

Port of Tacoma: Northwest Shipping Alliance (NWSA) Managing Member Regular Meeting / Port of Seattle and Port of Tacoma Special Meeting

Date: May 4, 2021

Observer: Lydia Zepeda

Meeting called to order at: 9:03 am

Present: Port of Tacoma Commissioners Ang, Keller, McCarthy, Marzano, Mayer; Port of Seattle Commissioners Bowman, Calkins, Steinbrueck, Felleman (Commissioners of both ports are the commissioners of the NWSA)

Absent: Cho excused until 10:00 am

Others present: John Wolfe CEO of NWSA; Jennifer Maietta, Interim Director; David Morrison; Ryan McFarland, government affairs, Dana Henderson, Michelle Heart, Lindsay Wolpa; there were other NWSA staff, however, it was not possible to view a list of participants.

Recess to Executive Session - To discuss with legal counsel two matters relating to litigation or potential litigation. RCW 42.30.110(1)(i)(i).

NWSA, Port of Seattle, Port of Tacoma – Closed Session – Confidential discussion as authorized under Federal Maritime Commission (FMC) regulations.

No votes were taken at these closed meetings.

Return to Order: 11:05am

Chief Executive Officer's Report (John Wolfe)

Went over the Agenda and discussed problems with congestion. Formed an operational task force to find solutions to reduce congestions.

Commissioners started asking questions about congestion:

Meyer asked about Consent Agenda item d related to Pierce County truck queuing, does it help minimize trucks blocking HWY 509? Wolfe: with RFID and cameras can monitor the truck queue line, we know what the total turn time, and know if it has impact on HWY 509.

Marazano asked, we now have a queuing area, correct? Wolfe: yes, the culvert is fixed and the area is back in service.

Bowman asked about congestion and West Seattle Bridge. Wolfe said he had planned to talk about it at the end, but will do so now. The High Bridge will be repaired in 2023 and traffic is restricted to the low bridge until then. With more people working in person, congestion will increase. Terminal 5 will open in 2022 for phase 1 and 2023 in phase 2, so that will increase congestion even more. Some of volume at Terminal 18 will shift to terminal 5. The Task Force has identified a 10-acre waiting area near the dock terminal facility at T- 46 in Seattle and former log yard near Foss waterway in Tacoma. PCMC would operate, available both for importers and exporters to hold cargo to reduce congestion in both Seattle and Tacoma. Night loading/unloading has been explored, but exporters prefer Saturdays instead. Most congestion occurs before the Port opens at 7:00 am as trucks line up.

Felleman raises issue that trucks are not the biggest polluters, but they are a problem for those living in the neighborhood. Asks why NWSA doesn't find a queuing area in Seattle similar to Tacoma. Wolfe: property adjacent to Terminal 18 in Seattle not available, but will ask the Task Force to look into nearby area.

Consent Agenda (Felleman)

- a. Approval of the minutes from April 6, 2021
- b. *(Removed; see below)*
- c. Voluntary Continuation of the Emergency Leave pursuant to the American Rescue Plan Act (ARPA) for the period of April 1, 2021 through June 30, 2021.
- d. Project authorization in the amount of \$5,500.23 for a total authorized amount of \$305,500.23, for work associated with the RFID at PCT Truck Queue, MID 201075.01.
- e. Authorization for the NWSA and Port of Seattle to enter into an Inter-Local Agreement to use a portion of NWSA licensed property located at Terminal 106 West to widen the roadway for the Port of Seattle Terminal 106 redevelopment project.

Felleman removed item b from Consent Agenda to be discussed separately because one Commissioner needed to abstain from that item.

Motion to approve amended Consent Agenda Bowman moved, Steinbrueck seconded. Approved unanimously.

Motion to approve item b (1). Check Certification (2). Check Certification approving payment to the State Auditor's Office in amount 10,145.07, payment for accountable audit. Moved and seconded. Approved with one abstention.

Public Comments - The next meeting of the Port is May 20 at noon. Send an email to nwsacomment@nwseaportalliance.com by 9:00 a.m. PT, Wednesday, May 19, 2021 that includes your name, the telephone number you will be calling from, and the [agenda topic](#) you wish to speak to. Please include "speaker" in the subject line. Written comments may be submitted to the same email address and will be provided to the commissioners.

No written public comments, no verbal public comments.

ACTIONS

Second Reading and Authorization of a new lease agreement with Pacific Maritime Association (PMA) at Terminal 46. (Jennifer Maietta, Interim Director)

PMA will consolidate their training facilities at terminal 46. There were some modifications in the lease, location of approximate Yard Area. PMA wants to secure a site for 10 years. The lease does NOT provide for a crane use agreement, that will come later. Insurance is standard \$5 million per occurrence and \$10 million aggregate.

