

RESOLUTION NO. 3605, as amended

A RESOLUTION of the Port Commission of the Port of Seattle repealing Resolution No. 3181, and restating the master policy directive on the role and responsibilities of the Port of Seattle Commission and the administrative authority of the Chief Executive Officer and his/her designees.

WHEREAS, the Port Commission of the Port of Seattle has adopted policy directives delegating administrative authority to the Chief Executive Officer and his/her designees for the purpose of day-to-day management and administration of the Port; and

WHEREAS, the Port Commission hired a new Chief Executive Officer in 2007 and expected to adopt a revised policy directive delegating administrative authority to the Chief Executive Officer after mutual consultations with that CEO; and

WHEREAS, the State Auditor's Office issued a Performance Audit on Port Construction Management Practices in December 2007, and one of two overarching audit findings directed the Port Commission to review and revise the existing delegation of authority directive to restore the Commission's oversight authority; and

WHEREAS, the Port Commission formed a Commission subcommittee on January 22, 2008, directing two Commissioners to undertake a public process to review and revise the master policy directive delegating administrative authority to the Chief Executive Officer; and

WHEREAS, the Commission subcommittee conducted three public meetings; received substantial guidance from four citizen panel experts in these public meetings; requested public comment to the proposed revisions; provided public access to all documents related to the revision process; and presented to the State Auditor's Office a summary of proposed revisions under Commission President cover letter; and

WHEREAS, the Port Commission now wishes to provide an updated master policy directive on the administrative authority of the Chief Executive Officer and his/her designees and to repeal all prior resolutions dealing with the same subject matter:

NOW THEREFORE, BE IT RESOLVED by the Port Commission of the Port of Seattle as follows:

1. That Resolution No. 3605 be adopted as the master policy directive delegating day-to-day management and administrative authority to the Chief Executive Officer, effective as of August Two Thousand and Eight, under authority of the duly elected Port of Seattle Commissioners undersigned;
2. That Resolution No. 3605 replaces prior Port Commission Resolution No. 3181 dated November Nineteen Hundred and Ninety Four in its entirety.
3. That Resolution No. 3605 shall be subject to Port Commission review in twelve (12) months to eighteen (18) months after it enter into force, and the process for such a review will consist of the following:
 - Reviewing the document will be done by the full Commission, or
 - A Committee of the Commission composed of select Commissioners approved by unanimous vote.

The review will be assisted by a citizens' panel, with one member chosen by each Commissioner, if they so request. The Commission will consider and may retain an outside governance expert to assist and facilitate the review.

The review shall cover the following topics, among others:

- How has the new reform brought increased transparency to the Port of Seattle, and how can it be improved?
- How has the new reform brought increased accountability from staff and Port Commission to the Port of Seattle, and how can it be improved?
- How has the new reform brought greater oversight over construction practices to the Port of Seattle, and how can it be improved?

Future Commissions may decide appropriate review cycles.

PREAMBLE

ROLE AND RESPONSIBILITIES OF THE PORT OF SEATTLE

The Port of Seattle was established by the voters of King County in 1911 pursuant to state enabling legislation that same year. The geographic boundaries as originally established in 1911 are the same as those of King County.

The Port of Seattle is a public enterprise with unique authority competing in a global marketplace to bring travel, trade, commercial, and tourism flows through the region. The Port provides services to its customers in order to return benefits to the citizens of King County, and develops resources to support the public tax base. The Port gives careful consideration to the economic, social and environmental impacts of its decisions.

The Port of Seattle is a legally established port district, designed as a special purpose municipal corporation under the direction of five commissioners elected at large for four-year terms by the voters of King County.

ROLE AND RESPONSIBILITIES OF THE PORT COMMISSION

The Port Commission is the legally constituted governing body of the Port. Its primary duties are to establish policies that guide the Port's future and maintain its global competitiveness, to hire a CEO to implement those policies, and to execute its fiduciary responsibilities in overseeing the expenditure of public funds.

As a governing body of a special purpose municipal corporation, the Port Commission is charged with fulfilling the law as the basis for appropriate policy, and establishing policy as the basis for appropriate practices, activities and procedures.

The Commission, acting by majority vote, annually determines the amount of tax levy that will be adopted to support the Port's Finance Plan. The Commission also establishes broad policy, overall direction and long-term objectives for the Port. The purpose of Port policy is to establish Port goals and guidelines for implementation.

The Port Commission selects a Commission President, Vice President, Secretary and Assistant Secretary annually by majority vote. The Commission retains a CEO to implement the goals, objectives and policy guidelines as established by the Port Commission. Port Commission policy directions shall be made to the CEO by the Port Commission acting as a body through majority vote. The Port Commission guides and directs, and oversees the implementation of such guidance and direction; the CEO operates and manages.

The Commission may establish, as needed, standing or ad-hoc committees from time to time by majority vote in order to conduct Commission business. It may also from time to time engage legal counsel, consultants or other expertise reporting directly to the Commission in order to conduct Commission business.

THE RELATIONSHIP BETWEEN THE PORT COMMISSION AND THE CEO

The Port Commission and the CEO shall regularly inform and consult each other on the execution of Port policies, Port operations, and information relevant to Port Commission oversight, by methods mutually agreeable to the Port Commission and the CEO. Since the citizens of King County elect the Port Commissioners, public oversight is inherent in the Port Commission position. The oversight function cannot be delegated away, and nothing in this Resolution shall be construed as doing so.

The relationship between the Port Commission and CEO is a constructive partnership built on mutual trust, forthrightness, respect and shared commitment to the Port's common mission. The CEO works with the Port Commission to enhance openness, to

achieve efficiencies and accountability, and to develop instruments of transparency for the public.

The Commission's policy-making process requires effective communication between the CEO and Commission as new ideas are developing. Therefore, information, briefings, and public discussions will be a core part of the decision process for future Commission actions.

It is the Port Commission's responsibility to establish policy, hold the CEO responsible for the implementation of such policies, and to authorize the expenditure of public funds to implement those policies. It is the CEO's responsibility to implement the policies, inform the Port Commission on how they will be implemented, and report on how funds are expended.

The master policy directive of the Port Commission as set forth in this Resolution is for the purpose of establishing administrative authority for the CEO and his/her designees.

Section 1. ROLES AND RESPONSIBILITIES OF THE CEO

1.1. The CEO derives authority from the Port Commission acting as the governing body. The CEO is responsible for carrying out Port Commission policies.

