



**THE NORTHWEST
SEAPORT ALLIANCE**
Gateway to Solutions

NWSA 2023 Budget Adoption

Presenter: David Morrison, CFO

NW Seaport Alliance Scorecard 2022 vs 2021



CARGO VOLUME

	2022 YTD Total	2021 Total	2022 Budget
<u>Containers (TEUs)</u>			
International	2.1M	3.0M	3.3M
Domestic	571k	744k	0.7M
Break Bulk (Metric Tons)	356k	366K	370k
Autos (Units) <small>NWSA/POT</small>	112k	162k	206k



JOB CREATION

	2022 YTD Actuals	2021 YTD Actuals (Full year shown)	2022 Budget
ILWU Hours	3.6M	4.5M	4.7M



MARKET SHARE

	2022 YTD Actuals (Aug. 2022)*	2021 YTD (full year shown)
Trans-Pacific Trade	6.2%	7.1%
West Coast Ports	11.2%	12.0%



FINANCIAL RETURNS

<i>\$ in millions</i>	2022 YTD Actuals	2021 Total Actuals (Full year shown)	2022 Total Budget
Distributable Cash	\$92.0	\$128.6	\$122.1
Return on Revenue	44%	46%	41%



ENVIRONMENTAL STEWARDSHIP

	2022 YTD Actuals	2021 Results	2022 Budget
Water Quality (Acres of Improve Source Control)	60.2 acres	114 acres	150 acres
Air Quality (Diesel Particulate Matter - reduced)**	0.6 Ton	0.34 Ton	1.1 Tons
Greenhouse Gas Emissions - (reduced)**	260 Tons	0 Ton	660 Tons



OPERATIONS

	2022 Q3 Actuals	2021 Q3 Actuals	2021 Results	2022 Target
Avg Crane Production Net moves per hour (mph)	28.2	28.5	28.0	28.5
Truck Turn Time Avg total experience in minutes	80.0	81.4	77.5	< 90 Minute Turn Time

*West coast port and Trans-Pacific Trade volumes through Sept were not available by the time of the distribution of this report; therefore, presented data through Aug 2022

**Expected higher jump in Q4 as the ships are expected to start plugging into shore power at T-5

Changes from October 27th Study Session

- **\$400,000 additional revenue**
 - Correction of non-cash amortization of APMT stormwater improvements
 - Applies to all years
- **\$17,000,000 additional Grants from PIDP2022 award**
 - PIDP for T5 gate and container yard expansion
 - Modeled \$10M in 2024, \$7M in 2025

Approval Request

- **Request Managing Member approval of following items:**
 - 2023 Operating Budget including Memberships over \$10,000 and Promotional hosting
 - 2023-2027 Capital Investment Plan
 - Not authorizing any projects. Each project still requires authorization per delegation or by MM vote
 - Setting the Bond Income target to \$0.
 - All bonds outstanding at the time of the formation of the NWSA have been refunded, so this is no longer needed
 - Delegation to the NWSA CEO approval of the Service Level Agreements (SLAs) between the NWSA and POT, and between the NWSA and POS
 - Approval to distribute Lease Interest cash on a monthly basis consistent with Distributable Cash due to changes in accounting due to GASB 87

2023 Budget

(\$ millions)

