



**THE NORTHWEST SEAPORT ALLIANCE
MANAGING MEMBER MEETING**

TUESDAY, June 4, 2019

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

SEATTLE COMMISSIONERS PRESENT:

Stephanie Bowman
Ryan Calkins
Fred Felleman
Courtney Gregoire
Peter Steinbrueck

TACOMA COMMISSIONERS PRESENT:

John McCarthy
Dick Marzano
Don Meyer
Clare Petrich

Excused:

Don Johnson

STAFF PRESENT:

John Wolfe, CEO
Kurt Beckett, Deputy CEO
Don Esterbrook, Deputy CEO
Dustin Stoker, COO
Carolyn Lake, Legal Counsel
Tom Tanaka, Legal Counsel
Andre Elmaleh, Sr. Manager Business Development
Jeff Brubach, Manager Business Development
David Morrison, Dir. Financial Planning and Treasury
Anne Porter, Director Seaport Project Management POS
Dakota Chamberlain, Chief Facilities Development Officer
Dan Thomas, CFO POS
Jean West, Chief HR Officer
Leilani Berinobis, Executive Administrative Assistant
Juliet Campbell, Clerk of the Port

9:30 AM – CALL TO ORDER AND EXECUTIVE SESSION:

- 1. CALL TO ORDER:** Commissioner Bowman called The Northwest Seaport Alliance (NWSA) Regular Managing Member Meeting to order at 9:30 a.m. and then recessed into executive session.
- 2. EXECUTIVE SESSION:** Commissioners met for two hours to discuss one annual review of a public employee RCW 42.30.110(1)(g) and one item of litigation or potential litigation risk pursuant to RCW 42.30.110(1)(i). No votes or actions were taken during executive session.

11:30 AM – REGULAR MEETING PUBLIC SESSION:

- 1. RETURN TO ORDER:** Commissioner Bowman reconvened the NWSA Regular Managing Member Meeting at approximately 11:40 a.m. and lead the Pledge of Allegiance.

A change to the order of business was made by NWSA Co-chair, Commissioner Bowman. It was agreed to at the meeting to begin with the Chief Executive Officer's (CEOs) comments. CEO Wolfe, then provided a preview of the day's agenda.

2. CONSENT AGENDA:

It was moved and seconded to approve the consent agenda consisting of:

- A. Approval of the NWSA meeting minutes of April 2, 2019, May 7, 2019 and May 20, 2019.
- B. Approval of the check/wire certification for the payment of checks 705339 through 705478, and wire transfers in the total amount of \$3,996,247.04 during the period of April 27, 2019 through May 24, 2019.
- C. Ratification of a contract with Coast Rail Incorporated in the amount of \$850,000 for work associated with emergency track repair on tracks 4, 5, 6 and 8 at the entry curve to the North Intermodal (NIM) Yard.

The motion carried unanimously.

3. PUBLIC COMMENT: None

4. STAKEHOLDER UPDATE:

A. TOTAL TERMINALS INTERNATIONAL

Commissioner Bowman presented NWSA long-term partner, Total Terminals International (TTI) with a plaque and tokens of appreciation. She thanked them for their long commitment to the Seattle Harbor and the NWSA. Philippe Gayte, Leanne Tanner and Abner Atienza of TTI were present and Mr. Gayte provided comments and highlighted TTIs accomplishments over the past 25 years.

5. ACTION AGENDA:

A. GATEWAY PERFORMANCE BRIEFING AND GATE EFFICIENCY PROGRAM ACTIONS

Presenter(s): Dustin Stoker

Staff briefed the commissioners on Key Performance Indicators (KPIs) established by the Executive Advisory Council. KPIs included on-time vessel arrival and departure, crane productivity, gate turn times and import rail transit.

After the briefing, staff made a presentation on the Gate Efficiency Program.

It was moved and seconded to: 1. Authorize to fund the Gate Efficiency Program to expand gate hours at the NWSA's international container terminals in an amount not to exceed \$2,000,000. And 2. Authorize the Chief Executive Officer or his delegate to enter into the Gate Efficiency Program with the International Marine Terminal Operators in the North and South Harbors.

