



ITEM NO: 7a Supp 1

DATE OF
MEETING November 6, 2012

Tax Levy Discussion Follow-up

November 6, 2012

Topics

- On October 23, 2012 Commission requested additional information for a tax levy discussion
 - 2012 levy variance: deferrals vs. savings
 - Include Fishermen's Terminal Net Shed improvements
 - SR99 Tunnel Contribution
 - Include potential \$6 million for related projects
 - 10-yr Real Estate financial forecast
 - 10-yr tax levy sources and uses – fund balance forecast
- Revised levy scenarios and further discussion

2012 Budget Variance

- The ending levy fund balance is forecast to be \$32 million more than budget due to:
 - Absolute gains – grants, corridor sales, CIP improvements
 - Spending deferrals – environmental and capital projects

- Net Shed follow-up
 - Budget included a capital project with total costs of \$3.75 million
 - Of that \$750,000 was budgeted for 2012
 - Net shed costs are now \$2.0 million included in the expense forecast (no capital dollars)

<u>Change From 2012 Budget vs. Forecast</u>		
	<u>savings</u>	<u>timing</u>
Rail Corridor	0	14
environmental remediation	1	8
RE CIP	2	8
TOTAL	3	30

Alaskan Way Tunnel - updated

- Port has agreed to provide up to \$300 million to fund the replacement of the Alaskan Way Viaduct with a tunnel
 - \$19 million has already been credited for previous improvements
 - \$31 million has been set aside in the transportation and infrastructure fund
 - Additional funds may be set aside (\$24 million to provide a total of \$55 million per the 2012 budget)
 - Increases funding gap, but reduces debt

	2012 Budget	Available cash only
Contributed	19	19
Cash for related projects	6	6
Additional cash	49	25
Bond Proceeds	<u>226</u>	<u>250</u>
TOTAL	300	300



Real Estate Division Forecast Briefing 2013-2022

2013-2022 Forecast Briefing

- **Real Estate Net Operating Income (NOI) Forecast Key Assumptions:**
 - Commercial Property occupancies consistent with 2013 Budget
 - Recreational Boating occupancies grow slowly to pre-recession levels
 - CPI increases for revenue and expenses 2.5%
 - Deferred Maintenance program complete in 2013
 - Corporate/CDD allocations grow at 4.5%
- **Revenue Bond Debt Service – Provided by Corporate F&B**
- **Real Estate 2013-2022 Capital Budget – consistent with projects/amounts presented at October 2 briefing**

Real Estate Division

Real Estate Division: 2013-2022 NOI Forecast

\$'s Thousands	2013 Budget	2014 Frcst	2015 Frcst	2016 Frcst	2017 Frcst	2018 Frcst	2019 Frcst	2020 Frcst	2021 Frcst	2022 Frcst	2013-2022 Total
Revenues											
Operating Revenues	32,516	33,019	33,562	34,300	35,132	36,068	37,010	38,057	39,058	40,094	358,815
Expenses											
Direct Expenses	36,485	32,441	32,017	32,811	33,352	34,473	35,002	35,879	36,706	37,587	346,753
Divisional Allocations	(4,226)	(2,464)	(2,523)	(2,583)	(2,533)	(2,597)	(2,661)	(2,728)	(2,796)	(2,865)	(27,977)
NOI Before Corp/CDD Alloc	257	3,042	4,068	4,072	4,313	4,192	4,669	4,906	5,148	5,372	40,039
Corporate Allocations	6,743	7,046	7,363	7,694	8,041	8,402	8,781	9,176	9,589	10,020	82,854
Net Operating Income	(6,486)	(4,004)	(3,295)	(3,622)	(3,728)	(4,211)	(4,112)	(4,269)	(4,441)	(4,648)	(42,815)

Real Estate Division

Real Estate Division: 2013-2022 NOI Forecast

\$'s Thousands	2013 Budget	2014 Frcst	2015 Frcst	2016 Frcst	2017 Frcst	2018 Frcst	2019 Frcst	2020 Frcst	2021 Frcst	2022 Frcst	2013-2022 Total
Revenues											
Operating Revenues	32,516	33,019	33,562	34,300	35,132	36,068	37,010	38,057	39,058	40,094	358,815
Expenses											
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Net Operating Income (Loss)	(6,486)	(4,004)	(3,295)	(3,622)	(3,728)	(4,211)	(4,112)	(4,269)	(4,441)	(4,648)	(42,815)
Additional Subsidy**	0	0	0	(10,796)	(10,921)	(9,778)	(6,757)	(1,749)	(1,720)	(1,744)	(43,464)
Total	(6,486)	(4,004)	(3,295)	(14,418)	(14,649)	(13,988)	(10,869)	(6,018)	(6,160)	(6,392)	(86,278)

