

PORT OF TACOMA COMMISSION

ACTION AGENDA

Item No. 7C

Date of Meeting September 17, 2020

DATE: September 03, 2020

TO: Port of Tacoma Commission

FROM: Eric Johnson, Executive Director

Presenter: Erin Galeno, Chief Financial & Administration Officer

SUBJECT: Proposed Resolution 2020-07-PT which amends Resolution 2018-05-PT to address the Port's Revised Port Management Structure

A. ACTION REQUESTED

Request Commission passage of the Proposed Resolution 2020-07-PT which amends Resolution 2018-05-PT to address the Port's Revised Port Management Structure

The requested action is consistent with previously actions on September 1, 2020 where the Port of Tacoma Commission and Managing Members of The Northwest Seaport Alliance (NWSA) authorized by dual action vote the proposed First Amendment to the Management Services Interlocal Agreement between the NWSA and Port of Tacoma, and the NWSA Managing Members also adopted Resolution 2020-04 on September 1, 2020, which amended the NWSA Resolution 2018-03, to reflect the updated Management Structure.

A. SYNOPSIS

In 2018, the NWSA and Port of Tacoma independently passed resolutions clarifying the management structures and accountabilities and acknowledging the intent to enter into a Management Services Interlocal Agreement between the NWSA and Port of Tacoma ("ILA") which preceded the hiring of the new Port of Tacoma Executive Director.

The ILA established a management structure where 100% of the Port of Tacoma staff reported to the NWSA executive leadership. Staff and commissioners anticipated that once the new Port of Tacoma Executive Director was hired, future organizational changes might occur. Eric Johnson, the Port of Tacoma Executive Director completed his first year in June.

John Wolfe, NWSA CEO and Eric Johnson reviewed potential changes to the current organizational structure and developed a recommendation that transitions management of the majority of the Port departments to the Port Executive Director. The transition to

this proposed new organizational structure would be completed by the end of 2020. A high-level summary of the changes are as follows:

- Executive leadership for Human Resources and Finance and Administration will return to the Port of Tacoma and report directly to the Executive Director. These departments will continue to provide services to both organizations.
- Information Technology, Communications, Governmental Affairs and Port of Tacoma Real Estate departments will report directly to the Port Executive Director.
- The Port of Tacoma will continue to purchase management services for operations, maintenance, security, engineering and environmental and planning from the NWSA leadership.
- The NWSA will establish a direct staffing model for Communications, Governmental affairs, and Financial leadership for the strategic business activities.

As set forth in the NWSA Charter, the NWSA will continue to reimburse the Port of Tacoma through service agreements for services used by NWSA and provided by Port of Tacoma staff.

B. BACKGROUND

During 2018, the Managing Members and separately the Port of Tacoma commission engaged in discussion to evaluate potential management structures beyond the NWSA transition period.

To date, the NWSA has purchased the majority of its business support activities via support service agreements from the two homeports. These service agreements are developed and approved during the budget process. This shared support service model has provided a cost-effective approach to support needs of the NWSA. The 2021 budget will include:

- An Interlocal Agreement between the NWSA and Port of Tacoma which includes 20 attendant service agreements
- An Interlocal Agreement between the NWSA and the Port of Seattle which includes 17 attendant service agreements

C. FINANCIAL IMPLICATIONS

The proposed first amendment to this ILA will result in adjustments to services agreement costs between the Port of Tacoma and the NWSA. Staff anticipates that the impact to both organizations will be minimal.

Staff is working to develop a 2021 operating budget that includes the impact of these changes.

D. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

1. No change – This option is not recommended as it does not allow the Port of Tacoma Executive Director to directly manage any of the homeport departments.
2. Hire separate leaders for all departments – This option is not recommended as it would create additional complexity and administrative costs.

E. ATTACHMENTS TO THIS REQUEST

- Port Resolution 2020-07-PT, amending Port Resolution 2018-05-PT
- PowerPoint presentation.
- Port of Tacoma Resolution 2018-05

Resolution 2020-07-PT



A Resolution of the Port of Tacoma Commission of the Port of Tacoma, Washington, pertaining to the Port of Tacoma Management Structure and amending Resolution 2018-05-PT.

