[00:00:29] This is Commission Secretary Sam Cho convening the regular meeting of July 14, 2026. The time is now 10:30am we're meeting in person today at the Port of Seattle headquarters Building Commission Chambers and virtually on Microsoft Teams. All commissioners are present and they are currently gathered in the Executive Session room, waiting, awaiting the opening of the public meeting. We'll now recess into executive session to discuss one item regarding litigation. Potential litigation legal risks per RCW 42.30 port 110, sub 1, sub I, for approximately 60 minutes will reconvene into public session at 12:00pm thank you.

[00:01:07] We are in recess.

[00:01:12] This is Commission Secretary Sam Cho reconvening the regular meeting of July 14, 2026. The time is now 12:09pm we're meeting in person today at the Port of Seattle headquarters Building Commission chambers and virtually on Microsoft Teams. Commission President Ryan Calkins excused from attendance at the meeting today. Clerk Hart, please call the roll. Commissioners in attendance.

[00:01:33] Thank you. Beginning with Commissioner Cho. Present. Thank you. Commissioner Fellerman.

[00:01:40] Present. Thank you. Commissioner Hasegawa. Present. Thank you.

[00:01:45] And Commissioner Mohammed. Thank you very much. We do have a quorum established. Excellent. A few housekeeping items before we begin.

[00:01:52] For everyone in the room. Please turn your cell phones to silent for anyone participating on Microsoft Teams, please mute your speakers when not actively speaking or presenting. Please keep your cameras off unless you are a Commissioner or a member of the staff participating virtually and or actively addressing the Commission. Members of the public addressing the Commission during public meeting can turn on their cameras when their name is called to speak and will turn them back off at the conclusion of their remarks. For anyone at the dais, please turn off computer speakers and silence your devices.

[00:02:25] Please also remember to address your request to speak through the chair and wait to speak until you have been recognized. You'll turn on your microphones as you need. All the items noted here will ensure a smoother meeting, so we thank you in advance. All votes today will be taken by the roll call method or by general consent. So it is clear for anyone participating participating virtually how the votes are cast.

[00:02:47] Commissioners will say I or nay when their names are called. We are meeting on the ancestral lands and waters of the coastalish people with whom we share a commitment to steward these natural resources for future generations. This meeting is being digitally recorded and may be viewed or heard at any time on the Forbes website and may be rebroadcast by King County Television. Please stand and join us with Pledge of Allegiance.

[00:03:12] Pledge allegiance of the United States of America and to the Republic by which it stands well one nation under by indivisible with the routine justice all right, first item of business today is approval the agenda. As a reminder, if a Commissioner wishes to make a general comment for or against an item on the consent agenda, it is not necessary to pull the item from the consent agenda. Rather, a Commissioner may offer general supporting opposing comments later in this meeting. Once we get to that part of the agenda, however it is, it is appropriate at this time if a Commissioner wants to ask questions of staff or wishes to have a dialogue on a consent agenda item to request the item to be pulled for separate discussion. Are there any items to be pulled for the consent agenda or any motions to rearrange the orders of the day?

[00:04:01] Seeing none, Commissioners, the question is now on approval of the agenda. Is there a motion to approve the agenda as presented? So moved, Mr. Chair. Second all right, the motion has been made and seconded.

[00:04:10] Is there any objection to the approval agenda as presented? Hearing none, the agenda is approved as presented. Thank you. All right, there are no special orders of the day scheduled, so we'll move on to our next item. Next on our agenda is the Executive Director's report.

[00:04:26] Executive Director Metric, you have the floor. Thank you, Mr. Chair. Good afternoon Commissioners and welcome to the start of the third quarter of 2026. Since our last meeting, we celebrated the 250th anniversary or the semi quincentennial of our nation's last nation's independence.

[00:04:47] While it was a holiday for the nation, many of the port employees and our partners throughout the fourth of July holiday period worked to maintain safe, secure and reliable operations on our gateways especially. This is especially important during an exceptionally busy time and I want to thank and recognize our workers for their professionalism, their dedication and all the workers that all of our gateways. We also successfully concluded the FIFA World cup six game run in Seattle even though the US did not win its last game. Not only was this one of the most complex operational efforts in our organization's recent memory, it was also energy filled. It was also very energy filled and provided what felt like non stop opportunities to gather with partners and community.

[00:05:32] I know commissioners were out there in the community every day and I really enjoyed your social posts and hearing how you experienced the region rallying together with thousands of visitors for the port. Specifically, we experienced significant activity increases at our facilities with multiples which multiplies into activity at local businesses across the region. During the FIFA tournament, SEA saw three new entries into the top 10 busiest days at the airport with over 75,000 screened passengers. Each of those days, more than 225 port employees and community volunteers supported tournament operations, delivering a safe, efficient and welcoming experience for millions of visitors while maintaining the high level of service our customers expect. The collaboration across aviation, maritime, public safety, external relations and our many operational teams integrating with regional, national and international stakeholders showcase the port's ability to execute a global event while strengthening our reputation as a world class gateway.

[00:06:34] The experience, the partnerships and operational knowledge gained through the tournament will continue to provide lasting value for the port in our region as we prepare for future major events here. Speaking of major events, I'd like to turn your attention to the waterfront and Although the FIFA Watch party on Pier 62 is already packed up and the barges gone, the waterfront is still buzzing with Cruise operations now 50% of way through the season. Next week will bring even more visitors as we transition into preparing for seafare celebrations, the port will once again play a prominent role hosting by hosting and welcoming visiting military vessels at Pier 66. This year we will host the US Navy's USS Cincinnati and the US Coast Guard Cutter Stratton. While Canadian vessels won't participate this year due to operational commitments, we are still expecting a strong showing from the U.S. navy and U.S. coast Guard partners.

[00:07:32] The annual Parade of Ships is scheduled for July 21. It will feature both visiting vessels along with several local Navy and Coast Guard assets. The Coast Guard Search and Rescue Demonstration will also return, which continues to be one of the most popular attractions during Fleet Week. And I didn't add that just because I was a member of the Coast Guard. The public ship tours will take place on the July 22nd and 23rd at Pier 66.

