

ITEM NO. 9a Supp-1

DATE OF
MEETING October 20, 2009

Seaport and Real Estate Funding Plans

October 20, 2009



Topics

- Background – Re-cap of prior meeting
- Preliminary levy scenario
- Updated scenario
- Preliminary Assessor Information
- Draft Levy Policy
- Seaport Self-Sufficiency

Preliminary Levy Discussion

- On September 17, 2009 staff provided a preliminary briefing on the tax levy
 - Reviewed historical uses and levy policy
 - Reviewed Century Agenda guidelines from funding panel
 - Outlined a revised approach to levy use based on those guidelines
 - No additional levy support for Seaport
 - Interim levy support for Real Estate capital and operations until longer-term plan developed
 - Provided a preliminary levy scenario for discussion

Preliminary Levy Scenario – Presented 9/17/2009

•Possible levy scenario based on preliminary information

- Levy is maintained at 2009 levy until 2013
- \$5 mil. Project deferral
- No new G.O. debt

•Assumptions

- Port participation in waterfront tunnel has not been included in the calculations
- Environmental cash flows are based on current reserved amounts

\$'000	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>LEVY USES</u>					
G.O. DS	40,426	40,438	40,442	40,444	40,442
<u>Other uses</u>					
Sea Pub Exp FAST/mobility	21,644	1,509			
AV Pub Exp - Highline Noise	9,075	7,650	650	4,880	
Sea Environmental Reserved	5,466	2,630	1,407	500	264
PortJobs	46	46	46	46	46
Subtotal Other	36,231	11,835	2,103	5,426	310
<u>Real Estate Support</u>					
RE Capital	44,307	26,575	21,686	20,200	10,756
RE Operating Subsidy	3,119	2,790	2,130	2,951	2,930
Subtotal RE Support	47,426	29,365	23,816	23,151	13,686
Total Uses	124,083	81,638	66,361	69,021	54,438
<u>LEVY SOURCES</u>					
Available Balance	48,000	(184)	(5,923)	3,615	(406)
Annual levy	75,899	75,899	75,899	65,000	55,000
Total Sources	123,899	75,715	69,976	68,615	54,594
Projected Ending Fund Balance	(184)	(5,923)	3,615	(406)	156

Changes

- Updated Environmental Reserve cash flows
 - Updated cash flows for projects currently reserved
 - Added cash flows for projects that will be added to the reserve as part of the 2010 budget
- Updated Real Estate Division forecast
 - Operating deficit including deferred maintenance needs
 - Capital budget update

Updated Levy Scenario – Base Case

Levy is Sufficient to Meet Existing Needs

Base Case – 2010 levy of \$75.9 million

Environmental expenses:

- Cash expenditures for liabilities reserved for through 2010
- Does not include any future liabilities

Public Expense:

- Includes existing FAST projects and Highline Noise mitigation
- Does not include any participation in the SR99 tunnel

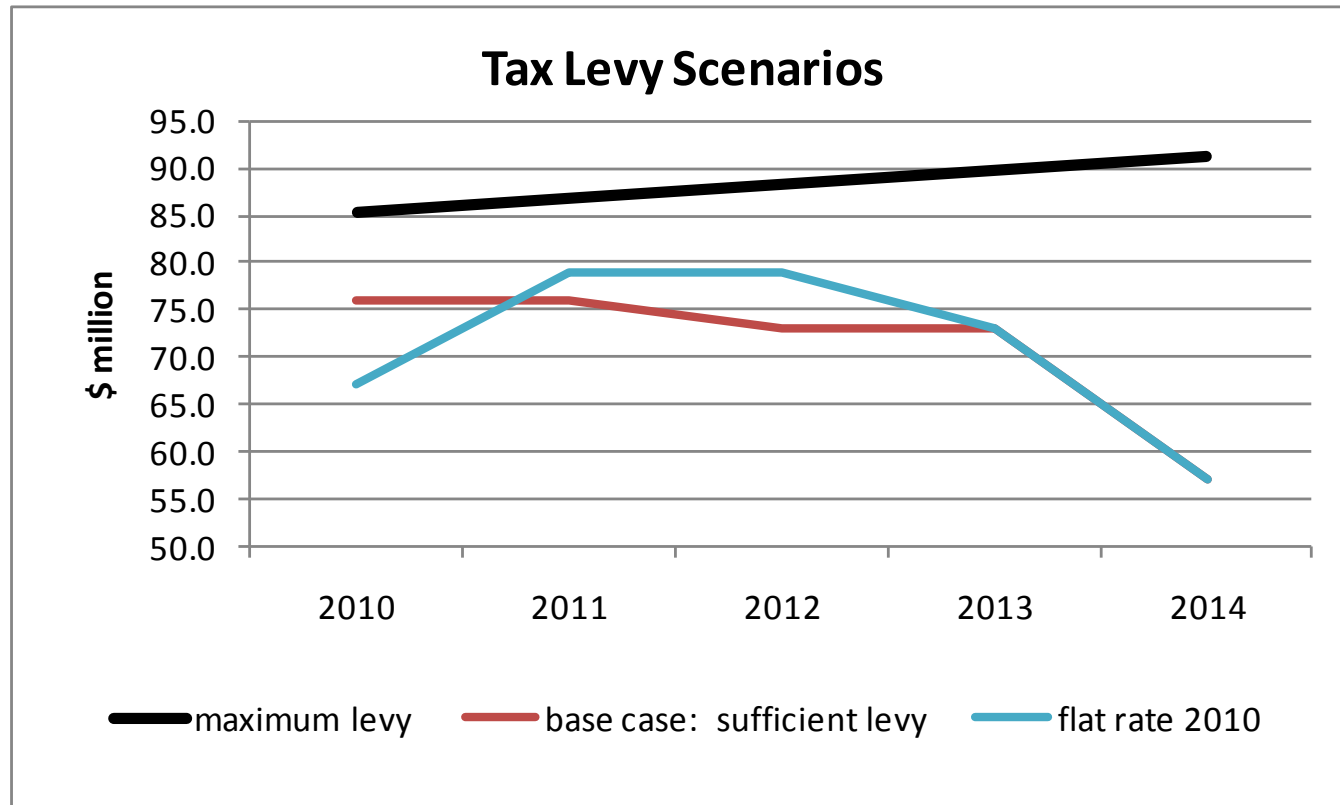
Real Estate Support:

