

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 5b
Date of Meeting August 6, 2013

DATE: July 24, 2013
TO: Tay Yoshitani, Chief Executive Officer
FROM: Craig J. Kerr, Treasury Manager *CJK*
SUBJECT: Banking Services Contract

Amount of This Request:	\$9,700,000	Source of Funds:	Non operating budget for basic banking services. Credit card fees are budgeted as operating expense by the affected departments.
Est. Total Project Cost:	\$9,700,000		

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to execute a contract for banking services for five years with the option to extend for two additional one-year periods at an estimated cost in banking fees of \$9,700,000.

SYNOPSIS

The Port of Seattle intends to issue a request for proposal (RFP) for banking services. The contract term will be for five years with the option to extend for two additional one-year periods. It is the intent of the Port to select one banking institution to provide Port banking services. The Port's selected bank will receive deposits and disburse Port funds and process the Port's debit and credit card transactions. Only the approximately 80 financial institutions that have been determined to be qualified public depositories by the Public Deposit Protection Commission (PDPC) are eligible to compete for the Port's business. All qualified public depositories will be notified that the Port is soliciting proposals for banking services. Due to PDPC requirements along with the Port's need for a robust electronic banking platform with controls, the number of banks interested in and able to handle the Port's business will likely be quite small.

BACKGROUND

In 2009, staff bid for banking services for five years with the right to extend for two additional one-year periods. The current banking contract expires on July 31, 2014. The Port has hired a consultant, Vizant Technologies, to monitor debit and credit card fees. Over 96% of the Port's banking fees result from processing debit and credit card payments. Vizant's fee is based on a percentage of savings experienced by the Port as a result of their card acceptance savings

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recommendations. Given the opportunity to reduce banking fees based on Vizant's review and the ongoing technology changes in banking, including increased utilization of electronic and mobile commerce, staff felt it was an opportune time to rebid for banking services at this time and not exercise the extension provisions of the current contract.

Banks and the Port have significant costs to implement a banking contract on an electronic platform and significant savings result with longer duration contracts. The Request for Proposal for banking services will provide a competitive selection process for all qualified banks. The selection will be based on a combination of fees and the quality of service offered by the bank and will be made by a team of internal and external experts.

STRATEGIES AND OBJECTIVES

The Port intends to select one banking institution to provide Port banking services. The selected bank must be a technologically strong banking partner with an internet banking solution capable of meeting the Port's current and future electronic banking demands. In addition, Washington State Public Treasurers, by statute, can only deposit money with a State "qualified public depository" and the PDPC further limits the amount of public deposits at each bank based on a bank's net worth. This results in a limited pool of banks the Port can utilize for its banking services. A bank must apply to the State's Public Deposit Protection Commission for approval to become a qualified public depository and provide 100% collateralization of all public funds on deposit.

The Port intends to have a new contract signed by March 1, 2014, and implementation completed by August 1, 2014.

Breakdown of Banking Fees:

The majority of Port banking fees result from accepting debit and credit cards. Airport parking accounts for 78% of all Port debit and credit card receipts. Card acceptance provides four (4) advantages over alternative payment modes. Those advantages are: immediate receipt of funds, no credit analysis efforts, no collection efforts and a higher degree of security over cash and checks. Set out below is a breakdown of Port banking fees for 2012:

Credit Card Fees	\$1,256,735	96%
All Other Banking Fees:	\$133,634	04%
Total Banking Fees	\$1,390,369	

Implementation:

The successful bidder will need to implement and test all aspects of the electronic internet banking solution to ensure every function of receiving and disbursing Port money is fully operational before implementation takes place. Some examples of banking functions that would be affected if a new bank is selected are as follows:

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Electronic Money -The Federal Government, State of Washington and various large customers pay the Port with electronic transfers (i.e. wires, and ACH Credits). Various notifications must be made to all electronic payers.

Direct Deposit of Payroll - All bank account numbers in the payroll and accounting system must be changed and Payroll files reformatted to ensure the Direct Deposit of Payroll can be accepted by the bank for all employees selecting direct deposit (approximately 97% of all Port employees).

Fraud Control (Positive Pay) -For every accounts payable and payroll check written, Port staff must change the bank account numbers and ABA numbers in the Payroll and Accounts Payable system as well as program the format to fit the bank's system to accomplish fraud control functions.

