



THE NORTHWEST
SEAPORT ALLIANCE
Gateway to Solutions

2023 Budget Study Session

Managing Member Meeting
October 27th, 2022

Agenda

- **Budget Schedule**
- **2022 Forecast and 2022 Capital Investment Plan spending**
- **2023 Budget with Details**
- **2023 Budget and 2024-2027 forecast**
- **2022-2027 Capital Investment Plan**
- **Potential Additional Funding Sources**

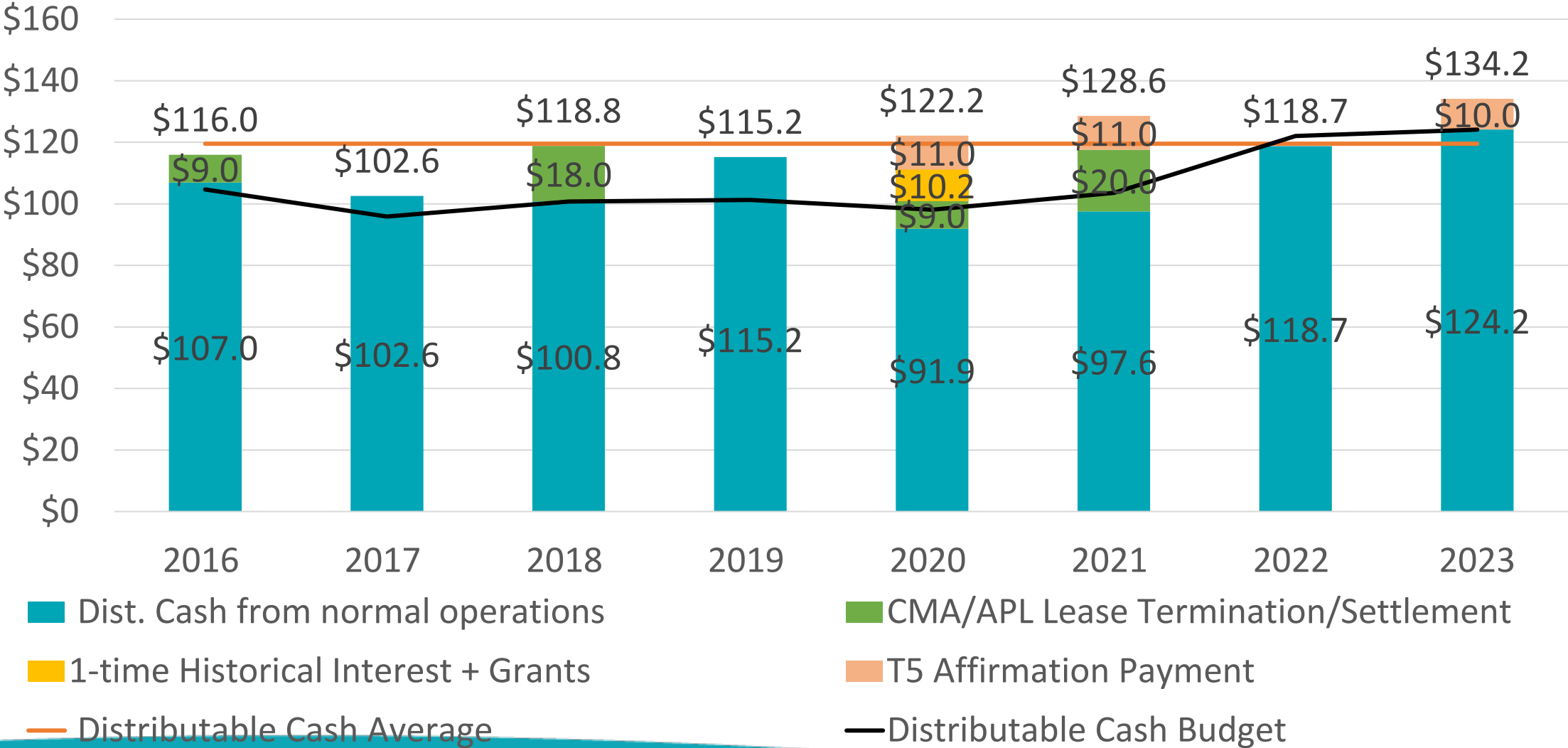
Budget Schedule

- **October 27**
 - Cargo Forecast
 - Budget study session
- **November 7**
 - Approve 2023 operating budget
 - Approve 2023-2027 Capital Investment Plan
 - Approve the 2023 Service Level Agreements

NWSA Budget Constraints

- **The NWSA staff manages to a “triple bottom line”:**
 - Financial Performance
 - Economic Development and Jobs
 - Environmental impact and sustainability
- **Improvements/focus on one area may impact the other two areas**
 - Increased financial performance may result in lower investments in environmental impact or economic development
 - Increased focus on economic development and jobs may reduce financial performance and impact the environment
 - Increases investment in environmental issues may result in lower financial performance and impact economic development
- **Staff has developed the 2023 budget to balance these three areas**

Distributable Cash History (excluding HMT)



Net Cash provided by NWSA

<u>NWSA Providing Cash</u>	<u>2016-2023 Total</u>
Distributable cash	924,443
Affirmation Distribution	32,000
SIM Rent reduction	2,425
HMT/ WRDA 2106 spent	15,960
HMT/ WRDA 2106 available	36,642
Total	\$ 1,011,470

<u>Cash from Home Ports (excluding HMT from Gov't)</u>	<u>2016-2023 Total</u>
Working Capital	51,000
Capital Construction	736,709
Affirmation Contribution	32,000
Total	\$ 819,709

NWSA Provide/(Accept) Cash **\$ 191,761**

- Over 8-year period, NWSA + projected HMT/WRDA 2106 funds will provide \$191.8 million more in cash than received by the home ports.
- HMT in 2023 is estimated at \$40M based on work by AAPA. Since use of HMT funds is restricted, timing of use may vary from timing of collection
 - We may collect funds in a year, but won't spend it all that year
 - We discuss additional potential funding sources for projects later in the CIP portion of the presentation
- Staff will request MM's approval to transfer \$40M in HMT funds from the homeports in 2023

2022 Forecasted Operating Results Preview

(\$ millions)

	2022 Budget	2022 Forecast	Forecast vs Budget Better / (Worse)
Total Operating Revenues	206.8	207.9	1.1
Total Operating Expense	122.4	116.5	5.9
Income from Operations	\$84.4	\$91.4	\$7.0
<i>Return on Revenue</i>	40.8%	44.0%	3.1%
Non Operating Income (Expense)	14.4	8.6	(5.8)
Distributable Income	\$98.9	\$100.0	\$1.2
Distributable Cash	\$122.1	\$118.7	(\$3.3)

2020 Forecast vs budget Revenue

- Container revenue increase due to T46 and Husky offset by reductions at T18 due to volume lower than budget
- BB revenue increase

Expenses

- *Increased longshore labor for Breakbulk business*
- reduced allocations from the home ports
- Components of T5 still under construction reduced depreciation
- delayed T5 permit requirement spending delaying grants and spending

Diversified cargo portfolio and large customer base helped stabilize NWSA financial performance

2022 Forecasted Project Spending *(\$ million)*

Project	Amount	Description
T5 Berth Modernization Construction	\$49.0	Phase 1 North berth, stormwater system, gate complex & public expense projects
Terminal 3/4 Shorepower	3.4	
NWSA Unallocated Capital Improvements (placeholder)	3.0	
T18 Stormwater Utility Upgrade	1.9	
T46 Storm Vault Reconfiguration	1.8	
T46 Crane Maintenance	1.8	
WUT Fender System Replacement Completion (HMT eligible)	1.7	
PCT Operating Pavement Repair (2018-22)	1.1	
Others	16.6	113 projects
Total	\$80.3	

