

MINUTES
COMMISSION MEETING
August 20, 2020

The Port of Tacoma Commission met for its regular meeting, August 20, 2020. Commissioners Ang, Keller, McCarthy, Marzano and Meyer were all present via telephone/video conference.

12:00 Noon PUBLIC SESSION

1. CALL TO ORDER:

Commissioner McCarthy called the meeting to order at 12:01 p.m. and lead the Pledge of Allegiance.

2. STUDY SESSION:

A. Capital Investment Plan and Financial Performance Targets.

A presentation was given by the Port's Director of Finance and Treasury which included the budget schedule, a five-year financial history of the Port, NWSA distributable cash, proposed targets and a list of preliminary CIP projects for 2021-2025.

- Joint venture revenue is budgeted to be \$84 million in 2020 down 32% from 2016. Staff noted revenue is not the same as cash.
- The spending trend from 2016 to 2020 budgeted shows 72% growth attributed in part to certain one-time expenses during 2020.
- It will be a challenge to outperform the 2020 budget due to COVID. Staff is calculating those numbers.
- NWSA depreciation has gone from around \$500,000 in 2016 to over \$15 million in 2020. The vast majority of depreciation is due to projects in the South Harbor. Approximately \$1 million of the approximately \$15 million in 2020 is for North Harbor projects. Depreciation reduces income, but not necessarily cash.
- Staff provided a historical look at the cash distributions from the NWSA to the Homeports. For 2021, staff has forecast approximately \$100 million will be split between the two Homeports. Staff noted that this is a stretch goal given COVID and changes to the shipping industry.
- The proposed 2021 budget focus includes investing in strategic projects and business deals, providing solid financial results, and keeping everyone safe.
- Financial targets include positive net income before tax levy, and fully diluted revenue bond debt service coverage greater than two times the annual debt service.
- Staff noted that categorization of CIP categories is subjective. Projects were identified as either 1. "Required" per lease agreements, safety, contract obligations, or legal, regulatory or environmental requirements, or 2. "Discretionary." Discretionary projects may be required, but discretionary as to their timing. The 2021 CIP presented by staff reflects \$3.1 million in Required projects, \$47.1 million in Discretionary projects.
- Tribal cutback dredge commitment was a \$6 million obligation when the commitment was created back in 2009. There were changes in scope. The project showed up on the CIP in 2013 at \$28 million. The current cost estimate is \$45 million. In practice, this project has been listed on the 5 year CIP in the 5th year. As an alternative, it could be excluded from the CIP budget and the Port could issue bonds to fund if required, or reserve Revenue bond.
- New opportunities identified during the 2021 budget process were listed.
- Commissioner provided key feedback including:

- Commissioner Meyer would like to see more detail around financial targets to include operating margins and liquidity measurements. He would also like more outcome-based categories for the CIP. It was noted that outcome based budgeting will be easier once the Port's strategic plan is complete. Maintenance of existing Port assets is a priority. More clarity is desired on the cost and revenue sources of rail. Commissioner Meyer added that \$10 million budgeted for land acquisition is woefully inadequate.
- Commissioner McCarthy would like staff to pursue shared payment for the Banana Yard Rail Switch Replacement with the other users of that yard, including Tacoma Public Utilities. He also questioned the budget to maintain the Port Administration Building.
- Regarding the Thorne Road Stormwater Improvements and Container Yard Design project, the Port was going to take on the infrastructure from the ground down, then, if the NWSA is the tenant, they would come build from the ground up for its use. Commissioner McCarthy noted that the region is over capacity now and questioned if the amount of expenditure for what is gained by the Port supports this project being at the top of the list.
- Discussion took place regarding the Tribal Dredge Project
 - Commissioner McCarthy would like staff to provide the Commission with the history of this obligation. He expressed concern that the obligation went from \$6 million, to \$9 million, to \$23 million to \$45 million all within a decade. This puts a damper on other projects the Port might want to do. He prefers one of the alternatives to listing this obligation in the CIP and suggested a study session dedicated to topic.
 - Commissioner Ang asked about the bond terms the Port would be looking at if it were to borrow to pay this \$45 million obligation. Staff answered that bond payments would be around \$3.5 million per year.
 - Commissioner Meyer agreed the Commission needs more information regarding this obligation. He doesn't object to the budget reflecting the obligation in the 5th year, so long as the Port has the cash reserves or the ability to issue debt to cover the obligation.
- Commissioner Marzano agreed that land purchase should be more. It was noted that even though the budget reflects \$10 million, there are other funds available that can be managed if an opportunity is presented. He shared concerns regarding the budget for the administrative building and plans for the Fabulich Center. The strategic plan will inform the budget.
- Commissioner Keller noted that no decision has been made as to what to do regarding the Administration Building. The Commission agreed to look at the options, but no numbers have been shared yet.
- Commissioner Keller added to the Tribal dredging discussion stating that a discussion needs to take place with the Tribe. The Port wants to honor its commitment and needs to know if the Tribe envisions moving forward with the project.
- Commissioner McCarthy noted the Port is close to \$600 million in debt. He had hoped to see a potential plan for this year to further reduce outstanding debt. He also voiced his opinion, a budget of \$100 million in net distributable income to the Homeports from the NWSA is not sufficient. He prefers a budget of \$112 million based prior years' average.