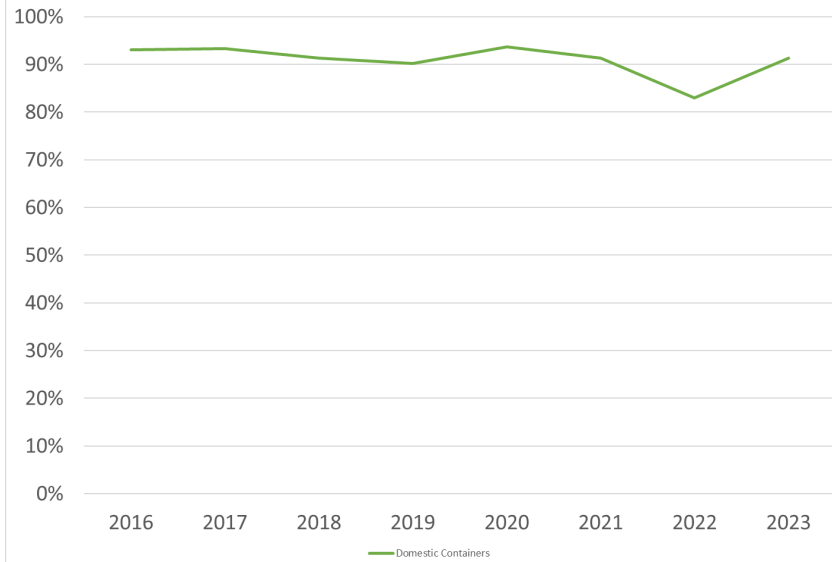
	2021 Actual	2022 Forecast	2023 Budget
Total Operating Revenues	202.5	207.9	233.5
Total Direct & Maintenance Expenses	65.3	73.2	84.5
Administration	18.1	18.6	21.3
Security	4.0	4.2	4.0
Environmental	1.5	1.8	3.0
Total Operating Expense before Depreciation	88.9	97.8	112.9
<i>Operating Income before depreciation</i>	<i>113.6</i>	<i>110.1</i>	<i>120.6</i>
Depreciation & Amortization	14.8	18.7	24.0
Total Operating Expense	103.7	116.5	136.9
Income from Operations	\$98.7	\$91.4	\$96.6
<i>Return on Revenue</i>	<i>48.8%</i>	<i>44.0%</i>	<i>41.4%</i>
Non Operating Income (Expense)	13.3	8.6	4.0
Distributable Income	\$112.0	\$100.0	\$100.6
Distributable Cash	\$126.8	\$118.7	\$124.6

2023 Operating Budget Highlights

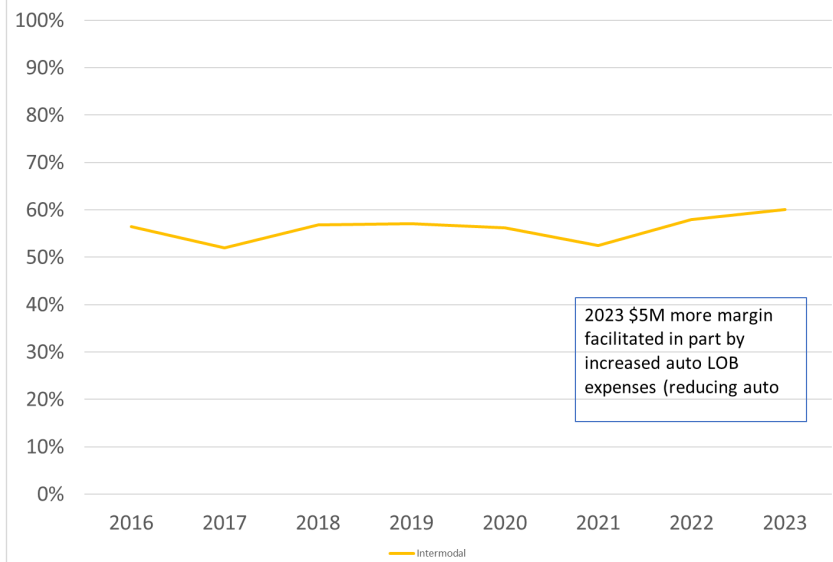
- **Revenue growing by 25.6 Million**
 - CPI increases and new Real Estate lease rates
 - T46 tenant
 - Increase in domestic rail
 - Increased variable equipment and IY revenue
- **Project spending on top of ongoing maintenance to fix or repair existing assets includes:**
 - Crane Rehabilitation,
 - Maintenance dredging preparation & pier repair
- **Includes**
 - Funds for NWPCAS, maintenance dredging, significant maintenance projects
 - Increased depreciation due to T5 Phase
- **Provides each homeport with \$62.3 million in Distributable Cash**