The lease includes market rate adjustment no more than 5% per year within 10 years. The lease originally allows movement within yard area and now includes relocation cost of training facility if need to move them within 10 years. PMA was concerned about prior hazardous substances existing on site, so they are indemnified for any prior substances, but not current or future. A reminder that NWSA has reserved the right to use PMA equipment if there is a surge in cargo. Note one crane on the site is for PMA training and other two remain owned by Port of Seattle. The terms remain the same, about \$1.2 million in revenues per year.

Discussion: The port has been looking to use these cranes for training for years. Having a training facility is an advantage for the port and increases productivity.

A question about the relocation, what are we really committing to? Does it include cranes? Maietta says does not include cranes, but ultimately if relocated, it would be at NWSA cost to provide a location with access to cranes. For example, in Tacoma the actual crane training is done on terminals when ships are not in port. It would only be an issue if NWSA could not move them within the yard.

Motion to approve new lease agreement with Pacific Maritime Association at Terminal 46 Bowman moved, and Cho seconded. Approved unanimously.

Port of Seattle/Port of Tacoma Joint Resolution regarding Water Resources Reform and Development Act of 2014 (WRRDA) 2106 Fund Distribution for 2021 - [Materials are under item 8b.](#) (David Morrison; Ryan McFarland, government affairs)

The Harbor Maintenance Tax (HMT) is collected to pay for maintenance dredging at ports around the country at a rate of 0.125% (\$1.25 per \$1,000) in cargo value and the value of cruise passenger tickets. Since each port's dredging needs vary, Seattle and Tacoma, which have deep ports, are "HMT donor ports," generating far more HMT than they receive in return. HMT makes Seattle and Tacoma ports relatively more expensive than Canadian port where HMT is not paid. Have tried to revise this through WRRDA 2014 legislation; it provides funds to ports for importer subsidies. Until 2020, the NWSA used their WRRDA Section 2106 funds for

importer subsidies to offset the HMT, these subsidies were issued by Customs and Border Protection (CBP).

The 2020 WRRDA bill included increased the amount of HMT funds returned to donor ports and increased the list of eligible uses for which Section 2106 and HMT funds can be used. HMT funds cannot be used for #1 Rebates or #6 Environmental remediation.

1. rebates to importers;
2. maintenance dredging of harbor berths;
3. disposal of legacy-contaminated sediment and sediment unsuitable for open water disposal from federal channels or berths resulting from maintenance dredging, not deepening;
4. in-water improvement if the improvement— a. is for the seismic reinforcement of a wharf or berth, or the repair/replacement of a deteriorating wharf/berth at a port facility. b. benefits commercial navigation at the harbor; and c. is located in, or adjacent to, a berth accessible to a Federal navigation project;
5. to maintain slope stability of a harbor berth;
6. environmental remediation related to dredging berths and Federal navigation channels.

In 2021, the Port of Seattle will receive \$2.782 million, and the Port of Tacoma will receive \$2.744 million in WRRDA Section 2106 funds. The NWSA staff estimate that 97% of the 2021 WRRDA Section 2106 funds are associated with cargo activity. They recommend that all 2106 funds received in 2021 be transferred to the NWSA and that all funds received from a certain harbor be used in that harbor without affecting the 50:50 membership interests of the two ports in NWSA. They propose using the WRRDA 2106 funds received in 2021 for:

Seattle: \$2.782M for T5 toe wall

Tacoma: \$2.744M for Husky fenders and berth dredge, WUT berth dredge and Blair wharf fender repair.

Each port contributed equally to NWSA and each have a 50:50 share in the NWSA. The values shipped to each port can change each year and hence the amount of 2106 funds would change year to year, so in order for funds generated from each port to go to respective port projects, staff is proposing that this will not affect the 50:50 share in the NWSA.

Discussion: NWSA we share the costs and revenues, can we lobby the Army Corps to also share project expenses. For the purposes of Army Corp, we are considered two ports, otherwise as one port it would reduce funding by the Army Corps. So can explore this, but the potential is to reduce funding because the two ports would be treated as one.

Meyer wants to know how can we get this money into the hands of the importers? Wolfe: In the past we did this, but felt it was not very effective, so we prefer to improve infrastructure which will benefit users of the port. There are other funds that are used as subsidies to importers.

Calkins asks about sources of funds. McFarland: import and domestic cargo, excluding HI and AK, and Cruise tickets. 97% from cargo, 2.2% from Cruises in 2019. For the future, we need to discuss allocation of funds, but have never discussed allocating subsidies for cruise ships.

Marzano also wants to get more money back to importers.

Motion to waive the first reading for the Port of Seattle. (Their bylaws require two readings, while Port of Tacoma does not require two reading.) Port of Seattle moved and seconded, vote of Port of Seattle passed unanimously.

Discussion: why not have a second reading? Felleman: this is not a controversial issue.

