

SPECIAL COMMISSION MEETING MINUTES
2023 Budget Study Session
Fabulich Center: 3600 Port of Tacoma Road, Fife, WA
November 3, 2022



The Port of Tacoma Commission met for a special meeting on November 3, 2022 at the Fabulich Center, 3600 Port of Tacoma Road, Fife, WA. Commissioners Ang, Keller, McCarthy, Meyer and Marzano were present.

CALL TO ORDER | EXECUTIVE SESSION:

Commissioner Meyer called the meeting to order at 11:03 a.m. and announced that the Commission would recess into an Executive Session from 11:00 to 11:30 a.m. to discuss:

One item of Real Estate Leasing and Litigation - RCW 42.30.110(1)(c) & 42.30.110(1)(i)

Executive Director, Eric Johnson, then stated that the factors that weigh into a decision of selling or leasing property include, in this instance, the size and zoning of the property, the distance of the property to marine terminals, and the potential for job creation, consistent with the Port's Strategic Plan. The Commission then recessed into Executive Session.

RETURN TO ORDER

Commissioner Meyer returned the meeting to order at 12:06 p.m. He then led the Pledge of Allegiance. Commissioner Meyer also acknowledged that we are situated on the shores of the Salish Sea and reside on the ancestral lands of the Puyallup Tribe of Indians.

PUBLIC COMMENT: None.

2023 BUDGET STUDY SESSION:

1. The 2022 forecast versus the budget was reviewed.

Capital Investment Plan:

2. Reviewed the five-year CIP, 2023-2027 by Strategic Plan initiative categories.

Tax Levy

3. Eligible uses for tax levy dollars were reviewed.
4. The tax levy proposal is a flat 4% for 2023; in 2022 the Port charged a flat 3%. Property values increased by 20% in 2022. The Port could increase the levy by 15.6% or \$3.8M.
5. The millage rate has decreased for the third year in a row and at a flat 4%, would be 0.13364 for 2023. In 2020 we changed to a more targeted approach, using a flat rate of taxation rather than a millage rate, as we were increasing close to our maximum rate.
6. The Port's percentage of the total taxes levied is 1.4%.

Operating Budget

7. The changes for 2023 that are affecting operating expenses were discussed, such as costs to demolish buildings to put properties back into productive use, staffing changes and environmental initiatives.
8. Staff highlighted that 2023 will have a large grant income.
9. This is also the first year we expect a significant return on the Harbor Maintenance Tax (HMT). The HMT funds come into the homeports, but most will go to the NWSA. Commission asked if it is possible for the homeport to hold back any of the HMT funds for their own use. There are limited, water-dependent infrastructure investments that the homeport could use HMT funds toward. These decisions will be made by the homeport commissions. Because of this, the NWSA budget should not include HMT funds as income, as the homeports control this funding.
10. Commission asked about an HMT strategy. This is a relatively new source of funding. The homeport is discussing the eligible uses, the NWSA's projected needs, as well as possible Port of Tacoma needs. The Internal Governance Committee will be giving staff direction on this.
11. Staffing is the most significant cost at the Port. Staffing changes from 2017 to 2023 were reviewed. Limited duration positions are useful for projects that may take a couple of years but will not be permanent. We can have a full-time staff person with full benefits for a limited period of time. In 2023 there will be three limited duration positions.
12. In Finance there were two financial analysts in 2022 that were allocating 85% of their time to the NWSA. These two positions will move to the NWSA and charge back 15% to the Port of Tacoma. Overall, our headcount is lower than in previous years.

13. Commission asked about the reduction in Equipment Maintenance staff. There is a concern for maintaining our assets properly. Erin Galeno will follow-up for the Commission on this. Executive Director Johnson stated that since he has been here the Equipment Maintenance headcount has been flat. We did have a decrease after decommissioning the Terminal 7 cranes with attrition, as open positions were not filled with the decreased need.
14. Commission asked for a maintenance program update in a few months. Commission would like to ensure adequate staffing to maintain our assets. They would also like to see who is projected to retire in 2023.
15. Professional development and memberships were discussed.
16. The net income budgeted for 2023 shows a large increase, which is due to the grant income we will be receiving. 2023 will be a year of reinvestment, which will set us up for the future.

