

MINUTES
COMMISSION MEETING
November 19, 2020

The Port of Tacoma Commission met for its regular meeting, November 19, 2020. Commissioners Ang, Keller, McCarthy, Marzano and Meyer were all present via telephone/video conference.

1. CALL TO ORDER

The meeting was called to order at 11:00 a.m. The Commission immediately recessed for an executive session to discuss one litigation item pursuant to RCW 42.30.110(1)(i). The executive session lasted 36 minutes. No votes or actions were taken. Commissioner McCarthy reconvened the regular meeting at 12:00 noon and lead the Pledge of Allegiance.

2. APPROVAL OF THE AGENDA

It was moved and seconded to approve the agenda. The motion passed unanimously.

3. SPECIAL ORDERS OF BUSINESS

3A. Public Hearing / Budget Adoption

Commissioner McCarthy opened a public hearing on the Port of Tacoma's 2021 Budget and Tax Levy.

A presentation was made by David Morrison, the Port's Director of Financial Planning and Treasury.

Changes since the November 5, 2020 budget study session include an adjustment to TSO Security Department payroll to eliminate shift differential, the elimination of one finance position from the Port and allocating it to the Northwest Seaport Alliance (NWSA), an adjustment to Revenue associated with a real estate purchase, an increase in lease revenue per a new lease agreement, and an increase in distributable income due to a grant received.

Ending Cash in the Plan of Finance for 2021-2025 is well above minimums. Staff reported that the Port's Moody's rating highlights the Port's cash position.

Staff recommended a reduction in the Port's millage rate from \$0.18365 per thousand dollars of assessed value to \$0.17302. The 2021 budget for total Port Tax Levy based on 2020 preliminary valuations and the targeted millage rate is \$23,852,402.00. The levy may be used for general obligation bond debt service and eligible governmental projects. The Port can preserve future tax levy opportunities if the Commission makes a finding of substantial need. An overview of the Port's Tax Levy history was provided. Since 1997 the Port has forgone \$186 million in tax levy funding. Decreasing the millage rate impacts the calculation of multiplying valuation with millage rate. In the future, growth for new construction will be at a lower rate.

The 2021 Operating Budget was presented. Total Operating Revenue for 2021 before GASB 87 adjustment \$72.3 million. There is a drop in revenue from 2019 to 2021. Staff noted that in 2019 the NWSA provided \$48 million in cash. In 2021 it is budgeted at \$42 million. However, revenue from the NWSA is more than that due to non-cash depreciation. Net income for the Port in 2021 is forecast to be \$21.1 million. Revenue after GASB 87 was explained. Approximately \$8 million in revenue is moved from Operating Revenue to Non-Operating Revenue.

Memberships over \$10,000.00 were identified and the budgeted amount of \$320,382.00 is essentially flat with the 2020 budget. Promotional hosting for 2021 is budgeted at \$132,464.00. This is below the statutory limit of \$183,750 based on \$63.5 million in revenue.

The 2021 Statutory Cash Budget for 2021 shows Beginning Cash and Investments at \$166,359.and Projected Ending Cash and Investments of \$98,027.00.

The 2020-2025 Capital Investment Plan (CIP) spending for Port of Tacoma only, is \$160.5 million. Port of Tacoma plus 50 percent of NWSA spending is \$345.6 million.

Staff provided clarification from the what was presented at the November study session relating to Non-Operating income. In 2021 there is a negative \$3.2 million write-off of some assets on the Port of Tacoma's books. The replacement cost of fender systems at PCT and WUT are being paid by the NWSA, but the old book value is on the Port's books and that is being written off. Another \$3.3 million is a contribution to the Lower Wapato Creek Habitat Bridge and electric poles. These are not Port assets, but Port staff are building them. Additional funds represent contributions for roadway infrastructure and Waterway Park contribution for the Port's centennial art installation project.

Staff then presented the Plan of Finance. The Plan takes the Ports Revenue, Beginning Cash, Expenses and CIP including NWSA, puts it together and shows the Port's cash position over the next five years.

Call for Public Comment:

Following the presentation Commissioner McCarthy called for public comments. No public comments were offered during the meeting and no written comments were submitted.

Discussion:

Technology spending includes planned software investments for HR, Finance and Public Records. There is also a cycle for replacement of certain hardware/software.

Commissioner Keller is pleased that the Port's debt coverage ratio is above 2 – higher than the 1.8 typically required by banks.