1.2. The CEO serves as the primary spokesperson for management.

1.3. The CEO retains professional staff, which operates and manages according to directives from the CEO. The CEO may delegate to appropriate Port staff such of his/her administrative authority or reporting requirements herein established, as is necessary and advisable in the efficient exercise of such authority. To implement such delegations, the CEO shall promulgate Port of Seattle policies and procedures, administrative, monetary and contractual delegations, and other documents, which shall include such delegations as may be appropriate.

1.4. Subject to the limitations identified in this Resolution, the CEO shall be responsible for:

1.4.1. Operation, maintenance, administration and use of the Port's seaport terminals, airport and other properties and facilities;

1.4.2. Development of industrial districts;

1.4.3. Implementation of construction work and alterations and improvements to the Port's real estate and physical facilities and necessary planning incidental thereto;

1.4.4. Administration of the day-to-day "Normal Port Operations," which include personnel administration (salary, wage and benefit matters, collective bargaining

agreement negotiations and modifications, task and project assignments, hiring, firing, training, grievance procedures, diversity training and enhancement programs, employee enrichment and improvement, etc.)

1.4.5. Execution of interlocal agreements with other governmental agencies that do not commit the expenditure of Port funds, unless such expenditure was previously authorized in the Port's Annual Operating Budget, or through other Commission actions as described in this Resolution;

1.4.6. Execution of contracts and other documents related to Normal Port Operations that are: (a) related to or pursuant to a project or matter approved by the Commission, or (b) otherwise authorized in this Resolution;

1.4.7. Applications for permits associated with Port facilities or projects;

1.4.8. Application for and acceptance of grants or other funds from federal, state or local governments; and

1.4.9. Delivery of services essential to the Port's mission; financial and accounting related matters; legal matters and all other administrative matters.

1.5. The Port Commission may at any time rescind or suspend all or any portion of the delegated authority conferred upon the CEO under this Resolution by further resolution or by motion acted on in a public meeting.

Section 2. REAL PROPERTY AGREEMENTS

2.1. The Port will pursue opportunities if they enhance its ability to preserve scarce land resources – marine or aviation – of unique value for Port uses.

2.2. Types of Agreements: The directives in this Section 2 apply to all agreements or transactions for use of Port real property, including but not limited to leases, concession agreements, rental agreements, operating agreements, licenses, easements, permits, rights of entry and other use agreements (all referred to collectively as "Real Property Agreements" or at times referred to as "Agreements") or to agreements for the Port's use of real property owned by others.

2.3. General Real Property Agreement Policies:

2.2.1. Except as otherwise provided in this Resolution, all real property of the Port shall be used pursuant to an appropriate written Agreement approved and executed as authorized by the Port Commission or CEO and accompanied by a security deposit in accordance with law.

2.2.3. Prior to the execution of Agreements, the CEO shall have authority to negotiate such Agreements and shall apprise the Port Commission of the progress of negotiations; obtain appropriate appraisals where necessary; provide for appropriate deposit security; submit Agreements to the Port's General Counsel's office for approval in writing; and follow all other applicable laws and Port Real Estate Policies and Procedures.

2.3. Real Property Agreement Procedures. The CEO is authorized to perform the following actions without Port Commission approval, but must semi-annually provide the Port Commission a report summarizing such actions. To the extent CEO authority for a specific Agreement action is not provided within this Section, approval of such action must be by Port Commission authorization.

2.3.1. Agreements –with a term of five years or less: Any Agreement having a term (including any tenant or Port options) of five years duration or less may be approved and executed by the CEO *provided that:* (i) the Port's standard Agreement form is used or, if no standard form exists, the form used has been approved by the Port's General Counsel's office; (ii) the Agreement provisions conform to the Port's real estate policies and procedures; and (iii) the Port's monetary obligations under the Agreement, if any, are less than or equal to Two Hundred Thousand Dollars (\$200,000) and are within Authorized Budget Limits.

2.3.2. Assignments, subleases, amendments, approvals, or options for Agreements with a term of five years or less. Where an Agreement permits assignments, subleases, approvals or options, the same may be approved and executed by the CEO, but only if (a) other substantive provisions of the Agreement, except rental increases, remain unchanged; (b) any new option or options do not result in an extension of the original term of the Agreement (including original tenant or Port options) beyond five years; (c) rental adjustments (increases or decreases) consistent with the Port's real estate policies and procedures are made; and (d) any new financial obligation undertaken by the Port is less than or equal to Two Hundred Thousand Dollars (\$200,000) and is within Authorized Budget Limits.

2.3.3. Assignments, subleases, amendments or approvals for Agreements with a term in excess of five years. Where an Agreement permits assignments, subleases, amendments or approvals, the same may be approved and executed by the CEO, but only if (a) other substantive provisions of the Agreement (including the term of the Agreement) remain unchanged; (b) rental adjustments (increases or decreases) consistent with the Port's Real Estate Policies and Procedures are made; and (d) any new monetary obligation undertaken by the Port does not exceed Two Hundred Thousand Dollars (\$200,000) and is within Authorized Budget Limits.

2.3.4. Temporary easements, licenses, access permits or other rights of entry or use agreements over Port property. Where the easements, licenses, permits

or other rights of entry or use agreements: (a) relate to or benefit the Port's operations; and (b) do not require that the Port undertake a new financial obligation.

2.3.5. Permanent easements over Port property or over the property of others. For the installation, maintenance or construction of utilities benefiting Port properties; provided there is no new financial obligation to the Port. Permanent easements which deprive the Port of substantial use of Port property require Port Commission approval and must comply with the appraisal requirements of Section 3.

2.3.6. Temporary easements for the Port to use the property of others. Where (i) the Port's total financial obligation over the term of the easement (including options) is less than or equal to Two Hundred Thousand Dollars (\$200,000) and is within Authorized Budget Limits, and (ii) the term of the easement does not exceed five (5) years (including options).

2.3.7. Agreements (other than easements) for the Port's use of the property of others, including leases, rental agreements, operating agreements, licenses, access permits, street use permits, rights of entry and other use agreements. Where (i) the Port's total monetary obligation for the term of the Agreement is less than or equal to Two Hundred Thousand Dollars (\$200,000), and is within Authorized Budget Limits, and (ii) the term of such Agreement does not exceed five (5) years (including options).

