

ITEM NO. 7a Supp

DATE OF  
MEETING October 25, 2011

# **Preliminary Tax Levy Funding Plan for 2012 Budget and Draft Plan of Finance**

October 25, 2011



# Topics

---

- Tax Levy Overview
- 2011 Tax Levy update
- Preliminary Tax Levy 5-year funding plan

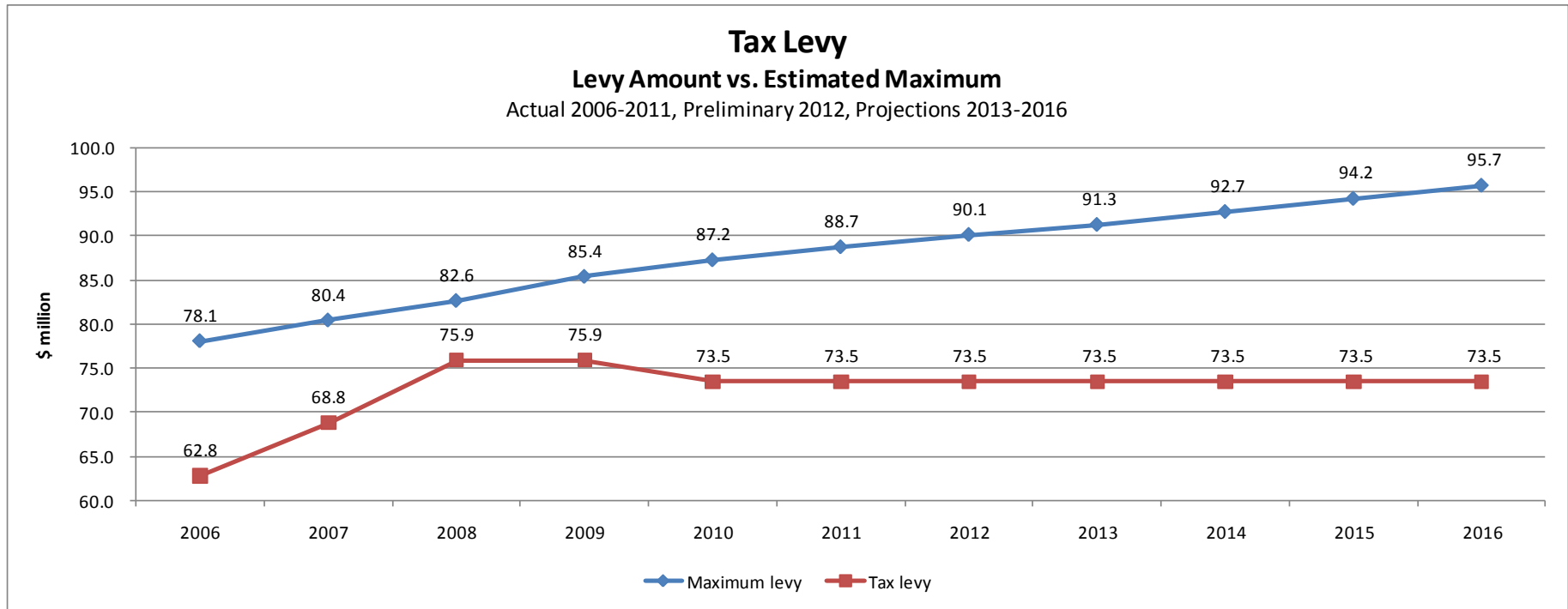
# Tax Levy Overview

---

- Tax Levy Amount
  - Levy amount established by the Commission each year as part of the budget process
  - Statutory limitations on annual collection
    - Port may set Levy at any amount up to the statutory maximum
    - Maximum increases each year by the lesser of inflation or 1% plus a factor for new construction
- Tax levy may legally be used for general Port purposes, actual use has been guided by Commission policy
- Payment of General Obligation bond debt service
  - Port policy – debt service is no more than 75% of annual levy

# Annual Levy vs. Statutory Max

- Annual levy is well below statutory maximum
- Commission guidance has been to maintain flat dollar amount for planning purposes



# 2011 Tax Levy, Actual vs. Budget

\$'000	<u>Budget</u>	<u>Est./Act.</u>
	<u>2011</u>	<u>2011</u>
<b><u>LEVY SOURCES</u></b>		
Beginning Tax Levy Fund Balance	26,634	26,322
2011 G.O. Bond Proceeds		30,007
less repayment of General Fund loan		(30,766)
Environmental Remediation Grants & Revenues Reimbursements		6,459
Eastside Rail Corridor Partners Reimbursements		13,700
Tax Levy Fund Investment Earnings		842
Annual levy	73,500	73,500
<b>Total Sources:</b>	<b>100,634</b>	<b>120,064</b>
<b><u>LEVY USES</u></b>		
<b><u>General Obligation (G.O.) Bonds Debt Service (DS)</u></b>		
G.O. Bonds DS - existing debt	40,438	40,165
<b><u>Other uses</u></b>		
Roads and Transportation Projects	9,100	7,694
Aviation School, and Highline & other Schools NOISE Insulation	650	650
Environmental Remediation Liabilities, Seaport & Real Estate - prelim. <sup>(2)</sup>	11,559	11,211
PortJobs	46	140
Subtotal Other	21,355	19,695
<b><u>Real Estate Support</u></b>		
RE Capital Total <sup>(3)</sup>	20,357	13,214
RE Operating Subsidy	5,372	5,372
Subtotal RE Support	25,729	18,586
<b>Total Uses:</b>	<b>87,522</b>	<b>78,446</b>
<b>Projected Ending Tax Levy Fund Balance</b>	<b>13,112</b>	<b>41,618</b>
Notes:		
<sup>(2)</sup> Includes project cash flows for environmental projects already or expected to be expensed and liabilities booked		
<sup>(3)</sup> Includes Committed and BP Prospective projects		

