ITEM NO. 6a-Supp

DATE OF MEETING March 5, 2009

Consolidated Rental Car Facility Financing Update

March 5, 2009

Port of Seattle

Briefing Overview

- Background
  - Enplanement Forecast
  - Financial Markets
- Financing Tools
  - Bank Lines of Credit
  - Fixed Rate Bonds
  - Airport funds
- Finance Scenarios
- Next Steps

Background

- Project Suspended in December, 2008
  - Without a clear means of economically financing continued construction, Port Commission authorized project suspension
  - Turner Construction is winding down site activity
  - Project and Finance update provided on January 27, 2009

- Changes during January and February, 2009 warrant today's briefing
  - Thawing in financial markets
  - Availability of additional financing tools
  - Change in Airport passenger traffic forecast

Enplanement Forecast

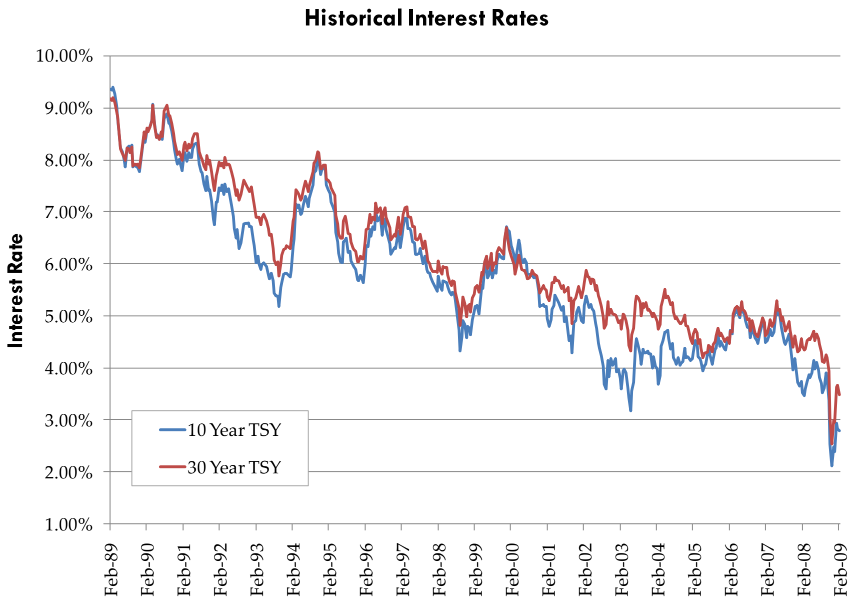
- Airport is in the process of revising the enplanement growth forecast
  - January enplanements decreased 6%, lower than forecast
  - Airlines' planned capacity indicates lower activity forecast
- For the purposes of today's analysis a conservative forecast was used

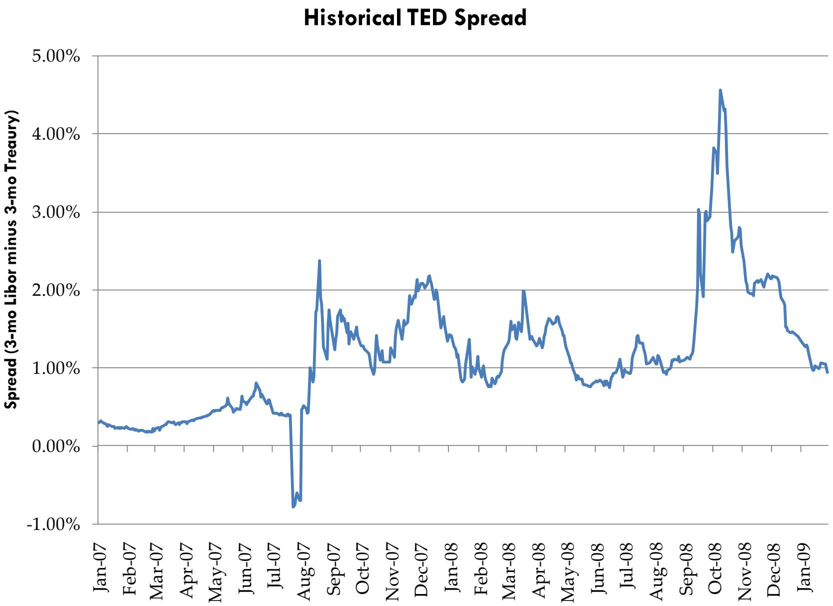
	Forecast in Budget	Forecast for Analysis
2009	-3%	-7%
2010	0%	0%
2011	0%	0%
2012	2.5%	5%
2013 until 45 MAP *	3%	3%

* MAP = million annual passengers

Update of Financial Markets

- Treasury yields near historically low rates
- Liquidity in the market as measured by TED Spread has returned to pre-September 2008 levels
- Market access for investment grade credits has unquestionably improved since the beginning of 2009
- Credit spreads have narrowed considerably since late 2008
  - PepsiCo 10-year bonds sold at the end of October at +420 to Treasuries traded at +211 this week
  - Challenges remain for lower rated investment grade credits





