



MINUTES

Wednesday, July 7, 2021

Managing Member Regular Meeting – Special Port of Seattle Commission Meeting

Virtual/teleconference

Dial in: 1 253 617 4257 Conference ID: 368 375 613#

1. CALL TO ORDER

The meeting was called to order at 9:10 a.m. Port of Seattle Commissioners, Ryan Calkins, Sam Cho, Fred Felleman and Peter Steinbrueck were all present. Port of Seattle Commissioner Stephanie Bowman arrived at 9:22 a.m. Port of Tacoma Commissioners Kristin Ang, Deanna Keller, John McCarthy, Dick Marzano, and Don Meyer were all present.

2. RECESS TO AN EXECUTIVE AND FEDERAL MARITIME COMMISSION (FMC) CLOSED SESSION

After calling the meeting to order, the Managing Members immediately recessed for an executive session pursuant to RCW 42.30.110(1)(i) The executive session lasted 20 minutes.

3. RETURN TO ORDER / PLEDGE OF ALLEGIANCE

The Managing Members reconvened in public session at 9:40 a.m. Roll was called and all commissioners were present. Commissioner Felleman lead the Pledge of Allegiance and acknowledged the ancestral lands and waters of the Coastal Salish people.

4. CHIEF EXECUTIVE OFFICER'S REPORT

The Chief Executive Officer (CEO) provided a summary of the agenda.

5. CONSENT AGENDA

It was moved and seconded (McCarthy/Meyer) to approve the consent agenda as amended.

5A. Approval of the June 1, 2021 minutes

5B1. Approval of the payment of checks 708259 through 708351, excluding check 708325, and wire transfers in the total amount of \$17,084,438.02 during the period of May 15, 2021 through June 18, 2021.

5C. Authorization for the CEO or his delegate to enter into an interlocal agreement (ILA) with the ports of Los Angeles, Long Beach and Oakland on a study comparing Canadian federal investment in ports in British Columbia compared to US investment in West Coast ports.

The motion passed unanimously.

It was moved and seconded (Meyer/Bowman) to approve agenda item 5B2, approval of the payment of check 708325, and wire transfers in the total amount of \$1,696.50 during the period of May 15, 2021 through June 18, 2021.

The motion passed 2-0. Commissioner McCarthy abstained.

PUBLIC COMMENT

- Anne Kroeker provided written comments that analysis of projects with Scope 3 emissions calculations include climate change as one of the risk factors to consider. Staff was directed by Managing Member Commissioners to prepare a written response.

ACTIONS

7A. TERMINAL 5 MODERNIZATION PROGRAM – QUARTERLY BRIEFING AND PROGRAM AUTHORIZATIONS.

Presenters:

Thais Howard, Director Engineering, NWSA

Emma DelVento, Capital Program Leader, Port of Seattle

David Morrison, Chief Financial Officer, NWSA

A video was shown of cranes arriving at Terminal 5. The cranes were successfully and safely offloaded onto the North Berth and are being commissioned by the NWSA's tenant.

At the last briefing the Managing Members were informed that the Program had an 85% probability (P-85) of being sufficient at somewhere between \$365-380 million. The P-85 is now \$390 million. Staff is managing the budget and risk closely, however, additional funding is needed to complete the Program.

Staff will be returning the Managing Members at next month's meeting with three related authorization requests related to Terminal 5, including an Intermodal Yard (IMY) use agreement, a track agreement with BNSF, and a project request for some rail improvements.

A recap of the program scope was presented.

Budget forecast is over budget forecast at \$390 million. Construction is 74% spent and 68% complete. The delta between amount spent and percentage complete is accounted for by initial costs and advance purchase of materials.

An overview of the programmatic schedule was presented. The Program is approaching the third in-water work window. The Berth Modernization construction project is currently on schedule to complete both phases of the project by the original schedule date of December 31, 2022.

David Morrison, CFO NWSA, presented a history of the analysis used for this financial model and the impact of the net cost increase of \$25 million. The original model in 2019 produced an IRR of 5.5%. the new modeling produces an IRR of 5.1%. Approximately 4% less over the original 30 year model. The cost increase is an additional \$50 million, offset by grants rounded to \$25 million.

