



**THE NORTHWEST
SEAPORT ALLIANCE**
Gateway to Solutions

Item No.: 6A
Date of Meeting: June 2, 2020

Financial Performance Update and Additional Response to Economic Conditions

June 2nd , 2020

5/28/2020

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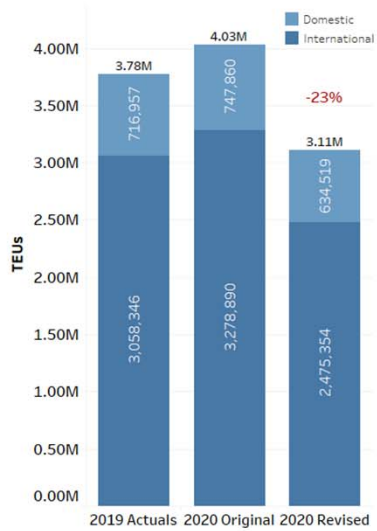
Agenda

- **2020 Updated Cargo Forecast & Market Share**
- **2020 Forecast Summary**
- **2020 Budget and April Year to Date (YTD) summary**
- **Management actions in response to economic conditions**
- **2020 P&L Forecast**
- **2020 Capitalized CIP Forecast**
- **CIP Project details**

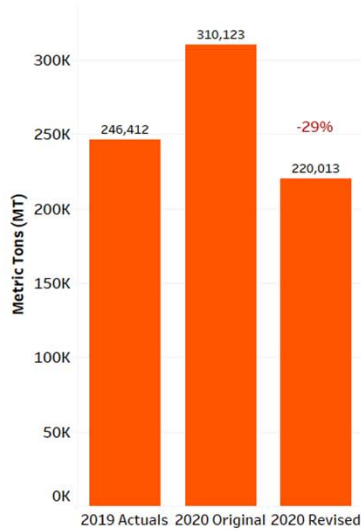


2020 Updated Cargo Forecast

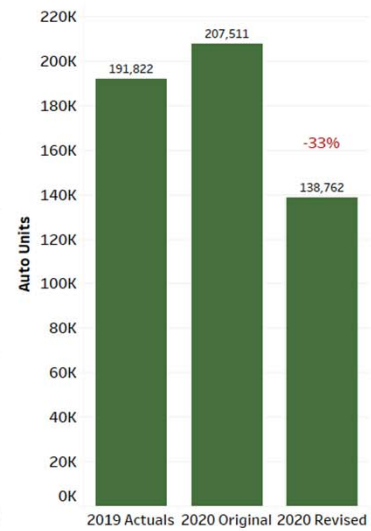
Container Volumes



Breakbulk Volumes



Auto Units



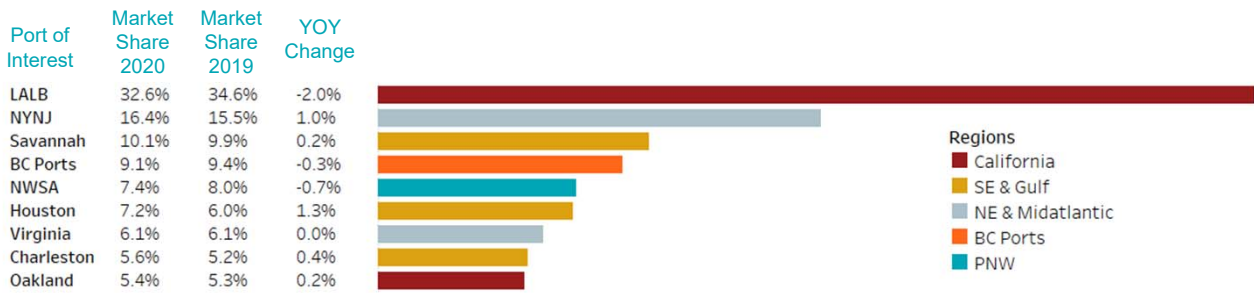
Gateway Comparison – TEU & Market Share

PORTS OF INTEREST, March 2020 YTD

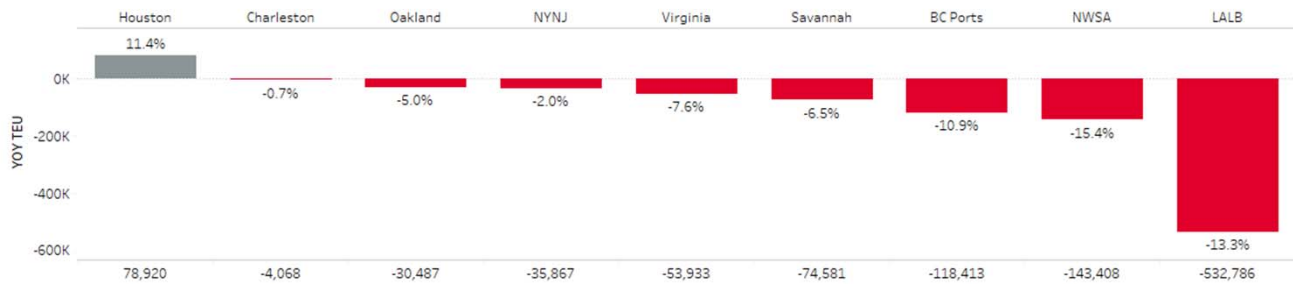
(Source: Port Statistics)

YTD NWSA Volume Growth/Loss
-143,407, -15.4%

YTD NWSA Market Growth/Loss:
-0.7%



YTD March 2020 year over year change in TEU



2020 Forecast Summary \$ Million

| | Budget | Forecast | Better / (Worse) |
|-----------------------------|----------------|-----------------------------------|-------------------------|
| Revenue | \$ 149.9 | \$ 132.4 | \$ (17.5) |
| Expense before Depreciation | 97.8 | 92.0 | 5.8 |
| Depreciation | 15.4 | 15.1 | 0.3 |
| Operating income | 36.7 | 25.4 | (11.3) |
| Non operating Income | 47.3 | 46.9 | (0.4) |
| Distributable Income | <u>\$ 84.0</u> | <u>\$ 72.2</u> | <u>\$ (11.7)</u> |
| | | <i>Impact to Home port at 50%</i> | <i>\$ (5.9)</i> |
| Distributable cash | \$ 97.9 | \$ 86.1 | \$ (11.8) |
| | | <i>Impact to Home port at 50%</i> | <i>\$ (5.9)</i> |
| Bond Income | \$ 103.4 | \$ 92.0 | \$ (11.4) |
