the NWSA constructing the buildings. One reason is the complexity and proximity to standard marine terminal features in the berth area (the buildings are sited between the primary and secondary ductbanks requiring trenching below the ductbanks, the need for sanitary lift stations, etc.) The current contractor accomplishing the berth modernization can integrate the buildings into the work.
- Staff noted that the construction cost of the two buildings is not a 50-50 split and utilities account for approximately 30 percent of the cost. Efficiency of scale is lost if buildings are constructed at different times. The sum total would be higher than the current \$6.9 million estimate. Commissioner McCarthy acknowledged the savings and

efficiencies of building at the same time but noted the need to be realistic in today's climate and he would prefer saving a few million now.

- Commissioner Keller asked if deferring the building of the south building until later adversely would impact marketing efforts for Phase 2. CEO Wolfe responded that it is dependent on the use of the southern portion of the terminal. If it is an international container cargo use, then the second building would be required. If it is used for something other than container cargo, there might not be a need for this particular type of building. The assumption of the NWSA has been that the full terminal will ultimately be used for international container cargo.
- Commissioner Felleman offered the alternative of setting the utilities for both but waiting on construction of the second building until there is a known use. Staff responded the savings would be just shy of \$2 million.
- Commissioner Marzano said that the discrepancy in the estimate suggests that perhaps not enough work was done prior to come up with a closer estimate. He agrees with the need to save money, but in light of the \$340 budget and the future use of the terminal, he supports moving forward with both buildings. Regardless of the business that goes there, whether breakbulk or some other form, workers will need a foundation at the site.
- Commissioner McCarthy commented that ports that take a 'build it and they will come' position have suffered. His opinion is to build it when you need it, and that \$2 million is \$2 million.
- Commissioner Meyer agreed with Commissioner Felleman's suggestion of building one building, running the utilities for the second, and holding off building the second building until needed.
- Commissioner Calkins cautioned that taking a \$2 million savings now, could mean a \$4 million cost later. The project here is coming out of management reserve. If it pushes the program cost over \$320 million, but not up to the \$340 million then it's essentially coming from the Port of Seattle's additional contribution. He stated he remains fully committed to the two-phased program. Chipping away at a Phase 2 is a bad signal and poor use of funds.
- Commissioner Felleman asked for clarification on how the Port of Seattle is paid back it's unique contribution to the program. Staff will confirm the terms. Commissioner Calkins stated his understanding that that if the project goes over \$320 million, but under \$340 million, the savings on the difference would be returned to the Port of Seattle.
- Commissioner Steinbrueck supports the suggestions of building one building and running utilities for the second. He also stated he thinks this is way too expensive for simple buildings for breakrooms and finds it inexplicable how the cost went from \$3.8 million to \$6.9 million.
- Commissioner Felleman noted the uniqueness of the siting was the issue not the structure. Commissioner Calkins added that utilities are 30 percent of cost.
- CEO Wolfe noted that nothing in the today's vote prevents staff from finding ways to bring the cost down.
- Commissioner Felleman fully supports the program, but not the motion for both buildings as presented.

6. GENERAL BUSINESS:

A. 2021 Budget Process Preview

Presenter: David Morrison, Director Financial Planning and Treasury

- NWSA will take a slightly different approach this year. At the August meeting staff will bring a historical financial performance by year for net income, distributable cash and the capital investment made year over year in the NWSA. Staff will recommend a target range for each of those financial components. Then staff will build a budget that will fall within each of those ranges.
- Staff stated the 2021 budget focus includes keeping everyone safe, continuation of cargo operations, investment in strategic projects and business deals and providing solid financial results.
- Staff presented the 2021 budget schedule. 2020 forecasts were completed in March and June. A Capital Investment Plan (CIP) review will be presented at the August 4, 2020 meeting. The 2021 Budget Study Session is scheduled for October 27, 2020, a vote on adoption is scheduled for November 10, 2020.

