

The Northwest Seaport Alliance 2018 Budget



Operating Budget and Capital Investment Plan adopted:
November 7, 2017



In June 2017, Inbound Logistics magazine named The Northwest Seaport Alliance in its annual list of “Green 75” supply chain partners. This is the first year that the NWSA has been recognized for its environmental programs and commitment to sustainability. Although this recognition is the first for the alliance, both the Port of Seattle and the Port of Tacoma have been recognized individually for several years.



In August 2017, Logistics Management Magazine awarded The Northwest Seaport Alliance with a 2017 Quest for Quality award in the West Coast Port category. The NWSA ranked highest among U.S. West Coast ports in the magazine’s annual readership survey of transportation providers. Ports were evaluated on ease of doing business, value, ocean carrier network, intermodal network and operations. The NWSA was one of only three West Coast ports to earn the honor this year.

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To: Managing Members

Date: November 7, 2017

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

Staff is pleased to present the 2018 Northwest Seaport Alliance (NWSA) Budget. This document informs citizens and other interested parties about the NWSA's overall goals and strategies, as well as the competitive environment in which we operate. It highlights our focus on strategic investments that will deliver competitive financial results, build for the future, and continue to create jobs and economic wealth for the Puget Sound region.

The competition among West Coast ports remains incredibly intense as shipping lines have formed new alliances and terminal operators continue to explore ways in which to reduce costs, including consolidating terminals. The introduction of larger vessels to gain economies of scale has resulted in the need for significant infrastructure investment at West Coast ports. Additionally, West Coast ports are faced with increased competition from ports in Canada, Mexico and the East and Gulf Coasts of the United States.

The NWSA, which was formed to respond to these competitive challenges, has taken action to strengthen the gateway. These actions include a new wharf and eight new cranes at Husky Terminal in the South Harbor, and the redevelopment of Terminal 5 and repairs to Terminal 46 in the North Harbor.

The NWSA creates significant economic activity and family wage jobs in the Puget Sound region and across the state. We provide manufacturers and agricultural producers throughout the region and the nation valuable access to foreign markets. Alliance activity generates over 48,000 direct and indirect jobs based on the most recent study. The NWSA is also an environmental leader in reducing cargo-related air emissions and stormwater pollution.

The NWSA's Strategic Business Plan has several initiatives that:

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

The global economy appears to be robust going into 2018. The NWSA is investing in assets to capture increased market share as shipping volumes increase. We are focused on the financial health of the NWSA and continue to focus on new business opportunities that will create jobs and economic wealth for the Puget Sound gateway.

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 it 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 the two ports and their surrounding communities. This section also discusses the role of the NWSA Planning department and its work to integrate all aspects of the alliance.

I The Northwest Seaport Alliance Overview

Marine Cargo Operating Partnership

The Northwest Seaport Alliance (NWSA) is the first of its kind in North America.

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 for the region.

Located in the Pacific Northwest in Washington state, the NWSA offers short U.S.-to-Asia transit times, and the infrastructure necessary to quickly move cargo to the U.S. Midwest.

International & Domestic Trade

The NWSA is the fourth-largest gateway for containerized cargo in North America, focused specifically on shipping between Asia and major distribution points in the Pacific Northwest, Midwest, Ohio Valley and the East Coast.

The NWSA is also a major center for bulk, breakbulk, project/heavy-lift cargoes, automobiles and trucks. The NWSA's terminals are located near the second-largest concentration of distribution centers on the West Coast.

Top international trading partners include:

- China/Hong Kong
- Japan
- Republic of Korea
- Taiwan
- Vietnam
- Thailand
- Canada
- Malaysia
- Indonesia

The value of this two-way international trade totaled more than \$75.1 billion in 2016. Imports were \$58.5 billion and exports were \$16.6 billion of that total.

The Puget Sound is the major cargo gateway to Alaska. More than 80 percent of the total trade volume between Alaska and the lower 48 states moves through the Tacoma and Seattle harbors. Trade with Alaska was estimated at \$5.4 billion in 2017. If it were ranked with the NWSA's international trading partners, Alaska would be fourth. The NWSA also provides connections to Hawaii.

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 5th, 1918 by the citizens of Pierce County to create job opportunities through trade, as well as in the economic development of 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 Commencement and Elliott bays in Puget Sound. Because of this strategic location, they offer efficient connections to sea, rail, highway and air transportation networks.

The NWSA ranks among the world's top 45 container gateways with some of the industry's largest container shipping lines calling the Puget Sound. nineteen international and four domestic shipping lines make regular service calls to the NWSA. The alliance also handles breakbulk, bulk, and auto shipping lines.

Shipping lines have been attracted to the Pacific Northwest because of its proximity to markets for trade, an experienced labor force, natural deep water, available land for expansion, excellent on-dock rail facilities and inland rail service. Rail service is

provided by the BNSF Railway and the Union Pacific Railroad. Currently, approximately 50% to 60% of the NWSA import cargo moves out via rail. Excellent highway access is provided via Interstate 5 and Interstate 90.

Through August 2017, the two ports handled about \$49.2 billion of trade. Based on dollar volume, China (including Hong Kong) is the NWSA's largest trading partner. Other leading trading partners include Japan, South Korea, Taiwan and Alaska.

As the "Gateway to Alaska," the NWSA handles about 3.4 million tons of domestic cargo shipped between the two states annually. Matson, TOTE Maritime Alaska, and Alaska Marine Lines are major shipping lines serving Alaska from the NWSA. Matson also provides service to Hawaii.

The NWSA is both a landlord and an operating organization. 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 Puget Sound.

The NWSA is a major auto import and processing center, handling vehicles for Kia, Mazda, and Mitsubishi.

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

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 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

In October 2014, the ports of Tacoma and Seattle announced the results of a joint economic impact

study of the two seaports. 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.

According to the study, the two ports' marine cargo activities are related to 48,100 jobs in Washington state that contribute \$4.1 billion in total income and re-spending. The two ports' cargo-handling, construction and leasing activities generate more than \$379 million annually in local and state taxes in Washington.

NWSA Facilities and Services

The ports have licensed to the NWSA facilities related to maritime commerce, including facilities for containerized cargo, automobiles, logs, breakbulk cargo, heavy-lift cargo and project cargoes, as well as intermodal rail terminal 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, allowing 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.

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.

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

The Northwest Seaport Alliance governance

The NWSA is a separate governmental entity established as a Port Development Authority (PDA), 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 monthly and cash is distributed back to the ports at least quarterly. 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.

NWSA Managing Members

The Managing Members are the commissions for each of the two 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

- Tom Albro
- Stephanie Bowman
- John Creighton
- Fred Felleman
- Courtney Gregoire

Port of Tacoma

- Connie Bacon
- Don Johnson
- Dick Marzano
- Don Meyer
- Clare Petrich

NWSA Managing Members Meetings

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

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

The NWSA streams all Managing Member meetings live on the website and 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 Executive Team. See the Organizational Chart (Figure I-3 on page I-8).

Executive Team

The Executive Team is comprised of the CEO, two deputy CEO's, 6 chief officers, and executive administrative support. 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 port activities, including public meetings and information, environmental protection, labor relations, procurement, security, financial management and other issues.

Commercial Group

Led by the Chief Commercial Officer and the Chief Strategy Officer, the Commercial Group is comprised of the Business Development team, the Marketing & Business Services Team, and two Real Estate teams, one for the NWSA, and one for the Port of Tacoma.

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 customer service for all of these cargos. The Business Development team plays an important role coordinating efforts with the entire supply chain, including customers, terminal facilities, rail roads, and trucking companies. This team pursues and implements operational improvements to enhance overall efficiency at the NWSA's terminals.

As one of the northernmost gateways on the U.S. West Coast, the Pacific Northwest has long been the primary hub for waterborne trade with Alaska, as well as a major gateway for trans-Pacific trade.

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 are an integral part of the NWSA business. Relationship management with Tacoma Rail, BNSF and Union Pacific (UP) and other rail stakeholders are key functions of this team.

While a significant portion of the Business Development team is focused on the container and associated intermodal business, the NWSA has a robust non-container business. Comprised of breakbulk (Roll On and Roll Off also known as RoRo),

bulk and auto cargoes, these non-container businesses make a significant contribution to revenue and further diversify the gateway's business portfolio. Additionally, the NWSA's South Harbor is designated as a strategic military port for transport of military cargoes.