IRS Tax and Social Security Deposits – Port staff must coordinate with the IRS through the appropriate Federal Reserve Bank, change bank account numbers and ABA numbers so these moneys can be deducted from the Port's bank account by the IRS on paydays.

Due to these requirements, staff estimates that there will need to be a four to five month transition period if a new bank is selected. The cost of internal staff time for a conversion is estimated to be between \$75,000 and \$90,000 but should be recaptured through the use of new technology and high quality service.

Source of Funds

All banking services are budgeted annually with the basic banking services budgeted in the non-operating budget and credit card fees budgeted as operating expense by the affected departments.

ATTACHMENTS TO THIS REQUEST

- None.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- None.

Commissioners

Tom Albro
Commission President
Stephanie Bowman
Bill Bryant
John Creighton
Courtney Gregoire



Tay Yoshitani
Chief Executive Officer

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**APPROVED MINUTES
COMMISSION REGULAR MEETING AUGUST 6, 2013**

The Port of Seattle Commission met in a regular meeting Tuesday, August 6, 2013, at Port of Seattle Headquarters, Commission Chambers, 2711 Alaskan Way, Seattle, Washington. Commissioners Albro, Bowman, Bryant, Creighton, and Gregoire were present. Commissioner Creighton was absent after 3 p.m.

1. CALL TO ORDER

The regular meeting was called to order at 1:06 p.m. by Tom Albro, Commission President.

2. EXECUTIVE SESSION pursuant to RCW 42.30.110

None.

PLEDGE OF ALLEGIANCE

3. APPROVAL OF MINUTES

Minutes available for approval are included in the Unanimous Consent Calendar.

4. SPECIAL ORDERS OF BUSINESS

None.

5. UNANIMOUS CONSENT CALENDAR

[Clerk's Note: Items on the Unanimous Consent Calendar are considered routine and are not individually discussed. Port Commissioners receive the request documents prior to the meeting and may remove items from the Consent Calendar for separate discussion and vote in accordance with Commission bylaws.]

At the request of Commissioner Gregoire, agenda item 5c was removed from the Unanimous Consent Calendar for separate discussion and vote.

5a. Minutes of the regular meeting of July 9, 2013.

5b. Authorization for the Chief Executive Officer to execute a contract for banking services for five years with the option to extend for two additional one-year periods at an estimated cost in banking fees of \$9,700,000.

Request document(s) provided by Craig Kerr, Treasury Manager:

- Commission agenda memorandum dated July 24, 2013.

As noted above, the following agenda item –

5c. Authorization for the Chief Executive Officer to advertise and execute a major construction contract, and to self-perform using Port crews, to implement the cleanup action at Terminal 91, as required under Agreed Order No. DE 8938 entered into with the Department of Ecology and dated April 10, 2012.

– was temporarily postponed.

5d. Authorization (1) for the Chief Executive Officer to execute a contract with the Federal Aviation Administration for relocation of the Airport Surface Detection Equipment Model X Remote Unit Number 7 antenna as part of the Cargo 2 West Hardstand Expansion project at Seattle-Tacoma International Airport, at a cost not to exceed \$600,000 and (2) for an additional \$300,000 in expense funds.

Request document(s) provided by Mike Ehl, Director, Airport Operations, and Wayne Grotheer, Director, Aviation Project Management Group:

- Commission agenda memorandum dated July 29, 2013.

5e. Authorization for the Chief Executive Officer to execute a Fiber Optic Line Easement with WDH Black Rock LLC for an area along a section of the Eastside Rail Corridor right-of-way in Snohomish County, substantially as drafted as Attachment B, to accommodate the installation and maintenance of an aerial fiber optic communications line parallel to the railroad tracks between approximately milepost 37.22 and milepost 37.35 in Snohomish County as shown on the drawing attached hereto as Attachment A.

Request document(s) provided by Melinda Miller, Director Portfolio and Asset Management, and Sean Sullivan, Real Estate Manager.

- Commission agenda memorandum dated July 25, 2013.
- Attachment A: Map of Proposed Easement Location.
- Attachment B: Fiber Optic Line Easement, including Exhibits A and B.