2.4. Reimbursements to Airport tenants.

2.4.1. The CEO may approve reimbursements to Airport tenants for work performed by such tenants to improve Airport premises so long as the total reimbursement amount: (i) is less than or equal to Two Hundred Thousand Dollars (\$200,000), (ii) is within Authorized Budget Limits, (iii) the plans and specifications for such improvements and (iv) the work as completed is acceptable as determined by policies and procedures promulgated by the CEO.

2.4.2. The CEO shall implement procedures for the reimbursement of Airport tenant improvements. Such procedures must include allowable cost categories and provide for their consistent application among all tenants.

2.5. CEO to ensure compliance. The CEO is charged with the responsibility to ensure that all Agreement terms are complied with and is authorized to take necessary measures to ensure compliance or to protect the Port's legal position, including but not limited to subjecting Agreements to Port internal audits, termination of Agreements and the giving of all notices provided for in Agreements.

2.6. Real property agreement security and insurance. The CEO is authorized to take all necessary actions in connection with Agreement surety bonds, letters of credit, cash

deposits or other legal security ("Agreement Security") and insurance coverage required pursuant to any Agreements of the Port, including, but not limited to, the following:

2.6.1. Release Agreement Security: (i) where adequate substitute Agreement Security has been provided, and the Agreement is not in default; or (ii) when an Agreement has expired or is terminated (for other than a default).

2.6.2. Approve terms of any Agreement Security or insurance submitted in fulfillment of the requirements of any Agreement, including substitute or replacement Agreement Security or insurance coverage.

2.6.3. Approve (i) substitutions, replacements and modifications of Agreement Security or insurance coverage that are not inconsistent with Agreement terms, and (ii) release any insurance company, bonding company or financing institution when acceptable substitute or replacement insurance coverage has been provided.

Section 3. REAL PROPERTY ACQUISITIONS AND SALES; STREET VACATIONS

3.1. Appraisals. The CEO is authorized to obtain appropriate appraisals for use in evaluating or negotiating any proposed Port acquisition, sale, lease, permanent easement or other interest in real property.

3.2. Acquisitions. After the Port Commission authorizes the Port's acquisition of real property by negotiated purchase or condemnation, the CEO is authorized to take all necessary steps, including executing all required closing documents, to secure title of such property for the Port. The acquisition price (i) of individual properties and (ii) of several properties under the same ownership (when acquired in the same transaction), shall in no case exceed the Port's appraisal by more than ten percent (10%) without further specific Port Commission approval.

3.3. Sales. When the Port Commission authorizes the sale of Port real property in accordance with State law and Commission policy, the CEO is authorized to take all other necessary steps, including executing all required closing documents and executing and delivering conveyance instruments, to finalize the sale.

3.4. Street Vacations. The CEO is authorized to make application for vacation of city or county streets or roads and to take all other steps necessary to acquire a fee interest in streets or roads ancillary to Port development, if the estimated acquisition costs are less than or equal to Two Hundred Thousand Dollars (\$200,000) and are within Authorized Budget Limits.

Section 4. PUBLIC WORK PROJECTS

4.1. Projects that constitute or include public work shall be authorized utilizing the procedures outlined below. These projects generally include planning, scoping, engineering, design, permitting, construction, and request for qualifications, contract administration or related work. In the event that a project includes, as a component, any work constituting a public work, it shall be approved and executed under this Section. Projects may be either capital or expense and their designation as a public work is not dependent on the source of funds.

4.2. Project Authorization

4.2.1. Preliminary Project Work

4.2.1.1. Within Authorized Budget Limits. Preliminary work includes, but is not limited to, such activities as concept design, geotechnical investigations, or market analyses. The CEO is authorized to perform such preliminary project work without prior Commission approval. The CEO may further contract for professional, personal and/or purchased services necessary for the performance of preliminary project work without prior Port Commission approval, so long as the cost for all such work is less than or equal to Two Hundred Thousand Dollars (\$200,000) and the selection and payment requirements in Section 7 are followed.

4.2.1.2. Any preliminary project work that is not within Authorized Budget Limits requires Commission authorization before any funds are expended.

4.2.2. Total Project Cost Less than \$200,000. For projects where the estimated total project budget is less than or equal to Two Hundred Thousand Dollars (\$200,000) and within Authorized Budget Limits, the CEO is authorized to complete the project, including the preparation of plans and specifications, the issuance of request for proposals or notice calling for bids, the award of contracts for work. If at any time it appears that the project cannot be completed for a total of less than or equal to Two Hundred Thousand dollars (\$200,000) or that the project will exceed Authorized Budget Limits, Port Commission authorization, as set forth more specifically below, shall be required before proceeding further with the project. Projects shall not be broken into units or accomplished in phases in order to avoid the requirement for Port Commission authorization that would otherwise apply to projects more than Two Hundred Thousand dollars (\$200,000). The Port CEO will utilize the employee code of conduct, as well as all other relevant policies to discipline, up to and including termination, for any employee found to have deliberately misled the Commission.

4.2.3. Total Project Cost More than \$200,000. For projects where the estimated total project budget is more than Two Hundred Thousand Dollars (\$200,000), Port Commission approval is required.

4.2.3.1. Projects costing more than \$200,000 will require separate Port Commission approval for (i) a review of project feasibility and authorization to

complete design, (ii) the authorization of construction and approval to advertise, (iii) and an authorization to award the contract.

4.2.3.2. Potential Commission Action. Notwithstanding Section 4.2.3.1, prior Commission authorization will not be necessary for the award of the public work contract where the contract has been let using a traditional design-bid-build methodology and there are no bid irregularities; provided, the CEO shall promptly provide the Commission with notice of award pursuant to this provision. The Commission shall have five business days after notice by the CEO to request a delay in approval until the next public Commission meeting. A request for such a delay automatically requires a vote by a quorum of the full Commission on the decision to award.

4.2.3.3. Project Changes. Additional Commission authorization shall be required if (i) it becomes apparent at any time that the project cannot be completed within the authorized amount (including contingency), (ii) project changes or delays will have material, financial, community or business impacts, (iii) or there has been a material change in project scope as compared with the original scope of work defined in the Request for Proposal or notice to bidders.