[00:07:57] As always, security protocols will be in place and visitors will need to meet federal identification requirements before boarding. Fleet Week remains an important opportunity to showcase the Port's waterfront, strengthen our partnerships with our maritime and military partners, and welcome thousands of community members to the central waterfront. On the aviation front, a major piece of our preparations for the future is our Airport Master Plan. Last week, the Sustainable Airport Master Plan Environmental Review Team reached an important milestone, completing its fifth public hearing, including a special meeting with commissioners to hear community comment. Port staff has also facilitated a virtual meeting, eight City Council briefings, and continues to brief regional and community groups.

[00:08:42] These events providing meaningful opportunities for residents to learn about the draft Environmental Impact Statement, ask questions and submit formal comments. I appreciate the outstanding work of the Aviation Environment and Sustainability, External Relations and Legal Aviation and many other employees whose preparation and professionalism help ensure a transparent, responsive and public a productive public engagement process to date, we remain committed to maintaining an open and transparent environmental review process as we consider community feedback and continue advancing this important planning effort. I also had the opportunity to participate in the ribbon cutting for a new building at the port. The new Port Construction Services Facility. This represents a significant investment in our frontline workforce and long term operational capability here at the port.

[00:09:30] The new facility, which provides modern workspaces, expanded logistics capacity, enhanced employee amenities and improved site infrastructure that will better support field operations for years to come. And if you had seen the old facilities, you know how much better these facilities are for our employees. This project reflects years of planning and strong collaboration across multiple port teams, including important support for maritime maintenance. As we build on these accomplishments, we also remain focused on maintaining the Port's long term financial strength through disciplined budgeting and thoughtful management of operating expenses. I will speak on this more on this focus when I introduce the 2027 budget briefing later in today's meeting.

[00:10:13] Commissioners, Turning to today's meeting, I'd like to highlight a few items on the agenda. On our consent agenda today, we have collective bargaining agreements negotiated by our labor relations team. Approval of a bond resolution that we briefed you on at our last meeting. Authorization for environmental consulting services and amending a contract to a previously approved feasibility study and cleanup effort. For our action agenda, we request additional funds to complete the new United Airlines lounge and brief you on our 2027 budgeting process.

[00:10:44] Commissioners, that concludes my remarks. Thank you. Thank you. Executive Director Metric. It's been a busy couple of weeks for you.

[00:10:51] All right, we are now on to committee reports. Erica Chung, Commission Strategic Advisor, will provide the report. Good afternoon, Secretary Cho, Commissioners. Executive Director Metric, I have one short committee report for you today. On June 30, Commissioners Cho and Mohamed convened the Aviation Committee meeting where they received two updates.

[00:11:12] The SCA's ground transportation program mid year update, including the SEA moves pilot program and the tics taxi program. That concludes my report. Great. Are there any follow up questions regarding the report? All right.

[00:11:26] Seeing none. We'll now continue in our agenda to the public comment portion of our meeting. The Port of the Seattle Port Commission welcomes public comment as an important part of the public process. Comments are received and considered by the Commission in its deliberations. Before we take public comment Clerk Hart, please display the QR code to our public comment.

[00:11:44] Rules of procedure for members of the public providing public testimony, it is essential that these rules are followed. Copies of these rules are available at the door and with that I'm happy to call out the speaker since we only have three, let me go ahead and get the timer up. Give me just one moment here. Commissioner, We are ready. Great.

[00:12:15] Our first public speaker is Alex Zimmerman.

[00:12:22] Alex, please go ahead and repeat your name for the record and your topic that you're speaking on today. And then I'll start the timer. Okay?

[00:12:43] Yes. Yeah, my name Alex Zimmerman.

[00:12:49] Yeah, my name Alex Zimmerman. I must speak about agenda number 11. About your budget. Yeah, one year budget. Yeah, yeah.

[00:12:57] Bring this sign so you understand. You have ideal about this. It's for me very important. Yes. So budget per year, approximately $2 billion.

[00:13:08] My question very simple. With these people who sit here and I talking about this for many years. They have zero experience with businesses. They represent democrat fascist junta. You know what it means?

[00:13:22] Nobody have experience with business. And I talk about this people who posed to be citizens chamber supposed to be from port. You know, administration of port not care about this because never delivery people to chambers. Democrats right now stealing money from us everywhere. I give you classic examples.

[00:13:41] So this budget can be cut by 20 percentage. No question about this. They bring this money to the people. Sound transist. Classic example.

[00:13:50] They steal from us $35 billion. Is this exactly everywhere right now? Kim Country Housing Authority, for example spend hundred million dollars for dozen thousand not legal immigrants who don't have a document. Alex, your comments need to be about the port, not other. Exactly.

[00:14:08] Don't interrupt me, please. I speak exactly what is I thinking about budget. I give you example. 20,000 homeless people almost American never have right for this. It's like Democrat mafia operate.

[00:14:22] This is very important. Right now. We have something what's absolutely devoted. We have king country syphilis right now. You know what does this mean?

[00:14:30] Epidemio of syphilis. Last epidemiologist. Alex, this is your second one. Your comments need to be about the Port of Seattle. Exactly.

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[00:14:37] I told you about this. Everybody can be sick from syphilis. All port people. So this very interesting you know what it means because it's never happened before. Viva Trump.

[00:14:49] Even your American revolution. Stand up slaving happy cow. We need cleanse this chamber from this bandita. Thank you very much. All right, our next public speaker is.

[00:15:04] Please forgive me if I get this wrong. Bennett Hleton Hazelton. Sorry, it's not about s. Ready? All right. My.

[00:15:21] My. My name is Bennett Hazelton, private citizen from Bellevue. And your topic today, Bennett. Your topic today, Bennett. The chairs again at ctac.

