

ITEM NO. 7d_Supp

DATE OF

MEETING Oct. 26, 2010

Tax Levy Discussion Follow-up Revised

October 26, 2010



Levy Sources and Uses – Current Assumptions

- **Amount** – Assumed annual amount of \$73.5 million for five years based on prior Commission direction
- **Uses**
 - Seaport and Real Estate Environmental expenditures
 - Regional Transportation - Freight mobility projects/FAST Corridor
 - Highline School District
 - Noise and Aviation High School - Not eligible for Airport funding
 - Non-Aviation portion of Port Jobs program
 - Support Real Estate Division
 - Capital Plan funding—would require project deferrals
 - Offset income shortfall
- Transportation Infrastructure Fund established in 2010 – separate balance
- **Not currently included**
 - SR99 Tunnel, S. Park Bridge, other environmental costs

Preliminary 2011-2015 Tax Levy Forecast

Presented on October 12, 2010

\$'000	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>LEVY USES</u>					
G.O. DS - existing	40,438	40,442	40,444	40,442	30,746
<u>Other uses</u>					
Roads and Transportation Projects	9,100	5,050	600	-	-
School Construction & Noise Insulation	650	7,160	3,028	1,094	-
Sea & RE Environmental expenditures - preliminary	11,559	23,985	18,348	3,952	10,009
Transportation & Infrastructure Fund					4,000
PortJobs	46	46	46	46	46
Subtotal Other	21,355	36,241	22,022	5,092	14,055
<u>Real Estate Support</u>					
RE Capital Total	20,357	20,477	12,109	11,455	11,395
RE Operating Subsidy	5,372	5,312	5,707	5,175	5,086
Subtotal RE Support	25,729	25,789	17,816	16,630	16,481
Total Uses	87,521	102,472	80,281	62,164	61,282
<u>LEVY SOURCES</u>					
Beginning Tax Levy Fund Balance	26,634	12,613	(16,359)	(23,140)	(11,805)
Rail Corridor reimbursements less repayment of GF loan					
Annual levy	73,500	73,500	73,500	73,500	73,500
Total uses	(87,521)	(102,472)	(80,281)	(62,164)	(61,282)
Projected Ending Tax Levy Balance	12,613	(16,359)	(23,140)	(11,805)	413
Transportation & Infrastructure Fund Balance	13,000	13,000	13,000	13,000	17,000

Follow Up Items from October 12 Discussion

- Background information on projected vs. actual year-end Levy fund balance
- Background information on G.O. bond refunding savings
- Additional information on environmental expenditures
- Evaluation of Seaport funding contribution for previously expensed environmental costs
- Areas for discussion:
 - Five year levy assumption
 - Real Estate capital plan
 - Potential additional uses
 - SR 99 Tunnel contribution
 - South Park Bridge

Tax Levy Fund Balance – Budget vs. Actual

- Actual balance is typically higher due to:
 - Grant receipts – not budgeted due to uncertainty
 - Delays in capital spending
 - Lower G.O. debt service – budget included bonds for rail corridor (2008 & 2009)
- Partially off-set in some years by:
 - Higher environmental costs
 - Acquisition of the rail corridor with cash (2008 & 2009)

Tax Levy Ending Fund Balance (\$ million)			
	budget	actual	actual v. budget
2005	10.3	15.5	5.2
2006	0.4	11.7	11.2
2007	0.2	32.1	31.9
2008	10.1	42.2	32.0
2009	6.8	9.3	2.4

G.O. Bond Refunding

- Opportunity to refund \$80 million of G.O. bonds
- Current estimated Present Value savings is \$7 million
 - Reduces amount of tax levy needed for debt service – about \$1.9 million 2011-2015
 - Annual savings increase over time
- Final maturity in 2025

\$'000	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
G.O. DS - existing	40,438	40,442	40,444	40,442	30,746
Savings from G.O. bond refunding	(110)	(257)	(404)	(542)	(662)
Post Refunding DS - estimate	40,328	40,185	40,040	39,900	30,084

Analysis of Potential Seaport Funding of Previously Booked Environmental Costs

- Seaport booked \$24 million of additional environmental liabilities from 2005-2009
 - \$23 million categorized as non-operating expense, related to legacy costs; \$1 million categorized as operating expense
- The increase in environmental liabilities is primarily associated with
 - Terminal 117 sediments
 - Terminal 91 Clean-up
 - Lower Duwamish
 - East Waterway
- In addition, the Seaport projects booking additional liabilities of \$21 million during 2010-2011 (primarily non-operating)
 - Total amount from 2005-2011 will be approximately \$45 million
- Using Seaport funds to cover these expenses would require an offsetting reduction in planned capital spending