4.2.3.4. Bid Irregularities. A bid irregularity occurs where (i) there is an unresolved formal bid protest, (ii) the lowest bid is more than ten percent (10%) over the engineer's estimate, (iii) there is only a single bidder, (iv) the award is to be made to other than the lowest responsible bidder, or (v) there is a material deviation from the Port's General Conditions. Any one of these situations, or combination thereof, constitutes a bid irregularity and requires subsequent Commission actions to authorize the CEO to proceed.

4.2.3.5. Reporting on Projects. Unless the Commission requests more frequent reporting, the CEO shall report quarterly on the progress and status of all Commission authorized public works. The status report on each project shall include (i) whether the project is on schedule and, if not, the reasons for delay, (ii) whether the project is on budget and, if not, the sources of any cost overruns, (iii) notice of any change order(s) that individually or in the aggregate total more than \$200,000 or ten percent (10%) of the total approved contract amount, (iv) any budget transfers of over \$200,000 between active construction contract projects, (v) any current risk factors that, in the opinion of the CEO, are substantially likely to lead to a significant increase in project cost or a significant delay in the project, (vi) any other significant developments with respect to the project or other information regarding the status of the project that the CEO believes should be brought to the Commission's attention including requests for equitable adjustments or claims.

4.2.3.6. Authorization for Emergency Work. When any emergency requires the immediate execution of a contract for work, the CEO is authorized to make a finding of the existence of such emergency and execute any contracts

necessary to respond to the existing emergency. For purposes of this section "emergency" means unforeseen circumstances beyond the control of the municipality that either: (a) presents a real, immediate threat to the proper performance of essential functions; or (b) will likely result in material loss or damage to property, bodily injury, or loss of life if immediate action is not taken. The CEO shall comply with any legal requirements related to any contracts or agreements issued under the declaration of the emergency and otherwise keep the Port Commission informed of the development of the emergency situation and the progress of any contracts and agreements executed to remedy the emergency.

4.2.3.7. Authorization for Critical Work. Under circumstances not constituting a legally defined emergency but otherwise requiring immediate action to avoid significant adverse consequences, the CEO is delegated the authority to commit up to Five Hundred Thousand Dollars (\$500,000) to address the situation and mitigate potential consequences. Such a critical situation is deemed to arise where prior Commission authorization cannot, even on an expedited basis, be obtained or either (i) the circumstances are such that, if left unaddressed, a true emergency as defined by RCW 39.04.280 is substantially likely to develop, or (ii) any delay will result in significant cost or schedule impact on the Port, other public agencies or private property owners. When the CEO exercises this delegated authority, he will notify the Port Commission as soon as practicable of the action taken and obtain Port Commission ratification of his action at the next public meeting. Notice of this action will be provided to the public.

4.2.3.8. Change Orders for Contracts over \$200,000. For those contracts for which Commission authorization is required under this section, where the work is in progress and changes in plans and/or specifications are necessary to properly accomplish the work, the CEO is authorized to execute change orders to the contract provided the following conditions are met:

- (i) Either the estimated cost of the changes in plans and/or specifications will not exceed Two Hundred Thousand Dollars (\$200,000.00) or 10% of the contract price, whichever is less, or
 - (ii) The individual change order does not cause the project to exceed the authorized budget, or
 - (iii) The time extension for completion of the contract for any single change order does not exceed sixty (60) calendar days, or
 - (iv) The change order is necessary due to an emergency as described in **Section 4.2.3.6.** or a critical situation as described in **Section 4.2.3.7.**
- Change orders will then be handled in accordance with those sections.

Change orders not meeting the above conditions require Commission approval.

When an individual change order causes the total dollar amount of cumulative change orders to exceed 10% of the original contract amount, the Commission shall be notified at the time of execution of the change order.

4.2.3.9. Budget Transfers. The CEO is authorized to transfer budget funds for projects that have been authorized under the following conditions:

- (i) If all projects affected have been previously approved by the Commission, and
- (ii) If the amount of transfer is less than or equal to \$200,000, and
- (iii) If doing so results in a cost or time savings, or other tangible benefit to the project.

All such transfers will be reported to the Commission as soon as is practicable. All budget transfers more than \$200,000 must be approved by the Commission.

Such transfers and benefits will be included in the quarterly project reports as described in **Section 4.3.5**. Any transfer not meeting all of the above conditions will require Commission approval.

4.3. Small Works Construction Contracts. The CEO may, without Port Commission approval, prepare plans and specifications, issue notice calling for bids, award and accept contracts, issue change orders, and take any and all necessary steps to complete the work in compliance with RCW 39.04.155 and Port policies and procedures, where the total estimated cost of the project work does not exceed the amount authorized by RCW 53.08.120 and RCW 39.04.155, and the work is within Authorized Budget Limits. The Commission shall be provided with a report regarding such contracts semi-annually.

4.4. Small Works Change Orders for Construction Contracts. Where contracts for the performance of work have been awarded and under which work is in progress, and changes in plans and specifications are necessitated in order to properly accomplish the work, the CEO is authorized to execute change orders to the contract provided the following conditions are met:

- (i) The estimated cost of the changes in plans and specifications will not cause the total contract to exceed the small works contract amount authorized by RCW 53.08.120 and RCW 39.04.155.
- (ii) The individual change order does not cause the project to exceed the authorized budget, or
- (iii) The time extension for completion of the contract for any single change order does not exceed sixty (60) calendar days, or
- (iv) The change order is necessary due to an emergency as described in **Section 4.2.3.6**. or a critical situation as described in **Section 4.2.3.7**. Change orders will then be handled in accordance with those sections.

Change orders not meeting the above conditions require Commission approval.

Section 5. NON-PUBLIC WORK PROJECTS

5.1. Other projects that do not constitute or include public works (as that term is defined in Section 39.04.010 of the Revised Code of Washington) shall be authorized utilizing the procedures outlined below. Projects under this Section may be either capital or expense and their designation as non-public work does not depend on the source of funds. Projects do not, however, include regular, recurring or routine work associated with the day-to-day management and normal operations of the Port.

By way of example, projects by the Information and Communication Technology (ICT) Department will frequently fall within this category. ICT Projects may include (but would not be limited to) the major upgrade or replacement of an information or communication hardware or software system. Projects would not, however, include regular, recurring expense work necessary for system security, integrity, or continuity such as minor software upgrades recommended for licensed software applications; equipment refresh programs performed in accordance with pre-defined criteria (e.g. desktop/laptop replacement); systems analysis; business planning; or the scaling of existing information systems to meet gradual increases in Port demands (e.g. adding expanded data storage capacity).