[00:15:31] Thank you. Please begin. All right, so I was the guy that came in a couple months ago with a picture of the marble Angular, no back support chairs at international arrivals and saying, you know, these, these chairs are so visibly uncomfortable. People are making viral Reddit posts blowing up these chairs around the world so saying like, look how painful these things look to sit in. Look guys, 99% of the airport is awesome.

[00:15:54] The chairs at international arrivals are not. So. And I said, why don't maybe you have like a room where you have the spare vinyl and metal chairs that you that are standard everywhere else in the airport may just make a couple calls and have people bring some down to international rivals. My remarks were very politely received. I was down there a couple days ago, still no regular chairs.

[00:16:12] So I'm not 100% sure this is allowed. I took like six of my own white lawn chairs just from the house, carried them down, set them up in international rivals. I just went and sat back and like not steering or giving any steering anybody to or anything, just, just sitting and watching. So this is with people's faces blacked out. But yes, of course, when people saw these, these are the ones that filled up first.

[00:16:35] What are people not using in this picture? The big marble chairs without back support. So again, I would say I just want to see somebody like making a note on a piece of paper or something. You can fake it. I can't tell from here if you're really doing it or not.

[00:16:51] But let's see somebody writing something down. Just maybe make a call and let's try bringing some of the chairs down there. In the short term, you could just fill in some of the empty space between the marble chairs and with some of the standard chairs. If the standard chairs consistently fill up first and then people only use the marble ones when the standard ones aren't available. Maybe the long term plan would be to move the marble chair somewhere else to make room for more standard ones.

[00:17:14] They are very artistically pretty. I think chairs should be functional. Art belongs up on the wall. So you could probably move them somewhere else in the airport and then they would become another sort of exhibit point of interest. So you can say these used to be the chairs and international arrivals people kept blowing them up on Reddit because they look so uncomfortable.

[00:17:31] So now we just have them on display over here. Thank you. Thank you, Bennett. Our next public speaker is J.C. harris.

[00:17:46] Good afternoon, jc. Please go ahead and repeat your name and your topic and then I'll start the timer. Good afternoon. My name is J.C. harris. I'm here on behalf of ctacnoise.info today.

[00:18:00] I did not expect to be here, but I am suggesting that you extend the SAMP public comment period another 30 days. My group was initially a bit skeptical of this. And our lens is that we've been at this, you know, 10

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years and frankly, the. Could it have a longer name next time? You should, but the SAMP is essentially a redo from 2018, 2019.

[00:18:32] However, you may appreciate that management in all of the fence line cities has less than 48 months of experience. And I don't just mean the city managers, I mean the planning directors, the people who are assigned to the Part 150 program. This is a bit awkward for them. Imagine being an absolute expert as a commander of a battleship, for example, and then be assigned on day one to a submarine. Airports are like nothing else in planning and infrastructure.

[00:19:12] They just. It would be unthinkable to have somebody come in on day one and be assigned to this kind of material. It makes people feel bad about themselves how different it is from the zoning work of which they are just, you know, complete experts. It takes a long time to get up to speed on that kind of thing. The port has done its job.

[00:19:40] Except I'll just.

[00:19:43] People have struggled to understand this basic concept of how you can get so much more throughput on the same footprint. People here just. It's hard to overstate. They correlate expansion with 1700 million cubic yards of filter. That's been their experience.

[00:20:08] They. It's been a long time getting them to understand the. That a. You can make this great an expansion without building something. And I think we're getting to that point.

[00:20:20] Just in the last 10 days and 30 days I don't think would cut into your schedule. I thank you for allowing me to go over time a little bit here, but I'm starting to see people really come together on this and I think it would improve the quality of the comments that you get by an order of magnitude. Thank you for your time. Thank you. J.C. i believe that concludes our signups today.

[00:20:47] Right. Is there anyone else present on the team's call or present in the room today who didn't sign up, who wishes to address the commission? If so, please state and spell your name and state the agenda item or topic related to the conduct of Port of the Port you wish to speak about for the record? All right. At this time, I'll ask the clerk to please give a synopsis of any written comments received.

[00:21:11] Thank you, Commissioner. We have not received any written comments for today's meeting. Oh, great. Well, thank you. And hearing no further testimony, we'll move on in the agenda.

[00:21:21] Our Next order of business is the Consent Agenda. Items on the Consent Agenda are considered routine and will be adopted by one motion. Items removed from the Consent Agenda will be considered separately immediately after adoption of the remaining Consent Agenda items. Is there a motion to approve the Consent agenda covering items 8A through 8G? So moved, Mr.

[00:21:38] Chair. Second. Great. The motion was made and seconded. Commissioners, please say aye or nay when your name is called for approval of the Consent Agenda, beginning with Commissioner Fellerman.

[00:21:49] Aye. Thank you. Commissioner Hasakawa. Aye. Thank you.

[00:21:53] Commissioner Muhammad. Thank you. And Commissioner Cho. Aye. Thank you.

[00:21:57] Four eyes, zero nays for this item. Excellent. The Consent Agenda passes.

[00:22:05] Moving on in the agenda, we have one new business item today. Clerk Hart, please read the item into the record and Executive Director Metruck will then introduce it. Thank you. This is Agenda Item 10A. Authorization for the Executive Director to increase the post IAF Airline Realignment Project budget by $3,752,000 to execute a tenant reimbursement agreement with United Airlines for $15,500,000 to support the construction of the Concourse B United Airlines Lounge and to authorize the remaining project budget of 17,352,000 for a total estimated project cost of $158,252,000.

[00:22:46] Commissioners, this project aims to relocate airline operations from Concourse A to Concourse B to accommodate international flights at Concourse A gates. The project also includes office space renovations and ticket counter reconfiguration at both concourses. Today's request completes the final phase of the airline realignment program by authorizing construction of United Airlines replacement lounge on Concourse B in the former American Express Centurion Lounge space and providing the remaining budget needed to finish the overall project. The new lounge fulfills the port's commitment under the signatory lease and operating agreement to provide a like for like replacement while supporting United's successful relocation. The requested budget increase reflects construction, market escalation and final design development, while also providing contingency to bring the broader airline realignment project to substantial completion.

