

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 5e
Date of Meeting December 10, 2013

DATE: November 22, 2013
TO: Tay Yoshitani, Chief Executive Officer
FROM: Kurt Beckett, Deputy Chief Executive Officer
Michael Tong, Corporate Budget Manager
SUBJECT: Interlocal agreement with the Port of Tacoma to conduct a joint economic impact study

Amount of This Request: \$200,000 **Source of Funds:** Expense Budget
Est. Total Project Cost: \$200,000

ACTION REQUESTED

Request authorization for the Chief Executive Officer to execute an interlocal agreement with the Port of Tacoma and all other documents needed to conduct a joint economic impact study in an amount not to exceed \$200,000.

SYNOPSIS

The Port of Seattle (POS) and the Port of Tacoma (POT) are working collaboratively to conduct a joint economic impact study to assess areas of economic impact generated by the two ports in the Puget Sound region and in the State of Washington. Staff is soliciting proposals from firms interested in conducting a comprehensive analysis of the economic impacts derived by the activities related to each port. The report would include individual sections that analyze the impacts of each port within its specific county, the Puget Sound region, and the State of Washington. Additionally, the study would assess areas of shared economic impact in the Puget Sound region and the State of Washington.

The results of the economic impact analysis will be used in a variety of ways to advance the individual and shared work of each port. The results of this study will serve as the foundation for communication with the general public, media, and elected officials about the critical role of the POS and the POT in our state's trade economy. Additionally, this information will inform business proposals, grant requests, permit submissions, etc. It is imperative that the methodology used in this study is transparent, sound and consistent with past studies.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

November 22, 2013

Page 2 of 4

The ILA allows the two ports to:

- Work cooperatively to jointly procure consulting services for an economic impact study;
- Conduct a comprehensive analysis of the economic impacts derived by the activities related to each port.

BACKGROUND

The POS has undertaken a study of the economic impacts of the Seattle Harbor and Seattle-Tacoma International Airport in approximate five-year intervals since 1987. The study measures the economic impacts of the Seattle Harbor and Airport in terms of jobs, wages and salaries, business revenues and tax receipts. The analysis covers the economic impacts of the Marine Cargo, Marina Activity, Cruise Activity, Fishing Activity, Real Estate, and the Airport.

Information from the study provides defensible representations of the economic impacts associated with the Port activities and allows for informed policy discussion regarding the Port's current and potential future role in supporting the economic vitality of the region. The results of the impact assessment are widely used by the POS for public relations purposes, to obtain state funding for future port development, and to assist strategic planning efforts in identifying the economic impacts of various development scenarios, thereby enabling the POS to pursue the projects most economically beneficial to the local area.

The benefit derived by conducting the economic impact study is to know the economic impact the POS's activities and facilities generate in the Puget Sound region in terms of jobs, income, revenue, and state and local taxes. The study also provides a credible analysis that no in-house staff can perform.

The last study was conducted in 2008 based on the data from 2007 (with the exception of the cruise business, which was based on 2008 operating results). Most of the numbers are outdated. And over the last two years, we have been repeatedly asked if there are updated numbers available and when the next study would be conducted by various internal and external stakeholders.

Furthermore, as the economic impact numbers are widely cited in press releases and other port-wide and divisional publications. It is not a best business practice to frequently quote impact numbers that are five years old.

Finally, the overarching goal of the Century Agenda is to add 100,000 jobs through economic growth led by the Port over the next 25 years. It is important to establish a good baseline so that we can monitor the progress in the next 25 years.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

November 22, 2013

Page 3 of 4

Objectives

The POS and POT would solicit proposals from firms interested in conducting a comprehensive analysis of the economic impacts derived by the activities related to each port and share the cost of the preparation of this study; and a section of the comprehensive economic study would assess areas of economic impact generated by the POS and POT in the Puget Sound region and in the State of Washington. Additionally, the POS and POT agree to the following:

- The ports shall continue to work cooperatively to jointly procure consulting services for an economic impact study.
- Each port shall designate a primary contact person to facilitate communications concerning the execution of this ILA.
- POT shall be responsible for administering the execution of the RFP and contract, but shall confer with the POS about material matters related to the procurement of the consultant and contract. The POS is a third-party beneficiary to the contract executed between the consultant and the POT.
- The ports shall jointly select the consultant and shall designate appropriate staff to serve on the selection team.

Scope of Work

The scope of work may include the following:

- (a) Joint study objectives of the POS and POT together;
- (b) POT specific study objectives;
- (c) POS specific objectives; and
- (d) Economic impact of the State of Alaska on the Puget Sound region.

If the two ports decide to include (a) or (d), we shall equally share of the costs of the joint study objectives. If either port decides to include (b) or (c), each port shall be responsible for the cost of its individual study needs and the contract shall provide for a method to add or revise the scope of the study. The POS can spend up to \$200,000 for the joint study and the POS-specific study objectives. The POS will manage this additional work, directing the consultant as necessary.

FINANCIAL IMPLICATIONS

The cost for the economic impact study is included in the Finance & Budget Department's 2014 operating budget in the amount of \$200,000.

STRATEGIES AND OBJECTIVES

This project supports the Port strategy to implement the Century Agenda action plan. It would also promote further collaboration and corporation between the two largest ports in the state.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

November 22, 2013

Page 4 of 4

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Do nothing. A joint study will not only help the general public, media and elected officials to understand the huge economic benefits generated by the two ports, but also promote further corporation in the future. Doing nothing is a missed opportunity for collaboration that can benefit both ports. This is not the recommended alternative.

Alternative 2 – Delay the economic impact study. The POS has delayed the study for a year, and we have been repeatedly asked when the next study would be conducted by various internal and external stakeholders. Additionally, it is not a best business practice to frequently quote impact numbers that are five years old. This is not the recommended alternative.

Alternative 3 – Execute the ILA with POT. This agreement is beneficial to both the POS and POT. A joint study is expected to have some cost savings compared to a separate study conducted by each port due to some economy of scale. And more important, it helps promote further cooperation of the two ports. **This is the recommended alternative.**

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST

- The Port of Seattle and Port of Tacoma Interlocal Agreement.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- None.