LOB Margins before Depreciation

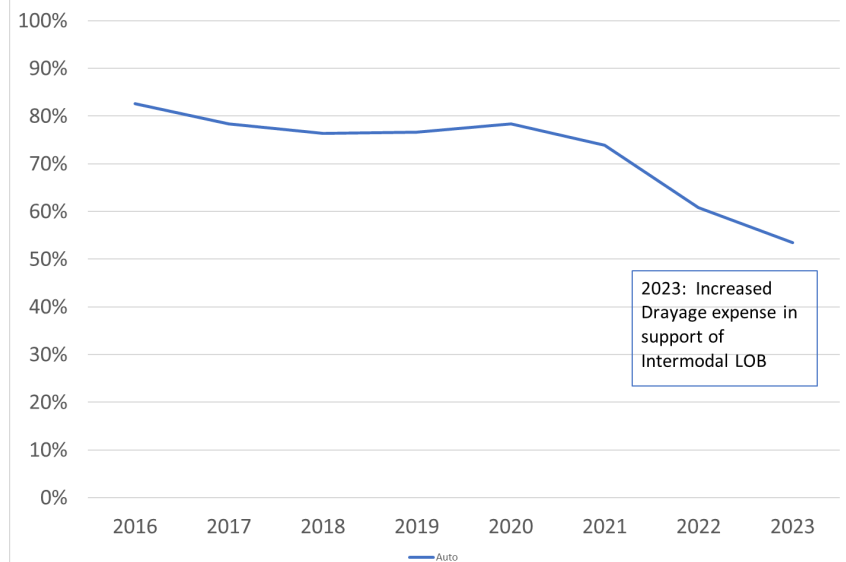
Domestic Containers



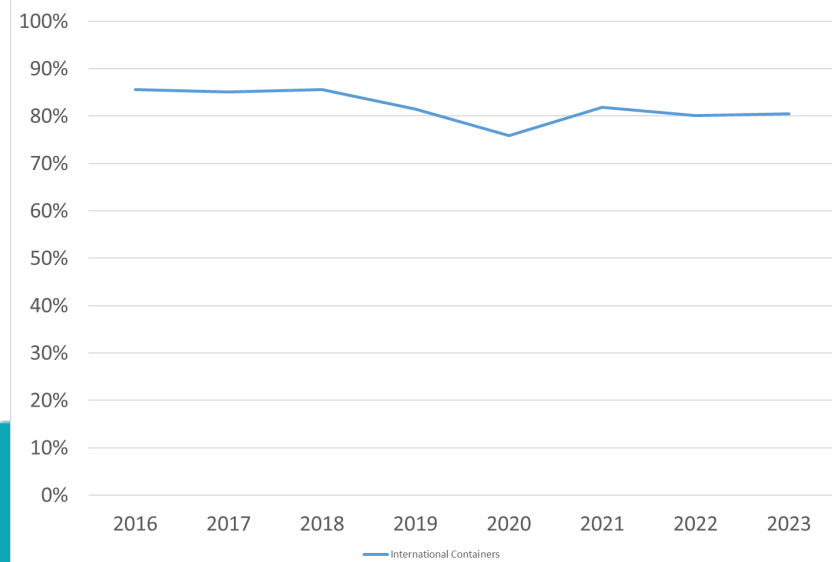
Intermodal