Auto customers include Kia, Mazda, and Mitsubishi. Auto Warehousing Company (AWC), a tenant, is the largest auto processor on the U.S. West Coast.

Exports of logs, 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 business, the NWSA has trade and business development representation in Alaska, New Jersey, Japan, Hong Kong, China and Korea.

Marketing and Business Services Team: This team supports the Business Development team and is responsible for research, data analysis, advertising and marketing activities. This team also manages and administers the NWSA tariff. It also supports the goals of the Commercial Group by providing strategic market research and business intelligence, cargo volume tracking and forecasting.

NWSA Real Estate Team: Non-terminal industrial and commercial properties and facilities in the North and South 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 is responsible for the daily operations of NWSA facilities at both ports.

The Operations Group provides coordination with vessel arrivals and departures, and with the associated stevedores. The Operations group orders and manages labor at the North Intermodal Yard and other locations in Tacoma, and is also responsible for

customer service. The major focus of this department is to ensure the proper processing of all vessels and freight shipments moving through the Puget Sound gateway.

The Operations Department, in conjunction with Tacoma Rail, is responsible for rail service delivery at the South Harbor intermodal yards. This department also operates the North Intermodal Yard, and is the only port 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, public affairs, facilities development and financial services are provided by 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.

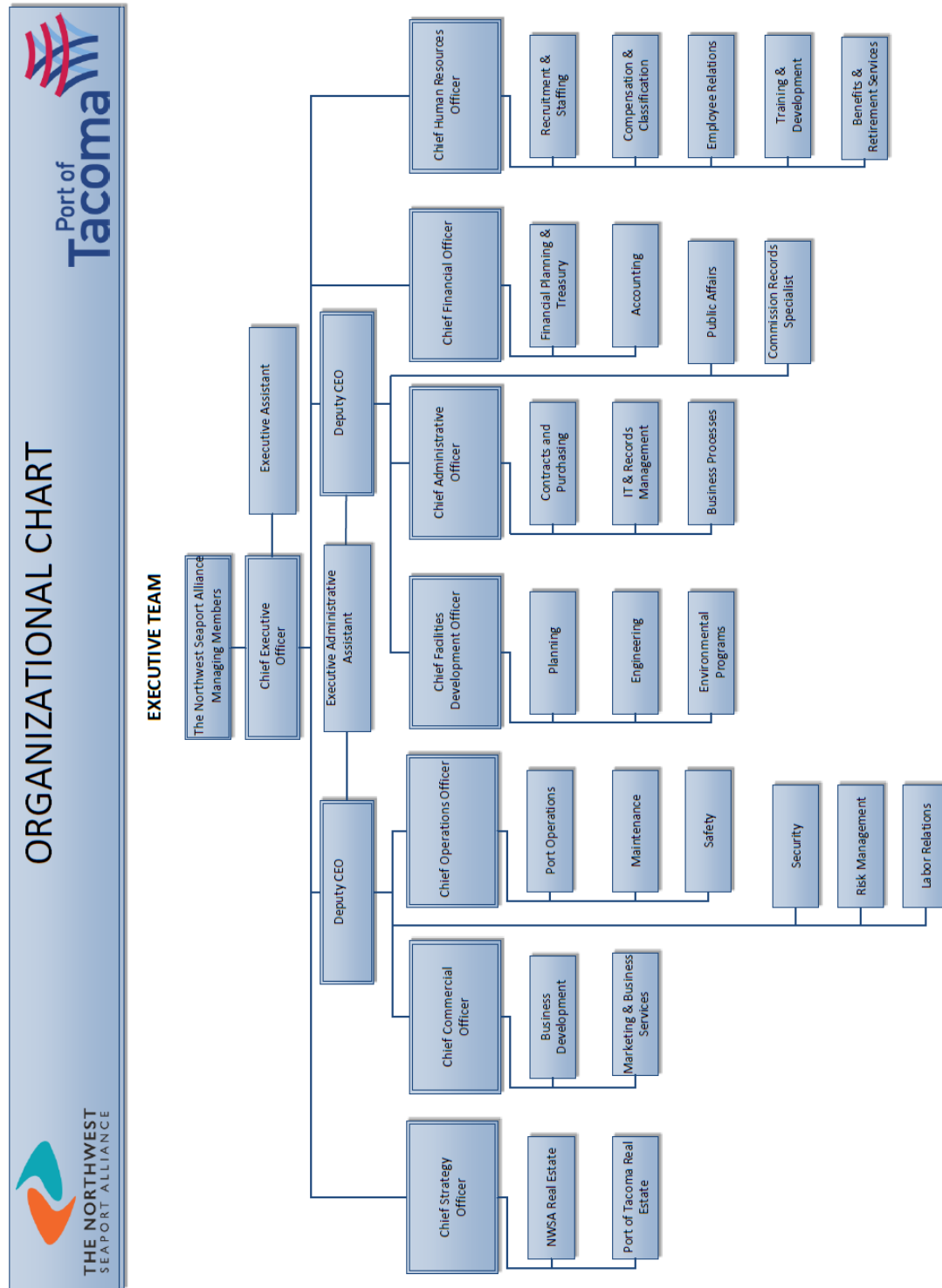
Figure I-1....Northwest Seaport Alliance Facilities – North Harbor



The Northwest Seaport Alliance Budget 2018



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



II 2018 The Northwest Seaport Alliance Budget Message

NWSA Goals

The NWSA has identified six commercial goals to maintain and grow the maritime business in the Puget Sound.

1. **Improve Licensed Alliance Terminal and Waterway Assets to Meet Market Demand**
 - a. Redevelop Husky Terminal and Pier 4 in the South Harbor to increase container throughput and respond to container industry changes
 - b. Modernization of T5 dock, berth and power infrastructure in the North Harbor to meet future container industry demand, increase throughput, and position The Northwest Seaport Alliance gateway strategically
 - c. Complete Seattle Harbor Navigation Improvement project
 - d. Work with U.S. Army Corps of Engineers (USACE) to begin a deepening project study for Tacoma waterways
 - e. Facilitate collaboration between terminal operators and ocean carriers for alliance consolidation
2. **Enhance Alliance, Local and Regional Transportation Infrastructure**
 - a. Participate in partner agency planning efforts to ensure that the alliance's needs are considered and that plans support future business growth
 - b. In partnership with local, state and federal stakeholders, facilitate improvement projects to vital roadways that service alliance customers
 - c. Update the ports of Tacoma and Seattle's Land Use and Transportation Plans and work to maintain and improve freight mobility along the alliance's truck routes
 - d. Design and develop appropriate rail support infrastructure in coordination with Tacoma Rail and the Class 1 railroads
3. **Improve Efficiency and Cost Competitiveness of the Supply Chain**
 - a. Improve the efficiency, service level and cost competitiveness of the intermodal product through the PNW gateway
 - b. Establish an Operations Service Center (OSC) with the mission of providing 'best in class' service delivery and customer care to our customers and stakeholders
 - c. Establish an Executive Advisory Council (EAC) comprised of leaders in the shipping industry – EAC's mission will be to work collaboratively to ensure that the gateway is the easiest and most reliable for doing business
4. **Advance the Alliance's Market Position in the International Shipping Industry**
 - a. Develop marketing materials and outreach programs to advance NWSA competitive position and value proposition with key customer segments
 - b. Develop and implement a comprehensive business development strategy targeting international container carriers, BCOs, NVOs and other supply chain partners
5. **Increase Revenue Through Growth and Diversification**
 - a. Facilitate new project cargo, breakbulk, auto and bulk business opportunities
 - b. Develop and execute a comprehensive business strategy to support the Seaport Alliance's domestic container business
6. **Advance Environmental Stewardship**
 - a. Partner with customers to find innovative solutions to our customers' environmental challenges
 - b. Continuously improve operational efficiency and emission reductions

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, the economic conditions caused by the fiscal crisis of late 2008 have had a significant impact on Asia-Pacific trade, resulting in reduced container cargo volume. The drop in volume, combined with increased competition from Canadian ports as well as ports located on the U.S. West, Gulf and East coasts, have resulted in reduced cargo through the Puget Sound gateway. Due to decreased demand for terminal space, competition among ports for container business has increased.