Commissioner Meyer is pleased that there is no new debt and that there appears to be a reasonable amount in the budget for land purchases. He supports the proposal offered disconnecting the tax levy from the assessed value of homes and instead connecting it to business need. He commented that revenue growth is budgeted at 9 percent, but expenses (operational expenses excluding depreciation) are growing by 27 percent. He is frustrated with the allocations between the NWSA and what is happening with the Port of Tacoma budget. Staff reviewed the allocation methodology to explain costs staying within the Port of Tacoma which used to be allocated to the NWSA as the two organizations further separate themselves. Of the \$4.7 million increase in operational expenses, \$3.2 million is attributable to changes in allocations.

Further discussion took place regarding allocations. The Port's staffing history was presented. Headcount has decreased. Increases are due to non-cash adjustments to payroll by the state for pension liability, etc. Increases are not driven by staffing. Actual staffing is lower than budgeted staffing. Additionally, significant cost increases for technology are offset by reductions in capitalized IT expenses. Staff acknowledged concerns regarding allocations and explained that the changes are not driven by staff, rather by year-over-year comparison of empty positions, vacancies and projects. Valuations, allocations, and the decision making process remain areas of concern for Commissioner Meyer.

Commissioner Marzano commented that budget shortfalls are a combination of the pandemic and tariffs. Tariffs have shippers looking to other gateways. This needs to be emphasized as the Port looks at its shortfall.

Commissioner Keller commented on the interrelatedness of the NWSA and Port of Tacoma in the budget process. Allocations and service level agreements between the two homeports are detailed and complex.

The trend toward debt of under \$550 million by the end of 2021 is based on paying down \$15.5 million per year. Commissioner Ang asked for a history of amounts budgeted for land acquisitions. Staff did not have the 2018-2019 numbers on hand. There was \$10 million budgeted for 2020. There was one \$2.5 million land purchase. If there are no more land purchases in 2020, the remaining budgeted amount will increase Beginning Cash for 2021.

Commissioner McCarthy commented that the budget process has improved. He is glad to see debt going down and appreciates the innovative tax levy approach that seems more equitable to Pierce County citizens. He is concerned about future debt. He questioned the sustainability of annual increases in salary of three percent when revenues from the NWSA, which accounts for approximately 80 percent of the Port of Tacoma's revenue, has been and remains flat. He does not believe the NWSA has been aggressive enough in collecting major debt due since August. In this year of pandemic and when NWSA income is worse than flat, he stated the Port of Tacoma should consider freezing salaries and new hires as the Port of Seattle has done. He emphasized holding the NWSA staff to task in terms of generating new income. He noted the projected return on investment for T5 in the North Harbor is 'out the window' in light of the tariff situation, the pandemic and other situations.

Commissioner Keller noted differences with the Port of Seattle, as they also have taken hits to the airline and cruise businesses. In her opinion, the Port needs to ensure salaries are competitive.

Commissioner Meyer noted that the chart displayed by staff regarding the tax levy is reflective of only the non-voter approved property tax ability. He also commented that there is a dramatic difference between Port of Seattle and Port of Tacoma regarding overhead. Though he doesn't accept the direct expense increases, he can support the operating budget due to expected revenue growth.

It was moved and seconded to adopt Resolution 2020-08-PT to direct the Secretary to certify to the Clerk of the County Council of Pierce County Washington, tax levy of \$23,852,281 for the year 2021.

The motion passed unanimously.

It was moved and seconded to adopt Resolution 2020-09-PT adopting a budget for the Port of Tacoma for the year 2021.

The motion passed by the following vote:

Ang:	Aye
Keller:	Aye
McCarthy:	No
Marzano:	Aye
Meyer:	Aye

It was moved and seconded to adopt Resolution 2020-10-PT addressing the tax levy requirements pursuant to RCW 84.55.120 and RCW 84.55.092; and preserving the opportunity for future increase in the limit factor for maximum levy capacity pursuant to RCW 84.55.0101.

The motion passed unanimously.

Commissioner McCarthy then closed the public hearing.

3B. Resolution 2020-14-PT Indigenous Peoples' Day and Native American Heritage Month

Presented by Eric Johnson, Executive Director

It was moved and seconded to adopt Resolution 2020-14-PT recognizing the second Monday in October as "Indigenous Peoples' Day" and the month of November as "Native American Heritage Month."

The motion passed unanimously.

Discussion:

Commissioner Ang acknowledged that the Port of Tacoma is located on the traditional land of the Puyallup Tribe of Indians and noted the significant relationship the Port has with the Tribe. He noted the need to learn from history and move forward in a respectful way.

