

**THE NORTHWEST SEAPORT ALLIANCE**  
**MEMORANDUM**

**MANAGING MEMBERS**  
**ACTION ITEM**

<b>Item No.</b>	<u>9E</u>
<b>Date of Meeting</b>	<u>November 7, 2023</u>

**DATE:** October 30, 2023

**TO:** Managing Members

**FROM:** John Wolfe, CEO

Sponsor: David Morrison, CFO

**SUBJECT:** 2024 Operating Budget, 2024-2028 Capital Investment Plan, and 2024 Service Level Agreement delegation.

**A. ACTION REQUESTED**

Request Managing Member authorization for the following items:

1. The 2024 Annual Operating Budget including Memberships over \$10,000 and Promotional hosting;
2. The 2024-2028 Capital Investment Plan; and
3. Delegation to the NWSA CEO to enter into and execute the Service Level Agreements (SLAs) with the Homeports.

**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 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**

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 and no changes have been made to the budget.
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 2024-2028 CIP was presented during the study session and no changes have been made to the CIP. An updated list of projects to be authorized by the Managing Members has been included as an attachment. The list presented during the study session accidentally excluded some projects.

3. Authorize the NWSA CEO to enter into and execute the Service Level Agreements (SLAs) between the NWSA and POT, and between NWSA and POS. The Homeport commissions will be requested to authorize their respective Executive Directors' execution of the SLAs.

**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 \$143.7 million of Distributable Cash and \$114.3 million of Net Distributable Revenue that will be shared between the two Homeports. Additionally, \$144.6 million is expected to be spent on Capitalized projects in 2024 subject to Managing Members' authorization. Funds will be provided for authorized projects by the Homeports to the alliance as necessary.

**F. ATTACHMENTS TO THIS REQUEST**

NWSA Budget Adoption material for November 7<sup>th</sup> meeting

**G. PREVIOUS ACTIONS OR BRIEFINGS**

Information on the NWSA 2024 budget, 2025-2028 operating forecast, and 2024-2028 CIP have been made available to the public as follows:

- The September 6<sup>th</sup> CIP Budget study session including target setting and 2024 capitalized project spending;
- The October 27<sup>th</sup> budget study session was an in-depth look at business forecasts, five-year Capital Investment Plan and the 2024 Operating Budget;

- The budget presentation materials were made available on October 20<sup>th</sup> on the NWSA website for public review; and
- The budget document was made available on October 24<sup>th</sup> on the NWSA website for public review.

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 14<sup>th</sup> , and November 21<sup>st</sup>; and
- The Port of Tacoma Commission met on November 2<sup>nd</sup> and will meet on November 21<sup>st</sup>.

Item No.: 9E  
Date of Meeting: November 7, 2023

# 2024 Budget Adoption



**THE NORTHWEST**  
SEAPORT ALLIANCE

SEATTLE + TACOMA

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

# September Year to Date NW Seaport Alliance Scorecard 2023 vs 2022



## CARGO VOLUME

	2023 YTD Total	2022 Total	2023 Budget
<u>Containers (TEUs)</u>			
International	1.7M	2.6M	3.113M
Domestic	566k	734k	756k
Break Bulk (Metric Tons)	339k	478K	455k
Autos (Units) <small>NWSA/POT</small>	249k	173k	213k



## JOB CREATION

	2023 YTD Actuals	2022 YTD Actuals	2023 Budget
ILWU Hours	NA	4.6M	4.5M



## MARKET SHARE

	2023 YTD Actuals (2023)*	2022 YTD Actuals (2022)*
Trans-Pacific Trade (July)	6.0%	6.2%
West Coast Ports (Aug)	11.4%	11.2%



## FINANCIAL RETURNS

<i>\$ in millions</i>	2023 YTD Actuals	2022 Total Actuals	2023 Total Budget
Distributable Cash	\$91.0	\$128.0	\$124.6
Return on Revenue	48%	46%	41%



## ENVIRONMENTAL STEWARDSHIP

	2023 YTD Actuals	2022 Results	2023 Target
Water Quality (Acres of Improve Source Control)	297.4 acres	162.3 acres	180 acres
Air Quality (Diesel Particulate Matter - reduced)	.462 Ton	0.6 Ton	0.6 Ton
Greenhouse Gas Emissions - (reduced)	105 Tons	260 Tons	700 Tons