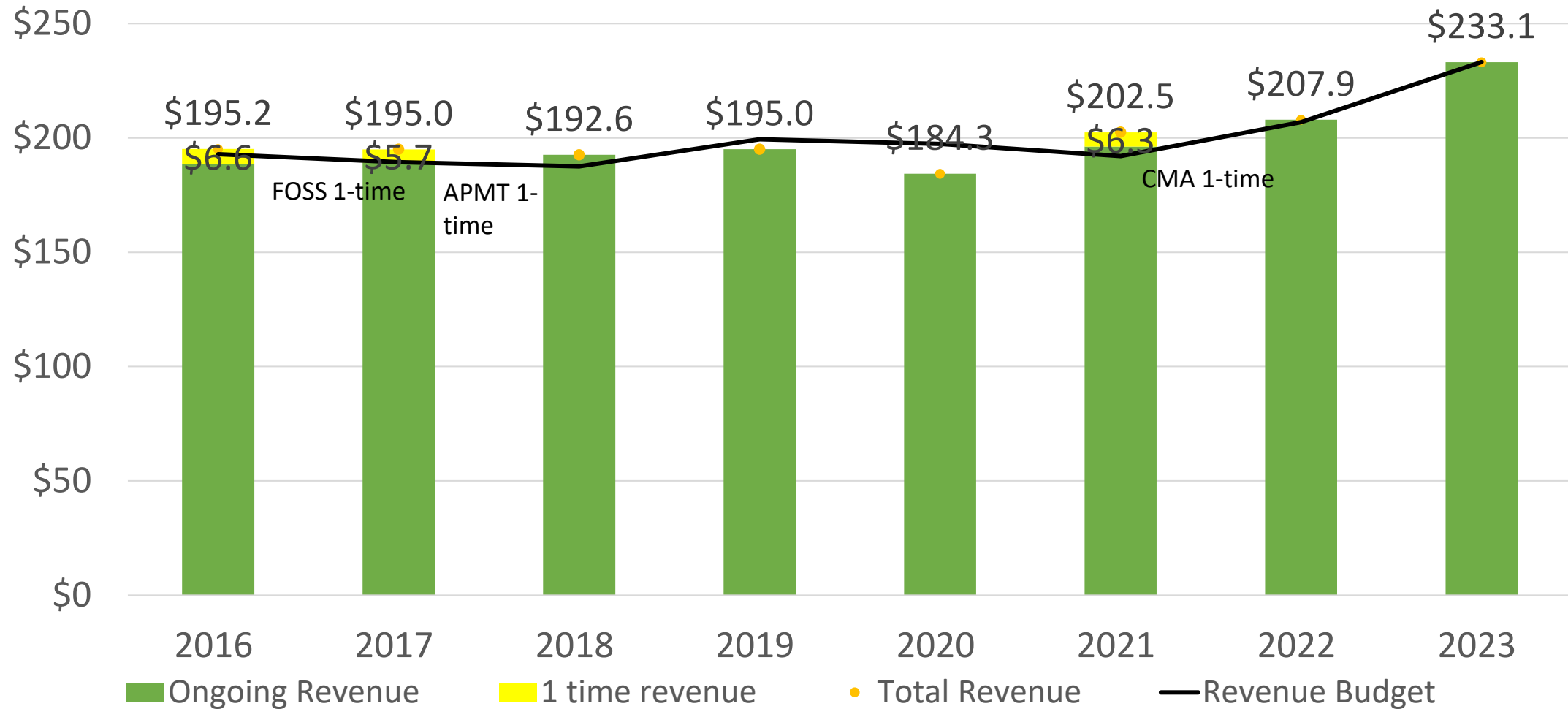
Original 2022 CIP budget was \$131.6 million. Difference driven primarily by moving T5 phase 2 to 2023

2023 Budget Preview

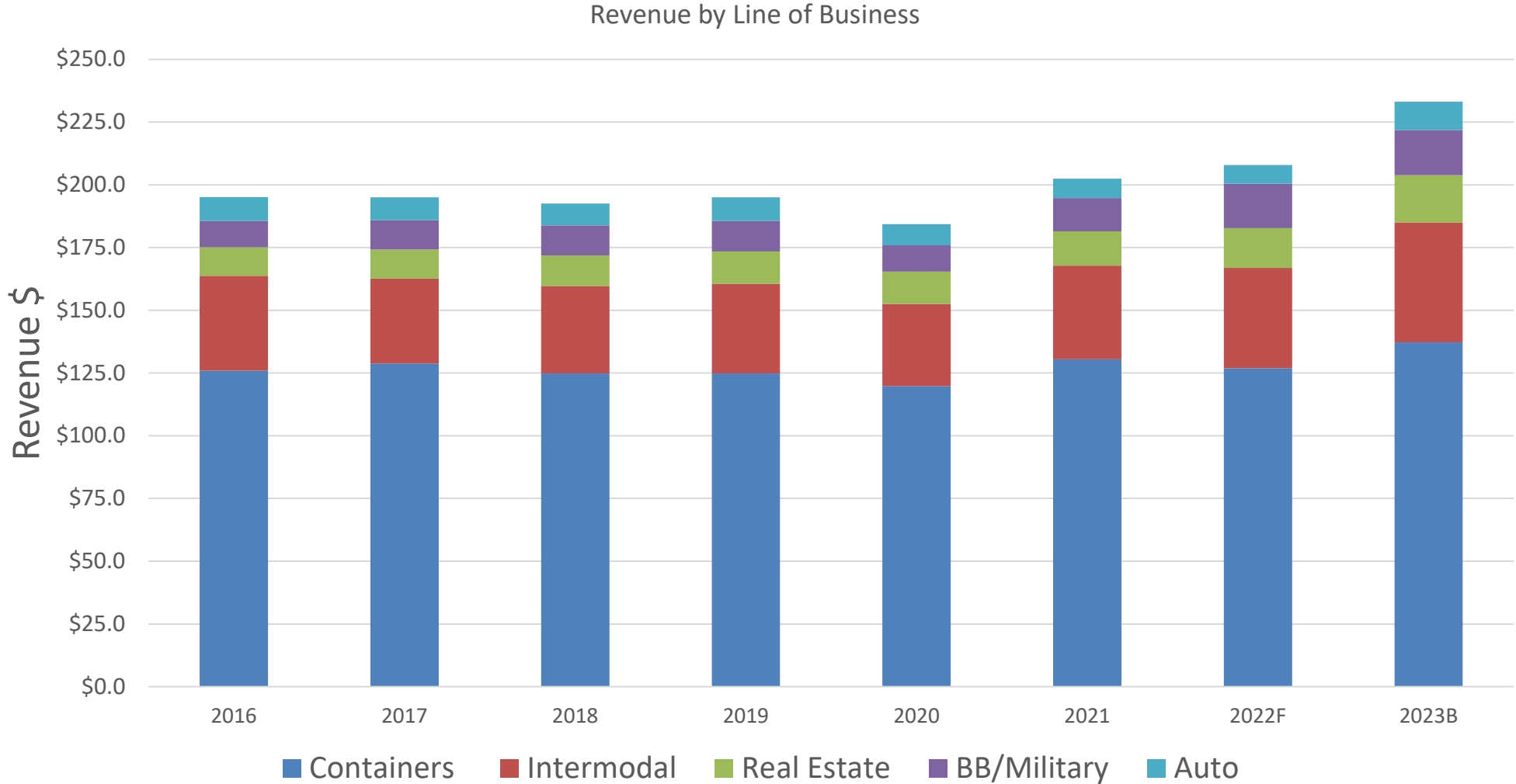
(\$ millions)

	2021 Actual	2022 Forecast	2023 Budget
Total Operating Revenues	202.5	207.9	233.1
Total Operating Expense	103.7	116.5	136.9
Income from Operations	\$98.7	\$91.4	\$96.2
<i>Return on Revenue</i>	48.8%	44.0%	41.3%
Non Operating Income (Expense)	13.3	8.6	4.0
Distributable Income	\$112.0	\$100.0	\$100.2
Distributable Cash	\$126.8	\$118.7	\$124.2
HMT funds (Not in NWSA P&L)	\$5.5	\$5.5	\$40.0
Total Distributable + HMT	\$132.3	\$124.2	\$164.2