The ports of Seattle and Tacoma responded to these conditions by reducing costs and focusing on the needs of our current customers. NWSA staff are reviewing both harbor's physical assets to rationalize the facilities and reduce costs where possible.

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 rail car loading above minimums and per unit charges for automobile unloading. Variable revenues also include equipment rental on an hourly basis for crane hours above minimums and straddle carriers used by terminal leaseholders and month to month building or land leases.

2018 Budget

The NWSA has developed an overall operating budget with projected revenue of \$187.5 million. Operating income is budgeted to be \$85.8 million, resulting in an operating margin of 45.8%. The NWSA net distributable revenue of \$93.3 million, which includes grant and interest income, and cash of \$93.2 million will be distributed 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 industrial development and utilization of existing terminal capacity. With this focus the NWSA has reviewed potential assets for revenue generation to ensure that financial and economic growth goals are met.

Major 2018 – 2022 capital projects include the following:

North Harbor

- T-5 wharf redevelopment, including a rail quiet zone and electrical upgrades in the City of Seattle's substation.
- T-46 wharf repair and paving;
- T-18 stormwater improvements;
- Removal of obsolete cranes at several terminals; and

South Harbor

- Completion of a wharf at Husky Terminal to accommodate super post Panamax ships;
- Purchase of eight post-Panamax cranes for Husky terminal;
- Contributions to an improved gate for the General Central Peninsula (Husky and OCT terminals and the North Intermodal Yard);
- Ongoing maintenance of our facilities.

Both Harbors

- Clean air and stormwater investments;

- Investments in numerous environmental remediation and mitigation projects.

The NWSA's 2018 Capital Investment Plan of \$162.7 million represents the first year of the NWSA's 2018-2022 CIP – a package totaling \$568.9 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 Revenue and (2) Return on Assets. 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 a 16-year, \$16 billion statewide transportation package. An estimated \$3.3 billion of those funds will be invested in projects benefiting NWSA terminals.

In 2015 Congress passed the FAST Act, a surface transportation authorization bill that established a new freight funding program. Prior to the FAST Act, few federal investment tools have been available to ports and other local government when it comes to freight infrastructure. The new program could assist the NWSA in making strategic investments in mission-critical freight infrastructure, such as marine terminals, roads and rail.

North Harbor Navigation Improvement Project

The largest container vessels calling West Coast ports today have over two times the capacity of those that called just five years ago. In order to remain a competitive trade gateway, the NWSA is taking steps to upgrade our infrastructure to handle these ships. One such step is to study whether deepening is needed in specific areas adjacent to the NWSA's container terminals in the North Harbor. While channels are mostly -51 feet or deeper, some

shallower spots present navigational and safety challenges. The NWSA partnered with the U.S. Army Corps of Engineers to conduct a feasibility study for deepening the waterways. The recommendation is to deepen the east and west waterway to -57 feet MLLW. This will allow the NWSA to handle fully laden ships larger than 18,000 TEUs. Deepening channels to this depth will require a local financial match of federal dollars, which could come from several sources, including the potential for a contribution from the NWSA.

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 HMT Trust Fund. It is not, however, assessed on importers who route cargo through non-US 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.

The Water Resources Reform and Development Act (WRRDA) passed by Congress in 2014 included language that, for the first time in 30 years, partially reformed the federal Harbor Maintenance Tax to the betterment of Puget Sound ports. The bill allows a select group of donor ports to use HMT funds for berth maintenance and the navigation-related maintenance dredging and disposal of contaminated sediments. The bill also authorizes up to \$50 million in HMT transfers - subject to appropriation - to donor ports and energy ports. This rebate can be used for customer rebates, berth maintenance and in-water environmental remediation. Congress appropriated \$28 million in donor and energy port funding in FY17. Seattle and Tacoma do not plan to spend our ports' share of the funding until the U.S. Army Corps of Engineers issues implementation guidelines for how to administer the customer rebate program authorized under Section 2106 of WRRDA 2014. The NWSA is actively working to encourage the Corps to issue these guidelines, in addition to securing additional

appropriations for—and improvements to—this program.

Conclusion

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

The NWSA is increasingly focused on maximizing the use of existing facilities, working with existing customers to keep them competitive and successful, and continuing to make strategic infrastructure investments that help position the gateway for long-term growth. Through coordinated investments in

maritime assets, the NWSA will help ensure growth in the cargo flow through the Puget Sound.

The NWSA is placing increased emphasis on the importance of developing and strengthening relationships with labor partners, industry stakeholders, customers, and local, state and tribal governments in a collaborative effort to achieve the future vision of the NWSA. This vision must include the road and rail infrastructure that ties the whole 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.

III Business Outlook

U.S. Economy

Real gross domestic product (GDP), defined as the value of the production of goods, increased at an annual rate of 3.0 percent in the second quarter of 2017, up from 1.2 percent in the first quarter of the year. The Department of Commerce Bureau of Economic Analysis (BEA) said the second-quarter increase in real GDP "reflected positive contributions from (personal consumption expenditures), non-residential fixed investment, exports, federal government spending, and private inventory investment that were partly offset by negative contributions from residential fixed investment and state and local government spending. Imports, which are a subtraction in the calculation of GDP, increased."

According to TTX, "consumer spending continued to be the main driver of GDP growth, although investment and net exports also helped boost GDP." Consumer goods spending rose 2.8 percent in Q2, although month-over-month retail sales fell 0.1 percent in May and 0.2 percent in June as sales of gasoline and food, clothing, restaurants and sporting goods declined. Year-over-year retail sales grew 2.8 percent in June, the first time growth was less than 3.0 percent since September of 2016. TTX expects that second half GDP will remain between 2 percent and 2.5 percent, with consumer spending projected to remain below 3 percent.

The U.S. unemployment rate was at 4.4 percent in August 2017 with 156,000 jobs added for the month. Unemployment has held within a narrow range of 4.3 percent or 4.4 percent since April 2017. Most job gains in August occurred in manufacturing, construction, professional and technical services, healthcare, and mining. Employment growth has averaged 176,000 jobs per month this year. In 2016, the average gain was 187,000.

Hurricanes Harvey and Irma are expected to have a significant impact on home construction in the coming months. Most activity will be concentrated in renovation or reconstruction to repair or replace damaged homes. This will prolong the current new housing shortage well into next year. According to

National Association of Realtors' economist Lawrence Yun, the national median sales price for a home has increased 38 percent over the last five years. Existing-home sales fell 1.7 percent in August, the fourth time in five months. In August, 20 percent of transactions were all-cash sales. According to Yun, "What's ailing the housing market and continues to weigh on overall sales is the inadequate levels of available inventory and the upward pressure it's putting on prices in several parts of the country. Sales have been unable to break out because there are simply not enough homes for sale."

The Conference Board reported August's Consumer Confidence Index at 122.9, up from 120.0 in July. According to the Conference Board, consumers are more "buoyant" about present-day conditions. At the same time, consumers do not expect an acceleration in the pace of economic activity. The perception is that the job market is good, with a growth in the number of consumers who feel that jobs are "plentiful."

Shipping Industry

The global container shipping industry has been challenged with the problem of anemic global container volume growth and a severe imbalance in the supply and demand of vessel capacity for a number of years. The overcapacity problem that plagues the industry dates back to the last decade, when significant increases in the price of bunker fuel drove global carriers into a race to build and operate the largest, most fuel-efficient vessels as a means to drive down per unit carrying costs.

The number of mega vessels (more than 13,000-TEU capacity) in service - which predominantly serve the major East-West trade lanes is still growing, and vessels continue to get larger. The record for the world's largest containership has been claimed three times in 2017 alone. The OOCL Hong Kong, the current record holder, has a carrying capacity of 21,413 twenty-foot containers. It is projected that this segment of the global fleet will eventually account for more than 10 percent of global TEU capacity

Competition for market share and the resulting downward pressure on freight rates have generated

multi-billion dollar losses for international container lines over a period of time, and ultimately culminated in the bankruptcy of Hanjin Shipping Line, the world's 7th largest international container carrier, in September 2016.