- Projected ending balance exceeds budget
- Significant variances
  - Receipt of environmental reimbursements
  - Expected receipt of rail corridor payment from Sound Transit
  - Lower Real Estate capital spending
    - Spending deferred from 2011

# 2012-16 Funding Plan - Revenues

---

- Flat Levy at \$73.5 million annually
- Receipt of \$31 million of additional Eastside Rail Corridor partner reimbursements
  - (\$30 million of short term G.O. notes issued in February, 2011 for rail corridor acquisition mature 2014-15)
- Does not include some potential reimbursements for environmental costs – too uncertain to budget
  - Grants
  - Insurance/litigation payments

# 2012-16 Funding Plan - Uses

---

- Existing General Obligation bond debt service
- \$20.5 million for substantial completion of FAST Corridor initiative & Highline Schools noise mitigation program
- Funding of Seaport/Real Estate environmental remediation costs (non-operating):
  - \$67.6 million of projected cleanup costs over five years
  - Includes Lower Duwamish/East Waterway early action items—bulk of cleanup costs projected to occur after 2016
  - Costs are net of payments by potentially liable parties; excludes potential recoveries from grants, insurance or litigation

# 2012-16 Funding Plan

- Plan sets aside an additional \$42 million of levy funds into the Transportation and Infrastructure Fund
  - Commission priority to build reserves for critical future projects
  - \$13 million set aside in 2010
  - Proposed \$23 million addition in 2012 made possible by unbudgeted reimbursements received in 2011
  - \$5 million for South Park Bridge contribution 2012-13
  - Fund balance grows to \$55 million by 2016, proposed to partially fund SR99 tunnel contribution to reduce borrowing needs

Projected TIF Balance (\$' 000)	Est./Act.						5 Years
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2012-2016</u>
Beginning of year	13,250	13,498	34,236	32,068	52,588	54,189	13,498
Transfer from Tax Levy Fund		23,000	0	19,250	0	0	42,250
Fund Investment Earnings	248	239	332	1,270	1,602	813	4,255
South Park Bridge		(2,500)	(2,500)				(5,000)
SR 99 Tunnel						(55,000)	(55,000)
End of year	<b>13,498</b>	<b>34,236</b>	<b>32,068</b>	<b>52,588</b>	<b>54,189</b>	<b>2</b>	<b>2</b>



# 2012-16 Funding Plan

---

- Levy continues to fund annual Real Estate Division NOI shortfall and 100% of capital expenditures
- Projected Real Estate support increases from 2016-2019 due to temporary spike in revenue bond debt service
- Proposed new funding of \$54 thousand for non-Airport share of Port Jobs apprenticeship program in 2012 (total program in is \$150 thousand, formerly funded through \$0.20/hour contractor fees)
- Proposed SR99 Funding
  - \$300 million total commitment to be funded 2016-18 per MOA with State
  - \$19 million credit for in-kind contributions towards freight mobility projects
  - \$55 million cash reserves from Transportation & Infrastructure Fund
  - \$226 million of long-term G.O. bonds issued in 2016

# Preliminary Tax Levy 5-Yr Funding Plan

\$'000	<u>2012</u>	<u>5 Years 2012-2016</u>
<b><u>LEVY SOURCES</u></b>		
Beginning Tax Levy Fund Balance	41,618	41,618
Eastside Rail Corridor Partners Reimbursements	5,000	31,000
Annual levy	73,500	367,500
<b>Total Sources:</b>	<b>120,118</b>	<b>440,118</b>
<b><u>LEVY USES</u></b>		
<b><u>General Obligation (G.O.) Bonds Debt Service (DS)</u></b>		
G.O. Bonds DS - existing debt	40,353	211,437
G.O. Bonds DS - new (SR99 Tunnel) <sup>(1)</sup>		17,944
Subtotal G.O. Bonds DS	40,353	229,381
<b><u>Other uses</u></b>		
Roads and Transportation Projects	3,954	9,189
Aviation School, and Highline & other Schools NOISE Insulation	7,160	11,282
Environmental Remediation Liabilities, Seaport & Real Estate - prelim. <sup>(2)</sup>	15,889	67,597
Funding of Transportation & Infrastructure Fund	23,000	42,250
PortJobs	72	486
Port Jobs Apprenticeship Program	54	342
Subtotal Other	50,129	131,146
<b><u>Real Estate Support</u></b>		
RE Capital Total <sup>(3)</sup>	14,524	54,031
RE Operating Subsidy	4,922	22,355
Subtotal RE Support	19,446	76,386
<b>Total Uses:</b>	<b>109,927</b>	<b>436,913</b>
<b>Projected Ending Tax Levy Fund Balance</b>	<b>10,190</b>	<b>3,204</b>

Notes: <sup>(1)</sup> Assumes bond issue of \$226 million for 25 yrs at 6%.

<sup>(2)</sup> Includes project cash flows for environmental projects already or expected to be expensed and liabilities booked

<sup>(3)</sup> Includes Committed and BP Prospective projects

# Key Considerations

---

- Eastside Rail Corridor partner reimbursements – uncertain of amounts and timing of receipts
- Environmental Costs
  - Total amount and timing of Lower Duwamish/East Waterway cleanup costs after 2016 remain uncertain—POS, King County and City of Seattle discussing a range of options with EPA
  - Other potential environmental liabilities exist
- Depending on the above, funding shortfalls may exist after 2016 under current flat levy assumption