

ITEM NO: 7b Supp 1

DATE OF
MEETING October 22, 2013

Preliminary Tax Levy Funding Plan Discussion

October 22, 2013



Executive Summary

Topics

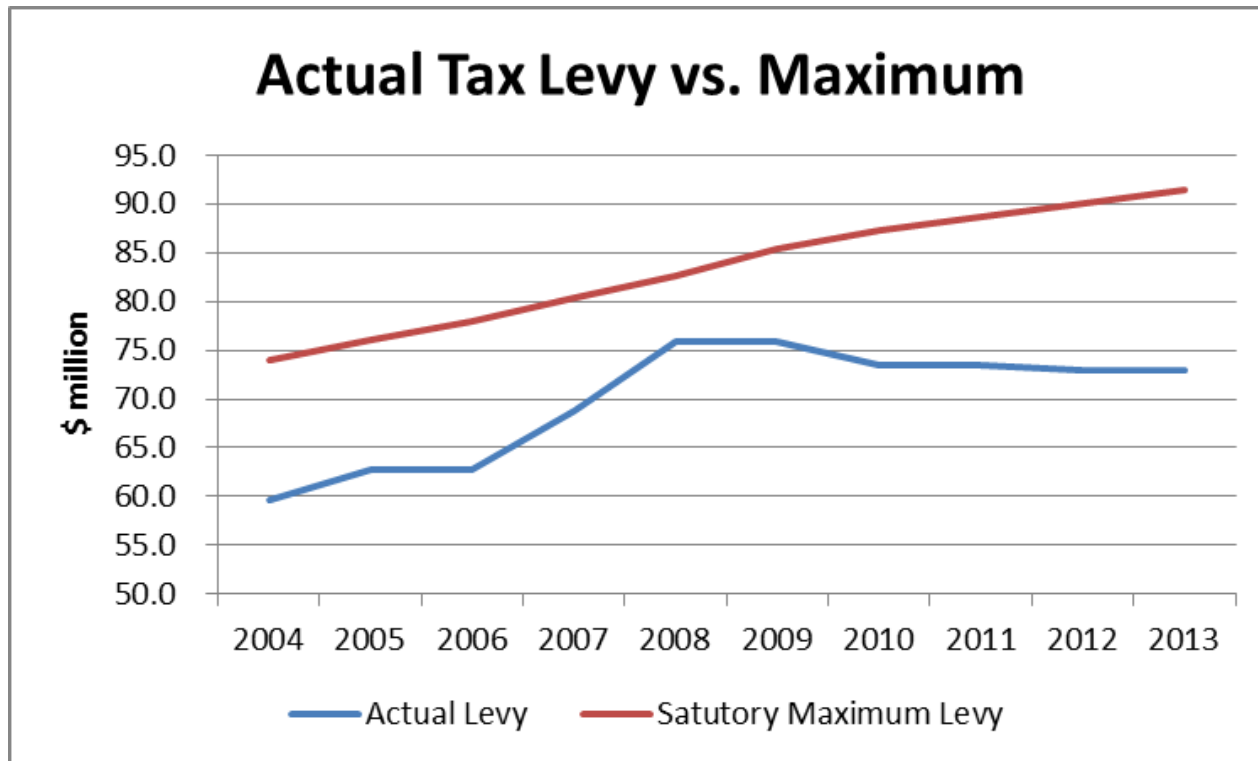
- Port's taxing authority and limits
- Uses of the tax levy
 - 2013 Uses
 - 2013 cash flow: budget vs. forecast
- Tax levy forecast 2014-2018
 - Uses
 - Cash flow projection

Port's Taxing Authority

- Washington State port districts have authority to levy a tax on the value of property within the port district (coterminous with King County)
- The Port is subject to two limitations on the amount of tax it may levy
 - 45 cent limit
 - 1% limit
 - The more restrictive 1% applies to the Port
- In 2013, the Port assessed a levy of \$73 million
 - The maximum levy the Port could have assessed is \$91.5 million based on the 1% limit
 - King County assessed value in 2013 is \$313 billion
- The Port can levy up to the statutory maximum

Annual Levy vs. Statutory Max

- Annual levy is well below statutory maximum
- Preliminary 2014 maximum levy estimate is \$93.3 million



