



Item No.: 4A  
Date of Meeting: 11/12/19

# 2020 Budget Adoption

Managing Member Meeting  
November 12<sup>th</sup>, 2019

# NW Seaport Alliance Scorecard

September 30, 2019



## CARGO VOLUME

	2018 Total	2019 YTD Actuals	2019 Budget
<u>Containers (TEUs)</u>			
International	3.1 M	2.4 M	3.1M
Domestic	0.7 M	0.6 M	0.7 M
Break Bulk (Metric Tons)	249 K	201 K	181 K
Autos (Units)	141 K	119 K	183 K



## JOB CREATION

	2018 Total	2019 YTD Actuals	2019 Target
ILWU Hours	4.7 M	3.6 M	4.7 M



## FINANCIAL RETURNS

<i>\$ in millions</i>	2018 Total	2019 YTD Actuals	2019 YTD Budget
Operating Income (Before Depreciation)	\$109.7	\$79.5	\$72.4
Return on assets	8.4%	7.3%	6.5%



## ENVIRONMENTAL STEWARDSHIP

	2018 Results	2019 Actuals	2019 Target
Water Quality (Improve Source Control)	243 Acres	195 Acres	53 Acres
Air Quality (Reduce Greenhouse Gas Emissions)	15% Terminals; Executed Fuel Efficiency Plans; 100% Trucks 2007 Engines or Newer	15% Terminals; Executed Fuel Efficiency Plans	36% Container Terminals Executed Fuel Efficiency Plans

# Changes since Tuesday 5<sup>th</sup> Meeting

- **Revised Capital spending timing for T46 substation.**
  - Total cost of \$2.5M the same, reduced 2020 to \$0.5M from \$1.25M, increased 2021 by \$0.75M
- **Minor changes in allocations from POT to NWSA for IT and HR reducing allocations approximately \$0.25M**
- **T104 site improvements for \$1M moved to 2025 from 2023**
- **Removed double membership of Northwest Marine Terminal Association (\$6K not \$12K)**

# Agenda

- **Review 2020 NWSA operating Budget**
- **Review 2020-2024 NWSA Capital Investment Plan**
- **Recommend Approval of:**
  - 2020 Operating Budget including memberships over \$10,000 and promotional hosting
  - 2020-2024 Capital Investment Plan
  - Lease Cash Distribution authorization

# 2020 Operating Budget

(\$ millions)

	2018 Actual	2019 Budget	2019 Forecast	2020 Budget
<b>Operating Revenues</b>				
Container	\$159.7	\$168.4	\$164.4	\$119.5
Non Container	20.7	18.6	22.6	22.1
Real Estate	12.2	12.5	12.9	8.3
Other	0.0	0.0	0.0	0.0
<b>Total Operating Revenues</b>	<b>192.6</b>	<b>199.4</b>	<b>199.9</b>	<b>149.9</b>
<b>Direct Expenses</b>				
Container	32.7	37.8	39.3	40.5
Non Container	9.2	11.3	10.3	9.8
Real Estate	0.9	0.8	0.6	1.1
Other	14.3	17.3	14.6	15.5
<b>Total Direct Expenses</b>	<b>57.1</b>	<b>67.2</b>	<b>64.9</b>	<b>66.9</b>
<b>Administration</b>	19.3	23.6	20.4	22.9
<b>Security</b>	4.3	4.6	4.8	5.7
<b>Environmental</b>	2.2	3.9	2.2	2.6
<b>Total Operating Expense before Depreciation</b>	82.8	99.3	92.3	98.0
<i>Operating Income before depreciation</i>	<i>109.7</i>	<i>100.2</i>	<i>107.6</i>	<i>51.9</i>
<b>Depreciation &amp; Amortization</b>	6.3	13.5	11.2	15.4
<b>Total Operating Expense</b>	<b>89.1</b>	<b>112.7</b>	<b>103.5</b>	<b>113.4</b>
<b>Income from Operations</b>	<b>\$103.4</b>	<b>\$86.7</b>	<b>\$96.4</b>	<b>\$36.5</b>
<i>Return on Revenue</i>	<i>53.7%</i>	<i>43.5%</i>	<i>48.2%</i>	<i>24.3%</i>
Non Operating Income (Expense)	8.5	1.1	3.7	47.4
<b>Distributable Income</b>	<b>\$112.0</b>	<b>\$87.8</b>	<b>\$100.1</b>	<b>\$83.9</b>
<b>Distributable Cash + Lease Interest Cash</b>	<b>\$113.7</b>	<b>\$104.5</b>	<b>\$112.0</b>	<b>\$104.7</b>
<b>Bond Income</b>	<b>\$115.5</b>	<b>\$102.1</b>	<b>\$109.8</b>	<b>\$103.4</b>

