

THE NORTHWEST SEAPORT ALLIANCE
PORT OF SEATTLE AND PORT OF TACOMA
SPECIAL JOINT MEETING MINUTES
TUESDAY, JULY 17, 2018
THE FABULICH CENTER – ROOM 104
3600 PORT OF TACOMA ROAD, TACOMA, WA 98424

SEATTLE COMMISSIONERS PRESENT:

Courtney Gregoire, Co-Chair
Stephanie Bowman, Vice President
Fred Felleman, Co-Secretary
Ryan Calkins, Commissioner
Peter Steinbrueck, Commissioner

TACOMA COMMISSIONERS PRESENT:

Don Meyer, Co-Chair
Clare Petrich, Vice President
Don Johnson, Co-Secretary
Dick Marzano, Commissioner
John McCarthy, Commissioner

NWSA STAFF PRESENT:

John Wolfe, CEO
Don Esterbrook, Deputy CEO
Kurt Beckett, Deputy CEO
Carolyn Lake, Legal Counsel
Tom Tanaka, Legal Counsel
Jason Jordan, Director, Environmental Programs & Planning
Dakota Chamberlain, Chief Facilities Development Officer
Andre Elmaleh, Sr. Manager, Business Development
Norman Gilbert, Project Manager II, Engineering
Sara Cederberg, Sr. Project Manager, Environmental
Graham VanderSchelden, Project Manager, AQSP

11:30 AM: SPECIAL JOINT MEETING – NWSA/POS/POT:

1. CALL TO ORDER:

Co-Chair Meyer called the Special Joint Meeting to order at 11:37 a.m. and lead the pledge of allegiance.

2. CONSENT AGENDA:

- A. Minutes of June 5, 2018
- B. Check/Wire Certification approving the payment of checks #703429 through #703647 and wire transfers in the total amount of \$33,433,977.46 during the period of May 19, 2018 through July 6, 2018:

Motion was made by Commissioner Gregoire, seconded by Commissioner Johnson:

“Approve the Consent Agenda as presented.”

Discussion Included:

- 1. Commissioner Meyer requested clarification regarding a payment made to the Trade Development Alliance (TDA). Commissioner Petrich clarified that though merging with another entity, she doesn't believe the formal merger has occurred and at this time the contract remains in place.

PORT OF SEATTLE VOTE:

Commissioner Gregoire	Aye
Commissioner Bowman	Aye
Commissioner Felleman	<i>Not present for the vote. Arrived 11:44 a.m.</i>
Commissioner Calkins	Aye
Commissioner Steinbrueck	Aye

PORT OF TACOMA VOTE:

Commissioner Meyer	Aye
Commissioner Petrich	Aye
Commissioner Johnson	Aye
Commissioner McCarthy	Aye
Commissioner Marzano	Aye

MOTION CARRIES 4-0 / 5-0

3. PUBLIC COMMENT: None.

4. ACTION AGENDA:

- A. **PORT OF SEATTLE ONLY VOTE:** Terminal 18 Easement for Olympic Pipeline Co.
Presented by David Amble, Real Estate & Property Manager

Motion was made by Commissioner Bowman; seconded by Commissioner Calkins:
“Authorize the Executive Director of the Port of Seattle to approve and execute a non-exclusive permanent agreement between the Port of Seattle and Olympic Pipeline Company (OPL) for an oil pipeline easement.”

Discussion Included:

1. A brief historical review of the vacation timeline was provided. The street vacation process related to T-18 began in 1997 when the Port petitioned the city to vacate streets inside and adjacent to T-18. The City of Seattle approved the street vacations, pending completion of 16 conditions. The Port completed work necessary and the City has drafted an ordinance to vacate the streets.
2. OPL owns and operates a pipeline that runs through the covered area that currently operates under a franchise agreement with the City of Seattle. Once the City approves the ordinance vacating, the streets will become property of the Port.
3. The NWSA easement includes an annual fee paid by OPL for the administration and maintenance of the easement, risk and indemnification language to cover both parties, and expiration language if OPL abandons pipeline operations.
4. The easement prohibits OPL from expanding the size or capacity of the pipeline within the easement. Commissioner Felleman noted there are ways of increasing pipeline capacity that would be outside of the easement.
5. The pipeline carries domestic road gasoline and diesel for racks on Harbor Island. The Port’s environmental covenants and procedure for handling environmental materials on Harbor Island are applied and there is a strong indemnification clause in the easement.