The downturn in the industry, coupled with the drive to scale operations through increased market share and expansion into new trade lanes has forced carriers to re-evaluate their partnerships and also fueled an intense period of M&A activity amongst carriers. With the recent and upcoming mergers and acquisitions, there will be only 12 global carriers by early 2018, and they will control 83 percent of the fleet. In 2016, there were 20 global carriers. Industry analysts suggest that there is still room for more consolidation going forward.

2017 Developments:

- The Japanese carriers, NYK, K-Line and MOL announced plans to merge their operations starting in 2018
- COSCO Shipping Holdings announced plans to acquire OOIL, the parent company of OOCL, and would become the third largest carrier behind Maersk and MSC
- Hapag-Lloyd completes its merger with United Arab Shipping
- Maersk will acquire Hamburg Sud
- CMA CGM will purchase Mercosul Line from Maersk
- TOTE announced plans to enter the U.S. mainland – Hawaii trade lane in 2020 or 2021
- The 14 South Korea container carriers signed an intra-Asia agreement called the Korea Shipping Partnership
- Hyundai closed its California United Terminals at the end of August.

While carrier alliances and vessel sharing agreements are nothing new to the shipping industry, the shuffling of alliance partners continues. The following list compares 2016 alliances with the newly formed alliances launched in April of 2017.

2016 Alliances & Members

- G6 – APL, Hapag-Lloyd, Hyundai Merchant Marine, MOL, NYK Line, OOCL
- CKYH-E – COSCO, “K” Line, Yang Ming Line, Hanjin Shipping Co., Evergreen Line
- 2M – Maersk Line, Mediterranean Shipping
- Ocean 3 – China Shipping Container Line, CMA-CGM, United Arab Shipping Co.

2018 Alliances & Members

- 2M+H – Maersk, MSC, Hyundai
- Ocean Alliance – CMA CGM (APL), COSCO, Evergreen, OOCL
- The Alliance – Hapag Lloyd (UASC), Yang Ming, MOL, NYK, K-Line

Major Independent Carriers – Hamburg Sud, ZIM, PIL, Wan Hai

Formation of these new alliances has concentrated capacity in fewer hands and allowed ocean carriers to exercise more control over available capacity on major trade lanes through coordinated changes to vessel sailings, schedules, and transit times, thereby influencing freight rates. Longer service strings with more port calls help carriers deploy excess capacity that would otherwise be running empty or delayed at great expense.

The new generation of ultra-large container ships (ULCS) is also having a ripple effect across the U.S. port industry. As the mega-ships come into service in Asia-Europe, vessels they have replaced are slowly being redeployed, primarily to the trans-Pacific trade. These larger ships, with carrying capacity of between 10,000 and 14,000 TEUs, require deeper water, more berth space and additional cranes with a longer reach to work the length of the ship. The larger container volume on each ship also puts strain on landside infrastructure as terminals need more yard space for the loading and unloading of containers, and additional backlands for container storage and operational support. Seaports across the U.S. are engaged in major dredging and infrastructure improvement projects to accommodate the larger

vessels, but port congestion could be an issue until infrastructure catches up.

The global container shipping industry will continue to face challenges, although recent carrier financials and an overall improvement in the volume of global trade indicate that things may be looking up. Success or failure will in large part depend on carriers and their ability to manage global capacity and resist the urge to seek market share through lower rates.

Northwest Seaport Alliance Activity

Containers:

Through August 2017, the NWSA has handled over 2.4 million TEUs (twenty foot equivalent units), a 5.4 percent increase year-to-date. In April, the newly formed international carrier alliances were launched, impacting NWSA volumes. The gateway saw an overall decrease in container volume and a decrease in full imports and full exports in June and July. Intermodal cargo was also impacted. August volumes, however, showed signs of recovery, increasing 6 percent. On the domestic side, the Alaska market continues to struggle. Hawaii volumes are expected to improve.

Container volume as a whole is projected to increase 1 percent to 2 percent annually over the next several years. Factors that could impact NWSA international volumes in 2017 and 2018 include restructured shipping line service rotations with changes to ports of call based on new alliance agreements. The long-term impact on intermodal and international cargo will be monitored. Competition from ports in British Columbia, Canada could also impact cargo volumes for the gateway. Prince Rupert completed the expansion of the Fairview Container Terminal in August. Capacity increased to 1.3 million TEUS from 850,000 TEUs. Both Vancouver and Prince Rupert continue to aggressively pursue U.S. import and export container volumes.

Domestic container volume, which accounts for approximately 20 percent of total NWSA volume, is expected to decrease 8 percent this year and 6 percent next year, primarily due to the weak Alaska market. Alaska volumes are projected to be down in 2018 due to falling state revenues from low oil prices, a decrease in construction spending, and a decrease in consumer spending. Volume projections for Hawaii

are supported by economic growth forecasted for the state (based on tourism), assuming the U.S. economy stays strong. Larger vessels are also expected to cascade into the Pacific Northwest trade route from routes calling southern California.

Breakbulk:

Breakbulk cargo is comprised of commodities that are either too large or unwieldy 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. For 2017, breakbulk tonnage is estimated to reach approximately 163K metric tons. Volume is forecasted to reach 161K metric tons in 2018, a 1 percent decrease from the previous year. This decline is due to weak market conditions. In addition, some traditional breakbulk cargo is now being transported via container ships to take advantage of low freight rates.

Autos:

Auto units for 2017 are forecasted to reach 140K units due to weak consumer demand and an increase in near-sourcing of autos for the North American market from newly constructed factories opening in Mexico. Volumes for 2018 are projected to decrease by 8 percent to 151K units due to new models and stock replenishment. 2019 volumes are expected to decline due to a forecasted drop in auto sales.

Logs:

On the NWSA's bulk side of the business, log exports (metric tons) are forecasted to grow 58 percent in 2017 due to a strong demand by China. The forecast for 2018 and beyond assume demand consistent with 2017 levels.

Molasses & Petroleum:

Petroleum volumes are projected to remain flat, depending on customer demand. Petroleum is forecasted to be 636K metric tons in 2018.

Molasses volumes are expected to grow 42 percent in 2018. 2017 volumes were negatively impacted by high sugar prices. Molasses volume are forecasted to be 49K metric tons in 2018.

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

<u>THE NORTHWEST SEAPORT ALLIANCE CARGO ACTIVITY 5-YEAR FORECAST</u>										
	<u>Actual</u>		<u>Forecast</u>							
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<u>Non-Container Forecast (Thousands of Metric Tons)</u>										
Breakbulk	250	253	234	181	163	164	164	168	171	172
Autos	226	252	271	246	212	223	211	213	215	217
Logs	389	277	237	177	280	280	280	280	280	280
Petroleum	788	998	815	612	636	636	636	636	636	636
Molasses	48	50	44	44	34	49	47	51	51	51
Total Tonnage	1,701	1,830	1,601	1,260	1,325	1,352	1,337	1,347	1,352	1,356
<i>Year over Year change</i>	10%	8%	-13%	-21%	5%	2%	-1%	1%	0%	0%
<u>Container Forecast (Thousands of TEUs)</u>										
International	2,635	2,557	2,761	2,859	2,943	3,041	3,094	3,155	3,218	3,283
Domestic	821	870	769	757	695	652	640	629	614	599
Total TEUs	3,456	3,427	3,530	3,616	3,638	3,693	3,733	3,784	3,832	3,882
<i>Year over Year change</i>	-3%	-1%	3%	2%	1%	2%	1%	1%	1%	1%
<u>Intermodal Yard Lifts*</u>										
Hyundai Intermodal Yard	158,100	157,234	132,655	172,901	111,966	84,373	85,639	86,923	88,227	89,551
North Intermodal Yard	169,185	193,772	227,051	226,329	211,377	207,256	296,637	344,126	349,288	354,527
South Intermodal Yard	83,787	94,924	90,531	84,068	85,727	87,954	89,713	91,507	93,338	95,204
Pierce County Intermodal Yard	75,293	69,870	81,581	92,270	73,049	70,000	70,700	71,407	72,121	72,842
Total Intermodal Lifts	486,365	515,800	531,818	575,568	482,119	449,584	542,689	593,964	602,974	612,125
<i>Year over Year change</i>	11%	6%	3%	8%	-16%	-7%	21%	9%	2%	2%
Log Board Feet	74,340,580	50,502,920	41,679,250	24,921,280	52,451,115	52,451,115	52,451,115	52,451,115	52,451,115	52,451,115
<i>Year over Year change</i>	12%	-32%	-17%	-40%	110%	0%	0%	0%	0%	0%
Vehicle Units	160,419	175,802	183,305	165,687	139,952	150,755	143,217	144,649	146,096	147,557
<i>Year over Year change</i>	8%	10%	4%	-10%	-16%	8%	-5%	1%	1%	1%

* Intermodal Lifts Reported for South Harbor only

IV Operating Budget

Overview

The NWSA operating budget revenue is based on cargo volume forecasts (see Table III-1, page III-4), 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 the 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.