Discussion:

- Commissioner McCarthy commented that the memorandum provided by staff in the agenda packet states that the Managing Members chose not to use a 100% probability percentage amount of \$361 million. Commissioner McCarthy did not recall being provided with that option in 2019. CEO Wolfe recalled that staff recommended using the 85% probability percentage of \$340 million. He added that \$18-20 million is still in dispute and that significant subsidence near the gate complex, that no one could see at the time, accounts for approximately \$14 million of the additional cost.
- Commissioner Meyer commented that an IRR of 5.1% is substantially less than the approximately 8% IRR originally targeted. He asked about the impact of the three related authorizations being brought to the Managing Members next month. CEO Wolfe stated that the latest cost analysis for the IMY repairs is approximately \$2 million in addition to the authorizations being requested today. However, he reminded all that the plan is to

derive additional revenue from the IMY use in Phase 1 early next year, that was not included in the original financial analysis.

- There is potential for better IRR due to inflation, increased volume at T18 and through 57 acres at T46 available for marine cargo.
- The landside pile driving is complete. In the third in-water window, we are looking to do the South berth in water pile driving and completion of the North berth toe wall. There will be a test pile drive at the end of this month for the North berth. The testing will help calibrate the timeline. The South berth slope stabilization should be completed within this in-water window.
- Gate Queue Management Plan is a permit condition pre-occupancy. It is in review and should be finalized soon. It is separate from the truck parking issue.

7A1 BUDGET INCREASE TO T5 BERTH MODERNIZATION.

Emma DelVento, Capital Program Leader, Port of Seattle

Staff presented the Program Cost Details.

- Discussion
- Commissioner Bowman commented that of the Program elements, the gate complex is the big ticket item. She asked for clarification regarding the risk elements for that piece. Staff commented that just by the nature of where they are in design creates risk. They are in the very early stages and variability is very high until later in the design. Soil is also part of the risk.
- Additional negotiated improvements that the NWSA thought reasonable, were added and are included in the cost analysis. Some of those items are under dispute as to who will eventually be responsible for those costs.
- Staff clarified that the action being requested by this motion is for the funding. Before construction, staff returns to the Managing Members for construction authorization.
- Commissioner McCarthy commented that clearly the Program must be completed and that he will do everything possible that he can to make this successful for customers, he will continue to fight to get federal and state grant money to reduce the financial load on the NWSA. He will be voting against increasing Program authorization funding, in part on principle. He originally opposed the Program in part because he was not confident in the costs estimated at the time.
- Commissioner Marzano asked about the capacity of the new gate complex for truck queueing. The new gate complex truck queue area doubles. The current gate has eight inbound lanes with scales and two inbound lanes without scales. There are two outbound lanes. The new gate complex will be all inbound (the tenant built a separate outbound lane). There will be 12 lanes and staff are working with the tenant to determine how many of those lanes will have scales.
- Commissioner Meyer is concerned with the size of the Management Reserve. He stated that too much being set aside for Management Reserve when contingencies for the various projects have also been set aside. Staff commented that the CBP and RPM we unanticipated costs due to a change in federal policy that pushed costs previously covered by the federal government to ports and tenants.

- Commissioner Steinbrueck commented that staff has been transparent about this and that though it is difficult to accept unanticipated cost escalation, this is a big and important project. The ROI is disappointing if measured only for the term of the lease and investment in terms of cash value. The ROI is much more in his opinion. It is maintaining and modernizing NWSA facilities as must be done. There is not turning back. He noted the value of the project includes the thousands of dock and other family wage/living wage jobs in the region this Program supports now and into the future.
- Commissioner Calkins commented that though the reduced rate of return is heartburn inducing, it is still a positive NPV and the indirect benefits to the community are enormous. He supports the action being requested.
- Commissioner Ang commented the Program is at the finish line. This is essential to operational efficiency of the gateway. Supports getting this done.

It was moved and seconded (Keller/Steinbrueck) to call the question ending debate.
The motion passed 2-0 by the following vote.

<u>Port of Seattle – 1</u>		<u>Port of Tacoma – 1</u>	
Bowman	Aye	Ang	Aye
Calkins	Aye	Keller	Aye
Cho	Aye	McCarthy	Nay
Felleman	Aye	Marzano	Aye
Steinbrueck	Aye	Meyer	Aye

It was moved and seconded (Steinbrueck/Keller) that The Northwest Seaport Alliance Managing Members increase Program authorization in the amount of \$50 million, for a total amount of \$390 million, for the Terminal 5 Berth Modernization Program, MID Nos C800132, C800726 and C800988.

The motion passed 2-0 by the following vote.