Motion for approval of consent items 5a, 5b, 5d, and 5e – Creighton

Second – Gregoire

Motion carried by the following vote:

In Favor: Albro, Bowman, Bryant, Creighton, Gregoire (5)

PUBLIC TESTIMONY

As noted on the agenda, public comment was received from the following individual(s):

- Sally Clark, Seattle City Council President. Ms. Clark spoke in support of agenda item 6a, relating to Port funding for the Alaskan Way Viaduct Replacement Project. She commented on the importance of Alaskan Way as a freight corridor and for access to the

tunnel to minimize disruption to Port activities. He cautioned the Commission on the spectrum of investment needs required to preserve the Port's competitiveness and comply with regulatory challenges and emphasized the importance of the Port's tunnel contribution in protecting a working waterfront and family-wage jobs.

- Commissioner Albro noted receipt of a letter from the Seattle Aquarium signed by its president, Robert Davidson, and dated August 2, 2013. The letter supported the funding agreement between the Port and WSDOT for work on the Alaskan Way Viaduct Replacement Program. A copy of the document is, by reference, made a part of these minutes, is marked Exhibit A, and is available for inspection in Port offices.
- Commissioner Albro also noted receipt of an email from Visit Seattle sent by its president, Tom Norwalk, and dated August 5, 2013. The message supported the funding agreement between the Port and WSDOT for work on the Alaskan Way Viaduct Replacement Program. A copy of the document is, by reference, made a part of these minutes, is marked Exhibit B, and is available for inspection in Port offices.
- Commissioner Albro further noted receipt of a letter from BNSF Railway signed by Government Affairs Executive Director Terry Finn and dated August 6, 2013. The letter supported the funding agreement between the Port and WSDOT for work on the Alaskan Way Viaduct Replacement Program. A copy of the document is, by reference, made a part of these minutes, is marked Exhibit C, and is available for inspection in Port offices..

6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS

- 6a. ~~Adoption of a motion to direct and authorize the Port's Chief Executive Officer to execute a funding agreement with the State of Washington in substantially the form attached as Exhibit A, providing Port participation in the Alaskan Way Viaduct Replacement Program consisting of the SR-99 Tunnel Alternative, the SR-99 South Access Connection Project, and the SR-99 North Access Construction Project, and to authorize expenditure of \$275,000,000 in accordance with the terms of the funding agreement.~~

Request document(s) provided by Kurt Beckett, Deputy Chief Executive Officer; Mike Merritt, Manager, Puget Sound/Washington Government Relations; and Geraldine Poor, Regional Transportation Manager:

- Commission agenda memorandum dated July 30, 2013.
- Text of motion.
- Exhibit A, Final draft funding agreement.
- Presentation slides.
- State and Port memorandum of agreement, 2010, GCA 6444.

Presenter(s): Mr. Beckett; Ms. Poor; WSDOT Secretary of Transportation Lynn Peterson; and Alaskan Way Viaduct Replacement Program Administrator Linea Laird.

The Commission received a presentation that included the following relevant information:

- Options for replacement of the Alaskan Way Viaduct have been the object of study since the viaduct was damaged during the 2001 Nisqually earthquake.

cruise business. She noted the importance to Seattle of a quality transportation system and vibrant waterfront.

