

ITEM NO.: 7c

DATE OF MEETING: 10/12/2010

Preliminary Tax Levy Discussion

October 12, 2010



Topics

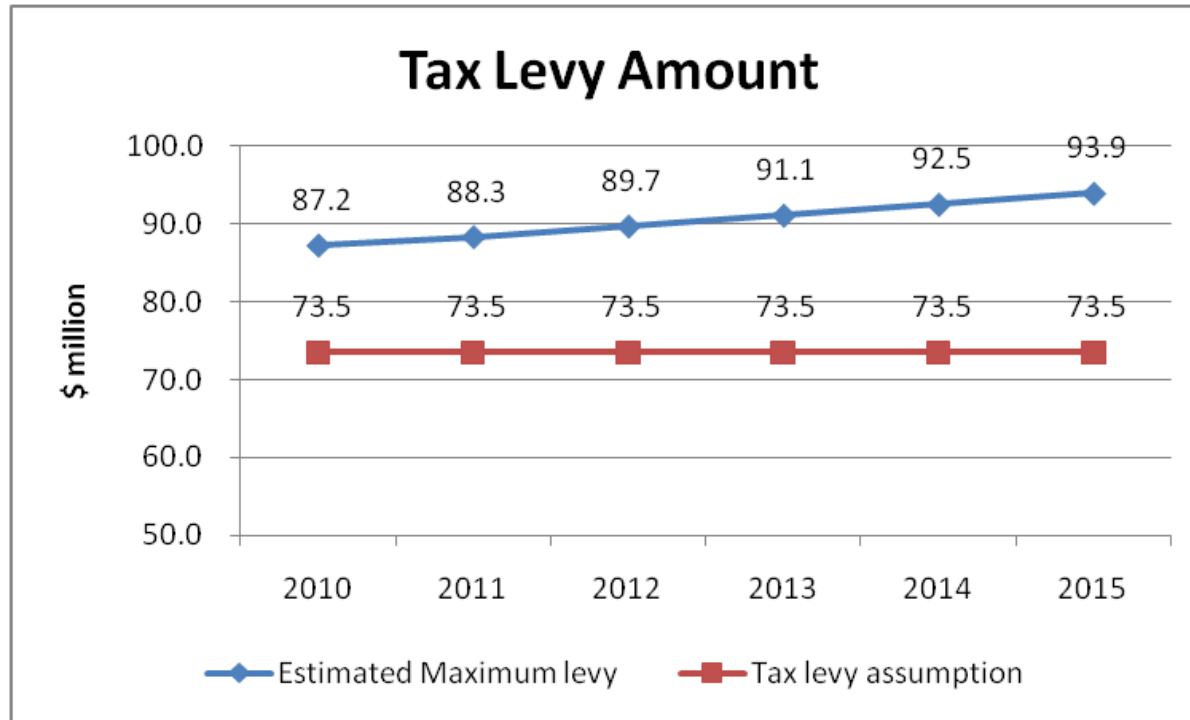
- Tax Levy Background
- 2010 Budget
- Preliminary 2011 Budget
- Policy Discussion

Tax Levy Overview

- Tax Levy Amount
 - Levy amount established by the Commission each year as part of the budget process
 - Statutory limitations on annual collection; Port is below maximum
- General Purpose tax levy authorized for “any lawful Port purpose”
- Tax Levy Uses
 - Payment of General Obligation bond debt service
 - Port policy – annual debt service is no more than 75% of levy collection
 - General Purpose use established by Commission policy
 - Non-aviation environmental remediation
 - Regional freight mobility projects
 - Real Estate Division Support
 - Airport noise mitigation ineligible for airport funding

Levy Capacity

- Statutory maximum levy exceeds current levy amount
- Maximum increases each year by 1% + allowance for new construction



