

ITEM NO: 7b Supp 2

DATE OF
MEETING October 22, 2013

2014-2018 Draft Plan of Finance

October 22, 2013



Topics

- Background and Assumptions
- 2014-2018 Capital Funding
- Forecasted Debt Service Coverage
- Finance Activity for 2014

Draft Plan of Finance 2014-2018

- 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 2014-2018 Plan is based on:
 - Division capital improvement plans (CIPs) discussed with the Commission on October 1, 2013
 - Division operating budgets discussed with the Commission on October 8, 2013
 - Airport is a self-funding operation
 - Seaport operating income supports its CIP
 - Real Estate is supported by the tax levy
 - 2014 operating budgets are the basis of the 5-yr operating forecast

Debt Service Coverage

- 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 and 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:
 - 1.50x debt service for Seaport debt
 - 1.25x debt service for Airport debt
 - Tax levy is sufficient to fund levy planned levy uses

Funding Sources

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

Aviation Capital Funding 2014-2018

- The Airport funding plan is based on the SLOA III airline agreement

Aviation Funding Sources	<u>2014-2018</u> <u>(\$million)</u>
Net income	155.6
Tax levy ⁽¹⁾	3.5
Grants	169.0
Passenger Facility Charge	135.7
Customer Facility Charge	4.3
Existing revenue bond proceeds	21.9
Future bond proceeds	<u>1,041.1</u>
TOTAL	1,531.3
Aviation CIP	
Committed	1,087.3
Business Plan Prospective	<u>444.0</u>
TOTAL	1,531.3
(1) Highline Schools noise insulation	

Seaport Capital Funding 2014-2018

	<u>2014-2018</u> <u>(\$million)</u>
Seaport Funding Sources	
Net income	135.6
Operating funds	105.3
Grants	1.0
Tax levy ⁽¹⁾	1.6
Existing revenue bond proceeds	10.9
Future revenue bond proceeds	<u>75.7</u>
TOTAL	330.1
Seaport CIP	
Committed	82.7
Business Plan Prospective	182.1
Additional Available Capacity	<u>65.2</u>
TOTAL	330.1
(1) Argo Yard Roadway – portion funding Port asset	

