

THE NORTHWEST SEAPORT ALLIANCE
SPECIAL DUAL MEETING AND BUDGET ADOPTION
TUESDAY, NOVEMBER 13, 2018

The Conference Center at Seattle-Tacoma International Airport – Central Auditorium
17801 International Blvd. Seattle, WA 98158

SEATTLE COMMISSIONERS PRESENT:

Courtney Gregoire, Co-Chair
Stephanie Bowman
Fred Felleman
Ryan Calkins
Peter Steinbrueck

TACOMA COMMISSIONERS PRESENT:

Clare Petrich, Acting Co-Chair
Don Johnson
Dick Marzano
John McCarthy

TACOMA COMMISSIONERS EXCUSED:

Don Meyer, Co-Chair

NWSA STAFF PRESENT:

John Wolfe, CEO
Don Esterbrook, Deputy CEO
Kurt Beckett, Deputy CEO
Carolyn Lake, Legal Counsel
Tom Tanaka, Legal Counsel
David Morrison, Deputy Treasurer
Deanna Seaman, Senior Manager Environmental
Judi Doremus, Executive Assistant
Juliet Campbell, Clerk of the Port

9:00 AM – SPECIAL DUAL MEETING / BUDGET ADOPTION:

1. **CALL TO ORDER:** Commissioner Petrich called the Special Dual Meeting of The Northwest Seaport Alliance (NWSA) and Ports of Seattle and Tacoma to order at 9:05 a.m. and lead the Pledge of Allegiance. She also acknowledged those impacted by the wildfires in California.

2. **PUBLIC COMMENT:**

- Dan McKisson from ILWU 19 spoke on behalf of Local 19 in support of the Terminal 5 Modernization Project.

Commissioner Steinbrueck arrived at 9:11 a.m.

3. **ACTION AGENDA:**

A. Request authorization for the 2019 Budget Items.

Presented by David Morrison, Deputy Treasurer

- Key messages from the scorecard (through September 30, 2018) were reviewed and included an increase in ILWU hours from 2017 and that operating income (before depreciation) is expected to exceed 2018 budget.
- Staff highlighted changes to the Five-Year Capital Investment Plan since study session. Specifically, an \$18 million increase in year 2023 for Terminal 5 (T5) construction contingency. This increase is based on a review of work by the engineering team and analysis of total cost for T5.
- The impact of the NWSA construction projects on the local economy was highlighted. A study showed that, from a manufacturing perspective, for every \$100 million spent approximately 1100 to 2500 jobs are created each year. This budget shows investments of approximately \$500 million over five years.
- NWSA memberships over \$10,000 were identified. A historical comparison was requested and staff is reconciling where overlap in memberships exists among the NWSA one or both homeports.
- RCW 53.36.130 sets statutory limits on source and amount of funds expended for "promotional hosting." The purpose of promotional hosting is business development, ensuring that shipping lines and cargo continue to move through this gateway. The 2019 NWSA budget includes \$207,350 for promotional hosting. This is below the statutory limit based on NWSA revenue.
- Both homeports will continue to provide services to the NWSA through service level agreements.
- Discussion took place regarding whether decisions related to memberships and other items such as legal services are made at a department level, executive level or commission level and how those decisions are coordinated.

- Bond income calculations were discussed. Staff believes that keeping bond income at \$90 million is the correct number. Reductions are anticipated in four years when the Port of Seattle can refinance some of the bonds that were outstanding at the formation of the NWSA.
- NWSA 2019 Budget and Four-Year Forecast were reviewed. The budget assumes that the T5 capital that was included in the Capital Investment Plan is constructed according to the schedule and is operational in 2021 on the first phase.
- Though budgeted, it was clarified that project authorizations will require Managing Member vote.
- The plausibility of a biannual budget process was briefly discussed.

NWSA VOTE:

It was moved and seconded (Bowman/Johnson) to approve the 2019 Operating Budget including Memberships over \$10,000 and Promotional Hosting.

PORT OF SEATTLE VOTE:

| | |
|--------------------------|-----|
| Commissioner Gregoire | Aye |
| Commissioner Bowman | Aye |
| Commissioner Felleman | Aye |
| Commissioner Calkins | Aye |
| Commissioner Steinbrueck | Aye |

PORT OF TACOMA VOTE:

| | |
|-----------------------|---|
| Commissioner Meyer | <i>Excused, not present for the vote.</i> |
| Commissioner Petrich | Aye |
| Commissioner Johnson | Aye |
| Commissioner McCarthy | Aye |
| Commissioner Marzano | Aye |

MOTION CARRIED 5-0 / 4-0

NWSA VOTE:

It was moved and seconded (Johnson/Bowman) to approve the 2019-2023 Capital Investment Plan.

