THE NORTHWEST
SEAPORT ALLIANCE

Q4 2018 Financial Results

As of December 31, 2018

April 4, 2019

THE NORTHWEST SEAPORT ALLIANCE

Executive Summary

(Dollars in Thousands)	2018				2017		
			VARIANCE			VARIANCE	
DESCRIPTION	BUDGET	ACTUAL	FAV/(UNFAV)	%	ACTUAL	FAV/(UNFAV)	%
Revenue	$ 187,480	$ 192,574	$ 5,094	3%	$ 194,985	$ (2,411)	-1%
Operating Expenses	101,682	89,132	12,549	12%	85,895	(3,237)	-4%
Operating Income	**85,798**	**103,442**	**17,644**	**21%**	**109,090**	**(5,648)**	**-5%**
Interest Income (Expense)							
Interest Income	869	1,254	385	44%	777	477	61%
Market Value Adjustment	-	23	23	0%	(43)	66	153%
Net Interest Income	**869**	**1,277**	**408**	**47%**	**734**	**544**	**74%**
Non-Operating Inc/(Exp)	(26)	3,361	3,387	12830%	(297)	3,658	-1232%
Grant income	6,659	3,905	(2,755)	-41%	324	3,581	1105%
Net Income	**$ 93,300**	**$ 111,985**	**$ 18,685**	**20%**	**$ 109,851**	**$ 2,134**	**2%**

In 2018, NWSA net income was $18.7 million more than budget and $2.1 million more than the prior year.

The positive variance in net income was driven by lower operating expenses, most of which is attributable to lower administration costs as home port support services allocations were down significantly due to lower spending for staffing, consultants, and IT costs. Environmental and maintenance costs were also much lower than planned. Net non-operating income was also up as contribution income of $3.1 million for the tenant's contribution to stormwater improvements in the North Harbor and higher interest income were offset by lower Tiger grant income due to timing. The positive variance in revenues was driven by Non-Container business revenues. More detailed explanations are below following the 2018 Operating Income by Line of Business.

Compared with the prior year, net income increased by $2.1 million as the stormwater contribution and grant income recognized in 2018 made up for the reduction in operating income. A large portion of the revenue variance is due to the early termination of APM, which resulted in a one-time payment of $5.7 million at the West Sitcum terminal in 2017. Also, we experienced lower South Harbor intermodal volume and variable revenue (down 4%) as the new carrier alliances and Yang Ming's lease termination shifted cargo to the North Harbor and to Canada. Operating expense increased $3.2 million as depreciation was higher by $3.9 million due to new assets and was offset by lower operating expense in all categories.

Balance Sheet and Cashflow- The cash and investment balance were $77.4 million on December 31, 2018, compared to $79.9 million at the beginning of the year. The decrease in cash is due to offsetting timing variances of cash contributions from and distributions to the homeports, and changes in the payables and receivables accounts.

Cashflow from operations of $118.5 million was $16.0 million more than the prior year, primarily due to the $9.0 million APL lease termination payment due in 2017 that was collected in the first quarter, lower spending for longshore and supplier, and offsetting timing variances on other cash receipts from customers and reimbursements to homeports.

Cash used for NWSA capital expenditures was $86.5 million, most of which funded the Pier 4 redevelopment project. In 2018, the homeports contributed $85.4 million to fund NWSA capital improvements. This amount represents the capital spending for December 2017 of $9.0 million, and $87.6 million for the first eleven months of 2018. Capital construction projects are funded on a "pay as you go" basis on a one-month lag. Project spending in December that will be funded in 2019 totaled $6.9 million.