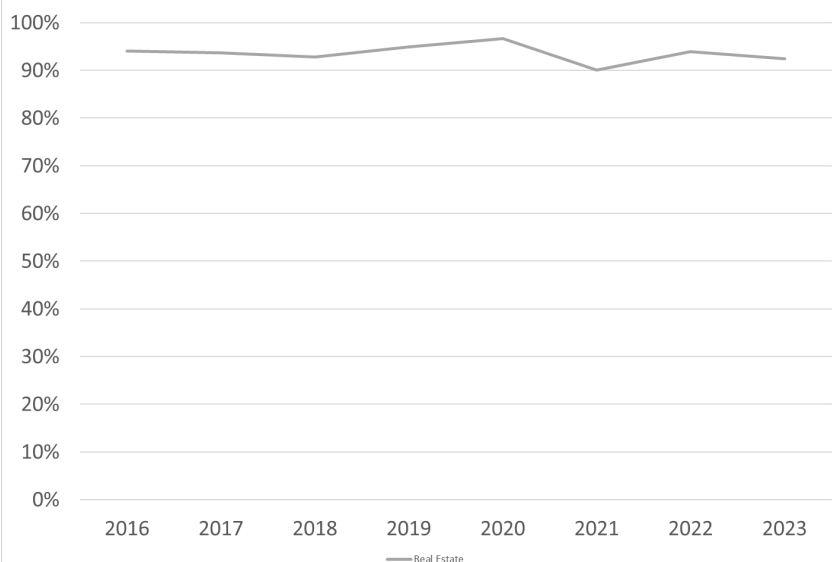
Auto



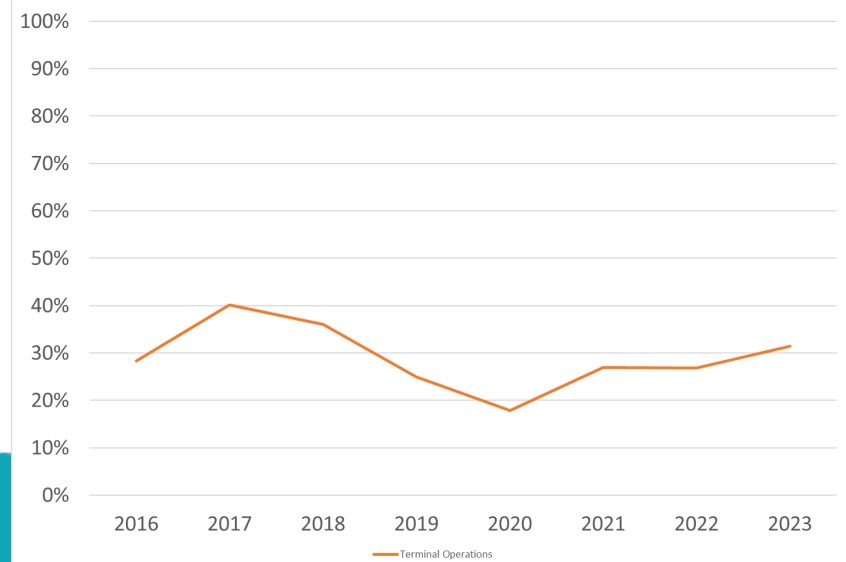
International Containers



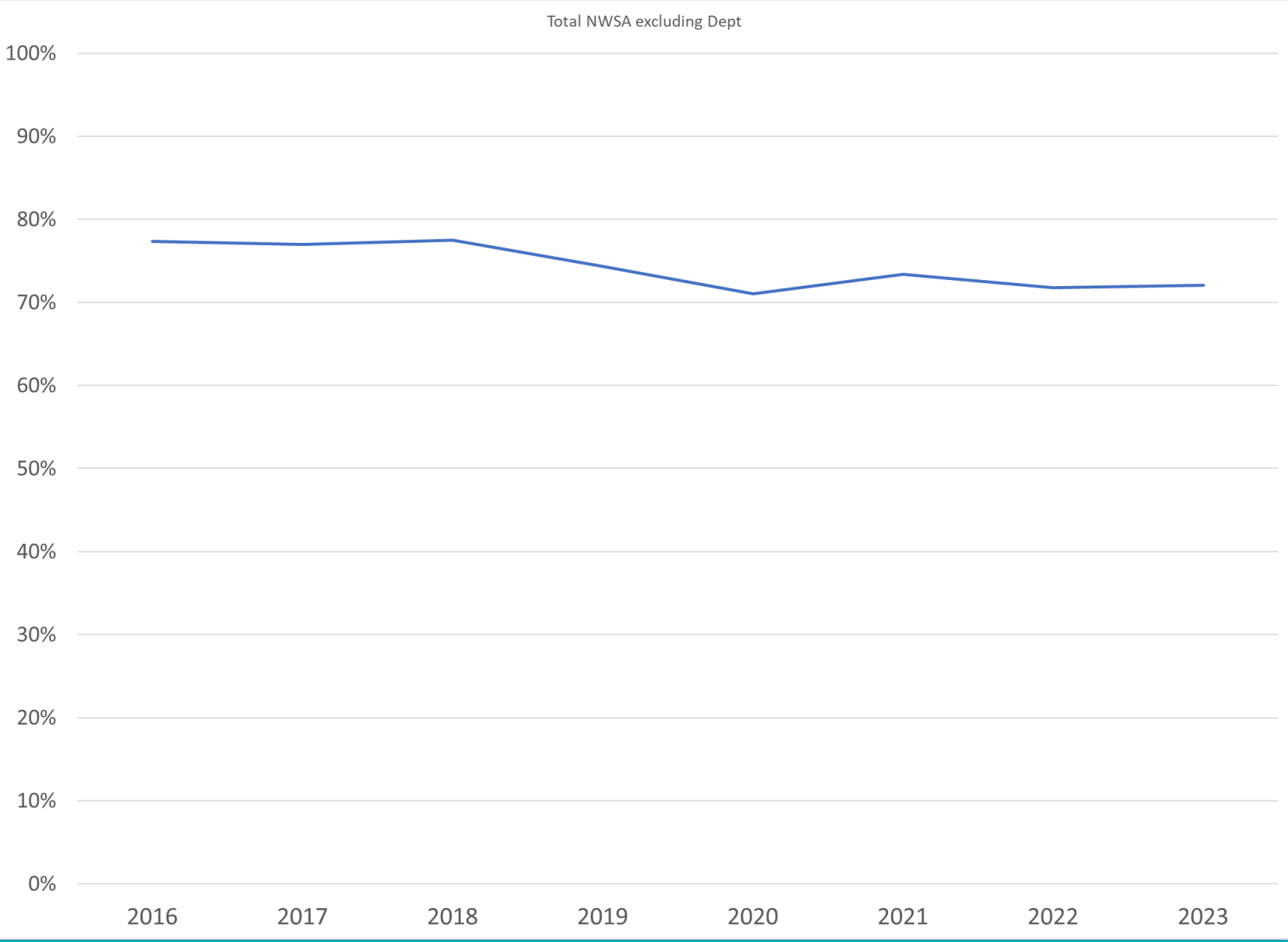
Real Estate



