

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
UPDATED STAFF BRIEFING

Reprint - Item No.: 5A

Date of Meeting: July 17, 2018

DATE: July 3, 2018

TO: Managing Members

CC: Carolyn Lake, Tom Tanaka, Kurt Beckett, Don Esterbrook, Tong Zhu, Erin Galeno, Jean West, Dustin Stoker, Dakota Chamberlain

FROM: John Wolfe, CEO

SUBJECT: 2018 NWSA Transition Update

A. BRIEFING REQUESTED

This memo is intended to provide an update regarding the transition activities for the NWSA, including the draft documents in support of the recommended management structure for the NWSA and Port of Tacoma. Public agenda item 5A for discussion of the future management structure relates to the transition work.

B. BACKGROUND

The NWSA transition plan was developed to achieve the intent of the charter by creating a separate entity for the NWSA that is self-sufficient and independent from its membership owners.

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").

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 Northwest Seaport Alliance currently purchases the majority of its business support activities via support service agreements from the homeports. 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

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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).

C. STATUS OF PRIORITIES FOR 2018

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 will discuss options in public session during July meetings with the intent to approve first reading of a resolution in August 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 (reevaluation):

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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.

D. 2017 ACCOMPLISHMENTS

The second year of the NWSA resulted in significant accomplishments in support of the transition to a self-sustaining entity:

- Delivered financial results ahead of budgeted targets (year-to-date 2017) while dealing with significant change.
- Delivered year-over-year financial results for 2016 and 2017.
- Financial statement audit and SAO compliance audits completed with “No Findings”.
- Completed the phase 1 work associated with the Work space needs assessment.
- Selected a consultant to conduct the Total Rewards assessment and implementation plan.
- Documented the processes and work flows associated with the Lease Administration for the NWSA.
- Documented alternatives for a post-transition organization model.