

**BOARD OF COMMISSIONERS
THE FABULICH CENTER, ROOM 104
3600 PORT OF TACOMA ROAD, TACOMA WASHINGTON**

COMMISSIONERS PRESENT

Don Meyer, President
Clare Petrich, Vice President (*telephonically 12:07 p.m.*)
Don Johnson, Secretary
John McCarthy, 1st Assistant Secretary
Dick Marzano, 2nd Assistant Secretary

STAFF PRESENT

John Wolfe, CEO
Carolyn Lake, Port Counsel
Nick Demerice, Director Public Affairs
Evette Mason, Government Affairs Mgr.
David Morrison, Director Treasury &
Financial Planning
Deirdre Wilson, Sr. Planning Mgr.
Tony Warfield, Sr. Project Mgr.
Environmental
Juliet Campbell, Clerk of the Port
Judi Doremus, Executive Assistant

12:00 NOON SPECIAL COMMISSION MEETING AND BUDGET STUDY SESSION:

1. **CALL TO ORDER:** Commissioner Meyer called the Special Commission Meeting to order at approximately 12:00 noon and led the Pledge of Allegiance.
2. **PUBLIC COMMENT:** None.
3. **ACTION AGENDA:**

- A. Puget Sound Clean Air Agency LNG SEIS Support Letter.
Presented by Tony Warfield, Senior Project Manager, Environmental

It was moved and seconded to approve the letter to the Puget Sound Clean Air Agency providing comments on the Draft Supplemental Environmental Impact Statement for Puget Sound Energy's proposed Tacoma Liquefied Natural Gas plant.

Discussion included:

- The Puget Sound Clean Air Agency (PSCAA) has completed its Draft Supplemental Environment Impact Statement (DSEIS) for the proposed Puget Sound Energy Tacoma Liquefied Natural Gas (LNG) plant.
- The sole focus of the DSEIS was to address the question, "what are the life cycle Greenhouse Gas (GHG) emissions of having he plant operational and in place versus a no action alternative, having not plant?"
- The Port proposes submitting comments via a letter to PSCAA as follows:
 - PSCAA used the correct approach to modeling emissions.
 - Final analysis should include Tacoma Power's actual GHG emission factor and not the state average.
 - While normally the Port would oppose any suggestion dictating commodity source, given the current federal administration's abandonment of the methane standards for the oil and gas industry, the Port understands why the authors suggest restricting gas purchases to British Colombia.
- This is part of a process for approval of the SEIS and a separate hearing is required prior issuance of a Notice of Construction for a Minor New Source.

Vote: MOTION CARRIED 4-0 (Commissioner Petrich not present for the vote)

Commissioner Petrich joined the meeting telephonically at 12:07 p.m.

- B. City of Tacoma Interim Regulations Letter.
Presented by Evette Mason, Government Affairs Manager and Deirdre Wilson, Sr. Planning Manager

It was moved and seconded that the Commission approve and sign a letter to the City of Tacoma Mayor and Council on proposed Substitute Ordinance No. 28542 regarding the additional requirement for conditional use permits on the expansion of certain industries in the Tacoma Tideflats.

Discussion included:

- The letter is in opposition to the proposed City of Tacoma substitute ordinance No. 28542 requiring that heavy industrial businesses identified in Category 4 (of the Tideflats Interim Regulations) would need to obtain a Conditional Use Permit for expansions which trigger SEPA review.
- The Port's position regarding interim regulations remains as previously provided. Rather than focusing on intensifying Interim Regulations, the focus should be on the emerging subarea planning process.

