

**MINUTES
MANAGING MEMBER SPECIAL MEETING
TUESDAY, FEBRUARY 4, 2020**

The Conference Center at SEA, 17801 International Boulevard, Seattle, Washington 98158

SEATTLE COMMISSIONERS PRESENT:

Stephanie Bowman
Ryan Calkins *arrived at 2:28 p.m.*
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
Erin Galeno, Chief Financial and Administrative Officer
Jean West, Chief Human Resources Officer
Dana Henderson, NWSA General Legal Counsel
Carolyn Lake, NWSA Counsel / Port of Tacoma General Legal Counsel
Tom Tanaka, NWSA Counsel / Port of Seattle Deputy General Legal Counsel
Ticson Mach, Capital Project Manager V POS
Anne Porter, Seaport Project Management Director POS
David Morrison, Director Finance and Treasury
Elly Bulega, Engineering Project Manager
Michael Dehner, Labor and Employee Relations Manager
Sean Eagan, Director Government Affairs
Judi Doremus, Executive Assistant
Juliet Campbell, Clerk

12:00 noon – EXECUTIVE SESSION:

1. **CALL TO ORDER and RECESS TO EXECUTIVE SESSION:** The meeting was called to order at 12:02 p.m. The Managing Members immediately recessed into executive session to consider, in consultation with legal counsel, the legal or financial risks of a proposed course of action (RCW 42.30.110(1)(i)(iii)) and to review the performance of a public employee (RCW 42.30.110(1)(g)). No votes or actions were taken.

1:30 P.M. - PUBLIC SESSION:

1. **RETURN TO ORDER AND PLEDGE OF ALLEGIANCE:** Commissioner Steinbrueck reconvened the special meeting at 1:35 p.m. and lead the pledge of allegiance.

Without objection, the order of business was revised to hear agenda item 7A, the historical NWSA financial performance overview, during general business before the state legislative update. Commissioners were asked to review the draft 2020 Performance Goals and Expectations materials (item 7B) prior to the March meeting.

2. **CHIEF EXECUTIVE OFFICER'S REPORT:** CEO Wolfe provided a summary of the action items on the agenda. Commissioners were previously briefed on updates to the Terminal 18 Stormwater System Project. An overview was provided. The costs are to the NWSA, as opposed to the Homeports, because stormwater is a function of operations not historical contamination.

3. **CONSENT AGENDA:**

It was moved and seconded to approve consent agenda items 3A and 3B consisting of the corrected minutes of the November 12, 2019 Managing Member meeting, the minutes from the January 14, 2020 Managing Member meeting, and the payment of checks 706557-706650 and 706652-706656 and wire transfers in the total amount of \$3,602,508.91 during the period of January 4, 2020 through January 24, 2020.

The motion passed unanimously 9-0.

It was moved and seconded to approve consent agenda item 3C the payment of check 706651 and wire transfers in the total amount of \$2,822.82 during the period of January 4, 2020 through January 24, 2020 to the State Auditor.

The motion passed by the following vote 8-0:

In favor: Ang, Bowman, Cho, Felleman, Keller, Marzano, Meyer, Steinbrueck

Opposed: n/a

Abstained: McCarthy

4. PUBLIC COMMENT: None.

5. ACTIONS:

A. Terminal 46

Presenters: Ticson Mach and Anne Porter

It was moved and seconded (1). To authorize work associated with improvements at Terminal 46 (T46) that include Stormwater Basin 2 and Dock Rehabilitation Bents N66-N77; no additional funding authorization is needed.

(2). To authorize transfer of funds from Dock Rehabilitation project in the amount of \$2,676,212 for a total authorized amount of \$5,259,000 for work associated with the T46 Pavement Rehabilitation Master Identification No. U00314.

The motion passed unanimously 9-0.

Commissioner Bowman left the room at 2:00 p.m. and returned at 2:22 p.m.

Commissioner Cho left the room at 2:04 p.m. and returned at 2:08 p.m.

The vote was held upon their return.

Discussion included:

- Seismic capability and resiliency were discussed. Staff will provide a resiliency study on NWSA assets at a later date.
- The 2020-2024 budget for the pavement is not for the entire terminal.

B. West Sitcum Buildings 700, 900 and Guard Shack Roof Replacements

Presenter: Elly Bulega

It was moved and seconded to authorize project authorization in the amount of \$1,153,000 for a total authorized amount of \$1,379,000 for work associated with the West Sitcum buildings 700, 900 and Guard Shack Roof Replacements Master Identification No. 201062.04.

The motion passed unanimously 9-0.

Discussion included:

- As part of the 2017 lease agreement with Stevedoring Services of America (SSA) the NWSA agreed to inspect a majority of the roofs and complete roof repairs and/or replace as necessary. This is a 10-year lease.
- Asbestos remediation is to be conducted by a qualified contractor and Port of Tacoma policy for removal of asbestos must be followed.