8-year Revenue

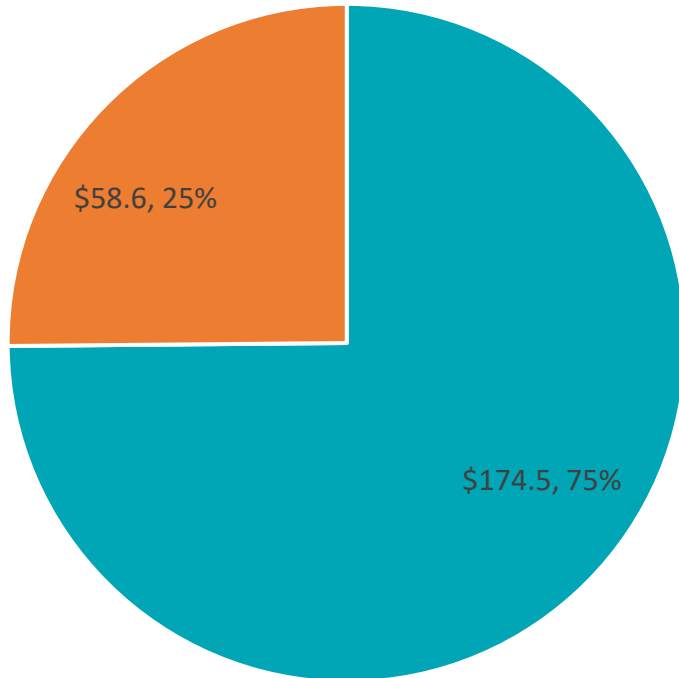


Revenue by Line of Business



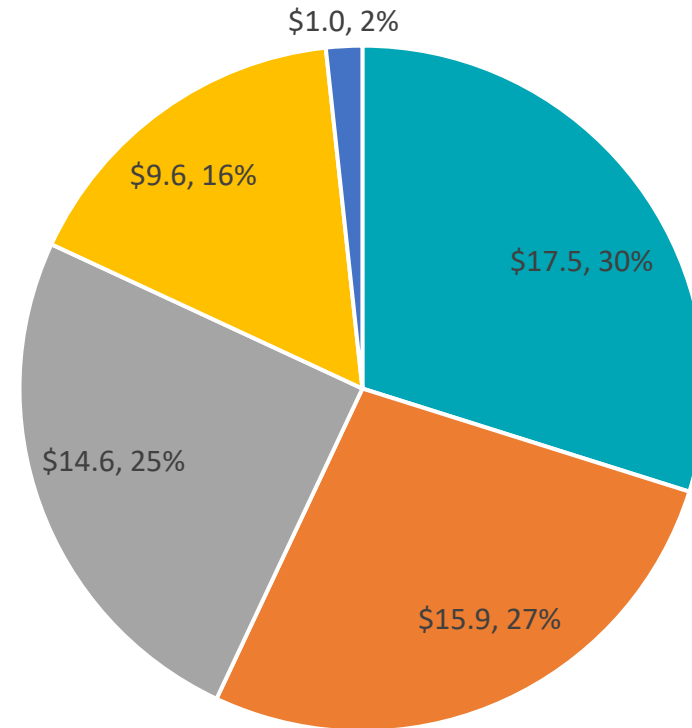
2023 Fixed vs Variable Revenue

2023 Revenue



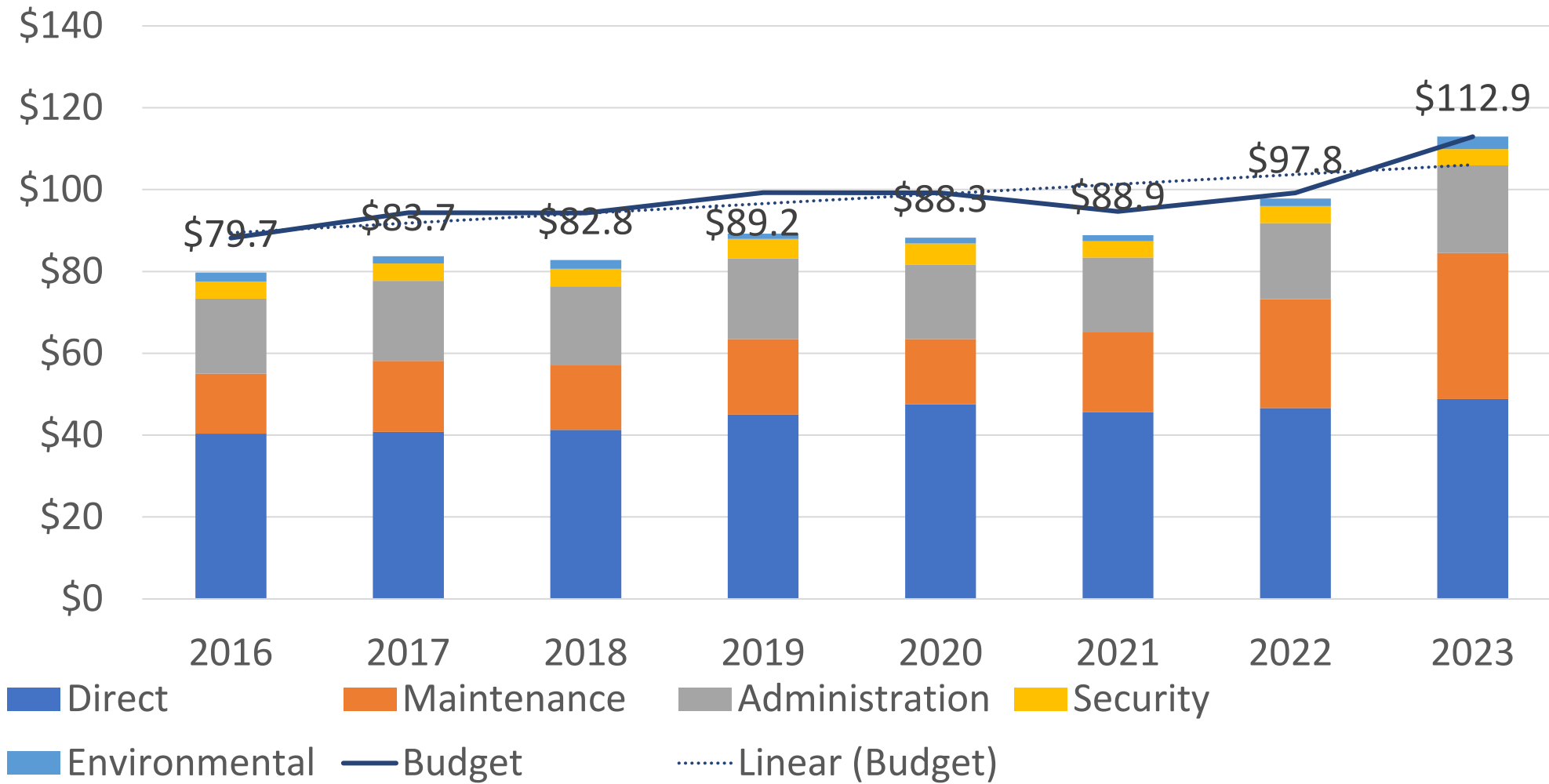
■ Fixed ■ Variable

Variable Revenue by Source

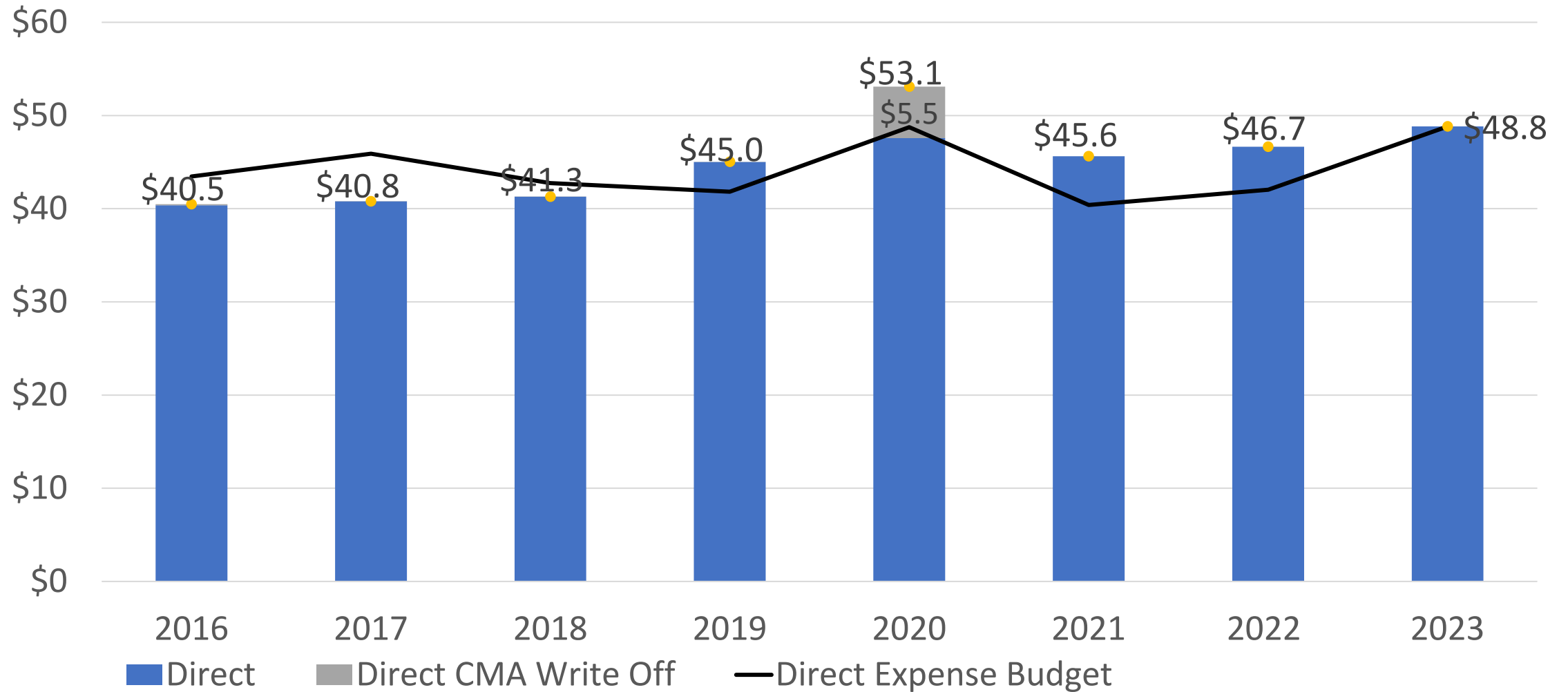


■ Breakbulk ■ International Container and Intermodal
■ Domestic Intermodal ■ Auto
■ Real Estate