[00:23:37] Presenters this afternoon are Eric Johnson, aviation real estate and portfolio manager, and Aaron Gora, Capital Program leader. So, Eric, I guess to begin.

[00:23:49] Good afternoon, Executive Director Mettric and members of the Commission. My name is Eric Johnson, Senior Real Estate Portfolio Manager responsible for the United Airlines account here in Seattle. With me today is Aaron Gora, who is the capital Program leader for the tenant program. As Executive Director Metruck stated, today's agenda item is a three part request. The first item is to request a project budget increase.

[00:24:13] The second item is authorization to execute a TRA tenant reimbursement agreement with United Airlines and lastly is to receive full authorization of the remaining project budget. Next slide.

[00:24:27] So before I get into that, I want to provide some background and justification for the request. As part of the signatory lease and Operating Agreement Number four, the Port provided notice and entered into a joint signature letter for the relocation of United's preferentially leased gates and operational support space. The relocation of United's operational space was done under the Post IAF Airline Realignment Project and was completed in November of 2025. This operational relocation aligns with the Port's strategic vision for airline offerings and passenger experience. As required under SLOA 4, the port is obligated to replace United's exclusively leased space under a Like for like condition.

[00:25:11] The United Lounge project is the last component of this multi year post if airline realignment project. Next slide.

[00:25:21] The Concourse B United Airlines Lounge project is the ensuing project. Under previous Commission authorizations and memorandums of agreement, United has now completed design for the Like Verta like replacement lounge on Concourse B and with approval to execute a tenant reimbursement agreement, United will start construction of their new lounge. Upon execution of the tenant reimbursement agreement and the project reaching substantial completion, the Port's obligation to provide a Like for like replacement of exclusively leased premises will be completed. Next slide and now I'll pass it over to Erin to walk through the project details. Hello everybody.

[00:26:02] Good afternoon. Happy to be here with you guys today. United's lounge will consist of a brand new two story buildout that will provide approximately almost 7,000 square feet of new leasable space. On the left is the current condition that is in there today and it is the vacated space on the Concourse B where the old American Centurion Lounge used to be before it was relocated to the Central Terminal. On the right is the new graphical depiction of what the rendering is going to look like upon completion.

[00:26:33] This will also boast new viewpoints from both the concourse and mezzanine for this new two story lounge. United's brand standards have changed significantly since the original Concourse A buildout. This new lounge is going to consist of a full size kitchen, family rooms and other really essential amenities that are needed to not only help with our lounge strategy here at SEA but also update to United's current brand standards. United also aims to complete a few betterments within this lounge that are outside of the like for like replacement to further elevate that lounge experience. Those betterments are through the addition of terrazzo, decorative wall paneling and further ceiling art to kind of Expand upon their brand standards and really elevate that lounge experience here at sea.

[00:27:26] The lounge is anticipated to reach substantial, substantial completion December of 2027. Next slide.

[00:27:35] Okay, before I dive into the cost details, it's important to note that the enabling project that Eric mentioned, the Airline Realignment Project and the ensuing project, which is the Concourse B United Lounge Project, they share one project budget. Despite having discrete scopes, the Airline Realignment Project has received several commission authorizations since the project's initiation in 2021 to advance the broader airline realignment scope. As part of those actions, the PORT communicated the start of United's design and also informed Commission. We would return with future Commission authorization requests to complete that portion of the project and request execution of that tra. This is that follow on action.

[00:28:22] First, I'd like to draw your attention to the bolded bottom line. Today's first request is to increase the total project budget by $3,752,000. $500,000 is needed to complete the enabling Airline Realignment Project to replenish Port controlled Contingency. That increase is attributed to mitigation of regulated materials and accelerating the project to maintain and keep critical path Items. The remaining 3,252,000 is needed for the Concourse B United Lounge project.

[00:28:58] This increase is primarily driven by cost escalations associated with construction market conditions and reconciling the design and construction budgets from when the project originally started in 2021. In 2021, the original project budget was estimated at 18 million. Currently today we are estimating approximately 21 million needed to complete the lounge buildout. Secondarily, of the original 18 million, we've only been authorized for 4.4 thus far, so our follow on ask to this budget increase is authorization of the remaining project funds. Lastly, of the approximate 21 million total project budget for the Concourse B Lounge, 15.5 million will be set aside and allocated for the TRA that we are requesting to execute with United airlines.

[00:29:51] The remaining 5.7 is comprised of PORT controlled contingency, our design costs thus far, PM and CM soft cost, and other supplemental project costs as well. If Commission approves the requested actions today, the combined total project value would increase from approximately 1 54.5 million to to 158.2. Next slide.

[00:30:17] All in. Today we are here to request that our budget be increased by 3,752,000, execute a TRA with United Airlines in the amount of 15.5 million and authorize the remaining project budget of a little over 13.3 million. If all of that is approved today. That brings our total estimated project cost to approximately 158. Next slide.

[00:30:45] And with that, Eric and I are happy to take any questions you guys might have for us today. Great. Thank you very much. Are there any questions for stuff at this time from commissioners?

[00:30:55] Real quickly, does this project budget also include the second lounge that will go on the A concourse? Isn't there a second lounge that goes on A concourse that's not Deltas but is more of a like what it called SEA Club lounge or whatever? So that one is currently out for rfp and that's being handled by our airport dining and retail. And so this project budget does not include any capital funds associated with that. So.

[00:31:18] Okay, so it's are separate. Correct. Okay. All right, good to know. Thank you.

[00:31:21] You're welcome. All right. Hearing no further questions for this item, is there a motion and a second to approve item 10A? So moved second. Sorry, I shouldn't ask.

[00:31:31] Commissioner Felman, did you have any questions on this? I do not. Okay, great. Thank you. The motion was made and seconded.

[00:31:38] Commissioners, is there any discussion debate on this item? Seeing none. Clerk Hart, please call the roll for the vote. Thank you. Beginning with Commissioner Fellerman.

