THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No. 10D
Date of Meeting October 30, 2027

DATE: October 19, 2027

TO: Managing Members

FROM: John Wolfe, CEO

Sponsor: David Morrison, CFO

SUBJECT: 2027 Operating Budget, 2027-2031 Capital Investment Plan, and 2027 Service Level Agreement delegation.

A. ACTION REQUESTED

Request the Managing Members of The Northwest Seaport Alliance (NWSA) approve:

1. The 2027 Annual Operating Budget including Memberships over $10,000 and Promotional hosting;
2. The 2027-2031 Capital Investment Plan (CIP);
3. Delegation to the NWSA CEO, or his delegate, to enter into and execute the 2027 Inter-Local Agreements for Support Services (Service Level Agreements (SLAs)) with the Homeports; and
4. Delegation to the NWSA CEO, or his delegate, to enter into and execute the Interlocal Agreement for Intergroup Common Issues Among and Between the NWSA and the Port of Tacoma and The Port of Seattle.

B. SYNOPSIS

Managing Member approval of the one-year operating budget and five-year CIP are required by The Northwest Seaport Alliance (NWSA) Charter. State law requires Managing Member approval to delegate authorization of the Interlocal Agreements between the NWSA and Homeports for support services to the NWSA CEO and Homeport Executive Directors.

C. BACKGROUND

Section 3.5 of the Charter requires Managing Member approval of the **Annual Budget**, which is the annual operating budget of the NWSA. The preliminary budget was presented during the Operating Budget study session and no changes have been made to the budget.

Section 3.6 of the Charter requires Managing Member approval of the **Five-Year Capital Investment Plan (CIP)** for all licensed properties. Approval of this budget denotes conceptual agreement only. All projects will need to be approved separately by the Managing Members or by delegation per the Master Policy Delegation of Authority. The 2027-2031 CIP details were presented at the budget study session. No changes have been made to the CIP.

Per state law interlocal agreements require a vote of the governing body. In addition to this request that the Managing Members to approve delegation to the NWSA CEO, the Homeport commissions will be requested to authorize their respective Executive Directors' execution of the Inter-local Agreements for SLAs and the Inter-local for Intergroup Common Issues.

D. FINANCIAL IMPLICATIONS

Source of Funds

Funds for the Operating Capital and Working Capital have been provided by the Homeports. No Additional Working Capital is requested.

Financial Impact

The NWSA is budgeted to provide $153.9 million of Distributable Cash and $115.5 million of Net Distributable Revenue that will be shared between the two Homeports. Additionally, $148.6 million is expected to be spent on Capitalized projects in 2027 subject to Managing Members' authorization. Funds will be provided for authorized projects by the Homeports to the alliance as necessary.

E. PREVIOUS ACTIONS OR BRIEFINGS

Information has been made available as follows:

- The October 15th Budget study session included the NWSA 2027 budget, the 2028-2031 operating forecast and the 2027-2031 CIP.
- The budget presentation materials and budget document were made available on October 7th on the NWSA website for public review.

F. HOMEPORT BUDGET SCHEDULE

Each Homeport will also hold public meetings in November to adopt its statutory budget and tax levy:

- The Port of Seattle Commission will hold meetings on November 10th, and November 17th and
- The Port of Tacoma Commission will hold meetings on October 29th and November 17th.

Item No. 10D
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2027 Budget Study Adoption

THE NORTHWEST SEAPORT ALLIANCE
SEATTLE + TACOMA

David Morrison, CFO
Calum Tasker, Sr. Financial Analyst
Lien Dam, Sr. Financial Analyst

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Risks and Proposed Budget Items

- Issues identified after locking budget information for the study session: none
- Risks:
  - The potential for new agreements, changing cargo volumes, and the timing of Grant income due to project construction progress, could impact our 2027 operating income.
  - Homeport changes in allocating departments could result in minor changes to the NWSA income statement

- Changes made since the Budget Study Session:
  - **Financial: None**: Staff will manage to the proposed budget and identify key variance drivers.
  - **Service Level Agreements:** Modified the POS – NWSA SLA for Portfolio Management to address responsibility for collections of North Harbor stormwater utility billing for implementation in 2028. No financial impact.

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2027 Budget Preview

($ millions)	2025 Actual	2026 Forecast	2027 Budget
Operating Revenues			
Total Operating Revenues	**349.1**	**270.4**	**271.6**
Total Operating Expense	**156.9**	**178.9**	**191.0**
Income from Operations	**$192.1**	**$91.5**	**$80.6**
Return on Revenue	*55.0%*	*33.8%*	*29.7%*
Non Operating Income (Expense)	21.8	31.6	34.9
Distributable Income	**$214.0**	**$123.0**	**$115.5**
Distributable Cash	**$219.7**	**$153.7**	**$153.9**
HMT Funds (not in NWSA P&L)	**$6.2**	**$60.4**	**$54.2**
Total Distributable + HMT	**$225.9**	**$214.1**	**$208.0**

May not foot due to rounding.