Vote: MOTION CARRIED 4-0

4. STAFF BRIEFING:

A. Centennial Project Interlocal Agreement with City of Tacoma.

Presented by Nick Demerice, Director Public Affairs

Amy McBride, Arts Administrator for the Office of Arts & Cultural Vitality – City of Tacoma

Discussion included:

- The Port of Tacoma celebrated its one-hundred-year anniversary on November 5, 2018. The commission approved a project budget for the celebration which included a budget item of \$100,000 toward the creation of a centennial "legacy" project. Staff is proposing to partner with the City of Tacoma to develop a piece of public art.
- Ms. McBride provided an overview of the methods used by the City of Tacoma's public art programs and scope of work. The City would provide stewardship and maintenance for the artwork in perpetuity. The Port's contribution would be \$90,000 for commissioning the artwork, \$10,000 toward administration.
- The art should be a representation that links the heritage and future of the Port with the community and should include labor. Consideration of location near the water should be given.
- No action is being requested. Staff intends to bring a formal request before the commission at the November meeting.

5. BUDGET STUDY SESSION:

A. 2019 Budget: Forecasted 2018 Operating Results, Proposed 2019 Operating Budget, 2019-2023 Capital Investment Plan and 2019-2023 Plan of Finance.

Presented by David Morrison, Director Treasury & Financial Planning

Discussion included:

- Comments from The Northwest Seaport Alliance (NWSA) budget study session and continued review of the Port's budget will result in three major changes to the Port of Tacoma budget materials sent to the commission two weeks ago. Those changes include:
 - NWSA capital increase \$18M (50 percent or \$9M for the Port) for Terminal 5 construction contingency in 2023 will impact 2023 borrowing. This refers to the Plan of Finance – not typically authorized by the commission. It's a plan, not a commitment. Work still needs to be done prior to bringing it to the commission.
 - SR 167 \$5M contribution in 2019 will be reduced and moved to outer years. In the previous materials a \$5M land contribution was treated as a cash contribution. This was a misunderstanding and correcting this will reduce the Ports expense in 2019 by \$5M which will increase net income before tax levy to a positive.
 - Write off of \$3.3M to \$3.5M of book value of existing Husky cranes and other assets planned for 2019 will be recognized in 2018. The 3.3 to 3.5 is held by the homeport.
- Budget schedule was given. Public Hearing is scheduled for November 29th on the adoption of the 2019 Statutory Budget and for the Tax Levy. Announcements for the Public Hearing are to be published November 9 and

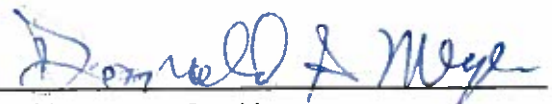
November 20, 2018. The ILAs between the Port and the NWSA will also be on the agenda for adoption.

- The 2018 P & L Forecast was covered.
- The 2018 capital spending budget will be exceeded due to authorizing the Taylor Way Auto terminal after the budget was approved.
- Cargo forecast for containers, autos, breakbulk and the majority of intermodal volumes was presented as part of the NWSA budget presentation. The Port of Tacoma revenue is now mainly fixed through real estate leases. Examples of variable revenue for the Port were given.
- The Capital Investment Plan (CIP) for the Port. A list of projects included or proposed for the 2019-2023 program was provided in October. Approximately \$190M over five years for Port of Tacoma spending - \$445M if adding the Port's 50 percent share to the NWSA.
- Studies show that for \$100M spent on infrastructure projects there's between 1100-1125 construction jobs. One-time jobs, but investing locally each year.
- CIP Spending for 2019 (\$55.3M) and for 2019-2023 (\$189.7M) was discussed.
- The tax levy was discussed. State law allows tax levy dollars to be used for paying general obligation debt and for general port services. The Port's policy is to use remaining tax levy after paying annual GO bond debt service for debt retirement, road and rail infrastructure, environmental projects and land purchases. Tax levy eligible projects were identified. The 2019 recommendation is for \$20.9M for 2019. This maintains millage rate consistent with 2018 rate at \$0.18365 per thousand dollars of valuation.
- Staff recommends the commission, by vote at budget adoption, keep the ability to raise the tax levy to capacity by year.
- The 2019 Operational Budget was discussed along with key assumptions. A 2018 vs. 2019 budget comparison was provided.
- 2019 memberships over \$10,000 were identified as were 2019 Promotional Hosting expenditures per RCW 53.36.120 & 130.
- The 2019-2023 Plan of Finance was reviewed including assumptions and forecast.
- 2019 Minimum Cash calculations were also reviewed.