WHEREAS, the Port of Seattle ("POS") and Port of Tacoma ("Port") are port districts, organized under provisions of the laws of the State of Washington, and codified under Title 53 RCW; and

WHEREAS, the Port and the POS previously entered into an agreement to establish The Northwest Seaport Alliance ("NWSA") pursuant to the following federal and state authorities: (1) the Federal Maritime Commission ("FMC") Discussion Agreement No. 201228, (2) an interlocal agreement with delegated powers exercised pursuant to the port joint powers statute (RCW 53.08.240) which expressly permits joint operation and investment outside of a port district's boundaries, (3) RCW 39.34.030, the state Interlocal Cooperation Act, and (4) pursuant to Title 53.57 RCW, which authorizes the Port districts to create a port development authority to use, operate and manage certain marine facilities jointly, to be known as the NWSA;

WHEREAS, the operations, management and business of the NWSA is managed by the port districts as Managing Members of the NWSA ("Managing Members") pursuant to an adopted Charter approved by the Ports and the FMC and each port district member shall act in such capacity through its own elected commissioners;

WHEREAS, the NWSA Charter Section 6.4 allowed 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"); and

WHEREAS, in 2018 POS, Port and NWSA mutually and individually addressed post-Transition Period Port and NWSA management structures which included the adoption of an Interlocal Agreement ("ILA") between the parties which addresses the procedures to be used in standing up those management structures, which at the Port of Tacoma also was memorialized in Resolution 2018-05-PT, adopted on September 6, 2018; and

WHEREAS, the Parties anticipated that once the new Port of Tacoma Executive Director was hired, that future organizational changes may occur. Eric Johnson the Port Executive Director completed his first year in June 2020, and

WHEREAS, John Wolfe, NWSA CEO and Eric Johnson Port of Tacoma Executive Director propose changes to the current organizational structure and developed a recommendation that transitions management of the majority of the Port departments to the Port Executive Director, with the transition to this new organizational structure to be completed by the end of 2020; and

WHEREAS, the Port of Tacoma Commissioners agree with the Executives' recommended changes to the Management Structure, necessitating this update to Port Resolution 2018-05-PT.

NOW, THEREFORE, be it resolved that:

1. Resolution 2018-05-PT is amended as follows:

The Port hereby memorializes certain understandings and commitments to address the post-transition period Port Management Structure, which shall include:

~~Ensure the POT receives necessary support per the Management Services Inter-local agreement ("ILA") with the NWSA which provides day to day management for all Port of Tacoma departments that provide service to the NWSA and POT, including hiring, performance management, and collective bargaining negotiations;~~

- Executive leadership for Human Resources and Finance and Administration will return to the Port of Tacoma and report directly to the Executive Director. These departments will continue to provide services to both the Port and NWSA.
- Information Technology, Communications, Governmental Affairs and Port of Tacoma Real Estate departments will report directly to the Port Executive Director or his designee.
- The Port of Tacoma will continue to purchase management services for operations, from the NWSA leadership. Specifically, key positions of the NWSA leadership personnel will directly manage day-to-day operations of Port of Tacoma staff who work in Departments that support the NWSA, including hiring, performance management, and collective bargaining negotiations.
- The identified NWSA leadership positions are: Deputy Chief Executive Officer(s), Chief Operations Officer, Director of Engineering, and the Environmental Director, all as more fully set forth in the NWSA- Port of Tacoma's Management Services Interlocal Agreement, a revised version of which was reviewed and authorized by the Managing Members and Port of Tacoma Commission by public dual action vote on September 1, 2020.

2. Except as amended herein, the remaining provisions of the Resolution 2018-05-PT remain in full force and effect.

ADOPTED by a majority of the members of the Port of Tacoma Commission at a regular commission meeting held on the 17th day of September 2020, a majority of the members being present and voting on this resolution and signed by its President and attested by its Secretary under the official seal of said Commission in authentication of its passage this 17th day of September, 2020.