## OPERATIONS

	2023 Q3 Actuals	2022 Q3 Actuals	2022 Results	2023 Target
Avg Crane Production <small>Net moves per hour (mph)</small>	27.0	28.2	28.3	28.5
Truck Turn Time <small>Avg total experience in minutes</small>	90	80.0	80.0	< 90 Minute Turn Time

*\*West coast port and Trans-Pacific Trade volumes through September were not available by the time of the distribution of this report. West coast and Trans-Pacific are through Aug and Jul, respectively.*

# Approval Request

- Request Managing Member approval of following items:
  - 2024 Operating Budget including Memberships over \$10,000 and Promotional hosting
  - 2024-2028 Capital Investment Plan
    - Not authorizing any projects. Each project still requires authorization per delegation or by MM vote
  - Delegation to the NWSA CEO to enter into and execute the Service Level Agreements (SLAs) with the Homeports.

# 2024 Budget *(\$ million)*

<i>(\$ millions)</i>	2022 Actual	2023 Forecast	2024 Budget
Total Operating Revenues	208.3	225.6	252.8
Total Operating Expense	112.1	129.6	153.6
Income from Operations	\$96.2	\$96.0	\$99.3
<i>Return on Revenue</i>	46.2%	42.5%	39.3%
Non Operating Income (Expense)	14.5	5.1	15.0
Distributable Income before Special Item	110.7	101.1	114.3
<b>Distributable Income</b>	<b>\$110.7</b>	<b>\$101.1</b>	<b>\$114.3</b>
<b>Distributable Cash</b>	<b>\$131.3</b>	<b>\$123.2</b>	<b>\$143.7</b>
HMT Funds (not in NWSA P&L)	\$5.5	\$6.1	\$6.1
Total Distributable + HMT	\$136.8	\$129.3	\$149.8

2023: Expect to receive a \$10M T5 affirmation payment in addition to the calculated distributable cash (not included above)

# 2024 Operating budget highlights

- Revenue growing by \$27.3 Million, 29.5%
  - T5 phase 2 lease, \$13M
  - CMA Shortfall, \$6M
- Project spending on top of ongoing maintenance to fix or repair existing assets includes:
  - T5 reserve, \$6M
  - Maintenance dredging preparation & pier repair that is HMT Funding eligible, \$24.2M
- Includes
  - Funds for NWPCAS, maintenance dredging, significant maintenance projects
  - Increased depreciation due to T5 Phase 2, \$7.2M
- Provides each homeport with \$71.9 million in Distributable Cash
  - Excluding HMT funds



# MEMBERSHIPS

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

Organization	2023 Budget	2023 Forecast	2024 Budget
American Association of Port Authorities	\$78,000	\$79,080	\$78,000
Pacific Northwest Waterways Association	33,500	33,250	34,500
WA Council on International Trade	20,000	20,000	20,000
International Association of Ports and Harbors *	14,000	0	0
Green Marine	11,000	11,016	11,000
Clean and Prosperous Washington			10,000
All Other Memberships under \$10,000	65,355	47,960	63,822
<b>Total NWSA Memberships</b>	<b>\$221,855</b>	<b>\$191,306</b>	<b>\$217,322</b>

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

\* IAPH membership is \$1,400 and included in “All Other Memberships under \$10,000”.

# 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”

	2022 Actual	2023 Forecast	2024 Budget
Hosting	\$76,208	\$152,842	\$193,939

2024 Statutory limit is \$657,061

# Capital Investment Plan

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

# 2023 - 2028 CIP by Category *(\$ thousand)*

Group	2023Forecast	2024	2025	2026	2027	2028	Total 2023-2028
T5	63,367	93,955	46,491	5,363	-	-	209,176
Maintenance	19,983	44,281	28,085	19,468	8,110	1,760	121,686
Operational Upgrades	11,809	17,572	16,786	45,847	64,113	71,369	227,496
Support Systems	5,501	1,241	-	-	-	-	6,742
Environmental	10,974	17,128	10,764	4,322	2,777	1,871	47,836
<b>Grand Total</b>	<b>\$ 111,634</b>	<b>\$ 174,177</b>	<b>\$ 102,126</b>	<b>\$ 75,000</b>	<b>\$ 75,000</b>	<b>\$ 75,000</b>	<b>\$ 612,936</b>