5.2. Project Authorization.

5.2.1. Preliminary Work within Authorized Budget Limits. The CEO is authorized to perform preliminary project work without prior Port Commission approval. The CEO is authorized to contract for professional, personal and/or purchased services necessary for the performance of this preliminary work without prior Port Commission approval, so long as the cost for all such work is less than or equal to Two Hundred Thousand Dollars (\$200,000), and the selection and payment requirements in Section 7 are followed.

5.2.2. Any preliminary project work that is not within Authorized Budget Limits requires Port Commission authorization before any funds are expended.

5.3. Port Commission Authorization of Projects.

5.3.1. Total Project Cost Less than \$200,000. For projects where the estimated total project budget is less than Two Hundred Thousand dollars (\$200,000), the CEO is authorized to complete the project, including the acquisition of all necessary goods, materials and services so long as the project remains within Authorized Budget Limits. If at any time it appears that the project cannot be completed for less than Two Hundred Thousand dollars (\$200,000) or that the project will exceed Authorized Budget Limits, Port Commission authorization, as set forth more specifically below, shall be required before proceeding further with the project. Projects shall not be broken into units or accomplished in phases in

order to avoid the requirement for Port Commission authorization that would otherwise apply to projects more than Two Hundred Thousand dollars (\$200,000). The CEO shall inform the Commission of any such action.

5.3.2. Total Project Cost More than \$200,000. For projects where the estimated total project budget is more than Two Hundred Thousand dollars (\$200,000), Port Commission approval is required. Projects subject to this Section will not typically require the development of detailed designs or specifications by architects, engineers or other licensed professionals the selection of whom is subject to Chapter 39.80 of the Revised Code of Washington prior to proceeding with actual project implementation. Therefore, Port Commission authorization will generally be required only for review of project feasibility and authorization of funds for the acquisition of all necessary goods, materials and services necessary to implement and complete the project.

5.3.2.1. However, if a particular project requires the development of detailed designs or specifications by architects, engineers or other licensed professionals prior to proceeding with actual project implementation, Port Commission authorization will also first be required for (i) initial review of project feasibility and (ii) authorization of funding to develop the detailed designs and/or specifications and complete the project plan.

5.3.4. Reporting on Projects. Unless the Port Commission requests more frequent reporting, the CEO shall report quarterly on the progress and status of all Commission authorized projects as set forth in Section 4.3.7.

5.3.5. Emergency work. See Section 4.2.3.6.

5.3.6. Critical work. See Section 4.2.3.7.

5.3.7. Change Orders. See Section 4.2.3.8.

5.3.8. Budget Transfers. See Section 4.2.3.9.

Section 6. CONTRACT AND PROCUREMENT ADMINISTRATION

6.1. Subject to the requirements of this Section, the CEO is authorized to prepare, negotiate, and manage all aspects of Port contract administration and procurement activities in order to conduct the Port's business, provided that all applicable laws and Port policies are met.

6.2. Bid/proposal protests shall be resolved in accordance with the administrative procedure in the Port's standard contract specifications or as established by Port policies and procedures from time to time.

6.3. The CEO is authorized to amend any agreement for the procurement of goods and services and/or purchased services provided the following conditions are met:

6.3.1. For any project for which Commission authorization was required, the amendment to any agreement does not exceed Two Hundred Thousand dollars (\$200,000.00) or ten percent (10%) of the authorized project budget, whichever is less.

6.3.2. The amendment to any agreement for the procurement of services complies with SSHB 3274, or its equivalent codification in the Revised Code of Washington.

6.3.3. The amendment does not cause the project to exceed the Authorized Budget Limits.

Section 7. PROFESSIONAL, PERSONAL, AND PURCHASED GOODS/ SERVICES AGREEMENTS

7.1. Professional Services.

7.1.1. For projects within Authorized Budget Limits, the CEO is authorized to contract for professional services with qualified firms that are licensed in the State of Washington to provide such services as required for preliminary engineering, planning, environmental permitting, construction permitting, project scoping, construction management; or for similar purposes reasonably required in connection with public works; so long as the fees for any single project or closely related work without Port Commission authorization for the work to be performed as part of the authorization for project design under Section IV, less than or equal to Two Hundred Thousand Dollars. (\$200,000).

7.1.2. For services not ancillary to projects, the CEO is authorized to contract for professional services so long as the fees are within Authorized Budget Limits and less than or equal to Two Hundred Thousand Dollars (\$200,000).

7.1.3. The CEO will endeavor to use a variety of firms (including small business firms) based on the nature of the work and the expertise of the firms. The CEO will develop or oversee strategies to identify and certify eligible firms to compete on such projects.

7.2. Personal Services.

7.2.1. For projects within Authorized Budget Limits, the CEO is authorized to contract for personal services with qualified consultants so long as the fees for any single project or closely related work are less than or equal to Two Hundred Thousand Dollars (\$200,000).

7.2.2. For services not ancillary to projects, the CEO is authorized to contract for personal services so long as the fees are within Authorized Budget Limits and are less than or equal to Two Hundred Thousand Dollars (\$200,000).

7.2.3. Selection, contracting, and payment for all such services shall follow all required statutory procedures. All Port of Seattle personal services policies and procedures shall specifically conform to SSHB 3274, or its equivalent codification in the Revised Code of Washington.

7.2.4. The CEO will endeavor to use a variety of firms (including small business firms) based on the nature of the work and the expertise of the firms. The CEO will develop or oversee strategies to identify and certify eligible firms to compete on such projects.

7.3. Purchased Goods/Services

7.3.1. The CEO shall have the responsibility for following all statutory requirements and procedures in connection with all contracts for the acquisition of goods and purchased services. Goods and purchased services may be acquired on the open market, pursuant to published tariffs, or by competitive bidding when required, for the normal maintenance and operations of the Port without prior Port Commission approval so long as, where appropriate, such acquisitions shall be approved as a part of normal monthly expenses and shall be within Authorized Budget Limits. The CEO may execute contracts for such acquisitions, subject to the following conditions:

7.3.2. The contract or purchase order price is not for a term more than three years and the total obligation does not exceed Two Hundred Thousand Dollars (\$200,000) or, for contracts with a term of only one (1) year, the total obligation does not exceed the amount specifically included in the Port's Annually Approved Capital Budget or current annual operating budget. Single year contracts may provide for up to four (4) options to extend the contract term for one (1) year periods, provided that the cost associated with any contract extensions must be within Authorized Budget Limits.

