

**MINUTES  
SPECIAL COMMISSION MEETING  
NOVEMBER 5, 2020**

The Port of Tacoma Commission met for a special meeting, November 5, 2020. Commissioners Ang, Keller, McCarthy, Marzano and Meyer were all present via video/teleconference.

Commissioner McCarthy called the meeting to order at 9:34 a.m. and lead the Pledge of Allegiance.

Commissioner McCarthy reminded those listening to meeting that the instructions on how to sign up to speak during public comment and to submit written comments are posted on the Port's website and included on the posted agenda. He then called public comments. There were none.

Eric Johnson, Executive Director, made opening comments. He noted that today is the Port's 102<sup>nd</sup> birthday.

Study Session: 2021 Port of Tacoma Budget

David Morrison, Director Financial Planning and Treasury, presented a review of the forecasted 2020 operating results and presented a draft proposal of the 2021 operating budget, the 2021-2025 Capital Investment Plan (CIP) and the 2021-2025 Plan of Finance (POF).

The presentation included a review of the remaining budget schedule, key messages and a forecast update for 2020, key messages for 2021 and a review of the 2021-2025 budget including CIP, tax levy, operating budget, discretionary items POF and financial measures.

- Port Net Income will be positive and above budget at \$25.4 million. Revenues remain stable. 2021 NWSA Distributable Income is forecast as flat to the 2020 budget. Tax levy funded eligible projects total \$4.9 million.
- Rebalancing of cost allocations between the Northwest Seaport Alliance and the Port result in increased Port administration and security costs.
- The 2020 P&L forecast for total operating revenue is down \$6.2 million. Total operating expenses are up \$4.9 million. Net income is forecast at \$4.1 million.
- Port of Tacoma revenue is now mainly fixed through real estate leases. There is some variable revenue through Volume above Minimum Guarantees, tariff, non-container industrial intermodal and auto short-term storage revenue on Port property not licensed to the Northwest Seaport Alliance (NWSA).
- The CIP numbers exclude \$45 million for the tribal cutback/dredge commitment. Staff is recommending reserving tax levy capacity to fund GO bonds if and when the Port needs to do the cutback. The commitment is still recognized, staff has just moved it out of the CIP and reserving the tax levy capacity. Total CIP spending for the Port for 2021 is \$55.6 million. Excludes NWSA CIP.
- Staff presented a tax levy proposal which differed from previous years. Property values in Pierce County and new construction mean the Port could increase levy by 9.5% over the prior year. Based on prior feedback from the Commission, staff is proposing instead a 3% increase. This results in a new millage rate of \$0.17302. Staff emphasized that this will impact the growth of the ceiling in future

years. The Port charges less than the amount it can, but the maximum amount the Port can charge goes up every year by new construction multiplied by the millage rate from the prior year plus inflation.

- GO debt for the Port is fixed. In 2018, 2019 and 2020 the Port purposely build a 'trough' in its principle payments to fund the SR 167 payments. Going forward, the Port should see debt service on GO Bonds be fairly constant.
- The drop in property rental income reflected in the 2021 budget is due to GASB 87. Property rental income is now reflected in non-operating income. Commissioner Meyer requested that future presentations show revenue before GASB 87.
- Staffing costs were discussed. There was a peak of 229 positions in 2018, this year there are 216 positions. Staff budgets a 4% vacancy rate of salaried employees. The impacts of non-cash adjustments from the State related to pension liabilities were described. Staff noted adjustment for pension liability for 2020 will not be known until end of the year and this will impact year-over-year (YOY) comparisons. The annual growth rate of adjusted costs per head is 4.3%.
- Staff presented five year histories for Direct Expense, Maintenance, Administration, Environmental and Security. Variances between budget and actuals were presented.
- There is an approximately 80% change in the total administration costs from 2019 to 2021. This is due to reduced IT, personnel, and Port of Tacoma consulting allocations to the NWSA.
- Commissioner McCarthy asked what impact on the Port's budget will there be if an amendment to the proposed NWSA budget is adopted that freezes administrative expenses or does not allow for an 8% increase in administrative costs. Staff explained that it depends on what is reduced in the NWSA. Options such as reevaluating allocations from the Homeports, delays in staffing and projects were mentioned. Staff has prepared a list of options for the NWSA Managing Members to choose from should they choose to limit the increase in administrative costs. Commissioner McCarthy wants to know if this budget includes a salary increase for Port of Tacoma employees and/or any new FTEs. No new FTEs are included in the proposed budget, instead there is a decrease from 221 positions to 216. Salary increases will be addressed in later slides during the presentation.
- Commissioner Meyer referenced Appendix J on page A-19 of the draft budget document. He stated one of his fundamental issues is that the 2021 budget reflects 270 positions at the very time revenue is down \$10 million. He stated that is too much growth to support the proposed budget. Staff noted that budget to budget the Port is down seven positions. Commissioner Meyer expressed his opinion that the overhead is still too high.
- Commissioner Keller commented that in viewing YOY budgeted and actuals, historically the Port has come in under budget. She noted that just because the positions are budgeted, doesn't mean the Port will meet or surpass that number. Staff noted that in the case of the 270 positions noted 264 will be funded (as he budgets two vacancies at the NWSA and four for the Port of Tacoma). She noted there are risks in budgeting too conservatively.

- Commissioner McCarthy commented that in a year such as 2020 where income is substantially down, he believes a hiring freeze should be considered. He would like to see the actual position headcount, current and historical.
- The rebalancing of allocations was further discussed.
- The draft 2021 Statutory Cash Budget reflects Projected Ending Cash and Investments of \$109.6 million.
- There is no projected borrowing in the 2019-2025 Budget Forecast POF. Projected ending cash in 2023 does not include changes in timing of Terminal 5 spending from 2023 to 2020-2021.