Total Operating Expense before Depreciation



8-Year Direct Expense



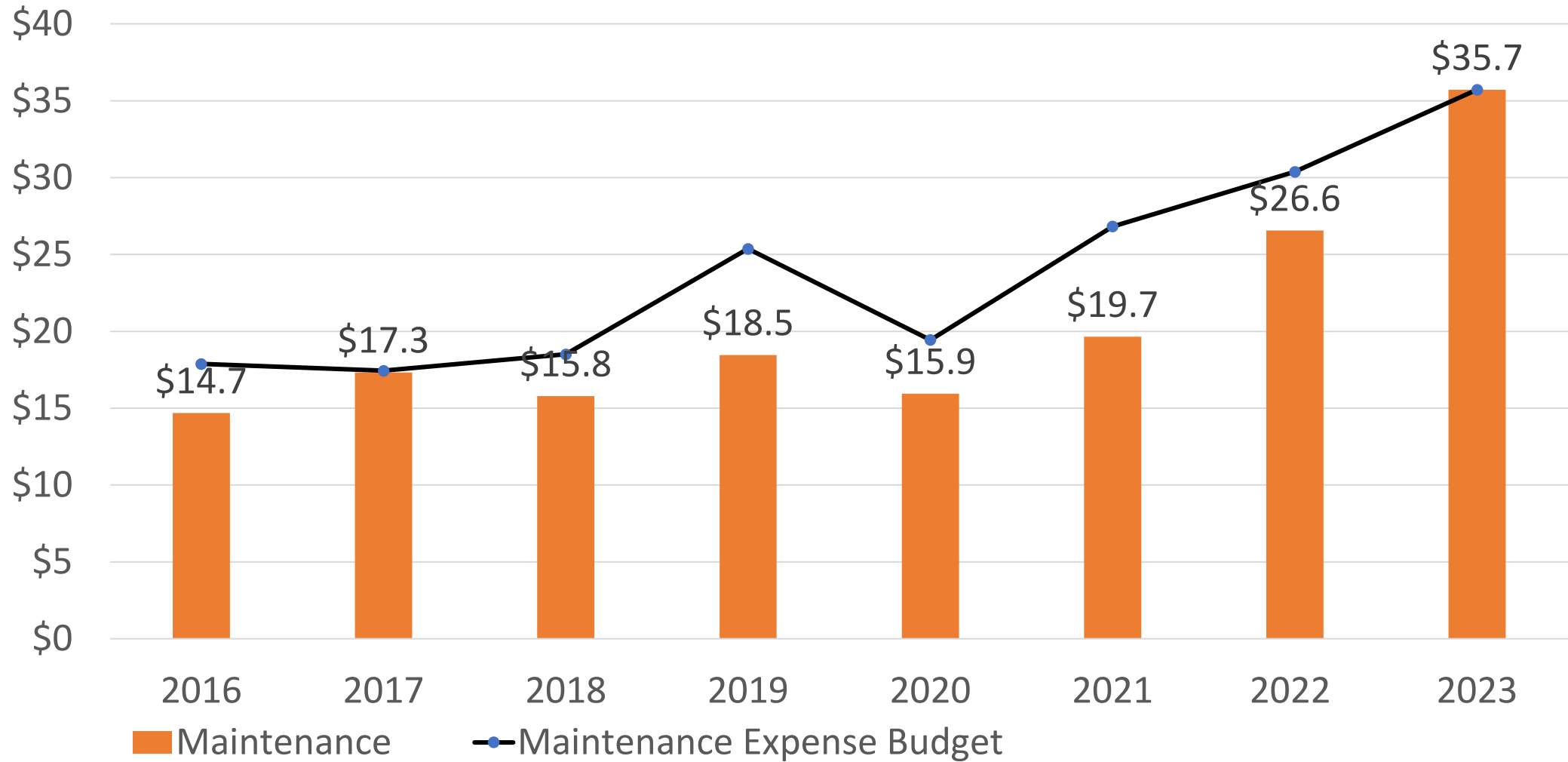
Direct Expense

	2022 Budget	2022 Forecast	2023 Budget	2022 Forecast vs 2023 Budget	% Change
Direct Expense	42,032,185	46,659,829	48,828,986	2,169,157	4.6%

- **2022 Forecast vs 2023 Budget**
 - Drayage for new auto business, \$2.5M
 - SIM Rail Service, \$1.6M
 - NIM/Husky equipment expense \$0.9M
 - No T5 Shuttle expense in 2023, (\$2.0M in 2022)
 - 2023 movement of BARS direct expenses to BARS maintenance, (\$1.1M)



8-Year Maintenance Expense



Maintenance

	2022 Budget	2022 Forecast	2023 Budget	2022 Forecast vs 2023 Budget	% Change
Maintenance Expense	30,379,820	26,554,170	35,717,128	9,162,958	34.5%

- **2022 Forecast vs 2023 Budget**

- 2023 includes increased CIP expense, \$4.7M (details in CIP section of this presentation)
- 2023 movement of BARS direct expenses to BARS maintenance, \$1.1M
- Increased PoS allocation for Waterfront Project Management, \$1M
- Increased strad maintenance, \$0.8M
- Increased maintenance at container terminals, \$0.7M

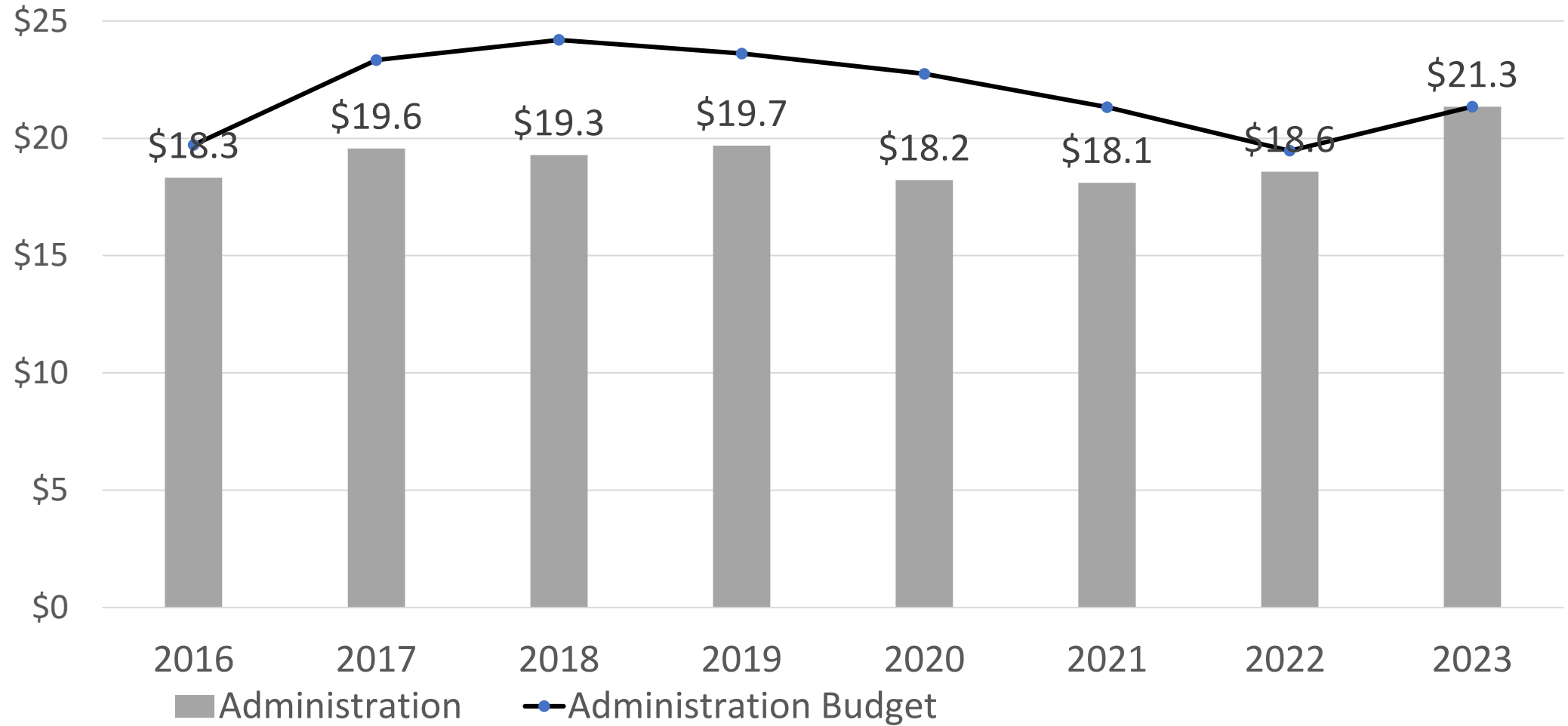
- \$2.8M of the \$9.2M increase is HMT eligible projects

