



THE NORTHWEST
SEAPORT ALLIANCE

The Northwest Seaport Alliance 2024 Budget



Operating Budget and Capital Investment Plan adopted:
November 7, 2023



In June 2023, Inbound Logistics magazine named The Northwest Seaport Alliance in its annual list of “Green 75” supply chain partners. This is the seventh consecutive year that the NWSA has been recognized for its environmental programs and commitment to sustainability.



The Northwest Seaport Alliance joined Green Marine in 2016 and has maintained its continued improvement every year since becoming a member. Green Marine is a voluntary marine industry initiative with the goal of achieving levels of environmental performance that exceed regulatory requirements in areas such as air emissions, greenhouse gases, cargo waste management, community impacts (noise, dust, odors, and light), water and land pollution prevention and environmental leadership. There are currently more than 100 ship owners, port authorities, terminals, and shipyards from coast to coast, in Canada and the United States, participating in the program.



Northwest Seaport Alliance (NWSA) is proud to be selected as the leading West Coast port in the 40th Annual Quest for Quality Awards by Logistics Management. The NWSA received the highest overall rating among West Coast ports with top scores in the Ease of Doing Business and Value categories.

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To: Managing Members

Date: November 7, 2023

Subject: The Northwest Seaport Alliance Operating Budget and Five-Year Capital Investment Plan

Staff is pleased to present the 2024 Northwest Seaport Alliance (NWSA) Budget. This document informs interested parties about the NWSA's overall goals and strategies, as well as the business environment in which we operate. It highlights the strategic investments that will deliver competitive financial results, build infrastructure in an environmentally sustainable manner, and create jobs and economic wealth in the Puget Sound region.

In 2023, the global supply chain faced a new set of challenges driven by increased interest rates, reduced consumer demand, and broad slowing of economic activity. While 2021 and 2022 challenged ports with increased cargo volumes, in 2023 west coast ports faced declining containerized cargo volumes.

The NWSA is proud to have a diversified business portfolio to offset these challenges and provide financial stability. In 2023, the consolidation of GLOVIS Logistics' automobiles continued to drive high auto imports. While breakbulk cargo volumes reduced from 2022's record-breaking levels, volumes remained high when compared to pre-pandemic years.

Key infrastructure investments continue with Terminal 5 Phase Two construction expected to be complete in early 2024. In 2023, terminals in our gateway added four new Super-post panamax cranes. Both Terminal 5 in the North harbor and Washington United Terminals in the South harbor added two new cranes to increase operational efficiency and cargo capacity in our gateway.

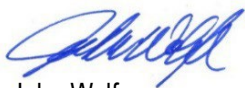
The NWSA is an environmental leader in reducing maritime-related air emissions in the Puget Sound. While we create significant economic activity and family wage jobs across the state, we do so while maintaining a focus on environmental stewardship, installing shore power on our terminals, launching a zero-emissions truck collaborative, and utilizing state-of-the-art stormwater systems at our facilities.

Together, NWSA and our customers' business activities generate more than 21,000 direct jobs and \$0.8 billion of business output based on the most recent study released in 2021 from 2020 data.

The current NWSA's Strategic Business Plan includes:

- Improve the efficiency and cost competitiveness of the supply chain
- Enhance NWSA, local and regional transportation infrastructure
- Advance the NWSA's market position in the international and domestic shipping industry
- Increase revenue through growth and diversification
- Advance environmental stewardship

The NWSA is well positioned to grow market share and will continue to invest in the infrastructure necessary to keep our position as a leading North American port. Our team is focused on promoting responsible financial and environmental stewardship, fostering operational excellence, and increasing business and employment across the region.



John Wolfe
Chief Executive Officer

Budget Document Overview

The Budget Document consists of these major sections:

I. Overview: This section provides information about the NWSA's facilities and customers. It examines the economic context of the NWSA's operating environment and outlines the NWSA's organizational structure.

II. Budget Message: This includes an overview of the budget challenges and opportunities, revenue types and expenditures. The Budget Message outlines the priorities and issues for the budget year and describes changes from the previous year.

III. Business Outlook: This section describes the NWSA's overall goals and strategies. It includes assumptions, potential obstacles and trends that staff used to develop the forecast. These serve as the foundation for the Operating Budget.

IV. Operating Budget: This section provides a summary of the assumptions that form the basis for the NWSA's operating budget. This section includes the operating budget with revenue and expenses by line of business, and details of expected operating costs. This section also provides a five-year financial forecast for the alliance.

V. Five-Year Capital Investment Plan (CIP): The CIP consists of all capitalized and expensed projects that the NWSA plans to complete in the next five years. Capitalized projects affect the NWSA's Profit and Loss statement through depreciation while expensed projects flow directly to the NWSA's net income in the year the expenses are incurred. This section provides details on the CIP including the impact of the capital spending on profitability.

VI. Environmental Stewardship and Planning: This section provides a historical context for the environmental challenges facing our gateway and the surrounding communities. This section also discusses the role of the NWSA Planning and Logistics department and its work to integrate land use, transportation and facilities planning into the alliance.

I The Northwest Seaport Alliance Overview

Marine Cargo Operating Partnership

The Northwest Seaport Alliance (NWSA) was formed when the ports of Seattle and Tacoma joined forces in August 2015 to unify management of marine cargo facilities and business to strengthen the Puget Sound gateway and attract more marine cargo and jobs to the region.

NWSA Strengths and Advantages

Located in the Pacific Northwest in Washington state, the NWSA offers short transit times between the US and Asia, and the terminal and landside infrastructure necessary to quickly move cargo to the U.S. Midwest. NWSA strengths and advantages include:

- One gateway, two harbors and multiple terminal facilities offering more choices for shippers using the gateway.
- Naturally deep-water harbors and marine terminals with big-ship handling capabilities.
- Vessel service from the three international container shipping alliances and all major international container carriers. In all, fourteen international and four domestic container carriers make regular port calls at NWSA facilities.
- Dual service from the two West Coast transcontinental railroads (UP, BNSF) with competitive transit times to Chicago and other major Midwest markets.
- Excellent on-dock rail facilities and inland rail service. Two domestic rail operators.
- Close proximity to the second largest concentration of warehousing on the West Coast.
- Over 100 transload warehouses supplying logistics services to shippers using the gateway, many rail-served.

International & Domestic Trade

The NWSA ranked 58th among the world's top container gateways and was the seventh-largest gateway for containerized cargo in North America in 2022. Retention and growth of cargo volumes

shipped between Asia and major distribution points in the Pacific Northwest, Midwest, Ohio Valley, and the East Coast is a primary focus for the alliance. The NWSA also has a very active trade with Alaska and Hawaii.

The NWSA is a major center for bulk, breakbulk, and project cargoes. The NWSA is also the Northwest home port for processing Kia, Mazda, and Mitsubishi automobiles and trucks while The Port of Tacoma has a separate facility, managed by the NWSA, that processes Hyundai, Nissan, and Volvo vehicles.

The value of NWSA's two-way international trade totaled more than \$70 billion in 2022. Imports were \$55.4 billion, and exports were \$14.9 billion. Through June 2023, the two ports handled roughly \$33.2 billion of international trade. Based on dollar value, China (including Hong Kong) was the NWSA's largest trading partner. Other major international trading partners include:

- Japan
- Vietnam
- South Korea
- Taiwan
- Thailand
- Indonesia
- Malaysia
- Philippines

Seattle-Tacoma is recognized as "The Gateway to Alaska"; with more than 80 percent of trade between Alaska and the lower 48 states handled at the two harbors. In 2022, 2.9 million metric tons of domestic cargo were shipped between Alaskan ports and NWSA terminals. Matson, TOTE Maritime Alaska, Northland, and Alaska Marine Lines are the primary shipping lines plying the Alaska trade. Trade with Alaska is estimated at \$5.4 billion, making it NWSA's fifth largest trading partner based on value of trade. The NWSA also provides connections to Hawaii with service from Matson and Aloha Marine Lines.

Port of Seattle & Port of Tacoma

The Port of Seattle was created September 5, 1911, in an effort by citizens to ensure public ownership of the Seattle harbor. The Port of Seattle was the first autonomous municipal corporation in the United States specifically tasked to develop harbor and port facilities to encourage commerce. The Port

opened Fishermen's Terminal in 1914, its first warehouse in 1915 and began working on the creation of Harbor Island.

The Port of Tacoma was created on November 5, 1918, by the voters of Pierce County to create job opportunities through trade, as well as promote economic development in Pierce County and the state of Washington.

The Port of Seattle and the Port of Tacoma's geographic boundaries lie within King and Pierce counties, respectively. They are situated on Elliott and Commencement bays in Puget Sound. Because of this strategic location, they offer efficient connections to sea, rail, highway, and air transportation networks.

King and Pierce Counties

King and Pierce counties are the first and second most populous metropolitan areas in the state of Washington. The two counties represent a combined population of approximately 3.2 million or 41% of the population of the state of Washington.

Located about halfway between the Oregon and Canadian borders, King and Pierce counties cover 3,916 square miles.

Ports' Economic Impact

The ports serve as a major economic engine for Pierce County, King County, and the state of Washington, creating thousands of family-wage jobs and serving as a catalyst for economic development.

In 2021, the NWSA updated results from a joint economic impact study of the marine cargo activities of the North and South Harbor. According to the updated study ranging from 2017 to 2020, in 2020 the marine cargo activities directly supported 21,800 jobs in Washington state and contributed \$7.8 billion in total business output, down from 2019 volumes due to the pandemic. On average, cargo-handling and leasing activities generated more than \$136 million in local and state taxes in Washington each year.

NWSA Facilities and Services

The ports have licensed to the NWSA facilities related to maritime commerce, including facilities for handling of containerized cargo, automobiles, logs, breakbulk cargo, heavy-lift and project cargoes, as

well as intermodal rail operations. The NWSA's four major waterways – two in Seattle and two in Tacoma – provide 33 ship berths on waterways that are about 51 feet deep. The NWSA facilities are located near I-5 and I-90, providing highway access to the Puget Sound market and beyond.

BNSF Railway and the Union Pacific Railroad serve the NWSA's nine on-dock and near-dock intermodal rail yards. The NWSA's intermodal rail facilities help save shippers and shipping lines both time and money for cargo destined for Midwest locations.

In Tacoma, Tacoma Rail, a division of Tacoma Public Utilities, provides switching and terminal rail service. Arrival and departure tracks help ensure efficient and reliable access to the mainline railroads.

The NWSA is both a landlord and an operating port. The NWSA's maritime marketing efforts focus on attracting cargo and additional shipping lines to its facilities. The NWSA also works with charter shippers and others to move their cargoes through both NWSA and customer-operated facilities in the Puget Sound.

Many of the two home ports' efforts are focused on industrial development and real estate. They each work to attract major manufacturers and warehouse/distribution centers to King and Pierce counties.

See Figures 1-1 and 1-2 for an overview of The Northwest Seaport Alliance facilities located in Seattle and Tacoma, respectively.

The Northwest Seaport Alliance governance

The NWSA was established as a Port Development Authority (PDA), separate from the two home ports, similar to Public Development Authorities formed by cities and counties. In 2015, the ports successfully sought and received an amendment to Washington law RCW 53 that allows the ports of Tacoma and Seattle to form a PDA for management of maritime activities.

The NWSA is governed by the two ports as equal members, with each port acting through its elected commissioners. Each Port Commission is a Managing Member of the NWSA, with each Managing Member being represented by its Port Commission. Votes by the Managing Members require a simple majority from each commission.