7.3.3. Selection, contracting, and payment for all such services shall follow all required statutory procedures as stated in SSHB 3274, or its equivalent codification in the Revised Code of Washington.

7.7.4. Auditing and Accounting Services.

7.4.1. **Audit Requirements.** The Audit Committee shall represent the Commission and have review and oversight authority in matters relating to the Port's auditing process and procedures.

7.4.2. The Audit Committee is authorized to review and recommend to the Commission based on recommendations from the Internal Audit Manager, following an open competitive process, the independent auditors to be selected to audit the financial statements of the Port of Seattle, as well as the federal grant and Passenger Facilities Charge programs of the Port of Seattle.

7.4.3. The Audit Committee shall also be charged with oversight over periodic performance audits to be conducted on Port of Seattle operations, programs, activities and business processes. The nature, scope and frequency of specific performance audits, including the selection of any independent auditing firms, if deemed necessary, shall be subject to approval by the Commission as a whole. In carrying out these responsibilities, the Audit Committee shall engage in discussion with management, the Commission and other stakeholders to solicit ideas and identify potential areas of performance audit focus.

7.4.4. Retention of Audit Services. The President of the Commission may sign contracts for auditing services on behalf of the Commission as authorized by the Commission under Article III of the Port of Seattle bylaws. The CEO, upon Commission approval, is authorized to retain necessary services from qualified firms, including those auditors selected under procedures outlined in Section 7.4.2. In addition the CEO is authorized to select and retain other auditing services that shall include, but are not limited to the audit of leases, construction claim audits, State or local grant funds, other funds or contracts, and other appropriate accounting services as required, that do not exceed Two Hundred Thousand Dollars (\$200,000.)

Section 8. UTILIZATION OF PORT CREWS

8.1. The CEO is authorized to use necessary workers for operations and maintenance of facilities pursuant to Port Commission approved labor agreements and the Pacific Coast Longshoremen's and Warehousemen's, Clerks', and Foremen's agreements (provided long shore labor may be hired through stevedoring contractors to provide services offered in Port tariffs.) The CEO is authorized to apply for and maintain Port membership in the Pacific Maritime Association.

8.2. The CEO shall be responsible for obtaining prior Port Commission approval for work projects which are new construction or major modifications of Port facilities to be carried out by Port crews when the total estimated cost is more than Two Hundred Thousand Dollars (\$200,000).

Section 9. LEGAL SERVICES, CLAIMS AND OTHER REPRESENTATION

9.1. Management Authority. The CEO or the General Counsel shall be responsible for management and supervision of all legal services required by the Port, except for legal services specifically under Commission supervision, and for all litigation in which the

Port has an interest, direct or indirect. For purposes of this section, “litigation” shall mean the assertion of any position, right or responsibility by or against the Port (or in which the Port may have an interest) which has been filed in any court of general jurisdiction, be it state or federal, international or any quasi-judicial or administrative forum.

9.2. Legal Services. The CEO is authorized to retain, or to cause to be retained through the General Counsel, attorneys or law firms, or other appropriate legal representatives as necessary, to provide (or assist in the provision of) legal services. Retained legal counsel may act solely on behalf of the Port or jointly with other interested parties under appropriate agreements. Payment for legal or related services generally shall be by fixed annual retainers or by reimbursement not to exceed established hourly rates plus expenses. Fixed annual retainers shall be set by the CEO based on the level of services required and the current cost of legal services in this area; provided that any such annual retainer or total annual payment for services in any legal matter which is more than Two Hundred Thousand Dollars (\$200,000) shall be reported to the Port Commission.

9.3. Engagement of Experts. The CEO may engage, or cause to be engaged through the General Counsel, such experts as may be necessary to the orderly preparation of litigation or evaluation of legal matters in which the Port has a direct or indirect interest, without limitations otherwise prescribed in Section 7 above. Such engagement shall be upon authorization given by the General Counsel after having been satisfied that such expenditure is necessary to the adequate evaluation, preparation and representation of the Port's position in such litigation or other legal matters and shall wherever practicable include an estimate of the probable cost of such experts.

9.4. Settlement. Unless otherwise specified herein any matter which is the subject of litigation may be compromised and settled by the CEO provided that the settlement amount (or, in the case of a claim being pursued by the Port, the amount of the claim to be waived, released or compromised) is less than or equal to Two Hundred Thousand Dollars (\$200,000) and that the General Counsel shall certify to the CEO that such compromise and settlement is justified on the basis of the following:

9.4.1. Claims filed against the Port.

- (i) The likelihood that a judgment rendered in the case would be in the amount claimed or higher than the amount claimed, or that there is reasonable cause to believe that there is considerable exposure of liability for the Port.
- (ii) The likelihood that the expenses involved in litigation would be unnecessarily high in relation to the amount claimed, or the likely result.

9.4.2. Claims filed on behalf of the Port.

- (i) That the determination to settle the claim outweighs the risk of resorting to litigation.

(ii) That the settlement of the claim would provide prompt payment to the Port and eliminate extensive delays.

(iii) That the proposed offer of settlement is reasonable in light of the claim asserted.

9.5. Adjustment and Settlement of Claims. Except for claims which are in litigation, the CEO shall be responsible for the observance of necessary procedures whereby the adjustment and final settlement of all claims, either against or on behalf of the Port, shall be carried out. Necessary procedures in the handling of such claims shall include the following:

9.5.1. For purposes of this section

(i) "Claim" shall mean the assertion of any position, right or responsibility by or against the Port, but not including

(ii) accounts receivable to the extent covered in Section 13, or

(iii) claims asserted by or against the Port which are in litigation as that term is defined in Section 11.1 above.

9.5.2. No claims against the Port shall be considered unless and until proper notice and credible evidence of loss or damage has been provided by the claimant to the Port.

9.5.3. Claims which in the opinion of the CEO have the potential to exceed Two Hundred Thousand Dollars (\$200,000) shall be reported to the Port Commission as they arise. Any individual claim which exceeds Two Hundred Thousand Dollars (\$200,000) may be processed in all respects (except for final approval and payment) by the CEO or the General Counsel.