## Definitions

- **Maintenance = repair of existing asset**
- **T5 = \$454M authorized project plus intermodal improvements**
- **South Harbor Terminal expansion per 2035 Vision**
- **Environmental=ongoing clean air and clean water projects**
- **Operational Upgrades = Added capacity or improved functionality.**
  - **Includes placeholder to have a minimum project spend of \$75M per year (capital + expense projects)**
- **Husky – Improvements to the terminal including 8 cranes, T4 wharf, tenant improvements, shore power, maintenance berth dredging and toe wall**
- **Support Systems = CBP improvements**

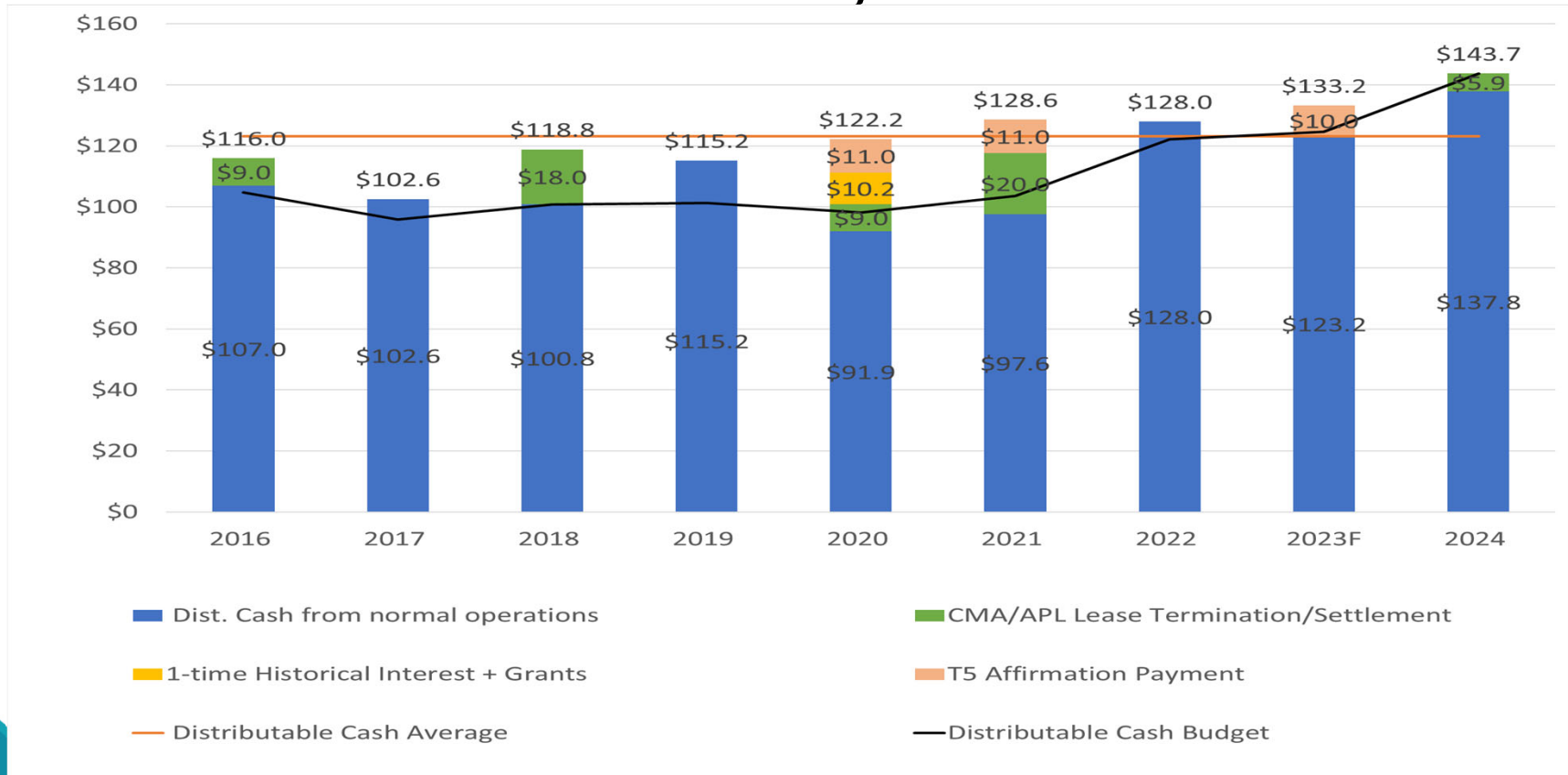
# 2023/2024 Projects to be authorized – over \$350k

