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COMMISSION

AGENDA MEMORANDUM Item No. 10f

ACTION ITEM Date of Meeting November 29, 2022

DATE : November 17, 2022

TO: Stephen P. Metruck, Executive Director

FROM: Dave Soike, Chief Operating Officer

Aaron Pritchard, Commission Chief of Staff

SUBJECT: Introduction of Resolution No. 3810: A Resolution Repealing Resolution Nos. 3605, 3628, 3704, and All Preceding Resolutions Pertaining to the Commission's 'Delegation of Responsibility and Authority to the Executive Director' Policy Directive, and Adopting a New Policy Directive as Set Forth in Exhibit A of this Resolution.

Amount of this request: n/a

ACTION REQUESTED

Request Commission introduction of Resolution No. 3810, a resolution repealing Resolution Nos. 3605, 3628, 3704, and all preceding resolutions pertaining to the Commission's 'Delegation of Responsibility and Authority to the Executive Director' policy directive, and adopting a new policy directive as set forth in Exhibit A of the resolution.

This policy directive increases the previously delegated Commission threshold to the Executive Director and provides clarity in delegated process directives to Port staff.

EXECUTIVE SUMMARY

An updated delegations policy will improve the Port's efficiency and maintain our high bar for accountability and transparency. The updated policy directly addresses the Port's Century Agenda Goal to be a Highly Effective Public Agency.

The Port Commission, through Resolution Nos. 3605, 3628, 3704, and preceding resolutions, has adopted a policy directive 'Delegation of Responsibility and Authority to the Executive Director,' delegating specific areas of their authority to the Executive Director of the Port of Seattle. The monetary limits in the policy directive have not been substantially reviewed or updated since 2009 and has only been modified once in the past 26 years.

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In 2021 – 2022, a comprehensive review of the policy directive has been undertaken. It is the recommendation of the project team conducting the review and data analysis that the policy directive be amended/recodified at this time to bring it current with today's purchasing power and operational demands and in-line with jurisdictions of comparable size and complexity in operations; and to provide needed clarity in areas of the policy directive identified by staff and the project team as previously silent, ambiguous, or outdated. This recommendation has earlier been presented to, and is supported by, the recommendation of the Commission's Governance Committee.

If approved, the action to create a leaner operational strategy regarding the delegation policy directive and Commission Memo process will assist Port stakeholders in reaching a higher level of efficiency – Port staff, Commissioners, the Executive Director, and some firms or persons doing business with, or receiving services from, the Port of Seattle.

BACKGROUND AND JUSTIFICATION

The current outdated delegation policy requires Port staff and the Commission to inefficiently spend too much time on routine day-to-day and operational decisions that the Executive Director could make and report to the Commission for accountability and transparency.

In December 2021, the Internal Audit Department reported to the Commission's Audit Committee regarding its internal operational audit of the 'Delegation of Responsibility and Authority to the Executive Director' policy directive. This audit reviewed the 18-month period of January 2019 to July 2020.

The goal of the audit was to evaluate internal controls to assure monetary and contractual delegation compliance with rules, policies, and dollar limitations governing re-delegations by the Executive Director to staff. The audit findings concluded that:

"...internal controls are operating effectively and had no issues to report. ...Based on discussions with management, review of the data, and benchmarking with

other organizations, the Internal Audit Department recommended management work with the Commission to identify if the current delegations process and thresholds could be modified to maintain or increase transparency and

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governance, while alleviating part of the burden on staff... with frequent (monthly) and robust reporting to the Commission and the public.”

The Commission's Audit Committee agreed with the recommendation of the Internal Audit Department at that time.

A cross-departmental project team was then established to identify operational efficiencies and opportunities in the Delegations process. The review built upon the Audit review of other comparable agencies and included analysis of:

- the Commission Memo creation process (including a robust and statistically significant survey of process users' experiences and time in preparation and execution of actions);
- three years of Commission actions over 65 public meetings;
- delegation categories that compared relatively low level approvals versus high dollar level approvals, policy and strategy versus operational approvals, etc.;
- Executive Director authority as it relates to the position's ability to run the operations of the Port in terms of time in any given day;
- the type and nature of reporting currently prepared by staff at the directive of the Commission;
- existing regulatory, statutory, and legal rules and guidelines that ensure compliance with purchasing regulations and provide transparency;
- technical amendments and process clarity needed in the policy directive;
- safeguards to ensure transparency;
- staff and Commission time spent addressing smaller more general and routine authorization; and
- a new internal delegation workflow to save considerable human resource programming previously dedicated to the Commission Memo process.

