

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 4f
Date of Meeting September 11, 2014

DATE: September 3, 2014
TO: Tay Yoshitani, Chief Executive Officer
FROM: Boni Buringrud, Director Seaport Finance and Budget
David Kleiber, Seaport Environmental Finance Manager
SUBJECT: Environmental Risk and Communications (ERCI) Environmental Liability Software Upgrades and Maintenance

Amount of This Request:	\$553,000	Source of Funds:	Airport – Airport Development Fund;
Est. Total Project Cost:	\$553,000		Real Estate and Seaport – Tax Levy
Est. State and Local Taxes:	\$48,000		

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to execute an agreement for a three-year period with two one-year options for Environmental Liability Software Upgrades and Maintenance at a cost not to exceed \$553,000.

SYNOPSIS

Approval of this request will allow the Port to continue receiving technical support and software upgrades for the ERCI Defender software used throughout the Port of Seattle for cost estimation and financial reporting of the Port's environmental liabilities through January 15, 2020.

BACKGROUND

The Port of Seattle is obligated to follow the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, to assure proper reporting and disclosure of the Port's pollution remediation obligations (PRO) which includes consistent cost estimating and reporting of environmental remediation sites. GASB 49 enhances the comparability of financial statements among governments by requiring all government agencies to account for PRO in a timely, comprehensive, and consistent manner including required reporting of obligations that previously may not have been reported. We are required to measure our environmental remediation liabilities in accordance with GASB 49. Implementation of GASB 49 is required to conform to generally accepted accounting principles (GAAP).

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

September 3, 2014

Page 2 of 3

To meet the requirements under GAAP, in October 2003, the Port completed a competitive procurement to provide a software system for environmental cost forecasting, decision analysis, budgeting, reserving, and portfolio rollups using probabilistic cost estimating, along with support to manage the system and produce the required reports and portfolios. Environmental Risk Communication Inc. (ERCI) was awarded a five-year IDIQ contract in 2004.

ERCI has customized the summary of individual site liabilities (Portfolio Rollup) to meet the Port's needs for completing GASB 49 financial reporting for the Port's financial statements. A separate Portfolio Rollup is used to document the potential future liability. This information is critical for developing strategies to reduce the Port's environmental liability exposure. This information is also used for the Port's prospective financial statements so that the Port has the necessary financial resources to cover obligations. The Port's future environmental liabilities Portfolio affect the Port's financial position and bond covenant compliance. The PRO form also documents current and contingent liabilities, in compliance with GAAP, in a format consistent across the Portfolio. The PRO form provides an audit trail and historic reference for updating future calculations. Potential cost recoveries are also noted.

Each year we have had ERCI make changes to its Defender software tool and the corresponding business processes based on feedback from financial auditors, environmental staff, other Port managers and the Port's legal department and outside counsel. For 2014, there were no changes to the software.

ERCI software support services include the following:

- Environmental liability software upgrades to the portfolio tools and project templates for each semi annual event, and provide Monte Carlo Modeling as needed.
- Support Seaport Environmental Finance Manager with Portfolio Rollups and templates– limited support to technical software issues.
- Program updates, fixes, security alerts, and critical updates.
- Tax, legal, and regulatory updates.
- Major upgrades to add functionality.

FINANCIAL IMPLICATIONS

Total renewal costs (including sales tax) for the five-year period are estimated below:

License and Support Costs (2015-2019)

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

September 3, 2014

Page 3 of 3

Year	Maintenance	Upgrades	Annual Support Amount	Sales Tax	Total
2015	\$ 75,000	\$ 20,000	\$ 95,000	\$ 9,000	\$ 104,000
2016	\$ 78,000	\$ 20,000	\$ 98,000	\$ 9,000	\$ 107,000
2017	\$ 81,000	\$ 20,000	\$ 101,000	\$ 10,000	\$ 111,000
2018	\$ 84,000	\$ 20,000	\$ 104,000	\$ 10,000	\$ 114,000
2019	\$ 87,000	\$ 20,000	\$ 107,000	\$ 10,000	\$ 117,000
	\$ 405,000	\$ 100,000	\$ 505,000	\$ 48,000	\$ 553,000

Budget Status and Source of Funds:

This is not a request for funding. The annual Environmental Remediation Liability (ERL) authorization for 2015 includes this cost and future years will be the annual ERL authorization.

ATTACHMENTS TO THIS REQUEST

None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

November 10, 2009 - the Commission authorized the Chief Executive Officer to execute an Environmental Liability Support and Software Upgrade and Maintenance for three years and two one-year options for a total estimated not-to-exceed amount of \$750,000.