6. COMMISSIONER COMMENT:

Commissioner Meyer: Responses to the RFP for the executive search firm to assist with finding a new Port of Tacoma executive leader have been received. Next steps were discussed.

7. ADJOURNMENT: There being no further business, Commissioner Meyer adjourned the Special Port of Tacoma Commission Meeting and Budget Study Session at approximately 2:14 p.m.



Donald G. Meyer, President
Port of Tacoma Commission

ATTEST:



Don Johnson, Secretary
Port of Tacoma Commission



Juliet Campbell, Clerk of the Port
Port of Tacoma

November 8, 2018

Craig Kenworthy
Executive Director
Puget Sound Clean Air Agency
1904 Third Ave, Suite 105
Seattle, WA 98101

Dear Craig Kenworthy:

The Port of Tacoma (Port) is pleased to provide these comments on the Draft Supplemental Environmental Impact Statement (DSEIS) for Puget Sound Energy's proposed Tacoma Liquefied Natural Gas (LNG) plant. The port is encouraged by the focus and rigor of the authors and the Puget Sound Clean Air Agency (PSCAA) as lead agency applied to this DSEIS.

The Port is pleased that the SEIS confirms what we have long believed—that LNG, while not a perfect solution, is a step in the right direction as the maritime shipping industry improves its impact on the environment.

One day, renewable technology may be able to replace fossil fuels in the shipping industry. But that day is not now, and won't be for many years. In the meantime, LNG is a better choice – as evident by the SEIS.

The maritime industry is investing heavily in LNG as a better alternative to the heavy fuel currently used in ships. Most new, large ships are being built with dual fuel capability and will be able to use LNG.

Exemplifying this, and largely for environmental reasons, Carnival Cruise Lines is making the transition from traditional fuels to LNG. Also, BC Ferries in Canada is now operating on LNG.

This facility will be a critical piece of our Port infrastructure. It being in the Tideflats and close to our terminal operations will help the Port remain competitive into the future. Local investment in LNG means that in the future, cleaner ships will call our port and the use of LNG will improve local air quality. Emissions of particulate matter, a clear human health hazard, will be very substantially reduced by switching to LNG. Those of us living through the last two summer fire seasons know the value of reducing particulate emissions. In fact, the ports of Seattle, Tacoma and Port Metro Vancouver have worked in partnership for over a decade to collectively reduce emissions associated with our operations. While the focus has been on trucks and yard equipment, moving ships to cleaner fuels is a significant step forward. Switching to LNG will mean cleaner air for the men and women working in the Tideflats and the local community.

The port is encouraged that while the authors of the study took a conservative approach to the analysis, they still demonstrated that the life cycle Greenhouse Gas (GHG) emissions would be reduced by displacing the use of diesel fuel with natural gas. And while that reduction is not as steep as a less conservative approach may have found, it is important nonetheless.

The Port provides the following specific comments:

- PSCAA used the correct approach to modeling emissions: The approach PSCAA used in doing this analysis is consistent with the approach prescribed in the Kyoto Protocol, Paris Climate Accord, U.S. Environmental Protection Agency, Washington State Department of Ecology and its own policies. To deviate from that approach would constitute policy making via project analysis, which is inconsistent with Chapter 34.05 RCW, Administrative Procedures Regarding Rule Making, among others.
- Tacoma Power vs. Washington State Emission Factor: Tacoma Power produces some of the lowest climate footprint electricity in the state (or in the world, for that matter). We are very proud of their efforts on this front and believe the final analysis should include Tacoma Power's actual GHG emission factor and not the state average. Further, the Port pays a monthly premium to Tacoma Power to purchase electricity from their renewable portfolio. TPU has been a leader on this front for years. Please use their specific GHG emission factor within the final analysis. While it likely will not change the numbers significantly, it will give Tacoma Power their due credit for producing electricity with a very low GHG footprint.
- Dictating Commodity Source: Normally the Port would strenuously oppose any suggestion of dictating where a commodity is purchased and restricting free and open markets. However, given the current federal administration's abandonment of the methane standards for the oil and gas industry and British Columbia's (BC) care and attention to the matter, we understand why the authors suggested restricting gas purchases to BC.