Recent Taxable Bond Issuance

Issuer	Total Issue Size ($MM)	Pricing Week	Maturity	Ratings	Yield	Treasury Spread
Corporate Issues:						
Hewlett-Packard Co.	$ 1,000,000,000	2/23/2009	2/24/2012	A2e/A/A+	3.63%	+295 bps
	$ 1,500,000,000	2/23/2009	6/2/2014		4.72%	+285 bps
Western Union Co.	$ 500,000,000	2/23/2009	2/26/2014	A3e/A-e/A-e	6.58%	+475 bps
Noble Energy Inc.	$ 1,000,000,000	2/23/2009	3/1/2019	Baa2e/BBB	8.12%	+550 bps
Waste Management	$ 350,000,000	2/23/2009	3/11/2015	Baa3/BBB/BBB	6.58%	+462 bps
Arizona Public Service	$ 500,000,000	2/23/2009	3/1/2019	Baa2/BBB-/BBBe	8.73%	+595 bps
Municipal Issues:						
Vanderbilt University	$ 250,000,000	2/23/2009	4/1/2019	Aa2e/Aae/Aae	5.25%	+250 bps
University of Minnesota	$ 17,035,000	1/26/2009	4/1/2014	Aa2/AA	3.38%	+180 bps
(Revenue Bonds)			4/1/2019		5.00%	+240 bps
			4/1/2029		6.00%	+240 bps
Superior Sch District	$ 9,020,000	2/2/2009	3/1/2014	AA-	3.65%	+175 bps
(GO Bonds)			3/1/2019		5.00%	+210 bps
			3/1/2029		6.00%	+220 bps

Financing Tools Appear Available

- The Port now has available to it:
  - Short-term bank lines of credit up to $200 million
  - Long-term, fixed-rate bonds $200-400 million
  - Option of issuing non-AMT bonds for airport project funding to conserve cash, which could be loaned to project up to $100 million
  - Total resources: $500-700 million
- Can combine these tools in most appropriate manner, based on exact terms and market conditions available when ready to issue debt
- Combinations can help balance
    - Certainty
    - Flexibility
    - Cost

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Short-Term Bank lines of credit

- Two banks each willing to provide $100 million
  - 2 – 3 year term
  - Issued as a line of credit or a loan
  - Variable interest rate currently around 3%
  - Debt held by the bank, so no remarketing risk
  - Can be converted to letter-of-credit backed long-term variable rate debt as market stabilizes

Long-term Fixed Rate Bonds

- Taxable market currently could support issuance of Port Revenue bonds:
  - Port's First Lien likely to attract investors for
    - $200 - 400 million
    - 30 year bonds
    - Rates of 8 – 8.5%
  - Port's Intermediate Lien is less attractive to investors
    - $200 - $250 million
    - 10 year bonds (some 30 year bonds possible)
    - Rates of 8 – 9%
  - Fixed rate taxable bonds cannot be called without a penalty
  - Port Revenue would be pledged to these bonds and they would be paid from CFCs
  - Bonds with CFC-only pledge not currently supported by the market

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Airport Development Fund Loan

- Federal stimulus package provides AMT debt “holiday”
- Significantly improves market access
- Can more economically finance airport projects with lower cost non-AMT bonds
- Funds can be held in reserve to re-pay a bank line
- Could loan that cash to project or used to pay down bank lines/loans with most flexible terms of any other option
- State legislature considering statutory change to facilitate such a loan

Scenarios

- Assumptions used in scenarios
  - Updated enplanement forecast
  - Transaction day growth based on enplanement forecast
  - CFC rate increases 2% per year
  - CFC revenue = CFC rate X transaction days
  - Life cycle analysis: CFCs pay for
    - Debt service
    - Transportation operations and maintenance
    - Major maintenance costs
  - Project re-starts in summer 2009
    - Approximately $64 million spent through 2008 – cash funded
    - Need for debt funding over the next two years (2009-2010) estimated to be less than $200 million

