



QUESTIONS & RESPONSES

RFP 070030 SEAPORT ALLIANCE FINANCIAL VALUATION

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Submittal Due Date	December 9, 2014 @ 4:00 PM (PST)
Q&A Issue Date	December 5, 2014, @ 3:00 PM (PST)

1. Can you please provide a copy of the model developed by Mercator International LLC?
Response: The model will not be provided during the RPF process.
2. Does the model developed by Mercator International LLC have all of the assumptions for both ports?
Response: Yes, assumptions have been developed for revenues, direct expenditures and SGA costs based on current contractual agreements and historical spending.
3. If you are unable to provide a copy of the model, please describe what is contained in the model and the level of detail that is included. As an example, ten years of complete projected financial statements, underlying assumptions in development of various sources of revenue, detailed operating expenses broken out into x line items, calculation of tax depreciation/amortization, detailed capital expenditure needs include growth and maintenance expense, working capital needs by category, etc.
Response: The model contains revenue and direct expense projections by terminal and SGA expenditures based on historical costs. This is a cash flow based model which currently excludes depreciation/amortization.
4. What documentation is there to support the model developed by Mercator International LLC and is it possible to obtain a copy of that documentation?
Response: Most revenue assumptions are supported by contractual agreements that extend beyond the 10 year view. Other assumptions were developed from industry growth analysis developed by Mercator and input from both Port management teams and Commissioners.
5. Did Mercator International LLC develop financial projections related assumptions in consultation with the Ports of Tacoma and Seattle, or were these assumptions developed independently?
Response: All financial projections were developed in consultation with both Port management and financial teams.
6. Does the Port of Tacoma have underlying research to support the assumptions included in the model? Will the Port of Tacoma provide that research to the selected proposer?
Response: The Mercator industry analysis research will be provide to the selected consultant.
7. When were the financial projections related assumptions developed and when was the model developed?
Response: The draft financial projections were developed this summer and will be updated at the end of 2014.

8. With respect to the “final report” as identified in the RFP Scope of Work, who is the intended primary/secondary audience(s)?
- a. To what extent might the “final report,” referenced above, be available to the public or used in public relation matters
Response: The final report is intended to be shared in a public session and is subject to public records requests.
9. The Seaport Alliance will submit a refined plan to the Federal Maritime Commissions in March 2015. The RFP indicates a delivery end of April 2015.
- a. To what extent are these two deliverables independent?
Response: They are the same. The financial valuation will be used to finalize the contribution by each port.
- b. If dependent, how might one due date impact the other?
10. What was the total scope of Mercator’s work?
- a. Is Mercator’s work product opinion or non-opinion based?
Response: The Mercator work is based on market research and industry knowledge.
- b. With respect to Mercator’s work, to what extent was the financial staff of the Port of Seattle and/or the Port of Tacoma involved?
Response: The financial staff of both Ports will be directly involved.
- c. Did Mercator or the Ports of Seattle and Tacoma suggest the separate appraisals of real estate and machinery and equipment owned by the Ports of Seattle and Tacoma?
Response: No

If so, why were such not done? **Response:** internal facility assessments and capital plans are being jointly reviewed.
- d. By what means did or will Mercator assess the individual assets leases (i.e., reflective of fair market value principles)?
Response: DCF model
11. Is it possible (subject to an NDA) to get access to Mercator’s current proposed models and/or work for RFP scoping purposes?
Response: No
12. To what extent will the RFP winning bidder have access to Port of Tacoma and Seattle’s staff to evaluate Mercator’s financial modeling?
Response: Staff will be directly available to support the work.
13. To what degree is the Reviewer expected to collaborate with Port’s staff and financial advisors to determine the soundness of Mercator’s result?
Response: It is expected that the reviewer will bring their expertise to review the methodology and recommend the current approach and/or possible enhancements.
14. The RFP indicates that Mercator’s valuation models were limited to a DCF model (RFP page 2). By what considerations was Mercator’s valuation limited to a DCF approach?
- a. Were other approaches considered and rejected?
Response: This will be part of this review