Project Team Members

Michelle M. Hart, MMC, Commission Clerk

Ryan Stamper, Senior Port Counsel

Nora Huey, Director, Central Procurement Office

Mandela Thomas, Sr. Mgr., Central Procurement Office

Kyle Dilbert, Sr. Mgr., Construction Contracting

Bettina Friese, Business Intelligence Program Manager

Michael Fang (previously with the Port)

Jared Thatcher, Process Improvement Prog. Mgr., Office of Strategic Initiatives

Marin Burnett, Sr. Mgr., Strategic Initiatives

John Okamoto, Okamoto Strategies (consultant)

Aubree Payne, Deputy Commission Clerk

Jami Ng, Information and Communication Technologies

Marnie Gonzales, Information and Communication Technologies

Eric Baird, Information and Communication Technologies

Hugh Hastings, Executive Assistant, Executive Department

Carlene Tudor Lee, Executive Assistant, Executive Department

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Aaron Pritchard, Commission Chief of Staff (sponsor)

Dave Soike, Chief Operating Officer (sponsor)

And approximately 200 staff who provided survey information

Key Findings

- The Delegation is outdated. The Port of Seattle Delegation level to its Executive Director

is not commensurate to similar-sized local and complex jurisdictions – Port delegations are outdated.

? As noted above, overall monetary delegations' limits have only been adjusted upward twice in 26 years, and most recently 13 years ago.

? Delegation buying power is down from an inflationary perspective, while Port budgets and demands on staff time are up, creating inefficiency in the Commission process and absorbing valuable policy and strategy planning time for Commissioners and staff. (Purchasing power in all delegations has eroded by 29% since the \$300,000 delegated threshold was set in 2009, while Capital delegations purchasing power has eroded by 47.3%. In contrast, Port operating budgets are up 37% within the same timeframe and the Capital 5-year forecast is up by 75%, not including the Sustainable Airport Master Plan that itself is expected to exceed the current 5-year capital forecast.) At the existing current delegation threshold, the Executive Director can currently run the Port for a period of 63 minutes (expense) or 37 minutes (capital), without additional Commission action.

- The Commission approval process is bogged down by many routine operational items. A thorough review of prior Commission meetings provided significant trend information that serves as a foundation for updating the Port's delegation thresholds. A three-year review of Commission actions over 2018 through 2020 demonstrated that 664 items were reviewed by the Commission over 65 public meetings. Approximately half, 332 items, were monetary action approvals. Those were categorized by dollar category up to \$10 million. Each item within each category was re-screened to determine if it represented a policy or strategy item even though it was a relatively smaller dollar approval. That subset of policy or strategy items were identified as needing to go to Commission rather than an Executive Director approval. This yielded approximately 200 items that could be approved in an effective manner by the Executive Director, which would free up Commissioners' time for larger monetary items and all policy and strategy items.

? In 2020, 25 full business days were spent in Commission business meetings approving relatively lower dollar, and often general operational, authorizations. On average, the Commission spends approximately 18 to 20 full business days annually attending Commission business meetings. (This does not include time spent in other Port-related, regional, or individual Commissioner meetings.)

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? 85.6% of the monetary approvals over the 3-year period were approvals greater than \$10 million. These represent the largest portion of Port expenditures that have far greater long-term policy and strategy implications as compared to the remaining 14.4% of authorizations that are primarily operational in nature.

? Therefore, increasing some of the monetary limits of delegations to \$10 million does not affect Commission oversight into high-impact policy and strategy items while operational items requiring can be handled by the Executive Director, increasing efficiency, saving time and money.

Many monetary authorizations by the Commission during any year comprise a secondary approval of the item in that most items have been reviewed previously in public as part of the annual budget authorization. For example, in 2022 the Commission has/will receive 9 budget discussions via public study sessions, briefings, and action requests. The total approximate discussion time for these range between 13 and 16 hours in total.

- A significant amount of staff time is required. A statistically valid survey, with a 92% response rate from process users (195 individuals responding) identified a significant amount of timing challenges with authorization process and staff time dedicated to the preparation and execution of Commission actions over the current \$300,000 delegation limit.
- Efficiency and transparency opportunities exist. There is a need to create efficiency while expanding transparency. A process improvement is vital to responding to this need. Streamlining process can be accomplished by shifting the lower-level approvals to the Executive Director, allowing the Commission and Executive Director more time to focus on the vast majority of budget and cost items, longer-term strategy, and higher value

public policy items of interest to the Community and Commissioners. Survey information and data analysis demonstrate that the combination of inflation and growth in Port objectives has created an efficiency opportunity to streamline the build-up over-time of Port process bureaucracy.

#### Benefits to Raising the Delegation Level

? Benefits for Commission:

? Eliminates clogging the Commission's calendar with lower priority Commission action items.

? Allows added time for the many competing pressures upon Commissioners.