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 August 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 September, 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 budget year. 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 2018 operating budget are a result of economic and industry trends represented in the cargo forecast.

Revenue

- Existing leases continue per existing leases and contracts
- Cargo volumes drive equipment and intermodal revenue and expenses
- Auto and breakbulk imports continue to provide revenue diversity
- Tariff rates are projected to increase between 2% and 2.5%
- Property lease rental rates will increase as specified in contracts

Direct Expenses

- The NWSA has direct headcount of 58 positions. Salaries are expected to increase at 3% growth
- Major operating expenses include removal of obsolete cranes, berth maintenance dredging,

and ongoing maintenance of terminal paving 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 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 budgeted revenues

Financial Practices

The NWSA manages its operations to maximize its financial capacity - to provide the necessary provide adequate home port 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, page III-4)
- **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 by Business

(\$ millions)	2016 Actual	2017 Forecast	2018 Budget
Operating Revenues			
Container	\$163.7	\$163.2	\$158.5
Non Container	20.0	19.3	17.2
Real Estate	11.4	11.4	11.7
Other	-	-	-
Total Operating Revenues	195.2	194.0	187.5
Direct Expenses			
Container	33.5	36.4	35.4
Non Container	8.6	9.0	8.3
Real Estate	0.7	0.7	0.7
Other	12.2	14.7	16.9
Total Direct Expenses	55.0	60.9	61.3
Administration	18.3	22.2	24.2
Security	4.1	4.3	4.8
Environmental	2.2	2.6	4.0
Total Operating Expenses before Depreciation	79.7	90.0	94.3
Depreciation	0.5	2.3	7.4
Total Operating Expense	80.3	92.3	101.7
Income from Operations	\$114.9	\$101.7	\$85.8
Return on Revenue	58.9%	52.4%	45.8%
Non Operating Revenue and Expense	8.3	0.7	7.5
Net Distributable Revenue (Net Income)	\$123.2	\$102.4	\$93.3

Amounts may not foot due to rounding.

Table IV-2....Operating Revenue and Expense Detail

(\$ millions)	2016	2017	2018
	Actual	Forecast	Budget
Property Rental	\$46.9	\$41.0	\$39.2
Sale of Utilities	1.0	0.9	0.9
Services Marine Terminals	119.6	123.4	119.9
Equipment Rentals	17.1	17.9	17.6
Other Revenue	10.7	10.7	9.9
Operating Revenue	195.2	194.0	187.5
Home Port Services Provided	21.6	21.6	25.1
Port Salaries & Fringe	7.4	8.8	9.9
Outside Services	5.4	7.5	6.3
Longshore Labor & Fringe	12.6	12.8	12.8
Direct Expenses	10.0	9.3	9.5
Marketing & Global Outreach	0.4	0.5	1.5
Travel & Entertainment	0.4	0.6	0.7
Maintenance	14.6	20.8	18.5
Office Equipment & Supplies	0.2	0.2	0.3
Utilities	3.6	3.9	4.4
Other Employee Exp	0.3	0.3	0.3
Other Expenses	1.3	1.0	1.1
Environmental	1.9	2.7	3.8
Depreciation	0.5	2.3	7.4
Total Operating Expenses	\$80.3	\$92.3	\$101.7
Operating Income	\$114.9	\$101.8	\$85.8

Amounts may not foot due to rounding.

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

	2016 Actual	2017 Forecast	2018 Budget	Change from Prior Year Forecast
(\$ Millions)				
Operating Revenue	\$195.2	\$194.0	\$187.5	-3.3%
Total Operating Expenses before Dep.	(79.7)	(90.0)	(94.3)	4.8%
Depreciation	(0.5)	(2.3)	(7.4)	227.1%
Operating Income	114.9	101.7	85.8	-15.6%
Non Operating Revenues (Expenses)				
Interest Income	0.4	0.8	0.9	12.2%
Non-Capital Grant Income	0.0	0.0	0.1	∞
Capital Grant Contributions	0.0	0.1	6.6	10158.5%
Other Non Operating Revenue (Expense)	7.8	(0.1)	0.0	-81.4%
Total Non Operating Income (Expense)	8.3	0.7	7.5	976.4%
Net Distributable Revenue (Net Income)	123.2	102.4	93.3	-8.9%
Distributable Operating Cash				
Net Income	123.2	102.4	93.3	-8.9%
Add Depreciation	0.5	2.3	7.4	227.1%
Less Interest Income	(0.4)	(0.8)	(0.9)	12.2%
Less Capital Grants	0.0	(0.1)	(6.6)	10158.5%
Distributable Operating Cash*	123.3	103.8	93.2	-10.2%
Net Position				
Net Position beginning of year	0.0	131.1	217.3	65.7%
Add Contributions and Expected Capital Construction	123.9	87.6	152.4	74.0%
Add Net Distributable Revenue (Net Income)	123.2	102.4	93.3	-8.9%
Less Cash Distributions	(116.0)	(103.8)	(93.2)	-10.2%
Net Position end of year	\$131.1	\$217.3	\$369.8	70.2%

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

Amounts may not foot due to rounding.

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

(\$ Millions)			
	2017 Budget	2017 Forecast	2018 Budget
Port of Tacoma to NWSA	\$29.0	\$29.4	\$33.9
Port of Seattle to NWSA	\$8.4	\$8.2	\$7.7
NWSA to Port of Tacoma	\$1.3	\$1.1	\$1.4

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

<i>(\$ in millions)</i>	2018	2019	2020	2021	2022
Operating Revenue	\$187.5	\$207.9	\$221.7	\$228.8	\$235.4
Total Operating Expenses before Dep.	94.3	118.5	121.8	114.6	117.9
Depreciation	7.4	14.2	19.1	23.4	25.4
Operating Income	85.8	75.2	80.7	90.7	92.1
Capital Grant income	6.6	10.2	3.1	0.0	0.0
Other Non Operating Income	0.9	0.9	0.9	0.9	0.9
Net Distributable Revenue	93.3	86.2	84.7	91.6	93.0
Distributable Cash	\$93.2	\$89.4	\$99.8	\$114.1	\$117.4

Amounts may not foot due to rounding



Activity on the Sitcum Waterway

V NWSA 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.

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

The five-year capital budget focuses on the following strategic and maintenance projects:

Strategic investments:

- Construction of major terminal improvements at the North Harbor Terminal 5
- Purchase eight super-post Panamax container cranes for Husky Terminal
- Rehabilitation of the T-46 dock
- Upgrade T-46 utilities and electrical
- Design and construction of T-46 crane rail and berth extension
- T-18 stormwater utility upgrade

Maintenance investments:

- Pile cap repairs
- 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 stormwater 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)	2016	2017	2018	2019	2020	2021	2022
Historical Capital	12.5						
Planned Capital		87.5	152.4	147.9	109.6	86.7	3.2
Grand Total	\$12.5	\$87.5	\$152.4	\$147.9	\$109.6	\$86.7	\$3.2

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

While the stage of the planning process determines the budgetary category of a particular project, project purpose determines the source of financing. The alliance classifies CIP projects into three types, (as shown below in Table V-2):

- **Revenue-Generating:** Projects developed for a specific customer that will result in a new revenue stream. The NWSA has designated Port-generated operating cash and revenue bonds to fund most of these projects.
- **Revenue Renewal:** Projects developed to renovate or replace obsolete or aging revenue-producing assets. These projects serve to extend existing revenue streams and may offer additional revenue if replacements enhance the efficiencies of operations or offer additional capabilities or value. The ports have designated port-generated operating cash or revenue bonds to fund most of these projects and also may use capital leasing through equipment suppliers or financial institutions.
- **Infrastructure:** Projects developed to enhance infrastructure, support multiple or future

customers or to enhance public infrastructure. Sometimes, other public agencies may participate in funding that otherwise comes from port-generated operating cash, the property tax levy, and general obligation bonds or revenue bonds. They often are complex in nature, with multiple public agencies involved in the planning process and execution.