PORT OF SEATTLE VOTE:

Commissioner Gregoire	Aye
Commissioner Bowman	Aye
Commissioner Felleman	Aye
Commissioner Calkins	Aye
Commissioner Steinbrueck	Aye

Motion Carries 5-0

- B. Item 4B was pulled from the Agenda prior to the meeting. Commissioner Meyer moved directly to Item 4C.
- C. Pier 7 Berths A-D Rehabilitation
Presented by Andre Elmaleh, Sr. Mgr. Business Development and Norman Gilbert, Project Mgr. II Engineering

Motion was made by Commissioner Petrich; seconded by Commissioner Johnson:
“Project authorization in the amount of \$2,000,000 for a total authorized amount of \$4,300,000 for work associated with Pier 7 Berths A-D Fender Enhancements and Rehabilitation project, Master Identification No. 201048.01.”

Discussion Included:

1. Mr. Elmaleh provided an overview of the commercial activity at Pier 7. The pier generates approximately \$20 million in annual revenue. Lease terms and business obligations require the NWSA to keep the pier in good working order.
2. Increased cargo volume, larger vessel size, and ongoing deterioration of the fender system has required constant patch and repair work. The maintenance costs amount to several hundred thousand per year.
3. Managing Members authorized the advance purchase of materials to support this project in April 2017.

- Permits for this project have been applied for and are currently under review. The permits may or may not require wrapping the pilings. Wrapping and associated costs are not currently included the project. Even if the permits do not require wrapping, staff is directed to investigate whether an environmental net benefit exists to support wrapping. If there is a positive benefit the Managing Members are in favor of having the pilings wrapped. The CEO will report the outcome to the Managing Members and if required by delegation of authority limitations, will return for additional project 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	Aye
Commissioner Petrich	Aye
Commissioner Johnson	Aye
Commissioner McCarthy	Aye
Commissioner Marzano	Aye

MOTION CARRIES 5-0 / 5-0

- D. DUAL VOTE** – NWSA, POS AND POT: Northwest Ports Clean Air Strategy (NWPCAS) Interlocal Agreement (ILA) – Vancouver Fraser Port Authority.
Presented by Sara Cederberg, Dr. Project Mgr. Environmental

Motion was made by Commissioner Gregoire; seconded by Commissioner Petrich:

“Authorize the NWSA CEO, Port of Seattle Executive Director, and Port of Tacoma CEO to each enter into an agreement in the amount of C\$16,845.36 (~\$13,000 USD) each for work associated with the NWPCAS ILA – Vancouver Fraser Port Authority, NWSA Master Identification No. 201007.01, POS Project No. 105760, POT Master Identification No. 101044.01.”

Discussion Included:

- The 2013 NWPCAS is approaching the end of its 5-year implementation period, and the four port partners will be engaging a consultant to support a review of the existing strategy and the development of an updated strategy. The ILAs will establish a cost-sharing structure for consultant support to develop and publish the next update to the NWCPAS.
- Commissioner Johnson stressed the importance of identifying funding sources, where the money will come from and when will it come. He cautioned against created expectations without funding or ability to deliver. Commissioner Felleman added to this stating messaging needs to be explicit up front that any strategy goals will be contingent on funding and other issues. Commissioner Meyer noted that implementation feasibility should be one of the guiding principles.
- The ILA is governed by the laws of the Province of British Columbia and the laws of Canada.
- The proposed ILA reads in part “A copy of this Agreement shall be posted to each Washington State entity’s web site or recorded with the County Auditor.” According to Port Counsel Lake, the expectation of the Vancouver Fraser Port Authority is that the copy will be recorded with the County Auditor. Commissioner Gregoire directed that a copy also be posted on each entity’s web site.

DUAL VOTE:

PORT OF SEATTLE:

Commissioner Gregoire	Aye
Commissioner Bowman	Aye
Commissioner Felleman	Aye
Commissioner Calkins	Aye
Commissioner Steinbrueck	Aye

PORT OF TACOMA:

Commissioner Meyer	Aye
Commissioner Petrich	Aye
Commissioner Johnson	Aye
Commissioner McCarthy	Aye
Commissioner Marzano	Aye

MOTION CARRIES Unanimously

COMMISSIONER MARZANO WAS EXCUSED AT 12:30 P.M.