| | | <i>Impact to Home port at 50%</i> | <i>\$ (5.7)</i> |

Homeport Cash Received/(Paid) to NWSA

| | Budget | Forecast | Better / (Worse) |
|---------------------------------------|------------------|------------------|-------------------------|
| Distributable Cash Received | \$ 49.0 | \$ 43.1 | \$ (5.9) |
| Capital Contribution To NWSA | \$ (62.0) | \$ (56.0) | \$ 6.0 |
| Net Homeport Cash Contribution | \$ (13.0) | \$ (12.9) | \$ 0.2 |

April Year to Date Financial Results

| | 2020 | | | | 2019 | |
|-----------------------------------|-----------------|-----------------|----------------|-------------|---------------|-----------------|
| | BUDGET | ACTUAL | VARIANCE | VAR % | ACTUAL | VARIANCE |
| Operating Revenue | 64,241 | 59,975 | (4,266) | -7% | 68,600 | (8,625) |
| Revenue before GASB 87 Adjustment | 64,241 | 59,975 | (4,266) | -7% | 68,600 | (8,625) |
| Lease Interest - GASB 87 | (16,097) | (17,219) | (1,122) | -7% | - | (17,219) |
| Total Revenue | 48,144 | 42,756 | (5,388) | -11% | 68,600 | (25,845) |
| Operating Expenses | 36,245 | 32,069 | 4,176 | 12% | 35,207 | 3,138 |
| Operating Income | 11,899 | 10,687 | (1,212) | -10% | 33,394 | (22,707) |
| Interest Income and Exp | | | | | | |
| Interest Income | 545 | 747 | 202 | 37% | 703 | 44 |
| Lease Interest - GASB 87 | 16,071 | 17,219 | 1,148 | 7% | - | 17,219 |
| Revenue Bond Interest Exp | 100 | 41 | 60 | 60% | - | (41) |
| Net Interest Expense | (16,516) | (17,926) | 1,410 | 9% | (703) | 17,223 |
| Non-Operating Inc/(Exp) | (1,150) | (1,072) | 78 | 7% | (90) | (982) |
| Grant income | 970 | (32) | (1,002) | -103% | 478 | (510) |
| Income Before Tax Levy | 28,236 | 27,509 | (727) | -3% | 34,485 | (6,976) |
| Net Income | 28,236 | 27,509 | (727) | -3% | 34,485 | (6,976) |