- John Odland, Vice President, MacMillan-Piper Inc., and Chair of the Manufacturing Industrial Council Executive Board. Mr. Odland spoke in favor of agenda item 6a and commented on the importance of a deep-bored tunnel for safety, connection of industrial areas, and continued movement of cargo.
- Warren Aakervik Jr., President of Ballard Oil Company and Secretary/Treasurer of the Manufacturing Industrial Council Executive Board. Mr. Aakervik spoke in favor of agenda item 6a and commented on changes to the waterfront over time and the need to maintain a freight corridor on the waterfront.
- Don Newby, former Burien City Councilmember and member of the Alaskan Way Viaduct Replacement Program South Portal Working Group. Mr. Newby spoke in favor of agenda item 6a and commented on the need for transportation network connections to the Kent/Auburn Valley and through Seattle and urged continued support for completion of SR-509.
- Vince O'Halloran, Branch Agent for the Sailors Union of the Pacific; Puget Sound Maritime Trades Port Council, AFL-CIO. Mr. O'Halloran spoke in favor of agenda item 6a and commented on the importance of north-south freight mobility in Seattle.
- Cameron Williams, President, International Longshore Workers Union (ILWU) Local 19. Mr. Williams commented on agenda item 6a. He spoke of the ILWU's engagement in discussions focused on maintaining freight mobility during construction of the deep-bored tunnel. Mr. Williams noted the ILWU's traditional scope of work on Port terminals and the dispute between terminal operator TTI (Total Terminals International) and tunnel subcontractor Seattle Tunnel Partners (STP). ~~He asked that labor unrest be remedied~~ prior to release of funding from the Port to the Washington Department of Transportation (WSDOT) for work on the Alaskan Way Viaduct Replacement Program.
- Kate Joncas, President of the Downtown Seattle Association. Ms. Joncas spoke in favor of agenda item 6a.
- Catherine Stanford, representing the Building Owners and Managers Association. Ms. Stanford spoke in support of agenda item 6a and noted the interests of the association's member businesses in freight mobility to and through downtown Seattle.
- Kevin Clark, CEO and President of Argosy Cruises, Royal Argosy, and Tillicum Village; and founding board member of the Seattle Historic Waterfront Association. Mr. Clark commented on agenda item 6a and described the need for continued mobility on Alaskan Way for people, freight, and goods.
- George Allen, Senior Vice President, Seattle Metropolitan Chamber of Commerce. Mr. Allen spoke in favor of agenda item 6a, which he said was critical to completion of the SR-99 tunnel and maintenance of regional freight capacity. He noted continued efforts for completion of SR-509 and SR-167.
- Diane Carlson, Regional Initiatives Director for the office of King County Executive Dow Constantine. Ms. Carlson commented in support of agenda item 6a and noted the County's commitment to fulfilling its role in the project and to seeking funding to complete transportation and transit projects.
- Jordan Royer, Pacific Merchant Shipping Association. Mr. Royer spoke in support of a north-south freight corridor in the city of Seattle and the opportunity for the deep-bored

- The Port Commission adopted a motion in 2008 supporting the proposal of a deep-bored tunnel with associated system improvements as an alternative to the viaduct.
- The tunnel option was preferred to other scenarios due to its preservation of transportation capacity, minimizing of road closures and construction-related disruption to Port operations, investment in environmental benefits and transit, promotion of the long-term health of the maritime-industrial sector and goods distribution systems, and transformation of the waterfront for residents and visitors.
- The funding agreement under consideration fulfills a February 2010 memorandum of understanding between the Port and WSDOT, confirming Port participation not to exceed \$300 million in the Alaskan Way Viaduct Replacement Program.
- Major provisions of the agreement include definition of the program and projects; description of Port benefits, specifying of components to which Port funding is applicable, and description of the responsibilities of the parties.
- The state is acknowledged as the owner of the facility responsible for delivering programs and benefits, notably maintaining efficient traffic flows during all project components, completion of environmental reviews and permits, and communication with the Port throughout the program process.
- Acknowledged by the agreement are funding of prior Port investments in the SR-99 system of \$19 million and a credit of \$7.3 million for Port costs associated with early financing and Port staff activities not related to regular Port operational activities.
- On May 1, 2015, a Port contribution of \$120 million is due; on May 1, 2016, a second contribution of \$147.7 million is due. These contributions subtotal \$267.7 million, and total committed Port funds are \$294 million. WSDOT may identify future program-related investment of \$6 million at the Port's discretion, for which the state may request allocation through 2018.

The Alaskan Way Viaduct is one of only two highway routes through Seattle's urban core, accommodating over 100,000 vehicles daily and linking the Duwamish and Ballard-Interbay industrial areas.

- Key project components were summarized.
- The deep-bored tunnel will accommodate about two-thirds of the traffic of the viaduct, but will not provide access to Downtown and Bell Town. The Alaskan Way surface street will have to meet the need for connections to those areas and serve the remaining one-third of traffic volume not accommodated by the tunnel.
- The funding agreement includes language specifying the state's responsibility that design and construction of the viaduct replacement program will facilitate efficient movement of freight and other traffic between the Duwamish and Ballard-Interbay neighborhoods, including access to fishing, cruise, and other Port facilities. The language specifies surface street components related to number of lanes and access at key intersections, including the Colman Dock ferry terminal.
- Enhanced transit during construction is in need of a stable funding source. Transit service is not a project explicitly outlined in the funding agreement.
- WSDOT has an interest in fostering the economic vitality of the state represented by the economic development engines of its ports and is grateful for its partnership with the Port of Seattle in infrastructure investment.