Again, thank you for the opportunity to comment on this DSEIS. Overall, we believe the authors and PSCAA did an excellent job of focusing on the specific question at hand and applying a rigorous approach to a difficult modeling problem. The Port of Tacoma remains firmly committed to helping the maritime industry reduce the negative impacts to air quality and human health, as well as reduce GHG emissions through multiple efforts, including switching to cleaner fuels.

Sincerely,

Port of Tacoma Commission

Don Meyer
President

Don Johnson
Secretary

John McCarthy
First Assistant Secretary

Dick Marzano
Second Assistant Secretary

cc: Mayor Woodards
City of Tacoma Councilmembers



People. Partnership. Performance.

P.O. Box 1837
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November 9, 2018

The Honorable Mayor and Councilmembers
City of Tacoma
747 Market Street, 12th Floor
Tacoma, Washington 98402

Subject: Six-Month Extension of the Tideflats Interim Regulations

Dear Mayor Woodards and Councilmembers:

The Port of Tacoma writes in opposition to the proposed substitute ordinance No. 28542. Requiring a conditional use permit for an industrial use, in an industrial zone, in an established Puget Sound Regional Council Manufacturing Industrial Center, is contrary to city, county and regional policies that support the protection of industrial lands. Our collective goal should be to not intensify the Interim Regulations, but to strengthen the focus on the emerging subarea planning process.

The Port of Tacoma submitted a letter dated October 19, 2018 regarding the Port's position on Ordinance No. 28542. We stated that our position remains unchanged -- that interim regulations are unnecessary -- but offered that **if the City Council deems interim regulations necessary, that the six-month extension result in regulations AS-IS without any additional use or permitting restrictions.**

The Port is disheartened and disappointed to learn of a proposed substitute ordinance requiring a conditional use permit for the expansion of certain heavy industrial uses when the proposed expansion triggers SEPA review. There is no demonstrated basis for this expansion of the Tideflats Interim Regulations.

Your staff described the intent of interim regulations is to pause significant development actions, thereby allowing a jurisdiction to update their regulations through an on-going in-depth planning process. One year ago, the City Council considered imposing conditional use permits for existing facilities and concluded there was no need for them. Nothing has changed. City staff's report for the first 10 months of interim regulations validates that position.

The current substitute proposal is a step backward. The substitute ordinance would delay, limit and restrict actions for the production and storage of cleaner, alternative energy fuels that bring environmental benefits to our community and region.

Further, Tacoma currently has no conditional use process for industrial lands. There are no guidelines for business and property owners. The staff time needed to create that process robs the Subarea Plan of needed staff resources, just as the drafting of substitute ordinances detracts from which should be the main focus: the Subarea Plan.

The proposed conditional use process also is uncertain and adds significant permitting delay, without any added value. The City's existing permit reviews are already thorough. This intensifies the unpredictability that the interim regulations already bring for economic development investors, businesses and land owners. This action will send a message to the at-large economic development community that the City of Tacoma is not business friendly, and Tacoma's reputation as the "place for business" may be more seriously compromised.

We urge rejection of the substitute ordinance. This proposal goes beyond the spirit and purpose of interim regulations and casts a shadow on the efforts of the subarea planning process. Please vote "no" on Substitute Ordinance No. 28542 to send a good faith message that the City is committed to the Subarea Planning process.

Sincerely,

Donald G. Meyer, President
Port of Tacoma Commission

Donald C. Johnson, Secretary
Port of Tacoma Commission

John McCarthy, 1st Assistant Secretary
Port of Tacoma Commission

Dick Marzano, 2nd Assistant Secretary
Port of Tacoma Commission

cc: Puyallup Tribe of Indians Councilmembers
Pierce County Executive Dammeier
Pierce County Councilmembers
City of Tacoma Mayor Woodards
City of Tacoma Councilmembers