Levy Uses - Background

- The use of the tax levy has been directed by the Commission
- Levy may be used for any Port costs except payment of revenue bond debt service (but is applied in the calculation of revenue bond coverage)
- Tax levy resource has traditionally been used to fund investments in the community that are not financially self sufficient
 - Environmental remediation for legacy liabilities
 - Port contributions to regional transportation projects/freight mobility
 - FAST, Argo Yard Road
 - Transportation and Infrastructure Fund to set aside funds for SR99 tunnel and South Park Bridge
 - PortJobs (Airport portion is paid by the Airport)
- Prior to 2010, broadly supported Seaport and Real Estate capital investments through cash and issuance of general obligation bonds
- Beginning in 2010, the tax levy is being used to support the Real Estate division (Commission policy for Seaport to be self sufficient)
 - Pays for most capital projects
 - Pays for the annual net operating income shortfall

2013 Tax Levy, Forecast vs. Budget

Significant Variances

Beginning balance: deferral of FAST from 2012 to 2013 and lower Real Estate CIP

Recoveries and reimbursements: environmental & King County rail corridor payment

Regional Transportation: FAST spending delayed from 2012 to 2013

Real Estate capital spending

\$ million	Budget	Forecast
<u>Sources</u>		
Beginning balance	48.5	56.3
Annual Levy	73.0	73.0
Interest Earnings	-	0.2
Environmental Recoveries	-	3.8
Rail Corridor Reimbursements	-	1.4
Total Sources	121.5	134.8
<u>Uses</u>		
Existing G.O. Bond Debt Service	40.4	39.4
Environmental Remediation	12.8	12.8
Regional Transportation	2.8	5.0
Transportation & Infrastructure fund deposit	6.0	6.0
Port JOBS (non-Airport share)	0.2	0.2
Highline Noise Insulation and Aviation HS	7.2	7.2
Real Estate Capital Projects	16.4	6.2
Real Estate Operating Support	6.4	6.3
Total Uses	92.1	83.0
Ending balance	29.4	51.7

2014 Budget and 5-yr Forecast

- King County estimated assessed value as of Oct. 8
 - Increased 8%, first increase since 2009
 - Total estimated assessed value for 2014 is \$339 billion
- Estimated maximum levy for 2014 is \$93.3 million
- Budget and Forecast assumptions
 - Tax levy remains at \$73 million
 - Uses are consistent with 2013
 - Additional \$6 million deposit to transportation and infrastructure fund in 2014 – future contributions considered annually
 - Early redemption of G.O. bonds for the rail corridor
 - Total outstanding \$30 million due in 2014 & 2015
 - \$15 million mature in 2015, callable in 2014
 - Estimated savings of \$703,000
- Modest funding shortfall projected beyond the forecast period assuming continuation of a flat levy of \$73 million

Tax Levy Cash Flow: 2014-2018

\$ million	<u>2014</u>	<u>5 Years 2014-2018</u>
LEVY SOURCES		
Beginning Tax Levy Fund Balance	51.72	51.72
Reimbursements - Environmental	7.00	7.00
Eastside Rail Corridor Reimbursements	-	13.54
Annual levy	73.00	365.00
Total Sources:	131.72	437.25
LEVY USES		
<u>General Obligation (G.O.) Bonds Debt Service (DS)</u>		
G.O. Bonds DS - existing debt	38.11	151.79
G.O. Bonds DS - existing debt Eastside Rail project	30.79	30.79
Future G.O. Bonds DS - contribution to SR99 Tunnel	-	56.49
Subtotal G.O. Bond debt service	68.90	239.07
<u>Other uses</u>		
Regional Transportation Projects	3.37	6.49
Highline Schools NOISE Insulation	2.38	3.55
Environmental Remediation Liabilities	16.01	74.58
Funding of Transportation & Infrastructure Fund	6.00	6.00
Port Jobs & Apprenticeship Opportunities Program	0.06	0.30
Subtotal Other	27.82	90.91
<u>Real Estate Support</u>		
RE Capital Total	14.78	52.22
RE Operating Subsidy	7.29	37.54
Subtotal RE Support	22.07	89.76
Total Uses:	118.79	419.74
Projected Ending Tax Levy Fund Balance	12.92	17.51