Operating Expense reduction summary (\$ million)

| Item | Budget | Reduction / (increase) | Forecast | % Reduction / (increase) |
|--|---------------|---------------------------|---------------|-----------------------------|
| NWSA Salary and Wages – staffing delays | \$10.3 | \$0.7 | \$9.6 | 7% |
| POT Salary and Wages - Allocations | \$25.9 | \$0.7 | \$25.2 | 3% |
| Travel & Hosting | \$0.8 | \$0.6 | \$0.2 | 75% |
| Training reduction | \$0.1 | \$0.04 | \$0.06 | 40% |
| Port of Seattle Allocation Reductions | \$9.3 | \$0.8 | \$8.6 | 9% |
| Gateway Infrastructure Project | \$0.5 | \$0.5 | \$0 | 100% |
| Revenue related expenses | \$37.6 | \$3.2 | \$34.4 | 9% |
| Project Changes | \$13.3 | (\$0.6) | \$13.9 | (5%) |
| Total | \$97.8 | \$5.6 | \$92.0 | 6% |

Non Operating Expense Reduction Summary (\$ million)

- **T5 Public expense projects for 2020 increased by \$0.5 million due to timing with an offsetting reduction in 2021.**
 - City power
 - Rail quiet zone
- **Security program that was to be grant funded was cancelled due to grant not being awarded**
 - Decrease in expense of \$0.1 million
- **Net increase of non operating of \$0.4 million**

2019 Capitalized Project Spending roll to 2020

- **T5 total project cost is on budget**
 - 2019 Spending was \$21 million less than forecasted due to timing, and that spending has moved to 2020.
 - 2021-2023 spending of \$12.3 million is projected to move into 2020
 - T5 total 2020 spending now forecasted as \$120.6 million vs original budget of \$87.3 million (expense and capital).
- **Husky and T18 projects also rolled capital spending into 2020 from 2019**
- **Total of \$29.8M of planned capitalized project spending moved from 2019 to 2020**
 - 2019 ending cash for both home ports were higher due to delayed spending
 - All of this spending has been previously approved by the Managing Members

2020 P&L Forecast \$ million

| | Budget | Forecast | Better / (Worse) |
|-----------------------------|-----------------------------------|-----------------|-------------------------|
| Revenue | \$ 149.9 | \$ 132.4 | \$ (17.5) |
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| Depreciation | 15.4 | 15.1 | 0.3 |
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| Distributable Income | \$ 84.0 | \$ 72.2 | \$ (11.7) |
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2020 Capital Improvement Plan Spending

- **Focus only on changes from original 2020 CIP spending**
 - Expensed projects included in CIP lists that follow
 - Not including spending rolled from 2019 to 2020
 - Many timing issues from before the economic crisis and then new actions

\$ Million

| | | |
|--|----|--------|
| Original 2020 Capitalized CIP budget | \$ | 124.0 |
| Reductions to 2020 Spending | | (27.7) |
| Increase in 2020, reductions in future years | | 15.6 |
| Forecasted capitalized CIP Spending | \$ | 111.9 |