Operating Income by Line of Business

(Dollars in Thousands)	2018				2017		
			FAV/(UNFAV)			FAV/(UNFAV)	
DESCRIPTION	BUDGET	ACTUAL	$	%	ACTUAL	$	%
Container							
Operating Revenue	$158,508	$159,667	$1,159	1%	$162,695	($3,028)	-2%
Operations	25,451	23,288	2,163	8%	25,010	1,722	7%
Maintenance	9,907	9,446	461	5%	10,193	746	7%
Depreciation	6,829	5,882	947	14%	1,948	(3,934)	-202%
Total Operating Expense	42,187	38,616	3,572	8%	37,151	(1,467)	-4%
Operating Income - Container	116,321	121,051	4,731	4%	125,544	(4,494)	-4%
Non- Container							
Operating Revenue	17,225	20,745	3,520	20%	20,750	(5)	0%
Operations	7,567	8,195	(628)	-8%	7,408	(787)	-11%
Maintenance	1,438	1,549	(111)	-8%	1,528	(21)	-1%
Depreciation	288	173	115	40%	45	(128)	-284%
Total Operating Expense	9,293	9,917	(624)	-7%	8,981	(936)	-10%
Operating Income - Non-Container	7,932	10,828	2,896	37%	11,769	(941)	-8%
Real Estate							
Operating Revenue	11,747	12,162	416	4%	11,541	622	5%
Operations	362	227	135	37%	210	(18)	-8%
Maintenance	332	650	(318)	-96%	522	(128)	-24%
Depreciation	95	98	(3)	-3%	95	(3)	-3%
Total Operating Expense	789	975	(185)	-23%	827	(148)	-18%
Operating Income - Real Estate	10,958	11,187	230	2%	10,714	474	4%
Other Expenses							
Commercial Administration	12,889	11,530	1,358	11%	11,668	138	1%
Infrastructure and Administration Exp	36,524	28,094	8,434	23%	27,269	(820)	-3%
Total Operating Income	$85,798	$103,442	$17,644	21%	$109,090	($5,648)	-5%

Actual vs Budget

Container Business (Container Terminals and Intermodal)

Container business (containers and intermodal) revenues were up $1.2 million. T-18 exceeded their MAG and revenue was up $1.1 million due to new shipping alliances shifting more cargo from the South Harbor to the North Harbor. This shift of cargo as well as more containers being transported via local trucks versus rail caused South Harbor variable intermodal revenues to be down $1.3 million due to NIM volumes and revenues down 14% and $2.9 million, respectively. The increase in TEUs moved via truck increased domestic intermodal volume and revenue at the SIMUP by 14% and $1.2 million, respectively, and helped to offset the decrease at the NIM. Increased land rents of $1.2 million (for lease escalations, additional acreage, and interim rents at T5) and increased strad rents of $0.8 million were offset by crane rents below budget $1.7 million. Operations expense was below plan $3.3 million (for volume-related expenses and contracted services).

Operating revenues of $159.7 million were above budget $1.2 million.

- Rents were up $1.2 million at T-5 for interim licenses via the Foss Master Licenses, new Cell Tower Leases and other use agreements and $1.1 million at T-18 primarily due to container lifts over the MAG for the lease with SSA who benefited from a cargo was shifted due to lease expirations at East Sitcum Terminal and Washington United Terminal in the South Harbor.
- SIM domestic intermodal revenue was up $1.2 million as volumes were up 14%, due to inland point intermodal cargo trending down while local cargo transported via truck increased which reduced intermodal volume and revenue in most locations.
- International Intermodal lift revenue was down $2.5 million – NIM and PIM lift revenues were down $3.1 million and $0.2 million, respectively (volumes down 14% and 10%, respectively), offset by HIM up $0.6 million (volumes up 34%) and crane minimum revenue at NIM of $0.2 million.
- Husky and East Sitcum strad and crane rents were down $0.9 million due to budget assumptions being different than actual operation.
- Husky rents were down $0.7 million due to the decreased acreage to accommodate the T4 redevelopment and was offset by an increase of $0.7 million at East Sitcum (budget anticipated new terms), and $0.6 million at West Sitcum due to straight-line recognition of the SSA stormwater contribution.

Operating Expenses of $38.6 million were $3.6 million and 8% below budget.