<u>Port of Seattle – 1</u>		<u>Port of Tacoma – 1</u>	
Bowman	Aye	Ang	Aye
Calkins	Aye	Keller	Aye
Cho	Aye	McCarthy	Nay
Felleman	Aye	Marzano	Aye
Steinbrueck	Aye	Meyer	Nay

7A2 CONSTRUCTION AUTHORIZATION FOR T5 NORTH REEFER INFRASTRUCTURE

Presenter: Emma DelVento, Capital Program Leader, Port of Seattle

Staff provided background of the project including project description and details.

Commissioner Steinbrueck wants to know who pays the electric bill for the reefers. The NWSA provides the infrastructure, the tenant pays the utility bill.

It was moved and seconded (Steinbrueck/Ang) that The Northwest Seaport Managing Members authorize construction of the North Reefer Infrastructure project at Terminal 5, MID No. U00649.

The motion carried unanimously.

Discussion:

- Maintenance is charged to the tenant.
- Commissioner McCarthy supports. He explained that he opposed the Program authorization of the previous action but supports this as it is a lease obligation.
- Commissioner Meyer will vote for this as a lease obligation.
- Commissioner Steinbrueck raised a question for future consideration regarding the supply of renewable electricity to NWSA terminals. He has heard that City Light is forecasting shortages in supply based on growth trajectory and demand. He asked if staff is tracking that issue and if there is service reliability for the projected lease term with renewal power including shore power. He did not expect an immediate answer during the meeting but would like background provided. It's the cumulative growth and demand that he is concerned with and that we don't loosen up on commitments to renewable electricity. Commissioner Calkins added that this very reason for a study of offshore renewables is pertinent.
- Commissioner Keller and Commissioner McCarthy exchanged opinions on the appropriateness and procedure associated with Calling the Question ending debate, pursuant to Roberts Rules of Order.

7A3 SECOND AMENDED LETTERS OF AGREEMENT WITH THE NWSA, PORT OF SEATTLE AND THE MUCKLESHOOT INDIAN TRIBE AND THE NWSA, PORT OF SEATTLE AND SUQUAMISH TRIBE.

Presenter: Lindsay Wolpa, Sr. Manager Strategic Projects NWSA

Staff provided background of the two separate agreements with the Muckleshoot Indian Tribe and the Suquamish Tribe. The agreements were executed in 2017 and amended in 2020. Circumstances, the toe wall was not able to be installed in the north berth within the 2020-2021 fish window. A second amendment to both agreements is needed as work will need to happen on both berths in the upcoming 2021-2022 fish window to finish the project on time.

DUAL ACTION NWSA MANAGING MEMBERS and PORT OF SEATTLE COMMISSION

It was moved and seconded (Steinbrueck/Bowman in their dual role as Managing Member Commissioners of the NWSA and Commissioners of their Homeport, the Port of Seattle) that the Port of Seattle Commission and The Northwest Seaport Alliance Managing Members approve the two Second Amended Letters of Agreement between the NWSA, Port of Seattle, and the Muckleshoot Indian Tribe, and The NWSA, Port of Seattle and Suquamish Tribes for Terminal 5 Cargo Wharf Rehabilitation, Berth Deepening and Improvements Project.

The motion carried unanimously for the Port of Seattle

The motion carried 2-0 for The Northwest Seaport Alliance by the following vote:

<u>Port of Seattle – 1</u>		<u>Port of Tacoma – 1</u>	
Bowman	Aye	Ang	Aye
Calkins	Aye	Keller	Aye
Cho	Aye	McCarthy	Nay
Felleman	Aye	Marzano	Aye
Steinbrueck	Aye	Meyer	Aye

Discussion:

- The \$300,000 payment to each of the two tribes is based on the initial dollar figure from the agreement which was \$520,000 per berth per tribe. The \$300,000 is because only intending to use a portion of the berth and a portion of the fish window at the north berth.
- Commissioner McCarthy commented that this is a Port of Seattle obligation, not for the NWSA. He further commented that the basis for the compensation to the tribes should be strictly for impact on fishing and fisheries. The initial contracts did not use that basis with regard to the Suquamish Tribe. He believes this to be an error. If the actions requested today were presented separately, he may be able to find that the impacts to fishing or fisheries was sufficient with regard to the Muckleshoot, not so with the Suquamish.
- Commissioner Felleman commented that the issue has been fully vetted with legal counsel.