Capital Projects Eliminated in 2020 (\$ thousand)

| Projects Name | Project Description | Original Budget |
|--|---|-----------------|
| T46 Central Lighting Controls | For all of T46 including the cruise lease area. Needed for submetering with multiple tenants on T46. Needed before cruise terminal is in place. May impact NWSA expenses due to higher electrical costs | 1,500 |
| T5 W6 Transit Shed Standpipe Replacement (small project) | End of service life and is leaking. Ongoing maintenance & lease agreement. Fire department requirement | 280 |
| W. Sitcum Bullrail Replacement for Autos | Replace fixed bull rail with removable bull rail on portion of wharf for RORO ships. Provides flexibility if T7 fails. | 241 |
| T106 CBP Office & Facility Improvements | One option for improvements at current N. Harbor CBP office. Other options being explored | 1,025 |
| T18 Water Control Valve Upgrade (small project) | Safety issue to replace domestic water. Poor condition due to aging. Frequent maintenance calls. | 300 |
| Clean Drayage System Domestic Terminals - NWSA SH | SH domestic terminal RFID project to meet MM policy for emissions reduction | 776 |
| T46 Transformer Rehab | Arc flash problem. Add surge protection to substation that feeds south part of terminal. Critical for crane operations. May be delayed | 200 |

Total of \$4.32 million in cancelled projects

Capital Projects Reduced (\$ thousand) in 2020

| \$ Thousand | | | | |
|--|---|-----------------|---------------------------|---|
| Projects Name | Project Description | Original Budget | Reductions to 2020 budget | Adjusted 2020 Budget (excluding 2019 rollover) |
| T5 Berth Construction - Phase 1 (1,450' north) | MM approval of T5 redevelopment | 80,000 | (3,630) | 76,370 |
| WUT Fender System Replacement | Replace WUT fender system to support larger container ships. WUT Provides \$7.2 million in annual revenue | 3,687 | (3,511) | 176 |
| T18 Stormwater Utility Upgrade | Lease commitment with SSA. NWSA splitting cost 50% with SSA | 7,374 | (3,378) | 3,996 |
| NWSA Unallocated Capital Improvements (placeholder) | Budget for unplanned capital projects. Based on historical amounts | 3,000 | (2,534) | 466 |
| EB1 Yard Reconfiguration | Potential for additional revenue if the Breakbulk yard is fully paved and gate moved. Subject to financial analysis. Alternate to leasing tribal property. Supports 10 year agreement with WWL by adding additional capacity. | 1,946 | (1,794) | 152 |
| T-46 Stormwater Improvements - Basin 2 | Stormwater improvements. Partially funded by TIGER grant | 3,058 | (1,444) | 1,614 |
| T46 Dock Rehabilitation | T46 wharf improvements. Partially funded by TIGER grant | 3,647 | (1,082) | 2,565 |
| Terminal 3/4 Shorepower | Installation of shorepower at Husky | 1,242 | (947) | 295 |
| T7 Berth B-D Ship Service Water Line Replacement | Water line used to provide water to ships is failing. Lease requirement. | 467 | (445) | 22 |
| RFID in Truck Que End Gates - NWSA SH | Equipment to monitor turn times and compliance to clean truck requirements | 716 | (400) | 316 |
| Bldg 900, 700 & Guard Shack Roof Replacements (W. Sitcum) | Replace failing roofs per lease agreement | 1,263 | (238) | 1,025 |
| CBP Booth & Utilities (WUT) | Replace old smaller booth with upgraded booth from PCT | 248 | (200) | 48 |
| WUT Utility Vault Upgrades | Install new rings imbedded in concrete collars | 580 | (198) | 382 |
| Display RFID Turn & Que Times on NWSA Website | Upgrade to NWSA website to display terminal truck que times | 100 | (61) | 39 |