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.

Table V-3 shows that the NWSA intends to implement \$568.9 million worth of planned projects (capitalized and expensed) in the next five years, with \$162.7 million of that total earmarked for 2018. 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 and revenue when all of the projects are completed. The CIP is the total expected spending of 85 projects, 45 of which are capitalized and 40 expensed as incurred. The expensed projects are captured as expenses in the current year budget and five-year Plan of Finance as incurred. The costs of the capitalized projects are captured as depreciation expense over the estimated life of the projects that may extend beyond five years. The alliance expects depreciation expense will increase when the redevelopment of Terminal 4 is complete and the new cranes are in-service.

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

(\$ Millions)

	2018	2019	2020	2021	2022	Total
Infrastructure	\$8.5	\$8.2	\$6.3	\$5.1	\$5.4	\$33.5
Renewal	87.9	14.4	12.9	4.1	4.0	123.3
Revenue	66.3	148.1	109.2	88.5	0.0	412.1
Grand Total	\$162.7	\$170.8	\$128.3	\$97.7	\$9.4	\$568.9

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

(\$ Millions)

	2018	2019	2020	2021	2022	Total
Capitalized	\$152.4	\$147.9	\$109.6	\$86.7	\$3.2	\$499.8
Operating Expense	9.5	19.3	11.9	6.0	6.3	53.0
Non Operating Expense	0.8	3.6	6.9	4.9	0.0	16.1
Grand Total	\$162.7	\$170.8	\$128.4	\$97.6	\$9.5	\$568.9

Table V-4....Planned Major Projects by Line of Business

(\$ Millions)

	2018	2019	2020	2021	2022	Total
Container Business	\$136.8	\$159.9	\$119.2	\$90.5	\$1.9	\$508.3
Non Container Business	12.4	0.1	0.4	0.1	0.1	13.0
Infrastructure	13.6	10.7	8.8	7.1	7.4	47.5
Grand Total	\$162.7	\$170.8	\$128.3	\$97.7	\$9.4	\$568.9

Table V-5....Net Income Impact of Capitalized Projects

(\$ Millions)

	2018	2019	2020	2021	2022	Total
Container Business	\$136.8	\$159.9	\$119.2	\$90.5	\$1.9	\$508.3
Non Container Business	12.4	0.1	0.4	0.1	0.1	13.0
Infrastructure	13.6	10.7	8.8	7.1	7.4	47.5
Grand Total	\$162.7	\$170.8	\$128.3	\$97.7	\$9.4	\$568.9

Capital Budget 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

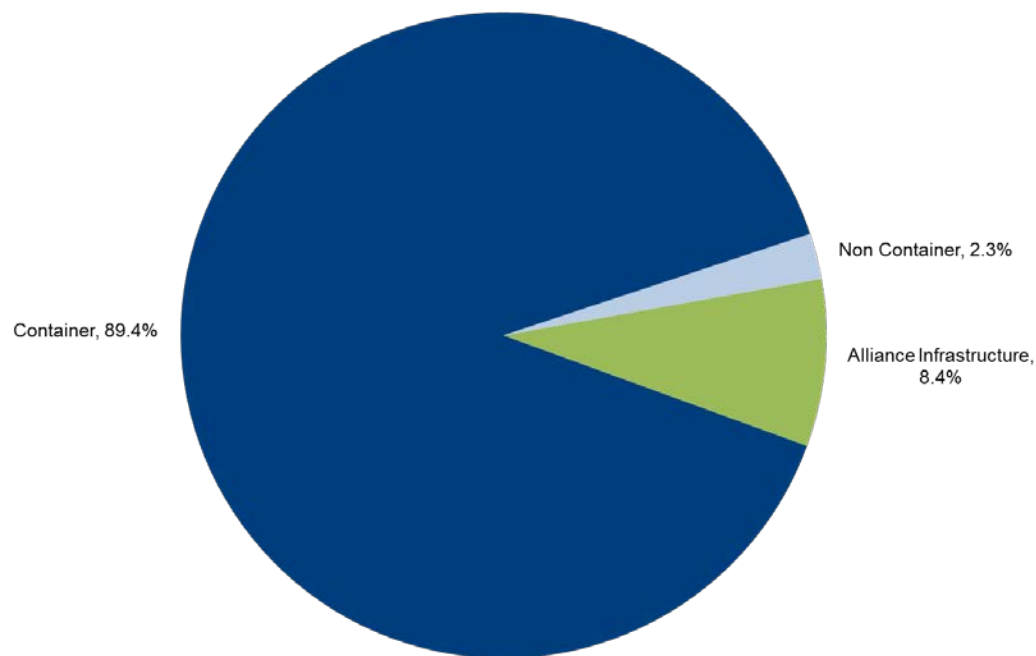
Planned capital expenditures for container terminals will total approximately \$508.3 million over the next five years. The CIP for this business will provide the funds necessary for the construction of major terminal improvements at the North Harbor Terminal 5; T-18

stormwater utility upgrade; T-46 dock rehabilitation, including design and construction; acquire eight container cranes at Husky Terminal, stormwater system at West Sitcum Terminal, pile caps repairs, paving repairs and fender replacements at various terminals.

Non-Container Business

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

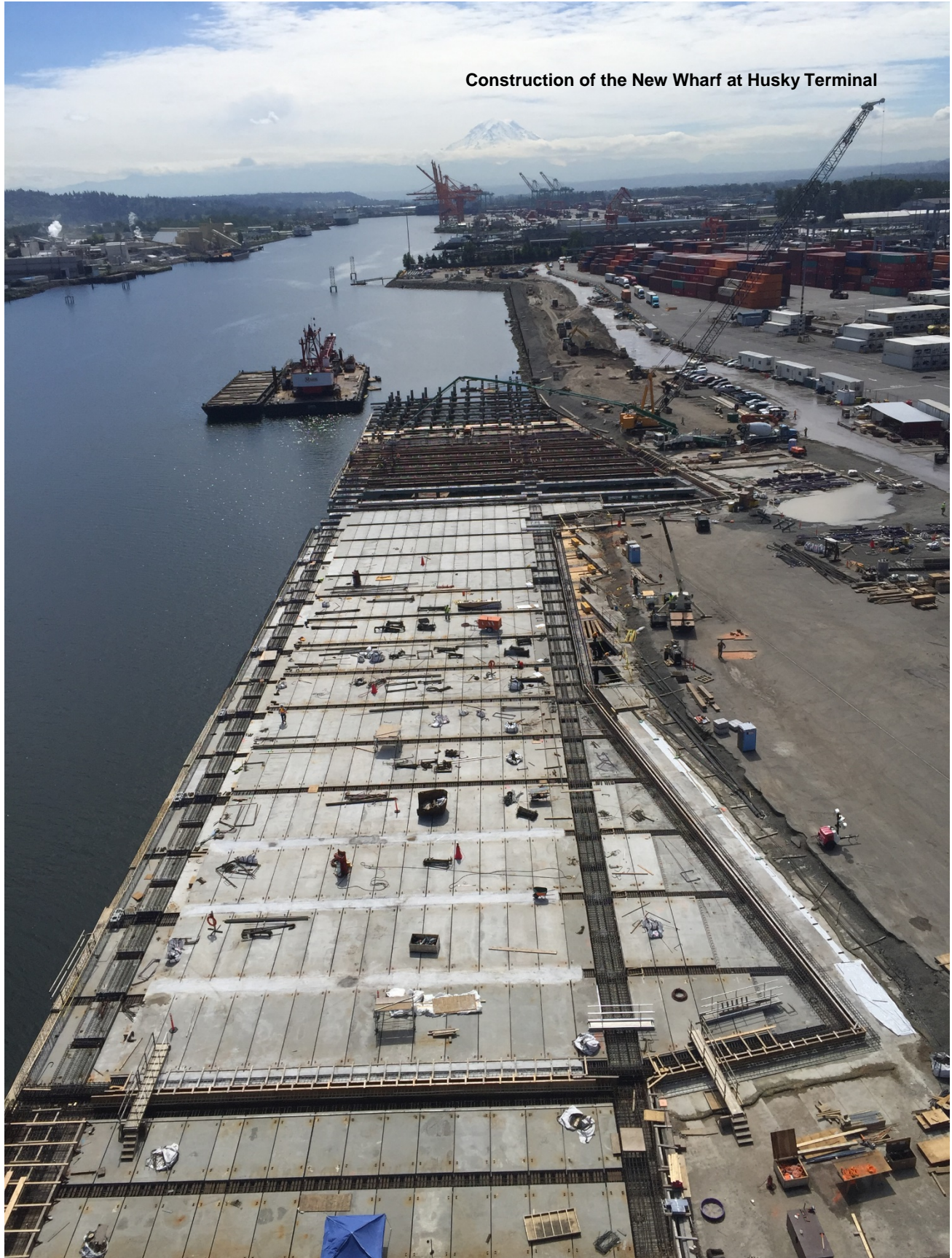
- **Environmental Programs:** These projects include reduction and monitoring of emissions, and ongoing cleanup projects. This also includes the Clean Truck Program, which provides matching funds and incentives to help cover the cost of replacing older trucks with cleaner new trucks.
- **Technology:** The alliance is investing 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.