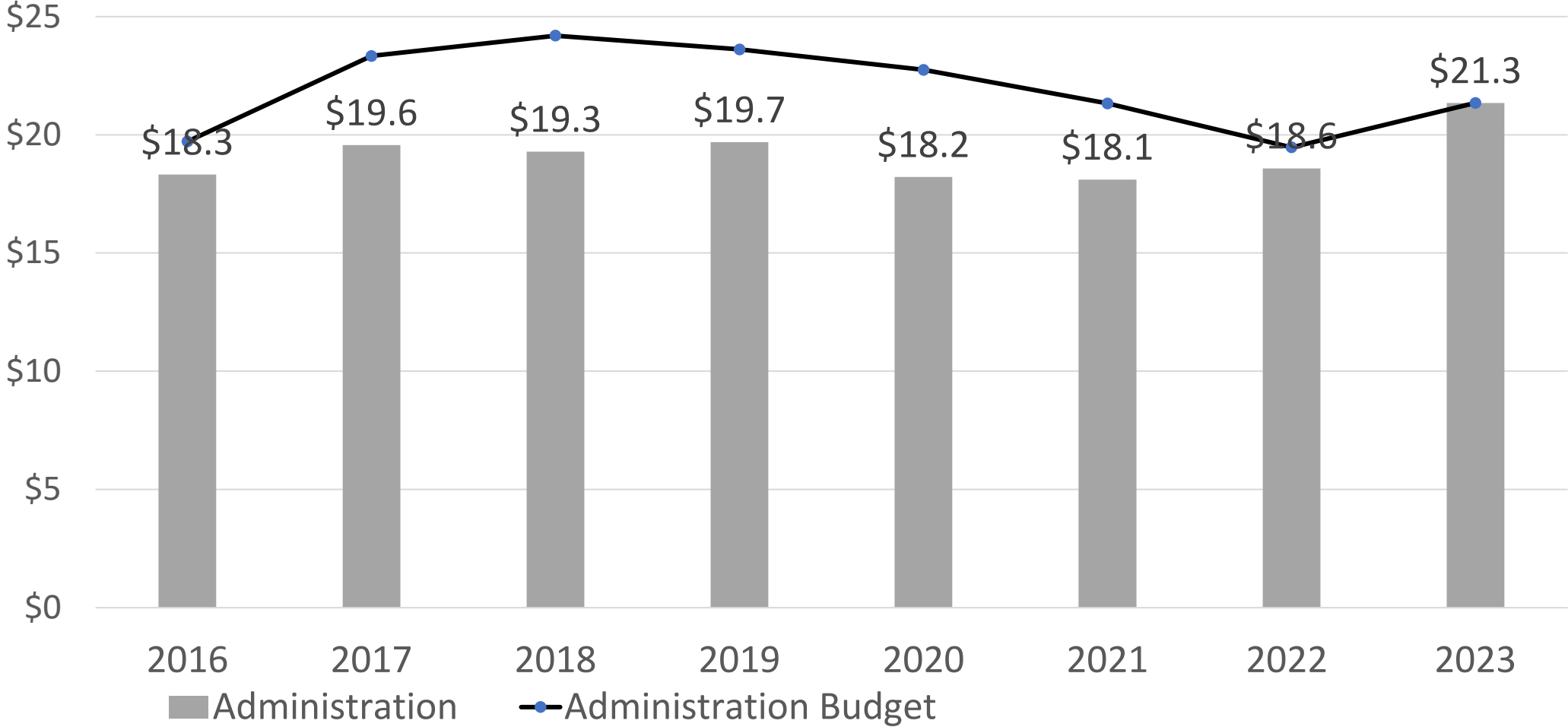
Terminal Operations



LOB Margins before Depreciation



8-Year Admin Expenses



NWSA BARS Administration (\$)