- The Viaduct Replacement Project budget is approximately \$3.15 billion. The Port's contribution, as outlined in the funding agreement proposed, will go toward the SR-99 Tunnel Project, which includes work on the north and south tunnel entrances, or portals. The budget for the SR-99 Tunnel Project portion of the overall program is about \$2.05 billion.
- Other projects at the south end of the SR-99 corridor that will improve access to Port terminals were summarized.
- Tunneling began on July 30, 2013.
- A diagram of the project work site adjacent to Terminal 46 was presented.
- Of the work underway on the South-Holgate-to-King-Street replacement project, the South Atlantic Street overpass is the last project and is due to be completed in late 2013. This project provides direct connection between East Marginal Way and Terminal 46.
- Tunnel boring is on schedule and is expected to be finished toward the end of 2014.
- The tunnel is expected to open to traffic at the end of 2015.
- After opening of the tunnel, work would proceed on surface street connections and demolition of the Alaskan Way Viaduct.
- Concept designs for the north and south tunnel portals and the eventual connection between Elliott and Western Avenues with Alaskan Way were presented.

Commissioner Creighton commented in support of the funding agreement and cautioned, despite good relationships with WSDOT and the freight community, that it is not the Port's core mission to fund transportation improvements and that funding of this kind should not become a precedent.

Commissioner Bryant commented on the history of the Port's decision to become involved in funding the SR-99 tunnel project and the Port's compelling need to remain competitive, which is served by the project. He noted that the financial burden for the Port's participation is much greater than in 2009 due to additional burdens now facing the Port for environmental mandates, unanticipated stormwater costs, and the speed at which global fleets are acquiring larger container vessels that will have to be accommodated by Port infrastructure investments for the Port to remain competitive. Commissioner Bryant noted the loss of \$120 million in revenue represented by the movement of the Grand Alliance to the Port of Tacoma. He stated this revenue could have been used to support essential transportation projects. He commented in support of the funding agreement and urged adoption of city and state policies that would assist the Port in partnering to keep cargo flowing through Puget Sound and the Kent/Auburn Valley.

Commissioner Gregoire commented in support of the funding agreement and noted parallels with the pressures affecting establishment of public ports in Washington in 1911 and the pressures facing preservation of an open and working Seattle waterfront today. She noted core needs of transportation investment for freight mobility, including connectivity between eastern and western Washington, regulatory certainty to anchor public and private investment, and awareness of the competitive landscape of the container business going forward.

Commissioner Bowman commented on the critical nature of freight mobility to the economic vitality of the region. She spoke in favor of the funding agreement and pointed out that the funding the Port would contribute to the SR-99 tunnel project will not be available for other projects at the Port, which has responsibilities for environmental mitigation and other critical projects. She encouraged

other regulators not to create obstacles to movement of freight through the Port of Seattle or to create competitive disadvantages for the Port compared to Canadian ports.

Commissioner Albro commented on the importance of a strong and diverse economy in order to have the wherewithal to make improvements in society. He noted the critical role of access to global markets and connections between maritime industrial lands to produce jobs that create prosperity for families. Commissioner Albro contrasted Washington's approach to Canada's aligned Intergovernmental approach in pursuit of a national vision and multiplier opportunities.

Commissioner Albro noted that the Commission acknowledges the labor issue involving the handling of tunnel spoils on Terminal 46, and stated that although the Port is not directly involved, the Commission strongly urges a fair and equitable resolution as soon as possible in a way that addresses the concerns of all parties involved.

Motion to direct and authorize the Port's Chief Executive Officer to execute a funding agreement with the state of Washington in substantially the form attached as Exhibit A, providing Port participation for the following elements of the Alaskan Way Viaduct Replacement Program: the SR-99 Tunnel Alternative, the SR-99 South Access Connection Project, and the SR-99 North Access Construction Project, and to authorize the expenditure of \$275,000,000 in accordance with the terms of the funding agreement [agenda item 6a] – Bowman

Second – Gregoire

Motion carried by the following vote:

In Favor: Albro, Bowman, Bryant, Creighton, Gregoire (5)

6b. Authorization to execute project labor agreements for seven different projects at Seattle-Tacoma International Airport currently in their design phases. The projects are Cargo 2 West Hardstand Expansion, Cargo 5 Hardstand, Cargo 6 Enhancements, 2014 Airfield Apron Pavement Replacement Design, North Satellite Transit System Ceiling Leaks Long-Term Repair, and Vertical Conveyance Modernization Aero Phase 1 and Phase 2. No funding is associated with this authorization.

