

THE NORTHWEST SEAPORT ALLIANCE
SPECIAL BUDGET STUDY SESSION MINUTES
TUESDAY, OCTOBER 30, 2018
The Fabulich Center, Room 104
3600 Port of Tacoma Road, Tacoma, WA 98424

SEATTLE COMMISSIONERS PRESENT:

Courtney Gregoire, Co-Chair
Stephanie Bowman
Fred Felleman
Ryan Calkins - *By telephone*
Peter Steinbrueck

TACOMA COMMISSIONERS PRESENT:

Don Meyer, Co-Chair
Clare Petrich
Don Johnson
Dick Marzano
John McCarthy

NWSA STAFF PRESENT:

John Wolfe, CEO
Kurt Beckett, Deputy CEO
Carolyn Lake, Legal Counsel
Tom Tanaka, Legal Counsel
Tong Zhu, CCO & CSO
David Morrison, Deputy Treasurer
Erin Galeno, CFAO
Judi Doremus, Executive Assistant
Juliet Campbell, Clerk of the Port

1:00 PM Budget Study Session:

1. CALL TO ORDER:

Commissioner Meyer called the meeting to order at approximately 1:03 p.m. and lead the group in the Pledge of Allegiance.

A moment of silence was observed acknowledging those killed or wounded in the Pittsburgh synagogue shooting.

2. PUBLIC COMMENT: None.

3. GENERAL BUSINESS:

A. 2019 Cargo Forecast and Strategic Initiatives.

Introduced by John Wolfe, CEO; Presented by Tong Zhu, Chief Commercial Officer & Chief Strategy Officer

Discussion included:

- Import volumes are expected to be strong through this year and slow during Q1 2019 as importers continue to work inventories down.
- Key commodities shipped through the gateway to China and other Asian countries are targeted in retaliation for US tariffs. This is a challenge for US exporters. Other trade war implications were discussed including challenges specific to our gateway versus gulf ports and other coastal ports.
- Strategic initiatives to drive higher volumes of cargo through our gateway were highlighted including:
 - Terminal 5 (T5) in Seattle and Husky terminal in Tacoma. All permits for developing T5 have been secured. The NWSA stands ready to issue bids on terminal improvements once a commercial deal is finalized. In Tacoma, Terminal 4 (T4) upgrades were finished on time and under budget. Four new cranes were delivered and four more will arrive early next year.
 - A short haul rail initiative is in the works to move cargo to and from central and eastern Washington which will provide another avenue for local exporters to transport their products to container terminals while lowering congestion and carbon footprint.
 - Domestic cargo as a strategic focus was discussed. Hawaii and Alaska business was discussed.
 - Exploring other levels of engagement including the possibility of partnering with strategic BCOs.

- Business outreach efforts, successes and challenges were highlighted as were the cargo forecasts for international and domestic container, breakbulk and autos.

B. 2019 Budget, Capital Investment Plan and Five-Year Forecast.

Presented by David Morrison, Director, Treasury & Financial Planning

Discussion included:

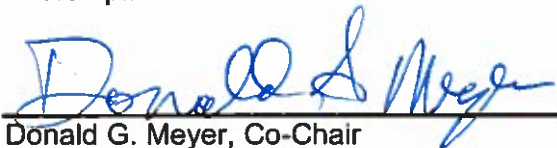
- The draft budget document has been published on the NWSA website.
- 2018 forecast has not changed since what was presented in September. A comparison of the original 2018 budget to the 2018 forecast was presented.
- Key financial terms were defined. Net distributable revenue is the “net income” that is split 50/50 between the homeports after all expenses including after depreciations. Distributable cash is the operating cash per the cash flow statement that is distributed 50/50 back to the homeports, and bond income is the minimum level of net income required for homeports to meet current bond rate covenants (defined in the Charter). Excludes depreciation, capital grants and non-operating expenses.
- Currently, studies for both the North and South harbors are funded by the alliance with the homeports funding the actual project.
- Differences in the original 2018 CIP budget and the 2018 forecasted spending of approximately is attributed to T4 project being under budget, timing of spending on cranes and project scope changes.
- The five-year CIP, container and non-container terminal projects were highlighted, as were other general projects. Commissioners requested staff include the basis for selecting projects as part of the budget presentation materials.
- The 2019 preliminary budget was discussed, memberships over \$10,000 were identified. A comparison of NWSA membership contributions and memberships contributed to by the individual homeports was requested of staff to identify overlap of contribution. Staff will provide at a future meeting.
- Key budget messages include 2018 NDR is projected to be \$95.5M, \$2.2M above budget level of \$93.3M, and years 2019 and 2020 will be impacted by investments in technology and infrastructure to support future growth.
- Clarification regarding staffing issues presented in the budget was provided to state that shifting priorities impact the allocation of human resources. If there are projects the commissioners believe are not getting accomplished at an acceptable rate, that conversation needs to take place to ensure the appropriate allocation of resources.
- Implications of the NWSA budget for the Port of Tacoma budget were discussed.

5. COMMISSIONER COMMENT:

Commissioner Gregoire: Recognized the Port of Tacoma’s centennial.

6. ADJOURNMENT:

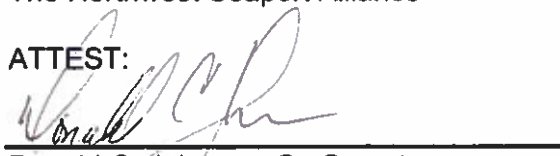
There being no further business, Commissioner Meyer adjourned the meeting at approximately 3:07 p.m.



 Donald G. Meyer, Co-Chair
 The Northwest Seaport Alliance



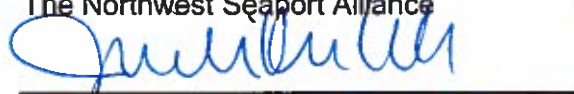
 Courtney Gregoire, Co-Chair
 The Northwest Seaport Alliance

ATTEST:


 Donald C. Johnson, Co-Secretary
 The Northwest Seaport Alliance



 Ryan Calkins, Co-Secretary
 The Northwest Seaport Alliance



 Julie Campbell, Clerk of the Port
 The Northwest Seaport Alliance