THE NORTHWEST
SEAPORT ALLIANCE

2019 Financial Results

As of December 31, 2019

UNAUDITED

February 14, 2020

THE NORTHWEST SEAPORT ALLIANCE

2019 Financial Results

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*Real Estate Broker Commissions report omitted as there is nothing to report for 2020.

THE NORTHWEST SEAPORT ALLIANCE

Executive Summary

(Dollars in Thousands)	2019				2018		
			VARIANCE			VARIANCE	
DESCRIPTION	BUDGET	ACTUAL	FAV/(UNFAV)	%	ACTUAL	FAV/(UNFAV)	%
Revenue	$ 199,449	$ 195,022	$ (4,427)	-2%	$ 192,574	$ 2,448	1%
Operating Expense	113,946	100,501	13,445	12%	89,132	(11,369)	-13%
Operating Income	**85,503**	**94,521**	**9,018**	**11%**	**103,442**	**(8,921)**	**-9%**
Interest Income (Expense)							
Interest Income	1,462	1,608	146	10%	1,254	354	28%
Market Value Adjustment	-	405	405	0%	23	382	1661%
Net Interest Income	**1,462**	**2,013**	**551**	**38%**	**1,277**	**736**	**58%**
Non-Operating Income/(Expense)	(3,438)	(4,444)	(1,006)	-29%	3,361	(7,805)	-232%
Grant Income	4,294	3,868	(426)	-10%	3,905	(37)	-1%
Net Income	**$ 87,821**	**$ 95,958**	**$ 8,137**	**9%**	**$ 111,985**	**$ (16,026)**	**-14%**

2019 NWSA net income of $96.0 million was $8.1 million more than budget and $16.0 million less than the prior year.

Compared with budget, operating revenue was down $4.4 million and operating expense was down $13.4 million, resulting in operating income that exceeded budget by $9.0 million. Net interest income was above budget $0.6 million, most of which was for non-cash market valuation adjustments. Non-operating expense was above plan $1.0 million due to non-capital expenses related to the T-5 project and grant income was less than budget $0.4 million due to timing on the TIGER grant.

Compared with the prior year, operating income was down $8.9 million. Interest income was up $0.7 million over the prior year, including $0.4 million for non-cash market valuation adjustments. Non-operating expense was $7.8 million more than the prior year as current year costs included $3.7 million for sound mitigation barriers related to the Terminal 5 project, offset by prior year income of $3.1 million for the tenant's contribution to stormwater improvements.

For additional details about operating revenues and expenses, refer to the Actual vs Budget and Actual vs Prior Year sections below.

Balance Sheet and Cashflow- The ending cash and investment balance was $77.3 million, compared to $77.4 million in the prior year. Cash earned from operations is distributed back to the homeports and any increase/decrease in total cash is generally due to the timing of payments and collections of cash and the receipt of interest and grants, which are currently not included in cash distributions and are retained by the NWSA.

Cash used for NWSA capital expenditures was $99.3 million and the homeports contributed cash of $80.7 million for capital funding. Capital construction projects are funded on a "pay as you go" basis on a one-month lag. Major capital expenditures in 2019 included: were for T4 cranes $36.2 million, T5 berth modernization $23.0 million, T46 dock rehabilitation $10.5 million and stormwater upgrades at both harbors $6.8 million.

