

THE NORTHWEST SEAPORT ALLIANCE
SPECIAL MEETING MINUTES - Amended
TUESDAY, NOVEMBER 12, 2019

The Conference Center at Seattle-Tacoma International Airport, Central Auditorium
17801 International Boulevard, Seattle, Washington

SEATTLE COMMISSIONERS PRESENT:

Stephanie Bowman
Ryan Calkins
Fred Felleman
Courtney Gregoire
Peter Steinbrueck

TACOMA COMMISSIONERS PRESENT:

Don Johnson
John McCarthy
Dick Marzano
Don Meyer by telephone
Clare Petrich

STAFF PRESENT:

John Wolfe, CEO
Kurt Beckett, Deputy CEO
Carolyn Lake, Legal Counsel
Tom Tanaka, Legal Counsel
David Morrison, Dir. Financial Planning and Treasury
Leilani Berinobis, Executive Administrative Assistant
Juliet Campbell, Clerk

1. **CALL TO ORDER AND PLEDGE OF ALLEGIANCE:** Commissioner Bowman called the special meeting to order at 2:05 p.m. and lead the pledge of allegiance.
2. **CHIEF EXECUTIVE OFFICER'S REPORT:**
CEO Wolfe shared some high points on the budget. The public can view the goals in the budget document on the NWSA website. Key metrics associated with those goals were highlighted. The goals provide the basis by which the budget is formed and the strategic recommendations for projects. He stressed the importance of the NWSA maximizing the value back to the homeports in terms of operating income and distributable cash and spend only what is needed from the homeports as there may be competing interest between the alliance and the homeports. Staff committed to regular check-ins throughout the year would include a "spring preview" of how the alliance is performing against the budget and the CIP.
3. **PUBLIC COMMENT:** None.
4. **ACTIONS:**
 - A. 2020 Operating Budget, 2020-2024 CIP and Capital Construction Contribution Method.
Presenters: David Morrison, Dir. Financial Planning and Treasury

Staff gave an overview of changes to the budget since the last public budget discussion. Staff then reviewed the 2020 Operating Budget and CIP with the Managing Members. Revenue is essentially flat. The budget provides each homeport with \$52.3 million in Distributable Cash and lease interest cash. Staff provided a summary of historical distributable cash budgeted vs. actuals.

It was moved and seconded to

1. Adopt the 2020 Operating Budget including Memberships over \$10,000 and Promotional Hosting

The motion carried 9-1 by the following vote:

In favor: Bowman, Calkins, Felleman, Gregoire, Johnson, McCarthy, Marzano, Petrich, Steinbrueck

Opposed: Meyer

Operating Budget Discussion:

Commissioner McCarthy commented that the historical distributable cash information provided by staff accentuates a need for more accuracy in predicting what the alliance spends. The homeports are heavily dependent on Distributable Cash from the alliance and the difference between the Net Distributable Cash amounts and the budgeted Distributable Cash could represent missed opportunities for the homeports. He supports periodic reviews of performance to the budget.

Commissioner Meyer is not satisfied with a trend line year-over-year that shows a decrease of 26% in net income and will not support a budget that reflects an increase in the administration category at the levels shown in this budget. CEO Wolfe commented that there are situations in any given year where the finances can take a one-time hit that the organization has no control over. He suggested a multi-year trend line may provide a more accurate picture of performance. Commissioner Johnson added that the administration category reflects increased spending due a new legal counsel position and projects being shifted from one area of the budget to the administration bucket.

Commissioner McCarthy expressed his feeling that conversations related to budget and CIP are rushed and incomplete and would like quarterly meetings for complete discussions. He also relayed that he had hoped the CIP list would be such that there would be no reduction to Distributable Income to the homeports. Staff replied that in order to improve 2020 Distributable Cash to the homeports, the focus would need to be on expense projects (e.g. environmental, one-time expenses such as paving at T46, removal of cranes) versus capital projects. Lastly, he would like discussion related to how Managing Members interpret Charter language "...unified management and operation of the Marine Cargo operations of each Managing Member..."

Commissioner Felleman requested legal counsel provide guidance on Article VI 6.1(b) of the NWSA Charter related to the per diem compensation. Specifically, he asked for legal counsel's interpretation of what is meant by "... and as may further be determined by each Managing Member."