The motion carried unanimously.

- Commissioner Calkins noted that volumes have increased slightly over the past 10 years. More cargo is being pushed through fewer terminal with fewer gates and expansion is taking place. Maintaining an 8:00 a.m. to 5:00 p.m. model is not realistic long term.
- It is extremely expensive to operate night, hoot and weekend gates. Terminal operator contracts only require the gates run Monday through Friday, 8:00 a.m. to 5:00 p.m. The issue then becomes who is going to pay.

- This program proposal is different from earlier authorizations in 2016 and 2017 as it requires a commitment from the terminal operators to run extended gates longer term.
- Commissioner Steinbrueck expressed concern that this appears to be a subsidy and asked that staff quantify the NWSA's cost recovery. Cost recovery is through increased volume, jobs and a better environment due to reduced congestion. Staff acknowledged that it a difficult measurement to quantify but noted that continuing on the existing path will lead to shippers taking their containers elsewhere.
- Commissioner Meyer will vote to support of the proposed program but noted that this will be the last year he does so. He said he doesn't mind being a partner and proposed approach is a good one. However, he added he is not interested in continuing to fund what he believes is the responsibility of the marine terminal operators.
- Commissioner Calkins noted that the goal is not to simply get through a peak period, but to develop a new set of patterns in the work force and the operations of truckers and distribution centers. This program encourages everyone to do this at the same time and change the model in one fell swoop. He also noted that there are a number of direct costs for stakeholders that could diminish as a result of this investment that wouldn't necessarily be captured.
- Staff envisions that this program will move terminal operators toward an Oakland or similar model, where a fee is charged for every full load moving in and out of the gates. The fees collected are then used to pay for night gates.
- Edits to the proposed Appendix A were discussed.
 - Commissioner Gregoire noted that Section 6 of the Appendix provides the explicit scope of reimbursement. However, the term "incentive funds" is referred to throughout the document and is not defined. An edit is required to make clear that the reimbursement is limited to reimbursing MTOs for expenses incurred.
 - She also stated that the Appendix should reflect that the MTOs need to show progress toward a broader efficiency gain while the NWSA funds this program. It should be documented that we want a sustainable model that is not a constant cost reimbursement model.
 - Commissioner McCarthy expressed his preference that any payments be made over the course of the 18 months of the program rather than up front. He also stated that the non-compliance language is too soft.

B. BREAKBULK BUSINESS UPDATE AND VESSEL SERVICE AGREEMENT ACTION

Presenter(s): Andre Elmaleh and Jeff Brubach

Staff briefed the commissioners on the breakbulk business for the NWSA. The briefing included an overview of the breakbulk business, current handling facilities, customers, markets served, trends and the competitive landscape.

After the briefing, staff requested the Managing Members consider authorizing three-month extensions to each of the existing Vessel Service Agreements beginning July 1, 2018 to September 30, 2019.

It was moved and seconded to authorize the CEO or his delegate to extend the current Vessel Service Agreements in place with customers: A. World Logistics Services (WLS) and B. "K" Line Ro-Ro, from July 1, 2019 through September 30, 2019.

The motion carried unanimously.