Location	Project Name	Type of Request	2023/2024 Total	2024-2028 Budget Total
Infrastructure	Infrastructure for Electric Straddle Carriers	(blank)	1,200	1,200
	PCS: Truck Experience Measurement - Pilot	(blank)	600	600
	Zero Emission Truck Collaborative	(blank)	514	300
<b>Infrastructure Total</b>			<b>2,314</b>	<b>2,100</b>
1615	3701 Taylor Way Lighting Enhancements	Construction	600	0
<b>1615 Total</b>			<b>600</b>	<b>0</b>
Auto	AWC Asphalt Repair	Construction	480	2,350
	AWC Asphalt Replacement and Stormwater	Construction	1,000	1,350
<b>Auto Total</b>			<b>1,480</b>	<b>3,700</b>
E Sitcum	E. Sitcum Pile Caps Repair (Berth D) Design (HMT eligible)	Design	1,000	1,000
	T7 Berth B-D Ship Service Water Line Replacement	Construction	1,394	1,394
<b>E Sitcum Total</b>			<b>2,394</b>	<b>2,394</b>
Jack Block	Jack Block Park Pier & Plaza Replacement	Design	500	6,500
<b>Jack Block Total</b>			<b>500</b>	<b>6,500</b>
PCT	PCT LED Lighting Upgrade	Construction	2,840	2,840
	PCT Maintenance Dredging (HMT eligible)	Design	1,224	1,065
	PCT Mnt Bldg Strad Bay Roof Insulation	Design	600	550
<b>PCT Total</b>			<b>4,664</b>	<b>4,455</b>
SIM	SIM/Milwaukee Wy Crossing Paving Repairs	Design	446	366
<b>SIM Total</b>			<b>446</b>	<b>366</b>
T18	T18 Lift Station Replacement	Design	626	2,114
	T18 Main Substation N2 - Electrical Maintenance Assessment	Construction	444	344
	T18 Substation N1 - Electrical Maintenance	Construction	424	324
	T18 Transtainer Runs (SSA will do work)	Design	4,000	4,000
	T18 Water Main & Valve Replacement North (Design)	Construction	1,050	1,000
	T18 Water Main & Valve Replacement South	Design	775	3,220
<b>T18 Total</b>			<b>7,319</b>	<b>11,002</b>

# 2023/2024 Projects to be authorized – over \$350k (conclusion)

Location	Project Name	Type of Request	2023/2024 Total	2024-2028 Budget Total
T46	T46 M&R Building Roof Replacement	Construction	1,315	1,540
	T46 SPU StormSewer Pipe Repair	Construction	1,996	1,496
	T46 Substations and Switchgear Testing, Cleaning and Repairs	Construction	350	350
<b>T46 Total</b>			<b>3,661</b>	<b>3,386</b>
T5	T5 Roof Replacement & Canopy Painting - M&R Building	Construction	2,734	2,659
<b>T5 Total</b>			<b>2,734</b>	<b>2,659</b>
T7	T7-Infrastructure repairs and improvements - Design(Potential HMT Eligible)	Design	500	1,400
	Terminal 7ABC Maintenance Dredging (Design) (Potential HMT Eligible)	Design	350	400
<b>T7 Total</b>			<b>850</b>	<b>1,800</b>
TOTE	Terminal Building repairs or replacements - TOTE	Construction	500	500
	TOTE Berth Maintenance Dredging (HMT eligible)	Design	733	550
	TOTE Terminal Pavement Maintenance & Repair	Construction	550	550
<b>TOTE Total</b>			<b>1,783</b>	<b>1,600</b>
W Sitcum	West Sitcum Terminal Maintenance Dredging (Design)	Design	400	500
<b>W Sitcum Total</b>			<b>400</b>	<b>500</b>
WUT	WUT Shore Power Design	Design	541	837
<b>WUT Total</b>			<b>541</b>	<b>837</b>
<b>Grand Total</b>			<b>\$29,686</b>	<b>\$41,299</b>

# Distributable Cash History (excluding HMT) (\$ million)



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