Request document(s) provided by Ralph Graves, Managing Director, Capital Development Division:

- Commission agenda memorandum dated July 29, 2013.

Presenter(s): Wayne Grotheer, Director, Aviation Project Management Group, and Lisa Hornfeck, Labor Relations Manager.

The Commission received a presentation that included the following relevant information:

- The projects for which project labor agreements are being requested are all in their design phases.
- Negotiation of project labor agreements authorized at the time of construction authorization has delayed projects in some cases.

- In the future, staff will request approval of project labor agreements, as applicable, at the time of design approval.
- Appropriateness of pursuing a project labor agreement involves review of relevant factors, such as the trades involved, the timing of labor contract negotiations, impacts of project delays, importance of uniform working conditions, impact on small business opportunities, project cost impacts, and safety concerns.
- Of active construction projects at the Airport, the 10 of 46 that have project labor agreements represent 78 percent of Port construction spending and 87 percent of Airport construction spending.
- Delays for the projects included in the request due to possible labor disputes would create significant operational impacts to the airfield, postponement of seasonal work to times of the year that would reduce quality and create safety risks, and disruption of passenger movement on the South Satellite.

In response to Commissioner Creighton, Mr. Grotheer reported that project labor agreements are negotiated through the office of labor relations. Ms. Hornfeck noted that review of the appropriateness of each project labor agreement to a particular project was a difference between the agreements currently requested and the approach during construction of the Third Runway. She noted that recent introduction of workforce development aspects in project labor agreements is another difference from the project labor agreement approach used for the Third Runway.

In response to Commissioner Gregoire, Ms. Hornfeck noted that use of union labor under a project labor agreement supports hiring of local union members notwithstanding use of targeted zip codes.

Commissioner Bryant commented on confusion within the labor and contracting communities on the standards governing use of project labor agreements and stated his preference that there be Commission-approved criteria for using a project labor agreement that could be applied administratively to particular projects rather than require Commission authorization every time. He noted existing criteria for a project to involve multiple jurisdictions, be time-sensitive, have an element of public safety or security, be for a type of project for which there is a history of labor disruptions, and where delay would result in significant financial loss.

Motion for approval of item 6b – Bryant

Second – Gregoire

Motion carried by the following vote:

In Favor: Albro, Bowman, Bryant, Creighton, Gregoire (5)

Without objection, the Commission advanced to the following agenda item, which was removed from the Unanimous Consent Calendar for separate discussion and vote, as noted above –

5c. Authorization for the Chief Executive Officer to advertise and execute a major construction contract, and to self-perform using Port crews, to implement the cleanup action at Terminal 91, as required under Agreed Order No. DE 8938 entered into with the Department of Ecology and dated April 10, 2012.

Request document(s) provided by Kathy Bahnick, Manager, Seaport Environmental Programs, and Fred Chou, Capital Project Manager:

- Commission agenda memorandum dated July 29, 2013.
- Agreed Order No. DE 8938 with the Washington State Department of Ecology.

Presenter(s): Ms. Bahnick and Mr. Chou.

The Commission received a presentation that included the following relevant information:

