

ITEM NO: 7b Supp 2

DATE OF

MEETING: April 2, 2013

# 2013-2017 Draft Plan of Finance

April 2, 2013



# Topics

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- Background and Assumptions
- 2013-2017 Capital Funding
- Forecasted Debt Service Coverage
- Finance Activity for 2013

# Draft Plan of Finance 2013-2017

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- Each year at the end of the budget process, staff provides a summary five-year Port-wide capital funding plan (The Draft Plan of Finance). The 2013-2017 Plan is based on:
  - Division capital improvement plans (CIPs)
  - Division operating budgets
    - Airport is a self-funding operation
    - Seaport operating income supports its CIP
    - Real Estate is supported by the tax levy
- A Draft Plan of Finance was presented on October 23, 2012
  - This presentation provides a update of that Plan to reflect changes in business assumptions

# Debt Service Coverage

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- The Plan is developed to adhere to the Port's financial management policies for prudent cash reserves and leverage
  - Operating funds maintain a minimum of 9 months O&M:
    - 6 months operating & maintenance (O&M) expenses in the general fund
    - 10 months O&M expenses in the airport development fund
  - Maximum 75% of tax levy used to pay General Obligation bonds debt service
  - Net income provides Revenue bonds coverage of:
    - 1.50x debt service for Seaport debt
    - 1.25 – 1.30x debt service for Airport debt
    - The Port's forecast of aggregate coverage in excess of 1.40x supports strong credit ratings
  - Tax levy is sufficient to fund levy planned levy uses

# The Updated Draft Plan of Finance

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- Changes to Seaport
  - Revenue forecast reflects container terminal lease changes
  - CIP modified to maintain Seaport's coverage target
- Changes to Airport
  - Revenue forecast reflects
    - Adjustment to non-airline revenues included in the final budget
    - Airline rates and charges per a proposed resolution
  - CIP reflects lower forecasted costs for the Federal Inspection Service project
- Real Estate and Corporate assumptions are unchanged
- The CIP adjustments were made to the Plan of Finance CIP

# Funding Sources

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- The Draft Plan of Finance includes funding from:
  - Net operating income
  - Operating fund balances (above minimum requirement)
  - Existing and future revenue bond proceeds
  - Passenger Facility Charges
  - Customer Facility Charges
  - Grants
  - Tax levy

# Aviation Capital Funding 2013-2017

- The Airport funding plan assumes aeronautical revenues based on a rates and charges resolution

Aviation Funding Sources	As of Oct. 2012 (\$ mil.)	As of March 2013 (\$ mil.)
Net income	243	196
Operating funds	49	47
Tax levy <sup>(1)</sup>	10	10
Grants	102	102
Passenger Facility Charge	106	106
Existing revenue bond proceeds	72	72
Future bond proceeds	872	762
<b>TOTAL</b>	<b>1,454</b>	<b>1,295</b>
Aviation CIP		
Committed	597	597
Business Plan Prospective	857	699
<b>TOTAL</b>	<b>1,454</b>	<b>1,295</b>
(1) Highline capital spending (excludes public expense spending by tax levy)		

# Seaport Capital Funding 2013-2017

	As of Oct. 2012 (\$ mil.)	As of March 2013 (\$ mil.)
Seaport Funding Sources		
Net income	120	77
Operating funds	74	74
Grants	3	3
Tax levy <sup>(1)</sup>	2	2
Existing revenue bond proceeds	12	12
Future revenue bond proceeds	85	4
TOTAL	296	171
Seaport CIP		
Committed	56	56
Business Plan Prospective	240	115
TOTAL	296	171
(1) Argo Yard Roadway capital spending (excludes public expense spending by tax levy)		