The alliance maintains sufficient cash reserves to meet the CIP requirements, as well as any unexpected capital requirements, without adversely affecting the ongoing operations of either ports.



Construction of the New Wharf at Husky Terminal

VI Environmental Stewardship and NWSA Planning

Environmental stewardship is a high priority for the NWSA. In 2016 the NWSA Environmental Stewardship Framework was put into action. Specifically, working with our stakeholders, the NWSA developed a Best-In-Class approach built on a foundation of the following:

- Fully integrated environmental, economic and financial business decision planning/making;
- Responsive to market and community;
- Lead market by design and implementation-target market subsidies; and
- Driven by innovative cost/effective solutions.

Program areas of emphasis include:

- Water Quality (source control)
- Air Quality and Sustainable Practices
- Remediation
- Habitat Restoration
- Planning
 - Transportation
 - Land Use
 - Facilities

In 2018, the NWSA plans to focus its environmental efforts on water and air quality, with the bulk of that work on NWSA licensed properties. The NWSA plans to develop additional sustainability strategies to help shape future leasing strategies.

Water Quality Program

Industrial Stormwater Management Program

The NWSA partnership is the framework for an industrial stormwater management program that is a collaborative working group of customers, agencies and environmental organizations in both the North and South harbors. The goal of the Stormwater Workgroup is to be the forum to discuss emerging stormwater issues, common problems and solutions and provide stormwater compliance technical assistance to our customers. Staff engage in extensive stakeholder outreach that includes customers, regulators and the neighboring communities.

Research and Develop Cost-Effective Means to Manage Stormwater

The NWSA continues previous work initiated separately by the ports. The NWSA implements innovative cost-effective treatment methods in the field in an effort to focus in on practical, effective stormwater Best Management Practices (BMPs). This includes conducting pilot studies of new and existing treatment infrastructure that are shared with tenants and customers.

Source Control

Controlling pollutants at or near the source is the most cost effective way of reducing impacted stormwater runoff, managing the risk of costly corrective actions for treatment, and reducing the cost of operations and maintenance of installed stormwater treatment systems.

North Harbor Focus

Most North Harbor tenants have installed or are installing stormwater treatment at their facilities. The challenge going forward is to reduce the cost of operating and maintaining these systems and, if possible, prevent or eliminate the need for stormwater treatment in selected areas. The Stormwater Workgroup continues to focus on maintaining relationships with tenants/customers and work with them to implement at-source and near-source BMPs with these goals in mind.

South Harbor Focus

Most South Harbor tenants have reached consistent attainment or are currently meeting benchmarks for water quality sampling under the Industrial Stormwater General Permit. The Stormwater Workgroup continues to work with tenants/customers to implement at-source and near-source BMPs to ensure continued compliance, and to focus on tenants/customers that may face challenges to meet water quality criteria.

Infrastructure Assessment Program

The Port of Seattle's Stormwater Utility works with the NWSA to facilitate the ongoing assessment of the stormwater system. During the assessment, the lines and vaults are prioritized by condition. Emergency work is completed right away by Marine Maintenance and other work is prioritized based on current functionality and an analysis of cost if maintenance is deferred too long. The Utility anticipates they will have completed most of the assessment by the end of 2019.

Stormwater Development/Redevelopment

Coordination with home port's MS4 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. Both home ports have developed Stormwater Management Guidance Manuals which give specific guidance for development and redevelopment projects to ensure compliance with MS4 requirements.

Projects

Multiple tenant assistance projects at both harbors include installing downspout treatment boxes, infrastructure assessments to identify potential deficiencies, and source control site visits to assist tenants/customers that are permittees under the Industrial Stormwater General Permit.

North Harbor Projects

Design for the redevelopment of Terminal 5 is underway. As part of those efforts the NWSA will focus on cost-effective stormwater treatment solutions as the facility is updated in partnership with a long-term customer. The focus for this project will be to set up both the NWSA and the new tenant for stormwater success.

At Terminal 46, NWSA staff have helped the Terminal Operator design a modification to a proprietary system. These modifications are operational and meeting bench marks. With the departure of Seattle Tunnel Partners in the last sub basin, NWSA staff is currently working with Port of Seattle staff to complete

the design and bid documents and is on track to design and install treatment in 2018.

South Harbor Projects

Stormwater treatment is upgraded as required as part of the reconfiguration of Pier 4 to ensure the terminal has the stormwater infrastructure needed to continue to operate successfully. In the South Harbor a retrofit of an existing oil-water separator and a proprietary water quality vault into media filtration treatment at the EB-1 terminal are complete.

2018 Goals

In 2018 the NWSA stormwater staff will complete performance testing at T-46 and turn the system over to the operator. The NWSA will reach substantial completion on a new treatment facility at the West Sitcum terminal in the South Harbor and will continue our Stormwater Working Group meetings with a goal of 60% tenant / customer attendance.

Air Quality Program

Northwest Ports Clean Air Strategy

The Northwest Ports Clean Air Strategy (NWPCAS) was adopted in 2008 and updated in 2013 as a collaborative effort among Port of Vancouver (Canada), the Port of Seattle, and the Port of Tacoma to reduce air emissions from shipping and port-related activities. The NWPCAS includes goals to reduce emissions of diesel particulate matter and greenhouse gases, and establishes performance targets for various maritime sectors. The NWPCAS will be updated in 2018 to create goals for 2025.

The 2018 NWSA Strategic Business Plan calls for implementing the NWPCAS and identifies specific measures to achieve that. NWSA staff will continue ongoing collaboration with NWPCAS partners to share information, conduct joint projects and publish annual progress reports to the community. The NWSA will seek opportunities to partner with customers and other stakeholders on grant-funded emission reduction projects and pilot studies.

Puget Sound Maritime Air Emissions Inventory

In 2005 and 2011, the partners in the Puget Sound Maritime Air Forum, consisting of the ports of

Tacoma, Seattle, Anacortes, Everett and Olympia; along with Washington State Ferries, Puget Sound Clean Air Agency, Western States Petroleum Association, Pacific Merchant Shipping Association, and others, collaborated on the development of a Puget Sound Maritime Air Emissions Inventory. The 2005 inventory formed the basis of the Northwest Ports Clean Air Strategy. The next inventory will be based on emissions in calendar year 2016 and is underway. As the largest port authority in the Puget Sound Maritime Air Forum, the NWSA will manage the 2016 inventory. The results of the 2016 inventory will be used to assess progress in meeting goals and targets of the Northwest Ports Clean Air Strategy and are expected to be completed by December of this year. A scenario tool will also be deployed based on the data collected in the inventories. This tool will help Ports evaluate the effectiveness of proposed technology upgrades and new emission reduction programs.

