

**Item No.:** 4H

**Date of Meeting:** March 20, 2018



**THE NORTHWEST  
SEAPORT ALLIANCE**  
*Gateway to Solutions*

# CEO Recommendation – Membership Interest Affirmation

Presenter: Erin Galeno

Title: Chief Financial and Administrative  
Officer

# Action Requested

Request Managing Members of the Northwest Seaport Alliance (NWSA) to approve the CEO's recommendation to defer the final review of the One-time Membership Interest Affirmation to March 31, 2019.



# Background

- A ten-year discounted cash was determined to best represent the assignment (licensing) of the marine cargo business activities/licensed properties.
- The valuation reflected a steady state scenario for revenues, direct expenses, major capital reinvestments to support this steady state and selling, general and administrative support costs.
- In recognition that certain revenues were not secured by contractual agreements during this ten-year period, a section in the charter was developed to allow for a one-time affirmation.
- The end of 2017 was selected due to the expectation that the long-term impact of these situations would be resolved during the first two years of the NWSA.



# Background

The identified items were as follows:

1. The West Sitcum terminal in the South Harbor no longer continues to operate at rates equivalent with serving containers after the expiration of the APMT operating agreement.
2. Yang Ming and/or Westwood exits the PNW after the expiration of their agreements at Olympic Container Terminal and Ports America in the South Harbor.
3. Terminal 5 in the North Harbor does not achieve the baseline revenue assumptions associated with the speculative revenue included in the valuation.



# Financial Implications

The status of the identified speculative income items is as follows:

<b>Speculative Revenue included in NWSA Valuation</b>	<b>Valuation Impact</b>
The NWSA reached a new ten-year operating agreement with SSAT to operate the West Sitcum terminal.	Met criteria
Yang Ming has entered a long-term agreement with ITS/Husky and Westwood continues under contract with Port America.	Met criteria
Terminal 5 in the North Harbor change from baseline revenue <ul style="list-style-type: none"><li>• 2015-2018 due to limited interim uses</li><li>• 2019 – 2024 based on forecasted interim uses</li></ul>	<i>(\$5 million) undetermined</i>

Based on the overall value of the ten-year discounted cash flows, the 50/50 membership interest would remain unchanged by a variance less than \$7 million.



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