- 2026: Received $10M T5 affirmation payment in addition to the calculated distributable cash (not included above)
- 2025 includes $5.4M, 2026 includes $4.9M, and 2027 includes $2M of revenue from CMA for MAG shortfall payments

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Memberships

MM approval of NWSA Memberships over $10,000 required per NWSA Master Policy

Organization	2027 Budget
American Association of Port Authorities	$95,000
Pacific Northwest Waterways Association	40,000
WA Council on International Trade	20,000
National Association of Waterfront Employers	20,000
DBM Association	11,667
Green Marine	12,000
All Other Memberships under $10,000	86,938
Total NWSA Memberships	**$285,605**

Actual amounts paid may vary slightly as some dues are calculated based on fiscal year financial results.

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Promotional Hosting

- RCW 53.36.120 & 130 requires that Port expenditures for Industrial Development, Trade Promotion, and Promotional hosting be specific budgeted items
- Promotional hosting is “Furnishing customary meals, refreshments, lodging, transportation or any combination of those items in connection with: Business meetings, social gatherings, and ceremonies honoring persons or events relating to the authorized business promotion activities of the port”

	2025 Actual	2026 Forecast	2027 Budget
Hosting	$293,913	$235,052	$304,238

2027 Statutory limit is $704,070

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Capital Investment Plan Summary

Although funds for a project are included in the CIP, the project is not automatically authorized to proceed. Managing Member approval is required for all projects over $350,000 regardless of budget inclusion.

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2027 – 2031 Summary in $ Million

Description	North Harbor (Seattle)	South Harbor (Tacoma)	Total
Total Capital & Expense Projects	$275.2	$298.1	$573.3
Less HMT eligible projects	(136.0)	(109.3)	(245.3)
Net ALL projects after HMT & Amortization	**$139.2**	**$188.8**	**$328.0**

Historical Capital spending split through 2025 is 59% North Harbor and 41% South Harbor

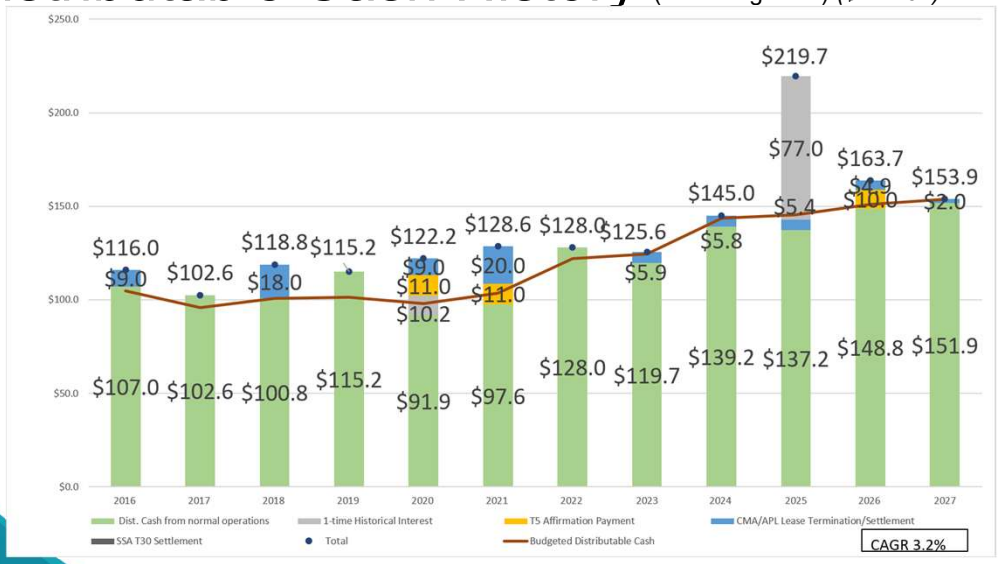
- Included in South Harbor are Gateway wide Air Quality and Water Quality projects totaling $16M. Some of these, such as clean cargo handling equipment incentive program will be harbor specific depending on where funds are spent.
- Amortized Projects are projects where the NWSA is funding the project, and the tenant is reimbursing the NWSA over time on top of lease payments. Amounts shown are the gross amounts and may be partially reduced by Grants.

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Distributable Cash History (excluding HMT) *($ million)*



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