

ITEM NO: 7a Supp 2

DATE OF
MEETING October 23, 2012

2013-2017 Draft Plan of Finance

October 23, 2012



Topics

- Background and Assumptions
- 2013-2017 Capital Funding
- Forecasted Debt Service Coverage
- Finance Activity for 2013

Draft Plan of Finance 2013-2017

- 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 2013-2017 Plan is based on:
 - Division capital improvement plans (CIPs) discussed with the Commission on October 2, 2012
 - Division operating budgets discussed with the Commission on October 9, 2012
 - Airport is a self-funding operation
 - Seaport operating income supports its CIP
 - Real Estate is supported by the tax levy

Debt Service Coverage

- 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 9 months O&M:
 - 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:
 - 1.50x debt service for Seaport debt
 - 1.25x debt service for Airport debt
 - Tax levy is sufficient to fund levy planned levy uses

Funding Sources

- 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 2013-2017

- The Airport funding plan is based on the current airline agreement

	<u>2013-2017</u>
	<u>(\$mil.)</u>
Aviation Funding Sources	
Net income	243
Operating funds	49
Tax levy ⁽¹⁾	10
Grants	102
Passenger Facility Charge	106
Existing revenue bond proceeds	72
Future bond proceeds	872
TOTAL	1,454
Aviation CIP	
Committed	597
Business Plan Prospective	857
TOTAL	1,454
(1) Highline capital spending (excludes public expense spending by tax levy)	

Seaport Capital Funding 2013-2017

Funding forecast is based on continuation of the current lease agreements at all container terminals.

Capital spending capacity is:

- \$296 million – 5yrs.
- \$718 million – 10 yrs.

Potential modification to the lease structure based on tenant negotiations could significantly reduce capital capacity.

Compared to baseline scenario capital spending capacity declines to:

- \$174 million - 5-yrs
- \$281 million - 10-yrs

	<u>2013-2017</u> <u>(\$mil.)</u>
Seaport Funding Sources	
Net income	120
Operating funds	74
Grants	3
Tax levy ⁽¹⁾	2
Existing revenue bond proceeds	12
Future revenue bond proceeds	85
TOTAL	296
Seaport CIP	
Committed	56
Business Plan Prospective	240
TOTAL	296
(1) Argo Yard Roadway capital spending (excludes public expense spending by tax levy)	

Real Estate Capital Funding 2013-2017

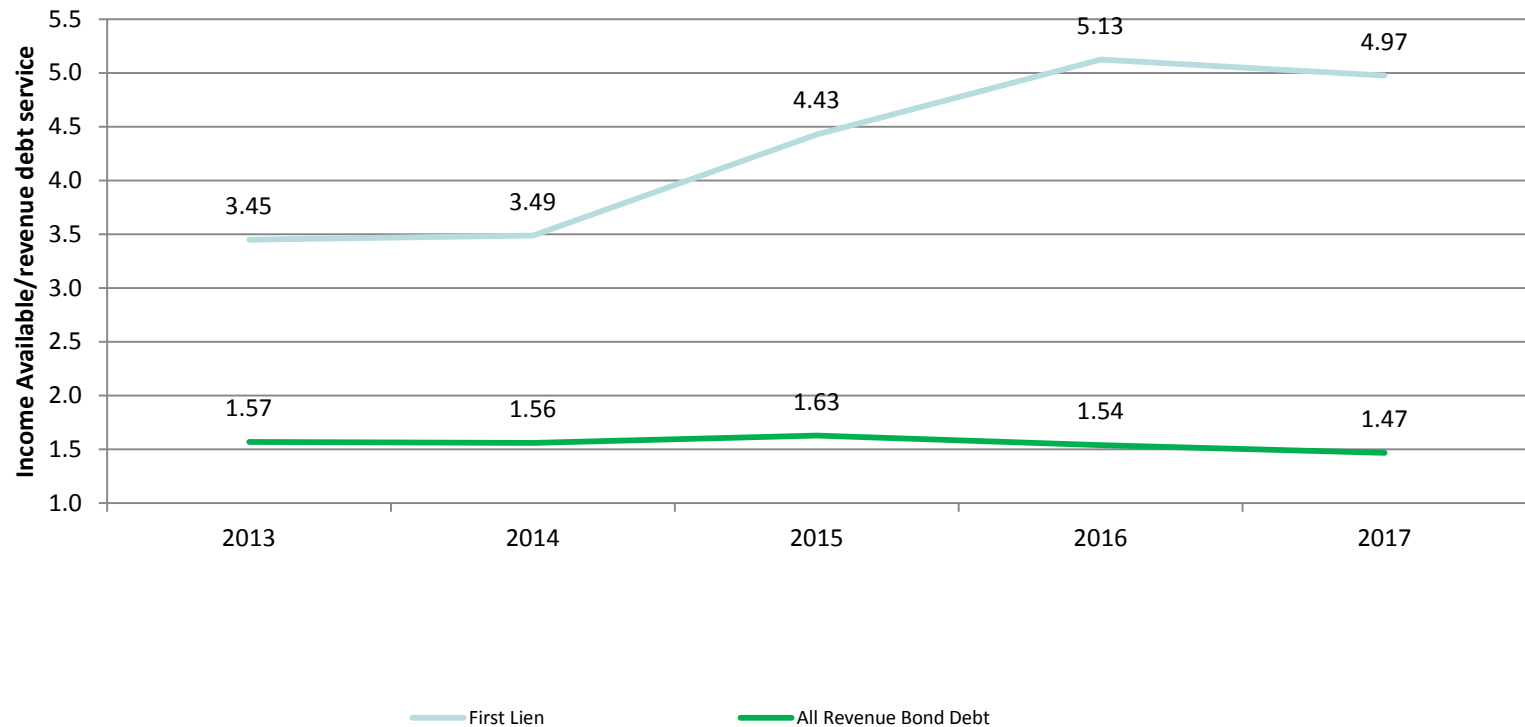
	<u>2013-2017</u> <u>(\$mil.)</u>
Real Estate Funding Source	
Tax levy	68
Existing revenue bond proceeds	1
TOTAL	69
Real Estate CIP	
Committed	37
Business Plan Prospective	32
TOTAL	69

Corporate Capital Funding 2013-2017

	<u>2013-2017</u> <u>(\$mil.)</u>
Corporate Funding Sources	
Airport Net Income	30
Seaport Net Income	12
Real Estate General Fund	2
Tax levy ⁽¹⁾	1
TOTAL	45
Corporate CIP	
Committed	26
Business Plan Prospective	19
TOTAL	45
<p>(1) Corporate capital spending allocated to the Real Estate division after the Real Estate general fund no longer meets minimum fund balance requirement.</p>	

Port-wide Revenue Bond Debt Service Coverage 2013-2017 – Forecast

Revenue Bond Debt Service Coverage



2013 Planned Finance Activity

- Proceed with economic refundings as appropriate
 - Possible refunding candidates:
 - 2003B First Lien Revenue bonds – Airport
 - 2004A GO bonds – Seaport & Real Estate
 - 2003 Special Facility (Fuel Facility) Revenue bonds – Airport
- Airport bond issue to fund project spending
 - 2013/2014 issuance
 - \$200 - \$300 million
- Evaluate options for extending/replacing letters of credit expiring in 2013/2014