- Longshore labor down $2.6 million and strad rental expense down $0.9 million at NIM due to lower intermodal volumes; offset by domestic Intermodal up $0.6 million due to volumes up at SIM Domestic Intermodal.
- Crane maintenance at Husky was lower than expected causing crane maintenance to be down $1.0 million.
- T-5 outside services down $0.7 million due to less spending then expected on planning, survey and legal services as well as a pending street vacation obligation that continues to be ongoing.

Non-Container Business (Autos and Breakbulk)

Operating Revenues of $20.7 million were $3.5 million and 20% above budget.

- Breakbulk revenues were above budget $3.4 million as volumes were up 78%. The EB-1 terminal revenues exceeded budget by $3.0 million as the mix of cargoes generated higher service charges, truck loading, and manhour service revenues. Revenues at P7 were $0.7 million above budget due to unbudgeted military cargoes. These were offset by lower variable revenues at the Weyco Log facility. Auto revenues exceeded budget by $0.1 million with a total of 141,143 units for the year.

Operating Expenses of $9.9 million were $0.6 million and 7% above budget.

- Included in the variance are $0.4 million for maintenance department labor to support operations that was budgeted in Infrastructure and Other Administration expense (based on past practice), but is now charged directly to the LOB, and outsourced maintenance costs above budget by $0.2 million (primarily for W. Sitcum fencing/paving project and T7 fender repairs) and rent expense up $0.2 million. These are offset by consulting costs below budget $0.2 million for pier inspections that were completed in 2018.

Real Estate

Operating Revenues of $12.2 million were above budget $0.4 million and 4%.

- Revenue was above plan $0.1 million at T107 in the North Harbor due to a new lease at this location.

Operating Expenses of $1.0 million were $0.2 million and 23% above budget.

- Maintenance is up $0.2 million at T115 due to the NH deepening study.

Other (not LOB-specific) Operating Expenses

- Commercial Administrative expenses were under budget by $1.3 million due to lower staffing, advertising and travel costs.
- Infrastructure and other Administration expenses were below budget by $8.4 million as Administration costs were below plan $4.4 million due to lower homeport support service agreement allocations, driven by lower staffing, consulting services and lower IT data services and hardware/software maintenance; Environmental expenses were below plan $1.9 million and Maintenance costs were below plan $2.7 primarily for outsourced maintenance spending lower than anticipated (budget includes a placeholder for projects that are yet to be determined at the time of its preparation).

Year to Date vs. Prior Year

Container Business (Container Terminals and Intermodal)

Container business (containers and intermodal) revenue decreased $3.0 million as container revenues were down $4.0 million primarily due to the APM Terminal lease termination payment in the prior year. Due to new shipping alliances shifting cargo from the South Harbor to the North Harbor, T-18 revenue was up $2.6 million for exceeding their MAG; offset by revenues down $3.3 million at East Sitcum and revenue down $0.7 million at NIM. Husky revenue was up $2.3 million due to increased acreage and volume related revenue up. Depreciation expense was up $3.9 million versus the prior year due to new asset additions which were offset by lower operations expense down $2.8 million, driven by lower volume-related intermodal expenses (NIM volumes down 22%), maintenance costs down $0.6 million (primarily due to lower outsourced maintenance expenses).

Operating Revenues of $159.7 million were down $3.0 million and 2% versus the prior year.

- Rent down $6.5 million at West Sitcum due to the early termination payment of $5.7 million received from APM in 2017.
- T-18 revenue was up $2.6 million primarily due to container lifts over the MAG.
- Total Intermodal lift revenue was up $1.0 million. NIM and PIM lifts were down $1.0 million and $0.2 million, respectively (volumes down 9% and 17%, respectively), offset by SIM Domestic

Intermodal up $1.1 million (volumes up 14%) and lift minimum guarantee up $0.5 million at PIM and up $0.2 million at NIM.