- In response to questions regarding the budget for the Port Administration building, staff informed that an in-depth assessment of the building was completed and only critical repairs to maintain the asset are reflected in the budget.
- Commissioner Ang commented on the budget shortfall for Washington state and asked if staff sees anything like that in the Port's trends. Staff responded that excluding the NWSA, the Port has a fixed revenue stream, the bulk of which is leases. Most of the leases are long-term and as long as they continue, staff doesn't see a lot of risk. Other streams include intermodal, security force services the Port provides, and the auto facility. As auto demand ebbs and flows, so does the risk. Staff stated the risk is more at the NWSA due to the shifting of cargo away from China to Southeast Asia and competition from Canada. The Port is in a good financial position. There have been no delinquencies by major tenants. The percentage income to the Port from the alliance is 70 percent.

3. BRIEFING:

A. Sound Transit

Presented by Evette Mason, Government Affairs Managers and Sound Transit Project Director, Curvie Hawkins, and Sound Transit Government and Community Relations Officer, Austin Neilson. An updated was provided by Sound Transit on the Tacoma Dome Link Extension (TDLE) which will extend the central Puget Sound's regional transit light rail system from Federal Way to the Tacoma Dome area. The project is in the EIS period. Overviews of the Tacoma Dome, Portland Avenue, and Fife segments were presented. The Sound Transit Board is now anticipating decisions on the project toward the middle of 2021. The pandemic will impact projects across the region. How the TDLE is impacted is not completely known at this time. Decisions are anticipated toward the middle of 2021. Mr. Neilson noted some of the criteria the Board will use when evaluating includes how long a community has been waiting, whether the project connects urban centers, whether segments are contributing to completion of the regional spine. Tacoma fits all those criteria. The Board is tracking I-976 as it goes through the legal system and could impact financial decisions to be made. Minimal Operable Segments are being built into the EIS. Stops in between come later. Realignment is a concern for Commissioners and to the citizens of Pierce County who have contributed to the funding. He stressed the importance of getting this project to Pierce County.

4. CONSENT AGENDA:

It was moved and seconded to approve consent agenda

- A. Approval of the Minutes of July 16, 2020 study session and regular commission meeting.
- B. Approval of the payment of checks 227528 through 227784 and wire transfers in the total amount of \$10,299,907.01 during the period July 4, 2020 through August 7, 2020, certified by the Port of Tacoma auditor.

The motion carried 5-0.

5. PUBLIC COMMENT: None.

6. ACTIONS:

A. Palo Alto Firewalls

Presented by Darren Harle, Sr. Network Infrastructure Engineer

It was moved and seconded to authorize issuing a purchase order to CompuNet, Inc. for replacing two Palo Alto Firewalls in the datacenter at Optic Fusion, in the amount of \$483,390.90 plus Washington State Sales Tax.

The motion carried 5-0.

Discussion:

- The standard/typical refresh cycle on critical IT infrastructure is five years.
- The software used is proprietary to Palo Alto.

B. Public Hearing and Adoption of a Public Records Fee Schedule

Presented by Erin Galeno, Chief Financial and Administrative Officer

It was moved and seconded to adopt a Port of Tacoma Public Records Fee Schedule.

The motion carried 5-0.

Discussion:

- A public hearing was held regarding the proposed fee schedule in order to enhance notice to the public of the Port's ability to recoup certain expenses related to producing records.
- No public signed up or called to provide public testimony. No written comments were submitted.
- The vast majority of the Port's public records request are processed electronically with no charges to the requester. The Port currently relies on the statutory "default" fee scheduled as allowed by Washington state law. There are limited occasions where the Port may need to rely on outside consultants to respond to complex records request.
- This proposed fee schedule aligns with that of the NWSA.

C. Resolution 2020-05-PT Restated Bylaws

Commissioners discussed changes to the proposed Restated Bylaws since last presented. It was the general consensus that the tradition of rotating officers should continue. How the Commission sees the role of president is key to informing the practice, is it a merit or a responsibility to take on. Commissioner Keller noted that it is an administrative and spokesperson role, and that the office of president requires a lot of extra work and should be an obligation of each commissioner at some point. Commissioner Marzano noted it serves a good purpose to allow each commissioner to sit in that position and understand the responsibility it actually entails. The Commission can always vote to suspend rotation in any given year. It was clarified that "new business" is meant for the commissioners to bring up items to consider for future action. Changing the title of the order of business to reflect this will eliminate potential confusion by the public. The importance of public comment being heard at the beginning of the meeting, prior to actions emphasized. The need to provide a balance between public comment time and the ability of the Commission to conduct its business was highlighted. Commissioner Marzano noted that historically there have been very few instances where commenters interfered with the order of business. Other miscellaneous changes were presented.