ATTEST:

John McCarthy, President
Port of Tacoma Commission

Don Meyer, Secretary
Port of Tacoma Commission

Resolution 2018-05-PT



A Resolution of the Port Commission of the Port of Tacoma, Washington adopting a Port of Tacoma Management Structure

WHEREAS, the Port of Tacoma ("POT") is a port district, organized under provisions of the laws of the State of Washington, and codified under Title 53 RCW; and

WHEREAS, the POT and the Port of Seattle ("POS") previously entered into an agreement to establish The Northwest Seaport Alliance ("NWSA") pursuant to the following federal and state authorities: (1) the Federal Maritime Commission ("FMC") Discussion Agreement No. 201228, (2) an interlocal agreement with delegated powers exercised pursuant to the port joint powers statute (RCW 53.08.240) which expressly permits joint operation and investment outside of a port district's boundaries, (3) RCW 39.34.030, the state Interlocal Cooperation Act, and (4) pursuant to Title 53.57 RCW, which authorizes the Port districts to create a port development authority to use, operate and manage certain marine facilities jointly, to be known as the NWSA;

WHEREAS, the operations, management and business of the NWSA is managed by the port districts as Managing Members of the NWSA ("Managing Members") pursuant to an adopted Charter approved by the Ports and the FMC and each port district member shall act in such capacity through its own elected commissioners;

WHEREAS, the NWSA Charter Section 6.4 allowed 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");

WHEREAS, POS, POT and NWSA mutually seek to address post-duality POT and NWSA management structures which will also include the adoption of an ILA between the parties which address the procedures to be used in standing up those management structures;

NOW, THEREFORE, be it resolved that:

The POT hereby memorializes certain understandings and commitments to address the post-transition period POT Management Structure, which shall include:

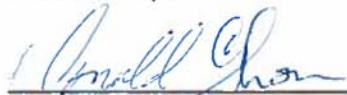
- The POT will establish independent Executive Leadership, responsible and accountable for growing POT business outside of the NWSA licensed properties;
- Additional overhead expense will be minimized for the NWSA and POT to leverage advantages and maximize homeport incomes;
- The Port of Tacoma Executive Leader will propose the strategy, approach and staffing for POT non-alliance needs, while simultaneously collaborating to ensure that the best interests of the POT and NWSA are met;
- Ensure the preparation and approval of the POT operating budget, capital investment plan, plan of finance and debt issuance.
- Ensure the POT receives necessary support per the Management Services Inter-local agreement ("ILA") with the NWSA which provides day to day management for all Port of Tacoma departments that provide service to the NWSA and POT, including hiring, performance management, and collective bargaining negotiations;
- The Executive Leader will be accountable for leasing activities associated with POT properties not licensed to the NWSA;
- The NWSA Executive leadership will be the lead for promoting growth of the Puget Sound Gateway's marine cargo, advancing initiatives to improve the efficiency of the marine cargo supply chain and managing customer relations with NWSA marine cargo owners and key logistics service providers. As the larger goods movement system is both diverse and complex, the POT Executive leader will closely coordinate on those cargo owners and service providers whose interests overlap the NWSA and homeport operations.

- Develop a partnership expectation for the NWSA and POT leadership to leverage licensed and non-licensed properties where necessary in support of the Marine Cargo supply chain, including an annual review of properties in the Port of Tacoma that are strategic to the mission of the NWSA.

Adopted by the Commission of the Port of Tacoma at a meeting thereof, held the **6th day of September, 2018**, and duly authenticated in open session by the signatures of the Commissioners present and voting in favor thereof.

Port of Tacoma Commissioners:

Donald G. Meyer



Donald C. Johnson



Clare Petrich

John McCarthy



Dick Marzano

Port of Tacoma Commission Adoption of Resolution 2020-07-PT Re: Updated Management Structure (Amends Resolution 2018-05-PT)

Eric Johnson, Executive Director

Presenter: Erin Galeno, Chief Financial &
Administration Officer



Proposed Resolution 2020-07-PT Re: Updated Port Management Structure



A. SYNOPSIS

Request Commission passage of the Proposed Resolution 2020-07-PT which amends Resolution 2018-05-PT to address the Revised Port of Tacoma Management Structure

Proposed Resolution 2020-07-PT

Re: Updated Port Management Structure



The requested action is consistent with previous actions on September 1, 2020:

- Port of Tacoma Commission and NWSA Managing Members authorization of the First Amendment to the Management Services Interlocal Agreement.
- NWSA Managing Members adoption of Resolution 2020-04, amending NWSA Resolution 2018-03, to reflect the updated Management Structure.