Note**: Driven by the need to pay revenue bond debt service once general fund surplus is depleted

Real Estate Division

Harbor Services – Recreational Boating

RECREATIONAL BOATING

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2022
\$'s Thousands	Budget	Frcst	Frcst	Frcst	Frcst	Frcst	Frcst	Frcst	Frcst	Frcst	Total
Revenues											
Operating Revenues	8,924	9,112	9,344	9,592	9,955	10,286	10,634	11,027	11,382	11,752	102,009
Expenses											
Direct Expenses	4,684	4,310	4,419	4,531	4,673	4,751	4,871	4,994	5,049	5,139	47,422
Divisional Allocations	1,569	1,442	1,477	1,513	1,505	1,542	1,581	1,620	1,661	1,702	15,613
NOI Before Corp/CDD Alloc	2,671	3,359	3,447	3,549	3,777	3,993	4,182	4,413	4,673	4,911	38,974
Corporate Allocations	2,454	2,565	2,680	2,801	2,927	3,058	3,196	3,340	3,490	3,647	30,156
Net Operating Income	217	795	768	748	851	935	986	1,073	1,183	1,264	8,818

Real Estate Division

Harbor Services – Fishing & Commercial

FISHING & COMMERCIAL

\$'s Thousands	2013 Budget	2014 Frcst	2015 Frcst	2016 Frcst	2017 Frcst	2018 Frcst	2019 Frcst	2020 Frcst	2021 Frcst	2022 Frcst	2013-2022 Total
Revenues											
Operating Revenues	2,764	2,745	2,779	2,787	2,713	2,761	2,785	2,855	2,900	2,952	28,041
Expenses											
Direct Expenses	4,116	3,782	2,829	2,899	2,972	3,371	3,122	3,200	3,280	3,362	32,933
Divisional Allocations	1,144	1,078	1,105	1,131	1,123	1,151	1,180	1,209	1,240	1,270	11,631
NOI Before Corp/CDD Alloc	(2,496)	(2,116)	(1,154)	(1,244)	(1,381)	(1,761)	(1,517)	(1,555)	(1,619)	(1,681)	(16,523)
Corporate Allocations	1,481	1,548	1,618	1,691	1,767	1,846	1,929	2,016	2,107	2,201	18,204
Net Operating Income	(3,977)	(3,664)	(2,772)	(2,934)	(3,148)	(3,607)	(3,446)	(3,571)	(3,726)	(3,882)	(34,727)

Real Estate Division

Portfolio Management: 2013-2022 Forecast

PORTFOLIO MANAGEMENT

\$'s Thousands	2013 Budget	2014 Frcst	2015 Frcst	2016 Frcst	2017 Frcst	2018 Frcst	2019 Frcst	2020 Frcst	2021 Frcst	2022 Frcst	2013-2022 Total
Revenues											
Operating Revenues	19,965	20,330	20,590	21,102	21,627	22,165	22,717	23,282	23,861	24,455	220,093
Expenses											
Direct Expenses	16,951	15,873	16,089	16,492	16,904	17,326	17,760	18,204	18,659	19,125	173,382
Divisional Allocations	1,794	1,656	1,694	1,734	1,676	1,717	1,760	1,804	1,850	1,896	17,581
NOI Before Corp/CDD Alloc	1,220	2,801	2,806	2,876	3,048	3,121	3,196	3,274	3,353	3,434	29,130
Corporate/CDD Allocations	2,517	2,630	2,749	2,872	3,002	3,137	3,278	3,425	3,579	3,740	30,929
Net Operating Income	(1,297)	171	58	4	46	(15)	(81)	(152)	(227)	(307)	(1,799)

Real Estate Division

Eastside Rail Corridor: 2013-2022 Forecast

RAIL CORRIDOR

\$'s Thousands	2013 Budget	2014 Frcst	2015 Frcst	2016 Frcst	2017 Frcst	2018 Frcst	2019 Frcst	2020 Frcst	2021 Frcst	2022 Frcst	2013-2022 Total
Revenues											
Operating Revenues	7	7	7	7	8	8	8	8	8	9	76
Expenses											
Direct Expenses	413	423	434	445	456	467	479	491	503	516	4,627
Divisional Allocations	0	0	0	0	0	0	0	0	0	0	0
NOI Before Corp/CDD Alloc	(406)	(416)	(427)	(437)	(448)	(460)	(471)	(483)	(495)	(507)	(4,550)
Corporate/CDD Allocations	0	0	0	0	0	0	0	0	0	0	0
Net Operating Income (Loss)	(406)	(416)	(427)	(437)	(448)	(460)	(471)	(483)	(495)	(507)	(4,550)