- At East Sitcum crane and strad revenue were down $1.4 million and $1.1 million, respectively (hours down 38% and 35%, respectively) mainly due to the termination of Yang Ming's lease in 2017, offset by crane revenue up $1.3 million at Husky.
- With the Grand Alliance not renewing its lease at WUT, revenue sharing is down $0.7 million (a positive variance) offset by rent down $0.2 million due to the termination of the Lot F lease.
- At Husky rent is up $0.9 million due to an increase in the preferential use area over last year.

Operating Expenses of $38.6 million were up $1.5 million and 4% from the prior year due to depreciation up $3.9 million offset by lower expenses.

- Longshore labor down $1.2 million and strad rental expense down $0.2 million at NIM due to lower lift volumes and strad rental expense down $0.6 million at East Sitcum; offset by PRS services up $0.7 million due to higher volumes at SIM Domestic Intermodal.
- Other operating expenses down $1.0 million at PCT, $0.5 million Husky, $0.4 million at East Sitcum $0.2 million at WUT and $0.1 million at T-18 mainly due to 2017 reimbursement of extra gate hours to terminal operators.
- Storm sewers up $0.1 million at West Sitcum (smaller lease footprint requires the NWSA to pay more storm sewer costs).
- Outsourced maintenance down $0.8 million at PCT, $0.4 million at Husky, $0.3 million at NIM and $0.2 million at East Sitcum due to 2017 project costs.
- Maintenance costs up $0.6 million at West Sitcum for repairs needed for new tenant.
- Depreciation expense increased by $3.9 million, primarily due to the improvements at P4.

Non-Container Business (Autos and Breakbulk)

Operating Revenues of $20.7 million were comparable to the prior year.

- Breakbulk revenues were up $0.4 million as volumes increased by 15%. EB-1 revenues were up $2.3 million for additional volumes, however P7 revenues were down $1.5 million due to a reduction in military cargoes, and the log facility generated $0.4 million less primarily due to lower dockage (fewer vessels) and lower debarker revenues (debarker revenues are no longer earned under the current lease and are offset by maintenance costs that we no longer incur). Auto revenues were down $0.4 million due to 4% decrease in volumes driven by lower imports in the first three quarters as Kia worked to match production to demand, lowering inventory. Kia's production in Mexico also impacted import volume. The decreases in volume in the first few quarters were offset by a surge of imports in December as cargo was diverted from other congested gateways.

Operating Expenses of $9.9 million were up $0.9 million compared with the prior year.

- Rent expense at EB1 was up $0.7 million ($0.5 to compensate POT for NWSA's use EB1, and $0.2 million related to increased volumes); maintenance department labor costs to support terminal operations were up $0.3 million as these costs were previously recorded in infrastructure; utilities were up $0.1 million; and depreciation was up $0.1 million. These were offset by longshore costs down $0.3 million.

Real Estate

Operating Revenues of $12.2 million were up $0.7 million and 5%.

- Revenue was up $0.1 million at T18, space rents up $0.2 million at T5, and multiple other locations had increased rent revenue due to escalations.

Operating Expenses of $1.0 million were up $0.2 million compared with the prior year

- Maintenance is up $0.2 million at T115 due to the NH deepening study

Other (not LOB-specific) Operating Expenses

- Commercial Administration expenses of $11.5 million decreased by $0.1 million.
- Infrastructure and other Administration expenses increased by $0.8 million as operations expenses were up $0.7 million primarily for a channel deepening study, environmental expenses were up $0.4 million for increased spending on air quality and stormwater compliance projects, and administrative costs decreased by $0.3 million, primarily for the non-cash pension liability adjustment.