Each port remains a separate legal entity, independently governed by its own elected commissioners. Each port has granted to the PDA a license for the PDA's exclusive use, operation, and management of certain facilities, including the collection of revenues. Ownership of the licensed facilities remains with the ports, not the PDA.

The ports remain responsible for their own debt and debt service; the PDA will not borrow funds.

The ports set up an initial 50/50 investment in the PDA; operating income is reported, and cash is distributed back to the ports on a monthly basis. The PDA has its own annual operating budget and five-year capital investment plan.

The ports contribute to capital construction subject to Managing Members approval; capital funding does not come from working capital generated by the NWSA.

NWSA Managing Members

The Managing Members are the commissions for each of the two home ports. The citizens of Pierce and King counties each elect a five-member Port Commission to govern the ports of Tacoma and Seattle. Each Commission seat is elected every four years, on a staggered basis.

The Managing Members are the final authority for approval of the NWSA's annual budget, long-term leases, policies, long-range development plans, and all construction projects and spending in amounts exceeding the authority of the Chief Executive Officer.

The members of the commissions at the time of this publication are:

Port of Seattle

- Ryan Calkins
- Sam Cho
- Fred Felleman
- Toshiko Hasegawa
- Hamdi Mohamed

Port of Tacoma

- Kristin Ang
- Deanna Keller
- Dick Marzano
- John McCarthy
- Don Meyer

NWSA Managing Members Meetings

Managing Member meetings are open to the public and are held at various locations in both King and Pierce counties and online.

For the location and agenda for upcoming Managing Member meetings, as well as minutes for previous Managing Member meetings, visit www.nwseaportalliance.com.

The NWSA streams all Managing Member meetings live on the website, which are archived for future viewing.

Citizens may contact the Managing Members by calling 800-657-9808. Correspondence may be mailed to:

The Northwest Seaport Alliance
P.O. Box 2985
Tacoma, WA 98401-2985

Organizational Structure

The NWSA's daily operations are led by the Chief Executive Officer and the NWSA Executive Team. See the Organizational Chart (Figure I-3 on page I-8).

Executive Team

The Executive Team is comprised of the following positions:

- Chief Executive Officer (CEO)
- Deputy CEO
- General Counsel
- Chief Commercial and Strategy Officer
- Chief Financial Officer
- Chief Operations Officer
- Director of Engineering
- Director of Environmental/Planning Programs
- Director of Communications
- Director, Government Affairs, Public Affairs
- Director, Business Development
- Director, NWSA Real Estate

The Executive Team oversees all business activities and departments, and with the Managing Members,

provides long-term strategic direction. The Executive Team ensures compliance with all regulations relevant to NWSA and port activities, including public meetings and information, environmental protection, labor relations, procurement, security, financial management and other issues. The Chief Operations Officer, Director of Engineering and Director of Environmental Programs provide day-to-day management of some port staff working on both Port and NWSA-related items.

Commercial Group

Led by the Chief Commercial and Strategy Officer, the Commercial Group is comprised of the Business Development team, the Marketing & Business Services team, and the Real Estate team.

Business Development: International and domestic container, breakbulk, and bulk cargo are core business segments for the NWSA. The Business Development team is responsible for cargo and terminal business development and management, and delivering customer service to ocean carriers, marine terminals, and shippers. The Business Development team plays an important role coordinating efforts across the entire supply chain, including customers, terminal facilities, railroads, and trucking companies. This team, in cooperation with the Operations Team and our customers, identifies and implements operational improvements to enhance the overall efficiency at the NWSA's terminals.

The gateway's on-dock and near-dock intermodal rail yards, along with international and domestic rail services to the U.S. Midwest, are key assets and an integral part of the NWSA business. Relationship management with Tacoma Rail, BNSF, and Union Pacific (UP) and other rail stakeholders is a key function of this team.

While a significant portion of the Business Development team is focused on the container and associated intermodal business, the NWSA also has a robust non-container business. Comprised of breakbulk (Roll-on/Roll-off, also known as RoRo), bulk and auto cargoes, these non-container segments make a significant contribution to revenue and further diversify the gateway's business portfolio. Additionally, the NWSA's Tacoma Harbor is designated as a strategic military port for transport of military cargoes.

Auto customers of the NWSA include Kia, Mazda,

and Mitsubishi. Automobile imports are processed on property leased by Auto Warehousing Company (AWC), the largest auto processor on the U.S. West Coast. The Port of Tacoma has a separate auto facility leased by Wallenius Wilhelmsen Solutions, which processes Hyundai, Nissan and Volvo imports.

Exports of petroleum products and molasses add to the diversified cargo mix.

The NWSA offers competitive rates and full service to all customers. To help facilitate and grow the cargo business, the NWSA has trade and business development representation in China and Korea.

Marketing and Business Services Team: This team supports the Business Development team and is responsible for market research and business intelligence and analysis, marketing, and advertising activities. It also supports the goals of the Commercial Group with cargo volume tracking and volume forecasting services.

Real Estate Team: Non-terminal industrial and commercial properties and facilities in the Seattle and Tacoma harbor are included in the assets assigned to the NWSA. These properties are a significant source of revenue for the NWSA. Real estate personnel are responsible for leasing, divesting and managing the Port's real estate portfolio.

Located in an industrial zone with room for growth, tenants offer a broad range of services for the NWSA's international and domestic customers including warehousing and distribution, manufacturing and marine services.

Operations Group

The Operations Group, which is responsible for the daily operations of NWSA facilities at both ports, consists of two departments.

The Operations Service Center Department coordinates vessel arrivals and departures, and with the associated stevedores monitors cargo flow in the container terminals. The major focus is to ensure the proper processing of all vessels and freight shipments moving through the Puget Sound gateway.

The Port Operations Department manages labor at the North Intermodal Yard and breakbulk terminal, both of which are located in Tacoma. This

department is also responsible for providing customer service to non-container customers. The NIM is the only port-operated intermodal yard on the U.S. West Coast with dedicated rail services personnel. Both harbors offer competitive rail service via BNSF Railway and the UP Railroad and are a major gateway for handling discretionary cargo destined for the Midwest.

Support Services

Support services such as maintenance, security, government affairs, communications, engineering, environmental programs, planning and financial services are provided by NWSA staff and / or service agreements between the alliance and the two ports. Costs for these services are charged by the ports to the alliance based on agreed upon methodologies including direct charge and purchased services.

Commitment to Fiscal Stewardship

The NWSA is intended to support the credit profiles of both ports, and its financial framework is intended to preserve both ports' commitment to financial strength and fiscal stewardship.

Both ports have a solid track record of prudent financial management and strong financial results, including solid debt service coverage and ample liquidity balances.

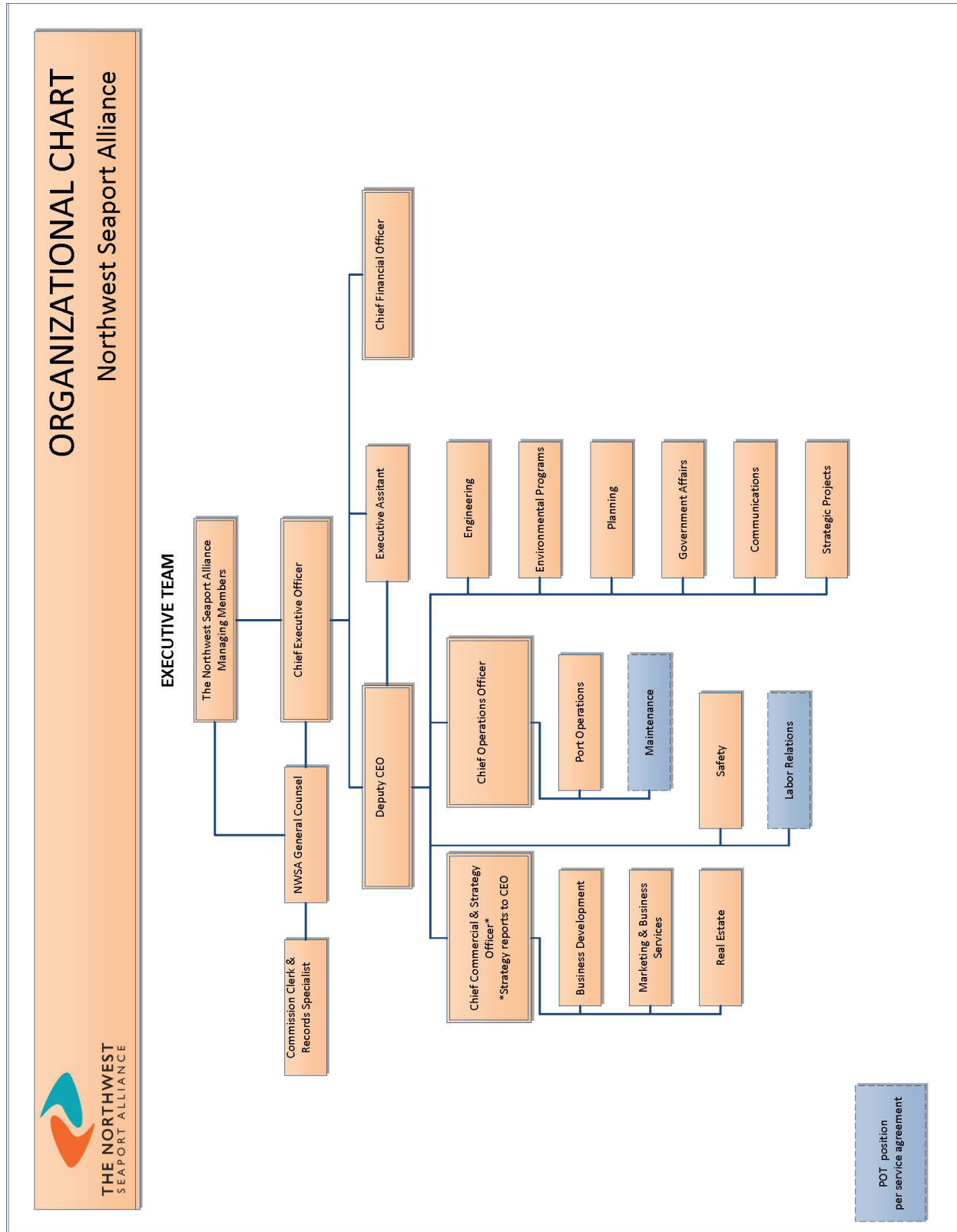
The ports are committed to ensuring that existing bond pledges and covenants will not be negatively affected. Outstanding bonds will remain obligations of each individual port.

To maintain the rights of each port's existing bondholders, the charter prohibits the NWSA from issuing debt.

Figure I-2.... Northwest Seaport Alliance Facilities – Tacoma Harbor



Figure I-3.... The Northwest Seaport Alliance Organizational Chart



II Budget Message

NWSA Goals

The NWSA has identified strategic initiatives to maintain and grow the maritime business in the Puget Sound. The high-level strategic initiatives, and supporting priorities are listed below:

1. Commercial Initiatives

- a. Complete modernization of T5 dock, berth and power infrastructure in the Seattle Harbor to meet future container industry demand, increase throughput, and position the gateway strategically.
- b. Maximize gateway cargo potential and diversification and enhance supply chain networks. Facilitate terminal densification to increase cargo throughput.
- c. Evaluate incentive programs to increase market share.
- d. Engage in US Coast Guard expansion decision to maximize industrial lands in the Seattle harbor.