PORT OF SEATTLE VOTE:

| | |
|--------------------------|-----|
| Commissioner Gregoire | Aye |
| Commissioner Bowman | Aye |
| Commissioner Felleman | Aye |
| Commissioner Calkins | Aye |
| Commissioner Steinbrueck | Aye |

PORT OF TACOMA VOTE:

| | |
|-----------------------|---|
| Commissioner Meyer | <i>Excused, not present for the vote.</i> |
| Commissioner Petrich | Aye |
| Commissioner Johnson | Aye |
| Commissioner McCarthy | Aye |
| Commissioner Marzano | Aye |

MOTION CARRIED 5-0 / 4-0

PORT OF TACOMA ONLY VOTE:

It was moved and seconded (Johnson/Marzano) to approve Capital Construction contributions from homeport Tacoma treasurers as requested for authorized projects up to \$83.6 million.

PORT OF TACOMA VOTE:

| | |
|-----------------------|---|
| Commissioner Meyer | <i>Excused, not present for the vote.</i> |
| Commissioner Petrich | Aye |
| Commissioner Johnson | Aye |
| Commissioner McCarthy | Aye |
| Commissioner Marzano | Aye |

MOTION CARRIED 4-0

PORT OF SEATTLE ONLY VOTE:

It was moved and seconded (Calkins/Bowman) to approve Capital Construction contributions from homeport Seattle treasurers as requested for authorized projects up to \$83.6 million.

PORT OF SEATTLE VOTE:

| | |
|--------------------------|-----|
| Commissioner Gregoire | Aye |
| Commissioner Bowman | Aye |
| Commissioner Felleman | Aye |
| Commissioner Calkins | Aye |
| Commissioner Steinbrueck | Aye |

MOTION CARRIED 5-0

**B. North Harbor International Container Leases and Terminal 5 Modernization Project Motion.
*Presented by Kurt Beckett, Deputy CEO and John Wolfe, CEO***

- The motion seeks authorization for the CEO to prepare the new North Harbor International Container Lease, complete Terminal 5 (T5) Modernization Project bid documents and prepare for submission of a term lease agreement and a construction funding request at a 2019 first quarter meeting for Managing Member authorization.
- It was clarified that this action is not an action to approve a lease or authorize the project, rather it affirms staff work that will take place between now and when staff returns to the Managing Members in the first quarter of 2019 to request consideration and approval of lease terms and project construction authorization.
- Commissioners noted a business deal that makes financial sense and provides the required Internal Rate of Return investment is necessary for continued support.
- Terminal 5 is a regional infrastructure asset. Investment shouldn't be limited to Port of Seattle and Port of Tacoma resources, but from all layers of government, local, regional and federal.
- The plan is consistent with the strategic goals and the budget and would allow the alliance to capture the potential that is presented by the consolidation of shipping lines and the number of new ultra-large container ships coming on line.
- The opportunities and risks were contemplated.
- A comprehensive plan related to rail rates and rail use moving forward is also needed to address volume.
- Commissioner Felleman noted that moving forward with T5 plans represents a cumulative investment noting a Port of Seattle investment of \$300 million in 1998.

It was moved and seconded (Gregoire/Johnson) to adopt a motion authorizing the Chief Executive Officer to prepare the New North Harbor International Container Lease, complete Terminal 5 Modernization Project Bid documents and prepare for submission of a term lease agreement and a construction funding request at a 2019 first quarter meeting for Managing Members authorization.