Commissioner Calkins joined the meeting at 2:28 p.m.

C. First Reading – Master Benefit and Salary Resolution 2020-01

Presenters: Jean West and Michael Dehner

It was moved and seconded to advance Resolution 2020-01 to a Second Reading.

The motion passed unanimously 10-0.

Discussion included:

- A comparison of the total forecasted cost of payroll and benefits for 2020 and the 2019 actuals will be provided prior to Second Reading.
- The NWSA completed a Total Rewards Assessment last year. Results show the NWSA is competitive to the market.

6. **GENERAL BUSINESS:** The General Business portion of the meeting was revised to incorporate Study Session topics. The revised order is as follows: 7A. Historical NWSA Financial Performance Overview, 6A State Legislative Update, 7B. Draft 2020 Performance Goals and Expectations, 6B. Commissioner Comments.

*7A Historical NWSA Financial Performance Overview

Presenters: Erin Galeno and David Morrison

Discussion included:

- Changes to the financial statements beyond staff's control include a \$2 million reduction in pension liability for 2018 and again for 2019. There is also a \$1 million reduction in expected pension contributions. These are both attributed to strong stock market performance.
- Revenue was moved from operating income to non-operating income per new accounting standard GASB 87.
- Gaps in budgeted amounts versus actuals were discussed. Staff noted the 2017 budget was \$5 million over actuals because of decisions surrounding crane removal in the North Harbor.
- The biggest disparity, in terms of percentage, between budgeted amounts and actuals occurred in environmental spending.
- One of the biggest drivers of the increase in expenses is depreciation of the new assets approved by the Managing Members being added to the books of the NWSA. The book value of assets before formation of the NWSA stayed on the books of the Homeports.
- Operating income after depreciation has been better than budget every year since the formation of the NWSA.
- Non-operating revenue was explained. Drivers of the difference between distributable cash and income earned were explained by way of example of Terminal 18 stormwater income earned.
- The accounting treatment for grants was discussed.
- CEO Wolfe noted the financials reflect one-time anomalies and the impacts of policy decision that terminated some healthy revenue streams in order to position the NWSA for the future.
- Commissioner Calkins commented that the NWSA's role is as a facilitator of commerce for the region noting it doesn't exist solely to turn a profit for the Homeports. He said the Homeports need to remain solvent while investing everything possible in infrastructure to advance projects that will serve as a commerce conduit for the region. He also noted the extremely competitive landscape in which the NWSA exists. Other ports are much more heavily subsidized by their governments.
- Commissioners engaged in lengthy discussion related to distributable cash goals and expectations and investment for the gateway.

*6A State Legislative update

Presenter: Sean Eagan

Discussion included:

- The NWSA Managing Members voted in favor of the low carbon fuel standard two years ago. Staff reported that the NWSA has been signing in repeatedly in support of the legislation and that Commissioner Calkins has testified on behalf of both NWSA and the Port of Seattle on this subject. Commissioner Felleman noted misinformation and reports that are void of data or that contain refutable data need to be addressed.

*7B Draft 2020 Performance Goals and Expectations

Discussion included:

- Commissioner Steinbrueck reported that discussions have commenced in executive session for the 2019 performance evaluation of the NWSA CEO. Additionally, the draft 2020 performance goals and expectations have been circulated to commissioners. The goal is to discuss and finalize at the March 2020 meeting.
- Deputy CEO Esterbrook reported a new customer to the gateway – Volvo. This represents the first European automaker to use the gateway. He reported that the NWSA auto line of business had a record year, 30 percent above the previous year.

*6B Commissioner Comment:

- Commissioner Bowman attended the AAPA Shifting Trade Conferences and provided a brief report.
- Commissioner Marzano would like notice when commissioners are traveling on behalf of the NWSA. Commissioners discussed that talking points should be shared and contacts should be documented and shared.
- Commissioner Keller commented that trips need to be looked at strategically, including which commissioner travels.
- Commissioner McCarthy testified on the NWSA's behalf before a United States Senate subcommittee on commerce. His comments focused on emphasizing the interconnectivity between rural areas and ports.
- Commissioner Calkins recognized the accomplishments of Commissioner Meyer during his term serving as WPPA president.
- Commissioner Meyer would like the CEO to consider an Oregon trip. He also noted he is hypersensitive on planning issues and wants to make sure that the scope and timelines of the NWSA infrastructure plan are shared and understood by all the commissioners.
- Commissioner Ang commented that the legislature is supportive of the NWSA and both Homeports especially as to shore power and preserving SR 167. She noted comments that they would like to hear more about the NWSA's habitat and environmental programs. Also, the public is invited to testify to the Puget Sound Clean Air Agency regarding fuel standard on February 5, 2020 at the Tacoma main library from 4:00 p.m. to 7:00 p.m.

7. STUDY SESSION: *Study session items were heard during general business.

8. ADJOURNMENT: The meeting ended at 3:54 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