2. Gateway Operations

- a. Enhance cargo and transportation (waterway, roadway and rail) efficiencies within the gateway to drive improved service delivery.
- b. Enhance and improve service delivery key performance indicators (KPIs) with a move toward real-time reporting and analytics.
- c. Support port-area infrastructure investments that support the efficient flow of cargo to and from NWSA facilities.
- d. Work with third party vendors and key stakeholders to enhance data visibility in a sustainable and fiscally responsible manner.
- e. Explore NWSA operations of off-dock terminal.

3. Financial Performance

- a. Effectively manage operating activities to deliver expected financial results.
- b. Maximize use of grants and other external funding.

4. Environmental Stewardship

- a. Continue to implement the NW Ports Clean Air Strategy

- b. Continue and strengthen efforts to work with marine terminal operators, drayage service providers, railyard operators, and other supply chain partners to reduce air and climate emissions from vessels, vehicles, equipment, and seaport operations.
- c. Continue to engage in international efforts to advance cleaner shipping, including the creation of “green corridors” with major trade partners.
- d. Continued focus on water quality at NWSA and tenant run facilities. Provide input regarding 2025 Industrial stormwater General Permit (ISGP) requirements.

5. Facilities Development

- a. Effectively manage completion of all development projects on-time and within budget.
- b. Support emergent business opportunities requiring facilities improvements.
- c. Advance redevelopment strategies for existing terminals, including rehabilitation and shore power.

6. Government Affairs

- a. Continue to pursue Harbor Maintenance Tax reform.
- b. Contribute to improvements in Federal permitting to support NWSA objectives.

7. Planning and Logistics

- a. Continue engagement and advocacy in regional transportation and land use planning.
- b. Complete vulnerability assessment and response framework for NWSA facilities
- c. Leverage grant opportunities to fund strategic cargo related facilities and infrastructure.
- d. Support harbor deepening and maintenance dredging in both harbors

8. Organizational Performance

- a. Engage and participate in Diversity, Equity and Inclusion (DEI) training.
- b. Continue development and implementation of human resource applications that enhance the business and provide a competitive advantage.

Budget Environment

The NWSA operates principally in two industries: terminal services and property rentals. Terminal services involve marine-oriented services including dockage, cargo-handling, storage and related activities. Property rentals include facilities and land used for container terminals, industrial activities, and storage.

As described in further detail in Section III, increased competition from Canadian ports as well as ports located on the U.S. West, Gulf and East coasts, has negatively impacted container market share for the Puget Sound gateway. The expansion of the Panama Canal and access via the all-water route to the Gulf and East coasts offers an alternative for US-bound shipments. While the pandemic driven market demand resulted in high utilization of our terminals, NWSA staff continue to work on future projects to retain and grow our market share.

Revenues

The NWSA has both fixed and variable revenue streams. The majority of NWSA's revenue comes from fixed revenue streams, primarily from leased properties. The leased properties are mainly container terminals, buildings, and industrial and commercial land. The NWSA's container terminal leases with shipping carriers can last 20 years or longer depending on carrier requirements. Building and land leases with more than one-year remaining are considered fixed. Minimum crane hours and minimum intermodal lift requirements specified in certain terminal leases are considered fixed.

The balance of NWSA revenue comes from variable services provided to customers. These services include intermodal lifts for railcar loading above specified minimums and per unit charges for automobile unloading and breakbulk cargo. Variable revenues also include equipment rental on an hourly basis for crane hours above specified minimums and on straddle carriers used by terminal leaseholders, and month-to-month building or land leases.

GASB 87: GASB 87 move a significant amount of revenue from Operating Revenue to non- operating revenue. For clarity and to avoid confusion, the impact of GASB 87 will not be incorporated into this budget document.

2024 Budget

The NWSA has developed an overall operating budget with projected revenue of \$252.8 million. Operating income is budgeted to be \$99.3 million, resulting in an operating margin of 39.3 percent. The NWSA net distributable revenue of \$114.3 million, which includes grant and interest. Distributable Cash of \$143.7 million will be shared evenly between the two home ports. Each port's portion of net income will be included as revenue in their financial reports.

NWSA financial performance reflects the investments it is making to successfully complete our customer commitments while meeting the NWSA financial goals. The operating and capital budgets are based on the cargo forecast in Section III.

Capital Investment Plan Highlights

NWSA projects for the next five years reflect a focus on strategic container terminal development in both harbors. With this focus the NWSA has reviewed potential assets for revenue generation to ensure that financial and economic growth goals are met.

Major 2024 – 2028 capital projects include:

Seattle Harbor

- Completion of the 2nd berth and other improvements at Terminal 5
- Design of Terminal 18 shore power installation and wharf rehabilitation

Tacoma Harbor

- Husky shore power installation
- Design of Berth deepening at 2 terminals
- PCT reefer expansion and fender replacement
- Ongoing maintenance of facilities

Both Harbors

- Clean air and stormwater investments
- Asset preservation projects such as paving and fender repairs
- Maintenance dredging at multiple terminals in both harbors

The NWSA's 2024 Capital Investment Plan of \$174.2 million represents the first year of the NWSA's 2024 - 2028 CIP – a package totaling \$501.3 million in new projects and investments. See Section V for additional details on the Capital Investment Plan.

Financial Measures

Financial measures for the NWSA have been developed to monitor financial performance. The two measures are (1) Net Distributable Cash and (2) Return on Revenue (operating income divided by revenue). These measures help ensure that the NWSA is providing the necessary financial performance required by each home port.

Legislative Impact

Transportation Funding

The NWSA relies on an efficient and well-maintained road and rail network to ensure the smooth movement of cargo to and from its facilities.

The Washington Legislature made a significant commitment to infrastructure in 2015, passing the 16-year, \$16 billion statewide *Connecting Washington* transportation package. An estimated \$3.3 billion of those funds will be invested in projects benefiting NWSA terminals. In 2022, the Legislature passed the *Move Ahead WA* transportation package, which contained an additional \$468 million to address financial shortfalls in some of the port-related projects contained in *Connecting Washington*.

In 2021 Congress passed the Infrastructure Investment and Jobs Act (IIJA), a \$1.2 trillion infrastructure funding bill. The IIJA includes over \$5 billion over five years exclusively for port projects and \$20.5 billion for three other major discretionary grant programs to help fund multimodal infrastructure.

The IIJA funds will assist the NWSA in making strategic investments in mission-critical freight infrastructure, such as marine terminals, roads and rail. In 2020 the NWSA received our first award under the Port Infrastructure Development Program (PIDP), a \$10.7 million grant for the final phase of the T5 modernization program. In 2021, Port of Tacoma received \$15.7 million for the Off-Dock Container Support Facility, which will support cargo movement through NWSA terminals. NWSA received a \$17 million PIDP grant in 2022 for gate improvements and a yard expansion at Terminal 5. The NWSA also submitted a PIDP grant application for \$56.6 for the Husky Terminal Expansion project.

In addition, in 2022 Congress passed the Inflation Reduction Act. The bill includes \$3 billion over five years to establish a new grant program for zero-

emissions port projects that will support the NWSA's clean air programs.

NWSA hired additional grant support staff and has a substantial planning process to identify additional candidate projects for these new funding opportunities.

Shore Power Infrastructure Funding

Through the 2020 update to the Northwest Ports Clean Air Strategy, the NWSA established an aspirational goal to install shore power at its major international container terminals by 2030. In support of this goal, shore power has previously been installed at TOTE Terminal and Terminal 5. The NWSA has also begun construction on a shore power system at Husky Terminal, with construction completion estimated for mid-2024, and is designing a shore power system for Terminal 18 and Washington United Terminal.

The NWSA has leveraged a number of sources of external funding to support the shore power installations that are underway. The NWSA has accepted a \$1 million DERA grant from the EPA, a \$1 million grant from the TransAlta Coal Transition grant fund, and a \$1.1 million state Volkswagen settlement grant from the Washington State Department of Ecology to support the Husky shore power project. Additionally, the NWSA has received a \$2 million grant from the Washington State Department of Ecology to support design and construction of a shore power system at Terminal 18. The alliance also secured \$14 million in a state transportation budget proviso for construction of the project, relying on revenue generated by the state's Climate Commitment Act.

The NWSA continues to plan for future shore power installations, ensure that terminal designs and redevelopments include shore power, and pursue additional opportunities to leverage external funding to support shore power installations. Planning work associated with future shore power projects will allow the NWSA to accurately account for them in the Capital Investment Program and position the organization well to apply for external funding. NWSA staff expect the number and magnitude of external funding opportunities to increase in the coming years, given recent legislation that has been passed at the state and federal level. Some of these emerging opportunities are the Washington Climate Commitment Act, the federal Infrastructure Investment and Jobs Act and the federal Inflation Reduction Act. NWSA staff will aggressively pursue all funding avenues to advance the shore power program.

Navigation Improvement Projects

The largest container vessels calling West Coast ports today have over two times the capacity of those that called just five years ago. While channels serving Seattle and Tacoma are mostly -51 feet or deeper, some shallower spots present navigational and safety challenges for these larger vessels. To remain a competitive trade gateway, the NWSA is deepening berth areas and working with the ports of Seattle and Tacoma to deepen the navigation channels that serve its facilities in both harbors. These projects will enable the NWSA to handle fully laden ships larger than 18,000 TEUs.

In 2018, the U.S. Army Corps of Engineers (USACE) completed a chief's report recommending deepening in specific areas adjacent to the NWSA's container terminals in Seattle Harbor. Congress subsequently authorized the project in 2018 and the full amount required to deepen the West Waterway portion of the project has been appropriated. Design will commence in earnest when the Port of Seattle signs the design agreement with USACE, which is expected in Fall 2023.

Additionally, after completion of a feasibility study in 2022, Congress authorized a project to deepen the Blair Waterway, which serves NWSA's three international container terminals in Tacoma. Congress funded the first year of design in FY23. Funding for the second year has been included in the Senate's FY24 spending proposal.

The ports of Seattle and Tacoma have included funding needed to complete the design phase for both projects in 2026. When the deepening projects move to construction it also will require a local financial match of federal dollars, which will come from the Port of Seattle and Port of Tacoma.

Harbor Maintenance Tax (HMT)

The HMT is assessed on ocean-going international imports that land at U.S. ports to pay for maintenance dredging of waterways through the Harbor Maintenance Trust Fund. It is not, however, assessed on importers who route cargo through non-U.S. ports and afterwards move the cargo into U.S. markets by land. Moreover, the NWSA has received little, if any, benefit from the fund because its facilities are located on natural deep-water harbors that do not require significant maintenance dredging. Since 1986 the ports

of Seattle and Tacoma have sought reform of the HMT to provide a greater return to donor ports, such as the NWSA, and to ensure U.S. tax code does not disadvantage U.S. ports and maritime cargo.

A longstanding goal was achieved in December 2020 when Congress passed comprehensive HMT reform legislation as part of the Water Resources Development Act (WRDA) of 2020. The bill sets aside 8% of annual HMT collections for donor ports like Seattle and Tacoma. Unfortunately, the donor port provision was not implemented as it was intended in the USACE FY23 Work Plan. Efforts are underway to ensure this funding is distributed in FY24. If implemented as drafted, the NWSA estimates that between them the two home ports of Seattle and Tacoma could receive approximately \$40 million in 2024 for eligible projects. Annual amounts will vary based on the amount of HMT received and the amount collected over a three-year time period.

In 2023 the Port of Seattle received \$2.714 million, and the Port of Tacoma received \$3.364 million from the federal government through the existing WRDA Section 2106 HMT donor port program. These funds will be used by the NWSA or home ports to fund eligible infrastructure projects to enhance the competitiveness of our cargo operations.