2023 Maintenance expense projects

(Excluding HMT funded dredging and T5 permit conditions)

- **2023 Incremental project expenses**
 - \$2M NWSA unanticipated Repairs (\$3M in 2023, \$1M in 2022 forecast)
 - \$1.5M of T46 Crane maintenance (\$2.2M total, \$0.5M in 2022 forecast)
 - \$1.5M in maintenance dredging (HMT eligible) (none in 2022)
 - \$0.8M T18 bullrail repair (HMT)
 - \$0.3M in EB1 utility vault paving

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

NWSA Payroll

	2021	2022 Budget	2022 Forecast	2023 Budget	Var from Forecast	% Var	Var from Prior Budget	%Var
Salary Wages	6,564,292	7,196,831	6,921,529	8,089,211	1,167,681	17%	892,379	12%
Hourly Wages	36,765	96,070	121,050	143,559	22,509	19%	47,489	49%
OT Wages	68		135		(135)	-100%	0	N/A
Total Wages	6,601,124	7,292,901	7,042,714	8,232,770	1,190,055	17%	939,869	13%
F.I.C.A.	474,255	516,923	539,791	578,086	38,294	7%	61,163	12%
S.U.I.	18,572	30,094	21,672	34,134	12,463	58%	4,040	13%
Medical Benefits	1,416,380	1,726,081	1,656,503	1,866,636	210,133	13%	140,555	8%
Employee Pension	767,146	739,031	725,541	845,250	119,709	16%	106,218	14%
Other Benefits	(1,896,389)	313,837	318,808	355,689	36,881	12%	41,852	13%
Total Benefits	779,965	3,325,966	3,262,315	3,679,794	417,480	13%	353,828	11%
<i>Benefits % of Total</i>	<i>11.8%</i>	<i>45.6%</i>	<i>46.3%</i>	<i>44.7%</i>				
Port Salaries & Benefits	7,381,089	10,618,867	10,305,029	11,912,564	1,607,535	16%	1,293,697	12%

- **\$331,660** for annual pay increases for salaried employees starting April. (6% increase)
- **\$19,509** for annual recognition paid to salaried employees in April.
- **\$78,038** for marketplace adjustment for salaried employees during the year.
- Hourly employees will receive a **3.0%** raise in April.
- **Average Salary of \$130,063. Benefits of 45%**
- **NWSA assumes a 6% vacancy rate (4 positions)**

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.

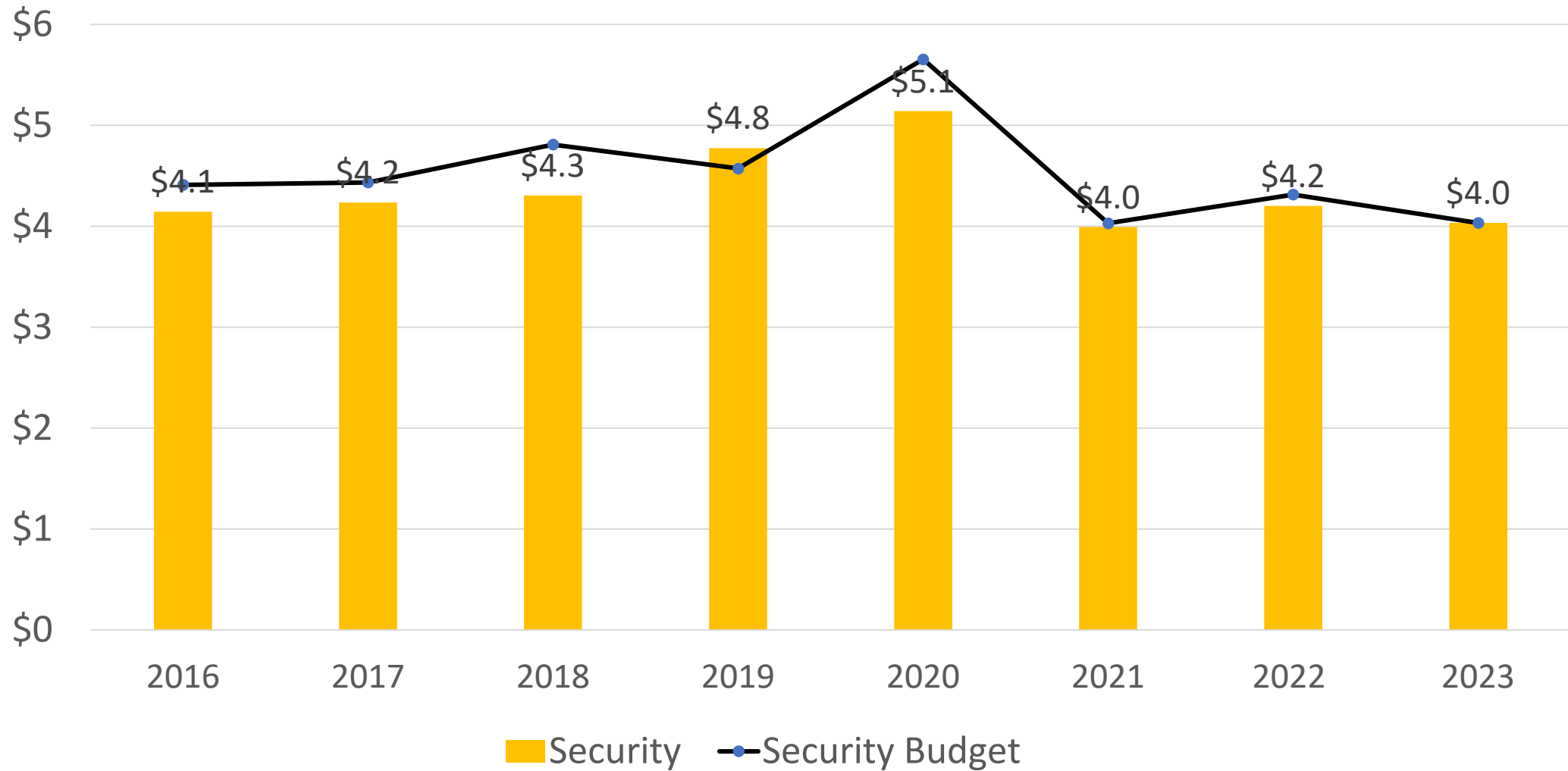
Promotional Hosting

- **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.