B. Federal Government Affairs Update

Presenters: Ryan McFarland, Federal Government Relations Manager and Jeff Markey, Elevate Government Affairs

- Harbor Maintenance Tax (HMT) Reform, reauthorization of the FAST Act and the possibility of a broader infrastructure package, COVID relief and recovery legislation were discussed.
- Jeff Markey of Elevate Government Affairs commented that the NWSA is as close as ever to meaningful HMT reform that will help to level the playing field with Canada related to HMT's impact on discretionary cargo. The focus is on comprehensive AAPA agreement concentrating of four pillars:
 - Full use of prior year HMT receipts
 - A dedicated 10 percent share and expanded eligibility for Donor Ports; a 5 percent set aside for Energy Transfer Ports
 - A guaranteed floor of 12 percent for the Great Lakes to protect their historic share
 - A guaranteed floor of 12 percent for small ports, referred to as Emerging Harbors.
- A CARES Act budget cap adjustment allowed Congress to move forward with the first pillar.
- Efforts to address the other three pillars this year via the Water Resources Development Act were discussed. Legislation moved through committees did not include the three pillars. Amendments have been submitted that would enact those three pillars. Every Republican coastal senate office has been briefed on the benefits of the proposed amendment to their state.
- Energy Transfer Ports seem to focus on federal maintenance. Recent communication with the Ad Hoc committee seems to show Energy Transfer Ports view the set aside is necessary and appropriate for them. Most Energy Transfer Ports are in Republican lead states. Virginia and Maryland have Democratic senators.
- Support among the midwestern states was discussed. Support was characterized as neutral in the Midwest. There is support from the Port of Alaska.
- There is reluctance by Republican senators to push through the committee process. Mr. Markey commented that those senators would rather wait until it gets to the floor.
- Staff contact with congressional offices related to the importance of the West Seattle Bridge issues was described.

C. West Seattle Bridge Update

Presenter: Leslie Wolpa, Regional Government Relations, North Harbor

- Implications of bridge closure on maritime and industrial business across Harbor Island, along both sides of the Duwamish River and the effects on residents and businesses through West Seattle and other areas of south Seattle were acknowledged.
- Staff commented that with Terminal 5 scheduled to open next spring; the timing could not be worse.
- Ongoing activities by the NWSA and Port of Seattle were presented and discussed, including efforts with the City of Seattle, state and federal governments. This is a critical issue of regional importance.
- Commissioner Steinbrueck represents the NWSA's interest on the Mayor's Community Task Force. The City of Seattle has not yet determined the cause of the structural failure. A decision with regard to repair or replacement of the upper bridge structure is expected by September. Active support from Labor, whose jobs are put at risk directly, is needed.
- The importance of maintaining full freight access was underscored. An emergency declaration from the state is warranted.
- Commissioner Bowman requested a briefing on the engagement strategies with the residents of West Seattle and the City of Seattle. She stressed the importance of the NWSA articulating the urgency of this issue.
- Commissioner Calkins emphasized that the communities along the Duwamish are significantly adversely impacted by the closure as traffic is rerouted through those communities. He noted the legacy of creating great impacts to those very communities over the last 100 years. It will be important when looking at short and long term to resolutions to keep in mind the impacts being experienced by South Park, George Town, White Center.

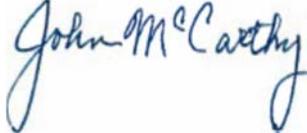
D. CEO Announcements, Events, Recognitions.

CEO Wolfe highlighted the creation of a voluntary early retirement incentive offer to a limited category of employees. This is driven by the recent relocation of Westwood from Terminal 7 to Terminal 18. The incentive amounts to \$1000 per year of services and a lump sum equivalent to three months COBRA for employee and spouse.

E. Commissioner Comments:

- Commissioner Ang wished all a happy Independence Day.
- Commissioner Felleman congratulated the NWSA for its Inbound Logistics Green Supply Chain Partner Award. This is the fourth year in a row the NWSA has received this award. He commented on the business benefits of marketing the NWSA as green gateway.
- Commissioner Keller wished all a happy and safe Independence Day
- Commissioner Steinbrueck will be on paid time off until July 26. Commissioner Felleman will serve as co-chair for the NWSA.

7. **ADJOURNMENT:** The meeting ended at 3:16 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



Don Meyer, Co-Secretary
The Northwest Seaport Alliance



Juliet Campbell, Clerk
The Northwest Seaport Alliance