Conclusion

The realities of the drastic changes in the global economy have led all ports to examine business and operational strategies.

The NWSA is focused on maximizing the use of existing facilities, working with existing customers to keep them competitive and successful, attracting new business and making strategic infrastructure investments such as the construction of world class terminals in both harbors that position the gateway for long-term growth. Through coordinated investments in maritime assets, the NWSA will help ensure the growth in the flow of cargo throughout the Puget Sound.

The NWSA is placing increased emphasis on the importance of developing and strengthening relationships with labor partners, industry stakeholders, customers, local, state and tribal governments and near-port communities to collaboratively achieve its future vision. This vision includes the road and rail infrastructure that ties the whole supply chain system together.

Despite the challenging realities of today's global economy, NWSA management is confident that the plans outlined in this budget will help the gateway remain financially strong, competitive, and successful.



Domestic cargo ships in the Sitcum waterway, with a City of Tacoma fire boat passing by

III Business Outlook

U.S. Economy

According to the Department of Commerce Bureau of Economic Analysis (BEA), real gross domestic product (GDP), defined as the value of the production of goods, increased 4.7 percent in the second quarter of 2023 and 6.1 percent in the first quarter of 2023. BEA said, *“The increase in real GDP reflected increases in consumer spending, nonresidential fixed investment, state and local government spending, private inventory investment, and federal government spending that were partly offset by decreases in exports and residential fixed investment.”*

TTX, a railcar and freight management company, reports GDP as 2.4% in the second quarter and 2% in the first quarter. TTX cites, *“Solid economic fundamentals in the form of consistent consumer spending, a strong labor market, persistent business investment and improving inflation have offset headwinds from elevated interest rates, weaker trade activity and tighter financial conditions,”* as the causes for the increase.

Inflation levels in the second quarter of 2022 were the highest since 1981. By the end of the second quarter of 2023, personal consumption expenditures (chain-weighted CPI) had fallen to 3.0% year-over-year and the core inflation rate reached 4.1%. According to TTX, real disposable income grew at a faster annual rate than headline inflation.

In addition, inflation-adjusted retail inventories are around 1% higher than pre-pandemic levels. Excluding motor vehicle and parts inventories, retail inventories were around 14% higher than the pre-pandemic peak and almost 24% higher than the 20-year average.

Western economies are showing a softening in their inflation metrics due to declines in commodity prices, the normalization of supply chains, and the effects of increased interest rates. Interest rate trends in Latin America are showing signs of deceleration. In Asia, inflation is easing in India, South Korea, and the Philippines. China is close to experiencing deflation due to a slowdown in domestic consumer demand. Most major economies are showing signs of slowing.

TTX is forecasting North American containerized

The Northwest Seaport Alliance Budget

imports will decline 12.9% and intact intermodal volumes will decline 8.2%.

The U.S. unemployment rate was at 3.5 percent in July 2023 with 187,000 jobs added for the month. According to the Bureau of Labor Statistics, *“Job gains occurred in health care, social assistance, financial activities, and wholesale trade.”*

According to the National Association of Realtors (NAR), existing home sales fell 2.2% in July. Lawrence Yun, NAR’s chief economist, suggested that two factors are driving current sales activity – inventory availability and mortgage rates. Unfortunately, both have been unfavorable to buyers.

The Conference Board reported July 2023 Consumer Confidence Index at 117.0, up from 110.1 in July, reaching its highest level since July 2021. The Conference Board’s Chief Economist Dana Peterson attributed the improvement to consumers sentiment about both current conditions and expectations for the future.

Shipping Industry

Uncertainty created by the protracted U.S. West Coast labor contract negotiations that began in 2022 resulted in many shippers diverting cargo to the east coast to mitigate supply chain risk. There was limited impact to Port operations during negotiations, but a six-year contract was eventually reached and ratified. Negotiations between longshore labor and management in British Columbia also impacted NWSA to a limited extent as several ocean services call at terminals in both British Columbia and Seattle-Tacoma. Eventually, ILWU labor in British Columbia ratified a four-year contract.

Due to strong import demand in 2022, carriers launched niche services. Import demand has softened versus last year as BCOs focus on reducing their inventory, so the niche services have been terminated until demand increases again.

The U.S.-China trade war and the pandemic caused importers to accelerate efforts to shift sourcing and production to countries in SE Asia or use a “China + 1” strategy to diversify the risk associated with being

solely reliant on China. There has been a corresponding increase in manufactured imports from Vietnam and other SE Asian economies. In many cases, origin and transshipment ports in SE Asia are geographically closer (and transits shorter) to the U.S. East Coast, which may result in a partial shift of Asian import volume away from west coast ports. With that said, it will take some time before these countries can meet the infrastructure and skilled labor China offers. Russian's invasion of the Ukraine has added to geopolitical uncertainty. The Panama Canal experienced drought in 2023, which caused vessel back up.

In 2023, the composition of carriers that make up the various shipping alliances:

- Ocean Alliance – CMA CGM, COSCO Shipping, Evergreen, OOCL
- THE Alliance – Hapag Lloyd, Yang Ming, Ocean Network Express (ONE), HMM

Major Independent Carriers – Maersk, MSC, Westwood, Swire, Hamburg Sud, and SM Line.

Alliances have concentrated capacity in fewer hands allowing ocean carriers to exercise greater control over capacity on major trade lanes through coordinated changes to vessel sailings, schedules, and transit times.

Northwest Seaport Alliance Activity

Containers:

Through July 2023, the NWSA has handled nearly 1.6 million TEUs (twenty-foot equivalent units), a 21.1 percent decrease year-to-date. Year-over-year comparisons continue to reflect the pandemic-driven conditions of 2022 and ongoing soft import demand relative to 2022.

NWSA container volume is projected to increase in 2024 once Terminal 5 Phase 2 (North Harbor/Seattle) is complete. In addition, some volume diverted to East Coast ports during the West

Coast labor negotiations are expected to return now that the labor situation has settled. Negotiations between longshore and management for a new labor contract for East and Gulf Coast ports is underway, but similarly may result in a shift in volume to the West Coast until an agreement can be reached. However, continued inflation and high interest rates, which reduce consumer spending, could negatively impact the forecast. Competition from ports in British Columbia, Canada and other North American gateways or a protracted decline in global trade due to increased trade friction or other geopolitical events could limit container volume.

Breakbulk:

Breakbulk cargo is comprised of commodities that are either too large or heavy for containerized shipment. In the case of The Northwest Seaport Alliance, this consists largely of building materials, heavy machinery, boats, and agricultural and construction equipment. 2022 was a record-breaking year for NWSA-operated terminals. Breakbulk tonnage (both harbors) is estimated to reach approximately 465K metric tons in 2023, followed by growth in 2024.

Autos:

NWSA/POT auto units for 2023 are forecasted to reach 331K units, due to new business. 2024 volumes are expected to grow more modestly to 360k units.

Logs:

The Log business was suspended due to the tariffs and has not been included in the forecast or budget.

Molasses & Petroleum:

Petroleum volumes are forecasted to be 761K metric tons in 2024 with conservative growth thereafter. Molasses volumes are forecasted to be 29K metric tons in 2024 with slight growth thereafter.

Table III-1..... Cargo Activity Five-Year Forecast

THE NORTHWEST SEAPORT ALLIANCE CARGO ACTIVITY 5-YEAR FORECAST										
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	Forecast				
Non-Container Forecast (Thousands of Metric Tons)										
Breakbulk	249	246	292	366	478	466	469	478	488	497
Autos	228	306	245	262	288	514	555	561	566	572
Logs	117	76	0	0	0	0	0	0	0	0
Petroleum	666	636	677	524	709	757	761	765	769	773
Molasses	46	47	42	33	32	29	29	29	29	29
Total Tonnage	1,305	1,311	1,256	1,186	1,507	1,766	1,814	1,833	1,852	1,871
<i>Year over Year change</i>	<i>-10.9%</i>	<i>0.4%</i>	<i>-4.2%</i>	<i>-5.6%</i>	<i>27.1%</i>	<i>17.2%</i>	<i>2.7%</i>	<i>1.0%</i>	<i>1.0%</i>	<i>1.1%</i>
Container Forecast (Thousands of TEUs)										
International	3,111	3,058	2,636	2,992	2,650	2,028	2,108	2,138	2,180	2,246
Domestic	686	717	685	744	734	701	703	710	717	724
Total TEUs	3,798	3,775	3,320	3,736	3,384	2,730	2,811	2,848	2,897	2,970
<i>Year over Year change</i>	<i>3%</i>	<i>-0.6%</i>	<i>-12.1%</i>	<i>12.5%</i>	<i>-9.4%</i>	<i>-19.3%</i>	<i>3.0%</i>	<i>1.3%</i>	<i>1.8%</i>	<i>2.5%</i>
Intermodal Yard Lifts*										
Hyundai Intermodal Yard	112,731	124,778	85,401	125,228	101,828	123,071	123,071	125,532	128,043	130,604
North Intermodal Yard	177,380	178,205	147,269	159,023	91,583	88,831	88,831	90,608	92,420	94,268
South Intermodal Yard	99,954	86,271	89,529	102,168	121,561	130,178	130,178	133,842	137,612	141,489
Pierce County Intermodal Yard	62,959	71,310	45,684	27,856	33,926	34,330	34,330	35,017	35,717	36,431
Total Intermodal Lifts	453,024	460,564	367,883	414,275	348,898	376,410	376,410	384,999	393,791	402,793
<i>Year over Year change</i>	<i>-4.3%</i>	<i>1.7%</i>	<i>-20.1%</i>	<i>12.6%</i>	<i>-15.8%</i>	<i>7.9%</i>	<i>0.0%</i>	<i>2.3%</i>	<i>2.3%</i>	<i>2.3%</i>
Log Board Feet	23,161,000	15,192,000	0	0	0	0	0	0	0	0
<i>Year over Year change</i>	<i>-56.1%</i>	<i>-34.4%</i>	<i>-100%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>
Vehicle Units (NWSA+POT)	146,147	191,822	156,205	162,484	172,979	331,774	360,459	364,064	367,704	371,381
<i>Year over Year change</i>	<i>-0.5%</i>	<i>31.3%</i>	<i>-18.6%</i>	<i>4.0%</i>	<i>6.5%</i>	<i>91.8%</i>	<i>8.6%</i>	<i>1.0%</i>	<i>1.0%</i>	<i>1.0%</i>

* Intermodal Lifts Reported for South Harbor only



Washington United Terminals welcomes new cranes to their terminal

IV Operating Budget

Overview

The NWSA operating budget revenue is based on cargo volume forecasts (see Table III-1), existing terminal and property leases and contractual and tariff-generated revenue. Operating budget expenses were projected based on historical information, as well as levels of expenditures required to support the increases in revenue.

From this information, NWSA staff prepared a realistic budget that supports both the strategic priorities and financial goals of the NWSA.

Departmental budgets estimate expenses that will be generated in support of the NWSA and its businesses. Expenses fall into one of five categories: Administration, Operations, Security, Environmental or Maintenance. Administration expenses are incurred in the day-to-day management of the NWSA. Operations and Maintenance expenses support the day-to-day management of business activities. Security support is provided by each home port. Environmental expenses are a subset of overall environmental spending, and include clean air and clean water activities, and close coordination with each home port on compliance and monitoring activities.

Business budgets are projections of revenues earned and expenses incurred in the operation of a particular business line. In addition, the NWSA expects to receive funds from other sources including user fees, and investment earnings.

Although capital project spending is planned within the capital budget, capital projects will impact operating budgets for future years through new sources of revenues and increased operating expenses and depreciation costs.