	2022 Budget	2022 Forecast	2023 Budget	2022 Forecast vs 2023 Budget	% Change
Admin Expense	19,467,680	18,577,626	21,344,588	2,766,962	14.9%

- **2022 Forecast vs 2023 Budget**
 - 2023 includes increase in PoT allocations, \$1.4M (IT, \$1.1M, HR, \$0.3M)
 - 2023 includes increase in PoS allocations, \$0.6M (Finance, \$0.3M)
 - 2023 includes increase in legal expense, \$0.2M
 - 2023 includes increase in travel, \$0.2M
 - 2023 includes increase in consulting, \$0.1M

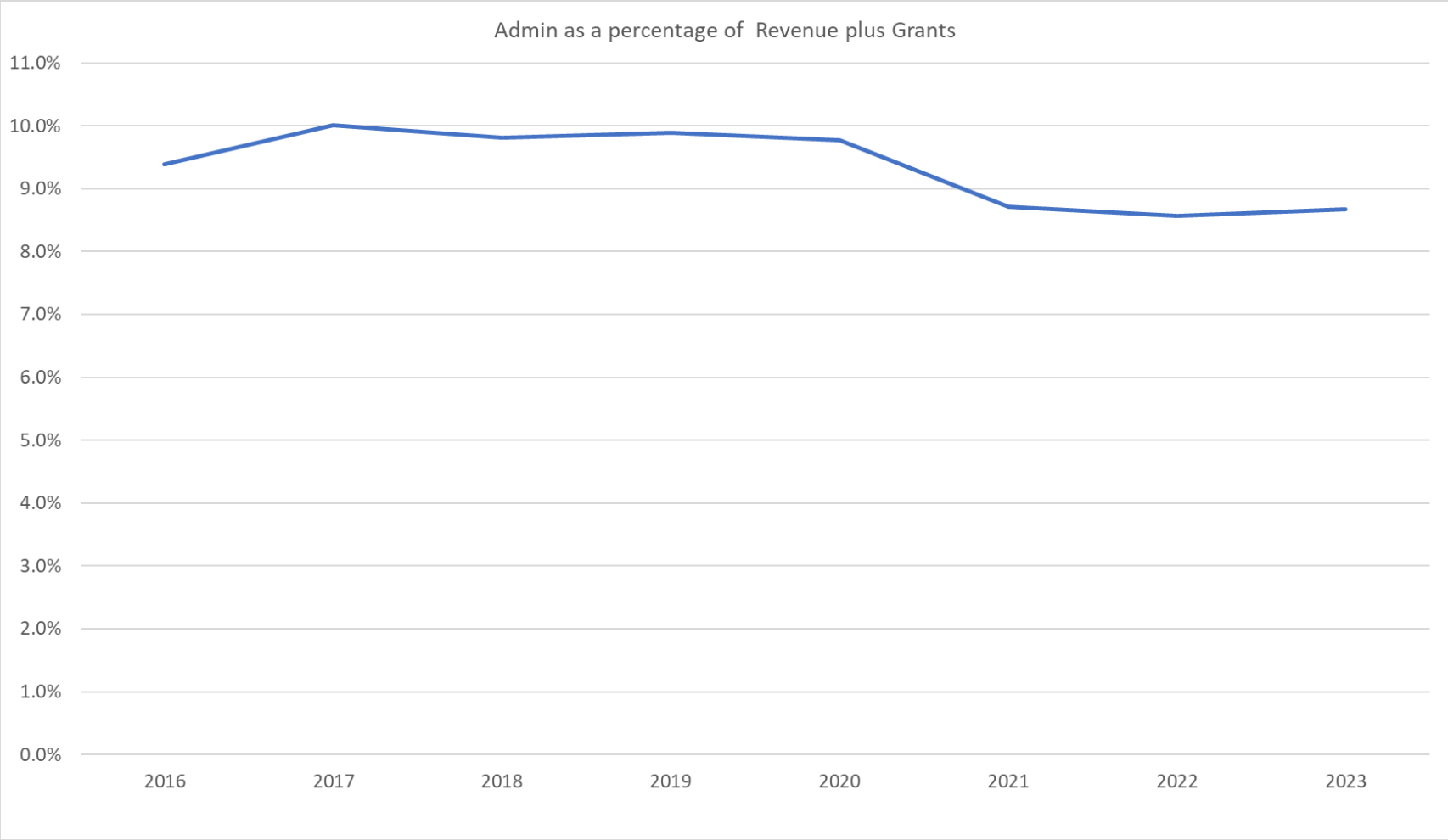
Increase in Admin 2022 Forecast to 2023 Budget