Impact of \$24M Seaport Funding Contribution for Environmental Costs

LEVY SCENARIO: SUMMARY TABLE - Flat Levy with Seaport Contribution					
\$'000	2011	2012	2013	2014	2015
LEVY USES					
G.O. DS - existing	40,438	40,442	40,444	40,442	30,746
Other uses					
Roads and Transportation Projects	9,100	5,050	600	-	-
School Construction & Noise Insulation	650	7,160	3,028	1,094	-
Sea & RE Environmental expenditures - preliminary	11,559	23,985	18,348	3,952	10,009
Transportation & Infrastructure Fund				12,000	16,273
PortJobs	46	46	46	46	46
Subtotal Other	21,355	36,241	22,022	17,092	26,328
Real Estate Support					
RE Capital - Committed	15,357	8,522	3,444	2,555	1,995
RE Capital - Business Plan Prospective	5,000	11,955	8,665	8,900	9,400
RE Capital Total	20,357	20,477	12,109	11,455	11,395
RE Operating Subsidy	5,372	5,312	5,707	5,175	5,086
Subtotal RE Support	25,729	25,789	17,816	16,630	16,481
Total Uses	87,521	102,472	80,281	74,164	73,555
LEVY SOURCES					
Beginning Tax Levy Fund Balance	26,634	36,886	7,914	1,133	468
Seaport contribution for Environmental Exp.	24,273				
Annual levy	73,500	73,500	73,500	73,500	73,500
Total uses	(87,521)	(102,472)	(80,281)	(74,164)	(73,555)
Projected Ending Tax Levy Balance	36,886	7,914	1,133	468	413
Transportation & Infrastructure Fund Balance	13,000	13,000	13,000	25,000	41,273

Note: assumes surplus fund balances deposited in Transportation and Infrastructure Fund

Environmental Costs – Cash Expenditures

- Seaport and Real Estate cash expenditures forecasted to be paid over next five years
 - Net of any payments by potentially liable parties
 - Does not include estimates of possible recoveries from grants, insurance or litigation
- Primarily legacy costs (non-operating)

Seaport and RE Environmental Payments (\$'000)	2011	2012	2013	2014	2015	5-YR TOTAL
For liabilities previously booked	9,290	17,804	12,255	1,352	478	41,180
For liabilities expected to be booked in 2011	1,067	1,137	1,727	1,756	112	5,799
For anticipated future liabilities	1,201	5,044	4,366	844	9,419	20,874
Total forecasted payments	11,559	23,985	18,348	3,952	10,009	67,853

Seaport Projects to be Deferred if Funds Required Early

- \$24 million payment to tax levy fund (projects budgeted 2011-2012)
 - Pier 66 Shore Power \$14.7M
 - Seaport Green Port Initiative \$1.9M
 - T91 Berths 6 & 8 Redevelop \$6.0M (additional \$'s in 2013-2014)
 - P90 C175 Roof Replacement \$1.2M
- \$45 million payment to tax levy fund (in addition to above projects)
 - Container Dock Upgrades \$ 5.0M
 - T18 Pile Cap Improvements \$5.1M
 - T10 Interim Development \$5.6M (authorized project)
 - RFID Readers \$1.0M
 - T108 Paving Overlay \$3.0M
 - Pier 90 Additional 60T Bollards \$.8M
 - Fleet Replacement \$0.5M

Real Estate CIP – FT & MIC

- Total capital plan is \$75.8 million of which \$36.2 million is for Fishermen's Terminal and the Maritime Industrial Center

FISHERMEN'S TERMINAL & MIC			
CIP Budget Status ²	CIP Number Project Description	2011	Total 2011-2015
Committed	C800175 MIC Seawall Replacement	2,123	2,123
	C800386 FT NW Dock E Fender Sys Repl	3,350	3,350
	C800136 FT S. Wall Reconstruction P4	4,668	4,668
	C800137 FT C15 HVAC Improvements	340	3,794
Committed Sum		10,481	13,935
Bus Plan Prospective	C800045 FT Net Shed Solution	500	16,600
	C800005 FT Paving/Storm Upgrades	750	1,500
	C800191 FT C14 (Downey) Bldg Improvements	0	450
	C800344 FT C-2 Bldg Roof & HVAC Rplmnt	50	1,175
	C800446 FT C15 Bldg Subsidence Imp	150	2,500
Bus Plan Prospective Sum		1,450	22,225
Total Fishermen's Terminal and MIC		11,931	36,160

Other Real Estate Capital Projects

OTHER REAL ESTATE			
CIP Budget Status2	CIP Number Project Description	2011	Total 2011-2015
Committed	C800187 RE Maintenance Shop Solution	186	186
	C800115 Fleet Replacement	173	4,465
	C800116 2007 Small Projects	2	2
	C800209 RE: 2009 Small Projects	100	100
	C800243 RE Preliminary Planning	250	1,250
	C800244 RE Technology Projects	250	1,250
	C800302 RE Div: Green Port Initiative	200	1,500
	C800305 RE: 2010 Small Projects	225	225
	C800313 P69 N Apron Piling Cathodic	1,400	2,903
	C800359 RE: 2011 Small Projects	665	665
	C800447 RE: 2012 & Beyond Small Proj		2,000
	C800126 Tenant Improvements -Capital	775	2,742
	C800304 Bell Harb Lighting Ctrl Upgrad	650	650
Committed Sum		4,876	17,938
Bus Plan Prospective	C800216 RE: Contingency Renew.&Replace	3,000	17,000
	C800004 SBM Fuel Dock Building	100	1,000
	C800088 Central Seawall Replacement		915
	C800196 T102 Bldg Roof Replacement	100	2,430
	C800345 P66 Chiller Upgrades	350	350
Bus Plan Prospective Sum		3,550	21,695
Total Other Real Estate		8,426	39,633
GRAND TOTAL REAL ESTATE CIP		20,357	75,793

Conclusion & Next Steps

- Additional questions or information requests?
- Staff is seeking Commission discussion and direction on key issues:
 - Funding of environmental costs
 - Potential Real Estate CIP deferrals
 - 2011 Levy amount and assumptions for 2011-2015 for capital planning
 - Funding for SR 99 Tunnel and South Park Bridge
- Remaining Schedule
 - November 9, 2010 First Reading of the 2011 Budget
 - November 23, 2010 Second Reading of the 2011 Budget