- b. If so, which methods and why?
 - c. If not, why?
15. To what extent has Mercator investigated and/or assessed the quality of the Seaport Alliance's proposed revenue stream?
- a. Did Mercator suggest or complete a feasibility analysis with respect to Alliance revenue projections?
- Response:** Revenue projections were completed with the support of staff from both Ports.
16. What, if any, is the reason for obtaining a review on Mercator's valuation work?
- Response:** To obtain a third party review of the evaluation and seek additional expertise with respect to the valuation method.
17. By what basis should the RFP winning bidder consider Mercator's work "sound" (e.g., conformity with The Uniform Standards of Professional Appraisal Practice or other standards)?
- Response:** The work is a preliminary view of the valuation.
18. Are there any preliminary Service Level Agreements? If so, when will these documents become available, if not, when will the framework be developed?
- Response:** No
19. What is the reasoning behind the 50/50 split? Is the 50/50 profit/loss sharing allocation a pre-determined outcome? Why does the Alliance suggest reassessment of assets in later years?
- Response:** The goal is an equal contribution as both Commissions will vote independently on matters associated with the alliance. The final valuation will be based on the valuation.
20. Have the two ports considered different economic arrangements (i.e., 50/50 split), but equal governance of the Seaport Alliance?
- Response:** Yes, but this is the final recommendation.
21. Has or will the Seaport Alliance address the possibility of any anti-trust legal issues?
- Response:** The FMC approval allows the two ports to work together.
22. Any significant changes to the October 14, 2014 Inter-local Agreement ("ILA")?
- Response:** No
23. Any accompanying strategic plans subsequent to the October 14, 2014 ILA submission to the FMC?
- Response:** No
24. Please extend the due date until seven (7) business days from the date upon which questions pertaining to contract terms are answered.
- Response:** The due date will not be extended at this time.

The following table contains questions and response regarding the Terms and Conditions published with the RFP.

CONTRACT SECTION	ISSUE	EXCEPTION	RATIONALE
Section 4	Compliance with Laws	We would like to delete the references to tribal, building codes and permitting regulations, which would not be applicable to our services.	<p>Clarity benefits all parties.</p> <p>RESPONSE: This section makes note of the requirement for the Consultant to comply with, among other things, all <i>applicable</i> laws. If there are local, state, tribal, or federal laws that are not applicable to any contract resulting from this RFP, they are not included. Therefore no changes will be made.</p>
Section 5	Records and Other Tangibles	We are subject to applicable professional requirements and its own policies with respect to record retention, which require us to retain a copy of such records.	<p>A firm's compliance with the standards of the American Institute of Certified Public Accountants, regulation and its own quality assurance programs benefit clients and allow the performance of applicable services.</p> <p>RESPONSE: This section will not be modified. The Port is subject to the Record Retention Laws of the State of Washington and this section ensures we remain in compliance.</p>

