

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No. 4C
Date of Meeting August 14, 2018

DATE: August 3, 2018

TO: Managing Members

FROM: John Wolfe, CEO

Sponsor: Erin Galeno, Chief Administrative Officer

SUBJECT: 2018 NWSA Future Management Structure First Reading

A. ACTION REQUESTED

Request Managing Members of the Northwest Seaport Alliance (Alliance) to approve First Reading of Resolution Number 2018-03, which addresses the future management structure for the Northwest Seaport Alliance.

B. SYNOPSIS

The charter contemplated the need for a temporary period of duality, whereby the NWSA CEO may also serve as the Port of Tacoma CEO for a period of five years commencing August 4, 2015 ("Transition Period").

This resolution and the supporting documents are intended to formalize the future management structure for the NWSA.

C. BACKGROUND

During 2018, the Managing Members and separately the Port of Tacoma commission have engaged in discusses in public and FMC sessions to evaluate potential management structures beyond the transition period. (The attached draft resolutions and Management Services ILA are intended to capture this input.)

The Managing Members evaluated three different alternatives:

1. Stand-alone organizations for the NWSA and the homeports.

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- a. This alternative was eliminated due to the significant costs associated with developing separate information technology and increased staffing.
2. Separate Executive Leadership with support services maximized from the homeports.
 - a. This alternative was discussed extensively and ultimately determined to create additional staffing costs beyond the 3rd alternative and limited direct management oversight for work being performed on behalf of the NWSA.
3. Separate Leader for the Port of Tacoma with NWSA Executive leadership managing the support services from the Port of Tacoma.
 - a. This alternative was selected as the most cost-effective solution while providing separation at the leader level for the NWSA and POT.
 - b. An estimated 70% of the total costs of the POT support services are on behalf of the NWSA. This alternative formalizes NWSA direct management oversight for these services.

The Northwest Seaport Alliance has purchased the majority of its support services from the homeports since the formation of the NWSA via support service agreements. These service agreements are created and approved during the budget process. This shared support service model has provided a cost-effective approach to support needs of the NWSA.

- An Interlocal Agreement between the NWSA and Port of Tacoma includes 18 separate service agreements
- An Interlocal Agreement between the NWSA and the Port of Seattle includes 17 separate services agreements

The five-year Organizational Development Diagram continues to serve as a roadmap for transitioning the NWSA to a self-sustaining independent entity. This document was created in August 2015 (11x14 copy in the reference section of the NWSA meeting binder).

D. SUMMARY OF CHANGES/ NEXT STEPS

The following transition priorities were established for 2018:

1. Finalize the management structure for the NWSA and homeport of Tacoma:

Status: See attached draft resolutions and supporting documents.

Next Step: The Managing Members discussed options in public session July 17th and are considering the first reading of a resolution during the August 14th meeting

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and a final adoption of a structure at the September meeting (These documents will be considered as part of the founding documents and filed with the FMC).

2. Complete a work space/HQ needs assessment followed by a market search for NWSA office space for staff supporting the commercial, operations, and support functions:

Status: Work space needs assessment has been completed (Phase 1 of contract); recommendations and market search decision criteria have been developed.

Next Step: Staff will request Managing Member authorization to conduct a market search once the management structure has been finalized.

3. Complete an assessment associated with developing a total rewards program including an implementation plan:

Status: The consultants have completed the initial phase of Management Member and employee workshops. A separate briefing document will be provided to the Managing Members by early July.

Next Step: The consultant is gathering market data associated with benefits and compensation.

4. Transition lease administration to the NWSA from the home ports:

Status: Transition on-track for year-end 2018.

Next Step: Complete the "As is and to be" process documentation in preparation for a year-end conversion.

5. Support the Port of Tacoma Commission in the search and selection of a new leader:

Status: Currently under review by Commission.

Next Step: The Port of Tacoma Commission will discuss options in public session during July and August meetings, with the intent to approve a final structure at the September meeting.

6. Make a recommendation associated with the one-time membership interest affirmation (revaluation):

Status: Recommendation to defer the final assessment of the impact of the revenue that was not secured with long-term contractual agreements was made and approved in March 2018.

Next Step: Review status and report final recommendation in March 2019.

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E. FINANCIAL IMPLICATIONS

The approval of the first reading of this resolution does not have any financial implications.

F. ATTACHMENTS TO THIS REQUEST

- ILA Management Support Services
- Resolution Number 2018-03
- Management structure diagram
- Transition Timeline
- Supply Chain wheel diagram