Motion to consider Joint resolution of the Port of Tacoma No. 2021-10-PT. moved and seconded. Approved unanimously.

Motion to consider resolution by the Port of Seattle No. 3788. Moved, seconded. Approved unanimously.

GENERAL BUSINESS

NWSA and Port of Seattle. Internal Governance Work Group (IGWG) Report and Recommendation regarding Maritime Access and Impact Mitigation Agreements with the Muckleshoot Indian Tribe and Suquamish Tribe. (C. Keller)- NWSA and the Port of Seattle Commission propose executing the Maritime Access and Impact Mitigation Agreements with the Muckleshoot and the Suquamish Tribes in substantially the same form as presented. At last meeting of NWSA no consensus and was sent back to IGWG

Last meeting we had a discussion that the Port of Tacoma declined and an amendment that the Port of Seattle declined, so it went back to the IGWG to look at 4 proposals. We all agree we want to honor treaty rights. Keller proposes this is an operating expense and recommends renewal of the 2016 agreements, that this is in the best interest of the NWSA.

New facts came about since last meeting.

McCarthy: This is the same motion that we voted against last month. Are we authorized to vote on the same issue month after month? Henderson: There is nothing in the NWSA bylaws about revisiting a motion. Robert's Rules allows a motion to come back if it has been defeated (because in theory no action was taken); if there is new information you, can consider the motion.

Heart: confirms Henderson's interpretation and states that under NWSA rules there is no special rule that addresses this, so Robert's Rules stand.

Meyer: We all recognize we have a responsibility to treaty rights. Do we have clarity as to what the agreements cover and the scope of permit review? The Terminal 5 (T5) agreement allocates \$4.6 million in tribal payments. I thought the money was going to damage to nets, but there is only \$10,000 in damage, so what is it that we are paying for? Lindsay Wolpa: T-5 covers a construction project while the majority of the costs for this resolution are not damage to nets,

but the cost of operating the program. The vessel coordination agreement applies to all traffic and we have not had any delays due to nets. This is about vessel coordination, while T-5 is about construction.

McCarthy: The agreement started at \$300k to do the vessel coordination program to avoid nets, now it is \$526k for each tribe plus CPI (consumer price index) not to exceed 5% per year, how much is that over 5 years? Wolpa \$3.6 million to both tribes for T5 for three years.

McCarthy: So about 8.6 million in last 5 years? Wolpa: yes

McCarthy: So about 6 million for next 5 years? Wolpa a little less

McCarthy: We agreed to do pilot program for displacement of nets, we are agreeing to give them the residual of those funds not spent. Wolpa: it is not additional money

McCarthy - this was not in the charter, there is no agreement now, the opportunity to renegotiate now. it has started low and increased wants to renegotiate this. These are not operational costs. Urges that items be deleted from NWSA expenses, urges a no vote.

Ang: McCarthy and Meyer raise the issue of developing policies, which could be done in the future. These tribal agreements were part of an agreement made in 2016. We want to avoid delays and increase efficiencies. We need to preserve our tribal agreements. In 2015 we identified T5 as a key investment and need it to be on line. We need to develop policy, later, but need to move now.

Keller: we are dealing with a sovereign nation, we need to honor our agreements, if we do not agree, there will be no movement of ships in our out of our ports. We need to go forward, this is an investment in T5.

Steinbreuk.: I support Ang and Keller and need to maintain our good relations with sovereign nations, each month delay in T5 is at least \$800,000.

Called the question, Seconded by Bowman. Need 2/3 vote is 8 for and 2 against.

Discussion ended

Motion to approve NWSA and Port of Seattle Maritime Access and Impact Mitigation Agreements with the Muckleshoot and the Suquamish Tribes Ang moved, Steinbrueck seconded. Approved 8 for and 2 against.

Q1 Scorecard and 2022 Budget Schedule Preview (David Morrison)

2021 financials and comparison with 2020:

- operating revenue \$192 million, YTD 2.2 million less than 2020
- net income \$84.5 million, YTD 4.4 more (due to delayed spending and reduced staff)
- distributable cash \$114.7 million, YTD 3.2 more (due to timing of payments)

- capital spending 134.6 million , YTD 14.1 less, will be made up by end of year

Question: What is the difference between distributable income and cash income: it is accrual (includes depreciation) versus cash flow.

Cargo volume comparisons 2021 with 2020

- International 717k is down more than 5%
- Domestic 165k, up more than 5%

Job creation, 1 million hours YTD, same as last year

Market share: trans-Pacific YTD 6.8 % vs 7.3% in 2020; West coast ports 11.3% vs 12% 2020

Revenue and return on revenue is up from 2020

Environmental: Water quality and air quality worse in 2021 than in 2020

Operations: truck turn times 71.2 minutes, up from year before 62.3, target is 60 minutes - adding to congestion.

