

**POCAC SMALL CITY FUND  
SUBCOMMITTEE  
ALTERNATE OPINION  
1/21/14**

**BACKGROUND**

The Port of Olympia established a separate Economic Development Corporation (EDC) with a Board of Directors made up of both Port Commissioners and County resident volunteers for the purpose of deciding how to distribute certain revenue the Port had received from non Port-related activity. This revenue was derived through a bonding program the Port offered to non-Port businesses for which the Port received a payment for using the Port's credit borrowing capability. The Port decided to use these funds for non Port-related county economic development. In the past few years this corporation distributed all those funds to four small cities within Thurston County as economic development grants not exceeding \$10,000 each year to each city.

The Port is no longer receiving these revenues but was interested in continuing the small city funding program so they developed a method of funding this program with Port operational revenues that were turned over to the EDC for distribution. The Port is seeking the POCAC's advice on both the funding methods and ideas on possible expansion of the program. Prior to the POCAC's review and report, the Port Commission also approved grant funding, not related to the EDC, for an economic development project in South Thurston County know as STEDI (South Thurston Economic Development Initiative) authorizing Port funds totaling \$150,000 over three years.

**ISSUES**

The Port is now using Port funds to finance non Port-related economic development in Thurston County that, while possibly may be worthwhile projects for the county, have no direct and arguably no indirect relationship or benefit to the Port. These funds are clearly taxpayer provided dollars since the Port has never achieved a positive net income, defined as operational revenue minus expenses including operating and maintenance, depreciation and debt funding, in the past nor is it likely to for the foreseeable future. All corporations must be able to cover these costs including debt costs or they will be unable to continue operating in the long term just as the Port must cover its growth, capital and environmental costs that are largely funded by debt or it would be unable to conduct business due to county and city environmental regulations. The only way the Port is able to achieve a reportable positive net income is to include tax revenue derived from a tax levy on all Thurston County property owners so any funds contributed to the small city fund program and STEDI are taxpayer dollars.

The small city funding program that is now using taxpayer provided funding is an inappropriate use of the taxpayer's money as it doesn't meet the clear mission established by the Commission and violates the expectations of the taxpayer in providing these tax

funds to help finance the Port's operations. The Port's mission statement states "Creating economic opportunities **by** connecting Thurston County to the world by air, land and sea". This clearly indicates that the Port will promote economic development in Thurston County through funding the growth and development of its airport, land holdings and marine services thereby providing jobs and the growth of other businesses that directly or indirectly support the Port's operations. The Commission, through its annual economic impact statement published every year showing direct and indirect jobs created by Port activity and on its marine shipping activity notices to the public, clearly understands this and its importance to the taxpayer. Nowhere in the mission statement does it state that the Commission will also fund non Port-related economic development so the taxpayer's expectation has to be that the Port will use the tax funding for Port projects that help grow Thurston County. Examples abound of how the Port has accomplished this in the past including the farmers market, HOCM, airport operations and business growth on Port properties including restaurants and retail businesses.

The Port's mandate is to support economic development by profitably growing the Port's operations. It is not within the Port's mandate to redistribute taxpayer dollars to non Port-related economic development projects. That is the function and mandate of our elected governmental officials at the city, county, state and federal level. Clearly the public expects these governmental entities to collect tax dollars and redistribute them in a way that will benefit the taxpayer including education, safety, security, police, fire, infrastructure and economic development. In fact, Thurston County supports a dedicated group to promote economic development projects akin to those the Port has elected to support. These governmental entities have the expertise, manpower and financial mandate to review, approve, fund, guide and ensure that established goals are met on taxpayer grant-funded economic development projects and the Port simply does not.

The Port is continually receiving comments from the public on the amount of tax dollars it collects each year. Every budget cycle brings public comments requesting that the Port reduce the tax burden on the taxpayer. By redirecting tax funds to non Port-related economic development activities that are the responsibility of our city and county elected officials it will exacerbate the amount of public comments calling for a reduced tax levy for the Port as it will appear that the Port has excess tax revenues since it is able to fund non Port-related activity instead of using it for its own growth that will enhance county economic growth.

Such redistribution of taxpayer money to non Port-related projects may create a negative impression on the motives for such action by the commission. One need only look to the well-known "bridge to nowhere" in Alaska that was funded by taxpayer dollars, causing a prominent Senator considerable grief, to understand the impact it can have. This is a slippery slope that could cause a loss of taxpayer confidence and goodwill and should be avoided.

CONCLUSION

The Port's mandate is to use taxpayer funds to grow and develop the Port in such a way that it also supports economic development throughout Thurston County. That is what the commissioners are elected to do, that is the expectation of the taxpayers and the Commission should discontinue funding any non Port-related economic development projects and use the tax monies in a manner dictated by the Port's very clear mission statement.

Submitted by Richard Wolf  
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