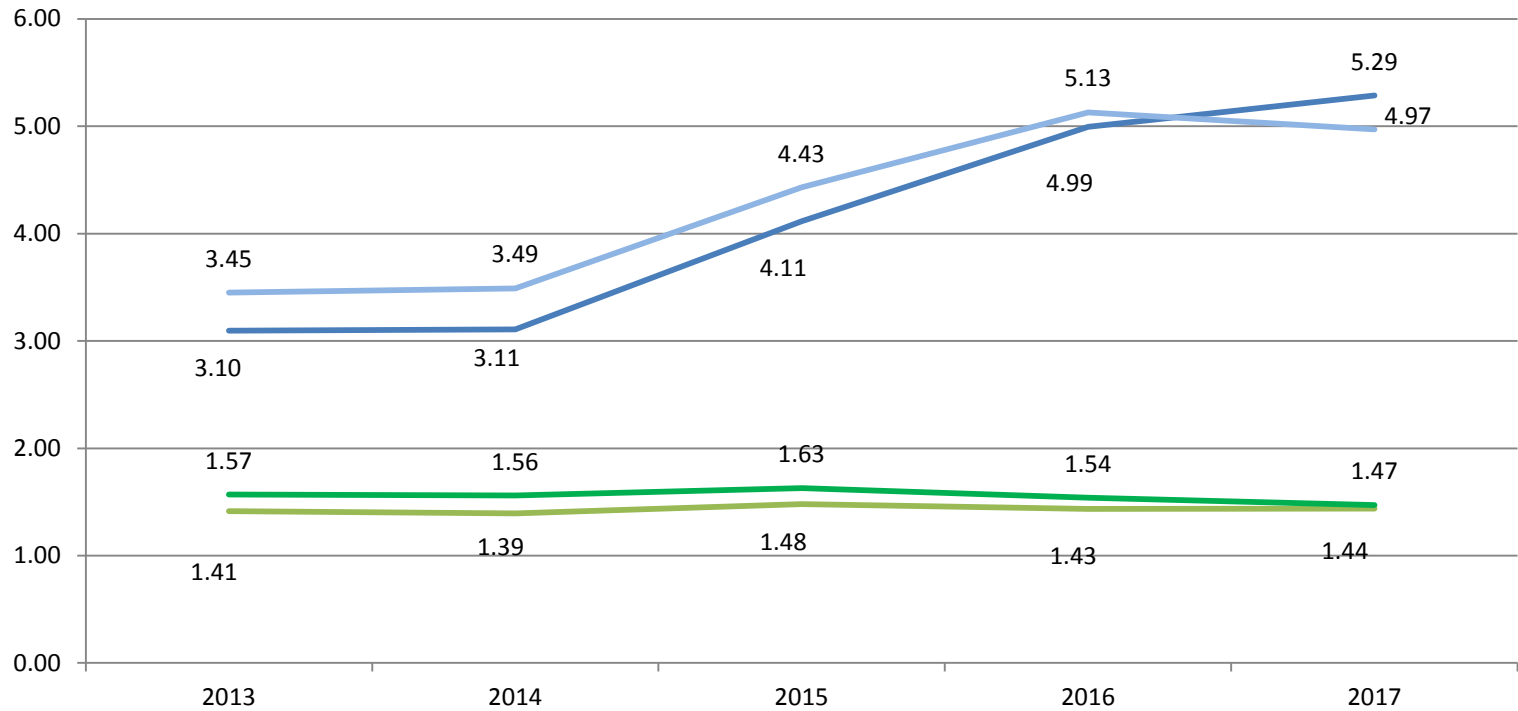
# Real Estate Capital Funding 2013-2017

	<u>2013-2017</u> <u>(\$mil.)</u>
Real Estate Funding Source	
Tax levy	68
Existing revenue bond proceeds	1
TOTAL	69
Real Estate CIP	
Committed	37
Business Plan Prospective	32
TOTAL	69

# Corporate Capital Funding 2013-2017

	<u>2013-2017</u> <u>(\$mil.)</u>
Corporate Funding Sources	
Airport Net Income	30
Seaport Net Income	12
Real Estate General Fund	2
Tax levy <sup>(1)</sup>	1
TOTAL	45
Corporate CIP	
Committed	26
Business Plan Prospective	19
TOTAL	45
<p>(1) Corporate capital spending allocated to the Real Estate division after the Real Estate general fund no longer meets minimum fund balance requirement.</p>	

# Port-wide Revenue Bond Debt Service Coverage 2013-2017 – Forecast



— First Lien - March 2013      — First Lien - Oct. 2012  
— All Revenue Bond Debt - March 2013      — All Revenue Bond Debt - Oct. 2012

# 2013 Finance Activity Update

Activity	Status Update
Bond Refundings:	
2004 G.O. Bonds	Completed
2003 Special Facility (fuel hydrant) bonds	Underway
2003 Revenue Bonds	Pending
Airport new issue for project spending	Pending, likely in 2014
Letters of Credit for variable rate bonds	
2008 Bonds – expires June, 2013	Extending until Oct, negotiating a replacement
1997 Bonds	Fee reduced
Commercial paper	Fee reduced

# 2012 Tax Levy Update

## Tax Levy - 2012 (\$'000)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b><u>Sources</u></b>			
Prior Year Levy Fund Balance	41,618	39,789	(1,829)
Tax Levy Collection	73,000	72,619	(381)
Eastside Rail Corridor Reimbursement	5,000	18,746	13,746
Grants and Other Reimbursements	-	3,680	3,680
<b>Total Projected Sources</b>	<b>119,618</b>	<b>134,834</b>	<b>15,216</b>
<b><u>Uses</u></b>			
G.O. Bond Debt Service	40,353	40,353	-
Capital Expenditures (1)	14,524	1,931	12,593
Public Expense: Seaport Freight Mobility	3,954	2,269	1,685
Transportation & Infrastructure Fund	23,000	23,000	-
Environmental Remediation Liability	15,889	6,188	9,701
Portion of Real Estate Operating Expense	4,922	4,461	461
Port Jobs & Apprenticeship Program	126	95	31
Aviation High School	650	650	-
<b>Total Uses</b>	<b>103,418</b>	<b>78,947</b>	<b>24,471</b>
Ending Fund Balance	16,200	55,887	39,687

(1) Per Draft Plan of Finance, does not reflect Approved Capital Budget

## Primary Variances

- Sound Transit rail corridor payment budgeted in 2011, received in 2012
- Capital spending
  - Fishermen's Terminal costs lower than budget
  - Lower than budget tenant improvement requirements in new leases
  - Delays in other projects
- Environmental remediation
  - spending delays for T-91 and T-117
  - Reimbursements from grants and insurance are not budgeted