# 2020 Operating Budget Highlights

- **Revenue is essentially flat despite changes to leases at T46 and East Sitcum**
  - Incorporates the impact of GASB 87 which reduces Operating Income, but has no impact on Net Income
- **Project spending on top of ongoing maintenance to fix or repair existing assets for a total of \$9.4M**
- **Incorporates significant 1 time expenses including**
  - Removal of 2 cranes at Husky terminal for \$2M
  - T5 related public expenses totaling \$5.9M
  - Clean air and Clean water (stormwater) spending totaling \$2.3M
  - Facilities plan for \$0.6M
- **Provides each homeport with \$52.3 million in Distributable Dash and lease interest cash**

# MEMBERSHIPS

MM approval of NWSA Memberships over \$10,000 required per Master Policy

Organization	2019 Dues	2020 Dues
American Association of Port Authorities	\$50,000	\$55,000
Pacific Northwest Waterways Association	28,000	30,000
WA Council on International Trade	20,000	20,000
International Association of Ports and Harbors	11,000	13,000
Green Marine	11,000	11,000
All Other Memberships under \$10,000	32,487	54,796
<b>Total NWSA Memberships</b>	<b>\$152,487</b>	<b>\$183,796</b>

Actual amounts paid may vary slightly as some dues are calculated based on fiscal year financial results.

# 2020 Promotional Hosting

- Promotional Hosting is “business development.”
- RCW 53.36.120 & 130 requires that expenditures for Industrial Development, Trade Promotion, and Promotional hosting be specific budgeted items
- The 2020 NWSA budget includes \$202,438 for promotional hosting – down \$5,000 from 2019 budget
- 2020 statutory limit based on alliance revenue is \$399,750



# 2020-2024 Capital Investment Plan

	2019 Forecast	2020	2021	2022	2023	2024	2020-2024 Total
Capitalized	\$118.6	\$124.0	\$106.3	\$71.5	\$37.7	\$29.0	\$368.4
Operating and Non Operating Expense	12.8	20.6	28.4	8.5	7.4	7.4	72.3
Grand Total	\$131.4	\$144.6	\$134.7	\$80.0	\$45.0	\$36.4	\$440.7

- Investment in container business terminal development and maintenance of \$368.3 million
- Investment in non-container business of \$3.5 million
- Investment of \$68.9 million in infrastructure and environmental projects.

# Bond Income Calculation

- **Minimum level of net income required for homeports to meet bond rate covenants for bonds outstanding at the time of the formation of the alliance**
  - Takes into account home port income from other sources
  - Based on the home port with the higher required minimum income
  - Adjusted for lien coverage requirements (senior = 1.35, subordinate = 1)
- **Section 4.2(b) requires annual review of the bond income calculation**
- **Required bond income as defined in the charter is \$90 million in total for NWSA**

# Historical Distributable Cash

Dollars in Millions

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019 Forecast</u>	<u>2020 budget</u>
Revenue	\$ 195.2	\$ 195.0	\$ 193.0	\$ 199.9	\$ 149.9
Operating Expense	\$ 79.7	\$ 83.7	\$ 83.7	\$ 92.3	\$ 98.0
Operating Income before Depreciation	\$ 115.5	\$ 111.3	\$ 109.3	\$ 107.6	\$ 51.9
Depreciation	\$ <b>0.5</b>	\$ <b>2.2</b>	\$ <b>6.3</b>	\$ <b>11.2</b>	\$ <b>15.4</b>
Operating Income from operations	\$ 115.0	\$ 109.1	\$ 103.0	\$ 96.4	\$ 36.5
Non Operating Expense	\$ (8.3)	\$ (0.8)	\$ (8.5)	\$ (3.7)	\$ (47.4)
Operating Income	<b>\$ 123.3</b>	<b>\$ 109.9</b>	<b>\$ 111.5</b>	<b>\$ 100.1</b>	<b>\$ 83.9</b>
Net Distributable Cash	<b>\$ 116.0</b>	<b>\$ 102.6</b>	<b>\$ 113.7</b>	<b>\$ 112.0</b>	<b>\$ 103.8</b>
Budgeted Distributable Cash	\$ 104.0	\$ 95.1	\$ 93.2	\$ 99.9	
Better / (Worse)	\$ 12.0	\$ 7.5	\$ 20.5	\$ 12.1	

# Approval Request

- **Request Managing Member approval of following items:**
  - 2020 Operating Budget including Memberships over \$10,000 and Promotional hosting
  - 2020- 2024 Capital Investment Plan
  - Approval to distribute Lease Interest cash on a monthly basis consistent with Distributable Cash due to changes in accounting due to GASB 87