NWSA BARS Admin Growth		
Increase (22F vs 23B)	\$ 2,766,962	14.9% increase
Salaries Wages and Benefits	\$ 29,848	NWSA Admin only. 2 HC reduction from Exec team (Paulson, Howard moved to Maintenance in BARS), 2 finance HC added. Includes pay increases for Admin staff
Consulting	\$ 337,461	*Orca Quite Sound \$84K, RFID Truck Dashboard \$150K, PCS Appointment \$40K, North and South Harbor Community Events \$50K
Legal Expense	\$ 241,584	*POS Direct charge for NMFS, Trademarks, ESA, Compliance, T5 Construction (Dock Upgrade), T5 Permitting \$102K, POS allocated cost \$96K, on call insurance coverage \$30K
Travel	\$ 226,751	Additional travel for executives and Managing members
POT Allocations		
Executive	\$ 24,226	*DEI consultant for POT. Portion direct budgeted to NWSA
IT	\$ 1,132,080	*64% of new systems, \$1.4M for Finance, HR and Records, 64% of increased POT IT staffing of \$336K
Finance	\$ 45,675	2 HC shifted from other departments, addition of Risk Manager in POT (Replacing Lou Paulson in NWSA). Net 1 HC addition with 2 Finance staff moving to NWSA
Contracts	\$ 61,407	*50% of new grant administrator
HR	\$ 347,966	*64% of increased staffing of \$315K, DEI support, \$60K, employee handbook consulting \$70K, Classification system, \$55K, increased legal \$37K
Government Affairs	\$ (12,106)	Lower allocation percentage negotiated (11% to 8.4%)
Communications	\$ (19,280)	Lower allocation percentage negotiated (10% to 5%)
Sitcum Building	\$ (58,549)	*reduction in "rent" paid for NWSA staff due to smaller number of NWSA staff using the 1 Sitcum building
Planning and Programs	\$ (117,253)	*increase in allocation rate from NWSA to POT (43% vs 34% of NWSA planning now charged to POT)
POS Allocations		
Finance	\$ 264,448	*estimate. Finance allocation increase based on transaction analysis
IT	\$ 41,964	*estimate. General increase in POS costs
Contracts	\$ 60,143	*estimate. General increase in POS costs
Government Affairs	\$ 30,709	*estimate. General increase in POS costs
Miscellaneous	\$ 129,888	*estimate. General increase in POS costs
Net	\$ (0)	

NWSA Administrative costs



Administrative Costs as a Percentage of Revenue Plus Grants



MEMBERSHIPS

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

Organization	2022 Budget	2022 Forecast	2023 Budget
American Association of Port Authorities	\$78,000	\$74,250	\$78,000
Pacific Northwest Waterways Association	31,670	31,360	33,500
WA Council on International Trade	20,000	20,000	20,000
International Association of Ports and Harbors	14,000	14,000	14,000
Green Marine	11,000	10,542	11,000
All Other Memberships under \$10,000	56,155	52,763	65,355
Total NWSA Memberships	\$210,825	\$202,915	\$221,855

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

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”**

	2021	2022 Forecast	2023 Budget
Hosting	\$10,252	\$196,848	\$194,600

2023 Statutory limit is \$607,750.

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 \$300,000 regardless of budget inclusion

2022 - 2027 CIP by Category *(\$ thousand)*

Group	2022 Forecast	2023	2024	2025	2026	2027	2022-27 Total
T5	\$52,406	\$111,434	\$59,692	\$1,303	\$0	\$0	\$224,835
Maintenance	14,811	30,453	65,226	18,708	67,215	7,050	203,463
South Harbor Terminal Expansion	-	-	-	-	-	150,000	150,000
Environmental	2,453	5,256	23,307	19,307	2,616	2,250	55,189
Operational Upgrades	5,367	12,301	14,356	6,000	7,054	10,000	55,078
Husky	4,620	11,034	736	19,200	-	-	35,590
Support Systems	533	4,300	491	-	-	-	5,324
Grand Total	\$80,190	\$174,778	\$163,808	\$64,518	\$76,885	\$169,300	\$729,479