Clean Truck Program

The ports of Seattle and Tacoma have had separate Clean Truck Programs since 2008, when the NWPCAS was adopted by the respective port Commissions. The NWPCAS Clean Truck Program targets 100% of trucks serving the gateway to have a 2007 model year or equivalent engine.

The NWSA is providing matching funds for a drayage truck replacement project in 2017-2018, which will be managed by the Puget Sound Clean Air Agency and funded primarily by the Environmental Protection Agency Diesel Emissions Reduction Act grant. It will provide incentives for 70 trucks to be scrapped and replaced with cleaner models.

Additionally, the NWSA will partner with near-port community groups to develop projects to further mitigate emissions from port-related activities.

Greenhouse Gas Reduction Resolution

In 2017, the NWSA Managing Members revised the greenhouse gas reduction goal outline in the NWPCAS and adopted greenhouse gas reduction targets in keeping with the Paris Agreement and in alignment with the global reductions necessary for keeping warming to within 2-degrees Celsius by 2050. The Alliance will reduce greenhouse gas emissions within the Puget Sound airshed as follows:

By 2030:

- 50% below 2005 levels (scope 1, 2 & 3 emissions)

By 2050:

- Carbon Neutral (scope 1 & 2 emissions)
- 80% below 2005 levels (scope 3 emissions)

To accomplish these goals, the Alliance will advance initiatives specific to the operations it controls and work to influence other stakeholders whose emissions fall beyond the Port's authority. The Alliance is committed to partnering with tenants, cargo owners, shipping lines, manufacturers, warehousing and other key stakeholders to drive demand for cost-effective and innovative greenhouse gas reduction technologies and solutions to meet our collective goals.

Green Marine

Green Marine is a maritime environmental organization that offers a certification program for the North American marine industry. To receive certification, members benchmark their environmental performance each year and have bi-annual verification of results. The NWSA joined this organization in 2016 and began the self-assessment process. This work will continue in 2018, with results scored and published by Green Marine. NWSA staff participate in technical advisory groups to guide updates to the program.

Ship to Shore Power Expansion

Both the ports of Tacoma and Seattle have provided shorepower at some berths. The NWSA will continue to look for additional opportunities to leverage public and private funding for additional shorepower installations, and ensure terminal designs include shorepower capability. This is consistent with the NWSA Strategic Plan and Northwest Ports Clean Air Strategy to reduce particulate emissions.

Planning

The Planning Team provides a range of services from strategic to site planning. Some of our primary services include planning for marine terminals and supporting infrastructure, port master planning, optimizing port operations and determining the

operational and financial feasibility of new port and marine investments. Port Planning also coordinates baseline studies to facilitate decision making about investments and operations.

Planning Overview:

- **Facility Planning:** Port Planning has experience with developing port industrial lands, equipment costing, industrial warehouse location and layout analysis.
- **Operations, Planning, and Research:** Planning supports Port Operations in optimizing gates and terminals, analyzing traffic flow and circulation, and evaluating new communications and data collection technologies.
- **Project Feasibility Development:** The Planning Team supports Facilities Development by maintaining a general understanding of all focus areas within the group, especially the environmental specialties. With this overall perspective the team is able to assist with opportunity assessment review and strategic port planning.
- **Economic and Financial Analysis:** Services include: cost benefit studies, economic risk analysis, financial analysis, market studies, multi-modal and system optimization of transportation networks, and defining development concepts and economic strategies.
- **Strategic Planning:** Services include: developing business plans, master plans, and financial projections. The Planning

Team reviews and provides comment on new and updated local, state, and federal policy and regulatory documents to protect the interests of the Port. These plans can range from State Freight Master Plans to City Comprehensive Plans.

- **Grant Coordination:** Planning helps coordinate grant application efforts to ensure a unified and sensible approach. We look for grants to help offset the cost of facility, technology, and planning work whenever feasible. Our coordination efforts encompass tracking priority projects and possible grants, and keeping up to date on the progress of projects that benefit from grant dollars. We provide staff support to the Grant Steering Committee.

2018 Planning Goals

The goals for 2018 include initiation of a Tideflats Subarea Plan process with the City of Tacoma, coordination of shoreline permit condition requirements for Terminal 5, increased coordination and communication with the NWSA Operations and Commercial teams, management of Port related grant applications

Appendix A Bond Income Calculation

The Northwest Seaport Alliance Charter requires the establishment of a Bond Income Calculation. Section 4.2 (b) states:

Bond Income Calculation. Managing Members shall establish and maintain a requirement for the PDA to calculate and establish a minimum level of net income from the PDA equal to the amount currently required for the Homeports to meet their current bond rate covenants ("Bond Income Calculation"). The Managing Members shall require the Bond Income Calculation to be reviewed annually as part of the PDA budget process and the Managing Members may adjust the Bond Income Calculation so long as it does not cause any Managing Member to fail to comply with its rate covenant. The PDA may not take any action that reasonably would reduce PDA income below the minimum level established by the Bond Income Calculation unless each Homeport separately votes to approve that action. Such a vote by each Homeport must occur even if the action is within the CEO's authority under the Delegation of Authority Master Policy. If net income before depreciation of the PDA is not sufficient for either Homeport to be in compliance with a rate covenant (as currently described in each Homeport's Master Bond Resolutions in effect as of the Effective Date), then:

- (i) Upon that Homeport's request, the PDA shall hire an independent third party consultant to perform analysis and make recommendations for actions needed to achieve bond covenant compliance.
- (ii) If the consultant recommends an action that the PDA is unwilling, unable or refuses to undertake, either Managing Member can require dissolution of the PDA following the dispute resolution process even if within the Initial Period.
- (iii) The PDA shall have at least four months to respond, act and or dissolve following its receipt of the consultant's recommended action, unless a shorter time is required by the applicable bond covenants.

The Managing Members established the Bond Income Calculation as \$90 million based on the currently outstanding debt of each Port, the applicable rate covenants and certain other net revenues available for debt service, as appropriate.

Appendix B Capital Construction

The Northwest Seaport Alliance Charter requires the funding of Capital Construction. Section 3.12 states:

Separate from Working Capital, the PDA shall provide for the funding of capital expenditures ("Capital Construction") to be funded by a pro rata initial contribution from each Managing Member based on their respective Membership Interests. Managing Members may approve by vote contributions to Capital Construction in amounts other than based on each Managing Members' pro rata respective Membership Interests on a project-specific basis. Requests for funding Capital Construction shall be based on the CEO's periodic projection of PDA capital project cash flow needs. Managing Members may consider requests for additional contributions to the PDA, the affirmative approval of which will require a vote by each Managing Member. Capital Construction shall be funded by each Managing Member separately and not from Working Capital. Distributions of Capital Construction funds will be made expressly subject to either (1) Managing Member approval of capital projects or (2) CEO approval of capital expenditure, where such expenditure is within the levels set in the Delegation of Authority Master Policy.

The Managing Members established the initial Capital Construction as \$27 million based on the proposed 2016 NWSA Capital Improvement Plan. Additions to NWSA Capital Construction have been made as necessary to fund Managing Member approved projects. As of Q3 2017, a total of \$211 million of Capital Construction funds have been approved.

Appendix C NWSA Full Time Personnel

	2017 Budget	2017 Actual 10/11/2017	2018 Budget
Executive	13	11	12
Commercial Business	37	28	38
Facilities Development	9	7	8
Total	59	46	58

Appendix D NWSA Memberships

Overview

The NWSA pays for a variety of memberships on behalf of the NWSA and/or individual staff. The NWSA believes this investment in 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 the business people and to ensure that the NWSA's interests and concerns are addressed in the community.

Budgeted annual NWSA Memberships & Personnel Memberships (estimated)

Organization	Annual Dues
American Association of Port Authorities	\$50,000
Pacific Northwest Waterway Association	26,765
WA. Council on Int'l Trade	20,000
Global Leadership	15,000
Coalition for America's Gateways & Trade Corridors	13,000
All Other Memberships	66,011
Total NWSA Memberships	\$190,776

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.

Coalition for America's Gateways & Trade Corridors

The Coalition raises public and Congressional awareness of the need to expand U.S. freight transportation capabilities and to promote sufficient funding for trade corridors and freight facilities.

The Northwest Seaport Alliance

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