

ITEM NO. 7a Supp

DATE OF  
MEETING October 25, 2011

# 2012-2016 Draft Plan of Finance

October 25, 2011



# Topics

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- Background and Assumptions
- 2012-2016 Capital Funding
- Forecasted Debt Service Coverage
- Seaport Capital Deferrals
- Refunding Savings Contribution to tax Levy Scenario

# Draft Plan of Finance 2012-2016

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- 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 2012-2016 Plan is based on:
  - Division capital improvement plans (CIPs) discussed with the Commission on September 27, 2011
  - Division operating budgets and forecasts discussed with the Commission on October 4, 2011.
    - Airport is a self-funding operation
    - Seaport operating income supports its CIP
    - Real Estate CIP is supported by the tax levy
  - The tax levy assumption is \$73.5 million per year 2012-2016

# Debt Service Coverage

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- 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:
    - 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 of:
    - 1.5x debt service for Seaport debt
    - 1.25x debt service for Airport debt

# Funding Sources

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

# Aviation Capital Funding 2012-2016

	<u>2012-2016</u> <u>(\$mil.)</u>
Aviation Funding Sources	
Net income	222
Operating funds	28
Tax levy <sup>(1)</sup>	10
Grants	72
Passenger Facility Charge	53
Customer Facility Charge <sup>(2)</sup>	57
Existing revenue bond proceeds	109
Future bond proceeds	543
TOTAL	1,094
Aviation CIP	
Committed	444
Business Plan Prospective	651
TOTAL	1,094
(1) Highline capital spending (excludes expense spending by tax levy)	
(2) Includes proceeds of CFC-paid bonds	

# Seaport Capital Funding 2012-2016

	<u>2012-2016</u> <u>(\$mil.)</u>
Seaport Funding Sources	
Net income	40
Operating funds	22
Grants	2
Existing revenue bond proceeds	5
Future revenue bond proceeds	201
TOTAL	271
Seaport CIP	
Committed	42
Business Plan Prospective	254
TOTAL	296
<b>Funding Shortfall</b>	<b>(25)</b>

# Seaport Capital Funding 2012-2016

- Total of \$25 million in project spending deferred beyond 2016
  - \$73 million needs to be deferred over the next three years due to pile cap repairs
    - Timing and cost of the repair are still uncertain
    - Changes to the pile cap assumption will affect amount and timing of deferrals
  - A portion can be funded in 2015

	2012	2013	2014	2015	2016	Total
Original CIP	31	49	60	76	80	296
Change to CIP	<u>(3)</u>	<u>(44)</u>	<u>(26)</u>	<u>48</u>	<u>0</u>	<u>(25)</u>
Final CIP	28	5	34	124	80	271



# Real Estate Capital Funding 2012-2016

	<u>2012-2016</u> <u>(\$mil.)</u>
Real Estate Funding Source	
Tax levy	54
TOTAL	54
Real Estate CIP	
Committed	21
Business Plan Prospective	33
TOTAL	54

# Corporate Capital Funding 2012-2016

	<u>2012-2016</u> <u>(\$mil.)</u>
Corporate Funding Sources	
Seaport Net Income	17
Real Estate General Fund	5
Airport Net Income	42
TOTAL	64
Corporate CIP	
Committed	25
Business Plan Prospective	39
TOTAL	64

# Port-wide Revenue Bond Debt Service Coverage 2012-2016 – Forecast

## Revenue Bond Debt Service Coverage



# Seaport 2012-2016 Capital Budget Deferrals

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- Seaport 2011 Capital Budget presented to Commission on September 27<sup>th</sup> with follow-up on October 4<sup>th</sup>.
- Funding capacity analysis has determined that ~\$73 million in projects must be deferred from 2012-2014 into later years.
- Required deferral represents 50% of capital dollars budgeted for those years:
  - Delays projects that will extend the useful life of Seaport assets
  - Reduces ability to capitalize on opportunities to secure new business
  - Reduces ability to collaborate with industry to reduce environmental impacts

# Seaport 2012-2016 Capital Budget Deferrals

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- Following slides show projects most likely to be deferred as indicated by gray shading.
- Actual deferrals likely to vary due to new information and changing circumstances.
- Project dollars left in Contingency Renewal and Replace in 2014 to cover projects determined to be most critical.