Operating Income by Line of Business

(Dollars in Thousands)	2019				2018		
			FAV/(UNFAV)			FAV/(UNFAV)	
DESCRIPTION	BUDGET	ACTUAL	$	%	ACTUAL	$	%
Container							
Operating Revenue	$168,366	$160,566	($7,800)	-5%	$159,667	$899	1%
Operations	29,367	26,533	2,834	10%	23,288	(3,245)	-14%
Maintenance	13,239	11,604	1,635	12%	9,446	(2,157)	-23%
Depreciation	11,405	10,286	1,118	10%	5,882	(4,404)	-75%
Total Operating Expense	54,011	48,423	5,587	10%	38,616	(9,807)	-25%
Operating Income - Container	114,355	112,143	(2,213)	-2%	121,051	(8,908)	-7%
Non-Container							
Operating Revenue	18,614	21,550	2,936	16%	20,745	806	4%
Operations	8,312	9,386	(1,075)	-13%	8,195	(1,192)	-15%
Maintenance	2,555	1,942	613	24%	1,549	(393)	-25%
Depreciation	1,060	614	445	42%	173	(441)	-255%
Total Operating Expense	11,927	11,942	(16)	0%	9,917	(2,026)	-20%
Operating Income - Non-Container	6,687	9,608	2,920	44%	10,828	(1,220)	-11%
Real Estate							
Operating Revenue	12,469	12,906	437	4%	12,162	743	6%
Operations	402	261	141	35%	227	(34)	-15%
Maintenance	496	378	118	24%	650	272	42%
Depreciation	100	101	0	0%	98	(3)	-3%
Total Operating Expense	998	740	259	26%	975	235	24%
Operating Income - Real Estate	11,471	12,166	696	6%	11,187	979	9%
Other Expenses							
Commercial Administration	12,413	11,112	1,301	10%	11,530	418	4%
Infrastructure and Administration Exp	34,598	28,283	6,314	18%	28,094	(189)	-1%
Total Operating Income	$85,503	$94,521	$9,018	11%	$103,442	($8,921)	-9%

Actual vs Budget

Container Business (Container Terminals and Intermodal)

Container business operating revenue and expense were below plan, but offset, resulting in a net negative variance of $2.2 million of operating income. Operating revenue was down $7.8 million. Rent was down $5.0 million as T-46 was down $2.0 million due to TTI ceasing operations which triggered the write-off of $2.3 million in non-cash lease incentives, East Sitcum was down $1.9 million as a new lease with Ports America is generating less revenue than expected and lower revenue generated from Foss at T-5 causing revenue to be down $1.5 million versus budget. Total operating expense was below budget $5.6 million as operations expense was below plan $2.8 million due to lower strad rental expenses (which were offset by costs related to the Puget Soundkeeper lawsuit), maintenance costs were below plan $1.6 million ($1.3 for lower crane maintenance costs and $0.3 million for lower than expected spending on major repairs) and depreciation was below plan $1.1 million due to timing of T4 crane acquisition.

Operating revenues of $160.6 million were below budget $7.8 million.

- East Sitcum revenue was down $3.1 million mostly due to a Ports America lease which is generating less revenue than expected.
- T-46 revenue was down $1.8 million as TTI ceased operations triggering the write-off of $2.3 million in non-cash lease incentives, which negatively impacted revenue (the incentives included an impact fee and sales tax paid on cranes sold to TTI).
- T-5 revenue was down $1.5 million due to budget assuming more revenue generated from Foss lease.
- Intermodal revenue was on plan. Revenue was below budget $0.9 million at SIM due to competitive truck rates and Union Pacific's precision scheduled railroading strategy which has shortened domestic train lengths and $0.1 million at NIM (volumes down 14% and 1%, respectively) but was offset by revenue above budget $0.1 million at HIM and $0.1 million at PIM (volumes up 5% and 20%, respectively).

Operating Expenses of $48.4 million were $5.6 million and 10% below budget.

- Husky operating expense was down $3.0 million due to lower crane maintenance than expected, timing on project spending, extended gate program and lower strad rental expense (strad hours down 31%).
- T-18 operating expense was down $0.7 million as settlement/subsidence work was less than anticipated, maintenance down $0.4 million for costs anticipated to be incurred in 2020, and depreciation up $0.3 million.
- E. Sitcum operating expense down $0.4 million due to lower crane maintenance than expected and lower strad rental expense (strad hours down 11%).
- PCT operating expense was down $0.2 million for culvert repairs.
- Operations expense at T-46 was down $0.4 million due to lower operating expenses for lower maintenance costs of which about $0.5 million is anticipated to be incurred in 2020, offset by litigation costs associated with the Puget Soundkeeper lawsuit.

Non-Container Business (Autos and Breakbulk)

Operating Revenues of $21.6 million were $2.9 million and 16% above budget.