Capital Projects Increased (\$ thousand) in 2020

| \$ Thousand | | | | |
|--|---|-----------------|---------------------------|---|
| Projects Name | Project Description | Original Budget | Reductions to 2020 budget | Adjusted 2020 Budget (excluding 2019 rollover) |
| TOTE Admin Bldg Bird Deterrent System | Install new bird deterrent system | - | 63 | 63 |
| Pier 4 Line Handlers Platform | Installation of platform | - | 73 | 73 |
| WUT Roof Replacements (Admin & Marine Bldg) | Replace failing roofs | - | 74 | 74 |
| NIM Stormwater Pipe Extension (located on Husky) | Installation of new stormwater pipe at the NIM | 20 | 95 | 115 |
| T5 Clean Truck Gate Equipment | MM approval of T5 redevelopment | - | 95 | 95 |
| Clean Drayage System Int'l Truck Que Sites | Technology for measuring time in truck ques | - | 200 | 200 |
| WUT Crane Power Relocation | Relocate power for smaller cranes at south end of berth | - | 300 | 300 |
| T5 RPM Power Supply | MM approval of T5 redevelopment. Lease obligation | - | 300 | 300 |
| T18 Water Main Replacement (no OA or stage 2) | (blank) | - | 330 | 330 |
| T5 Reefer Design & Construction South | MM approval of T5 redevelopment | - | 500 | 500 |
| Blair Dock Fender Replacement | Replace 40% of existing fender system | - | 694 | 694 |
| Kone Reachstackers | Replace leased reachstackers | - | 1,039 | 1,039 |
| T5 Reefer Design & Construction North | MM approval of T5 redevelopment | - | 1,500 | 1,500 |
| T5 Marine Building North | MM approval of T5 redevelopment. Lease obligation | 400 | 1,738 | 2,138 |
| T5 Marine Building South | MM approval of T5 redevelopment. Lease obligation | - | 1,966 | 1,966 |
| T5 Stormwater Treatment System | MM approval of T5 redevelopment | 400 | 3,169 | 3,569 |

- Not included are rollover from 2019
- T5 related 2020 increases do not result in an increase in the overall project. These are funded by the management reserve.

Expense Projects Eliminated in 2020 (\$ thousand)

| Projects Name | Project Description | Original Budget |
|---|--|-----------------|
| T5 Modernization Expense Items | Set up of construction management office and other smaller spending required for T5 that cannot be capitalized | 65 |
| T115 Asphalt & Ballast Removal (no stage 2) | Lease obligation | 259 |
| Breakbulk Pre-Advice Notification (PAN) - Phase 2 | Improve efficiency of EB1 breakbulk operations by scheduling of trucks for pickup/delivery of cargo. Trucker appointment system. | 164 |
| Pony Environmental Cap Repair (parcel 86) (parent MID) | Consent Decree required maintenance of environmental cap | 100 |
| T46S Routine Condition Assessments | Scheduled inspection for condition investigation | 25 |
| T115 Routine Condition Assessments | Scheduled inspection for condition investigation | 100 |
| FRATIS CCTV Equipment - Phase 1 NH | Freight Advanced Traveler Information Systems (FRATIS) For increased visibility of truck congestion and security concerns | 660 |

Total of \$1.37 million in cancelled projects

Expense Projects Reduced in 2020 (\$ thousand)

| Projects Name | Project Description | Original Budget | Reductions to 2020 budget | Adjusted 2020 Budget (excluding 2019 rollover) |
|---|--|-----------------|---------------------------|---|
| T5 Berth Mod Public Expense (Signalization on Spokane St) | Permit condition required for T5 construction | 1,875 | (1,295) | 580 |
| T5 Berth Mod Bridge Overpass Restriping & Signs | Permit condition required for T5 construction | 485 | (353) | 132 |
| W. Sitcum Paving Repairs & Fencing for Autos Lot Q & S | Paving repairs | 419 | (339) | 80 |
| T7 Warehouse Roof Repair | Repair T7 warehouse where roof was not replaced | 271 | (226) | 45 |
| Breakbulk Tariff Billing (FMS Replacement) | Current system will have no vendor support. | 400 | (200) | 200 |
| Marshall Ave Auto Warehousing Paving Repairs (2020-2024) | Contractual requirement to maintain paving. Potential to delay. This location provides | 200 | (189) | 11 |
| NWSA ISGP Policy Projects | Policy work to support permit language, development & other initiatives | 236 | (56) | 180 |
| T5 Berth Mod Public Expense (Access Road Imp) | Permit condition required for T5 construction | 180 | (50) | 130 |
| ISGP W. Sitcum Terminal | Industrial Stormwater General Permit required | 56 | (44) | 12 |
| USACE Tacoma Harbor Deepening Study - non reimbursable | Army Corps of Engineers deepening study | 20 | (12) | 8 |
| T5 Gate Queue Management TI Oversight | MM approval of T5 redevelopment | 10 | (5) | 5 |

