

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**  
**STAFF BRIEFING**

<b>Item No.</b>	<u>9a</u>
<b>Date of Meeting</b>	<u>October 1, 2013</u>

**DATE:** September 16, 2013  
**TO:** Tay Yoshitani, Chief Executive Officer  
**FROM:** Ralph Graves, Director Capital Development Division  
Tom Barnard, Commission Policy Analyst  
**SUBJECT:** Delegation of Authority Briefing and Commission/Staff Roundtable Discussion

**SYNOPSIS**

The purpose of this internal roundtable is to provide an opportunity for Commissioners and Port Executives to explore the ramifications and reasoning behind possible changes to Resolution No. 3605, as amended by Resolution No. 3628, the Master Delegation of Authority from the Commission to the CEO. Possible revisions will be taken up later in the year, and approval requested after a public comment period during the first quarter of 2014.

The Master Delegation of Authority, codified as a Commission resolution, was originally created to define and differentiate levels of authority for governing and operating the Port of Seattle. The goal of the resolution has been and remains to provide for both the necessary accountability and public trust and the need to run the day-to-day operations of the Port in as efficient and cost-effective a way as possible. The results of this discussion will be fed back into current efforts to revise the Delegation of Authority.

**BACKGROUND**

Though originally there existed one Port Commission making all important executive decisions, as the Port grew in mission complexity and infrastructure, an organizational structure had to be created alongside the Commission that was akin to a standard corporate structure of a CEO, CFO, Division Directors and so on. This structure and its relation to the Commission necessitated the creation of a CEO/Commission governance agreement, which over time evolved and has undergone several revisions. Ports in Washington are run by an elected Commission, unique among Port authorities in the United States. As a state municipality, the Port's authority flows from the people of King County to the Commission, which delegates authority to the CEO.

In December 2007, the Port of Seattle received a Performance Audit Review from the State Auditor's Office (SAO) on our contracting practices. One of its major recommendations called for the Port Commission to re-evaluate the then-current Delegation of Authority Resolution, then known as Resolution No. 3181, and develop a

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new one that more clearly defined the authority and oversight of the Commission, and the frequency and thoroughness of reporting to the Commission on construction projects and activities. Additional legislation from the 2008 Washington State Legislative session also required revisions to this document.

The new Resolution, No. 3605, changed the relationship between the CEO and the Commission in several important ways, as follows:

- Clarified the relationship between the Commission and the CEO that allows the Commission to set broad policy goals and the CEO to provide the operational capacity to implement those goals.
- Improved the quality of information available to the Commission so that it could approve expenditures, both long-term and annual, in a fiscally responsible way.
- Made the procedures the Commission followed in approving expenditures transparent, so that the public understood what the Commission was authorizing, and the oversight role the Commission plays in approving funds.

The newly-formed Capital Development Division and the Central Procurement Office set up procedures in the operating divisions to carry out and complement the work of the resolution. A subsequent version (sometimes referred to as Resolution No. 3628) was passed in August 2009, whose amendments reflected those efforts, and the ongoing desire for the Port to increase our efficiency and effectiveness as an organization. It raised authorization limits for the CEO, clarified procedures for projects and contracts, and clarified language where needed.

The understanding from the beginning was that the resolution would undergo periodic revision, in order to keep its policy guidance as relevant and up to date as possible. It was also understood that as part of that process, the range and level of authority between CEO and the Commission was also open to revision, depending on public input, further SAO guidance, internal efficiencies, and possible new legislation.

## **CURRENT ISSUES**

At this point, it is felt that further progress can be made in efficiencies for Port operations and Commission oversight and authority. The general thrust is to concentrate Commission review, input, and approval at the policy decision level. Several examples are worth exploring in relation to this, for instance:

- How/Where Should the Commission oversee spending? Many government agencies use the annual budget cycle to weigh in on spending, then leave it up to operating managers to supervise spending on approved funds. We do that here as well, but the Port has a much greater level of authority vested in the Commission.

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- But at what level are the key strategic policy decisions left to the Commission vs. those of the Executive and staff?
- How do strategic programs like the Century Agenda affect the Master Delegation of Authority? How well can they realistically be integrated into the business plans or 5-year Plan of Finance?
  - The Commission has both oversight and policy decisions to make in the area of major programs (e.g., NorthSTAR, Fishermen's Terminal development), projects (capital project authorizations, maintenance projects, etc.) and contracts (what firm does our outside audits, how we buy power, etc.) At what point is their authority warranted? What do they bring to the decision loops that exist?
  - How well does setting a numerical level for project authorization (\$300,000, \$500,000, \$1 million) provide a guide for policy decision authority? Currently, we are at \$300,000 for the CEO. What is an appropriate level? There is a request to raise that. Should that be \$1 million? \$500,000?
  - Does the system of Change Orders, Intent to Construct a Public Work, and other notifications provide value? Are there better ways to provide that information? Does the Commission need this authority? Does it provide value to the efficiency of project management?

## **SECTIONS UNDERGOING REVISION**

Of the current Resolution No. 3605 (3628) sections, the following are where major changes are envisioned, and where most of the discussion of particular examples will likely focus:

- Preamble: Roles and Responsibilities of the Commission and the relationship to the CEO.
- Section 1: Roles and responsibilities of the CEO, budget handling.
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- Section 4: Public works projects – authorizations, changes, reporting, emergency and critical work, budget transfers, small works.
- Section 5: Non-public works projects.
- Section 6: Contracts, procurements, competition, sole source contracts.
- Section 7: Personal service contracts, professional service and procurement contracts.

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- New sections: Interlocal agreements and project labor agreements

## **ATTACHMENTS TO THIS BRIEFING**

- Computer slide presentation.
- Resolution No. 3628.
- Diagram of project approval before and after changes.

## **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

- November 3, 2009 – Second reading and final passage of Resolution No. 3628, amending Resolution No. 3605, as amended.
- September 17, 2009 – First reading of Resolution No. 3628, amending Resolution No. 3605, as amended.
- September 1, 2009 – Briefing on the Annual Review and proposed changes to Resolution No. 3605, as amended.
- April 21, 2009 – Briefing on Resolution No. 3605, as amended.