- Breakbulk revenues were above budget $2.2 million as volumes were up 29%. Revenues at the EB-1 terminal exceeded budget by $1.7 million as the mix of cargoes generated higher service charges, truck loading, and manhour service revenues; and P7 generated revenues that exceeded budget by $1.0 million due to unbudgeted military cargoes and additional overflow cargo handled at the terminal; offset by log business revenues down $0.6 million as the lease with the log processer was terminated.

- Auto revenues exceeded budget by $0.8 million as a total unit volume of 121,134 exceeded budget by 6%.

Operating Expenses of $11.9 million were $16k over budget.

- Operations expenses were up $1.1 million for additional volumes, offset by maintenance below plan $0.6 million primarily due to timing of $0.4 million on planned paving projects have not been completed. It should be noted that the breakbulk operation did experience higher expenses due to managing a congested yard. These additional costs were offset by additional revenue earned.

- Depreciation expense was lower than planned by $0.4 million for timing on asset additions.

Real Estate

Operating Revenues of $12.9 million were above budget $0.4 million and 4%.

Operating Expenses of $0.7 million were below budget $0.3 million and 32%.

Other (not LOB-specific) Operating Expenses

- Commercial Administrative expenses were below budget $1.3 million due to several offsetting variances, with no individually significant items.

- Infrastructure and other Administration expenses were below budget by $6.3 million as homeport support service agreement allocations were below plan $2.1 million (driven by staffing, IT data services and hardware/software maintenance spending below plan in the homeports); environmental expenses were below plan $1.3 million primarily for lower spending on stormwater compliance projects and air quality projects (some of this is timing as several projects have been pushed out to 2020); depreciation costs were down $0.6 for timing on asset additions; consulting and legal costs below plan $0.4 million. There were several other offsetting variances, but no significant items of note.

Year to Date vs. Prior Year

Container Business (Container Terminals and Intermodal)

Container business revenue was relatively flat versus the prior year, increased $0.9 million, as container volume was strong early in 2019 from importers moving orders forward to stay ahead of tariffs and tapered later in the year, ending slightly down (0.6%) compared to the prior year. While overall revenue was flat, lease expirations and terminations along with effects of the new carrier alliances that shifted cargo between terminals resulted in offsetting revenue variances over the prior year at several terminals. The completion of Husky terminal with eight new super-post-Panamax cranes increased rental revenue by $2.4 million and the redevelopment of Terminal 5 which relocated customers in the North Harbor increased revenue by $1.0 million, and lease escalations were up $2.7 million. Lease terminations at the East Sitcum Terminal and Terminal 46 of $6.0 million offset these increases. Intermodal revenue was up $0.9 million due to positive variances at the PIM, HIM and NIM which were offset by competitive trucking rates, shorter domestic train lengths from the Union Pacific's precision scheduled railroading strategy and blank sailing causing the SIM to be below the prior year $0.7 million. Container operating expenses of $48.4 million increased by $9.8 million over the prior year driven by depreciation up $4.4 million in depreciation primarily due to the redevelopment and new cranes at Husky Terminal, crane removal costs at Terminal 18 and Terminal 46 of $2.4 million and higher maintenance costs of $2.1 million primarily for paving at several terminals.

Operating Revenues of $160.6 million were up $0.9 million and 1% versus the prior year.

- Husky revenue was up $2.4 million as property used during construction was put back in service (rents up $1.2 million) and a new rate structure for the new cranes (revenue up $1.5 million) offset by strad hours down 18% (revenue down $0.2 million).
- WUT revenue was up $2.0 million over the prior year due to a lease amendment and escalation.
- Total Intermodal lift revenue was up $0.9 million. Lift revenue was up $0.6 million at PIM, $0.5 million at HIM and $0.5 million at NIM (lift volumes up 13%, 10% and 1%, respectively). This was mostly due to greater TEUs at Pierce County Terminal, Washington United Terminal and Husky, up 5%, 12% and 1% respectively. This was offset by lift revenue down $0.7 million at SIM (volumes down 14%) due to competitive trucking rates, Union Pacific's precision scheduled railroading strategy which has shortened domestic train lengths and more blanks sailings versus the prior year.
- East Sitcum revenue was down $4.1 million over the prior year as TEUs were down 20% due to the departure of Hapag Lloyd and ONE, translating into lower crane and strad revenues and a new lease with Ports America is generating less revenue than prior year.
- T-46 revenue was down $1.9 million as TTI ceased operations in June 2019 triggering the write-off of lease incentives, which negatively impacted revenue (the incentives included an impact fee and sales tax paid on cranes sold to TTI).