Nature of Business

Washington law authorizes ports to provide and charge rents, tariffs and other fees for docks, wharves, and similar harbor facilities, including associated storage and traffic-handling facilities for waterborne commerce. Ports also may provide freight and passenger terminals and transfer and storage facilities for other modes of transportation, including air, rail and motor vehicles. Finally, ports may acquire and improve lands for sale or lease for industrial or commercial purposes and may create industrial development

districts.

The NWSA is a joint venture that operates with the two ports as enterprise funds, allowing the NWSA and the ports to operate in much the same manner as a private business. Operating revenues are comprised of charges to its customers to cover costs associated with the service provided and to support investment in future projects.

Balanced Budget

Based on the Government Finance Officers Association (GFOA) Recommended Budget Practices, a balanced budget “is a basic budgetary constraint intended to ensure that a government does not spend beyond its means.”

The NWSA defines “balanced budget” in the following way: Total revenues are sufficient to cover operating expenses for the budget year and to offset the cost of capital investments (depreciation) and anticipated debt costs for any planned future capital investments.

The NWSA uses the full-accrual basis for budgeting, consistent with the basis for accounting. This method recognized the financial effect of events that impact the Port during the accounting period, regardless of whether cash was received or spent.

Budget Process

The NWSA budget is a guideline used by management to direct strategic and tactical operations. Typically, more projects and spending are budgeted than may actually occur. This conservative approach ensures that the NWSA’s financial goals are still met if business conditions support the full budgeted spending.

The NWSA operates on a calendar year budget cycle that must integrate the budget schedule needs of both home ports. The operating budget and the capital budget are the NWSA’s plan for meeting the current needs of its customers, and for implementation of the strategic goals.

The annual budget development begins in June and continues through November. The process begins with the development of strategic objectives and initiatives, which are reviewed by the Managing Members and the Chief Executive Officer. The Managing Members and Chief Executive Officer communicate any strategy changes or policy concerns and gather additional input.

Cargo forecasts, available at the beginning of the budget

process, are used to develop the variable portion of the operating budget. During a study session, the Managing Members are presented with a draft budget.

In November, a public hearing is held by each home port to allow for public comment, and to adopt the statutory budget and approve the property tax levy for the home ports. The NWSA's operating income is split evenly between the ports and is shown as revenue to the home ports. After the home port Commission approves and adopts its statutory budget, it is submitted, with the related home port resolutions, to the respective County Councils and Assessor Treasurer offices.

Major Assumptions

Major drivers of the 2024 operating budget are a result of economic and industry trends represented in the cargo forecast.

Revenue

- Existing leases continue per existing lease terms and contracts
- Cargo volumes drive equipment and intermodal revenues and expenses
- Auto and breakbulk imports continue to provide revenue diversity
- Tariff rates are projected to increase between 3% and 5%
- Property lease rental rates will increase as specified in contracts

Direct Expenses

- The NWSA has direct headcount of 62 positions. Salaries are expected to increase by between 5% and 7%
- Major operating expenses include construction of non-NWSA owned infrastructure needed for the development of Terminal 5, and ongoing maintenance of terminal paving, bulkheads and fender systems
- Depreciation for licensed assets at the time of the formation of the NWSA will remain on the books of the home ports. Depreciation of any new investments that are jointly funded will be charged against the NWSA

Home port services provided

Each home port is providing services to the alliance, and some NWSA personnel are providing services

back to the home ports. These services are provided either by direct charge or purchased services through Inter-local Agreements.

Table IV-4 shows the approximate value of Operating, Maintenance, Environmental, Security and Administrative services purchased by the NWSA from each of the home ports and the services purchased by the Port of Tacoma from the NWSA. This table does not include the value of services provided for capitalized and expensed projects.

Estimating Revenues and Expenses

The NWSA uses several different methods of projecting revenues, depending upon the nature and materiality of the revenue item and the projection period. Specific revenue projection techniques include:

- **Historical Data:** Future revenues are based on historical trends with the assumption that they will continue in the future. When using historical data as a means for projecting revenues, the NWSA analyzes as many as 10 years of data to estimate a rate of growth
- **Business Operations:** Terminal lease/rental agreements, grant agreements, and service contracts provide information for this projection method. These projections may be adjusted to reflect the probable impacts of anticipated changes in the economy, legislation and inflation
- **Judgment Estimates:** This method relies on a person knowledgeable in the field, often a department director, who prepares a revenue projection based on awareness of past and present conditions including fee changes, development plans, marketing campaigns, usage activity, frequency, volume, weight and similar determinations
- **Current Data:** This method predicts future revenue based on actual or annualized current year revenues and often is used when historical data and trends are not available, or if used, would result in an inaccurate revenue projection
- **Volume:** The NWSA uses the five-year cargo forecast to project volume related revenues

Financial Practices

The NWSA manages its operations to maximize its financial capacity - to provide adequate cash flow to the home ports to support debt service coverage ratios.

Financial Tools

- **Cargo Forecasts:** The NWSA maintains a cargo estimate for each of the next five years. (See Table III-1)
- **Five-Year Financial Forecast:** A portion of the operating budget is driven by volumes from the cargo forecast while the majority of the revenue comes from major lease contracts. Planned revenue-generating capital projects are aligned with new revenues and expenses in the five-year operating forecast. The operating budget is monitored throughout the year, noting any variances that may require corrective action. The Managing Members, Chief Executive Officer and Executive Team review these semi-annually
- **Five-Year Capital Investment Plan:** This plan ties directly to the strategy developed during the budget process. Updated semi-annually, it identifies all proposed projects. Some projects are capitalized and impact future year forecasts through depreciation, while others are expensed in the current year
- **Home Port Plan of Finance:** The financial output of the NWSA will be shared evenly between the home ports and is an input into each home port's five-year plan that identifies each port's ability to fund their business objectives
- **Financial Analysis of Investments:** The NWSA reviews significant capital investments and their related assumptions prior to acceptance into the planned capital budget. Revenue-generating projects are expected to earn a return on investment that meets or exceeds the standards
- **Financial Reporting:** The NWSA creates a variety of reports available electronically or in hard copy

For additional information on accounting policies, see each home port's budget and annual financial reports.

Table IV-1...Statement of Revenue, Expenses and Distributable Income by Business*

(\$ millions)	2022 Actual	2023 Budget	2023 Forecast	2024 Budget
Operating Revenues				
Container	164.2	185.5	176.5	204.2
Non Container	29.5	30.6	32.8	31.0
Real Estate	14.6	17.5	16.2	17.7
Other	0.0	0.0	0.0	0.0
Total Operating Revenues	208.3	233.5	225.6	252.8
Direct and Maintenance Expenses				
Container	37.5	45.5	42.3	51.5
Non Container	15.9	17.7	19.8	20.8
Real Estate	0.9	1.3	1.9	1.3
Other	13.6	20.1	16.7	20.3
Total Direct & Maintenance Expenses	67.9	84.5	80.7	93.8
Administration	17.6	21.3	20.2	24.4
Security	4.3	4.0	4.1	3.8
Environmental	1.7	3.0	2.4	2.1
Total Operating Expense before Depreciation	91.5	112.9	107.4	124.2
<i>Operating Income before depreciation</i>	<i>116.8</i>	<i>120.6</i>	<i>118.1</i>	<i>128.7</i>
Depreciation & Amortization	20.6	24.0	22.2	29.4
Total Operating Expense	112.1	136.9	129.6	153.6
Income from Operations	\$96.2	\$96.6	\$96.0	\$99.3
<i>Return on Revenue</i>	<i>46.2%</i>	<i>41.4%</i>	<i>42.5%</i>	<i>39.3%</i>
Non Operating Income (Expense)	14.5	4.0	5.1	15.0
Distributable Income before Special Item	110.7	100.6	101.1	114.3
Special Item				
Distributable Income	\$110.7	\$100.6	\$101.1	\$114.3
Distributable Cash	\$131.3	\$124.6	\$123.2	\$143.7

* Amounts may not foot due to rounding.

Table IV-2 Operating Revenue and Expense Detail*

(\$ millions)	2022 Actual	2023 Budget	2023 Forecast	2024 Budget
Property Rental	\$57.0	\$60.4	\$61.8	\$74.2
Sale of Utilities	1.7	1.8	2.1	1.8
Services Marine Terminals	135.6	153.7	144.6	159.1
Equipment Rentals	13.0	17.6	16.8	17.7
Other Revenue	1.0	0.1	0.2	0.1
Operating Revenue	208.3	233.5	225.6	252.8
Home Port Services Provided	19.0	22.0	21.7	24.8
Port Salaries & Benefits	8.7	11.9	10.8	12.3
Outside Services	5.3	3.0	3.7	4.2
Longshore Labor & Fringe	13.2	12.5	13.1	11.5
Direct Expenses	15.4	19.4	20.3	24.5
Marketing & Global Outreach	0.6	0.7	0.6	0.8
Travel & Hosting	0.3	0.9	0.8	0.9
Maintenance	20.2	33.3	27.3	37.4
Office Equipment & Supplies	0.2	0.3	0.2	0.3
Utilities	5.9	5.9	5.4	5.3
Other Employee Exp	0.1	0.2	0.2	0.2
Other Expenses	1.1	0.1	0.9	0.1
Environmental	1.6	2.8	2.4	2.0
Total Operating Expenses before Dep.	91.5	112.9	107.4	124.2
<i>Operating Income before Depr.</i>	<i>116.8</i>	<i>120.6</i>	<i>118.1</i>	<i>128.7</i>
Depreciation & Amortization	20.6	24.0	22.2	29.4
Total Operating Expenses	\$112.1	\$136.9	\$129.6	\$153.6
Operating Income	\$96.2	\$96.6	\$96.0	\$99.3
<i>Return on Revenue</i>	<i>46.2%</i>	<i>41.4%</i>	<i>42.5%</i>	<i>39.3%</i>
Non Operating Revenue and Expenses	14.5	4.0	5.1	15.0
Net Assets Before Special Items	110.7	100.6	101.1	114.3
Increase in Net Assets	\$110.7	\$100.6	\$101.1	\$114.3
Distributable Cash (calculated)	\$131.3	\$124.6	\$123.2	\$143.7

* Amounts may not foot due to rounding.

Table IV-3.... Statement of Revenues, Expenses and Changes in Net Position*

	2022 Actual	2023 Forecast	2024 Budget	Change from Prior Year Forecast
(\$ Millions)				
Operating Revenue	\$208.3	\$225.6	\$252.8	12.1%
Total Operating Expenses before Dep.	(91.5)	(107.4)	(124.2)	15.5%
Depreciation & Amortization	(20.6)	(22.2)	(29.4)	32.7%
Operating Income	96.2	96.0	99.3	3.5%
Non Operating Revenues (Expenses)				
Interest Income	1.1	2.6	2.8	4.4%
Premium Discount	(0.1)	(0.1)	(0.1)	-2.0%
Market Value Adjustments	(1.9)	0.3	0.0	-100.0%
Non-Capital Grant Income	0.0	0.9	2.8	216.8%
Capital Grant Contributions	5.9	6.3	14.6	131.3%
Other Non Operating Revenue (Expense)	9.5	(4.9)	(5.0)	1.6%
Total Non Operating Income (Expense)	14.5	5.1	15.0	194.4%
Net Distributable Revenue (Net Income)	110.7	101.1	114.3	13.1%
Distributable Cash				
Net Distributable Revenue (Net Income)	110.7	101.1	114.3	13.1%
Add Depreciation and Amortization	20.6	22.2	29.4	32.7%
Distributable Cash*	131.3	123.2	143.7	16.6%
Net Position				
Net Position beginning of year	537.6	578.7	649.8	12.3%
Add Contributions and Expected Capital Construction**	58.4	93.2	144.6	55.1%
Add Net Distributable Revenue (Net Income)	110.7	101.1	114.3	13.1%
Less Cash Distributions	(128.0)	(123.2)	(143.7)	16.6%
Net Position end of year	\$578.7	\$649.8	\$764.9	17.7%

* Per charter section 5.3 and charter definition 1.1 (p)

** Contributions include any Harbor Maintenance Tax Received

* Amounts may not foot due to rounding.