E. Puget Sound Clean Air Agency (PSCAA) ILA
Presented by Sara Cederberg, Sr. Project Mgr. Environmental

1. *Motion was made by Commissioner Felleman; seconded by Commissioner Calkins:*
“Authorize the CEO or their delegate to enter into an ILA to receive a \$200,000 contribution for work associated with the Clean Truck Fund from the Puget Sound Clean Air Agency”

Discussion Included:

1. The Puget Sound Clean Air Agency and its Board approved a \$200,000 contribution to the Clean Truck Fund in their fiscal year 2019 budget. The ILA sets out the terms.
2. Commissioner McCarthy opposed the underlying action authorizing the CEO or delegate to develop and execute the Clean Truck Fund Program (June 5, 2018 Managing Member meeting). Stating that the program requires the Managing Members undertake functions that ports should not be involved in, specifically, providing truck loans and guaranteeing loans. Consistent with that position, he will be opposing this action.

PORT OF SEATTLE:

Commissioner Gregoire	Aye
Commissioner Bowman	Aye
Commissioner Felleman	Aye
Commissioner Calkins	Aye
Commissioner Steinbrueck	Aye

PORT OF TACOMA:

Commissioner Meyer	Aye
Commissioner Petrich	Aye
Commissioner Johnson	Aye
Commissioner McCarthy	No
Commissioner Marzano	<i>Not present for the vote, previously excused</i>

MOTION CARRIES 5-0 / 3-1

2. *Motion was made by Commissioner Petrich; seconded by Commissioner Gregoire:*
“Authorization for the CEO or their delegate to enter into an ILA with the Puget Sound Clean Air Agency to transfer to the NWSA the responsibility for implementing the tasks required of the PSCAA in Agency Contract 2018-035 (SCAQMD Agreement #C18221) between PSCAA and the California South Coast Air Quality Management District (SCAQMD).”

Discussion Included:

1. This project will transfer ten 2011-2014 model year trucks from Southern California to the Pacific Northwest and scrap ten pre-2007 Pacific Northwest trucks. Ms. Cederberg described the process. The alliance intends to facilitate a process by which it determine who receives one of the trucks.
2. Commissioner McCarthy raised concern regarding liability of taking on the responsibilities under SCAQMD Agreement No. C1921 Section II item 1 e. to inspect trucks.
3. Discussion ensued regarding the proper reading of that section. Port counsel confirmed that the inspections to be conducted by the alliance under that section are for drivability and operability of each vehicle to be replaced by the newer vehicles. In other words, the vehicles that will be scrapped.

PORT OF SEATTLE:

Commissioner Gregoire	Aye
Commissioner Bowman	Aye
Commissioner Felleman	Aye
Commissioner Calkins	Aye
Commissioner Steinbrueck	Aye

PORT OF TACOMA:

Commissioner Meyer	Aye
Commissioner Petrich	Aye
Commissioner Johnson	Aye
Commissioner McCarthy	No
Commissioner Marzano	<i>Not present for the vote, previously excused</i>

MOTION CARRIES 5-0 / 3-1

5. STAFF BRIEFINGS/STAKEHOLDER UPDATES

A. Future Management Structure Discussion

Commission discussion

Discussion Included:

1. Chief Financial and Administrative Officer Erin Galeno presented highlights of key accomplishments during the transition period including:
 - Public Records Request procedure for all entities.
 - Integration of the commercial teams to present one face to the customer.
 - Established financial reporting, account processes, cash management processes and established a separate financial entity starting January 1, 2016.
 - No findings by independent auditors.
 - Accountability audit review of methodology around allocation support services had no findings.
 - Phase I of workspace needs analysis.
2. Ms. Galeno further provided priorities for this year including:
 - Support the Managing Members in their effort to finalize the management structure
 - Phase II of the workspace needs efforts (on hold)
 - Total rewards assessment to continue.
 - Transition North harbor lease administration, customer billing, accounts receivable, and cash application to the alliance.
 - Support Homeport Tacoma in their leader search.
3. CEO John Wolfe provided opening comments and summarized the fundamental policy decision needed is whether support functions, from a management service standpoint, are accountable to the alliance or alternatively to the homeport of Tacoma.
4. It was noted that no change to employer of record is recommended at this time. Rather, the focus is on management control and decision making. Commission Meyer would like more information on how this arrangement plays out. For example, who hires and who supervises and evaluates under this structure.
5. Discussion regarding whether non-licensed properties that are part of the supply chain of cargo activity should be managed by the alliance versus the homeports took place. The revenue flow would not change the focus being on the business relationship.
6. Concerns were brought forward and discussed regarding proposed language in the draft resolution which states the NWSA executive leadership will be the direct contact for managing all customer relationships associated with the Marine Cargo supply chain. Examples and hypotheticals were given. Commissioner Bowman stated the statement is too broad and a clear detailed definition of the Marine Cargo supply chain and identification of the impacted properties is required.