Potential Risks and Opportunities

- **Potential additional uses of the levy fund**
 - New environmental liabilities
 - Property acquisitions
 - Additional transportation mitigation/improvements
 - Potential Seaport support
 - Future unfunded initiatives or mandates
- **Potential increases to the levy fund**
 - Environmental recoveries: grants, insurance proceeds
 - Property sales

Discussion & Next Steps

- Staff seeks Commission direction:
 - Tax levy Uses for 2014 and beyond
 - Tax levy amounts for 2014 and beyond

Full Presentation



Topics

- Port's taxing authority and limits
- Uses of the tax levy
 - 2013 Uses
 - G.O. Bonds
 - Transportation & Infrastructure Fund
 - 2013 cash flow: budget vs. forecast
- Tax levy forecast 2014-2018
 - Uses
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Port's Taxing Authority

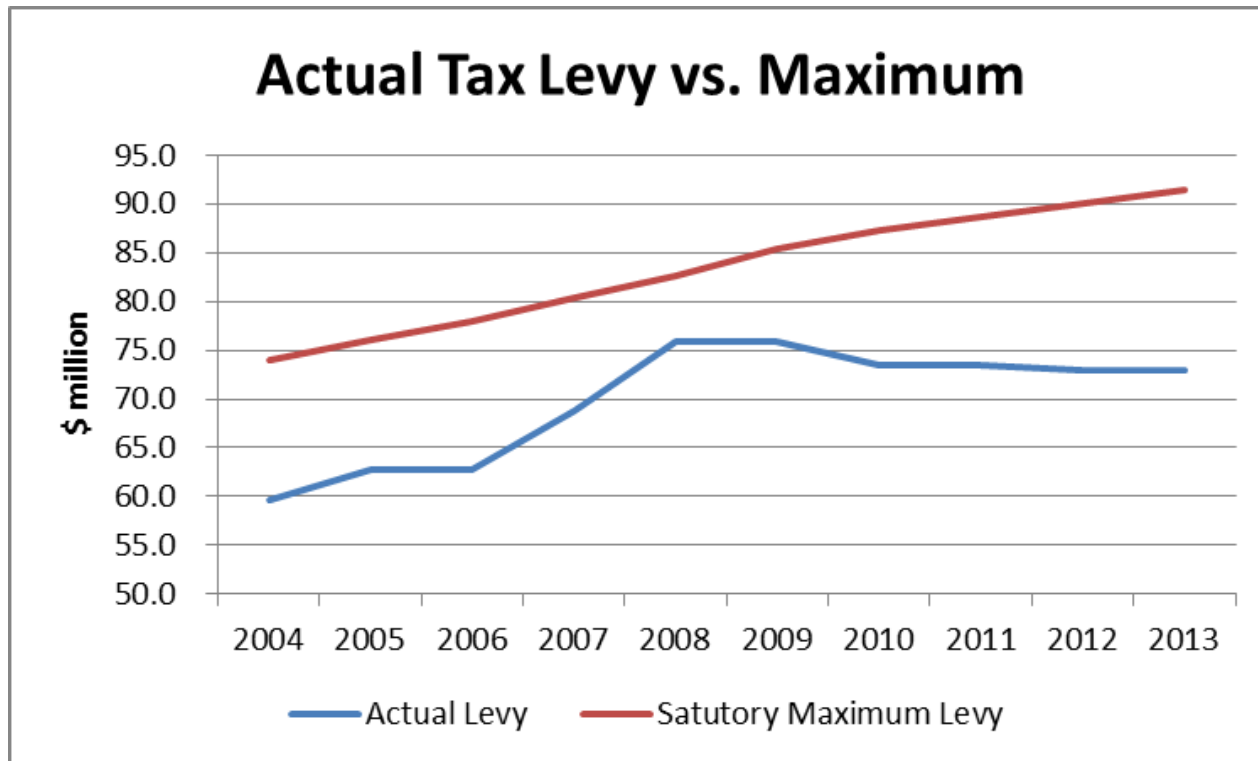
- Washington State port districts have authority to levy a tax on the value of property within the port district (coterminous with King County)
- The Port is subject to two limitations on the amount of tax it may levy
 - 45 cent limit
 - 1% limit
 - The more restrictive 1% applies to the Port
- In 2013, the Port assessed a levy of \$73 million
 - The maximum levy the Port could have assessed is \$91.5 million based on the 1% limit
 - King County assessed value in 2013 is \$313 billion
- The Port can levy up to the statutory maximum