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, 2018

CARGO VOLUME

	2018 YTD Actuals	2018 Target
Containers (TEUs)		
International	3.1 M	3.0 M
Domestic	0.7 M	0.7 M
Break Bulk (Metric Tons)	249 K	164 K
Autos (Units)	146 K	151 K

JOB CREATION

	2018 YTD Actuals	2017 YTD Actuals
ILWU Hours	4.7 M	3.3 M

FINANCIAL RETURNS

$ in millions	2018 YTD Actuals	2018 Budget
Operating Income *(Before Depreciation)*	$113.1	$93.3
Return on assets	8.8%	7.2%

ENVIRONMENTAL STEWARDSHIP

	2018 Actuals	2018 Target
Water Quality (Improve Source Control)	243 Acres (135 Acres West Sitcum, 48 Acres T-30, 56 Acres TCT, 4 Acres E. Sitcum)	53 Acres
Air Quality (Reduce Diesel Particulate Emissions)	71.5% Trucks 2007 Engines or Newer	100% Trucks 2007 Engines or Newer by 2018
(Reduce Greenhouse Gas Emissions)	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, 2018
(Dollars in Thousands)

	2018				2017	
	BUDGET	ACTUAL	VARIANCE	VAR %	ACTUAL	VARIANCE
Revenue	$187,480	$192,574	$5,094	3%	$194,985	($2,411)
Operating Expenses	101,682	89,132	12,549	12%	85,895	(3,237)
Operating Income	**85,798**	**103,442**	**17,644**	**21%**	**109,090**	**(5,648)**
Interest Income (Expense)						
Interest Income	869	1,254	385	44%	777	477
Market Value Adjustment	0	23	23	0%	(43)	66
Net Interest Income	**869**	**1,277**	**408**	**47%**	**734**	**544**
Non-Operating Inc/(Exp)	(26)	3,361	3,387	12830%	(297)	3,658
Grant income	6,659	3,905	(2,755)	-41%	324	3,581
Net Income	**$93,300**	**$111,985**	**$18,685**	**20%**	**$109,851**	**$2,134**

NORTHWEST SEAPORT ALLIANCE
North & South Harbor
Trended Statement of Revenue and Expense
December 31, 2018
(Dollars in Thousands)

	Dec-18	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-19
Operating Revenues	**$16,173**	**$16,835**	**$13,943**	**$15,658**	**$14,421**	**$15,008**	**$16,506**	**$15,265**	**$14,760**	**$17,200**	**$16,176**	**$16,779**	**$20,024**
Operations	3,742	2,887	2,979	3,130	2,912	3,129	3,620	2,953	3,701	3,531	3,224	3,443	5,795
Maintenance	2,101	1,305	1,288	1,208	1,176	1,224	1,068	1,417	1,489	1,585	1,250	1,611	1,164
Administration	1,804	1,592	1,597	1,616	1,786	1,637	1,707	1,605	1,702	1,368	1,734	1,678	1,258
Security	350	286	447	383	368	370	379	387	388	380	412	377	130
Depreciation	198	213	231	234	238	597	592	800	800	799	671	724	407
Environmental	130	87	111	193	197	208	159	215	113	194	34	294	347
Total Operating Expense	**8,325**	**6,370**	**6,653**	**6,764**	**6,677**	**7,165**	**7,525**	**7,377**	**8,193**	**7,857**	**7,325**	**8,127**	**9,101**
Operating Income	**7,848**	**10,465**	**7,290**	**8,894**	**7,744**	**7,843**	**8,981**	**7,888**	**6,567**	**9,343**	**8,851**	**8,652**	**10,923**
Interest Income	93	96	97	109	65	102	98	116	93	102	122	1,256	(1,002)
Market Value Adjustment	(22)	(143)	(29)	44	(114)	92	(29)	(61)	85	(41)	14	46	158
Grant Income	236	0	0	0	0	0	50	0	0	0	0	0	3,855
Misc. Non Op Income/(Expense)	(67)	23	1	(13)	41	(1)	(20)	5	29	(28)	5	(191)	3,510
Non-Operating Revenue & (Expense)	**240**	**(24)**	**69**	**140**	**(8)**	**193**	**99**	**60**	**207**	**33**	**141**	**1,111**	**6,521**
Net Income/(Loss)	**$8,088**	**$10,441**	**$7,359**	**$9,034**	**$7,736**	**$8,036**	**$9,080**	**$7,948**	**$6,774**	**$9,376**	**$8,992**	**$9,763**	**$17,444**