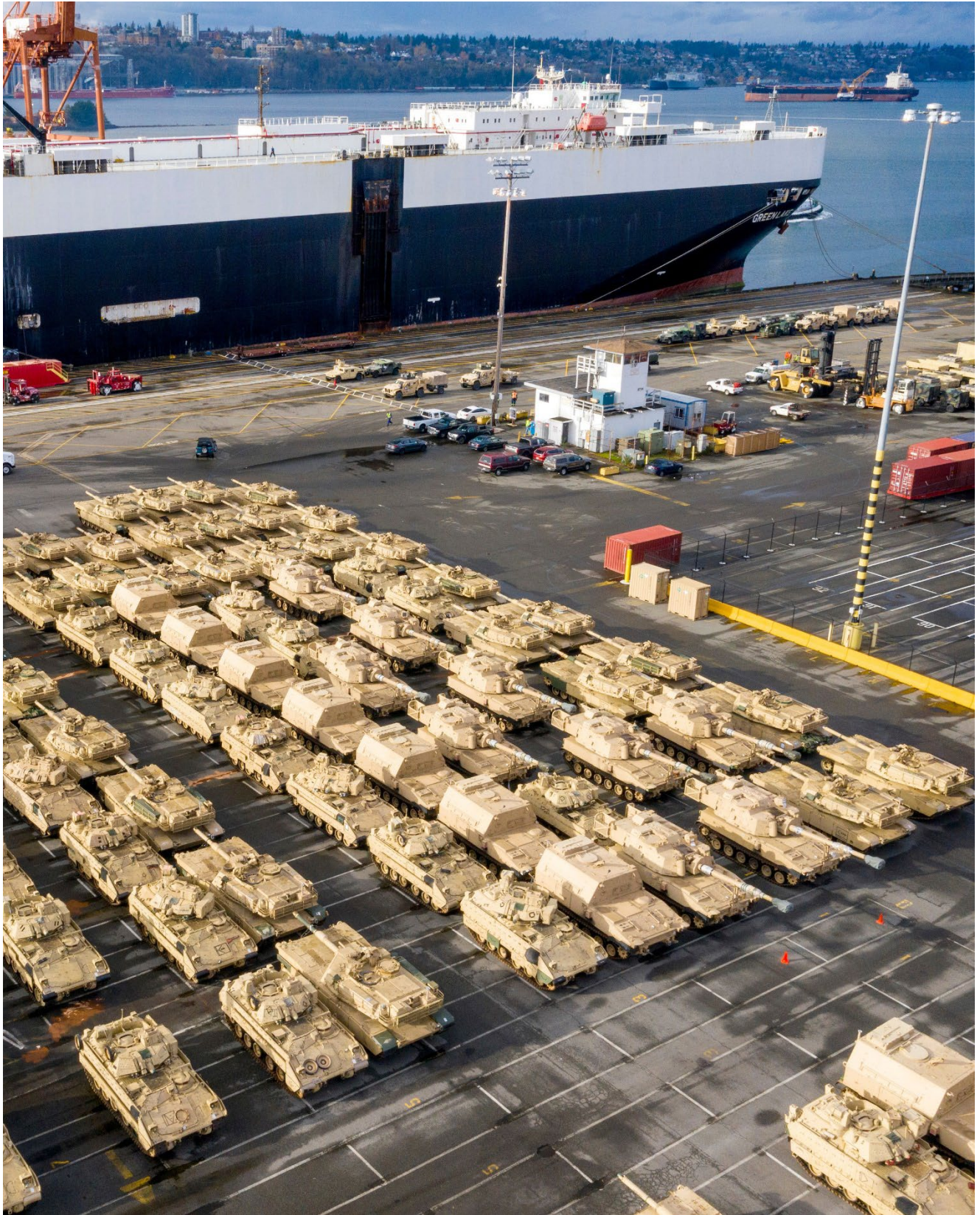
Table IV-4.... Allocations and Direct Charges Summary*

<i>(\$ Millions)</i>	2022 Actual	2023 Budget	2023 Forecast	2024 Budget
Port of Tacoma to NWSA	\$27.7	\$31.9	\$29.4	\$32.8
Port of Seattle to NWSA	\$9.9	\$12.0	\$12.0	\$12.2
NWSA to Port of Tacoma	\$0.9	\$0.9	\$0.9	\$0.8

Table IV-5.... Six-year Statement of Revenue, Expenses and Change in Assets*

<i>(\$ millions)</i>	2024	2025	2026	2027	2028
Operating Revenue	\$252.8	\$259.3	\$270.5	\$277.1	\$284.0
Total Operating Expenses before Dep.	(124.2)	(120.7)	(118.1)	(115.2)	(116.0)
Depreciation & Amortization	(29.4)	(35.6)	(40.7)	(42.5)	(42.6)
Operating Income	99.3	103.0	111.7	119.4	125.5
Grant Income	17.4	13.1	1.2	0.0	0.0
Other Non Operating Income	(2.3)	2.2	2.6	2.6	2.6
Net Distributable Revenue	114.3	118.4	115.5	122.0	128.1
Distributable Cash (calculated)	\$143.7	\$154.0	\$156.2	\$164.5	\$170.7

* Amounts may not foot due to rounding.



Military Cargo. The Tacoma harbor is one of 21 Strategic Ports for the US Military

V Capital Investment Plan

Overview

The Northwest Seaport Alliance invests in projects to increase the capacity, extend the life or improve the safety or efficiency of alliance-managed property and equipment.

New projects on the Capital Investment Plan that are \$100,000 or greater have been vetted through the Investment Decision and Development Process (IDDP). The IDDP is a two-stage planning development.

- Stage 1 (Opportunity Assessment) is to document new investment opportunities, identify any conflicts and receive input from all potentially affected departments/teams. The leadership management makes decision to pursue the opportunity to next stage.
- Stage 2 (Alternatives Analysis) is to assess the initial viability of a project, consider and evaluate alternatives, conduct a project screening, and consider long-range capital planning.

The five-year Capital Investment Plan (CIP) identifies all projects planned or underway. The CIP provides a mechanism for tracking and managing project budgets and cash flows for five years into the future. Table V-1 shows planned spending on capitalized projects for the five-year time frame. Projects are associated with a program that fall under one of the businesses or under a category called "Infrastructure."

Although funds for a project are included in the CIP, the project is not automatically authorized to proceed. The alliance Managing Members review and approve each project individually. Projects must have the necessary permitting before proceeding.

To achieve its goals, the alliance continues to invest in revenue-generating capital projects that support its businesses. Although the home ports are responsible for the general infrastructure in each respective county, the alliance may also invest in infrastructure projects that support the NWSA's maritime business, as well as increasing rail and road transit of cargo within boundaries between the ports of Seattle and Tacoma. Often, these infrastructure projects are expensed versus capitalized due to accounting requirements.

In addition, environmental projects are planned for meeting or maintaining regulatory requirements, including the development of mitigation and remediation projects. Projects may be expensed or capitalized according to accounting rules.

Summary of Major Projects

During 2023, the NWSA worked on the following capital projects:

- Phase two berth modernization construction at Terminal 5 and stormwater treatment system
- Renovated CBP office at Terminal 106
- Replaced fender system at Pierce County Terminal
- Reconfigured yard at E. Blair Terminal
- Install shore power at Husky Terminal

The 2024 - 2028 Capital Investment Plan focuses on the following strategic and maintenance projects:

Strategic investments:

- Construct and improve of gate complex, container yard, intermodal yard and reefer demarcation associated with the modernization project at Terminal 5
- Replace wooden light poles at several terminals in the South Harbor
- Design shore power at T18

Maintenance investments:

- Replace fender system at WUT and PCT terminals
- Replace water lines and valve at Terminal 18
- Maintenance dredging at several container terminals of both harbors
- Berth dredging and toe wall at Husky and WUT terminals
- Maintenance and rehabilitation of assigned assets

The alliance has a strong commitment to the protection and improvement of the environment. Examples of this commitment include the Clean Truck Program, the Northwest Ports Clean Air Strategy, and significant investment in storm-water improvements.

Strategic development efforts focus on serving existing customers, attracting new customers, and building a diverse, dynamic and resilient business base.

Table V-1....Planned Capitalized Project Spending

(\$ Millions)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Historical Capital	93.4	134.4	90.6	58.8						
Planned Capital					93.2	144.6	80.8	59.2	66.9	69.4
Grand Total	\$ 93.4	\$ 134.4	\$ 90.6	\$ 58.8	\$ 93.2	\$ 144.6	\$ 80.8	\$ 59.2	\$ 66.9	\$ 69.4

Capital Investment Plan Priorities

To efficiently allocate human and financial resources, the alliance uses a capital project prioritization methodology. For internal management, the alliance uses two categories:

- **Open:** These are ongoing projects or projects ready to move forward that have customer commitment or a high degree of certainty. Only open projects are included in the budget.
- **Estimate:** These are projects based on an identified business need or opportunity but have not been fully developed in scope and cost.

Capital Investment Plan Projects by Purpose

The alliance classifies CIP projects into three types, (as shown below in Table V-2):

- **Revenue Renewal:** Projects developed to renovate or replace obsolete or aging revenue-producing assets. These projects serve to extend existing revenue streams or ensure existing streams are not lost and may offer additional revenue if replacements enhance the efficiencies of operations or offer additional capabilities or value.
- **Infrastructure:** Projects developed to enhance infrastructure, support multiple or future customers or to enhance public infrastructure. Sometimes, other public agencies may participate in funding. Infrastructure projects are often complex in nature, with multiple public agencies involved in the planning process and execution.
- **Revenue-Generating:** Projects developed for a specific customer that will result in a new revenue stream.

Table V-3 shows Open (excludes estimate) project expenditures during the five-year planning horizon as categorized by accounting treatment.

Accounting rules require some spending to be capitalized and depreciated over time, while

other spending is expensed as incurred.

The alliance's policy is to capitalize all asset additions greater than \$20,000 and with an estimated life of more than three years. Depreciation is computed on the straight-line method. The economic lives of capitalized assets range from three years to 20 years for machinery and equipment while economic lives of buildings and improvements range from 10 years to 75 years.

Table V-3 shows that the NWSA intends to implement \$501.3 million worth of planned projects (capitalized and expensed) in the next five years, with \$174.2 million of that total earmarked for 2024.

Non-operating and operating projects will be expensed as incurred and are included in the operating budget.

Table V-4 shows the five-year CIP by Line of Business.

Table V-5 shows the expected increase in depreciation when planned projects are completed. The CIP is the total expected spending of 159 projects, 87 of which are capitalized and 72 expensed as incurred.

The expensed projects are captured as expenses in the current year budget and four-year operating forecast as incurred. The costs of the capitalized projects are captured as depreciation expense over the estimated life of the projects that may extend beyond three years. Depreciation expense will increase when the redevelopment of Terminal 5 phase 2 is complete.