Following the budget presentation and discussion, it was recommended without objection to postpone the Mission and Values portion (item 3B.2) discussion to a future meeting.

*The Commission recessed for a break at 11:41 a.m. and reconvened at 12:07 p.m.*

#### Study Session: Strategic Plan – Environmental Stewardship

Executive Director Johnson stated the purpose of the study session is to gather information and input from the Commission on the strategies for the foundational goal of Environmental Stewardship. The feedback received will be massaged and incorporated into an overall draft proposed document to be presented to the Commissioners for approval.

Jason Jordan, Director, Environmental and Planning, made opening comments. He presented the structure of the Environmental Planning Team Organization and the proposed strategic plan framework. The elements included: Cleanup actions, stormwater compliance, air quality and habitat mitigation. He highlighted some of the Port's longer ongoing projects.

The Foundational Goal as understood by staff is, "To adopt operating practices and performance standards that meet or exceed regulatory obligations, proactively pursue environmental enhance efforts and advance environmental sustainability." Four strategies were identified.

Commissioner Ang commented that there should be a public outreach component. The community needs to understand the good things the Port has done and is doing as an environmental steward. They need to understand what the Port goes through, the way it does business and its constraints in these efforts. She would also like to see health disparity addressed in Port adjacent communities.

An overview of each of the environmental team areas was provided. The proposed supporting actions, success metrics and resource allocation for each of Environmental Strategies were presented.

#### Environmental Strategy 1 (ES-1)

Presented by Rob Healy, Senior Project Manager, Environmental Quality

ES-1: Remediate Port contaminated properties in a manner that ensures protection of human health and the environment while enabling economic development.

- Commissioner McCarthy asked for clarification on what was meant by "developing a focused property-specific brownfield investment plan that aligns with the Real Estate Plan." Staff would like to pursue a brownfield assessment grant from the Environmental Protection Agency (EPA) which would allow the Port to do Phase 1/Phase 2 type work in the Tideflats or anywhere in Pierce County.

Commissioner McCarthy commented that he and other commissioners have expressed concern with expanding activity outside of the Tideflats.

- Commissioner Meyer would like one of the success metrics for the Port to consider is the delisting of all properties remediated by the Port of Tacoma from Superfund designation. He supports a focus on industrial lands that the Port can put to productive uses in the categories the Port deems significant and in support of its customers.
- Commissioner Marzano commented that the Port wants to show the public its accomplishments and the delisting of formerly contaminated properties would be a great example. He would like to see the Port successfully communicate to the community an understanding of the jobs that are created when the Port cleans up property.

#### Environmental Strategy 2 (ES-2)

Presented by Deanna Seaman, Senior Project Manager, Environmental Water

ES-2: Investment in projects that improve the quality of stormwater runoff from Port properties, embody best practices, and empower our tenants to comply with complex permits.

- Commissioner McCarthy suggested pursuing research project opportunities with the Center for Urban Waters as a supporting action.
- Commissioner Meyer agrees with the success metric of no enforcement actions against the Port or its tenants. The relationship between the Port and the City of Tacoma regarding stormwater was discussed.
- Commissioner Ang also agrees with the metric for no enforcement actions, and supports the innovative, collaborative and educational opportunities. She recalled hesitancy regarding adopting no enforcement actions against Port and its tenants as a success metric because of the caveat that the Port does not have all control as it relates to stormwater permits. The distinction between permits held by the Port (MS4) and the permits held by the customers (not the Port or NWSA) of the NWSA (ISGP) was highlighted.

#### Environmental Strategy 3 (ES-3)

Presented by Tony Warfield, Senior Project manager, Permitting

ES-3: Create wetland opportunities and improve fish habitat independent of regulatory obligations.

- Commissioner Meyer commented that he is particularly supportive of including the Saltchuk restoration area in the strategy.

#### Environmental Strategy 4 (ES-4)

Presented by Steve Nicholas, Senior Project Manager, Air Quality and Sustainable Practices.

ES-4: Reduce the air and climate pollution generated by Port and tenant activities.


- Resource allocation not identified in the slides include two potential grant opportunities through the Pierce County Flood Control District for culvert repairs/replacement projects. Commissioner Keller serves on the Flood Control District board and her work was recognized by staff and commissioners.
- Commissioner Marzano supports the support action to identify and pursue opportunities to reduce emissions from the Port and tenant vehicle use. He asked how any charging stations are at the Port.

Currently there are none. Staff mentioned that the supporting actions should include existing work on the South Harbor Electrification Roadmap. This study is looking at what kind of clean infrastructure needed as the Port looks toward electrification at the Port.

- Commissioner Meyer wants specificity and interim measures in the success metrics. Particularly where the Port has control. He cautions about including goals toward things that are controlled by, for example, the City of Tacoma or Pierce County. His opinion is measuring “annually and cumulatively” is not sufficient.
- Commissioner Keller asked about hydrocarbon fuel cell semi truck infrastructure for the Port. Staff noted that hydrocarbon fuel and electricity are viewed as the two leading potential strategies for heavy duty trucks. Staff are tracking these topics closely.
- Commissioner Ang asked about the Occidental Cleanup and whether it is included somewhere in the Port’s environmental strategy. A briefing memo on this topic is forthcoming.

The study session item “Mission and Values” will be added to a future agenda.

There being no further business before the Commission, the meeting adjourned at 1:40 p.m.



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John McCarthy, President  
Port of Tacoma Commission

Attest:



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Don Meyer, Secretary  
Port of Tacoma Commission



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Juliet Campbell, Clerk of the Port  
Port of Tacoma