

**THE NORTHWEST SEAPORT ALLIANCE**  
**MEMORANDUM**

**MANAGING MEMBERS**  
**ACTION ITEM**

<b>Item No.</b>	<u>5D</u>
<b>Date of Meeting</b>	<u>March 5, 2020</u>

**DATE:** February 21, 2020

**TO:** John Wolfe, Chief Executive Officer

**FROM:** **Sponsor:** Erin Galeno, Treasurer, NWSA  
**Project Manager:** David Morrison, Deputy Treasurer, NWSA

**SUBJECT:** Distribution of Grants and Interest Income from 2016 through 2020 and additional clarification to Distributable Cash definition on the proposed 2<sup>nd</sup> amendment to the charter

**A. ACTION REQUESTED**

Request Managing Member (MM) authorization to distribute cash of \$10,228,082 from capital grants, investment interest income, and capital contributions from January 1, 2016 through December 31, 2019, and any future grants and interest income, as per the Charter, pending Federal Maritime Commission (FMC) approval of Amendment 2 to the NWSA charter. Staff also requests approval to distribute cash from grants received in arrears and investment interest through December 31, 2020 in case of delays in FMC approval of the 2<sup>nd</sup> Amendment to the charter

Request MM to approve a technical change to the wording of the definition of Distributable Cash in the 2<sup>nd</sup> Amendment to include lease interest income net of lease interest expense moved to non-operating cash flow per GASB 87 Accounting Standard

**B. SYNOPSIS**

The current NWSA charter defines Distributable Cash as cash flow provided from operations as calculated per GAAP (Generally Accepted Accounting Principles) for a Calculation Period (Defined as a fiscal quarter); this cash is distributed automatically. The NWSA has received cash that cannot be distributed under the current definition of Distributable Cash without a vote of the MM's. The 2<sup>nd</sup> Amendment to the charter updates the definition to allow quarterly distribution of cash from capital grants and

annual distribution of cash from investment interest (subject to NWSA Treasurer's discretion).

Subsequently, the NWSA adopted the GASB87 accounting standard which moved some lease revenue from operating to non-operating cash. Since the FMC has not yet approved the 2<sup>nd</sup> amendment, a Technical correction to the Distributable Cash is recommended to reflect this change in accounting.

### C. BACKGROUND

1. The current NWSA charter defines Distributable Cash as cash flow provided from operations as calculated per GAAP (Generally Accepted Accounting Principles) for a Calculation Period (Defined as a fiscal quarter).
2. On July 2<sup>nd</sup>, 2019, the Managing Members approved revisions to the Charter including expanding the definition of Distributable Cash to include investment interest income and capital grants, items which are not part of cash flow provided by operations.
3. The amended charter is expected to be reviewed by the Federal Maritime Commission (FMC) in the first quarter of 2020.
4. Staff would like to include the following technical correction to the definition of Distributable cash:
  - a. Approved 2<sup>nd</sup> Amendment definition: "**Distributable Cash**" means (1) an amount equivalent to cash flow provided from operations as calculated pursuant to GAAP for a Calculation Period, plus (2) grant income received in arrears for a Calculation Period and may also include (3) interest earned in the prior year for which the PDA Treasurer is authorized, at the Treasurer's discretion, to distribute once annually.
  - b. Technical Correction: "**Distributable Cash**" means (1) an amount equivalent to cash flow provided from operations and non-operating lease interest income less non-operating lease interest expense per GASB 87 as calculated pursuant to GAAP for a Calculation Period, plus (2) grant income received in arrears for a Calculation Period and may also include (3) interest earned in the prior year for which the PDA Treasurer is authorized, at the Treasurer's discretion, to distribute once annually
5. Staff would like to distribute the cash from capital grants, investment interest income, and contributions to the two homeports for the period from January 1, 2016 to December 31, 2019 and then will distribute future cash per the amended charter on a quarterly basis. In case of extended FMC review and potential

changes, Staff requests authorization to distribute cash from grants received in arrears and investment interest through December 31, 2020.

**D. PROJECT DESCRIPTION AND DETAILS**

N/A

**E. FINANCIAL IMPLICATIONS**

This action will allow the NWSA to distribute approximately \$10,228,082 of grant and investment cash to the home ports, which will be split 50/50 per the charter.

This action will allow a technical clarification to the definition of Distributable Cash per GASB 87.

**F. ATTACHMENTS TO THIS REQUEST**

N/A

**G. PREVIOUS ACTIONS OR BRIEFINGS**

The Managing members approved the 2<sup>nd</sup> amendment to the charter on July 2<sup>nd</sup>, 2019.