

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No.	<u>3A</u>
Date of Meeting	<u>November 13, 2018</u>

DATE: October 30, 2018

TO: John Wolfe, Chief Executive Officer

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

SUBJECT: 2019 Operating Budget, 2019-2023 Capital Investment Plan, and Capital Construction contribution method

A. ACTION REQUESTED

Request Managing Member authorization for the following items;

1. The 2019 Annual Operating Budget
2. The 2019-2023 Capital Investment Plan

Request **Homeport authorization** for the following item:

3. Capital Construction contribution methodology

B. SYNOPSIS

Managing Member approval of the one-year operating budget, five-year CIP and contribution of funds to Capital Construction are required by the NWSA Charter. The NWSA Delegation of Authority delegates authorization of the Interlocal Agreements between the NWSA and homeports for support services to the NWSA CEO.

C. BACKGROUND

1. 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 a study session on October 30th. Minor changes have been made to the budget presented on that date including a new allocation from the NWSA to POT for the management of the POT Taylor Way Auto Facility.

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2. 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 2019-2023 CIP was presented during the October 30th study session. The CIP was updated in 2023 to increase the total T5 construction cost by \$18 million for additional Terminal 5 construction contingency.
3. Section 3.12 of the Charter requires Managing Member approval of the Capital Construction contributions. In 2017, staff transitioned to a process for transferring funds associated with authorized projects as actual spending occurs. Staff recommends that the Managing Members continue to delegate authority to the homeports to fund authorized projects as required and that no lump sum contribution be made for 2019. In no case will the aggregate transfer of funds exceed the authorized total for the fiscal period
4. Section 4.2 of the Charter requires Managing Member approval of the **Bond Income**. The Bond Income is the minimum level of net income from the NWSA required for the Homeports to meet their current bond rating covenants. Staff recommends no change to the \$90 million bond income established last year so no additional action is required.

D. PROJECT DESCRIPTION AND DETAILS

N/A

E. 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 \$99.9 million of distributable cash and \$87.8 million of Net Distributable Revenue that will be shared between the two Homeports. Additionally, \$162.7 million is expected to be spent on Capitalized projects in 2019 subject to Managing Members' authorization. Funds will be provided for authorized projects by the Home Ports to the alliance as necessary.

F. ATTACHMENTS TO THIS REQUEST

N/A

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G. PREVIOUS ACTIONS OR BRIEFINGS

Information on the NWSA 2019 budget, 2019-2023 CIP, and 2019-2023 operating budget and forecast have been made available as follows:

- The October 30th budget study session was an in-depth look at business forecasts, five-year Capital Investment Plan and the 2019 Operating Budget
- The budget presentation materials were made available on October 29th on the NWSA website for public review
- The budget document was made available on October 29th on the NWSA website for public review

Each home port 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 13th, and November 27th.
- The Port of Tacoma Commission met on November 13th and will meet on November 29th.