Ang: would like to see comparison with 2019 because 2020 was so unusual. Wolfe: will provide that.

Steinbreuck: we discussed share of growth in international volumes, are we up or down? What explains the uptick in domestic traffic? Wolfe: we have scorecard summarizing one year, we can provide multiyear in future reports. Domestic shipping has increased of increases in consumer product demand because spending is down on travel

Meyer: trend line in market share, it is in the market share report that we get monthly.

Morrison Continues with report:

How is money spent in Q1: \$25.1million is the largest expenditure (on T5 berth construction). NWSA actual head count is gone from 50 in 2020 to 52 in 2021, It is not growing, but have open positions. 2 open positions, but total HC down from 56 to 54. Port of Tacoma, down 6 from 2020, 15 open positions.

Important dates for Port Budget:

August 4: 2022 retreat in June: 2022-6 capital investment plan study session, review all new projects and prioritization of projects

October 28 Budget study session

November 8 budget adoption.

CEO Announcements (1). Federal and State Grant Funding Strategy (John Wolfe)

Tomorrow is a webinar with Vietnam, because manufacturing is being moved from China to Vietnam. Over 100 people signed up. The purpose to promote direct shipping from Vietnam to Seattle/Tacoma.

Tracking Federal and State grant funding opportunities. (Jason Jordan)

We need guidance on priorities. Often very short window to apply, e.g. earmarks contacted with one weeks notice by Congressional Representatives.

Planning team is tasked with leading grants.

Priorities: promote ports in Puget Sound, and road, rail infrastructure

Biden administration and Congress is providing a lot of opportunities:

Earmarks: Tacoma harbor, Thorne Road container Yard, to expand container yard for Husky and washing united Terminal. A wetland needs to be mitigated and is underway.

Seattle: T-30 substation replacement, for shore power and electrification the terminal

Issues: identify if eligible for grants, maximize funding, identify priorities of Congress, support Interstate 5 Port of Tacoma road interchange and West Seattle Bridge

US American Jobs Plan (AJP): focus on port/freight system, electrification and other infrastructure, Opportunities: T-5,

Grants allow a little more lead time. NWSA key initiatives and resolutions, fostering relationships with cities and agencies to partner for off terminal projects.

It takes some money to complete grants, especially in design.

Have developed a NWSA grant procurement and administration procedure through Grant Steering Committee

Strategic Approach, want have projects ready in all areas where there are grants: some grants focus on inside the fence; some are on air/water/land; off-terminal support; waterways; road partnership; rail partnerships (first/last mile port infrastructure, vs Salmon Bay rail bridge BNSF, Great Northern Coalition.

Briefing around grants: what we have achieved and list of recommended grants and projects. Want to increase communication about grants.

Ang: Is there a national hydrogen infrastructure for ports? Jordan: In our corner of the world it is more of a pilot, need to show that it is works.

Cho: there should be 2 objectives with grants, to increase our competitiveness, and reduce our costs. Rank grants accordingly. This would provide greater clarity about what priorities you should make in grant applications.

Meyer: Agree with Cho. Thanks to Jason for listing federal opportunities. In future, list state opportunities. We need to talk about total electrification, not just pilots.

Commissioners spoke about their priorities, competitiveness, infrastructure, alternative energy. Also about how new administration has created a lot of opportunities for infrastructure, environment as well as racial equity. Need to seek out letters of support from community members, those adversely affected by pollution and economic effects. Actual projects need to be things we want to do.

Commissioner Comments

Ang: It is Asian Pacifica Heritage Month and get Vaccinated. Many commissioners seconded this.

McCarthy:

1. I want to have in person meetings as soon as possible.
2. It is offensive that the question is called when I had things to say
3. I would like a report from Wolfe on the value of the 50:50 properties, how accurate is it? We need to have an outside evaluation.
4. We need to be careful with other people's money.
5. We are behind in Terminal 5 project.

Morrison: there have been significant improvements to terminals, so any revaluation needs to take this into account and makes comparisons difficult.

Marzano: I agree with McCarthy about meeting in person asap, since Pierce and King are in Phase 2, we should go outside the county to meet in person.

Meyer: I would like the CEO to prepare an amendment so public comments are before Consent Agenda so we can prioritize public comment. Staff: The order of Public Comment is in Bylaws, but you can change the Bylaws.

Ang: Once we are in person, we need to be prepared for the public; be aware that right now there is a demonstration against a Port project and if we were in an in person meeting, these people will show up, we need to be prepared.

Steinbreuck: NWSA provided funds for a history of the agriculture industry in Eastern Washington. Would like to invite them back to hear about they found.

Felleman: I would support moving the Public Comment up. However, pre-covid our public comment was minimal. We need to engage the public.

Adjournment at (time): 2:21