- Staff has been working on the environmental cleanup at Terminal 91 since the 1990s.
- The former tank farm at the site was operated since the 1900s as a refinery and petroleum tank farm and most recently as a dangerous waste treatment and storage facility.
- The Port entered into an agreed order under the Model Toxics Control Act in 1998 with operators Phillips Service Company and Pacific Northern Oil, which are no longer in business.
- Port expenditures for remedial investigation, feasibility study, demolition of the above-ground tank farm, design for the work currently requested, and ancillary investigations and cleanups at Terminal 91 amount to \$9.8 million.
- Recovery of approximately \$4.6 million has come from grants, settlements, and insurance. In addition, there are about \$1.5 million in committed grant funding that has yet to be received by the Port.
- Cost of past work, the cleanup requested under the current agreed order, and long-term monitoring and operations and maintenance is expected to be a little less than \$20 million. The amount not covered under cost sharing will be funded by the tax levy.
- The 2013 yearly environmental remediation liability authorization included funding for the amount currently requested for cleanup construction.
- Other funding options are being considered, including possible identification of additional responsible parties, including Chevron and British Petroleum.
- The cleanup design has been approved by the Department of Ecology, and construction is expected to begin in October 2013.
- Contaminated soil will be removed from Short Fill areas of the site, just south of the Magnolia Bridge, that total about 3,900 square feet. Port crews would be used for this work due to construction risks associated with unforeseen site conditions and the desire to complete excavation outside of cruise season. Port crews will also replace an existing electrical substation on the site.
- The major works construction portion of the project is expected to be bid in November or December 2013 with construction lasting between April and October 2014.
- The tank farm site is north of the Magnolia Bridge, where contaminated soil will be removed and an impervious barrier and stormwater treatment system will be installed.

Commissioner Gregoire commented on the difficulty for the Port to shoulder the burden for environmental contamination to which it did not contribute in the absence of other responsible parties. She noted potential responsibility on the part of the U.S. Navy.

In response to Commissioner Bowman, Mr. Chou stated that self-performing some of the preliminary work using Port crews should reduce the project expense overall.

In response to Commissioner Creighton, Ralph Graves, Director, Capital Development Division, noted that the criteria for use of a project labor agreement include the likelihood of labor disruption and critical business impact of project delays, which are not considered applicable to this project.

Motion for approval of item 5c – Creighton

Second – Bryant

Motion carried by the following vote:

In Favor: Albro, Bowman, Bryant, Creighton, Gregoire (5)

Commissioner Creighton was absent after 3 p.m.

Following consideration of agenda item 5c, the Commission advanced to consideration of –

7. STAFF BRIEFINGS

7a. Checked Baggage Recapitalization/Optimization Project.

Presentation document(s) provided by David Soike, Director, Aviation Facilities and Capital Program, and Wendy Reiter, Director, Aviation Security and Emergency Preparedness:

- Commission agenda memorandum dated July 30, 2013.
- Presentation slides dated July 30, 2013.
- Presentation slides from Vic Thompson dated August 6, 2013.
- Presentation slides from the January 8, 2013, authorization request.

Presenter(s): Mr. Soike; Ms. Reiter; Mark Reis, Managing Director, Aviation Division; Ed Weitz, Aviation Capital Construction Project Manager; Peter McVey, Planning Branch Manager, Electronic Baggage Screening Program, TSA Office of Security Capabilities; Mike Irwin, Regional Director, TSA Western Region 5 Federal Security Director; Victor Thompson, Chairman and CEO, Vic Thompson Company; and Robin E. Baughman, President, Vic Thompson Company.

The Commission received a presentation that included the following relevant information:

- The Transportation Security Administration (TSA) has an interest in replacing aging explosive detection system (EDS) machines around the United States and improving their costs at the Airport.
- There are 27 EDS machines at the Airport and 9½ miles of conveyor in six discrete screening systems with separate search areas that require TSA staffing throughout the Airport. Some of the locations for these systems pose logistical and mechanical challenges for personnel access and ventilation.
- The Airport has an interest in optimizing its baggage handling system, which currently accommodates 33 million annual passengers and cannot accommodate more than 45 million annual passengers, despite Airport objectives to increase passenger volume

to 60 million annual passengers by 2037. There is currently insufficient room for the additional necessary EDS equipment in the present configuration.