Operating Expenses of $48.4 million were up $9.8 million and 25% from the prior year.

- Depreciation expense increased by $4.4 million, primarily due to the improvements at T4.
- Operations expense at T-18 was up $2.4 million for the removal of cranes.
- Husky maintenance expense up $1.3 million primarily due pier 4 improvements and crane maintenance up $1.0 million for 4 additional cranes.
- PCT expense up $1.2 million due to extended gate program and pavement repairs.
- W. Sitcum maintenance expense up $0.4 million for a roof coating project.
- Operations expense was up $0.8 million at NIM for IPI incentive, higher longshore expense to support volumes and higher strad expense.
- WUT expense up $0.7 million as maintenance was up $0.5 million mostly for a 2019 cap repair.

Non-Container Business (Autos and Breakbulk)

Operating Revenues of $21.6 million were $0.8 million more than the prior year.

- Breakbulk revenues were up $0.2 million as volumes decreased by 3%. EB-1 revenues were up $0.7 million for additional volumes and P7 revenues were down $0.3 million due to a reduction in military cargoes. In addition, the log facility generated $0.3 million less primarily due to lower dockage (fewer vessels) and wharfage.

Operating Expenses of $11.9 million were up $2.0 million compared with the prior year.

- Operations expense were up $0.7 million, including longshore costs of $0.8 million, and equipment rents of $0.1 million. This is offset by a decrease in Security costs by $0.1 million.

- Depreciation expense was up $0.4 million due to new assets placed into service in 2018 and 2019.

Real Estate

Operating Revenues of $12.9 million were up $0.7 million and 7%.

- Rent revenue was up $0.4 million at T25 due to new leases (Kiewit Infrastructure and United Parcel Service) and escalations.
- Rent revenue was up $0.1 million at T104 due to new leases and escalations

Operating Expenses of $0.7 million were down $0.2 million versus the prior year due to lower maintenance costs.

- Maintenance was down $0.3 million at T115

Other (not LOB-specific) Operating Expenses

- Commercial Administration expenses of $11.1 million were slightly lower than the prior year.

- Infrastructure and other Administration expenses increased by $0.2 million and 1% as there were several offsetting variances, with no individually significant items to note.

NOTE: An objective of operating statements would be to associate and reflect periodic depreciation expense with the related revenue generation, when calculating the Net Income earned by the NWSA (and subsequently distributed to the homeports). In accordance with the NWSA Charter, capital assets of the homeports existing at the start of the Alliance remain with the homeports. Thus, the depreciation expense for these capital assets, now licensed to the NWSA and relevant toward generating NWSA revenues, is not reflected in the NWSA Statement of Revenue and Expenses. Rather, the depreciation expense is recorded in the respective homeports' financial statements. Capital assets completed by the NWSA since the start of the Alliance and the related depreciation expense, however, are reflected in the NWSA operating statements.

NW Seaport Alliance Scorecard

December 31, 2019

CARGO VOLUME

	2018 Total	2019 YTD Actuals	2019 Budget
Containers (TEUs)			
International	3.1 M	3.1 M	3.1M
Domestic	0.7 M	0.7 M	0.7 M
Break Bulk (Metric Tons)	249 K	246 K	181 K
Autos (Units)	141 K	156 K	183 K

FINANCIAL RETURNS

$ in millions	2018 Total	2019 YTD Actuals	2019 YTD Budget
Operating Income *(Before Depreciation)*	$103.4	$94.5	$85.5
Return on assets	8.4%	7.1%	6.5%

JOB CREATION

	2018 Total	2019 YTD Actuals	2019 Target
ILWU Hours	4.7 M	4.7 M	4.7 M

ENVIRONMENTAL STEWARDSHIP

	2018 Results	2019 Actuals	2019 Target
Water Quality (Improve Source Control)	243 Acres	195 Acres	53 Acres
Air Quality (Reduce Greenhouse Gas Emissions)	15% Terminals; Executed Fuel Efficiency Plans; 100% Trucks 2007 Engines or Newer	15% Terminals; Executed Fuel Efficiency Plans	36% Container Terminals Executed Fuel Efficiency Plans