9.5.4. Any single claim less than or equal to Two Hundred Thousand Dollars (\$200,000) may be adjusted and settled and paid by the CEO provided that all of the following conditions are met:

9.5.4.1. That the General Counsel shall certify to the CEO that payment of the claim is justified on the basis of the following:

(i) Claims against the Port:

(a) A substantial likelihood that the Port is or could be found liable; or

(b) the likelihood that a judgment rendered in the event of litigation would be in the amount claimed, or higher than the amount claimed, or that there is reasonable cause to believe that there is considerable exposure of liability for the Port; or

(c) The likelihood that the expenses involved in litigation would be unnecessarily high in relation to the amount claimed, or the likely result.

(ii) Claims on behalf of the Port:

- (a) That the determination to settle the claim outweighs the risk of resorting to litigation;
- (b) That the settlement of the claim would provide prompt payment to the Port and eliminate extensive delays;
- (c) The proposed offer of settlement is reasonable in light of the claim asserted.

9.5.4.2 All such claims, when paid, shall be reported to the Port Commission semi-annually.

Section 10. ADJUSTMENT AND WRITE-OFF OF ACCOUNTS RECEIVABLE

10.1. The CEO is authorized to establish procedures to: (i) make adjustments to accounts receivable for valid operational reasons which do not constitute a gift of public funds, or (ii) to write off any uncollectible account which is less than or equal to Two Hundred Thousand Dollars (\$200,000).

10.2. Prior to adjusting or writing off of any account receivable or uncollectible debt, the CEO shall be satisfied that every reasonable effort has been made by the staff to resolve or accomplish the collection of the account. For those accounts that fail to make payment, the CEO shall authorize the General Counsel to bring action in courts of law, or if more appropriate, authorize the Chief Financial Officer, to assign the same to collection agencies in an attempt to collect such accounts. If, after attempting all normal account collection procedures, the account is still uncollectible after 180 days or more, the CEO shall be authorized to provide for writing off such an account. Any amount in an account in excess of Two Hundred Thousand Dollars (\$200,000) which is deemed to be uncollectible shall be referred to the Port Commission for final approval of writing off that account.

Section 11. INVESTMENT OF TEMPORARILY IDLE PORT FUNDS

11.1. The Port Treasurer, pursuant to RCW 53.36.010 and Port Commission Resolution No. 3476, as may be amended or superseded, is authorized to direct Port staff in the investment of Temporarily Idle Port funds, in accordance with applicable law relating to the investment of public funds, and the Port's investment policy set forth in Port Commission Resolution No. 3487, as may be amended or superseded.

Section 12. INSURANCE PROGRAMS

12.1. The CEO shall be authorized to negotiate and obtain appropriate policies of insurance to cover Port property, liability, employee coverages, and other areas appropriately included within a comprehensive insurance program. The CEO is authorized to approve changes or modifications within that program or individual policies including provision for self-insurance or deductibles. The Port Commission shall be informed of the Port's comprehensive insurance program, including any changes or modifications, as they arise.

Section 13. TRADE DEVELOPMENT PROGRAMS

13.1 The CEO is authorized, consistent with statutory limitations, to develop and carry out programs of trade development (which may include tourism and tourism promotion), advertising (including the use of advertising firms within budgetary authority), and promotion of the Port, including its properties, facilities and services and to enter into partnerships with local and state trade promotion entities. This may include participation in programs and agreements designed to provide airline tenants and shippers which use or may use the Port of Seattle with the most competitive service and lowest possible rates for the airline passengers and cargo services, cruise ships, container traffic and fishing fleet. This may also include various activities related to the intermodal, interstate and international movement of people and cargo. Such programs of trade development and promotion shall be reviewed by the Port Commission from time to time so it may be informed as to changes which occur consistent with the Port's evolving lines of business.

Section 14. ISSUANCE OF TARIFFS

14.1. The CEO is authorized to issue tariffs and tariff amendments as necessary, provided the Port Commission will be provided notice of adjustments prior to implementation.

Section 15. RULES AND REGULATIONS

15.1. The CEO is authorized to adopt any administrative rules and regulations necessary for the efficient operation of the Port so long as such rules and regulations are reported to the Port Commission prior to implementation. Resolution No. 2801, as amended, established certain rules and regulations relating to Seattle-Tacoma International Airport. All amendments to the rules and regulations established therein may hereafter be made by the CEO, so long as such amendments are reported to the Port Commission prior to implementation.

Section 16. AFFIRMATIVE ACTION AND EQUAL EMPLOYMENT

16.1. It is the basic policy of the Port of Seattle to provide equal opportunity to the users of all Port services and facilities, all contracting entities, Port employees and applicants for employment, and to assure that there be absolutely no discrimination against any persons on grounds of race, creed, color, national origin, sex, sexual orientation, marital status, age, or the presence of any sensory, mental, or physical disability as guaranteed in

the Washington State Constitution and various RCWs, and applicable federal laws. This policy is to be implemented by the CEO as more specifically set forth in Port policies covering affirmative action, equal employment opportunity and women, minority and disadvantaged business participation in Port contracts.

Section 17. TRAVEL OF EMPLOYEES AND OTHER AUTHORIZED REPRESENTATIVES OF THE PORT

17.1. The CEO is authorized to approve travel by employees and/or other authorized representatives of the Port in order to effectuate necessary normal Port operations, provided that expense reimbursements for authorized Port-related travel follow established Port Commission resolutions and other Port policies and guidelines for domestic and international travel.

Section 18. SALE OF PERSONAL PROPERTY

18.1. Section 53.08.090 of the Revised Code of Washington authorizes the Port Commission to delegate to the CEO, by Port Commission resolution, the authority to sell and convey Port personal property. Inasmuch as State law requires that this authority be renewed from year to year, the Port Commission is authorized to accomplish the same by motion; provided, however, that in the event this authority is amended or repealed, such amendment or repeal must be by a resolution adopted by the Port Commission.

18.2. In no case shall surplus personal property of the Port be sold to any Port Commissioner or Port employee or to members of their immediate families without the specific approval of the Port Commission.