8-Year Security Expenses

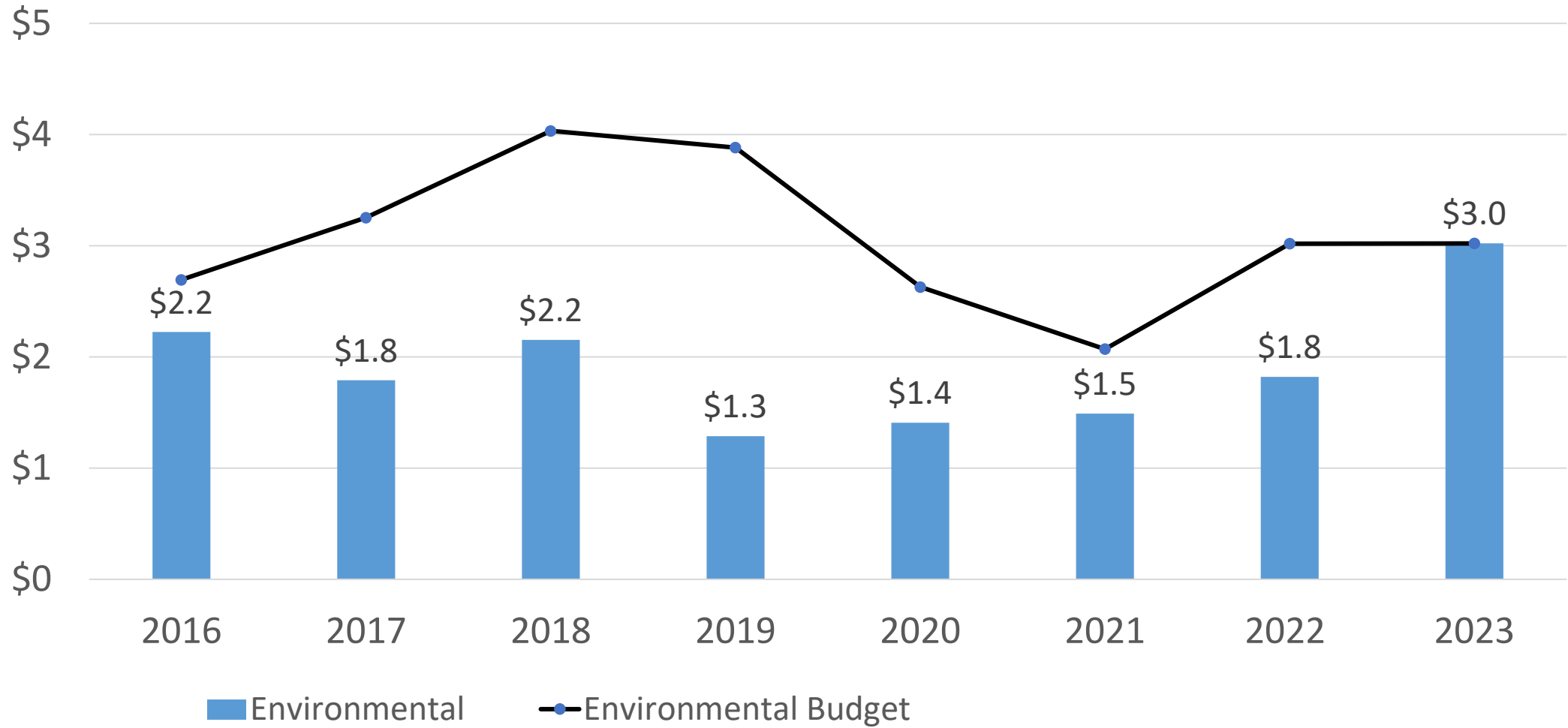


Security

	2022 Budget	2022 Forecast	2023 Budget	2022 Forecast vs 2023 Budget	% Change
Security Expenses	4,313,708	4,202,034	4,032,827	(169,207)	-4.0%

- **2022 Forecast vs 2023 Budget**
 - Nothing significant to report

8-Year Environmental Expenses



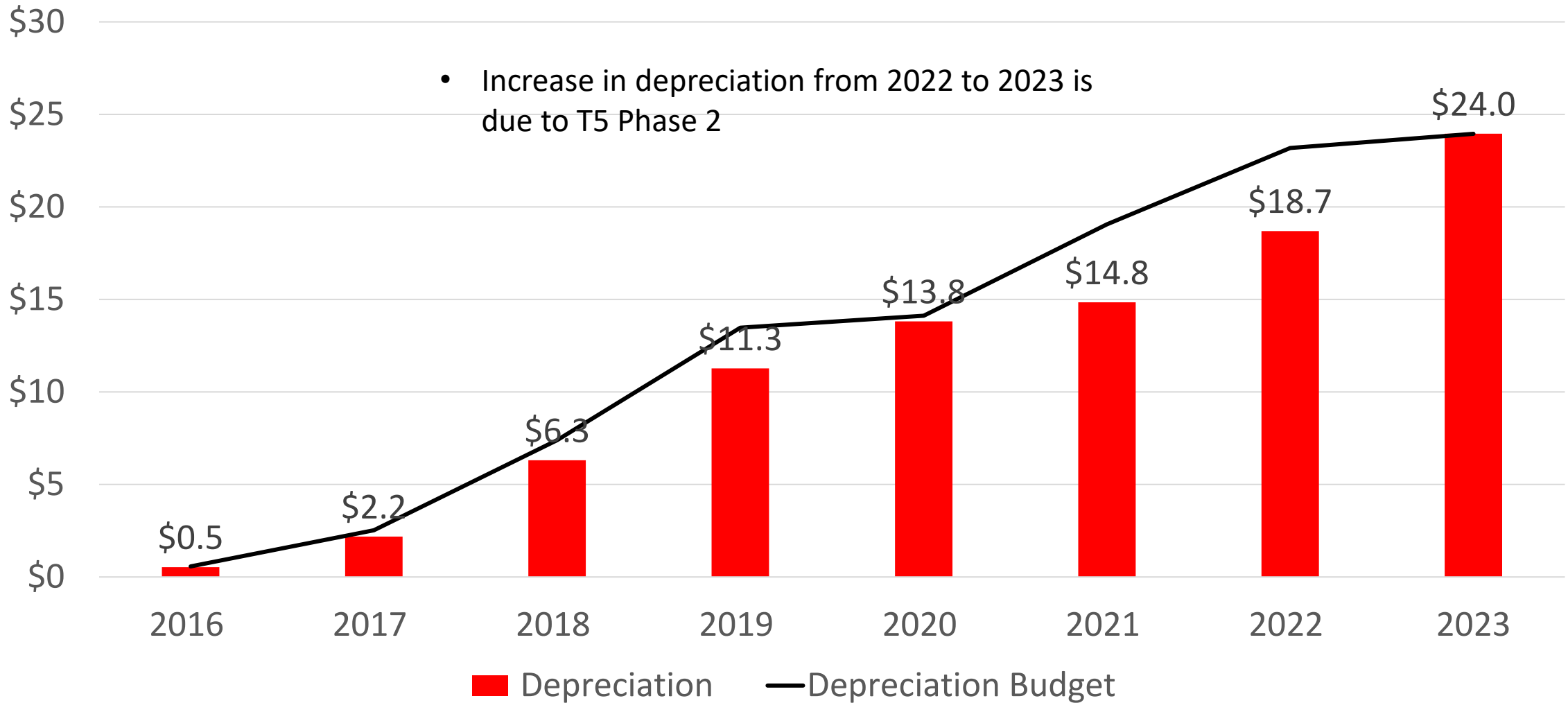
Environmental

	2022 Budget	2022 Forecast	2023 Budget	2022 Forecast vs 2023 Budget	% Change
Environmental Expense	3,019,729	1,820,160	3,021,727	1,201,567	66.0%