Proposed Resolution 2020-07-PT

Re: Updated Port Management Structure



B. SYNOPSIS

In 2018, the NWSA and Port of Tacoma:

- Independently passed resolutions clarifying the management structures and accountabilities and
- Entered into a Management Services Interlocal Agreement between the NWSA and Port of Tacoma (“ILA”) which preceded the hiring of the new Port of Tacoma Executive Director.

Proposed Resolution 2020-07-PT

Re: Updated Port Management Structure



- The ILA established a management structure where 100% of the Port of Tacoma staff reported to the NWSA executive leadership.
- Staff and commissioners anticipated that once the new Port of Tacoma Executive Director was hired, future organizational changes might occur.
- Eric Johnson, the Port of Tacoma Executive Director completed his first year in June.

Proposed Resolution 2020-07-PT

Re: Updated Port Management Structure



- NWSA CEO John Wolfe and Port Executive Director Eric Johnson have developed a recommendation that transitions management of the majority of the Port departments to the Port Executive Director.
- The transition to this proposed new organizational structure would be completed by the end of 2020.

Proposed Resolution 2020-07-PT

Re: Updated Port Management Structure



A high-level summary of the changes are as follows:

- Executive leadership for Human Resources and Finance and Administration will return to the Port of Tacoma and report directly to the Executive Director. These departments will continue to provide services to both organizations.
- Information Technology, Communications, Governmental Affairs and Port of Tacoma Real Estate departments will report directly to the Port Executive Director.

Proposed Resolution 2020-07-PT

Re: Updated Port Management Structure



A high-level summary of the changes-continued:

- The Port of Tacoma will continue to purchase management services for operations, maintenance, security, engineering and environmental and planning from the NWSA leadership.
- The NWSA will establish a direct staffing model for Communications, Governmental affairs, and Financial leadership for the strategic business activities.

Proposed Resolution 2020-07-PT

Re: Updated Port Management Structure



As set forth in the NWSA Charter, the NWSA will continue to reimburse the Port of Tacoma through service agreements for services used by NWSA and provided by Port of Tacoma staff.

Proposed Resolution 2020-07-PT

Re: Updated Port Management Structure



C. BACKGROUND

In 2018, NWSA Managing Members and Port of Tacoma commission evaluated the potential management structures beyond the NWSA transition period.

- To date, the NWSA purchases the majority of its business support activities via support service agreements from the two homeports.
- These service agreements are developed and approved during the budget process.
- This shared support service model has provided a cost-effective approach to support needs of the NWSA.

Proposed Resolution 2020-07-PT

Re: Updated Port Management Structure



The 2021 budget will include:

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Proposed Resolution 2020-07-PT

Re: Updated Port Management Structure



D. FINANCIAL IMPLICATIONS

The proposed Port Resolution is aligned with the recently approved first amendment to the Management Services ILA and will result in adjustments to services agreement costs between the Port of Tacoma and the NWSA.

Staff anticipates that the impact to both organizations will be minimal.

Staff is working to develop a 2021 operating budget that includes the impact of these changes.

Proposed Resolution 2020-07-PT

Re: Updated Port Management Structure



E. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

1. No change – This option is not recommended as it does not allow the Port of Tacoma Executive Director to directly manage any of the homeport departments.
2. Hire separate leaders for all departments – This option is not recommended as it would create additional complexity and administrative costs.

Proposed Resolution 2020-07-PT Re: Updated Port Management Structure



F. ATTACHMENTS TO THIS REQUEST

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- Port of Tacoma Resolution 2018-05

Proposed Resolution 2020-07-PT Re: Updated Port Management Structure



Questions?

Action Requested:

Request Commission passage of the Proposed Resolution 2020-07-PT which amends Resolution 2018-05-PT to address the Revised Port of Tacoma Management Structure