



Item No.: 5D_supp
Date of Meeting: March 5, 2020

Distribution of Grants and Interest Income and additional clarification to Distributable Cash definition

Presenter: David Morrison
Title: Director, Financial Planning
and Treasury

Action Requested

Request Managing Member 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 2nd Amendment to the charter

Action Requested

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



Background

- 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).
- On July 2nd, 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.
- The amended charter is expected to be reviewed by the Federal Maritime Commission (FMC) in the first quarter of 2020.



Background

- 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 2nd amendment, a Technical correction to the Distributable Cash is recommended to reflect this change in accounting.



Technical Correction for GASB 87

- Staff would like to include the following technical correction to the definition of Distributable cash:

- Approved 2nd 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.
- 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



Distribution of Grand and investment interest cash

- 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.

Historical grant and investment interest cash and income statement information

	Cashflow		Inc. Stmt.	
	Grant Inc.	Int. Inc.	Grant Inc.	Int. Inc.
2016	-	594,600	-	755,373
2017	111,937	767,153	323,752	776,916
2018	155,072	1,228,738	3,904,597	1,254,225
2019	5,718,873	1,651,709	3,867,796	1,608,437
Total	5,985,882	4,242,200	8,096,145	4,394,951



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