THE NORTHWEST SEAPORT ALLIANCE

NORTHWEST SEAPORT ALLIANCE
Statement of Revenue and Expense
Year to Date Budget vs Actual
North & South Harbor
December 31, 2019
(Dollars in Thousands)

	2019				2018	
	BUDGET	ACTUAL	VARIANCE	VAR %	ACTUAL	VARIANCE
Revenue	$199,449	$195,022	($4,426)	-2%	$192,574	$2,448
Operating Expenses	113,946	100,501	13,445	12%	89,132	(11,369)
Operating Income	**85,503**	**94,521**	**9,018**	**11%**	**103,442**	**(8,921)**
Interest Income (Expense)						
Interest Income	1,462	1,608	146	10%	1,254	354
Market Value Adjustment	0	405	405	0%	23	382
Net Interest Income	**1,462**	**2,013**	**551**	**38%**	**1,277**	**736**
Non-Operating Inc/(Exp)	(3,438)	(4,444)	(1,006)	-29%	3,361	(7,805)
Grant income	4,294	3,868	(426)	-10%	3,905	(37)
Net Income	**$87,821**	**$95,958**	**$8,137**	**9%**	**$111,985**	**($16,026)**

NORTHWEST SEAPORT ALLIANCE
North & South Harbor
Trended Statement of Revenue and Expense
December 31, 2019
(Dollars in Thousands)

	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Operating Revenues	**$20,024**	**$18,472**	**$15,877**	**$18,172**	**$16,079**	**$15,874**	**$14,522**	**$16,015**	**$15,058**	**$16,663**	**$14,893**	**$17,102**	**$16,294**
Operations	5,795	3,630	2,924	7,598	3,559	3,280	3,248	3,300	3,837	3,696	3,416	3,103	3,436
Maintenance	1,164	1,423	1,401	1,491	1,438	1,379	1,252	1,668	1,235	1,391	1,667	1,514	2,600
Administration	1,258	1,569	1,494	1,777	1,826	1,664	1,712	1,599	1,546	1,621	1,723	1,747	1,404
Security	130	398	360	394	424	503	425	410	411	387	413	370	278
Depreciation	407	745	748	773	771	769	1,512	598	957	1,129	1,083	1,092	1,096
Environmental	347	94	171	113	86	167	96	85	87	106	107	87	89
Total Operating Expense	**9,101**	**7,859**	**7,098**	**12,146**	**8,104**	**7,762**	**8,245**	**7,660**	**8,073**	**8,330**	**8,409**	**7,913**	**8,903**
Operating Income	**10,923**	**10,613**	**8,779**	**6,026**	**7,975**	**8,112**	**6,277**	**8,355**	**6,985**	**8,333**	**6,484**	**9,189**	**7,391**
Interest Income	(1,002)	176	146	94	114	173	152	123	131	121	140	120	117
Market Value Adjustment	158	38	3	121	10	135	22	14	79	(15)	12	(13)	(2)
Grant Income	3,855	0	0	0	478	767	0	840	(4)	544	0	254	989
Misc. Non Op Income/(Expense)	3,510	(10)	(50)	35	(65)	0	(232)	(37)	(3)	(2)	(1,207)	(1,011)	(1,861)
Non-Operating Revenue & (Expense)	**6,521**	**204**	**99**	**250**	**537**	**1,075**	**(58)**	**940**	**203**	**648**	**(1,055)**	**(650)**	**(757)**
Net Income/(Loss)	**$17,444**	**$10,817**	**$8,878**	**$6,276**	**$8,512**	**$9,187**	**$6,219**	**$9,295**	**$7,188**	**$8,981**	**$5,429**	**$8,539**	**$6,634**

NORTHWEST SEAPORT ALLIANCE
Statement of Net Position
North & South Harbor
December 31, 2019
(Dollars in Thousands)