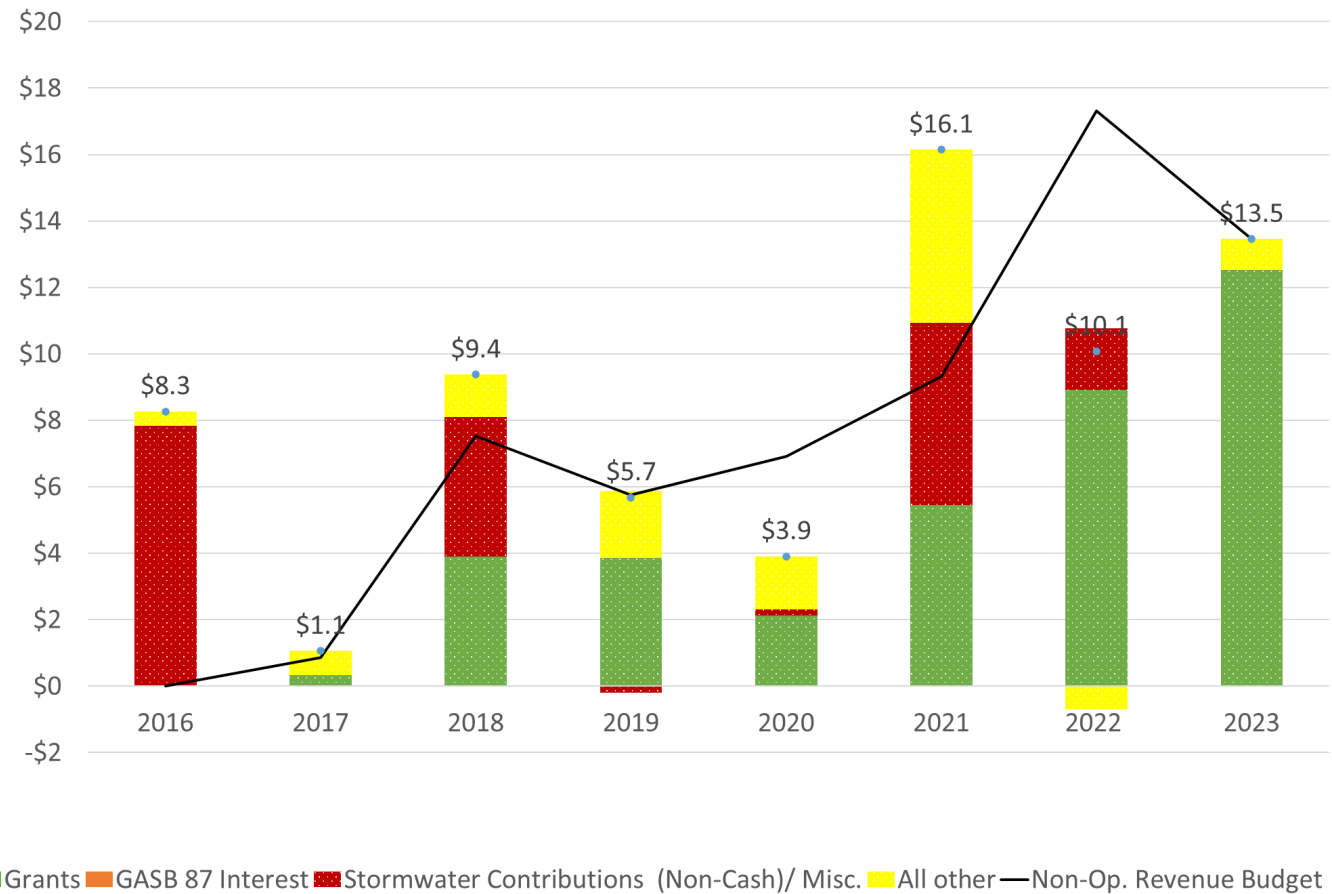
- **2023 Budget**

- 2023 includes spending for projects:
 - Air Pollutant Emissions Inventory, \$0.3M
 - Regional Zero Emission Truck Collaborative, \$0.2M
 - Electrification Roadmap, \$0.1M
 - Marine Discharge Modeling Study, \$0.1M
 - Clean Cargo Handling Equipment Incentive Program, \$0.1M
 - Clean Truck Assessment, \$0.1M
 - GHG Inventory, \$0.1M

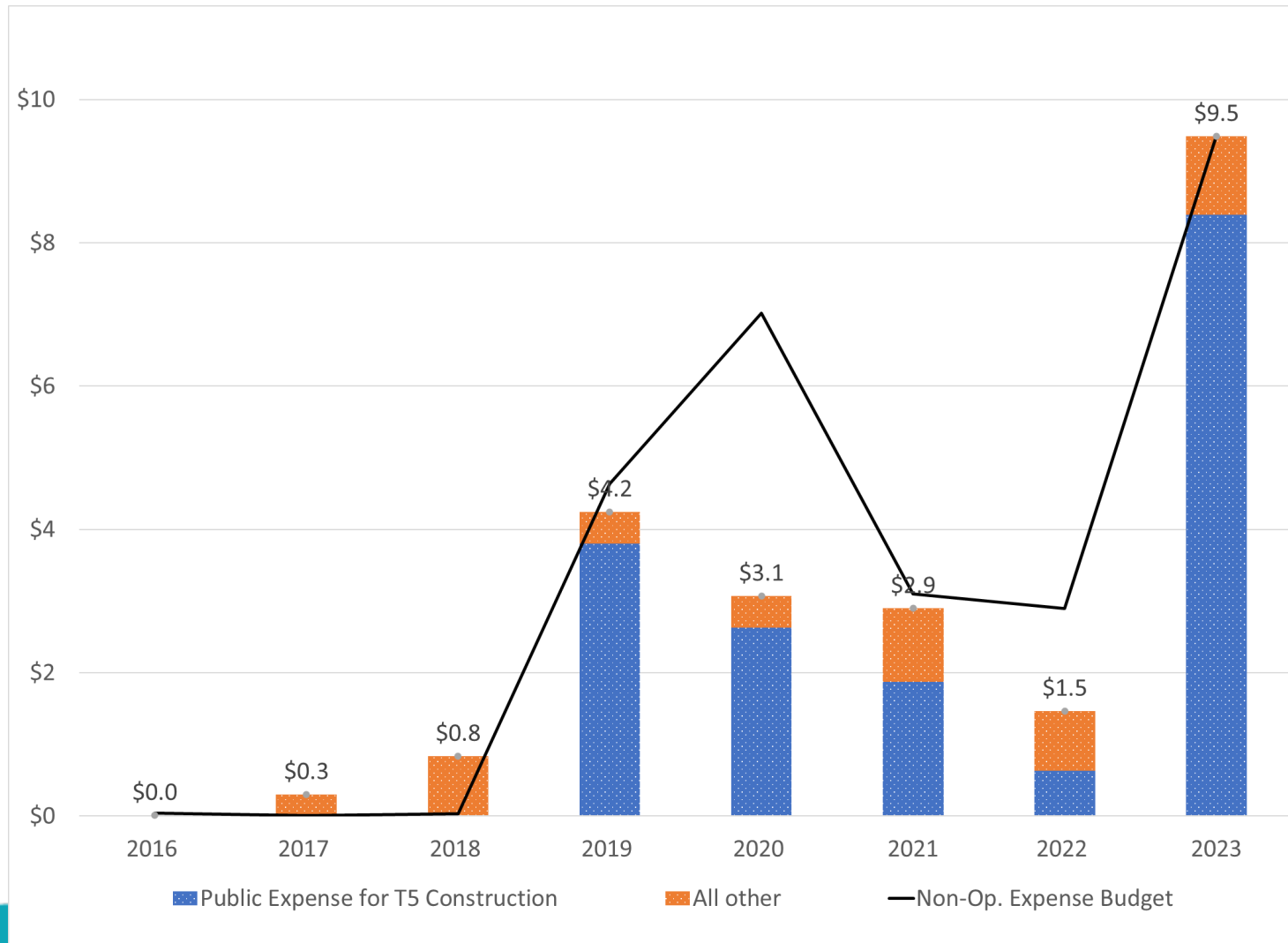
8-Year NWSA Depreciation



Non-Operating Revenue



Non-Operating Expense



2023 Grants and Public expenses

- **2023 Grants \$12.5M {Totals past, present, future}**
 - T5 Phase 2 Paving \$3.3M {\$3.3M}
 - Husky Shorepower \$2.3M {\$3.2M}
 - T5 Reefer Power \$2.1M {\$4.3M}
 - T5 stormwater \$1.9M {\$3.2M}
 - T5 IY \$1.2M {\$1.2M}
 - Truck scrap \$0.6M {\$0.6M}
 - T18 Shorepower \$0.5M {\$2.0M}
 - Zero Emission Truck Collaborative \$0.2M {\$0.4M}
 - T5 Reefer and Contract Admin \$0.3M {\$2.9M}
- **Public Expenses \$8.9M related to T5 development**
 - Rail quiet zone, W. Marginal Way, Pedestrian Pathway

NWSA 2023 Budget and Four Year Forecast

(\$ millions)	2023	2024	2025	2026	2027
Operating Revenue	\$233.1	\$257.2	\$271.2	\$283.9	\$293.4
Total Operating Expenses before Dep.	(112.9)	(146.4)	(112.2)	(112.3)	(115.1)
Depreciation & Amortization	(24.0)	(31.7)	(39.3)	(42.1)	(44.2)
Operating Income	96.2	79.2	119.7	129.4	134.1
Grant Income	12.5	6.3	2.1	2.6	0.0
Other Non Operating Income	(8.5)	0.9	0.9	0.9	0.9
Net Distributable Revenue	100.2	86.3	122.7	133.0	135.0
Distributable Cash (calculated)	\$124.2	\$118.0	\$162.0	\$175.1	\$179.2
HMT funds (Not in NWSA P&L)	40.0	40.0	40.0	40.0	40.0
Total Distributable + HMT	\$164.2	\$158.0	\$202.0	\$215.1	\$219.2

- 2023 will include the final POS Affirmation payment for \$10M which will be added to distributable cash of \$124.2M
- 2024 expenses increase due to dredging in both harbors to be offset by HMT funds and management contingency for unplanned T5 expenses.