Scenario One: Base Case

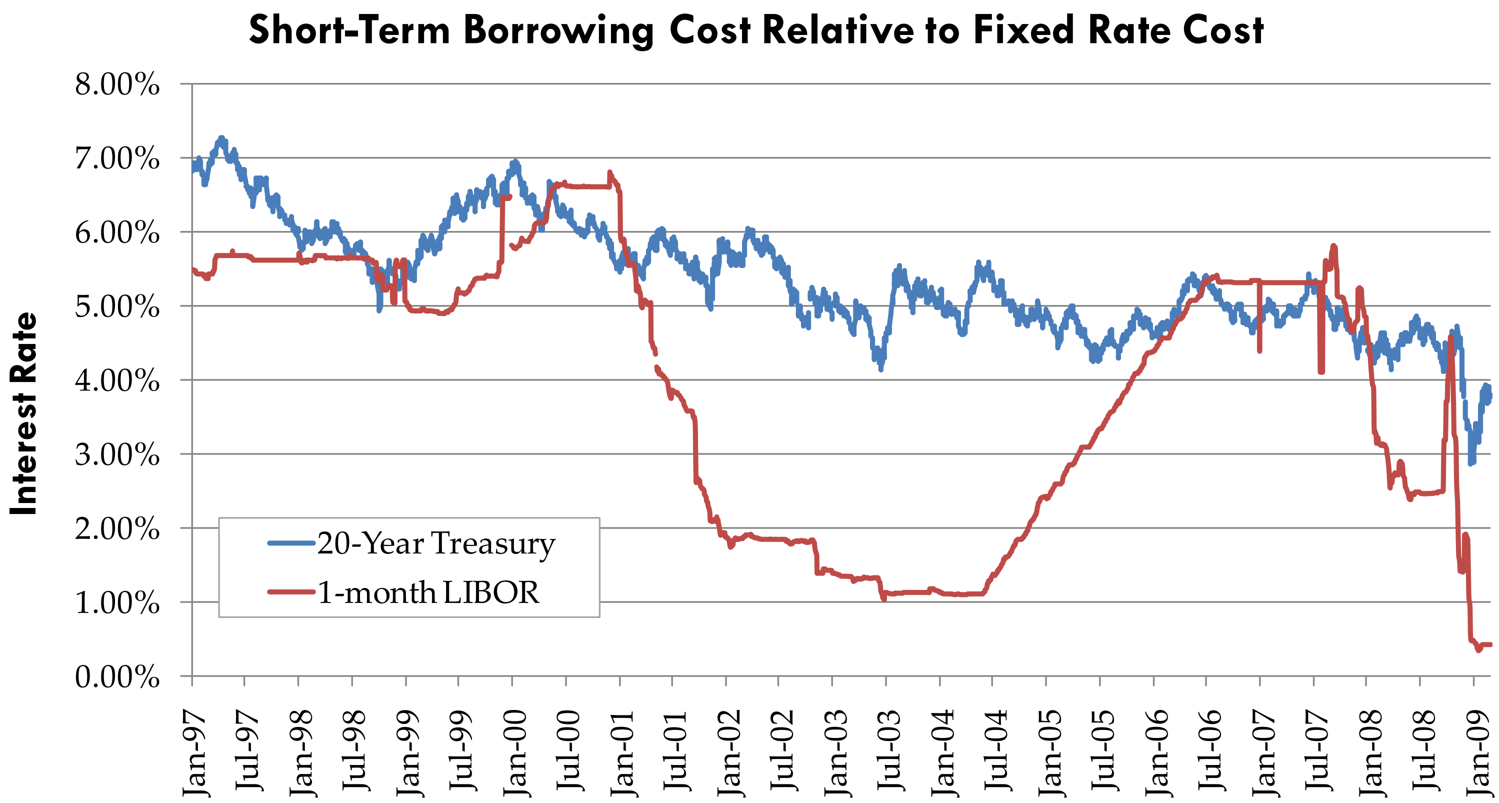
- 2009
  - $200 million 10 year fixed rate bonds
  - $200 million bank lines of credit
- 2010-2011
  - Repay one bank line with $100 million 10-30 year fixed rate bonds
  - Convert one bank line to long-term variable rate bonds
- By 2012 the finance structure will be:
  - $300 million fixed rate bonds 10-30 yrs
  - $100 million variable rate bonds
- By 2019, the 10 year bonds will be refinanced

Scenario One: Impacts

- Estimated opening CFC: $6.50 – 7.00
- Note: major projects are typically funded with multiple bond issues
- Advantages
  - Debt is issued on Intermediate Lien that was designed to accommodate CFC funded debt
  - 10 yr maturities carry lower interest rates than long term and provide flexibility in structuring debt when refinanced
  - Variable rate debt provides lower interest rates and flexibility to refund or pay off without penalty
- Disadvantages
  - Refinancing risk when bonds mature – rates could be higher or lower
  - Variable rate debt has rate fluctuations and bank exposure (with letter of credit structure)

Variable Rate Debt Component of Structure

- *The short-term market has historically provided borrowers with a lower cost of capital*



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Scenario Two: Maximize Certainty

- $425 million fixed rate
  - 30 yr debt
  - First Lien
  - Note: negative carry of 100% fixed rate debt issued in 2009 requires greater use of capitalized interest and therefore more bond proceeds

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Scenario Two: Impacts and Issues

- Estimated opening CFC: $6.75 – 7.25
- Advantages
  - Certainty of debt service over 30 years
- Disadvantages
  - Uses First Lien capacity for long term
  - Negative carry on full amount of debt
  - No flexibility to restructure or take advantage of future market opportunities

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Process & Schedule

- Process
  - Staff plans to begin documentation for a bond sale and for the bank lines
  - Commission approval required for
    - Each line of credit – two readings of each resolution
    - Issuance of bonds – two readings of the bond resolution
    - Project restart
  - Staff will provide updates on recommended approach to bond market prior to request for approval

- Schedule
  - March – Commission briefing, begin document preparation
  - April/May – Update Commission, seek approval for bonds issuance, bank line, establish Commission parameters
  - May/June – initiate sale process for bonds based on Commission parameters
  - June/July – receive proceeds and re-start project