Plan of Finance

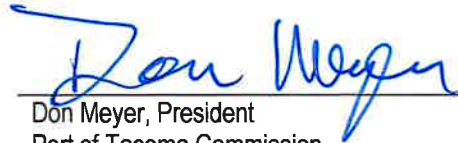
17. The increase in administrative costs were discussed. This includes some one-time costs of updating IT systems that are at the end of their useful life. This also includes costs for our Diversity, Equity and Inclusion initiative and our Workforce Development initiative.
18. We share systems with the NWSA, which is very cost-effective. Standing up independent systems for the NWSA would have been a \$20 to \$30 million investment. The shared assets add complexity to the Port of Tacoma budget, but are extremely cost-effective for both organizations.
19. To support workforce development, we plan to have \$170,000 in incremental spending on top of our base of 42,000/year. Commissioner Keller would like to see a 25% increase in the funding allocated for this initiative.
20. Annually, the homeports review the metrics of the service level agreements between the homeports and the NWSA.
21. Commissioner McCarthy would like to see chart comparisons going back prior to the formation of the NWSA.
22. Commissioners would like a separate line item for HMT income. There is a significant shift in 2023 non-operating income due to capital grants and HMT. HMT funds are anticipated to increase significantly over the next five years.
23. The 2023 contract with the World Trade Center is increasing from \$126,000 in 2022 to \$133,000. Erin Galeno will look into the reasons for this and report back to the Commission. The Commission would like to see a report from staff on how the two significant contracts that the Port holds (the World Trade Center and the Economic Development Board) are meeting their deliverables.
24. Commission asked about the decrease in promotional hosting. We're in a period of adjustment in trying to find the new normal level of hosting events. We overshot in the 2022 budget and so are dialing back in the 2023 budget.
25. The 2023 statutory cash budget was reviewed. There is no borrowing anticipated for 2023 through 2027. However, dredging costs affect the income in 2024, with a slight dip.
26. The one-time membership affirmation for Terminal 5 was discussed. When the NWSA was formed there were a few properties licensed to the alliance from the Port of Tacoma and the Port of Seattle that did not have a dedicated revenue source and reevaluations were conducted at a later date. Commissioner McCarthy would like another reevaluation of all properties licensed to the NWSA based on income. He wants to make certain properties are performing the way we anticipated.
27. Outstanding debt at the end of 2023 will be \$503 million. The debt to asset ratio is steadily decreasing. Executive Director Johnson stated that the Port budgets very conservatively. Our debt payments are now more principal than interest.
28. The overall outlook coming out of the pandemic is strong without having to borrow. We are positioned, from a staff perspective, to execute on our initiatives.
29. The status of the Port having their own stormwater utility will be updated at a future meeting.

ANNOUNCEMENTS / COMMISSIONER COMMENTS

Commissioner Meyer: With Commissioners Ang and McCarthy, Commissioner Meyer accepted the AAPA Lighthouse Award on behalf of the Port of Tacoma in the environmental category for the water quality resource guide titled: *Educational Tools for Managing Stormwater at the Port of Tacoma: Resources for our tenants, customers, and community*. This award was presented at the annual AAPA meeting in Orlando. At the next meeting, he would like to have the staff who worked on this guide present for a picture to acknowledge their good work.

ADJOURNMENT

With no further business, Commissioner Meyer adjourned the meeting at 2:04 p.m.

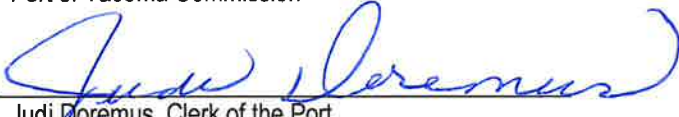


Don Meyer, President
Port of Tacoma Commission

Attest:



Kristin Ang, Secretary
Port of Tacoma Commission



Judi Doremus, Clerk of the Port
Port of Tacoma