- B. Air Quality Grants: Overview of 2018 Air Quality grant proposals including: NWSA DERA grant application, Clean Diesel application, and recommendation for the NWSA projects for the Volkswagen Mitigation Funding.

Presented by Sara Cederberg, Sr. Project Mgr. Environmental and Graham VanderSchelden, Project Mgr. AQSP

COMMISSIONER PETRICH WAS EXCUSED AT 2:03 P.M.

Discussion Included:

1. NWSA staff is exploring grant opportunities to supplement costs associated with emission reduction projects and is requesting confirmation from the Managing Members on the prioritization of projects.
2. Summary of the two policies directing NWSA's air quality programs were discussed; the Northwest Ports Clean Air Strategy and the Greenhouse Gas (GHG) Policy Resolution (2017-02).
3. NWSA staff recommend prioritizing shore-side shore power infrastructure and zero emission cargo handling equipment as the top priorities for port-related National Volkswagen Mitigation Settlement funding. Reasons were discussed.

4. Commissioner Gregoire suggested utilizing funding for Seattle City Light infrastructure upgrades toward supporting Terminal 5 needs.
5. Staff applied for a Diesel Emissions Reduction Act (DERA) grant toward the purchase of two new Tier 4 diesel reach stackers. If successful, DERA funding would cover 25% (\$375,000 est.) of the cost of the new equipment, NWSA would contribute the other 75% (\$1,125,000 est.).
6. Staff also applied for scrapping grants from the Washington State Department of Ecology Clean Diesel Grant.
7. Additionally, an interlocal agreement with the Puget Sound Clean Air Agency to take over the project related to the South Coast Air Quality Management District 2017 DERA Grant was presented under today's action agenda

C. NWSA Asset Management Program. The Managing Members agreed to defer this briefing due to time constraints.

6. GENERAL BUSINESS

A. CEO Announcements, Events and Recognitions

1. Plans are being made for an Eastern Washington trip around August 22-23. Details are forthcoming.

7. COMMISSIONER COMMENTS

Commissioner Steinbrueck requested staff revisit the options of how to remove surplus cranes from the North Harbor (approved at the June 2018 meeting). He asked that staff consider that circumstances may have changed since ruling out transporting to a recycling facility near the Port.

Commissioner Steinbrueck received letter from Local 19 to the Port of Seattle Commission asserting a lack of alignment between the Port of Seattle and the alliance related to the future potential repurposing of T-46 and other matters. A detailed response including context of overall North Harbor strategy is warranted from the alliance.

Commissioners discussed the need to educate the public and policy makers of the challenges and market conditions impacting the thought processes for planning the future strategic planning of facilities. Commissioners discussed setting aside time to discuss visioning and strategic planning of the future container and non-container businesses.

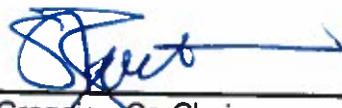
Commissioner McCarthy noted a full page add by one of the alliance customers related to benefit of home port advantage. Reminded the commissioners that the Puyallup Tribe's Power to Puyallup event is taking place July 28th. He arranged to have a dragon boat to participate in the landing protocol and emphasized the symbolic importance involved and hopes to have commissioners and others involved with the business of the ports participate.

8. ADJOURNMENT

Commissioner Meyer adjourned the meeting at 2:44 pm.



Donald G. Meyer, Co-Chair
The Northwest Seaport Alliance



Courtney Gregoire, Co-Chair
The Northwest Seaport Alliance

Stephanie Bowman

ATTEST:



Donald C. Johnson, Co-Secretary
The Northwest Seaport Alliance



Ryan Calkins, Co-Secretary
The Northwest Seaport Alliance



Juliet Campbell, Clerk of the Port
The Northwest Seaport Alliance