- Assumes existing businesses and facilities continue to operate under their current business models and are adequately maintained and renewed

\$'000	2010	2011	2012	2013	2014
<u>LEVY USES</u>					
G.O. DS	40,426	40,438	40,442	40,444	40,442
<u>Other uses</u>					
Sea Pub Exp FAST/mobility	21,644	2,509	400		
AV Pub Exp - Highline Noise	9,075	7,650	650	4,880	
Sea & RE Environmental Reserved	8,712	5,587	13,894	4,362	1,589
PortJobs	46	46	46	46	46
Subtotal Other	39,477	15,792	14,990	9,288	1,635
<u>Real Estate Support</u>					
RE Capital	20,966	28,300	21,661	19,925	10,781
RE Operating Subsidy	3,450	3,166	2,988	3,583	3,611
Subtotal RE Support	24,416	31,466	24,649	23,508	14,392
Total Uses	104,319	87,696	80,081	73,240	56,469
<u>LEVY SOURCES</u>					
Available Balance	48,000	19,580	7,783	702	462
Annual levy	75,899	75,899	73,000	73,000	57,000
Total Sources	123,899	95,479	80,783	73,702	57,462
Projected Ending Fund Balance	19,580	7,783	702	462	993
Rate per 2010 assessed value (cents)	22.3	22.3	21.4	21.4	16.7

Alternative Scenarios – Lower Levy Option

- **Base Case: Levy remains at \$75.9 million**
 - Levy decreases beginning 2013, no need to defer projects
- **Levy to \$67 mil. (estimated flat levy rate)**
 - Need to increase levy in 2011 and 2012 to \$79 million



King County Assessor – Preliminary Information

- County-wide assessed value decreased 11.5%
 - Methodology changed from 3-yr average to 1-yr decline
 - Preliminary assessed value is \$340.8 billion
- Assessed value on existing property decreased 12.8%
 - New construction equaled \$4.7 billion compared to nearly \$8 billion in 2009
- Maximum levy similar to 2009 - \$85.5 million
 - Maximum calculation: prior year maximum increased by the lesser of 1% or inflation plus new construction
 - Negative inflation causes maximum levy to decrease
 - Modest new construction off-sets the decrease
- Port Commission can set the maximum levy based on 1% increase with a super majority vote (RCW 84.55)
 - This would set the maximum at \$87.1 million
 - Preserve \$1.6 million of annual levy capacity
 - But would not increase the actual levy amount

Impact on Home Owners

- Amount of Port Tax for homeowners depends on the dollar amount of the Port's levy
 - Dollar amount is divided by County-wide assessed value to derive a levy rate
 - Levy rate is only a tool used to calculate an individual's amount
- Examples: Value of existing home decreased 12.8%
 - At 2009 levy - home owner's payment to Port declines due to new construction

	2009	2010 - \$75.9 mil Base Case levy	2010 - \$67 mil levy
House assessed value	\$400,000	\$350,000	\$350,000
Levy calculation rate ⁽¹⁾	19.7 cents	22.3 cents	19.7 cents
Home Owner pays Port	\$79	\$78	\$69

(1) Amount paid per \$1000 of assessed value

Century Agenda: Funding Policy & Strategy Principles

- The Port should be primarily funded through the self-sustaining enterprises that are at the core of its mission. Revenues from the Port's tax levy should be used for activities that are not fully self-sustaining and cannot be funded in another manner. These activities should directly support the Port's core mission, provide for critical infrastructure investments, or provide environmental mitigation that cannot be funded through its enterprises.
- The Port should demonstrate to the public that it has managed its financial resources as a disciplined steward of the public interest, guided by priorities set forth in its strategic plan
- The Port should foster a culture of partnership and collaboration in pursuing public and private funding partnerships for investments that reap shared benefits to all its partners, and that no single entity can achieve independently.

