

PORT OF SEATTLE

MEMORANDUM

COMMISSION AGENDA

ACTION ITEM

Item No. 6a

Date of Meeting August 11, 2015

DATE: July 22, 2015
TO: Ted Fick, Chief Executive Officer
FROM: Michael Campagnaro, Manager, Industrial and Container Properties, Seaport
Josh Peterson, Property Manager, Seaport
SUBJECT: Resolution No. 3710, Second Reading and Final Passage declaring Cranes Nos. 70, 71, and 72 and related spare parts surplus.

Amount of This Request: \$43,200 **Source of Funds:** General Fund

ACTION REQUESTED

Request Second Reading and Final Passage of Resolution No.3710: A Resolution of the Port Commission of the Port of Seattle declaring certain personal property surplus (Port of Seattle MHI Cranes No. 70, 71, and 72 and related spare parts at Terminal 18) for Port of Seattle purposes; authorizing their sale to SSA Terminals LLC; and authorizing the Chief Executive Officer to execute all documents related to such sale or disposal.

SYNOPSIS

On July 22, 2014, the Port Commission authorized the third amendment to the crane agreement with SSA Terminals, LLC (SSAT) at Terminal 18. Declaring the MHI Cranes to be surplus allows the Port to complete the cranes' sale as described in the amendment. In accordance with the SSAT Crane Agreement, the Port and SSAT will each be responsible for paying 50 percent of the sales tax associated with the sale of the MHI Cranes.

BACKGROUND

As discussed in the December 6, 2012, Commission memo and presentation to the Port Commission, the new land rent structure for the Terminal 46 lease with Total Terminals International required that the Port offer this new land rent structure to its other container terminal customers. On July 22, 2014, the Commission approved the SSAT lease amendments for Terminal 18 and Terminal 30 that were required to settle claims related to the MFN clauses for rent and cranes. The Port agreed to transfer ownership of the cranes to SSAT for \$1.00 and to equally split the cost of any sales tax related to the transfer of ownership.

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FINANCIAL IMPLICATIONS

Budget Status and Source of Funds

According to the terms and conditions of the third amendment to the crane agreement with SSAT, the Port and SSAT will each be responsible for paying 50 percent of the sales tax associated with the sale of the MHI cranes. The total sales tax amount is estimated to be \$86,400 based on an aggregate fair market value of \$900,000 for the three cranes. Accordingly, funding is requested to pay 50 percent of the sales tax on the fair market value of the equipment, estimated to be \$43,200. While the cash payment will be made in 2015, for accounting book purposes it will be amortized as a reduction in revenue over the remaining term of the SSAT lease.

The \$43,200 payment will be funded by the General Fund.

Financial Analysis and Summary

CIP Category	N/A
Project Type	N/A
Risk adjusted discount rate	N/A
Key risk factors	No risk factors are associated with this planned sale of Port-owned cranes to SSAT.
Project cost for analysis	N/A
Business Unit (BU)	Container Operations
Effect on business performance	<p>The remaining net book value of these cranes and related equipment was \$2.7 million as of 6/30/2015. The loss on the sales of these cranes will be recorded as a non-operating loss.</p> <p>The sales tax payable by the Port will be amortized over the remaining term of the SSAT lease and will be recorded as a reduction in revenue of (\$1,048) in 2015 and (\$1,787) each full year going forward. The 2015 budget included an estimated amount of (\$6,705), as the appraisal value of the cranes was not known at that time.</p>
IRR/NPV	N/A

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Lifecycle Cost and Savings

As of June 30, 2015, the remaining net book value for the MHI Cranes (70, 71, and 72) and related spare parts are approximately as follows:

Tag No	Asset	NBV
70	50 Long Ton Electric Crane #70	781,473
71	50 Long Ton Electric Crane #71	740,400
72	50 Long Ton Electric Crane #72	1,053,387
LB171	20/40/45 Exp Spreader #171 (on crane #71)	8,647
LB172	20/40/45 Exp Spreader #172 (on crane #72)	24,596
LB174	20/40/45 Exp Spreader #174 (on crane #70)	17,496
LB173	20/40/45 Exp Spreader #173 (on chassis)	19,434
LB175	20/40/45 Exp Spreader #175	25,364
1096	Spreader Beam Trailer	0
1097	Spreader Beam Trailer	0
167	Earle's Beam	0
176	Crane Cargo Hook	2,145
	Total	<u>2,672,942</u>

ATTACHMENTS TO THIS REQUEST

- Resolution No. 3710
- Copy of the Third Amendment to the SSAT Crane Agreement
- Ownership transfer agreement signed by SSAT

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- July 22, 2014 – Lease Termination Agreement for Terminal 5 and related amendments to crane and lease agreement for Terminal 18 and Terminal 30.
- August 4, 2015 – First Reading approved by the Port Commission