Real Estate Division

RE Development & Planning: 2013-2022 Forecast

RE DEVELOPMENT & PLANNING

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2022
\$'s Thousands	Budget	Frcst	Frcst	Frcst	Frcst	Frcst	Frcst	Frcst	Frcst	Frcst	Total
Revenues											
Operating Revenues	853	823	839	808	826	844	863	882	902	922	8,562
Expenses											
Direct Expenses	1,168	1,088	1,116	1,143	1,172	1,201	1,231	1,262	1,294	1,326	12,002
Divisional Allocations	338	321	328	336	336	345	353	362	371	381	3,472
NOI Before Corp/CDD Alloc	(652)	(586)	(605)	(672)	(682)	(702)	(722)	(742)	(763)	(785)	(6,912)
Corporate/CDD Allocations	290	303	317	331	346	361	378	395	412	431	3,564
Net Operating Income (Loss)	(943)	(889)	(922)	(1,003)	(1,028)	(1,063)	(1,100)	(1,137)	(1,176)	(1,216)	(10,476)



Real Estate Division

2013-2022 Capital Budget

Real Estate 2013 Capital Budget

Capital Budget Summary

TOTAL REAL ESTATE DIVISION	2013	2013-2017	2018-2022	2013-2022 Total
Commission Authorized/Underway	9,688	9,861	0	9,861
Pending 2013 Authorization	4,290	15,265	0	15,265
Pending Future Authorization	300	32,080	75,899	107,979
Small Projects	2,810	11,895	9,385	21,280
TOTAL	17,088	69,101	85,284	154,385

RE 2013 Capital Plan By Location

Fishermen's Terminal \$ 000's

FISHERMEN'S TERMINAL		2013	2013-2017	2018-2022	2013-2022 Total
FT Waterside Projects Capital Projects					
Status	Description				
Pending 2013 Authorization	FT Net Shed 9 Roof Replacement	606	606	0	606
Small Projects	FT Waterside Small Capital Projects	215	375	0	375
Pending Future Authorization	FT Dock 4 Fixed Pier Improvement	0	3,500	0	3,500
Pending Future Authorization	FT Dock 3 Fixed Pier Improvement	0	3,000	0	3,000
Pending Future Authorization	FT NW Dock West Improvements	0	800	38,000	38,800
Pending Future Authorization	FT S. Wall West End Improvements	0	0	1,674	1,674
Pending Future Authorization	FT West Wall N. Fender Improvements	0	0	2,950	2,950
Pending Future Authorization	FT West Wall N. Sheet Pile Corr Protect	0	0	2,775	2,775
Pending Future Authorization	FT S. Wall Ctr Fnder Repl & Corr Protect	0	0	13,300	13,300
Pending Future Authorization	FT West All S. Sheet Pile Corr Protect	0	0	2,200	2,200
Total FT Waterside		821	8,281	60,899	69,180
FT Upland Projects Capital Projects					
Status	Description				
Commisson Authorized	FT C15 HVAC Improvements	3,388	3,561	0	3,561
Pending 2013 Authorization	FT Paving/Storm Upgrades	150	1,650	0	1,650
Pending 2013 Authorization	FT C-2 (Norby) Bldg Roof & HVAC	150	1,150	0	1,150
Pending 2013 Authorization	FT C-15 Bldg Subsidence Imp	175	2,750	0	2,750
Small Projects	FT Uplands Small Capital Projects	125	550	835	1,385
Pending Future Authorization	FT 25 Year Plan Improvements	300	13,000	0	13,000
Pending Future Authorization	FT C14 (Downie) Bldg Roof & HVAC	0	950	0	950
Pending Future Authorization	FT C-15 Bldg East Sewer Line	0	850	0	850
Total FT Landside		4,288	24,461	835	25,296
TOTAL FISHERMEN'S TERMINAL		5,109	32,742	61,734	94,476