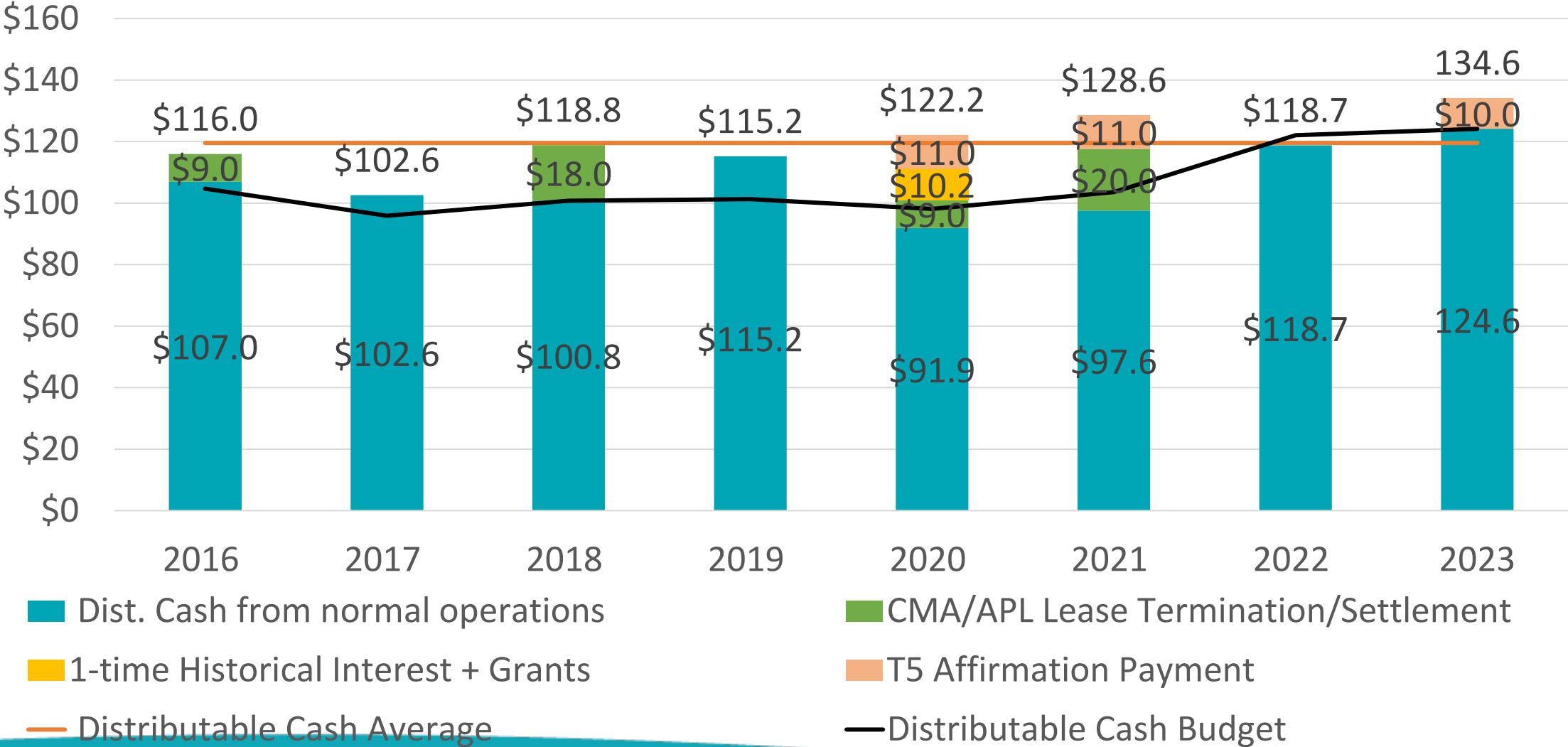
Definitions

- **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**
- **Husky – Improvements to the terminal including 8 cranes, T4 wharf, tenant improvements, shore power, maintenance berth dredging and toe wall**
- **Support Systems = CBP improvements**

Bond Income Calculation

- **Minimum level of net income required for homeports to meet bond rate covenants for bonds outstanding at the time of the formation of the alliance**
 - Takes into account home port income from other sources
 - Based on the home port with the higher required minimum income
 - Adjusted for lien coverage requirements (senior = 1.35, subordinate = 1)
- **Section 4.2(b) requires annual review of the bond income calculation**
- **Required bond income as defined in the charter is \$0 million in total for NWSA**
 - POS and POT have refunded all bonds outstanding at time of formation of the NWSA

Distributable Cash History



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