[00:31:51] Aye. Thank you. Commissioner Hasegawa. Aye. Thank you.

[00:31:55] Commissioner Mohammed. Aye. Thank you. And Commissioner Cho. Aye.

[00:31:59] Thank you. Four ayes zero nays for this item. Excellent. The motion passes. Thank you two.

[00:32:04] Thank you. Thank you. All right, we are now at presentations and staff reports. Clerk Hart, please read the next item into the record. Executive Director Steve Metruck will then introduce the item.

[00:32:15] Thank you. This is agenda item 11, a 2027 budget development briefing.

[00:32:22] Commissioners, today marks the beginning of our 2027 budget development process. As we look ahead, we do so in an environment shaped by significant economic and fiscal uncertainty. And it's not just for us. It's factors all around. Economic growth is expected to be moderate.

[00:32:39] Although we continue to see demand in port related industries.

[00:32:46] We continue to see demand in port related industries. Although several of our business lines are leveling off and maturing inflationary pressures remain, particularly related to energy. And those that didn't know about the Straits of Hormuz now know very a lot about it every day. Federal infrastructure funding is also winding down. Evolving trade and geopolitical.

[00:33:07] Geopolitical dynamics continue to create uncertainty for ports and other public infrastructure agencies. In this environment, our responsibility here at the Port of Seattle is clear. That we continue delivering on our mission. That we exercise disciplined financial stewardship and we balance today's operational needs with tomorrow's capital investments. To achieve our mission, the port needs to continually make long term investments that strengthen our regional economy, create opportunity and serve the public for generations.

[00:33:36] Accordingly, we are directing a conservative approach for the 2027 budget where we were working to align expense growth closely with revenue growth, preserve the financial capacity to deliver on the port's ambitious long term goals, and deliver on our port's long term goals. You know, this may sound commissioners like the glass is half empty as we look at it. So I need to say that our aviation and maritime business lines remain strong and the port remains as and we remain. The port has a strong financial position, but we must be intentional about how we allocate resources so we can bend the curve on the growth of our expenses as we go forward. This means for 2027 that we will exercise capital restraint in adding new positions and carefully managing our non payroll expenses, that we will ensure that we balance the needs of our capital program with the realities of our operating budget and we will continually evaluate where every dollar delivers the greatest value here at the port.

[00:34:36] So with that context, I'll turn it over to the budget team to walk through the proposed budget assumptions in the 2027 budget development process. And our presenters are Chris Wimshat, our Chief Financial Officer, Michael Tong, Director of Corporate Budget. Chris, great, thank you Executive Director Metric. Good afternoon members of the commission. Chris Wimstadt, Chief Financial Officer.

[00:34:57] We can go to the next slide. So just to quickly run through, we've already covered the environmental scan. Executive Director Metruck covered that in great detail. We'll talk a little bit about some of the key indicators that we're keeping an eye on as context for 2027 budget. Then we'll talk about principles, strategies, our budget approach and our key budget dates.

[00:35:18] And we'll go, we can move to the next slide. And we've actually already covered most of this. We see continued economic and political uncertainty. The effects of trade, immigration and policy actions are forming are one of several factors forming headwinds as we think about the 2027 budget. And inflation is really the key word on our minds as, as we think about rising energy costs and its persistent effect on inflation.

[00:35:45] And we can move to the next slide. One thing I'll say though is that I don't only have one setting which is bad news. There's actually been some kind of interestingly positive news in recent macroeconomic factors. Right. And so first of all, national inflation cooled in news that we received yesterday through June.

[00:36:06] And so we now see national CPI at 3.5%, which is down from 3.8% growth from the prior month and local CPI is down to 4.5% which is down from 4.9% growth year over year growth for the prior month. So those are still elevated figures. They're still significantly above the Federal Reserve targets and those will still influence the directionality of interest rates. But it is a better news story than we were looking at even two weeks ago. In addition to that, we've started to see convergence with national levels of unemployment at the local level due to robust employment growth in the region.

[00:36:43] One thing that I had mentioned last time we talked about this was a slight concern that I'd had that some of the tech sector retrenchment hadn't shown up in the data yet. And so we had perhaps more downside than upside coming in employment news that actually hasn't materialized. There seems to have been a lot more smoke than fire in those news in that news. So the largest growth sectors in the latest print were manufacturing which was up by the largest percent, Leisure and hospitality as well as professional and business services which were up by the highest level in absolute terms. But the big losses in employment recently have come in financial activities which are down 2.7% over the last 12 month period.

[00:37:29] Government employment is down by about a percent. In construction employment is down by about 2%.

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So we can move to the next slide. Looking at our port fiscal health indicators we can see on the top. The two charts at the top show days cash on hand and our cash conversion cycle.

[00:37:47] And these indicators are shown in green which indicates they're sending a positive signal. Our days cash on hand signifies that we do have sufficient liquidity to meet our needs. And we just recently wrapped up the discussions with bond rating agencies last week for our 2026 bond issuance. And they have, they had positive things to say about the level of cash that we have on hand. Our cash conversion cycle is a measurement of the amount of time it takes to convert a receivable into cash.

[00:38:14] And our goal here is 45 days or less and we consistently hover around the 30 day mark, which is really great. Where we do see some challenging data coming in is in further compression of our margins. And so our operating cash flow margin, which is a measure of our net operating income divided by total revenue, continues to be well below our pre pandemic levels and is materially lower today than it was 12 months ago. And our free cash flow margin, which is a calculation that involves all of our sources of revenue and all of the cash that leaves the door, including debt service, continues to be materially below where it was 12 months ago as well. And so we, that provides the context that we're using as we think about planning for the 2027 budget, which takes us into the next slide, which is a reiteration of some 2027 budget guiding principles that went out in a message from Executive Director Metruck earlier this year.