Commissioner Marzano hopes that next year there can be an event to signify and celebrate Indigenous Peoples' Day.

4. CONSENT AGENDA:

It was moved and seconded to approve consent agenda:

4A. Approval of the Minutes of October 15 and October 20, 2020.

4B. Approval of the payment of checks 228264 through 228474, and wire transfers in the total amount of \$8,290,722.01 during the period, October 3, 2020 through October 30, 2020.

The motion carried unanimously.

5. PUBLIC COMMENT: None.

6. EXECUTIVE DIRECTORS REPORT:

- COVID protocols at the Port will remain in place at least until the end of the year.
- Outreach efforts include presentations to the Tacoma Public Utilities Board and the Propeller Club on the State of the Port and invitations to participate in the Port's Strategic Plan process.
- There is a virtual Port tour available on the Port of Tacoma's website.

7. ACTIONS:

A. RI/FS and DCAP for the Former PQ Facility

Presented by Scott Hooton, Environmental Project Manager II

Staff provided the background and timeline. The Port purchased the property in 2008. PQ retained the liability for hazardous substances caused by PQ. Their operations were later found to have caused the release of hazardous substances. They asserted that some of the hazardous substances, but not all, resulted from their operations. The Commission authorized a Remedial Investigation/Feasibility Study (RI/FS) and Draft Cleanup Action Plan (DCAP) in 2013 and cost-sharing agreement in 2016. The draft was submitted in 2020 and an Opinion Letter was just received from the Washington State Department of Ecology (Ecology). This request is for interim funding for staff and legal to respond to the Opinion Letter and estimate costs to revise and complete the RI/FS and DCAP. Staff will come back before the Commission in January 2021, with a path forward and a budget request to complete the Ecology process for identifying a Cleanup Approach for the property.

It was moved and seconded to authorize project authorization in the amount of \$50,000, for a total authorized amount of \$887,000, for the Remedial Investigation/Feasibility Study and Draft Cleanup Action Plan for Former PQ Facility, Master Identification No. 092839.

The motion carried unanimously.

Discussion:

Commissioner McCarthy noted that due to the nature of this action, the matter was properly discussed in executive session, where commissioners were able to ask questions.

B. Washington State Department of Ecology (Ecology) Enforcement Order (EO) – Taylor Way/Alexander Avenue Fill Area (TWAIFA).

Presented by Scott Hooton, Environmental Project Manager II

Staff provided a background. Ecology included three Port parcels in the TWAIFA. The three parcels were purchased by the Port in 2007 and 2008. Hazardous substances are present in soil and groundwater due to a release that occurred prior to the Port's ownership or from releases from adjacent hazardous waste treatment facilities and illegal landfill. Staff emphasized that the Port of Tacoma had no contribution to the dangerous waste facilities or hazardous substance releases. The Port's involvement as a Potentially Liable Party (PLP) stems from property ownership.

The Port entered an agreement to equally share the cost of developing a work plan with the expectation that the parties would negotiate an allocation for implementation of work plans at a later date. The negotiations came to an impasse on the allocation of future costs. The other potentially liable parties include General Metals of Tacoma, Occidental Chemical Company and Stericycle Environmental Solutions. They entered into the TWAIFA Agreed Order (AO). The Port rejected the AO which called for the Port to pay an equal allocation. Staff reported there is no compelling legal basis for the Port to investigate and remediate an abandoned dangerous waste facility and illegal landfill to which the Port has no connection. Ecology responded with a proposed Enforcement Order (EO). This request is for additional staff and legal resources to explore alternatives to an EO that will move toward TWAIFA cleanup without expending public resources to clean up pollution and contamination by private companies.

It was moved and seconded to authorize an additional \$75,000, for a total authorized amount of \$537,000, and for funding for staff and outside counsel to negotiate an alternative to a proposed Washington State Department of Ecology Enforcement Order for the Taylor Way and Alexander Avenue Fill Area (TWAIFA) Master Identification No: 101082.01.

The motion passed unanimously.

