

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No.	<u>9D</u>
Date of Meeting	<u>August 1, 2023</u>

DATE: June 27, 2023
TO: Managing Members
FROM: Commissioner John McCarthy
SUBJECT: First Reading: NWSA Resolution 2023-06

A. ACTION REQUESTED

After first reading, request Managing Members advance Resolution 2023-06 authorizing third-party review of NWSA project costs incurred since 2015 and a comprehensive review of the Interlocal Agreement and Alliance Charter, to a second reading.

B. SYNOPSIS

By adopting proposed Resolution 2023-06, the Managing Members resolve to:

1. Authorize a third-party review of NWSA project costs incurred since 2015 and future projects anticipated at this time in order to recommend policy changes to the Managing Members to ensure equitable investments in terminal assets and infrastructure as between the North and South Harbors over the remaining initial term of the PDA and beyond; and
2. Undertake a comprehensive review of the terms of the ILA and the Charter and develop amendments which would allow development of updated financial decision criteria to guide NWSA investments and future periodic review of the value of the Members' respective interests.

RESOLUTION NO. 2023-06

A resolution of The Northwest Seaport Alliance Managing Members authorizing third-party review of NWSA project costs incurred since 2015 and a comprehensive review of the Interlocal Agreement and Alliance Charter.

WHEREAS, the NWSA, a Washington Port Development Authority (PDA), was formed between the Port of Seattle and the Port of Tacoma pursuant to an Interlocal Agreement (ILA) dated August 4, 2015 and operates pursuant to the NWSA Charter (Charter), first adopted on August 4, 2015; and

WHEREAS, the NWSA Managing Members have amended the Charter three times since August 4, 2015, most recently in November 2022; and

WHEREAS, the NWSA was formed to ensure the continued competitiveness of the Puget Sound Gateway and associated job growth by leveraging the strengths of each Port to reach shared goals for the region and the State in ways that either Port acting alone could not achieve; and

WHEREAS, Section 2.2(c) of the Charter provides that “Managing Members are committed to shared core objectives of financially viable business models that support customer success, value the port-labor partnership, protect and increase regional jobs, benefit the citizens of Pierce and King counties, promote the Pacific Northwest corridor’s role in US trade strategies and the greater North American economy, and ensure the ability of each Managing Member to reinvest in terminal assets and infrastructure”; and

WHEREAS, in Section 3.1(b) of the Charter, the Managing Members agreed upon the valuations of the use of the Licensed Properties which form the basis for each Port’s Membership Interest, “... based on a ten-year net present value of each such Licensed Properties’ estimated cash flows and enterprise value, including ‘maintenance and repair’ capital and updated operation, maintenance, and administrative costs provided by each Managing Member”; and

WHEREAS, the model used to develop the valuations in Section 3.1(b) was based on steady state and assumptions regarding maintenance expenses and capital costs over the referenced ten-year period; and

WHEREAS, because a steady state model was used, the capital cost of future terminal development projects such as Husky and T-5, as well as other Managing Member decisions which have occurred after formation of the NWSA, were not incorporated and are not considered in the base valuation of each Port's membership interest; and

WHEREAS, the final development cost of T5 is projected to be two times that of Husky Terminal, and;

WHEREAS, pursuant to Section 3.1(c) of the Charter, such "Membership Interest valuations shall remain in effect until the earlier of termination or dissolution of the PDA," with the exception of a one-time Membership Interest Affirmation as provided for in Section 3.1(c)(i), which was completed; and

WHEREAS, because of this provision of the Charter, actual costs and expenses have not been reviewed to adjust the Members' respective interests other than the one-time Membership Interest Affirmation; and

WHEREAS, Section 3.12 of the Charter allows the Managing Members to approve contributions to Capital Construction in amounts other than based on each Managing Members' pro rata Membership Interest on a project-specific basis; and

WHEREAS, Sections IV and V of the ILA provided for the development of an initial Alliance PDA Strategic Business Plan for 2015-2025 and Alliance PDA Financial Decision Criteria to guide NWSA investments; and

WHEREAS, the NWSA expends, and will continue to expend, resources on Capital Construction as well as ongoing maintenance of Licensed Properties, and

WHEREAS, the NWSA is nearing the ten-year term for which the initial Alliance PDA Strategic Business Plan was prepared; and

WHEREAS, the Northwest Seaport Alliance Managing Members believes a third-party could be used to evaluate completed and projected NWSA projects and recommend policy changes to the Managing Members to ensure equitable investments in terminal assets and infrastructure as between the North and South Harbors over the remaining initial term of the PDA and beyond; and

WHEREAS, the Northwest Seaport Alliance Managing Members further believe it would be beneficial to undertake a comprehensive review of the terms of the ILA and the Charter and develop amendments which would allow development of updated financial decision criteria to guide NWSA investments and future periodic review of the value of the Members' respective interests.

NOW, THEREFORE, the Managing Members resolve to:

1. Authorize a third-party review of NWSA project costs incurred since 2015 and, future projects anticipated at this time, in order to recommend policy changes to the Managing Members to ensure equitable investments in terminal assets and infrastructure as between the North and South Harbors over the remaining initial term of the PDA and beyond; and
2. Undertake a comprehensive review of the terms of the ILA and the Charter and develop amendments which would allow development of updated financial decision criteria to guide NWSA investments and future periodic review of the value of the Members' respective interests.

ADOPTED by the Managing Members of The Northwest Seaport Alliance at a regular meeting held on the _____ day of _____ and signed by its Co-Chairs and attested by its Co-Secretaries in authentication of its passage this __ day of _____.

Sam Cho, Co-Chair
The Northwest Seaport Alliance

Deanna Keller, Co-Chair
The Northwest Seaport Alliance

ATTEST:

Fred Felleman, Co-Secretary
The Northwest Seaport Alliance

John McCarthy, Co-Secretary
The Northwest Seaport Alliance

Item No.: 9D_Supp
Date of Meeting: August 1, 2023

Resolution 2023-06

Review NWSA Charter & ILA



THE NORTHWEST
SEAPORT ALLIANCE
SEATTLE + TACOMA

Sponsor: Commissioner John McCarthy
Presenter: Leilani Berinobis

ACTION REQUESTED

After first reading, request Managing Members advance Resolution 2023-06 authorizing third-party review of NWSA project costs incurred since 2015 and a comprehensive review of the Interlocal Agreement and Alliance Charter, to a second reading.

Proposed Resolution 2023-06

The proposed resolution seeks to accomplish the following:

Authorize a third-party review of NWSA project costs incurred since 2015 and future projects anticipated at this time in order to recommend policy changes to the Managing Members to ensure equitable investments in terminal assets and infrastructure as between the North and South Harbors over the remaining initial term of the PDA and beyond; and

Undertake a comprehensive review of the terms of the ILA and the Charter and develop amendments which would allow development of updated financial decision criteria to guide NWSA investments and future periodic review of the value of the Members' respective interests.

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