? Allows more focus time for Commissioners on high priority issues such as: policy, strategy, business and community-related items, workforce development,

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apprenticeships, WMBE and small businesses, transportation, community and social issues, etc.

? Increases time for Commissioner committee work and areas of interest.

? Allows time for more in-depth check-in briefings for ongoing initiatives.

? Provides an auditable transparency process that enables the Commissioners to be made aware of certain approvals and a listing of all approvals above \$2.5 million in public session.

? Benefits for Executive Director and Port staff:

? Frees up existing staff time that can be redeployed to greater value work and goals set by the Executive Director and Commissioners.

? Removes, on average, 4 to 8 weeks in preparation time per Commission memo – creating more efficiency in executing often-times routine work.

? Provides an equivalent efficiency cost savings of approximately 6-8 Full-Time Equivalent (FTE) staff positions during this era of FTE losses and hiring shortages.

? Human Resource Availability – Port staff have undertaken three separate reviews of potential cost/time savings resulting from updating the delegation. These 3 separate reviews all used different methodology, but consistently resulted in considerable cost/time reductions for Port staff.

The initial review was undertaken by consultant KPMG in 2018, this review assumed a lower delegation level and did not include 'meeting time' and the basis for their conclusion was a Port staff survey on time spent working in the commission memo process. The results of this review showed a 25% reduction in staff time. The second and third reviews were done by separate members of the delegation review project team and included meeting time and the introduction of a streamlined routing process. The existing meeting times can be reduced with significant ED delegation. The third review produced our median result, and included time spent in preparatory meetings in the representative sample. The conclusion was the Port could expect an efficiency cost savings of approximately 6-8 FTEs – up to \$2.3M in port staff annual savings.

#### Transparency Measures

In making this important decision to increase the delegated threshold to the Executive Director, the Commission and the public must have assurances with processes established and transparency to the operational authorizations of the Executive Director.

#### Recommendations of the Project Team

- Reporting Regardless of Authorization Threshold. Strategic decisions (decisions that have political, long term, social, or community impacts on the Century Agenda or other goals as set forth by the Commission) are identified by the Executive Director or the Commission as items to provide reporting to the Commission and to the public, irrespective of the dollar threshold assigned to those items. Commissioners routinely receive reporting from the Executive Director, whether on an ad hoc or periodic basis – this recommended action does not materially change that reporting. However,

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additional reporting is identified below to strengthen reporting and add transparency associated with this delegation change.

- Monthly Transparency Reporting. Add a new monthly agenda item labeled 'Executive Director Actions' to the Commission agenda with a listing of all actions between the \$2.5M and \$10M authorization threshold taken in the prior period, one month in arrears, for full discretionary review by the Commission beginning the first public session following the effective date of the resolution adopting the revised policy directive.
- Reporting through the Executive Director's Report. The Executive Director should utilize the Executive Director Report section on Commission business meeting agendas to comment on any noteworthy, delegated authorizations for Commission and public awareness.
- Other Opportunities to Inform. Agenda planning meetings with the Commission President may be used to overview certain items of interest falling within the Executive Director's delegated authority of approval where they may choose to use the Executive Director's Report for notification.
- Internal Audit. The Port's Internal Audit Department is encouraged to perform a delegations follow-up audit within 18 months of a new delegation policy implementation to ascertain if the process itself and process controls are functioning properly and providing clear direction and intended transparency. The public monthly reporting could then be sunset upon a successful audit report, with the proviso that future periodic audits may occur as requested by the Executive Director or Commission Audit Committee members.
- Create an Efficient Process for Staff Requests Re: Authorizations within the Delegated Authority to the Executive Director. Create a new system tool/process to document the use of delegation that is streamlined, efficient, and does not contain overly burdensome and time-consuming requirements of meetings, authors, reviewers, and approvers.
- Executive Director Delegation. The Executive Director should provide clear written authority and guidelines in his decision to delegate his authorization authority downward, should he desire to do so.
- Remove Unnecessary or Redundant Reporting Requirements. As requested by the Governance Committee, continue a review of current reporting requirements requested by the earlier Commissions and/or required by statute. Remove unnecessary and/or 'reporting no longer needed' for operational purposes to the Commission, thus freeing up additional staff and Commission time (this potential savings has not yet been calculated) to focus on critical reporting of key performance indicators of policies, strategies, large projects, and Port and community metrics.