Discussion:

- Commissioner McCarthy noted that this action was properly discussed in executive session and is being further discussed in public for Transparency purposes.
- Commissioner Keller stressed the Commission should not be using tax-payor dollars to clean up someone else's contamination. She urged Commissioners not to approve the AO. She stated a maximum of a 10 percent allocation should be considered and reflects a balance of the Port's environmental stewardship and respect for public dollars.
- Commissioner Meyer commented that the Port has always been an advocate of cleaning up sites. Delisting Commencement Bay from the Superfund site is a priority. Here it is apparent that the Port did not have a role in creating the contamination and believes this is an overreach by Ecology and the entities that caused the contamination.
- Commissioner Ang echoed Commissioner Keller's and Commissioner Meyer's sentiments. The Port should not be subsidizing private businesses pollution costs. Occidental Chemical has had a Superfund site since the 1980s that still needs cleaning up. It made \$21 billion in revenue in 2019. Stericycle made \$ 3 billion last year in revenue. She stated they should clean up the mess they made – they have the means. The Port should be investing public dollars in economic development.
- Commissioner Marzano agreed. Further he noted that private businesses need to be careful where they purchase property as this overreach by Ecology would hold them responsible for pollution, they had nothing to do with. The responsible parties should step forward. The Port prides itself in cleaning up the environment, making it productive and creating jobs. The Department of Ecology is sending the wrong message.

- Commissioner McCarthy expressed he hopes Ecology will do its best efforts to go after the responsible parties. They owe it to the public and to the Port.

8. COMMITTEE REPORTS:

- A larger discussion regarding Commissioner work group and committee assignments will be held over to next month.
- Commissioner McCarthy commented there has been a lot of community outreach resulting in a lot of feedback from the community regarding the Commission's Strategic Plan.
- Commissioner Ang commented on the Port's Diversity Equity and Inclusion Proclamation and asked if there would be a session or meeting to discuss collaboration efforts and performance indicators. She suggested an Equity Committee.
- Commissioner Keller thanked the Pierce County Flood Control Zone District for forwarding the Environmental grant applications for both the Port and the NWSA for remediation efforts, many that have to do with fish passage. She also thanked some of the committees she works with for asking the Port for its legislative ideas and incorporating them.
- Commissioner Ang asked if the Port is planning on joining the Puyallup Tribes' lawsuit related to the Electron Dam that has damaged some of the Port's environmental steward efforts. The Port has not, but it is monitoring the issues. It is likely that the Port's habitat restoration efforts will be impacted by that incident.

9. NON-ACTION NEW BUSINESS: None.

10. ISSUE BRIEFINGS:

A. Study Session: Mitigation Banking Policies

Presented by Tony Warfield, Environmental Senior Project Manager and Mark Rettmann, Environmental Project Manager.

Staff requested Commissioner input for the establishment of policies for the use and potential sale of mitigation credits from the Port's mitigation bank. The questions from staff included whether the Port should sell credits, if so, then to whom, and at what price. The advantages and disadvantages of the different scenarios were presented. Commissioner McCarthy would like to understand the real value of the credits from a financial perspective before answering those questions. Commissioners also expressed reluctance to set a policy when the Port's need for the credits is unknown. Commissioner Ang added that any policy that includes selling credits should focus on development that creates jobs, not residential construction. Staff will return to the Commission with the information requested in the first quarter of 2021.

B. Study Session: Draft Strategic Plan – Mission and Values and Organizational Success

Mission and Values:

Jim Darling, Principal Planner, Maul Foster & Alongi, Inc.

Matt Hoffman, Sr. Planner, Maul Foster & Alongi, Inc.

The Commissioners participated in an interactive exercise compiled of a series of survey questions related to the development of a Mission Statement and Values component to the Strategic Plan. Consultants from Maul Foster & Alongi, Inc. will incorporate the feedback from the survey responses and return to the Commission next month with a proposal to shape the input provided into a draft proposed Mission Statement and Values.

Organizational Success:

Matt Hoffman, Sr. Planner, Maul Foster & Alongi, Inc.
Erin Galeno, Chief Financial and Administrative Officer

The Consultants presented a revised draft Foundational Goal Statement based on Commissioner input received at the September study session. The new language reads "Create and sustain a transparent and internally aligned culture that successfully implements the Port's Strategic Plan." Five draft organizational strategies toward the foundational goal were presented. For each strategy, draft supporting actions and success metrics were presented. Commissioners provided feedback. Consultants will incorporate the feedback in a revised proposed statement and draft strategies.

11. COMMISSIONER COMMENTS:

Commissioners Keller thanked Commissioner McCarthy for his leadership.
Commissioner Ang thanked the environmental team for their work.
Commissioner Meyer noted the Mayor of Seattle selected restoration for the West Seattle Bridge.
Commissioner Marzano thanked staff and wished all a happy Thanksgiving.
Commissioner McCarthy thanked staff.

12. ADJOURNMENT:

There being no further business before the Commission, the meeting adjourned at 3:37 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