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

2016-2023 Project spending split including Capital Grants

Location	2016-2021		2022-2023		2016-2023	
South Harbor	258,266,404	50%	37,567,148	19%	295,833,552	41%
North Harbor	260,062,999	50%	165,432,266	81%	425,495,265	59%
	518,329,403		202,999,414		721,328,817	

- Some of the expensed attributed to south harbor cover both harbors (clean air projects)

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**

2022 CIP Spending- Projects over \$1M (\$ thousand)

Project Name	Total
T5 Berth Construction - Phase 1 (1,450' north)	\$19,780
T5 Berth Construction - Phase 2 (1,450' south)	15,928
T5 Stormwater Treatment System (DOE & PIDP grant)	7,564
T5 Stormwater System - Grant Funded (Ecology)	4,245
Terminal 3/4 Shorepower	3,364
NWSA Unallocated Capital Improvements (placeholder)	3,000
T18 Stormwater Utility Upgrade	1,879
T46 Storm Vault Reconfiguration	1,816
WUT Fender System Replacement Completion (HMT eligible)	1,744
T5 Gate Complex (SSA will do work)	1,437
PCT Operating Pavement Repair (2018-22)	1,105
NWSA Unanticipated Repairs/Misc Expenses (placeholder)	1,000
Subtotal projects over \$1M	\$62,861
Total 2022 Forecast	\$80,295
% of 2022 Forecast	78%

All these projects have been authorized by the MMs
except the unallocated capital placeholder

2023 CIP Spending- Projects over \$1M (\$ thousand)

Project Name	Total
T5 Berth Construction - Phase 2 (1,450' south)	29,794
T5 Gate Complex (SSA will do work)	17,743
Terminal 3/4 Shorepower	10,664
T5 Reefer High Voltage Distribution (SSA will do work)	9,926
T5 Stormwater Treatment System (DOE & PIDP grant)	9,093
T5 Reefer Demarcation Infrastructure (SSA will do work)	7,450
T5 Marine Building South	5,763
T5 Transtainer Runs (SSA will do work)	5,500
T5 Rail Quiet Zone (public exp)	4,829
T30 Central Substation Replacement	4,300
T106 CBP Office & Facility Renovation (NWSA 87%, POS 13%)	4,300
EB1 Yard Reconfiguration	3,590
Husky/WUT Berth Area Dredging Design	3,550
NWSA Unallocated Capital Improvements (placeholder)	3,000
NWSA Unanticipated Repairs/Misc Expenses (placeholder)	3,000
T5 Intermodal Yard Improvements	2,260
PCT Fender Replacement (HMT eligible)	2,202
T18 Full Dock Rehabilitation Design Only (HMT eligible)	1,788
Wooden Light Pole Replacement Program	1,775
T46 Crane Maintenance	1,500
T5 W Marginal Way SW Closure (public exp)	1,386
T18 Shore Power Design & Construction	1,050
T5 Container Yard Expansion	1,000
Subtotal projects over \$1M	\$135,463
Total 2023 Budget	\$174,778
% of 2023 Budget	78%

2022/2023 Projects to be authorized – over \$300k

(\$ thousand)

Location	Project Name	Type of Request	2022/2023	2022-27 Budget Total
T18	T18 Bollard Replacement	Construction	999	2,176
	T18 Full Dock Rehabilitation Design Only (HMT eligible)	Design	1,967	1,967
	T18 Lift Station Replacement	Construction	352	1,946
	T18 Maintenance Dredging (HMT eligible)	Construction	480	8,540
	T18 North Bullrail & Structural Pier Repairs (HMT eligible) (becoming N10137)	Construction	880	3,090
	T18 Shore Power Design & Construction	Design	1,561	28,552
	T18 Stormwater Utility Upgrade	Design	1,879	1,879
	T18 Water Main & Valve Replacement North	Construction	1,269	23,867
	T18 Water Main & Valve Replacement South	Construction	312	3,280
	T18 Total			9,698
T46	T46 Maintenance Dredging (HMT eligible)	Construction	553	4,708
	T46 N & NW Bulkhead Replacement (HMT eligible)	Design	400	40,000
	T46 South Concrete Deck Replacement (HMT eligible)	Construction	806	6,137
T46 Total			1,759	50,845
N/A	NWSA Unallocated Capital Improvements (placeholder)	N/A	6,000	18,000
	NWSA Unanticipated Repairs/Misc Expenses (placeholder)	N/A	4,000	16,000
N/A Total			10,000	34,000
PCT	PCT Fender Replacement (HMT eligible)	Construction	2,639	2,639
	PCT Maintenance Dredging (HMT eligible)	Construction	351	7,651
	PCT Mnt Bldg Strad Bay Roof Insulation	Construction	600	600
	PCT Reefer Expansion	Construction	358	5,714
	Wapato Creek Culvert Outfall & Interceptor Pipe Repair	Construction	510	510
PCT Total			4,459	17,115
T106	T106 CBP Office & Facility Renovation (NWSA 87%, POS 13%)	Roof addition	4,748	5,239
T106 Total			4,748	5,239

2022/2023 Projects to be authorized – over \$300k (conclusion) (\$ thousand)

Location	Project Name	Type of Request	2022/2023	2022-27 Budget Total
T30	T30 Maintenance Dredging (HMT eligible)	Construction	480	4,749
T30 Total			480	4,749
Husky/WUT	Husky/WUT Berth Area Dredging Design	Design	3,600	4,640
Husky/WUT Total			3,600	4,640
EB1	EB1 Stormwater Vault Repairs	Construction	365	365
	EB1 Yard Reconfiguration	Construction	3,708	3,708
EB1 Total			4,072	4,072
various	Wooden Light Pole Replacement Program	Construction	2,095	3,220
various Total			2,095	3,220
Stormwater	NWSA ISGP Projects	Construction	389	1,229
	NWSA MS4 Projects	Construction	503	1,703
Stormwater Total			892	2,932
Air Quality	NWSA Clean Truck Program	Construction	570	2,025
Air Quality Total			570	2,025
Pony Lumber	Parcel 86 Pipe Realignment	Construction	691	691
	Pony Lumber Dock Repairs (HMT eligible)	Construction	441	441
Pony Lumber Total			1,132	1,132
SIM	SIM/Milwaukee Wy Crossing Paving Repairs	Construction	446	446
SIM Total			446	446
Contribution	Zero Emission Drayage Demonstration Program	Construction	420	420
Contribution Total			420	420
T7	T7 Berth C Cleat Replacement (HMT eligible)	Construction	395	395
T7 Total			395	395
Blair	Blair Dock Cleat Replacement (HMT eligible)	Construction	301	301
Blair Total			301	301
Grand Total			45,068	206,828

Potential Federal Funds not in Budget or Forecast

- **Likely Sources**

- Port Infrastructure Development Program (PIDP)
- Diesel Emission Reductions Act (DERA)
- Inflation Reduction Act (IRA)
- Congestion Management Air Quality (CMAQ)

- **Potential Sources**

- Consolidated Rail Infrastructure and Safety Improvements (CRISI)
- Rebuilding American Infrastructure with Sustainability and Equity (RAISE)
- Maritime Highway (MARAD)

Potential State Funds not in Budget or Forecast

- **Likely Sources**

- Climate Control Act
- Clean Energy Fund
- Clean Water Fund

- **Potential Sources**

- Clean fuel standards

CIP Budget Summary

- **2023-2027 5-year CIP totals \$649 million**
- **2022-2027 6-year CIP totals \$729 million**
- **2023 MM requests primarily include design for future maintenance and upgrades and some maintenance and operational upgrades**
- **Significant maintenance and operational upgrades could be requested in the years between 2024-2027**

CIP Budget Adoption Meeting

- **Managing Member Actions on November 7:**
 - Vote on 2023 Operating Budget including Memberships over \$10,000 and Promotional hosting
 - Vote on 2023-2027 Capital Investment Plan
 - Not authorizing any projects. Each project still requires authorization per delegation or by MM vote
 - Vote on 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
 - Vote on the Service Level Agreements (SLAs) between the NWSA and POT, POT and NWSA, and POS and NWSA
 - Approval to distribute Lease Interest cash on a monthly basis consistent with Distributable Cash due to changes in accounting due to GASB 87
 - Awaiting FMC Charter change submittal

Budget Summary

- **2022 Net Distributable Revenue is projected to be \$100 million, \$1.1 million above budget level of \$98.9 million. Distributable Cash of \$118.7 million, \$3.4M below budget of \$122.1M**
- **2023 Net Distributable Revenue is projected to be \$100.2 million. Distributable cash of \$124.2 million**
- **2022 and 2023 are years impacted with investments to support future growth**
- **Both years are projected to provide over \$115M in cash to be split by the two homeports**