It was moved and seconded to

2. Approve the 2020-2024 Capital Investment Plan

The motion carried 8-2 by the following vote:

In favor: Bowman, Calkins, Felleman, Gregoire, Johnson, Marzano, Petrich, Steinbrueck

Opposed: McCarthy, Meyer

CIP Discussion:

Commissioner McCarthy will vote against this item stating that additional input from the Managing Members is needed.

Commissioner Johnson supports the CIP stating he is totally unaware of anything offered that is financially better than what has been presented by the professionals. He noted the difficulty of going through each project line-by-line with each commissioner and offered that a better exercise would be to give an overall strategy of things commissioners would like to accomplish over the next 10 years and if determine those items produce better financial results. He said from his perspective the only thing that is really important is the financial performance because without finances you can't protect the employees, the environment or anything.

Commissioner Gregoire shared the approach the Port of Seattle took in its business planning for its waterfront five-year CIP.

Commissioner Steinbrueck expected to hear a report from the Port of Tacoma on its financial position with regard to supportability of the discretionary CIP list of projects. He commented that additional delineation is needed on priorities and the criteria. While he has faith in staff to make those judgements, he noted that when commissioners are presented a laundry list of projects, it is hard to tell where there is room to adjust especially if projects are overly financially impactful to one of the homeports preventing them from committing to the full list.

Commissioner Meyer described the project list as confusing. He also expressed frustration that a \$15.6 million rail extension project was included on the Port of Tacoma's CIP, when it is for the benefit of the NWSA. He said improvements in the process of developing the CIP are needed including more time for critical discussion. Commissioner Johnson replied that the budget process is not the time to evaluate individual projects – that would be in the strategic plan. The CIP is a list of placeholders to identify a certain amount of dollars for the budget. Commissioners Bowman and Johnson both emphasized that the CIP is a plan, it is not an authorization for projects.

Commissioners Petrich shared that the Port of Tacoma had a robust conversation about its budget and while the questions were asked about certain projects, there were not specific answers. Commissioner Marzano added that the Port of Tacoma will be welcoming two new commissioners in January and will be starting its strategic plan discussion. What the Port really wants to do has not been determined. Once decided, then dollars can be assigned.

It was moved and seconded to

3. Approve adoption of the 2020 lease interest cash distribution policy to distribute Lease Interest cash on a monthly basis consistent with Distributable Cash due to changes in accounting due to Governmental Accounting Standards Board Pronouncement 87 (GASB 87).

The motion carried unanimously 10-0

5. GENERAL BUSINESS:

A. ANNOUNCEMENTS, EVENTS, RECOGNITIONS: None.

B. COMMISSIONER COMMENT:

Commissioner Felleman repeated his request for clarification on appropriate reimbursables for Managing Members between the homeports and alliance. Legal counsel is investigating.

Commissioner Petrich commented that the Managing Members consider how to evaluate how the alliance has been working.

Commissioner Johnson agreed with Commissioner Petrich. He added it is important to remember why the alliance was formed, so the ports of Tacoma and Seattle weren't buying each other's business.

Commissioner Calkins spoke in support of committee work as an agile way to conduct business of a 10-member board.

Commissioner Marzano: Thanked the finance/budget staff for their work.

Commissioner Felleman suggested that so long as there are environmental goals in the Charter and expenses in the budget that some oversight by the Managing Members in the form of a committee may be in order. Commissioner McCarthy agreed.

6. ADJOURNMENT: There being no further business, Commissioner Bowman adjourned the meeting at 3:25 p.m.



John McCarthy, Co-Chair
The Northwest Seaport Alliance

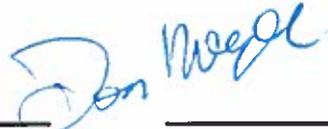


Peter Steinbrueck, Co-Chair
The Northwest Seaport Alliance

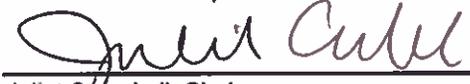
ATTEST:



Don Meyer, Co-Secretary
The Northwest Seaport Alliance



Sam Cho, Co-Secretary
The Northwest Seaport Alliance



Juliet Campbell, Clerk
The Northwest Seaport Alliance