Section 6	Ownership of Work	<p>Although we would be willing to grant ownership of its reports provided to the Port, ownership of our reports would be subject to our retention of ownership of certain data, modules, leading practices, methodologies and specifications developed or used by us or its licensors, or to which we otherwise have rights, including enhancements and improvements developed in the course of performing the services to the Port.</p>	<p>Professional service firms can use pre-existing intellectual property to achieve lower costs and greater efficiency in favor of clients.</p> <p>RESPONSE: Section 6 is hereby modified to read:</p> <p>The services to be performed by Consultant shall be deemed instruments of service for purposes of the copyright laws of the United States. The Port has ownership rights to the report, plans, specifications, and other products prepared by the Consultant. Consultant shall not be responsible (i) for changes made in the models, programs, reports or other products by anyone other than the Consultant or (ii) for any use of the plans, specifications, or other products prepared by the Consultant by any party other than the Port. Consultant shall have free right to retain, copy and use any tangible materials or information produced but only for its own internal purposes. Use of models, programs, reports or other products prepared under this Agreement for promotional, commercial, or any other purposes shall require the Port's prior consent. Consultant is not precluded from developing for itself, or for others, anything, whether in tangible or non-tangible form, which is competitive with, or similar to, the deliverables hereunder. In addition, Consultant shall be free to use the general knowledge, skills and experience of its personnel, and any ideas, concepts, know-how, and techniques that are acquired or used in the course of providing the services hereunder.</p> <p>This modification allows a firm to retain its Intellectual Property and to benefit from the knowledge gained.</p>
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Section 7	Disclosure	<p>In accordance with our firm's operating model, we would expect to be able to leverage the capabilities of, and disclose the Port's information to other member firms of our global organization, as well as external third parties providing administrative support services on our behalf. We would be responsible for maintaining the confidentiality of Port's information.</p> <p>We would expect the Port to acknowledge that in certain instances we may be required to disclose the Port's information, so disclosure would also be permitted to the extent required by applicable law, regulation, professional standards, or demanded by a validly issued administrative or judicial process, provided, that prompt notification is given by us.</p>	<p>It is in all parties' interests to be clear about how and when information is and must be disclosed.</p> <p>In addition, given the global nature of the Ports industry, our ability to access international personnel could be of direct benefit to the project.</p> <p>RESPONSE: The Port agrees that it is all parties' best interest to be clear about how and when information is and must be disclosed. We believe this section makes it very clear and therefore we do not see any compelling reason to modify this section.</p>
Section 11(b) and (c)	Indemnity	<p>Our firm usually does not provide broad indemnifications in connection with our professional services. However we would be willing to enter into a mutual indemnity for damages for bodily injury and physical damage to personal property to the extent caused by the indemnifying party's own negligence or willful misconduct.</p>	<p>Reasonable indemnity provisions will ensure that substantial organizations can respond to this RFP. Smaller firms may provide indemnities but have limited resources.</p> <p>RESPONSE: This section will remain as written.</p>
Section 14	Assignability	<p>We would like to make this section bilateral. Independence requirements may prevent us from continuing to perform services depending on the relationship we have a potential assignee.</p>	<p>The contract seems unlikely to be assigned. This change will allow us to better ensure we are not placed into a situation where there is a conflict of interest which if beneficial for all parties.</p> <p>RESPONSE: The Port will not assign or novate any contract resulting from this RFP. As a result, we do not see the need to modify this section.</p>

Section 15	Term of this Agreement	We should be able to terminate the agreement or specific services in the event that continuing to provide services would violate applicable law or professional obligations, such as for independence reasons. We would consult with the Port in such circumstance.	<p>This is an unlikely occurrence but is a right we request in all contracts to ensure we can comply with evolving rules and regulations and standards. Such requirements are adopted / imposed typically for the benefit of our clients.</p> <p>RESPONSE: This section will remain unchanged.</p>
Section 16	Disputes	[OUR FIRM] would expect the Port to agree on a two-tier dispute resolution process where initially the Port and [OUR FIRM] would submit the dispute to mediation, and if the parties had not resolved a dispute within a certain period of time, the dispute would be settled by arbitration in accordance with the CPR Rules for Non- Administered Arbitration.	<p>We have found that this approach is a fair and efficient means for resolving disputes which benefits both parties.</p> <p>RESPONSE: This section will remain unchanged.</p>

ADDITIONAL TERMS

SUBJECT	DETAILS	RATIONALE
Limitation of Liability	It is our firm's practice and policy to limit the aggregate amount of our liability to the fees paid for the services provided, and to exclude indirect, consequential, incidental, special and punitive damages.	<p>It is in the interest the Port to attract competition for this RFP, including from larger firms and to have a level playing field among competitors.</p> <p>As a large and stable firm, we can be exposed to larger risks when compared to other contractors. It makes for an uneven playing field to require us to absorb unlimited risk, when the Port is willing to receive the same services from firms whose lesser net worth inherently limits their liability.</p> <p>RESPONSE: This will not be adapted.</p>

Clarifying roles	<p>In order for us to meet our professional obligations, we would like to clarify that the Port will be responsible for making policy and management decisions, and will designate an individual(s) who possesses suitable skill, knowledge, and/or experience to oversee our work under this agreement.</p>	<p>We believe this approach not only matches our professional obligations but can result in a higher quality, more relevant and more efficient engagement outcome.</p> <p>RESPONSE: We concur and the language below will be included in any resulting contract:</p> <p>Clarifying Roles: The Port will be responsible for making policy and management decisions, and will designate an individual(s) who possesses suitable skill, knowledge, and/or experience to oversee our work under this agreement.</p>
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