Real Estate Capital Funding 2014-2018

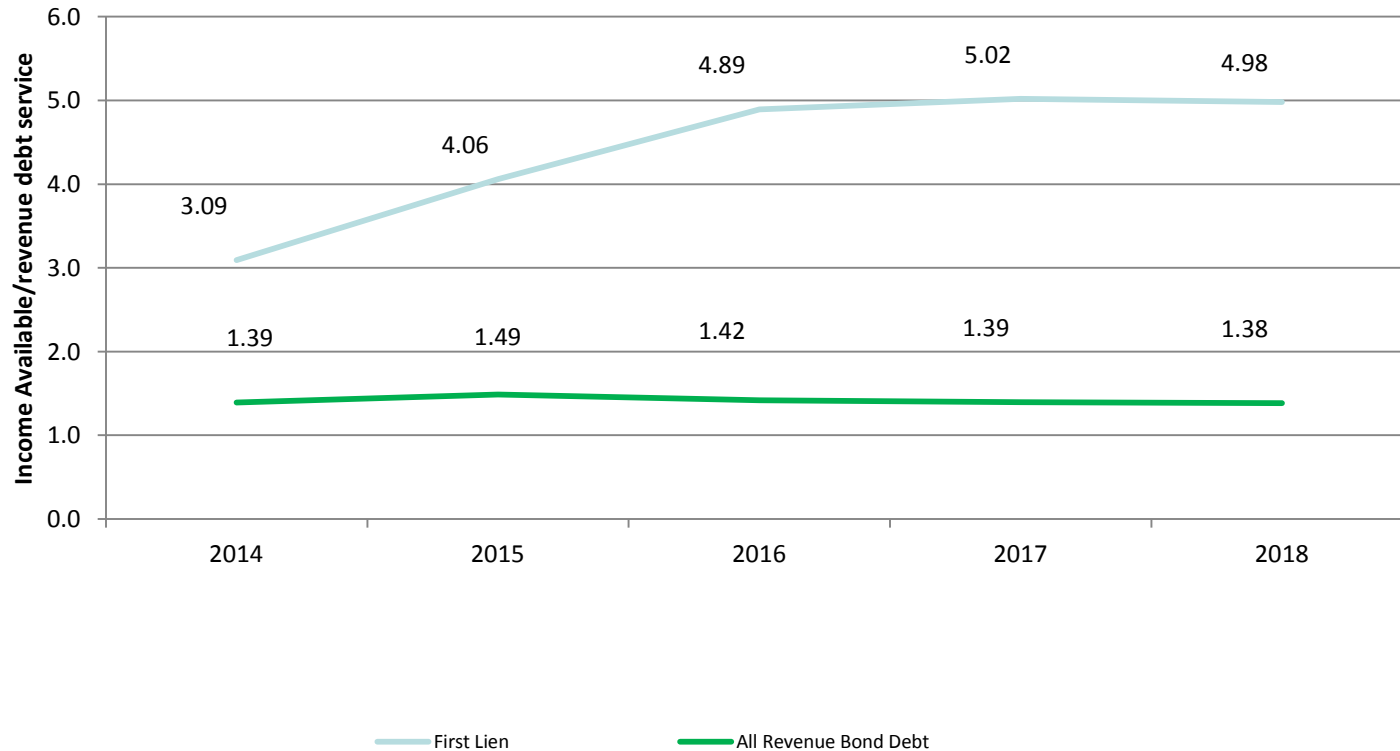
	<u>2014-2018</u> <u>(\$million)</u>
Real Estate Funding Source	
Tax levy	52.2
Net Income and General Fund Balance (1)	0.7
ADF Fund Balance (1)	1.5
Existing revenue bond proceeds	<u>0.7</u>
TOTAL	55.1
	-
Real Estate CIP	
Committed	34.0
Business Plan Prospective	<u>21.1</u>
TOTAL	55.1
(1) Includes funding from Seaport & Aviation division operating funds for allocated Pier 69 capital spending	

Corporate Capital Funding 2014-2018

	<u>2014-2018</u> <u>(\$million)</u>
Corporate Funding Sources	
Airport Development Fund	36.2
Seaport General Fund	8.0
Real Estate General Fund	1.9
Tax levy ⁽¹⁾	<u>0.4</u>
TOTAL	46.4
Corporate CIP	
Committed	25.1
Business Plan Prospective	<u>21.3</u>
TOTAL	46.4
(1) Corporate capital spending allocated to the Real Estate division after the Real Estate general fund no longer meets minimum fund balance requirement.	

Revenue Bond Debt Service Coverage 2014-2018 Port-Wide Forecast

Revenue Bond Debt Service Coverage



2014 Planned Finance Activity

- Airport bond issue to fund project spending
 - \$200 - \$400 million
 - Provides for 1-2 years of bond proceeds
 - First new bond funding since 2010
- Monitor existing debt for refunding opportunities

Appendix: Revenue Bond Coverage Calculation

- Calculation of coverage on all revenue bonds
 - Management tool
 - Not a legal requirement
- Operating divisions meet their management coverage targets
- Tax levy after G.O. debt service can legally be used to pay operating expenses regardless of how the levy is actually used
- PFCs and CFCs are used to pay revenue bond debt service reducing the debt service paid from revenue

\$ million	2014
Net Operating Income	223.5
Adjustments for non-pledged revenues and non-ops	<u>(3.4)</u>
Pledged net revenues	220.1
Tax Levy available to off-set operating expenses	<u>19.1</u>
Available for debt service	239.3
First Lien	77.3
Intermediate Lien	129.9
Subordinate Lien	<u>18.3</u>
Total Revenue Bond Debt Service	225.5
PFC & CFC applied to pay debt service	<u>(53.5)</u>
Net Revenue Bond Debt Service	172.0
Total Revenue Bond Coverage	1.39