# Seaport 2012-2016 Capital Budget

## Capital Budget Summary – Prior to Deferrals

\$'s in 000's

	2012	2013	2014	2015	2016	2012-16
Commission Authorized/Underway	11,636	3,190	1,400	0	0	16,226
Pending 2012 Authorization	17,538	2,990	2,300	3,000	2,878	28,706
Pending Future Authorization	0	42,070	54,780	72,100	76,300	245,250
Small Projects	1,400	1,200	1,333	1,025	1,000	5,958
<b>Total</b>	<b>30,574</b>	<b>49,450</b>	<b>59,813</b>	<b>76,125</b>	<b>80,178</b>	<b>296,140</b>

# Seaport 2012-2016 Capital Budget

## Pending 2012 Authorization - Deferrals

\$'s in 000's

	Priority	2012	2013	2014	2015	2016	2012-16
P66 Apron Pile Wrap	2	500	500	500	500	378	2,378
Container Termi Strm Water Imp (Pilot)	2	1,000	300	0	0	0	1,300
T- 86 Grain Facility - Cathodic Protection	2	900	100	0	0	0	1,000
T104 Site Improvements	3	1,000	1,000	1,000	0	0	3,000
<b>Total</b>		<b>3,400</b>	<b>1,900</b>	<b>1,500</b>	<b>500</b>	<b>378</b>	<b>7,678</b>

- Shaded amounts represent spending deferrals

# Seaport 2012-2016 Capital Budget

## Pending Future Authorization - Deferrals

\$'s in 000's	Priority	2012	2013	2014	2015	2016	2012-16
T91 Substation Upgrades	2	0	1,000	1,000	500	0	2,500
Container Support Yd-3.5M TEU's #1	2	0	30,000	0	0	0	30,000
P66 Shore Power	3	0	1,000	7,700	5,000	0	13,700
Second Gangway per Berth @ T91	3	0	1,000	3,500	0	0	4,500
T- 91 Railroad Spur Upgrade	3	0	150	960	0	0	1,110
T-115 Railroad Spur Upgrade	3	0	150	900	0	0	1,050
New Warehouse at Tank Farm	3	0	0	10,800	11,100	0	21,900
Contingency Renewal & Replace.	3	0	8,500	10,000	10,000	10,000	38,500
<b>Total</b>		<b>0</b>	<b>41,800</b>	<b>34,860</b>	<b>26,600</b>	<b>10,000</b>	<b>113,260</b>

- Shaded amounts represent spending deferrals



# Refunding Savings Contribution to Tax Levy – scenario for discussion

- Commission meeting October 11 – request to evaluate the impact of a Seaport contribution of ½ the savings from refunding the Terminal 18 Special Facility bonds to reduce future tax levies
  - Savings calculated based on current rates plus a cushion – present value savings approximately \$20 million
  - Contribution would be made annually based on ½ the savings amount realized in that year (old debt service minus new debt service)
  - Contribution would pay costs otherwise funded with the tax levy, so the tax levy can be reduced in those years
  - Annual savings vary due to restructuring of debt service
  - Total savings 2012 – 2016 estimate is \$8 million; contribution is \$4 million
- Seaport would have to defer an additional \$4 million of projects to accommodate the contribution

\$million	2012	2013	2014	2015	2016
Levy reduction	1.1	1.2	1.2	0.4	0.2

# Seaport 2012-2016 Capital Budget

## Additional Deferrals

\$'s in 000's

Seaport Green Port Initiative

**Total**

Priority	2012	2013	2014	2015	2016	2012-16
1	470	1,090	800	2,500	2,500	7,360
	<b>470</b>	<b>1,090</b>	<b>800</b>	<b>2,500</b>	<b>2,500</b>	<b>7,360</b>

- Shaded amounts represent spending deferrals.

# 2012 Planned Finance Activity

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- Proceed with economic refundings as appropriate
  - Currently meet savings target
    - 2001 First Lien Revenue bonds – Airport
  - Other Potential candidates
    - A portion of 2003 First Lien Revenue bonds – Airport
    - 1999 Sub lien Revenue bonds – Airport
- Airport bond issue to fund project spending 2012/2013
- Evaluate options for extending/replacing letters of credit expiring in 2013