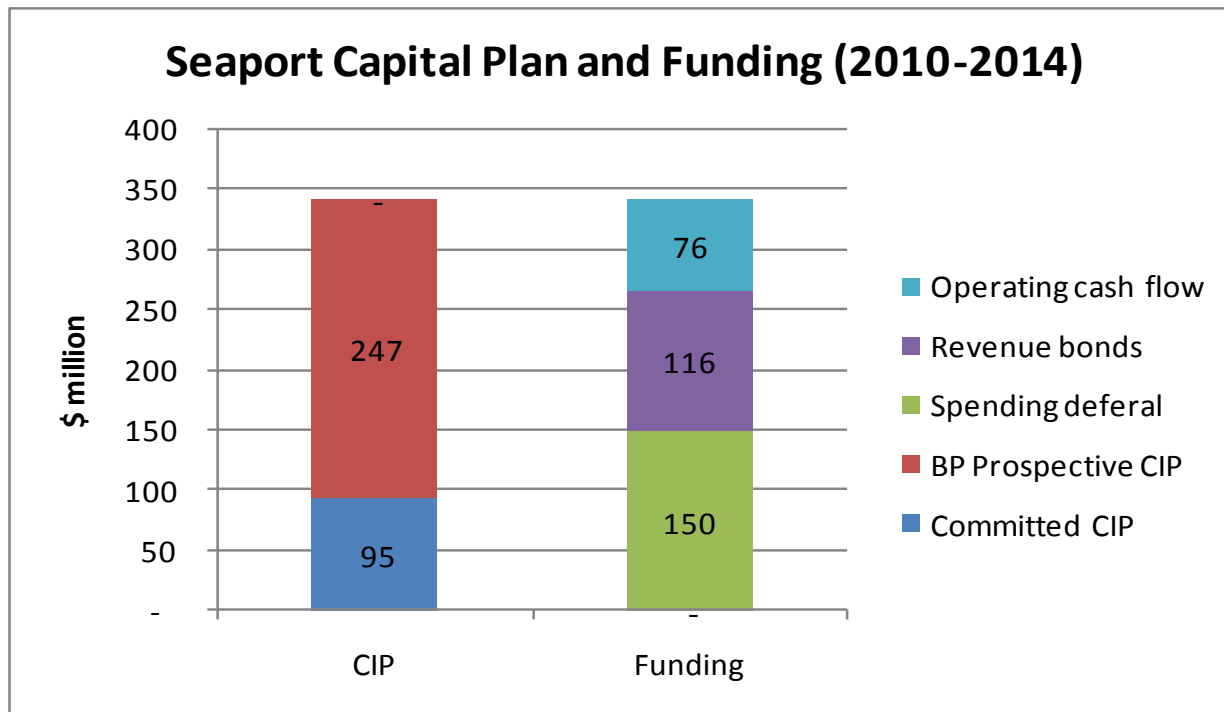
Adopted August 4, 2009

Draft Levy Policy – For Discussion

- Based on Century Agenda Guidelines, staff began drafting a levy policy
- Levy Uses:
 - Public Good
 - Supports a core business, but does not provide a subsidy to a specific customer or tenant
 - Provides a community benefit, and
 - Generates little or no enterprise funding
 - E.g. freight mobility/FAST, environmental expenses
 - Business Support
 - Business is not financially self-sustaining
 - Business is deemed important to the community – jobs or other benefits or long-term strategic benefits
 - E.g. Fishermen’s Terminal, certain industrial properties
- Issues for continued discussion:
 - Which environmental costs to include – expense, capital
 - How is a business defined – function/facility, aggregated
 - How is self-sustaining calculated – long-term strategy for Real Estate

Seaport – Self Sufficient

- Seaport capital plan (CIP) presented to Commission on 10/6/2009
 - 5-yr CIP is \$342 million
- Seaport business can sustain a CIP of \$192 million
 - Funded with operating cash flow and revenue bonds
 - Requires \$150 million of projects deferred until (2015-2019)
 - Assumes no need for levy support for new projects 2010-2014



Conclusions and Next Steps

- Conclusions
 - Seaport self sufficient
 - Income can support its critical new investments
 - No additional tax levy needed
 - Real Estate will receive interim levy support
 - Port will develop long-term financial strategy
- Next Steps
 - Staff will incorporate Commission direction on levy into 2010 Budget and the Draft Plan of Finance
 - Staff will draft a resolution to set the maximum levy based on 1% increase for Commission consideration on November 11, 2009