It was moved and seconded to amend the language of the proposed Restated Bylaws as follows of presented within Resolution 2020-05-PT:

- Article II 1 L was amended to replace the word "issue" with the words "be sent" as indicated below.

Issue Proclamations as a Commission, issue communications expressing support, policy positions, recognitions, and public comment on issues affecting the Port, provided however, any communication to a governmental entity or leader or which takes a policy position on

behalf of the Port not previously publicly endorsed by the Commission shall be circulated in advance to each Commissioner with sufficient time for review; acknowledging that the review time may be short, dependent upon circumstance. Absent any timely objections by Commissioners, the communication will ~~issue~~ be sent.

- Article III 3 was amended to replace the word “statement” with the words “shared interest” as indicated below.
The Commission shall strive to hold a retreat each December of January, or as soon as possible thereafter, which agenda shall include the collaborate assignment of Commissioners to outside Boards and Committees, assignments to the Commission’s Standing Committees, reviewing the duties associated with these assignments, and an annual review of these By-Laws. In the event of a ~~statement~~ shared interest on Committee / Board assignments, the President shall decide. As an alternative to the annual retreat, these items may be scheduled at the first annual Commission meeting when Commission officers are elected.
- Article VI Order of Commission Business item 7 was amended to add “Non Action” to the title to read 7. Non-Action – New Business - *****
- Article VI Order of Commission Business item 9 was amended to replace the word “Staff” with the word “Issue” in the title to read 9. Issue ~~Staff~~-Briefings.

The motion carried 5-0.

It was then moved and seconded to adopt Resolution 2020-05-PT the 2020 Restated Bylaws as amended.

The motion carried 5-0.

D. Stormwater ILA with City of Tacoma

Presented by Deanna Seaman, Environmental Senior Project Manager

It was moved and seconded to authorize the Executive Director or his delegate to reauthorize the updated Stormwater Interlocal Agreement (ILA) with the City of Tacoma for Mutual Cooperation & Support Regarding Agency Stormwater Management.

The motion passed 5-0.

7. GENERAL BUSINESS:

- A. Strategic Plan Outreach. A brief update was provided by Executive Director Eric Johnson. Commissioner McCarthy informed the group that he had given presentations to the Pierce County Council and City Council of Lakewood. There is a lot of interest in the Port’s strategic plan and its success.
- B. Executive Director Announcements, Events, Recognitions. Mr. Johnson participated as a member of the Economic Development Board’s (EDB) Executive Committee in a powerful work session with the EDB, local businesses, and other leaders who were people of color. Question was how the EDB could reach out and be more inclusive and relevant in communities of color. He thanked Port maintenance, operations and security staff who can’t work from home.

8. COMMISSIONER COMMENTS:

Commissioner Meyer: He is pleased with the leadership of the EDB and their outreach to underrepresented communities. Thanked the Port’s IT department for all its work.

Commissioner Marzano: Agreed with what Commissioner Meyer. He thanked Port staff for their work and Commissioner McCarthy for his work representing the Commission.

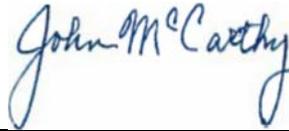
Commissioner Keller: Thanked the sisters before us who worked to ratify the 19th Amendment 100 years and two days ago. The Joint Municipal Action Committee (JMAC) has suggested a letter be sent to legislators in support continuing transportation waivers/funding to the Office of Superintendent of Public Instruction which would allow services to continue to be provided to students. They have also asked that the Port send a letter of support on its own. Commissioner McCarthy suggested a study session should be held to weigh to what extent of Commission involvement in non-Port related issues.

Commissioner Ang: Stated that during this economic recovery perhaps the Port needs to expand its roles in economic development and community building. She wants an update on the diversity, equity and inclusion actions of the Port. Mr. Johnson noted there was a training program the Port started in February. There is also a group of staff working on this issue as it relates to the strategic plan. More information will be forthcoming.

Commissioner McCarthy: Suggested a retreat for the Port to allow more in depth discussion of the many issues before the Port.

9. ADJOURNMENT:

There being no further business before the Commission, the meeting adjourned at 3:06 p.m.



John McCarthy, President
Port of Tacoma Commission

Attest:



Don Meyer, Secretary
Port of Tacoma Commission



Juliet Campbell, Clerk of the Port
Port of Tacoma