Levy Limits

- 45 cent limit
 - The amount of the tax levy in any given year is limited to 45 cents per \$1000 of assessed value (2013 rate is 23 cents)
 - For 2013, this limit is \$140.8 million
 - Excludes the amount needed to pay G.O. bond debt service of \$39.6 million in 2013
 - Total levy under this limit would be \$180.4 million
- 1% limit
 - The maximum levy is increased each year by the 1% limit factor
 - Based on prior year's maximum
 - Increased by the lesser of 1% or inflation plus an addition for new construction
 - The maximum levy for 2013 would have been \$91.45 million
- The 1% limit applies - more restrictive for the Port

Annual Levy vs. Statutory Max

- Annual levy is well below statutory maximum
- Preliminary 2014 maximum levy estimate is \$93.3 million



Levy Uses - Background

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- Levy may be used for any Port costs except payment of revenue bond debt service (but is applied in the calculation of revenue bond coverage)
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Tax Levy Uses – G.O. Bonds

- The levy can be pledged to pay general obligation bonds (G.O. bonds)
 - Port currently has \$309.56 million G.O. bond debt outstanding
 - State statute limits the amount of G.O. bonds
 - Non-voted – limit on the amount of G.O. debt that does not require voter approval
 - 0.25% of assessed value
 - \$782 million total in 2013
 - Voted – limit on the total amount of G.O. debt even with voter approval
 - 0.75% of assessed value
 - \$2.3 billion in 2013
 - Port policy – limit G.O. bond debt so that debt service does not exceed 75% of the annual tax levy
 - For 2013 – 54% of levy paid G.O. bond debt service

2013 G.O. Bond Debt Service

- Includes debt service on multiple series of G.O. bonds issued to fund projects from 1994-2011

	2013 (\$ in 000's)
Tax Levy Use: GO Debt Service Portion	
Containers	
General Seaport Improvement 1985	
Stage II Dredge- Phase I	\$ 1,389
T-5 Expansion & Upgrades	21,529
T-46 Expansion Redevelopment	4,353
T-18 Expansion & Upgrade	6,313
T-115 Yard Upgrades	182
Total Containers	33,767
Docks and Commercial Properties	
T-91 Apron & Infrastructure Improvements	2,901
Pier 17 Dock Replacement	109
T-86 Terminal Upgrades	129
Total Docks and Commercial Properties	3,139
Fishing	
Fishermen's Terminal Docks & Seawall Renewal	1,634
Special Item & Other	
Eastside Rail Corridor	805
Total G.O. Bond Debt Service	\$ 39,346

Tax Levy Uses

2013 Major Uses	\$ million
G.O. bond debt service	39.3
Environmental Remediation	12.8
Highline school insulation and Aviation High School	7.2
Real Estate operating support	6.3
Real Estate capital	6.2
Transportation Infrastructure Fund	6.0
Regional Transportation	5.0

Transportation & Infrastructure Fund

- Commission established in 2010
- Purpose is to set aside funds for Port contributions to regional transportation projects
 - SR99 Tunnel
 - South Park Bridge (payments in 2013 & 2014)
- Funds are restricted by policy, not law

Transportation & Infrastructure Fund 2013	\$ million
Beginning balance	36.7
Deposit from tax levy fund	6.0
Interest earnings	0.3
South Park Bridge payment	<u>(2.1)</u>
Ending balance	40.9

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Estimated Uses of the Tax Levy 2014-2018

2014-2018 Major Uses	\$ million
General Obligation bond debt service, existing and new for SR 99 Tunnel funding	239.1
Funding of Seaport/Real Estate legacy environmental remediation costs (non-operating): Includes a portion of Lower Duwamish costs (net of estimated payments by potentially liable parties)	74.6
Real Estate Capital Improvement Plan	52.2
Real Estate support for net income deficit	37.5
Regional Transportation - FAST Corridor and Argo Road	6.5
Contribution to the Transportation Infrastructure Fund	6.0
Highline Schools noise mitigation program	3.6
PortJobs – including Apprenticeship Program	0.3

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