[00:39:10] And the kind of the goal here, the idea is, as Executive Director Metruck outlined is to realign expense growth with revenue growth. And so the first goal is to align the expense growth with forecasted revenue growth by the implementation of a modified zero based budget approach that takes into account contractual increases that we really don't have any meaningful control over. But further examining all discretionary spend plans in order to make sure that every dollar that we plan to spend represents the real highest and best use of those dollars in a cash constrained and in a resource constrained environment, we want to set operating expense growth caps tied to that forecasted revenue growth, knowing that that forecasted revenue growth differs across our different businesses. And so as a result, some of those growth caps can can differ in small ways as well, and that all structural cost increases above the target. We need operational, regulatory and revenue justification.

[00:40:14] Basically, any addition of new structural expenses represents an extraordinary situation and thus requires extraordinary justification. And so if we move on to the next slide that gets us into the 2027 budget strategies that we hope to employ in constructing the 2027 budget, which is to review and prioritize operational needs to limit the rate of expense growth. The goal right now on an overall basis is not to cut, it's to reduce the rate of growth and bend the cost curve into the future so that we can restore and begin building capital capacity. It's to review the needs of the need to fill all vacant positions and to ensure that as positions become vacant, we examine whether there is an opportunity to reallocate those positions to serve a higher purpose. It's to limit the growth of new full time equivalent positions to roles that support revenue growth, economic development, efficiency measures, or safety and compliance.

[00:41:10] And also to assess the affordability of capital plans considering increased inflation and revenue risks and further pressure on capital capacity as we've experienced over the last several years, and to overall strengthen our focus on sustainability, adaptability and resiliency in spending and business plans. And so with that, if there are no questions, I'll turn it over to Michael Tong to take take us through the process as outlined for 2027. Thank you, Chris. Good afternoon. So here's next slide.

[00:41:42] Please excuse me, I have my Hand raised. Okay. Oh, sorry. Go ahead. Commissioner Feldman.

[00:41:49] Thank you. I was just wondering, you know, we've had a record cruise season year after year. We have the Seaport alliance basically has a fixed long term leases and we, in fact we had the settlement with T30 which was a boost and the airport achieves record numbers. So help me understand where the revenue shortfalls are coming from. So the, we have seen persistent revenue growth year over year.

[00:42:19] The real issue is that the rate of expenses, the rate of growth in expenses has outpaced the rate of revenue growth. And that, that has, that is what has led to the erosion of capital capacity. And, and while we do have, while cruise is certainly a growth story on the maritime side, it is, it is one of kind of a few growth one, a few growth stories there and at the airport. We have seen muted weakness in non airline revenue growth. So we have not seen non airline revenue keep pace with growth in passenger traffic overall over the last 12 months.

[00:42:51] So but the real, the real crux of the issue is that expense growth has outpaced revenue growth, not that revenue isn't growing. And that's primarily driven by FTEs. FTEs are the largest structural cost driver that we have in our budget. And so we have in the, in since 2019, we've added about 20% to our FTE count and there hasn't been necessarily been a 20% increase to inflation adjusted revenue to account for that. And so that would be one factor.

[00:43:22] Correct. All right, thank you for the clarity. Okay, let's move to the next slide please. So here are some of the key budget issue and consideration as we get into the 2027 budget process. We expect very moderate passenger growth at SEA based on the initial estimate at this point bonds and as Chris mentioned a little bit earlier, inflation remain well about the long term average and well about the 2% fed long term targets.

[00:43:54] And we also for the COLA and paper performance increase, we do expect some increase which I'll go over a little bit in the next couple of slides for both the represented and non represented employees. We also expect a pretty significant health cost increase as well as some construction increase. And then there's a number of unbudgeted or under budgeted item in the 2026 budget that we have to add to the 2027 budget. For example, the organizational continuity resilience program, we have that spending already this year and we will have some more spending next year but we did not add it to the budget when we finish the 2026 budget. And then similarly for the Sub King and Port community fund.

[00:44:47] We do have some new contract that we expect to execute later this year that we increase the overall budget for next year. But again those will be still within the five year authorization that you approved it, which is 14 million. So it's just a timing of that for next year. And then we'll review all the vacant position as well as some of the commission priorities and committee programs. Next slide please.

[00:45:15] And then as Chris mentioned a little bit earlier, we implement the modified co based budgeting approach based on direction from our executive director. And we review all the expense item by category. On the payroll side we review all the backfill and vacant position, especially those position being vacant for more than 12 months. And then we look at all the outside surfaces especially you know the focus is also on the construction increase or some of the outside contracts. And then the TPCD and promotional expenses, equipment and supplies and travel and employee training and so on.

[00:45:52] So we look at each of those expense category. Next slide please. And then based on those budget item we ask department to prioritize it based on whether those items are critical, necessary or desirable. And then we also ask department to review the level of services whether an items can be eliminated, can be reduced or maintained or need to increase. Next slide.

[00:46:21] Next slide please. So our process basically, you know finance and budget provide a template which include all the recomposition that if a department have as well as the budget items based on the 2026 budget in April and then department review those again based on the priorities and level services. And then we review those files when we you know get that from the departments and then summarize review those and have some follow up obviously and then summarize information. And then we use those information to look at the division or central services and similarly for the open division as well as you say and then also use those items and information to gather for the department budget target setting. And then for central services we send those budget target based on both the department review file that we receive as well as make some adjustment based on the one time.

[00:47:28] We will remove all the one time item, adjust the budget transfer the media approval and some of the items that again identify in the modified civil based budgeting process and send it out last Friday Again the other operating division use a similar approach. Timing is a little bit different but we all adopted the modified civil based budgeting. Next slide please.

[00:47:54] And so here's the 2027 budget target that we propose and then also a few of the charge that we want to make sure you're aware of for aviation, EDD and central services the budget target we set at 4.5%, maritime at 5% and main reason is they expected higher revenue growth as well as the utility cost will be double digit next year. So that's the main reason. For the long represented employee we expect 2% COLA increase and then 1.76% for pay for performance increase and then for this benefit costs, especially medical costs we expect a pretty significant increase at this point. The other thing I mentioned is already is the large increase in some of the contractual costs, for example the jail cost and the coffee and so on and some of the ICT software contract and most of those are based on the contractual increase. And then I mentioned a couple of those earlier, some unbudgeted or under budgeted items.

