

MINUTES
MANAGING MEMBER REGULAR MEETING AND SPECIAL PORT OF SEATTLE PORT OF TACOMA JOINT
MEETING
Tuesday, October 6, 2020
Remote video/teleconference

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

OTHERS 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
Eric Johnson, Port of Tacoma Executive Director
Jason Jordan, Director Environmental Programs
Tom Bellerud, Director Business Development
Curt Stoner, Sr. Manager Real Estate
Elly Bulega, Engineering Project Manager II
Stan Ryter, Sr. Project Manager
David Morrison, Dir. Finance and Treasury
Erin Galeno, Chief Financial and Administrative Officer
Dustin Stoker, COO
Emma Del Vento, Capital Program Leader POS
Thais Howard, Director Engineering
Dakota Chamberlain, Chief Facilities Development Officer
Leilani Berinobis, Executive Assistant
Juliet Campbell, Clerk

9:30 A.M. – EXECUTIVE SESSION:

CALL TO ORDER and RECESS TO EXECUTIVE SESSION: Commissioner Steinbrueck called the meeting to order at 9:39 a.m. and immediately recessed for a Managing Member executive session pursuant to RCW 42.30.110(1)(i)(iii) to discuss with legal counsel matters of litigation or potential litigation. The executive session lasted approximately 90 minutes. No votes or actions were taken.

11:30 A.M. - PUBLIC SESSION:

1. **RETURN TO ORDER AND PLEDGE OF ALLEGIANCE:** The meeting reconvened at 11:32 a.m. and the Pledge of Allegiance was recited.

The order of business was revised, without objection, as follows:

- Item 5F to be heard before item 5A.
- Items 5C, 5D, and 5E to be removed from the action agenda and placed on the Consent Agenda.
- Item 3, the Consent Agenda to be addressed before Item 2, the Chief Executive Officers Report.

2. **CONSENT AGENDA (formerly item 3):**

It was moved and seconded to approve the Consent Agenda as amended.

- 3A Approval of the Minutes of September 1, 2020
- 3B Check certification: Approval of the payment of checks 707388 through 707493, and wire transfers in the amount of \$15,218,277.55 during the period of August 22, 2020 through September 25, 2020.

- 5C Project authorization in the amount of \$310,000 for a total authorized amount of \$360,000 for work associated with the Parcel 1A (TOTE) Inbound Gate Roof Replacement, Master Identification No. 201118.01.
- 5D Project authorization increase in the amount of \$113,000 for a total authorized amount of \$907,000 for work associated with the NIM Pipe Extension, Master Identification No. 201055.02.
- 5E Dual Action NWSA and Port of Seattle: Approval by the Port of Seattle Commission and the Northwest Seaport Alliance (NWSA) Managing Members of the First Amended Letter of Agreement between Suquamish Tribe and the NWSA and Port of Seattle for Terminal 5 Cargo Wharf Rehabilitation, Berth Deepening and Improvement Projects.

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

3. CHIEF EXECUTIVE OFFICER'S REPORT:

CEO Wolfe summarized items remaining on the action calendar and the Terminal 5 (T5) quarterly briefing.

4. PUBLIC COMMENT:

Evan Curtiss, organized with Service Employees International Union Local 6 (SEIU6), and works at Prospect International Airport Services (Prospect IAS) at the Port of Seattle. Requested the Port of Seattle Commission support SEIU6 in holding Prospect IAS accountable regarding use of funds awarded under the CARES Act.

5. ACTIONS:

F. Dual Action NWSA and Port of Seattle: Seafarers' Crew Change Proclamation

Sponsored by Commissioners Cho and Marzano, Presented by Commissioner Cho.

It was moved and seconded that the Managing Members of the Northwest Seaport Alliance and the Port of Seattle Commission, by dual action vote, proclaim support for seafarers stranded on vessels due to Covid-19-specific policies by nations around the globe.

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

Discussion:

- There are approximately 300,000 seafarers around the globe forced to stay aboard vessels because of Covid-19 related travel restrictions. Some have been on board as long as 17 months.
- The NWSA and Port of Seattle have strong working relationships with border officials and shipping companies which has mitigated many of the challenges faced by seafarers getting on and off vessels in this gateway, but the conditions are not the norm around the world.
- This is a forced labor, human trafficking and human rights issue
- Ken Hawkins, Executive Director for the Seattle Seafarers' Center and chaplain at the Port of Seattle provided a statement urging the Port of Seattle and NWSA to join others in united efforts to repatriate seafarers and end forced labor and deteriorating working conditions.
- Jeff Engels, West Coast Coordinator for the International Transport Workers Federation and ITF Inspector provided further background. Among issues presented, he stated that labor contracts are 9-month contracts. Laborers on Flag of Convenience ships are compelled to sign 15-month extensions lest they be blacklisted. Creating human rights, trafficking and safety issues. He read a statement from Rich Austin, Local 19 ILWU President in support of seafarers. He also stated Local 23 ILWU has been more than helpful. He urged passing of the proclamation and involvement by the NWSA and Port in this issue.
- Commissioner Marzano wants the signed proclamations distributed to the major ports throughout the United States letting them know of the actions, once passed.
- Commissioner Ang stated it is time the NWSA and Homeports use their influence and power to influence how others behave as to labor rights. She noted that Covid-19 has disproportionately impacted people of color and noted that a significant portion of seafarers are Filipino and approximately 80,000 are stranded. She noted the impacts to mental health.