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Summary of Changes

Section 1 and Other General Changes

- Removed outdated references and language not necessary to the delegation (for example other existing policies) that may be updated separately in the future.
  - Revised language to delegate other agreements related to permits, including contracts to expedite permits, restrictive covenants and hold harmless agreements.
  - Added mitigation credits to Port property that can be conveyed.
  - Added back insurance and surplus delegations from previous delegations.
  - Updated Definitions, including Interlocal Agreements and Projects, while removing definitions that are no longer referenced in the delegation.
  - Included a specific delegation for Non-Disclosure Agreements.
- Real Estate and Real Property Delegations
- Durational Delegation for Real Property Agreements will remain the same at five years or less, but the monetary limit is increased from \$300,000 to \$1,000,000.
  - Clarified that amendments for leases over five years are only delegated if term is not extended, square footage does not exceed a 10% change, rates and environmental

provisions are not changed, security deposit is not decreased, and monetary obligations do not exceed \$1,000,000.

- Delegations related to Easements were streamlined to permit the Executive Director to execute easements that do not deprive the Port of substantial use of the property or are less than 1000 square feet, and monetary obligations do not exceed \$1,000,000.
- Leasing, easements or otherwise using the property of others is delegated so long as payments are less than \$1,000,000 with no durational limit. The existing delegation limited leases, easements or other uses of the property of others to five years and payments of less than \$300,000.
- Added a specific delegation for aviation easements.

#### Legal Delegations

- Updated the monetary limit for Claims and Settlements from \$300,000 to \$1,000,000.
- Reporting frequency requirements have been consolidated from quarterly, as issues arise, or no required frequency to reporting annually.
- Updated and clarified language throughout the section, including the supervision of legal services; the retention of counsel and experts, including an update to the definition of "litigation" to limit the delegated authority to retain an attorney to represent an individual employee or commissioner to litigation matters, but not allow such retention for responding to a Port inquiry about workplace conduct or ethics; and the standards for settling litigation and claims.

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#### Delegations related to Projects

- Delegations for agreements relating to Projects have been consolidated from three separate sections into a single section and streamlined.
- Defined the term "Project" and updated the monetary limits for procurements and other agreements in furtherance of Projects from \$300,000 to \$10,000,000.
- Added delegation for agreements and amendments to agreements involving an exchange of goods or services with public or private entities that are not covered by any other specific delegation but are less than \$10 Million dollars and promote operational or logistical efficiency, such as reimbursement agreements with entities like TSA or CBP.
- Monetary limit for Preliminary work on Projects is increased from \$300,000 to \$2,000,000, and the definition of Preliminary work is updated.
- Updated the threshold for Critical Work from \$500,000 to \$15,000,000 for work requiring immediate action to avoid significant adverse consequences to public health, safety or property.
- Updated the Project Changes sections to allow amendments and change orders if the changes are within the approved Project budget.
- Removed sections related to bid irregularities, non-public work projects, and other areas that were consolidated.
- Updated language relating to Alternative Public Works contract delivery methods, reporting requirements, competition waivers, small works and job order contracts.

#### Other Monetary Increases to Delegations

- Updated monetary limit for Budget Transfers from \$300,000 to \$10,000,000 so long as budget funds are for transferring scope of work from one executed contract to another.
- Updated monetary limit for Airport Tenant Reimbursements from \$200,000 to \$10,000,000.
- Updated monetary limit for Utilization of Port Crews from \$300,000 to \$10,000,000.
- Monetary limit for Street Vacations delegation is increased from \$300,000 to \$10,000,000.

• A summary of the updates to monetary limits are shown in the Table below:

#### Monetary Limits 2009 2022

Real Estate Agreements	\$300,000	\$1,000,000
Claims and Settlements	\$300,000	\$1,000,000
Preliminary Work	\$300,000	\$2,000,000
Capital Projects and Contracts	\$300,000	\$10,000,000
Utilization of Port Crews	\$300,000	\$10,000,000
Airport Tenant Reimbursement	\$200,000	\$10,000,000
Street Vacations	\$300,000	\$10,000,000
Budget Transfers	\$300,000	\$10,000,000



Critical Work \$500,000 \$15,000,000  
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Continuing Work

As noted above a list of reports, provided by staff to the Commission (requested by the Commission) has been gathered. This list is being reviewed for relevancy and need. This is a continuing effort to be responsive to the requests of the Commission to streamline the way we do our work. A follow-up discussion will be provided to the Governance Committee regarding the outcome of this request.

**FINANCIAL AND TIME IMPLICATIONS**

Up to 8 weeks in time savings per Commission authorization (memo/action); and a total estimated annual savings of approximately 16,600 hours per year which is conservatively equivalent to a range of 6-8 FTEs.

**ATTACHMENTS TO THIS REQUEST**

- (1) Draft Resolution No. 3810 with Exhibit A (Policy Directive)
- (2) Presentation slides

**PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

- December 10, 2020 – Audit Committee Meeting
- March 16, 2021 – Governance Committee Meeting
- July 28, 2022 – Governance Committee Meeting
- October 17, 2022 – Governance Committee Meeting

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