7B TERMINAL 46 INTERLOCAL AGREEMENT POS/NWSA FOR CRANE USE AND PMA REAUTHORIZATION OF LEASE.

Presenter: Jennifer Maietta, Interim Director Real Estate, NWSA

Staff presented the background.

The Pacific Maritime Association (PMA) seeks to consolidate its regional training facilities at Terminal 46 for the purposes of developing a consolidated state of the art training facility related to PMA's goals and objectives for longshore workers, clerks, foreman and casuals. The PMA training facility requires usage of a crane. The Port of Seattle and the NWSA agreed to work jointly to provide use of one of the Port of Seattle owned cranes for PMA training purposes. Crane 80, one of the three cranes purchased by the Port of Seattle from Total Terminals International (TTI) has been identified as the crane for PMA's use. Through the requested ILA, the Port of Seattle will transfer use and management of Crane 80 to the NWSA, NWSA would then transfer use, repair, maintenance and certification of the crane to the PMA for training purposes through a Crane Use Agreement to be incorporated into the existing 10-year lease with PMA. The ILA key terms and key changes to the PMA lease were described.

DUAL ACTION NWSA MANAGING MEMBERS and PORT OF SEATTLE COMMISSION

It was moved and seconded (Bowman/Cho in their dual role as Managing Member Commissioners of the NWSA and Commissioners of their Homeport, the Port of Seattle for item 7B1, the Interlocal Agreement) that:

1. The Managing Members of The Northwest Seaport Alliance, authorize its Chief Executive Officer or his delegate, and that the Port of Seattle Commission authorize its Executive Director or his delegate, to enter into an Interlocal Agreement between The Northwest Seaport Alliance and the Port of Seattle to transfer use and management of Port-owned ZPMC Crane 80 located on Terminal 46 to The Northwest Seaport Alliance, and
2. The Managing Members of The Northwest Seaport Alliance authorize its Chief Executive Officer or his delegate to reauthorize the Lease between PMA and The Northwest Seaport Alliance with revisions to incorporate the Crane Use Agreement for PMA's use of Crane 80 for training purposes as an exhibit within the Lease and to revise the lease commencement date from June 1, 2021 to July 1 2021 to be conterminous with the inclusion of the Crane Use Agreement.

The motion carried unanimously for the Port of Seattle

The motion carried unanimously for the Northwest Seaport Alliance Managing Members.

7C PROJECT AUTHORIZATION FOR TERMINAL 3 AND TERMINAL 4 SHORE POWER PROJECT.

Presenters: Graham VanderSchelden, Environmental PM II and Hughes Wike, Engineering PM II

Staff reminded those attending of the goal of the Northwest Ports Clean Air Strategy (NWPCAS) to phase out emissions from seaport-related activities by 2050, supporting cleaner air for local communities and fulfilling shared a shared responsibility to help limit global temperature rise to 1.5° C. The action requested represents a key implementation action for the Northwest Ports Clean Air Strategy and moves the NWSA closer to having big ship ready terminals in both the North and South Harbors that are shore power ready.

Staff noted that building shore power infrastructure is one half of the battle. Ships must also plug in when available.

The grant funds were originally awarded in 2019 for the Clean Truck Fund. The existing ILA for Clean Truck Fund required the NWSA and the Washington State Department of Ecology (ECY) to agree on alternate use for the unused Clean Truck Fund dollars.

Staff provided a background of the project. It has advanced to 90% design. The changes made to the design were made in consult with vessel carriers and the local public utility to improve operational flexibility by providing adequate power supply and shore power connections points to accommodate vessels with >14,000 TEU capability. Considerations impacting the cost increase of the program were highlighted by staff.

It was moved and seconded (Meyer/Ang) that the Managing Members of The Northwest Seaport Alliance, grant authorization to amend Interagency Agreement C1900059 with the Washington State Department of Ecology and to accept grant agreement OTGP-2021-NoSeAI-00039 in the amount of \$1.146 million from the Washington State Department of Ecology to support the Terminal 3 and Terminal 4 Shore Power Project and to grant project authorization in the amount of \$11,070,000 for a total authorized amount of \$11,600,000 for the Terminal 3/Terminal 4 Shore Power Project MID No. 201100.01.

The motion passed unanimously.