Funding

Capitalized projects are funded by the two homeports and grants or other 3rd party funds if available. Expensed projects are funded by cash generated by the NWSA and grants, homeport funds, or other 3rd party funds if available.

Table V-2....Five-Year Planned Capital Investment Plan by Purpose

(\$ Millions)

	2024	2025	2026	2027	2028	Total
Infrastructure	\$6.4	\$10.7	\$44.7	\$59.8	\$70.1	\$191.7
Renewal	91.7	60.4	24.8	15.2	4.9	197.1
Revenue	76.0	31.0	5.5	0.0	0.0	112.5
Grand Total	\$174.2	\$102.1	\$75.0	\$75.0	\$75.0	\$501.3

Amounts may not foot due to rounding

Table V-3....Five-Year Planned Capital Investment Plan by Accounting Treatment

(\$ Millions)

	2024	2025	2026	2027	2028	Total
Capitalized	\$144.6	\$80.8	\$59.2	\$66.9	\$69.4	\$420.9
Operating Expense	24.7	20.9	15.8	8.1	5.6	75.0
Non-Operating Expense	5.0	0.4	0.0	0.0	0.0	5.4
Grand Total	\$174.2	\$102.1	\$75.0	\$75.0	\$75.0	\$501.3

Amounts may not foot due to rounding

Table V-4....Five-Year Planned Projects by Line of Business

(\$ Millions)

	2024	2025	2026	2027	2028	Total
Container Business	\$151.2	\$78.3	\$26.4	\$11.6	\$1.3	\$268.9
Non Container Business	4.6	4.4	0.5	0.5	0.5	10.5
Real Estate	1.3	0.9	0.3	0.1	0.1	2.6
Infrastructure	17.2	18.5	47.7	62.8	73.1	219.3
Grand Total	\$174.2	\$102.1	\$75.0	\$75.0	\$75.0	\$501.3

Amounts may not foot due to rounding

Table V-5....Depreciation Impact Due To Capitalized Projects

(\$ Millions)

	2024	2025	2026	2027	2028	Total
Container Business	\$ (8.1)	\$ (14.0)	\$ (18.1)	\$ (20.1)	\$ (20.3)	\$ (80.7)
Non Container Business	(0.5)	(0.5)	(0.7)	(0.7)	(0.8)	\$ (3.1)
Real Estate	(0.0)	(0.1)	(0.2)	(0.2)	(0.2)	\$ (0.7)
Infrastructure	-	-	-	-	-	\$ -
Grand Total	\$ (8.6)	\$ (14.6)	\$ (18.9)	\$ (21.0)	\$ (21.3)	\$ (84.5)

Amounts may not foot due to rounding

Capital Investment Plan Project Descriptions

The NWSA's five-year CIP has been categorized on a business basis, as shown in Figure V-1. The following section provides details of major planned improvements within each business and only includes major projects and equipment.

Container Terminals Business

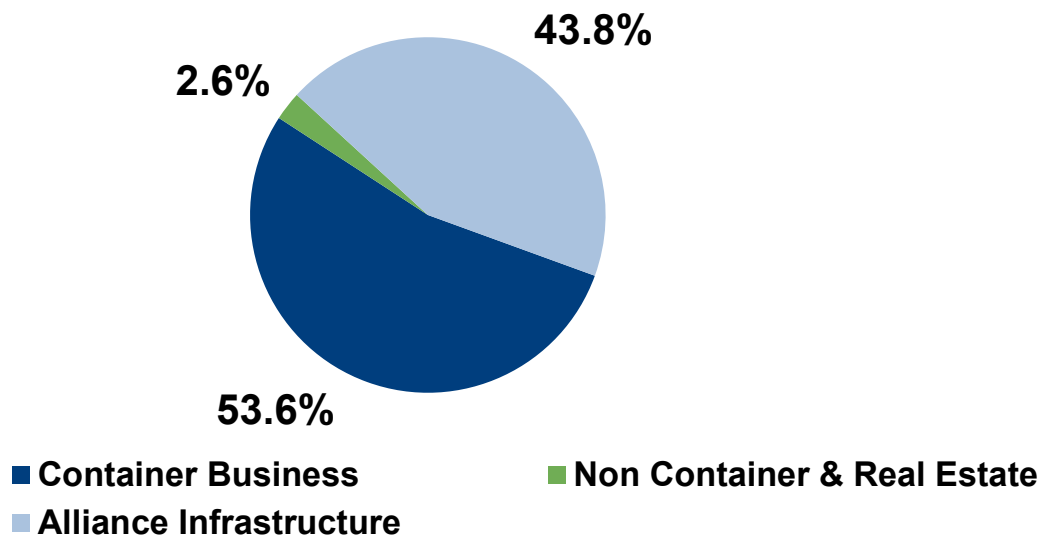
Planned capital expenditures for container terminals will total approximately \$269 million over the next five years. The CIP for this business will provide the

funds necessary to complete the remaining projects to support the modernization at the North Harbor Terminal 5; shore power design at Terminal 18; maintenance and berth dredging at several container terminals; expand reefer plugs at PCT; replace and repair fenders at PCT and WUT terminals; install LED lightings at several terminals in the South Harbor.

Non-Container Business & Real Estate

Approximately \$13 million will be spent on facility improvement for terminal operations, auto and real estate businesses.

Figure V-1....Five-Year Capital Investment Plan by Line of Business



Alliance Infrastructure

This section includes capital expenditures that are not specific to a single business and are in support of the alliance's infrastructure or environmental improvements.

- **Environmental Programs:** These projects include reduction and monitoring of emissions, and ongoing cleanup projects. This also includes purchase of electric straddle carriers for its operations. The Clean Truck Program and the Clean Cargo Handling Equipment Incentive Program provide matching funds and incentives to help cover the cost of replacing older trucks or handling equipment with cleaner new ones.

- **Technology:** The alliance continues to invest in an operations service center that will allow customers and cargo owners to track their cargo as it moves through the gateway.

Capital Investment Plan Revisions

The CIP is an integral part of the budget planning process and is reviewed and revised semi-annually. Adjustments in amount and timing are made as required to meet changes in customer or infrastructure requirements.

VI Environmental Stewardship and Planning

Environmental stewardship and sustainable practices are a high priority for the NWSA. The NWSA Environmental Stewardship Framework has been put into action. Specifically, working with our stakeholders, the NWSA developed a Best-In-Class approach built on a foundation of the following:

- Environmental, economic and financial business decision planning/making are fully integrated;
- Responsive to market and community; and,
- Drives innovative, cost-effective and sustainable solutions.

Program areas of emphasis include:

- Water Quality
- Air Quality and Sustainable Practices
- Planning and Logistics
 - Transportation
 - Land Use
 - Facilities

In 2024, the NWSA plans to focus its environmental efforts on water and air quality and greenhouse gas reductions, with the bulk of that work on NWSA licensed properties. The NWSA plans to develop additional sustainability strategies to help shape future leasing strategies, green corridors, green fuels and explore green building initiatives.

In addition, the NWSA has partnered with the Ports of Seattle and Tacoma along with other key industry, environmental, state and federal stakeholders to develop a large commercial vessel Quiet Sound program. This program will be managed by Maritime Blue and will study and promote ways to reduce noise impacts to Orca and other marine mammals in Washington State Waters. The Ports of Seattle, Tacoma and the NWSA have committed a total of \$100,000 in 2023 towards this effort to sustain the program.

Water Quality Program

NWSA's Water Quality (WQ) team is comprised of professionals with experience in site inspection, monitoring, project development and delivery, and policy analysis. The goal of this program is to work with internal and external stakeholders to design highly effective, low-cost treatment and

compliance solutions that meet or exceed Washington State's high water quality standards.

Industrial Stormwater Management Program

The WQ team manages an industrial stormwater program that is a collaborative effort engaging customers, agencies, and environmental organizations in both the Seattle and Tacoma harbors. The goal of the program is to discover and create solutions for emerging stormwater issues, solve common problems and provide stormwater technical assistance to our customers at their request. Staff engage in extensive stakeholder outreach that includes customers, regulators, and environmental organizations.

During 2023 Staff have been participated in settlement agreement meetings with Ecology to discuss the 2025 Industrial Stormwater General Permit (ISGP) and how proposed changes may affect ports.

Accomplishments in 2023 include:

- Completing industrial, and outfall site inspections early ahead of schedule,
- Working with maintenance to complete maintenance on treatment systems ahead of first flush to insure we are prepared for the rainy season,
- Coordinating business inspections with the City of Tacoma.

Research and Develop Cost-Effective Means to Manage Stormwater

The NWSA continues previous work initiated separately by the two ports. The NWSA implements innovative cost-effective treatment methods in the field and focuses on practical, effective stormwater Best Management Practices (BMPs). This includes conducting pilot studies of new and existing treatment infrastructure and sharing the results with tenants and stakeholders. During 2023, the WQ Team started the process to treatment systems designed for use at the Tacoma and Seattle harbors included on Ecology's General Use Level Designation (GULD) website. This includes taking current designed treatment systems to Ecology through the Emerging Stormwater Technologies (TAPE) Program. Successful inclusion of our treatment systems in on Ecology's GULD website will allow ports and other permittees to use the information when installing industrial stormwater treatment on their sites and may help to expedite permit approvals from local jurisdictions when

installing treatment on North and South Harbor properties.

Source Control

Controlling pollutants at or near the source is the most cost-effective way to reduce pollution in stormwater runoff, manage the risk of costly corrective actions for treatment, and reduce the cost of operations and maintenance of installed stormwater treatment systems. NWSA WQ staff work with customers (as requested) to identify pollutants close to the source and eliminate the source where possible. The WQ team assists customers with effective, low-cost solutions.

Seattle Harbor Focus

Most Seattle Harbor tenants have installed stormwater treatment at their facilities. The challenge going forward is to reduce the cost of operating and maintaining these systems. The WQ team continues to focus on maintaining relationships with tenants/customers and working with them to implement at-source and near-source BMPs with these goals in mind.

Accomplishments include:

- Coordination with Seattle Harbor stormwater staff on projects including pipe repair at T46,
- Assistance with tenant SWPPPs,
- Continue to coordinate with Marine Maintenance and Stormwater utility on water quality issues in the North Harbor.

Tacoma Harbor Focus

The WQ team continues to work with tenants/customers to implement at-source and near-source BMPs to facilitate cost-effective and successful solutions, and to focus on customers that may face site challenges to meet water quality criteria or regulatory policy issues. In the Tacoma Harbor, WQ will work through the development of a Stormwater Infrastructure Comprehensive Plan that will detail the status of all the Port's MS4 infrastructure. WQ will use those details to develop a 10-year infrastructure maintenance, repair, and replacement plan.

Accomplishments in 2023 include:

- New source control/pre-treatment for EB-1 terminal which are helping to meet permit

required benchmarks,

- Continue to assist Husky with finding cost effective solutions to for their treatment system,
- Assisting with tours to other Ports, Green Marine, WPPA and representatives,

Stormwater Development/Redevelopment

Coordination with each home ports' stormwater permit programs ensures site-specific stormwater requirements are met. This includes the design of appropriate treatment systems and/or system selection based on proposed land use and typical discharges associated with site-specific activities. Projects include redevelopment of terminals in both harbors.

Accomplishments in 2023 include:

- Completed grant acceptance on Thorne Road Container Facility,
- Continue to support and coordinate permitting issues with the City of Tacoma,
- Permitting support for EB-1 restrooms and paving project, support of PCT truck queue erosion repair work,
- Stormwater treatment design and City of Tacoma permitting support for 11th Street Demo project,
- Completed construction of T7 Oil Water Separator that supports military operations,
- Supported Portac Phase I cleanup with stormwater permitting and management,
- Provided design support for the potential redevelopment of Arkema site,
- Provided design support for Parcel 86 pipe realignment.

