

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
Briefing

Item No. 4A
Date of Meeting August 1, 2017

DATE: July 18, 2017
TO: John Wolfe, Chief Executive Officer
FROM: **Sponsor:** Erin Galeno, Treasurer, NWSA
Project Manager: David Morrison, Deputy Treasurer, NWSA
SUBJECT: 2017 Mid-year Financial Update and 2018 Budget Process Update

A. BRIEFING REQUESTED

Provide an update on the NWSA financial results for the first half of 2017 and review the timeline and process for developing the 2018 operating budget and five-year Capital Improvement Plan for the NWSA.

B. BACKGROUND

On August 4, 2015, the Port of Tacoma and the Port of Seattle jointly formed the Seaport Alliance to manage the two ports' maritime terminals (excluding grain and cruise terminals) and certain industrial properties. The Seaport Alliance was formed as a Port Development Authority (PDA), pursuant to a provision in Title 53 RCW that grants ports that meet certain criteria the authority to create a separate PDA. As formed, the Seaport Alliance is to continue for an indefinite term until dissolution. As approved, the charter for the Seaport Alliance (the "Charter") may be amended only by mutual agreement of both ports as the Seaport Alliance's Managing Members.

The Seaport Alliance foundational documents include:

- (1) Federal Maritime Commission ("FMC") Agreement No. 201228: Defines the federally-approved boundaries of the Seaport Alliance. The FMC will exercise oversight over the Seaport Alliance, including approval of any amendments to the founding documents;
- (2) Seaport Alliance Interlocal Agreement: Entered into on October 14, 2014, that serves as the framework for the creation of the Seaport Alliance. Formation of the Seaport Alliance was approved by the FMC and by the two port commissions;
- (3) Charter: Established the ownership and management structure, including the separate existence of the Seaport Alliance from the Managing Members, providing for valuation of each Managing Member's membership interests, authorization of improvements, and other operating terms;

(4) Authorizing Resolutions: Adopted by each Managing Member on August 4, 2015, to establish the PDA and approve the Charter, pursuant to the terms of the FMC Agreement and Interlocal Agreement creating the Seaport Alliance (Port of Seattle resolution no. 3711 and Port of Tacoma resolution no. 2015-03);

(5) Property License Agreements: Whereby each Managing Member designates the Seaport Alliance as manager and agent, authorizing the Seaport Alliance to negotiate lease and other use agreements, and fulfill the Managing Member's landlord and owner obligations; and

(6) Interlocal Agreements for Support Services and for Staffing: Describe service level expectations and allocate the rates and charges for administrative, operational, maintenance and facilities development services.

The two homeports have a 50/50 membership interest which results in joint funding of investment projects and sharing equally in the cash flows and operating income of the NWSA.

The NWSA 2017 operating budget was approved on November 1, 2016. The NWSA budget informs the budgets of the two homeports.

C. PROJECT DESCRIPTION AND DETAILS

1. NWSA financial results for the first half of 2017 will be briefly discussed.
2. The NWSA budget is an important component of both the Port of Seattle and the Port of Tacoma's budget. The schedule will be reviewed.

D. NEXT STEPS

1. October 24th: Strategic Business Plan update and 2018 Budget study session
2. November 7th: 2018 Budget and 2018-2022 CIP approval