NORTHWEST SEAPORT ALLIANCE
Statement of Net Position
North & South Harbor
December 31, 2018
(Dollars in Thousands)

	Current Year	12/31/2017
ASSETS		
Cash	$10,261	$7,134
Investments	67,176	72,760
Total Cash & Investments	**77,437**	**79,894**
Net Trade A/R	14,448	21,555
Related Party Receivables - JV	10,696	9,304
Other Receivables	2,735	2,862
Total Current Assets	**105,316**	**113,615**
Capital Assets	193,052	25,376
Construction in Progress	50,203	129,564
Less Accumulated Depreciation	9,019	2,712
Capital Assets, Net	234,236	152,228
Other Deferred Assets	2,600	3,024
Total Other Long-term Assets	**2,600**	**3,024**
Total Assets	**$342,152**	**$268,867**
Deferred Outflows of Resources		
Pension Deferred Outflow	1,652	481
Total Assets and Deferred Outflows	**$343,804**	**$269,348**
LIABILITIES AND EQUITY		
Accrued Payables	$16,683	$9,022
Related Party Payables - JV	8,833	21,667
Payroll and Benefits Liabilities	1,408	1,138
Other Accrued Liabilities	9,913	10,001
Total Current Liabilities	**36,837**	**41,828**
Rent Deposits	14,415	13,619
Net Payroll Liability	3,059	2,123
Other Noncurrent Liabilities	4,236	3,900
Total Long Term Liabilities	**21,710**	**19,642**
Total Liabilities	**58,547**	**61,470**
Deferred Inflows of Resources		
Deferred Pension Inflow	1,258	349
Total Equity	**283,999**	**207,529**
Total Liabilities, Deferred Inflow & Eq…	**$343,804**	**$269,348**

NORTHWEST SEAPORT ALLIANCE
Summary of Cash Activities
December 31, 2018
(Dollars in Thousands)

	2018	2017
Operating Income	$ 103,442	$ 109,090
Less: Non-cash income/expense items		
Depreciation	6,305	2,180
APL revenue earned, not yet billed for 2018 lease term	1,111	(5,250)
Cash earned in the current year	110,858	106,020
Timing adjustments		
Collection of APL lease term fee billed in 2017	9,000	-
Increases/decreases in payables and receivables	(221)	(3,475)
Total Cash provided by Operating Activities	**119,637**	**102,545**
Less: distributions to Homeports	**(121,400)**	**(113,320)**
Cash received from Homeports for Capital Construction Fund	85,435	75,678
Cash received from federal grants	155	112
Acquisition and construction of capital assets (net)	(87,590)	(76,624)
Net Cash received(paid) for capital construction	**(2,000)**	**(834)**
Total Cash (to)from investments	**6,888**	**(3,075)**
Total Increase(Decrease) in Cash	**3,125**	**(14,684)**
Plus: Beginning Cash Balance	7,134	21,818
Ending Cash & Investments	**$ 10,259**	**$ 7,134**

The Northwest Seaport Alliance
Statement of Managing Members' Equity
December 31, 2018
(dollars in thousands)

Description	12/31/2017	2018 Changes	Ending Balance 12/31/2018
Working capital	$ 51,000	$ -	$ 51,000
Capital contruction	125,262	83,326	208,588
Non-cash CWIP	16,792	-	16,792
Total Contributions	$ 193,054	$ 83,326	$ 276,380
Net income from JV	$ 233,018	$ 111,985	$ 345,003
Cash distributions	(218,544)	(118,840)	(337,384)
End Balance	$ 207,528	$ 76,471	$ 283,999

Northwest Seaport Alliance
Managing Members Cash Distribution Report
December 31, 2018

The cash distributions per Article IV of the Charter are shared 50/50 by each homeport. Homeports will receive 50% of the $7,580,000 or $3,790,000 each.

Distribution Date*	**Fiscal Month/Yr**	**Amount**	**YTD Distributions**
2/20/18	December 2018	$7,580,000	$118,840,000

*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."