[00:49:06] Next slide please.

[00:49:09] So in terms of the how to control the cost, here's some of the strategy that we've been looking looking at and have been deployed to some extent. On the payroll side we will review all the overall overtime cost and as Chris mentioned a little bit earlier, we try to review all the vehicle position and also ask department to review any position or the group function whether they can repurpose some of the position that is vacant or want to be higher. And then on the non payable side we also reviewed some of the expiring contract and for any potential saving as well as the audit discretionary spending for budget saving. And then we also try to limit all the new FTE requests as much as possible. Next slide please.

[00:50:06] And again you know for the new budget requests, anything that above the baseline budget which is very conservative, we send out the department budget target, you know, ask department to follow that and the baseline will be below the baseline budget target. And then anything about, you know and beyond those we ask department to submit a new budget request form which will be due by the end of this month July 31st and then also that will be popped the executive department budget review which will be in mid August and then after that we'll look at it comprehensively and holistically for all the new budget requests and make some decisions. Again all the new budget requests, functions or expenses that result in both about the initial department target will be considered extraordinary. And so that's the message that we send it out

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to departments and that require extraordinary justification. Next slide please.

[00:51:14] So here's a quick budget overview. Both our executive director and Chris already talked about the environmental scan and we are in the process of budget preparation right now. And then again the baseline budget entry will be done by the End of this month. And then after that we'll have the number of review including the internal department review and then the division review and then the review with the executive director and the elt. And then after that I will provide the, you know, the proposed budget and budget study session to you in late September and early October.

[00:51:53] And then after that, you know, we'll go through the final budget process to file the statutory budget and then finish the final budget document. Next slide please.

[00:52:06] So here's a little bit more detail in terms of some of the key day. I won't go over each of those, but again, you know, we start the conversation with the resources conscious and tax levy scenario analysis back in March. And then we have a number of, you know, budget pending discussion and follow up and then including today's public development budget briefing. And then we'll go through that budget preparation and review with the exact director in October and September. Next slide please.

[00:52:42] And then we'll get back to you for the central service budget and provide initial budget up in, in September September 22nd. And then after that will be the operating division operating at capital budget briefing to you. And there will be the introduction of the budget and adoption of budget in November.

[00:53:05] So with that, next slide please. With that we'll be happy to answer any further questions that you may have. Great. Thank you, Michael. And thank you, Chris.

[00:53:17] I'll open it up to any questions or comments from the commissioners at the time. Please let me know if you'd like to speak.

[00:53:26] Commissioner Felman, any questions or comments from you? Yes, thank you. I was interested in the doubling of the electrical cost in maritime. Was that what you were saying to account for the 5%? It's more.

[00:53:43] It's. I believe it's about 10%, not double, but it's double digit. And to be clear, one thing I want to be careful about is I don't want to control for expenses with our budget target because our budget target needs to answer to, to our revenues, not necessarily to the expense pressures. The, the driver for the 5% in maritime is really more based on the revenue forecast and the sustainability of the capital and operating plan at a 5% level ongoing. The fact that it also helps accommodate for the growth in utilities costs is kind of just an added bonus.

[00:54:17] Okay. I'm just, I, I understand electrical rates are only going to be going up and I would assume that our primary electrical costs come from shore power for cruise or and the, I guess the airport as well. I'm just wondering on the cruise list is that any of those Costs passed on to the, to the lessees or is that just something that the port absorbs?

[00:54:50] So shore power costs are passed along to the cruise lines? Yes. So that would, I think the numbers, I haven't looked at them specifically, but the utility numbers in our budget would be more based on just the electrical costs and our increased usage of our own. But shore power costs are all passed on to the cruise lines. So whatever the market rate at the time is, we just pass the bills through the rate at which we pay, right?

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[00:55:19] Yeah. Yeah. All right. And that's great. And so one other, one other thing is it is disappointing and I know you've discussed this before about that.

[00:55:26] You know, one of the great improvements at the airport are the dining and retail facilities. And I think anybody would agree that they're amongst the best you can encounter, but they're not being utilized to the level that we were, we were counting on. And, and it's been explained somewhat that it's a reflection of the economic health of the broader, broader region. I'm also wondering in terms of how much we can specifically do some additional promotion about. Especially for the evening flights.

[00:55:58] The morning and evenings are the busiest times, but for the evening flights, I'm just wondering we can maybe do some promotion about getting there early and benefiting from. Similarly with our art program. I'm concerned that people are just rushing to the gate and not smelling the roses along the way. So anyway, to the degree this is a challenge, I hope we can, you know, make sure that people know the facilities that we have to offer because they really are wonderful. Commissioner Feldman, thank you.

[00:56:26] Wendy Ryder, managing director at the airport. I think both we can take a look at doing some marketing. I think that makes a lot of sense. I also have talked to our dining and retail team about just making sure that we're doing some surveys to ensure that we are reaching the market that passengers are looking for now. It changes in what people are looking for.

[00:56:48] So I do think that we can look at that as well. We also are doing some surveys regarding the lounges are a huge positive for airports now, but do they take away from what dining and retail are doing too? So that's something we need to look at as well. So more to come. But certainly appreciate your comments.

[00:57:12] Thank you. We could be competing with ourselves. I appreciate that.

[00:57:18] Commissioner Mohamed, thank you. Thanks for the presentation. It's really helpful. I understand the guidance for the FTEs in order to manage the budget. But what I was wondering, is there some guidance or oversight around consultant contracts that is being provided to departments.

[00:57:37] In some cases like consultant costs can be significantly higher than fte and some consultant contracts can go for a number of years or consistently be renewed so that you have one consultant firm, you're seeing them over and over and it might even be cheaper to have a FTE or it might save some costs for the organization to actually bring an FTE versus a consultant's contract that's consistently being renewed. So are there guidance regarding that or some oversight measures that are being put in place?