PORT OF SEATTLE VOTE:

| | |
|--------------------------|-----|
| Commissioner Gregoire | Aye |
| Commissioner Bowman | Aye |
| Commissioner Felleman | Aye |
| Commissioner Calkins | Aye |
| Commissioner Steinbrueck | Aye |

PORT OF TACOMA VOTE:

| | |
|-----------------------|---|
| Commissioner Meyer | <i>Excused, not present for the vote.</i> |
| Commissioner Petrich | Aye |
| Commissioner Johnson | Aye |
| Commissioner McCarthy | Aye |
| Commissioner Marzano | Aye |

MOTION CARRIED 5-0 / 4-0

C. Tupper Mack Wells Legal Contract Authorization.

Presented by Deanna Seaman, Sr. Manager Environmental

- In January 2017 Soundkeeper filed suit against APMT in federal court. The Port of Tacoma became the National Pollutant Discharge Elimination System (NPDES) Permit Holder at West Sitcum in October 2017.
- Soundkeeper added the Port of Tacoma to the lawsuit with APMT and a motion to add SSAT to the lawsuit is pending before the court.
- The requested increase includes consultant and legal services through discovery and trial phases as well as potential settlement discussions.

It was moved and seconded (Johnson/Gregoire) to authorize the Chief Executive Officer or their delegate to authorize \$261,105 for a total authorized amount of \$612,230, for the Legal Contract with Tupper Mack Wells for the Soundkeeper / APMT / Port of Tacoma / SSATT Clean Water Act Lawsuit, Master Identification No. 201046.01.

PORT OF SEATTLE VOTE:

| | |
|--------------------------|-----|
| Commissioner Gregoire | Aye |
| Commissioner Bowman | Aye |
| Commissioner Felleman | Aye |
| Commissioner Calkins | Aye |
| Commissioner Steinbrueck | Aye |

PORT OF TACOMA VOTE:

| | |
|-----------------------|---|
| Commissioner Meyer | <i>Excused, not present for the vote.</i> |
| Commissioner Petrich | Aye |
| Commissioner Johnson | Aye |
| Commissioner McCarthy | Aye |
| Commissioner Marzano | Aye |

MOTION CARRIED 5-0 / 4-0

5. GENERAL BUSINESS:

A. CEO Announcements, Events and Recognitions

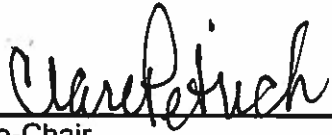
- Deputy CEO Don Esterbrook reported that the WWL auto facility construction project is on time and on budget. WWL plans to bring four auto ships the Port in December. He also reported that diverted intact intermodal cargo that was going to go through Vancouver, B.C. will be coming through our gateway instead. This could bring five to eight thousand additional lifts in December. Vancouver is experiencing five- to seven-day dwell times vs. our average dwell time of less than 48 hours.
- Commissioners asked for follow up/focus in the following areas:
 - The impact of a potential delay of a new NAFTA on the auto business.
 - Obtaining assistance to the region from the state and federal government during this legislative session as these are regional ports in competition with Canada.
 - Updates on the extended gate program and appointment system and what can be done to move toward an appointment system on all terminals.

6. COMMISSIONER COMMENT:

Commissioner Calkins: The Port of Seattle has implemented a visitor pass pilot program. It will allow up to 50 visitors per day to gain access past security at Sea-Tac International Airport. This will allow visitors to meet or spend more time with travelers at gates or to take advantage of events, restaurants and other amenities at the airport without having to book a ticket on a flight. Advance sign up is required. Information is available on the website.

7. ADJOURNMENT:

There being no further business, Commissioner Gregoire adjourned the meeting at approximately 10:28 a.m.

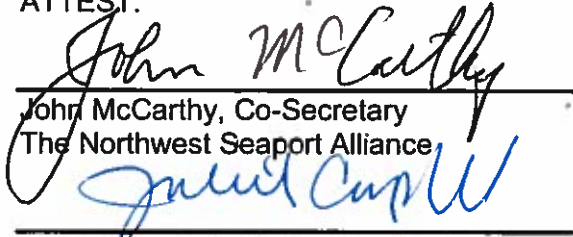


Clare Petrich, Co-Chair
The Northwest Seaport Alliance



Stephanie Bowman, Co-Chair
The Northwest Seaport Alliance

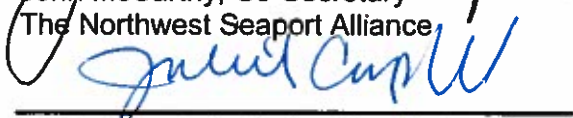
ATTEST:



John McCarthy, Co-Secretary
The Northwest Seaport Alliance



Peter Steinbrueck, Co-Secretary
The Northwest Seaport Alliance



Juliet Campbell, Clerk of the Port
The Northwest Seaport Alliance