- Commissioners expressed support for the proclamation and emphasized the need to exercise the sentiments. It was suggested to share the proclamation with the U.S. Coast Guard and the International Association of Ports and Harbors.

A. Dual Action NWSA and Port of Tacoma: SIM Lease Third Amendment; Tacoma Rail Operating Agreement First Amendment; Amended and Restated UP Lease Agreement and PRS Operating Contract.
Presented by Tom Bellerud and Curt Stoner

It was moved and seconded that the NWSA Managing Members authorize its Chief Executive Officer or his delegate to execute the Third Amendment to the South Intermodal Yard Lease with Tacoma Public Utilities/City of Tacoma; the First Amendment to the Port of Tacoma/City of Tacoma Department of Public Utilities Operating Agreement; the Amended and Restated Lease Agreement with the Union Pacific Railroad (UP); and the Amended and Restated Operating Contract with Pacific Rail Services (PRS) – and by dual action vote, that the Commissioners of the Port of Tacoma authorize its Executive Director or his delegate to execute the Third Amendment to the South Intermodal Yard Lease with Tacoma Public Utilities/City of Tacoma and the First Amendment to the Port of Tacoma/City of Tacoma Department of Public Utilities Operating Agreement.

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

Discussion:

- The background and key terms of the SIM Third Lease Agreement and the Tacoma Rail Operating Agreement First Amendment were presented.
- The SIM is operated by the NWSA via its vendor Pacific Rail Services and supports the Union Pacific Railroads domestic intermodal operations.
- The lease rate is predicated on the NWSA's selection from two available options. Rent option one is for \$1,200.00 annual rent plus CPI from the preceding year, rent option two is \$76,515 monthly rent plus CPI from the preceding year. Under option one, the NWSA commits that an amount equal to the differential savings between option one and option two lease payments will be used to incentivize rail cargo volume growth through the Tacoma Harbor and/or other certain types of projects in the Tacoma Harbor.
- Commissioner Meyer asked for clarification as to where the approximately \$900,000 difference between options one and option two was coming from as he was of the understanding that Tacoma Rail was providing a cost of service for rail charges. He was frustrated that now, that the NWSA/Port has expressed interest in purchasing the land under the SIM, that now there is 'all of a sudden' newly found money. He also wants assurances that the service level does not deteriorate because all of a sudden, the NWSA/Port of Tacoma will be taking somewhere between \$900,000 and \$1 million out of the budget.
- The background and key terms of the Amended and Restated Union Pacific Railroad Lease Agreement and Amended and Restated Pacific Rail Services Contract were presented. Staff highlighted that PRs will pay \$50,000 annually to the NWSA to offset maintenance expenses.
- The lease and operating agreement with the UP is supported by the operating agreement with PRS, the NWSA/Port of Tacoma assets, and the lease of the SIM land from the City of Tacoma. The combined revenue offset by expense provides a positive net income to the NWSA.
- Staff clarified for Commissioner Felleman that as to the environmental provision, the consent decree with Ecology EPA is related to legacy contaminating so is a Homeport responsibility for the Port of Tacoma, not the NWSA per the Charter.
- Commissioner McCarthy asked why PRS is used instead of direct dealing with UP. The reason for an intermediary is that the labor used at that facility is ILWU. UP does not have any agreements with the ILWU at any other ramp. They are more comfortable having someone else manage labor with the ILWU workforce. UP uses PRS at many of their other ramps nationwide. Years ago UP recommended the Port select through its process a terminal operator. PRS as negotiated very well with the ILWU. Commissioner McCarthy asked if this would be opened up to bids in the future. It is something that can be considered, though staff commented that the NWSA/Port have made nice gains through these negotiations and feel good about the continuity of service provided so far as well as going forward.

- Nothing in this agreement prevents an opportunity for the Port of Tacoma and Tacoma Public Utilities to separately agree to a purchase and sale of this property. Staff proposed to add this language into the agreement however, reported that legal counsel for TPU didn't feel that the language fit within a lease agreement. Staff's understanding is that given that the agreement is silent on that issue, it can achieve the same outcome if the two parties wish to come to a purchase and sale agreement.
- Commissioner Felleman asked about language repeated throughout Exhibit D of the Amended and Restated Lease Agreement between NWSA and UP addressing environmental conditions and data related to renewable energy use, emission inventory, anti-idling and fuel efficiency that states that, "...for the avoidance of doubt, this provision does not apply to locomotives owned or operated by Lessee or its agents or contractors." Staff responded that UP's primary objection was that UP doesn't own or operate the equipment or locomotives and did not want to be accountable for providing data that was outside of its ability to collect. Staff is able to collect the data through other methods. Commissioner noted that it exempts everything on the premises in addition to the locomotives. Staff informed that the information can be obtained from PRS.
- Commissioner Meyer noted there was no reference in the PRS document regarding the electrification of cargo handling equipment. The NWSA/Port priorities should be reflected in its agreements. He supports the continuation of PRS as terminal operator, in part due to their success in securing a deal with the ILWU outside the coast-wide agreement. He wants more information and transparency related to the details of the financial impact of the actions associated with these various agreements.