[00:58:13] Commissioner, I'll be glad to start with that. Let Chris chime in. I think that's, that's part of the process of looking at, you know, doing that, that analysis of the cost. But as you pointed out, there's sometimes there's, you may pay, you may pay more for a consultancy in the short term and then, but it doesn't add to your FTE count, you know, in a longer period. But you have to do that calculation just like you pointed out.

[00:58:34] So we can make sure that, I mean in the process of evaluating what is the, what's the mixture of the workforce that we have over an FTE versus a consultant. And you know, we should be able to in that zero based up. It's not completely, but it's a zero inspired based approach to looking at that, to measuring that decision, seeing if that makes sense. But I think as we go forward that's definitely a, you know, is a good thing to really look at that of both the, the short term and longer term, longer term impacts of those. That's helpful.

[00:59:03] Thank you. Certainly. And I would say that the nature of the flexibility provided by a consultant contract will naturally make those the first kind of, the first sources of attrition in a constrained environment like this. So those will, those will certainly be examined as a part of the zero based process. And I just want to add that because the outside surface especially is the largest part of the long payable cost.

[00:59:26] So we do have the itemization, itemize all the, you know, the consulting costs. And so we did ask department to review those. In some cases they, you know, can be eliminated or reduce it. Some of this one time or some have limited duration, limited duration support. So we did review those item by item, basically.

[00:59:48] Chris, real quick question. I think I saw in your earlier slides that our net cash flow margin target is, is that 38%. It looked like it was just below 40%. Is that right? Yes.

[01:00:00] And what, what is that? An industry benchmark or I'm curious, that's not an industry benchmark. That's Actually, that's based on. That's based on previous experience. I see.

[01:00:09] And so that what we did was we took a look at the free cash flow margin from 2010 forward, and when we saw that trend line break, we looked at the line of best fit, and that basically fit around 38%. And so the goal idea, or the idea being that if we can be flexible in those goals, then as we meet a goal, we can identify a new goal in order to optimize for capital capacity. 38% is a high number, but it does include cash inflow from the passenger facility charge, for example, which is. Which is frequently banked to be. It does or does not.

[01:00:43] It does. It does. Got it. Which is frequently banked to be used to pay future debt service. It also includes cash flow from the customer facility charge and from investment income.

[01:00:53] And so there are a lot of different sources which, which kind of artificially inflates that number because a lot of that cash is held to pay future debt service. Okay, got it. That makes sense. Thank you.

[01:01:04] All right, well, I think that concludes our business meeting agenda for the day.

[01:01:11] Thank you, guys.

[01:01:17] All right, with that, are there any closing comments at this time or motions relating to committee referrals from commissioners?

[01:01:28] Nope. Okay. Oh, Commissioner, I just wanted to acknowledge that we did a special meeting, was it last week? Time is flying by. And we heard from members of the public, and I did take copious notes, and we heard about a lot of different themes that are, you know, relating to the sustainable airport master plan and the SEPA process.

[01:01:56] And I was just wondering, you know, perhaps it's not a referral to committee, but there were themes such as, you know, a request to explore recurring mitigation to cities or, you know, opportunities for lobbying the FAA for certain regulation changes or taking a look at, you know, specific impacts. For example, somebody mentioned South 146th street and how do we. What are staff's ideas on how we can follow up on some of the things that we have heard?

[01:02:33] I'll be glad to start with that, Commissioner. I know that we have all the. We've taken some very detailed notes on those, on those comments, and some of them are particularly related to the, you know, to the comment period. And, but some of them are outside. So we're looking at all of those.

[01:02:48] Feel free, Sarah, to join in. But. But I think that we took notes on those. So some of those, some of those are specifically related to that and some aren't, but we did take notes on those and those that are comments, Sarah, There's Specifically we will address those in looking at, in responding to them. Yeah.

[01:03:06] And thank you, Commissioner Sarah Cox, Director of Aviation, Environment and Sustainability. That is one of the goals and purposes of the public comment period is to get that feedback to help both develop, identify, you know, with respect to the environmental review and the projects, you know, the analysis and understanding of impacts from the SAMP near term projects, as well as what we have heard from the community in the potential development of future programs. And for example on the noise, you know, that is something that we've been advocating for for a really long time is changes in the federal policy. They're just announced in the last two days is FAA is hosting a committee on what are potential changes for the noise. And some we were planning to coordinate, communicate back with start on a community member as well as, you know, the port itself, nominating people to be on that committee.

[01:04:16] So there's, there's, it's multifaceted in, in that approach.

[01:04:25] Yeah. Commissioner Hazel, I mean Mohammed. I wanted to ask a follow up question to Commissioner Hasegawa's question. So when there's questions that are not related to the specific projects are coming to your team, is there a separate process for that? Like when they're providing Sam comments, but there's comments that have to do with other things not related to the specific projects.

[01:04:54] Are we managing that differently? That's something that we're bringing back internally within the organization. It's also items that we have communicated out with our respective forums. So there hasn't been a formal structure associated with that in the past, but I would say a couple good examples of those programs are the land stewardship program and developing tree standards that we have implemented that is outside of this type of regulatory process. Or the sound installation, repair and repair and replacement program.

[01:05:34] Yeah. And so as we're continuing to hear that feedback, you know, on the side, staff are looking at what could future programs look like. I see. Thank you, Commissioner Felman. I well give you the floor.

[01:05:52] Go ahead. Thank you. In keeping with the public hearing, we've certainly received letters as well as testimony regarding the desire to have the comment period extended. I want to make sure people are aware that we have received those requests and I'm hoping that we will be getting back to you shortly. I am sympathetic to that.

[01:06:15] It is a large document to review, but at the same time we have to continue to make progress. But we will get back to you hopefully very soon so that you will know how to plan for your process going forward. Thank you. Great. Executive Director Metric.

[01:06:36] Any closing comments from you today?

[01:06:39] No, Commissioner, thank you for hearing about especially our budget plans going forward in this environment. So thank you for your input on that. Awesome. Thank you. Hearing no further comments and having no further business, if there is no objection, we are adjourned at 1:15pm.