Section 19. WORKING FUNDS

19.1. The CEO is authorized to establish various working funds, provided the total deposited to any fund shall not exceed Thirty Thousand Dollars (\$30,000). *Notwithstanding this limitation*, the working fund for the Public Parking Program at Seattle-Tacoma International Airport shall not exceed Fifty Thousand Dollars (\$50,000). The working funds generally provide for petty cash purchases and/or change funds, and the dollar amount of outstanding funds shall be recorded on the Port of Seattle Trial Balance as Petty Cash and Change Funds. The CEO is also authorized to establish and maintain procedures for the creation and control of petty cash and change funds.

Section 20. GENERAL INTERPRETATION

20.1. Statutory References. All statutory references in this Resolution shall mean the cited statute as it existed on the date of adoption of this Resolution or as such statute may be hereafter amended, succeeded, modified or legally construed from time to time.

20.2. Definitions. The CEO is authorized to modify, edit, add and delete definitions within this Resolution. The Commission shall be notified of any changes in writing.

20.2.1. “Within Authorized Budget Limits” means with respect to capital projects, improvements or acquisitions, the term "Within Authorized Budget Limits" means that the project, improvement or acquisition:

- (i) Is included in the Port's Annually Approved Capital Budget, or
- (ii) Is included in the Port's Annually Reviewed Capital Improvement Plan
- (iii) Will not cause the Port to exceed the total approved dollar limit of the current Annually Approved Capital Budget.

20.2.2. "Within Authorized Budget Limits" means with respect to non-capital expenditures, that the expenditure:

- (i) Is included in the total approved dollar limit of the Port's current Annual Operating Budget.
- (ii) Will not cause the Port to exceed the total approved dollar limit of the Port's current Annual Operating Budget.

20.2.2. “Annually Approved Capital Budget” means the list of capital projects (including small works projects) and the projected total dollar amount of upcoming budget-year spending associated with those projects which is presented to, and reviewed by, the Port Commission as part of the budget review process (i.e., the first year of the Capital Improvement Plan), or as subsequently amended by the Commission during the budget year.

20.2.3. “Annual Operating Budget” means the budgeted operating and non-operating revenues and expenses reviewed and approved by the Port Commission as part of the budget process, or as subsequently amended by the Port Commission during the budget year.

20.2.4. “Annually Approved Capital Improvement Plan” means the five-year projection of capital projects (including small works projects) and associated expenditures which is developed and maintained as a planning tool for Port capital investment and which is reviewed by the Port Commission annually as part of a Plan of Finance and budget review process, or as subsequently amended by the Commission during the budget year.

20.2.5. “Goods and Services” means natural resources; equipment; materials; supplies; or other finished goods or products; utilities and utilities-related services (including services provided by public agencies); and maintenance, security and other miscellaneous services (excluding professional or consultant services, services provided by employees covered by collective bargaining agreements to which the Port is signatory, or other categories of services specifically provided for in this Resolution).

20.2.6. “Personal Services” means those services within the scope of Subsection 6 of Section 6 of 2008 Laws of Washington Chapter 130 or the codification of its equivalent in the Revised Code of Washington .

20.2.7. “Professional Services” means (a) those services within scope of Section 39.80.020(5) of the Revised Code of Washington, as the same may in the future be amended or superseded or (b) professional or technical expertise provided by a consultant to accomplish a specific study, project, task, or other work statement which is reasonably required in connection with public works projects.

20.2.8. “Public Work” means construction, alteration, repair and improvement meeting the definition set forth in Section 39.04.010(4) of the Revised Code of Washington, as that law may in the future be amended or superseded.

20.2.9. “Purchased Services” means those services within the scope of Subsection 8 of Section 6 of 2008 Laws of Washington Chapter 130, or the codification of its equivalent in the Revised Code of Washington.

20.2.10. “Temporarily Idle Funds” shall mean those funds not required for expenditure within twelve months and are not part of a contingency or strategic fund reserve.

20.2.11. “Design-Bid-Build” is the traditional process of public works contracting, as defined in general statute RCW 39.04.10. The Design-Bid-Build contracting method proceeds in three phases. First, The Commission authorizes the owner to use in-house or consultant staff to prepare plans and specifications for the work. Next, The Commission authorizes the documents to be advertised and potential construction contractors submit bids for the work. Finally, through either CEO action or Commission approval, the owner contracts with the responsible bidder submitting the lowest responsive bid, who performs the work described in the documents.


20.2.12. “Design-Build” is an alternate contracting process, as defined in RCW 39.10.300. The Port must be either a certified body authorized to use the design build process or obtain project approval in accordance with RCW 39.10.280. The Design Build contracting method proceeds in three phases. First, the Commission authorizes the design funds and permission to use the design build contracting method. Second the Commission authorizes the advertising of the design build contract. Third, after the best proposal is selected, authorization of final design and construction funding and award of the design build contract takes place in accordance with Section 4. 2.3.2.

20.2.13. “Best Bid” is an alternate contracting method where the best bidder submits plans according to specifications in accordance with RCW 53.08.130. The Best Bid contracting method proceeds in three phases. First, the Commission authorizes design funds and permission to use the best bid contracting method.

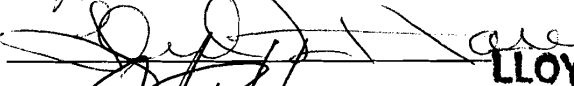
Second, after the request for proposal is prepared, the Commission authorizes the advertisement of the contract and the selection of the best bid. Third, the Commission authorizes final design, construction funding, and awarding of the contract to the best bidder.

20.2.14. "General Contractor/Construction Manager"(GC/CM) is an alternate contracting method, as defined in RCW 39.10.340. The Port must be either a certified body authorized to use GC/CM process or obtain project approval in accordance with RCW 39.10.280. The GC/CM method proceeds in three phases. First, the Commission authorizes the design funds and permission to use the GC/CM contracting method. Second the Commission authorizes advertising the GC/CM procurement, selection of the GC/CM contractor, and authorizes the Port to enter into a contract for preconstruction services. Third, after the maximum allowable construction cost (MACC) is negotiated, the Commission authorizes construction funding and awarding of the construction work.


ADOPTED by the Port Commission of the Port of Seattle this 26th day of August, 2008, and duly authenticated in open session by the signatures of the Commissioners voting in favor thereof and the Seal of the Commission duly affixed.




GAEL TARLETON



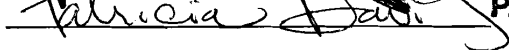
LLOYD HARA



BILL BRYANT



JOHN CREIGHTON



PATRICIA DAVIS