2024 Goals

In 2024, the WQ team will

- Assist SSA in completing the construction of the Phase 2 stormwater treatment system at Terminal 5 for the southern 55 acres.
- Continue to work with Port of Seattle to complete the reconfiguration of the T-46 Stormwater Treatment vaults to comply with maintenance

standards.

- Continue to support emerging projects including outfall repair at Husky Terminal, ditch maintenance in the Tacoma Harbor, and the Thorne Road Off-Dock Container Expansion yard for which Ecology funded a \$4.37M grant.
- Continue productive conversations with Ecology regarding the 2025 Industrial Stormwater General Permit (ISGP)
- Continue work on TAPE program.
- Use various tools including surveys, newsletters, site visits, and water quality workshop to assist tenants with stormwater management issues and share information on 2025 ISGP.
- Complete Stormwater Infrastructure Comprehensive Plan Report
- Initiate Drone program for outfall inspections, derelict vessel investigations, and shoreline mapping
- Continue to work on systemic flooding issues around Port of Tacoma
- Continue to be a leader in the stormwater section of Green Marine Certification.
- Begin ILA negotiations with City of Tacoma

Air Quality & Sustainable Practices Program

The Air Quality & Sustainable Practices Program jointly serves the Port of Tacoma and The Northwest Seaport Alliance and focuses on two goals: 1) reducing – and, ultimately, phasing out -- air and climate pollution from seaport related activities; and 2) promoting environmentally sustainable corporate practices. The program collaborates with a wide range of internal and external partners to develop, find funding for, and implement a suite of initiatives to advance the 2020 Northwest Ports Clean Air Strategy (NWPCAS) and implement the NWSA's 2021-2025 Clean Air Implementation Plan. Key initiatives include the Clean Truck Program (including the newly formed Zero Emission Truck Collaborative); the Clean Vessels Program (including shore power installations at major

container terminals); and the Clean CHE Program.

Key 2023 Accomplishments

- Continued to coordinate and lead implementation of the NWSA's 2021-2025 Clean Air Implementation Plan to advance the 2020 NWPCAS;
- In collaboration with the Port of Seattle, Port of Tacoma, Seattle City Light, Tacoma Public Utilities, and others, neared completion of two major energy planning studies – the Seattle Waterfront Clean Energy Strategic Plan and the South Harbor Electrification Road Map (SHERM) – to assess the infrastructure needs associated with transitioning to zero-emission vehicles, equipment, and operations;
- Collaborated with a railyard operator and Tacoma Power to complete implementation of the first deployment of zero-emission cargo-handling equipment in the NWSA gateway: six electric yard tractors at the South Intermodal Yard in the Tacoma Harbor;
- Supported completion of the shore power infrastructure installation at Terminal 5, initiation of construction at Husky Terminal, and initiation of design at Terminal 18;
- Led the formation of the Puget Sound Zero Emission Truck Collaborative and initiated development of the Decarbonizing Drayage Roadmap. Also initiated planning for a Zero Emission Drayage Demonstration Program, and ramped up the scrap-and-replace incentive program, incentivizing the scrapping of about 30 pre-2007 trucks and replacing them with newer trucks that are 90% cleaner;
- Led the NWSA's engagement in the US-Korea Green Corridor Study, in partnership with the U.S. Government, the Republic of Korea, and the Busan Port Authority.
- Continued planning for a new Clean CHE Incentive Program aimed at encouraging marine terminal operators to scrap old diesel equipment and replace it with zero-emission technologies;
- Initiated an update to the Puget Sound Maritime Emissions Inventory (PSEI).
- In collaboration with the ports of Seattle and Tacoma, strengthened efforts to communicate and engage with near-port communities and other external stakeholder and partners, for example by publishing the Ports Clean Air Quarterly (a quarterly newsletter) and developing NW Clean Ports (a new web portal on port-related clean air and climate solutions).

- Continued to identify, pursue; and secure state and federal grants and other external financial and technical assistance to help advance NWSA clean air, climate, and sustainability goals. For example, the AQSP Team helped secure \$6.3M in state transportation funding to support the transition to zero-emission drayage trucking at the Port of Tacoma and throughout the NWSA gateway;
- Continued to staff the joint Port of Tacoma/NWSA Clean Air & Climate Action Team (C-CAT) to guide implementation of the NWPCAS and the Port's associated implementation plan.
- Complete the update to the Puget Sound Maritime Emissions Inventory (PSEI)

Planning & Logistics

Planning and Logistics provides a range of services intended to support NWSA Charter goals from strategic to site planning. Some primary services include planning for marine terminals and supporting infrastructure, advocating for multi-modal freight related transportation systems, facilitating port visioning. Planning also coordinates baseline studies to facilitate decision making about investments and operations.

Key 2024 Goals

- Continue to lead and coordinate implementation of the NWSA 2021-2025 Clean Air Implementation Plan;
- Continue to explore NWSA engagement in "green corridors" between the U.S. and Korea.
- Support installation of shore power infrastructure at Husky Terminal, design work at Terminal 18, and initiation of design at Washington United Terminal;
- Continue to support and participate on the Puget Sound Zero Emission Truck Collaborative and the development of a Decarbonizing Drayage Roadmap – including leveraging the Port of Seattle's Office of Equity, Diversity and Inclusion to support the program being effective for all trucking stakeholders.
- Launch the Zero Emission Drayage Demonstration Program;
- Begin implementation of the new Clean CHE Incentive Program;
- In collaboration with the ports of Tacoma and Seattle, launch a new web portal on port-related clean air and climate solutions (nwcleanports.org);
- Finalize and implement on-going, clean air-focused community engagement programs in both harbors;
- Complete the Seattle Waterfront Clean Energy Strategic Plan and the South Harbor Electrification Roadmap (SHERM) and pivot to development of a gateway-wide zero emission infrastructure development strategy; and

Planning Overview:

- **Facility Planning:** Services include facility design, facility resilience assessment and planning, assessment of infrastructure needs for operational efficiency, and documentation of current and planned facilities.
- **Transportation Planning and Advocacy:** Support for optimizing gates and terminals, analyzing off-terminal traffic flow, truck parking, and circulation, and preservation of freight and heavy haul routes.
- **Project Feasibility Development:** Support development by maintaining a general understanding of all focus areas within the organization. With this overall perspective, the team assists with opportunity assessment reviews and strategic port planning.
- **Strategic Planning and Visioning:** Support long-range visioning and planning for NWSA operations and facilities. Services also include developing land use plans and supporting the development of organizational strategic plans. Review and comment on new and updated local, state, and federal policy and regulatory documents, advocating for NWSA goals.
- **Grant Program Coordination:** Ensure a unified and proactive approach to grant procurement. Grants are sought to help offset the cost of infrastructure, technology, design, and planning, whenever feasible. Coordination encompasses tracking projects, tracking grant programs, staffing the Grant Steering Committee, and providing commission updates.

2023 Planning & Logistics Key Accomplishments

- Completed the Resilient Gateway Program – Vulnerability Assessment and Response Framework.
- Submitted a \$56M PIDP grant application for Husky Expansion – Part One.
- Supported the Maritime Industrial Lands update process in Seattle.
- Hosted a WA Sea Grant Hershman Fellow

2024 Planning & Logistics Goals

- Advance Resilient Gateway Program policies
- Provide technical support for Sound Transit Link extensions and Sounder expansion.
- Advocate for NWSA priorities at Puget Sound Regional Council staff committees
- Manage the NWSA/POT Grant Program
- Support the Tideflats Subarea Plan, Earley Business Center Master Plan, and Port Maritime Center
- Review and provide feedback on the Seattle Transportation Plan update.
- Complete bathymetric surveys for each harbor



The MSC Virgo at berth at the newly modernized Terminal 5 in the North Harbor

Appendix A: NWSA Full Time Personnel

	NWSA			
	2022 Actual	2023 Budget	2023 Actual	2024 Budget
Executive	9	9	9	9
External Affairs (Public Affairs & Communications)	4	4	4	4
Finance And Administration	-	2	2	2
Commercial Business	17	20	20	21
Operations	8	12	10	10
Facilities Development	10	15	16	16
Total	48	62	61	62

*2023 Actual is 2023 forecasted ending headcount

Northwest Seaport Alliance Average Compensation (excluding CEO)

The 2024 staffing budget of \$12,291,867 includes the following:

- \$8,481,974 for salaried employees and \$146,799 for hourly employees which includes;
 - \$367,639 for annual pay increases for salaried employees starting April.
 - \$20,424 for annual recognition program paid to salaried employees in April.
 - \$163,395 for marketplace adjustment for salaried employees during the year.
 - Hourly employees will receive a 5.0% raise in April per tentative agreement.
 - Average salary of \$133,930.
- Total benefits of \$3,663,093

Changes in NWSA Full Time Personnel from prior budget

- Commercial Business: 1 position added.
- Operations: 2 open positions eliminated.
- Facilities Development: 1 position added.

Appendix B: NWSA Memberships

Overview

The NWSA and alliance staff are members of several organizations. The NWSA believes that participating in these partnership organizations plays a key role in advancing the NWSA's business objectives and ensures NWSA staff is knowledgeable and productive. These memberships are in addition to or supplement the home port memberships.

Port Authority Organizations

These memberships assist the NWSA's lobbying efforts on both the state and national levels and keep staff informed about major issues and developments that affect NWSA operations. Membership with the Washington State Public Ports Association remains with the home ports.

Economic Development Organizations

Economic development is a major part of the NWSA's mission. For that reason, the NWSA maintains memberships and works closely with a variety of economic development groups. These memberships help strengthen the NWSA's visibility throughout the world through trade missions and trade shows.

Regional Organizations

Memberships in regional organizations demonstrate the NWSA's commitment to trade on a statewide and regional basis.

Industry Associations and Professional Organizations

These associations and organizations ensure that staff obtains the latest in technical development by taking advantage of meetings, networks and special programs offered by them.

Trade Promotion Organizations

These memberships give the marketing and sales staff important contacts and current industry trade information that enhances the NWSA's overall marketing efforts.

Community Service Groups

The NWSA maintains memberships in these groups as part of its effort to build better community relations, to work more effectively with businesspeople and to ensure that the NWSA's interests and concerns are addressed in the community.

Annual NWSA Memberships & Personnel Memberships (estimated)

Organization	Annual Dues
American Association of Port Authorities	\$78,000
Pacific Northwest Waterways Association	34,500
Washington Council on International Trade	20,000
Green Marine	11,000
Clean and Prosperous Washington	10,000
All Other Memberships	63,822
Total NWSA Memberships	\$217,322

American Association of Port Authorities

AAPA is an alliance of leading ports in the Western Hemisphere that protects and advances the common interests of its diverse members through advocacy, professional development, relationship-building, and public awareness.

Pacific Northwest Waterways Association

The Association advocates for funding for navigation projects around the region, including those on the Columbia Snake River System, in the Puget Sound and along the Oregon and Washington coasts.

Washington Council on International Trade

The Council is dedicated to advocating for public policies that increase Washington State's international competitiveness.

Green Marine

Green Marine is an environmental certification program for the North American marine industry.

Clean and Prosperous Washington

A team of business leaders working with labor, tribes, environmental organizations, and social justice advocates to in Washington state to enact smart climate policies.

The Northwest Seaport Alliance

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