B. Washington United Terminals (WUT) Fender System Replacement

Presented by Elly Bulega and Tom Bellerud

It was moved and seconded to authorize project authorization in the amount of \$3,478,000 for a total authorized amount of \$3,678,000 for the Washington United Terminals Fender System Replacement, Master Identification No. 201107.01.

The motion passed unanimously.

Discussion:

- Washington United Terminals is a business unit of ocean carrier HMM and one of the NWSA's strategic international terminals. Over the last five years WUT has handled an average of 530,000 TEU annually. In April of 2020 HMM became a member of THE Alliance. This changed WUT's status as now being an equity terminal in THE Alliance. What this means is they have bigger aspirations and expectations for vessel sizes and cargo volumes through that terminal. WUT just began receiving the PN1 string which more than doubles their weekly volume. In addition to the fender system deficiencies at WUT, the demand on WUT to receive more and larger vessels is a driver for the requested system upgrade.
- The wharf at WUT was constructed in two sections, the original pier and the pier extension. The existing fenders of the original pier are in poor condition, and the energy they absorb from berthing vessels exceeds what the fenders were designed for. It is recommended that they be replaced with fenders with performance characteristics similar to those at pier extension.
- The fenders on the original wharf were constructed 23 years ago. They were constructed for 6,000 TEU vessels. The vessels docking there are 8,000 TEU and above. The fenders on the pier extension are not being replaced.
- The financial impact segment shows an expected 15 year life expectancy with an annual depreciation of \$245,000. The NWSA is planning its terminal assets around the vessels sizes up to 13,000 TEU level. Currently staff is seeing 8000 TEU vessels and occasionally 10,000. Vessels have increased in size slightly faster than anticipated. If beyond 13,000 TEU vessels began to call, the system would need to be replaced. Vessels wouldn't be turned away as there are safety factors built into the design but the 'sweet spot' is 13,000 TEUS.

6. BRIEFING:

A. Quarterly Program Update Terminal 5 Modernization

Presented by Kurt Beckett, Emma Del Vento and Thais Howard.

- Thanks were given to those working through the wildfires.
- Staff provided highlights of the Terminal 5 Q3 2020 progress related to the berth modernization project, uplands improvement projects and grants. Program is on budget. Construction is 53% spent and 36% complete. The delta between spent and complete is accounted for in the initial cost for material and mobilization. The probabilistic risk range was presented. Managing the potential high end of the risk is going to be critical to the budget.
- No more stop-work between Phase 1 and Phase 2. Orion has started work in the south berth. The program remains on schedule.
- Commissioner Bowman commented on the quality of the staff work managing risk in light of all the challenges faced this year.
- Commissioner Steinbrueck asked how far the project goes without a lease commitment for Phase 2. In July of this year, the Managing Members had conversation about this and whether to continue despite the challenges with the commercial arrangement. Regarding the berth modernization, it is ultimately safer, cheaper and better to build all at once. The NWSA continues to work with SSA regarding the uplands project.
- Market trends since the pandemic were highlighted. There is uncertainty and this uncertainty will be reflected in contractor bids. Productivity has decreased driving costs up, as has a shortage of skilled labor.

7. GENERAL BUSINESS

A. CEO Announcements, Events, Recognitions. None.

B. Commissioner Comments:

- Commissioner McCarthy asked staff to go through the Mercator 2020 West Coast vs. East Coast Competitiveness report and provide analysis. Staff will circulate both the West Coast vs. East and Gulf Coasts and the West Coast/Canadian Competitiveness. Thanked everyone for participating in the NWSA retreat September 29, 2020.
- Commissioner Felleman commented that there is a Clean Fuels webinar being hosted by the Port of Seattle and University of Washington on October 22, 2020 from 9-11 a.m. It will highlight various efforts to decarbonized aviation and maritime industries. To this end, a Clean Fuel Standard will be sought this legislative session.
- Commissioner Calkins commented on how Covid has impacted supply chains. An article in the September 18, 2020 Puget Sound Business Journal "The Big Box Out" is a must read.
- Commissioner Steinbrueck mentioned the Lander Street Bridge project. This freight mobility improvement project was supported by the Port of Seattle in partnership with the City of Seattle. The bridge crosses over the railroad tracks providing improved safety and reduced congestion. The project was completed under budget. He will be meeting with the West Seattle Bridge Community Task Force group. They will be getting some preliminary findings on the cost benefit analysis on the alternatives. On Monday, he and Commissioner McCarthy will be meeting with Mayor Durken to discuss Managing Member needs related to the alternatives. CEO Wolfe's weekly updates include West Seattle Bridge updates. Additional information can be obtained by contacting staff, Kurt Beckett and/or Lindsay Wolpa.

8. **ADJOURNMENT:** The meeting ended at 1:39 PM



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