Discussion:

- Commissioner Ang stated her support for the motions.
- Commissioner Bowman commented she is happy to support shore power being added to the South Harbor. She commented staff has done a great job in finding partnerships for funding and hopes additional funding sources can be found.
- Commissioner Calkins echoed Commissioner Bowmans comments and stated his appreciation for staff's work on this project.
- Staff confirmed for Commissioner Cho that the entire amount of the former unused Clean Truck Fund dollars make up this grant. Examples of additional grant funding opportunities, both federal and state, available were provided. Additional funding may be available through the current administration thoughts on infrastructure. There is some VW funding remaining, but ECY's priorities for those remaining funds are unknown. Commissioner Cho commented that it would be worth some digging into to find out what those priorities might be.
- Commissioner Keller commented that the NWSA has received a letter from the Executive Director of the Puget Sound Clean Air Agency (PSCA) stating that the NWSA has to move these efforts along. She appreciates that staff is looking under every rock to find funding. These projects take money that the ports and the NWSA do not have. She thanked staff for their forward thinking.

- Commissioner McCarthy stated that projects like this need to be done, however, he said he would be remiss in his duty as a board member and neglecting his fiduciary to the public if he did not ask questions about cost. He stated it was not too long ago that this project was estimated at \$5.7 million, now it is estimated at twice that. In the past couple of months the estimate has increased by \$2 million. He is concerned with how much confidence can be given to the final cost estimates.
- Staff responded that the original assumptions dated back to the upgrades of the terminals and how space would be allocated. Staff moved forward with those assumptions and as additional information was gathered it became evident that the assumptions would need revising and updating. Staff commented there may have been opportunity to investigate that in a different way earlier on. Additionally, staff stated that the time has passed since the updated estimate and the implications and effects of the pandemic on bids became clearer. Staff's independent estimate validated the concerns resulting in the second large increase. Staff has as much confidence as they possibly based heavily on the dialog and feedback gained through the independent estimate.
- Commissioner McCarthy then asked CEO Wolfe whether tenants are contractually obligated to required vessels with shore power capability to utilize shore power and whether any special payment arrangements exist to help the NWSA recover some of the costs from those from those that benefit for the use of shore power. CEO Wolfe responded that there are no contractual obligations for shore power use. Conversations between The NWSA and marine terminal operators about requiring vessels with the capability to plug in that they plug have taken place. So long as plugging in is cost neutral, they will be motivated to use shore power.
- Discussion ensued on how to incentivize shore power use, including whether to consider supporting regulation as shore power use is required in California ports.

7D SECOND READING RESOLUTION 2021-07 ADOPTING THE THIRD AMENDED BYLAWS
Presented by Dana Henderson, General Legal Counsel.

Staff presented changes made to the proposed Third Amended NWSA Bylaws at the recommendation of The NWSA's Internal Governance Work Group since the June NWSA Managing Member Meetings. The changes are to the order of business, regular meeting days when after a holiday or Tuesday following a holiday and start times, and clarification of "Work Groups."

It was moved and seconded (Steinbrueck/Keller) that The Northwest Seaport Alliance Managing Members adopt Resolution 2021-07 adopting The NWSA's Third Amended Bylaws. **The motion passed unanimously.**

8. GENERAL BUSINESS

8A. CEO ANNOUNCEMENTS

CEO Wolfe, Don Esterbrook, Deputy CEO and Tom Bellerud, COO provided a gateway operational update. The gateway is seeing an increase month-over-month in cargo volumes through the gateway. Most cargo terminals are at capacity and are experiencing congestion. Discussion took place regarding the different strategies to address this terminal congestion.

Managing Member meetings will return to in-person meetings beginning with the August 3, 2021 meeting. It will be held at the Conference Center at SEA.

8B. COMMISSIONER COMMENTS.

Brief comments were made by Managing Member Commissioners.

Commissioner Steinbrueck suggested a briefing on a resiliency planning noting the Port of Seattle has undertaken a massive resiliency project.

9. ADJOURNMENT

The meeting ended at 2:28 p.m.



Fred Felleman, Co-Chair
The Northwest Seaport Alliance

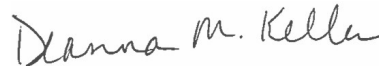


Richard Marzano, Co-Chair
The Northwest Seaport Alliance

ATTEST:



Sam Cho, Co-Secretary
The Northwest Seaport Alliance



Deanna Keller, Co-Secretary
The Northwest Seaport Alliance



Juliet Campbell, Clerk
The Northwest Seaport Alliance