Expense Projects Increased in 2020 (\$ thousand)

| | Projects Name | Project Description | Original Budget | Reductions to 2020 budget | Adjusted 2020 Budget (excluding 2019 rollover) |
|----------|--|--|-----------------|---------------------------|---|
| Expensed | T46 Subsidence Investigation | (blank) | - | 2 | 2 |
| Expensed | 2020 ISGP Permit Appeal | Negotiate terms for new Industrial Stormwater General Permit | 196 | 5 | 201 |
| Expensed | T46 Crane Removal Oversight | Oversight of TTI's removal of cranes | - | 15 | 15 |
| Expensed | T5 W Marginal Wy Flashing Alert | MM approval of T5 redevelopment | 25 | 25 | 50 |
| Expensed | PCT Maintenance Bldg Leak Assessment | Assess reason for leaking roof | - | 25 | 25 |
| Expensed | Murray Pacific Environmental Cap Repair (parcel 25) 2020 | Consent Decree required maintenance of environmental cap | 250 | 30 | 280 |
| Expensed | NFMS Maintenance Negotiations | Provide support to National Marine Fishery Services regarding mitigation for maintenance work | - | 30 | 30 |
| Expensed | T5 SDOT CCTV Cameras | Reimburse SDOT for camera's installed on their property | - | 38 | 38 |
| Expensed | T106 CBP TI Evaluation | (blank) | - | 43 | 43 |
| Expensed | T5 Reefer Infrastructure Study | MM approval of T5 redevelopment | - | 50 | 50 |
| Expensed | PCT Fender Repairs | Fender repairs | - | 72 | 72 |
| Expensed | Cascade Timber Environmental Cap Repair (parcel 30) 2020 | Consent Decree required maintenance of environmental cap | 50 | 75 | 125 |
| Expensed | PCT/Wapato Creek Culvert (5' wide x 5' deep) Repair | Repair culvert located where Blair waterway enters into Wapato Creek | - | 85 | 85 |
| Expensed | T5 Berth Mod Public Expense (Pedestrian Pathway) | Permit condition required for T5 construction | 20 | 101 | 121 |
| Expensed | PCT Marine Bldg Stairway Replacement | Replace failing stairway | - | 123 | 123 |
| Expensed | T5 W6 Transit Shed Standpipe Repair (small project) | End of service life and is leaking. Ongoing maintenance & lease agreement. Fire department requirement | - | 125 | 125 |
| Expensed | USACE Tacoma Harbor Deepening Study - reimbursable | Army Corps of Engineers deepening study | 369 | 127 | 496 |
| Expensed | T106 CBP Office & Facility Re-fresh | One option for improvements at current N. Harbor CBP office. Other options being explored | - | 150 | 150 |
| Expensed | T18 Subsidence Void Filling | Negotiated solution with SSA for subsidence at T18 between the wharf and the backlands | 300 | 185 | 485 |
| Expensed | Lot F Barriers & Striping (WUT) | (blank) | - | 231 | 231 |
| Expensed | T5 Berth Mod Public Expense (W Marginal Way SW Closure) | Permit condition required for T5 construction | 10 | 342 | 352 |
| Expensed | T46 Paving | Paving repairs. Partially funded by TIGER grant | 3,500 | 489 | 3,989 |
| Expensed | T5 Berth Mod Public Expense (Rail Quiet Zone) | Permit condition required for T5 construction | 300 | 680 | 980 |
| Expensed | T5 Berth Mod Public Expense (City Power Supply) | Permit condition required for T5 construction | 3,552 | 699 | 4,251 |
| Expensed | Container Crane Disposal (2301, 2302, 2405, 2406) | Removal of cranes at Husky per contract | 2,000 | 1,000 | 3,000 |