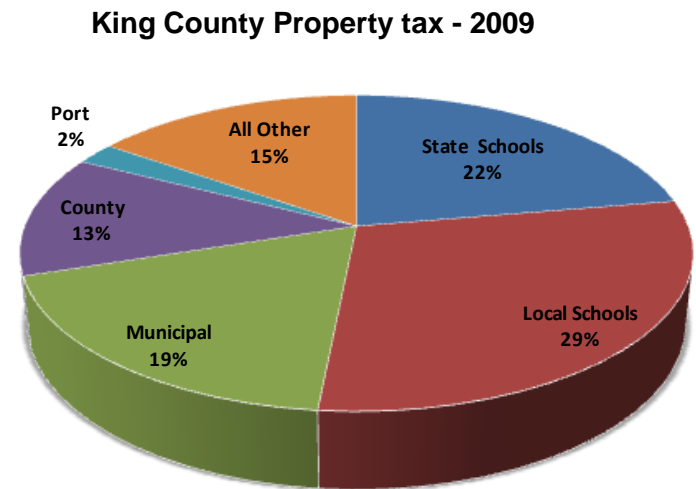
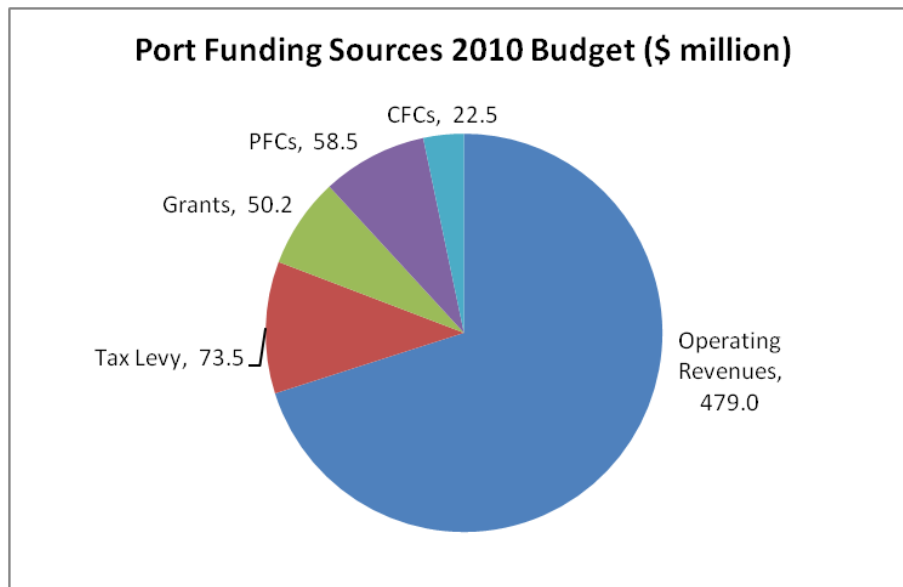
Century Agenda: Funding Policy & Strategy Principles

- 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

Tax Levy Background – Funding Context

- Airport financially self sufficient
 - Except for portions of mitigation not eligible for Airport funding
- Seaport financially self sufficient beginning 2010
 - Levy continues to fund
 - G.O bond debt service – bonds previously used for Seaport assets
 - Environmental remediation - mostly legacy items



Existing G.O. Bond Debt Service (1)

	2009 (in 000's)
Containers	
Stage II Dredge- Phase I	\$922
T-5 Expansion & Upgrades	18,089
T-46 Expansion Redevelopment	4,458
T-18 Expansion & Upgrade	12,074
Total Containers	\$35,544
Docks and Commercial Properties	
T-91 Apron & Infrastructure Improvements	2,219
Pier 17 Dock Replacement	122
T-86 Terminal Upgrades	120
Total Docks and Commercial Properties	\$2,461
Commercial Properties	
World Trade Center Garage	640
Fishing	
Fishermen's Terminal Docks & Seawall Renewal	1,778
Total G.O. Bond Debt Service	\$40,423

(1) Debt service on bonds originally issued between 1994 and 2004

Levy Sources and Uses – 2010 Adopted Budget & Forecast

- **Amount** – Flat amount at \$73.5 million for five years
- **Uses**
 - Seaport and Real Estate Environmental mitigation
 - Regional Transportation
 - Freight mobility projects/FAST Corridor
 - Eastside Rail Corridor
 - Transportation and Infrastructure Fund
 - Highline School District
 - Noise mitigation and Aviation High School
 - Not eligible for Airport funding
 - Non-Aviation portion of Port Jobs program
 - Real Estate Division support
 - Capital Plan
 - NOI shortfall

2010 Budget – Levy Forecast (as of Nov. 2009)

	\$'000	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>LEVY USES</u>						
G.O. DS -existing		40,426	40,438	40,442	40,444	40,442
<u>Other uses</u>						
Roads and Transportation Projects		15,744	5,709	3,100		
School Construction & Noise Insulation		9,075	650	10,554	1,744	-
Sea & RE Environmental Expenditures		8,712	5,587	13,894	6,000	6,000
Transportation & Infrastructure Fund		13,000	-	-	13,000	18,900
PortJobs		46	46	46	46	46
Subtotal Other		46,577	11,992	27,594	20,790	24,946
<u>Real Estate Support</u>						
RE Capital		16,996	22,050	12,350	8,425	4,781
RE Operating Subsidy		3,450	3,166	2,988	3,583	3,611
Subtotal RE Support		20,446	25,216	15,338	12,008	8,392
Total Uses		107,449	77,646	83,374	73,242	73,780
<u>LEVY SOURCES</u>						
Available Balance		48,000	14,051	9,905	31	289
Annual levy		73,500	73,500	73,500	73,500	73,500
Total Sources		121,500	87,551	83,405	73,531	73,789
Projected Ending Fund Balance		14,051	9,905	31	289	9

Changes since last year

- Changes reflected in levy update
 - Projected environmental mitigation expenditures have increased as projects move forward in scoping and review process
 - Real Estate needs have increased
 - Capital spending plan
 - Better estimates on deferred maintenance
- Potential needs/changes not yet fully incorporated – pending further Commission discussion and direction
 - SR99 tunnel contribution
 - South Park Bridge
 - Additional environmental expenditures

Preliminary 2011-2015 Tax Levy Forecast

\$'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

Policy Discussion

- Currently forecasted levy uses exceed sources assuming continued flat dollar amount
- Options include increasing future levy and/or reducing spending
- Near-term decisions:
 - Levy amount for 2011 and direction regarding 5-yr planning assumptions