- Construction of an optimized baggage handling solution will take at least five years to complete.
- The Port and the TSA have been collaborating on a joint long-term baggage system solution for the Airport over the past 14 months.
- It is desirable to enter into an agreement with the TSA before the end of the 2013 fiscal year in September in order to ensure an ongoing stream of federal funding during the multiple years of an optimization project. Without an "other transaction agreement" with the TSA now, future federal funding for the ongoing project would have to be pursued anew in each fiscal year. It is unclear whether federal funding priorities from year to year will favor funding for the local project in the future.
- Baggage system upgrades following September 11, 2001, benefitted from 30-percent project funding by the TSA, and the expectation is that a similar funding opportunity is available now.
- An optimized baggage system would replace six separate systems with a single system.
- Attempts to upgrade baggage systems after September 11, 2001, prior to completion of design and in an environment of considerable industry uncertainty, resulted in poor performance and cost overruns. Subsequent baggage projects have been delivered under budget.
- Recapitalization involves 100-percent TSA funding for replacement of EDS machines only, whereas optimization also includes upgrades to conveyors and related infrastructure but would not be funded in full by the TSA.
- Pursuing recapitalization alone would fail to meet growth demands and address common-use flexibility, whereas optimization could provide future capacity to reach 60 million annual passengers, lower TSA staffing costs, and reduce maintenance costs. An optimized baggage system would require 11 EDS machines in one location in contrast to the current 27 in six locations. Eventually an optimized system would add four additional EDS machines to accommodate throughput of 60 million annual passengers.
- Other airports considering optimization include Boston, San Francisco, Chicago, Denver, Las Vegas, Tampa, Sacramento, and Anchorage.
- Projected long-term Airport capital cost to accommodate 45 million annual passengers via recapitalization would be about \$175 million. Optimization would cost approximately \$190 million. Pursuing recapitalization until passenger volumes rise to 45 million annual passengers and then converting to an optimization plan in order to continue passenger growth is estimated to cost \$385 million. In contrast, the work to grow passenger volume from 45 million to 60 million annual passengers using optimization is estimated to cost an additional \$20 million, or about \$210 million overall.
- In addition to the cost estimates cited, TSA participation is estimated by staff at between \$50 million and \$100 million.
- Savings in operations and maintenance costs are available by pursuing optimization.
- Design for optimization is not yet 30-percent complete and TSA participation numbers are not yet known, but are expected to be known by August 15, 2013. Authorization to begin construction will not be requested until design is complete.

- A centralized, optimized baggage system would provide opportunity for baggage to be routed through different EDS machines in the event of failure or servicing of particular machines.
- Authorization on September 10, 2013, of an agreement with the TSA will enable the TSA to ensure funding over multiple years.
- The Commission previously authorized \$5 million for optimization design. TSA funding provided the initial program planning study and the Port has spent about \$1 million on this design effort through September. It is expected that the Port will spend the TSA's multi-year contribution in the first 5-6 years. In the second portion of the project, between 5-10 years, the Port's contribution is anticipated to be approximately \$100 million.
- The Port contribution toward optimization will be taken from the Airport Development Fund.
- Comparable approaches by other U.S. airports were presented by independent design/build firm Vic Thompson Company.
- The TSA is considering 38 recapitalization/optimization projects, including at the Seattle-Tacoma International Airport.
- Although newer EDS machines are capable of processing more bags than older systems, capacity is ultimately limited by the overall baggage handling system. Newer machines inserted into inefficient systems will not be able to take advantage of the ability to process more baggage and accommodate higher passenger volumes.
- TSA carryover funding currently available for optimization would cease to be available after the end of the fiscal year at which point it would be subject to redistribution throughout the Department of Homeland Security. TSA funding for baggage system optimization is authorized and appropriated within the TSA budget and would be available to support the project subject to Congressional notification.
- The Airport Airline Affairs Committee will be considering baggage system optimization as a project to be approved within a new Signatory Lease and Operating Agreement.

Commissioner Albro requested a summary of the issues of interest to the Commission in a question-and-answer format for follow-up on August 20, 2013.

8. NEW BUSINESS

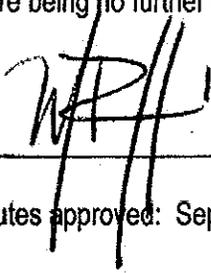
Commissioner Albro commented on his recent visit to Canada and on the alignment of Canadian national, provincial, and local investment strategies to support becoming North America's gateway to the Pacific for goods and travel. This includes rail investment that provides service east to west and north to south all the way to New Orleans, Louisiana. Rather than view their ports as a resource to draw down for infrastructure investment, he stated that Canada seeks to augment Canadian port investment in service to the Canadian economy. Commissioner Albro called for greater cooperation between Puget Sound ports, with the State of Washington, and the state's federal delegation.

9. POLICY ROUNDTABLE

None.

10. ADJOURNMENT

There being no further business, the regular meeting was adjourned at 4:05 p.m.



Minutes approved: September 10, 2013.

BILL BRYANT

ASSISTANT SECRETARY