C. CHARTER AMENDMENTS – BRIEFING IN ADVANCE OF ACTION

Presenter(s): Carolyn Lake and Tom Tanaka

- No action is being requested at this time.
- The proposed amendments fall into three primary categories
 - Environmental.
 - Finance procedure cleanups.
 - Litigation management.
- Changes to the environmental section make clear that for any kind of dredging costs associated with PDA operations, the PDA pays for the dredge and the homeport retains the cost of either disposal or any issues related to the incremental costs of dealing with contaminated soils. There is flexibility for the Managing Members to decide to have the PDA pay a portion.
- Finance staff highlighted some of the significant changes proposed to the Charter:
 - The definition of "Distributable Cash" is the Generally Accepted Accounting Principles (GAAP) definition which does not include the interest earned or grants. Distributing cash received from grants and interest earned requires a vote of the Managing Members. This change to the Charter will allow the NWSA Treasurer to redistribute the cash from grants and interest to the homeports for their use.
 - When the NWSA was formed it was anticipated that both homeports would fund NWSA capital projects up front and then drain that fund over the year. Operationally this has resulted in staff coming before the NWSA Managing Members each year to request a pay-as-you-go process so each of the homeports can keep control of its own cash until the project is spent. Once spent the homeports reimburse the NWSA. The proposed amendment to the Charter reflects this process.
 - Amendments to the Working Capital Reserve Policy would allow the reserve to dip from the targeted six-month reserve to no less than a three-month reserve temporarily (no more than 60 days) to allow for the reimbursement process from the homeports.
- The amendment also adds a new section for litigation management. This is added to formalize a structured process for the NWSA CEO and the homeport Executive Directors to consult and determine the appropriate entity to assume lead responsibility. It formalizes the conference between the executives and legal counsel. It does not change who the client is and the role and responsibility of Managing Members to be conferred.

D. PULLED FROM AGENDA

E. RESOLUTION 2019-03 APPOINTING A NEW PUBLIC RECORDS OFFICER

Presenter(s): Carolyn Lake

It was moved and seconded to waive second reading and approve at first reading Resolution 2019-03 which appoints Erin Galeno, Chief Financial and Administrative Officer and her designees, as the new Alliance Public Records Officer and repeals prior Resolution 2015-02.

The motion carried unanimously.

F. CEO EVALUATION DISCUSSION AND POSSIBLE ACTION REGARDING COMPENSATION

This item was postponed to the July 2, 2019 Managing Member meeting without objection.

6. STAFF BRIEFINGS:

Commissioner Bowman changed the order of the staff briefings without objection. The Total Rewards Update was heard before the Terminal 5 Modernization Program Update.

A. TERMINAL 5 MODERNIZATION PROGRAM UPDATES

Presenter(s) Anne Porter and Dakota Chamberlain

- Favorable bids were received on the berth modernization project. They range from approximately \$160 million to \$200 million. A contract for construction was signed May 20, 2019 with Orion Marine Contractors, Inc. for \$159,986,390. This approximately \$30 million less than the engineer's estimate.
- Other highlights of the Terminal 5 second quarter progress report include: Seattle City Light has ordered all materials, the construction offices moved into the administration building, Matson operations began, and a State Budget Investment of \$4.4 million for shorepower at Terminal 5 was confirmed.
- The summary of budget and spending reflects \$3.8 million was moved from management reserve into construction and design and project management. Remaining funds are \$322 million.
- The schedule and phasing for berth modernization and upland improvements.
- Schedule challengers were presented. Permitting process remains on the list of risk areas of delay. All berth modernization project permits have been issued. Permits for the upland improvements are still needed.

B. TOTAL REWARDS UPDATE

Presenter(s): Jean West; Bruce Lawson and Lori Messer from Gallagher Benefit Services

- NWSA salaries are competitive with market, lagging by 1.2 percent. Benefit programs are positioned competitively within the market as well.
- Overall Gallagher identified two issues with the current performance management system:
 - Differences within the rating matrix (exceeds/achieves/performance improvement plan (PIP)/below) were so insignificant that employees did not feel that they were being adequately rewarded for differentials in performance.
 - Employees who received PIP are eligible for pay increase. This is not a normal practice. Two alternative options for consideration were presented.

- The NWSA's current leave policy lags the market. Employees have expressed desire for more flexibility in how leave time is accrued and able to be used. Options for consideration were presented, including Paid Time Off (PTO).
- Most commissioners agreed that this matter should come back to the Managing Members in the form of a recommendation from the CEO.

7. GENERAL BUSINESS:

A. **CEO ANNOUNCEMENTS, EVENTS, RECOGNITIONS:** The CEOs report came at the beginning of the meeting. There were no other CEO announcements.

8. COMMISSIONER COMMENT: None.

9. ADJOURNMENT: There being no further business, Commissioner Bowman adjourned the meeting at 2:20 p.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