	Current Year	12/31/2018
ASSETS		
Cash	$1,083	$10,261
Investments	76,246	67,176
Total Cash & Investments	**77,329**	**77,437**
Net Trade A/R	18,844	14,448
Related Party Receivables - JV	14,781	10,696
Other Receivables	2,817	2,735
Total Current Assets	**113,771**	**105,316**
Capital Assets	284,191	193,052
Construction in Progress	50,016	50,203
Less Accumulated Depreciation & Amortization	20,260	9,019
Capital Assets, Net	313,947	234,236
Lease Receivable - GASB 87	102	2,600
Total Other Long-term Assets	**102**	**2,600**
Total Assets	**$427,820**	**$342,152**
Deferred Outflows of Resources		
Pension Deferred Outflow	1,488	1,652
Total Assets and Deferred Outflows	**$429,308**	**$343,804**
LIABILITIES AND EQUITY		
Accrued Payables	$18,422	$16,683
Related Party Payables - JV	25,956	8,833
Payroll and Benefits Liabilities	1,528	1,408
Other Accrued Liabilities	8,204	9,913
Total Current Liabilities	**54,110**	**36,837**
Rent Deposits	14,676	14,415
Net Payroll Liability	2,316	3,059
Other Noncurrent Liabilities	3,435	4,236
Total Long Term Liabilities	**20,427**	**21,710**
Total Liabilities	**74,537**	**58,547**
Deferred Inflows of Resources		
Deferred Pension Inflow	1,395	1,258
Total Equity	**353,376**	**283,999**
Total Liabilities, Deferred Inflow & Equity	**$429,308**	**$343,804**

NORTHWEST SEAPORT ALLIANCE
Summary of Cash Activities
December 31, 2019
(Dollars in Thousands)

	2019	2018
Operating Income	$ 94,499	$ 103,442
Less: Non-cash income/expense items		
Depreciation	11,272	6,305
APL revenue earned	(9,000)	(9,000)
Cash earned in the current year	96,771	100,747
Timing adjustments		
Collection of APL lease term fee billed in prior year	9,000	9,000
Increases/decreases in payables and receivables	9,415	9,892
Total Cash provided by Operating Activities	**115,186**	**119,639**
Less: Distributions to Homeports		
Current year distributions	(96,920)	(111,260)
Prior Year distributions	(7,580)	(10,140)
Cash received from Homeports for Capital Construction Fund	80,748	85,435
Cash received from federal grants	5,719	155
Acquisition and construction of capital assets (net)	(99,271)	(87,590)
Net Cash received(paid) for capital construction	**(12,804)**	**(2,000)**
Total Cash (to)from investments	**(7,060)**	**6,888**
Total Increase(Decrease) in Cash	**(9,178)**	**3,127**
Plus: Beginning Cash Balance	10,261	7,134
Ending Cash & Investments	**$ 1,083**	**$ 10,261**

The Northwest Seaport Alliance
Statement of Managing Members' Equity
December 31, 2019
(Dollars in Thousands)

Description	**12/31/2018**		**2019 Changes**		**Ending Balance 12/31/2019**
Working capital	$ 51,000	x	$ -		$ 51,000
Capital contruction	208,588	x	88,609		297,197
Non-cash CWIP	16,792	x	-		16,792
Total Contributions	$ 276,380		$ 88,609		$ 364,989
Net income from JV	$ 345,003		$ 95,958		$ 440,961
Cash distributions	(337,384)	x	(115,190)	x	(452,574)
End Balance	$ 283,999		$ 69,377		$ 353,376

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Northwest Seaport Alliance
Managing Members Cash Distribution Report
December 31, 2019

The cash distributions per Article IV of the Charter are shared 50/50 by each homeport. Homeports will receive 50% of the $18,270,000 or $9,135,000 each.

Distribution Date*	Fiscal Month/Yr	Amount	YTD Distributions
12/19/19	December 2019	$18,270,000	$115,190,000

*Distribution date is approximate, actual cash transfer date is determined by NWSA Treasurer and is typically one week prior to month-end.

Note:
-This report is per Article IV cash distributions, reserves and member bond obligations, section 4.1(a)
-The PDA through the CEO will make distributions of all Distributable Cash to the Managing Members as soon as practicable after each Calculation Period. Prior to executing any distribution, the CEO shall provide a report of planned distributions to Managing Members."