Travel and Promotional Hosting Policies
Promotional Hosting
Promotional Hosting

• “Hosting” is furnishing meals, refreshments, lodging, transportation, or any combination of those things in connection with:
  – Business meetings
  – Social gatherings
  – Ceremonies honoring persons or events

• Relating to the authorized business “promotional” activities of a port; “hosting” may also include reasonable, customary and incidental entertaining incident to promotional events

• The result of promotional hosting must be to promote industrial development or trade within the district
Governing Law

- Article VIII, Section 8 of the State constitution grants the legislature authority to prescribe how public funds may be used for industrial development or trade promotion and promotion hosting, and declares that such funds shall not be gifts of public funds.
This constitutional provision only applies to Ports

Text of Section 8: Port Expenditures -- Industrial Development -- Promotion.

The use of public funds by port districts in such manner as may be prescribed by the legislature for industrial development or trade promotion and promotional hosting shall be deemed a public use for a public purpose, and shall not be deemed a gift within the provisions of section 7 of this Article.
• Promotional hosting expenditures are authorized by RCW 53.36.120-150
  – Expenditures for promotional hosting must be pursuant to specific budget items as approved by the port commission at the annual public meeting on the port budget (RCW 53.36.120)
  – Funds may only be spent from gross operating revenues (RCW 53.36.130)
  – Port commissions shall adopt policies governing promotional hosting expenditures by employees or other agents (RCW 53.36.140)
  – Port commissioners shall not make expenditures or seek reimbursement unless specifically authorized by the port commission (RCW 53.36.140)
• Funds for promotional hosting expenditures shall not exceed 1% thereof upon the first $2.5 million of such gross operating revenues, .5% upon the next $2.5 million of such gross operating revenues, and .25% on the excess over $5 million of such operating revenues: PROVIDED, HOWEVER, that in no case shall these limitations restrict a port district to less than $2,500 per year from any funds available to the port (RCW 53.36.130)
Standards for Hosting – Guidance from State Auditor

• Hosting Private Businesses:
  – Ports should be on equal footing with other private businesses when promotion business or trade
  – Expenditures will not generally be questioned by the state auditor if properly accounted for

• Hosting Union Officials:
  – Ports should be prepared to show that the activities of a union official are tied to influencing industrial development or trade promotion as the typical role of a union official is representation of employees
• Hosting Foreign Government Officials:
  – The port must reasonably believe that the hosting the Foreign Official will tend to promote trade and industrial development in order for reasonable expenditures of funds for that purpose to be recognized.

• Hosting US Government Officials or Officials of Other States:
  – Ports should be careful of hosting US Government Officials or officials from other states as they may have regulations that would prohibit them from accepting gifts or gratuities.
  – Pursuant to federal law, ports are permitted to host federal government officials when the work may directly affect the port’s trade or development.
• Hosting Washington State and Local Government Officials and Employees:
  – Those officials would generally seek reimbursement from their own agency

• Hosting Other Port Districts:
  – Governed by the same rules as hosting state officials

• Hosting Spouses of Officials:
  – The spouse may be hosted if they are present with the business or government official
Promotional Hosting Policies

- Set forth a process in which reimbursement for promotional hosting shall occur.
- Incorporate standards articulated by the State Auditor that should be followed when conducting promotional hosting so port employees and officials have a framework for hosting.
- Set limits on how much can be spent on promotional hosting before additional commission approval is required.
- Set forth who is entitled to make expenditures for promotional hosting and who is entitled to approval promotional hosting expenditures.
Thoughts on Practical Considerations for Promotional Hosting

- Port districts are the only governments in the state allowed to do “promotional hosting” – be careful not to abuse the public’s trust
- The public is watching so both the policy and the practice should be reasonable
  - Big meal with alcohol and laughter in a local public restaurant with spouses?
  - Consumption of alcohol in the form of expensive wine
  - Commissioners at these events should be careful about the optics
- Consider some form of a report on the purpose of the meal
• Can be used for a “tenant appreciation barbeque” where Port senior staff, real estate staff, or commissioners provide a barbeque lunch (work the grills) for the tenants

• Can be used for refreshments at a kickoff of a major port project

• Always remember “just because staff can does not mean staff should do.”
  – Caution staff and commission against being be “penny wise and pound foolish” by using promotion hosting for a small expenditure that is questionable?
  – Be careful if you as the port attorney are getting a free meal or drinks?

• When in doubt, advise Port staff to tell the commission in advance and justify the expenditure
Travel
Travel Expenses

• RCW 53.08.175 authorizes reimbursement for necessary and reasonable travel expenses to officers and employees of ports

• RCW 42.24.120 authorizes advances for travel to officers and employees of municipal corporations

• Consideration for reimbursable expenses:
  – Was the purpose of the travel public business?
  – Has the expense been properly documented?
  – Was the expense consistent with statutes or policies authorizing reimbursement?
  – Was the expense reasonable?
• What about reimbursement for alcohol or other items that may not be “necessary”?
  – In the opinion of the AG, the state auditor should defer to the employee and not insert his/her judgment over the judgment of the employee
  – However, the expense must be reasonable; when it is a unnecessary expense there is authority to criticize
  – Public employees have a fiduciary responsibility in distributing public funds
  – Travel policies typically prohibit reimbursement for alcohol
Travel Policies

• Ports are directed to adopt travel policies for expenses incurred on behalf of the port, which shall include:
  – Establishing procedures for approval of expenses
  – Method of authorizing direct purchase of transportation
  – Form of voucher
  – Requirements governing use of credit cards issued in districts name
  – May provide a per diem in lieu of actual expenses when travel requires overnight lodging
  – Per diem rate shall not exceed the US general service administration’s per diem rates

RCW 53.08.176
## Example: Per Diem Meal Rates

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Additional considerations on travel policies…

• Set forth what is approved as a travel expense (i.e. alcohol is not a reimbursable expense)

• Set forth who is approved for travel expenses (i.e. spouses are not covered)

• Have a policy that if commissioners travel together, a special meeting notice is published
Practical consideration for travel policies

• Here again the public is watching
  – First class or business class travel?
  – Overseas travel especially to the airline conference Paris, the travel industry meeting Las Vegas, or the shipping conference in Miami in February?
  
  • If it even looks like a “boondoggle”* consider advising the commission in advance in public meeting and discuss why it is necessary; discuss the itinerary and establish “value”
  
  – Consider the optics of bringing a spouse along and then “staying a few extra days on your own nickel at the resort”?

*work or activity that is wasteful or pointless but gives the appearance of having value