RE 2013 Capital Plan By Location

Shilshole Bay Marina \$ 000's

SHILSHOLE BAY MARINA		2013	2013-2017	2018-2022	2013-2022 Total
<u>Shilshole Bay Marina Recreational Boating</u>					
Status	Description				
Pending 2013 Authorization	SBM Central Seawall Replacement	715	915	0	915
Pending 2013 Authorization	SBM Paving	0	1,000	0	1,000
Pending 2013 Authorization	SBM Restroom Replacement	100	4,800	0	4,800
Small Projects	Small Projects	225	525	0	525
Pending Future Authorization	SBM Fuel Float & Bldg Improvements	0	1,100	0	1,100
Total SBM Recreational Boating		1,040	8,340	0	8,340
<u>Shilshole Bay Marina Commercial Prop</u>					
		0	0	0	0
Total SBM Commercial Prop		0	0	0	0
TOTAL SHILSHOLE BAY MARINA		1,040	8,340	0	8,340

RE 2013 Capital Plan By Location

Maritime Industrial Ctr & Harbor Island Marina \$ 000's

MARITIME INDUSTRIAL CENTER		2013	2013-2017	2018-2022	2013-2022 Total
<u>Maritime Industrial Center</u>					
Status	Description				
Pending 2013 Authorization	MIC Building A1 Roof Replacement	570	570	0	570
Small Projects	MIC Small Capital Projects	175	225	0	225
TOTAL MARITIME INDUSTRIAL CENTER		745	795	0	795
HARBOR ISLAND MARINA		2013	2013-2017	2018-2022	2013-2022 Total
<u>Harbor Island Marina</u>					
Status	Description				
Small Projects	HIM Small Capital Projects	0	285	0	285
TOTAL HARBOR ISLAND MARINA		0	285	0	285

RE 2013 Capital Plan By Location

Central Waterfront \$ 000's

CENTRAL WATERFRONT	2013	2013-2017	2018-2022	2013-2022 Total	
Central Waterfront- Bell Harbor Marina					
Status	Description				
Small Projects	Small Projects	115	115	0	115
Pending Future Authorization	BHM PileWraps	0	3,450	0	3,450
Total BHM Recreational Boating		115	3,565	0	3,565
Central Waterfront Commercial Bldgs					
Small Projects	Small Projects	370	1,060	0	1,060
Total Central Waterfront Commerical Bldgs		370	1,060	0	1,060
TOTAL CENTRAL WATERFRONT		485	4,625	0	4,625

RE 2013 Capital Plan By Location

Other Commercial Properties \$ 000's

OTHER COMMERCIAL PROPERTIES		2013	2013-2017	2018-2022	2013-2022 Total
<u>Other Commercial Properties</u>					
Status	Description				
Pending 2013 Authorization	Tenant Improvements -Capital	259	1,694	822	2,516
Small Projects	Other Props Small Capital	60	560	0	560
Pending Future Authorization	T102 Bldg Roof Replacement	0	2,430	0	2,430
Total Other Commercial Buildings		319	4,684	822	5,506
TOTAL OTHER COMMERCIAL PROPERTIES					
		319	4,684	822	5,506

RE 2013 Capital Plan By Location

Pier 69 and Other Projects \$ 000's

PIER 69 AND OTHER PROJECTS		2013	2013-2017	2018-2022	2013-2022 Total
Other					
Status	Description				
Commission Authorized	P69 N Apron Corrosion Control	6,300	6,300	0	6,300
Pending 2013 Authorization	P69 Built Up Roof Replace	1,824	1,824	0	1,824
Small Projects	Pier 69 Small Projects	145	145	0	145
Small Projects	RE Fleet Replacement	476	3,466	3,228	6,694
Small Projects	RE Preliminary Planning	250	1,250	1,250	2,500
Small Projects	RE Technology Projects	250	1,250	1,250	2,500
Small Projects	Marine Maintenance Small Projects	145	395	0	395
Small Projects	Unspecified Small Projects	0	0	2,000	2,000
Pending Future Authorization	RE: Contingency Renew.&Replace	0	3,000	15,000	18,000
Total Other		9,390	17,630	22,728	40,358
TOTAL P69 AND OTHER PROJECTS		9,390	17,630	22,728	40,358



Tax Levy

Cash Flows & Options

Annual Tax Levy Cash Flow

- Base case
 - Based on continuing 2012 tax levy amount of \$73 million
 - Funds G.O. Bond debt service
 - Funds “Other” – FAST, Argo Yard, Highline noise mitigation, PortJobs and environmental remediation
 - Funds Real Estate Division
 - Capital projects (excludes \$1 million funded with existing bond proceeds)
 - Operating deficit (excludes \$80,000 non-cash environmental liability in 2013)
 - Additional support beginning 2016, when the excess funds in the RE portion of the general fund are depleted
 - Currently pays for allocated corporate CIP
 - Currently pays for RE revenue bond debt service

Annual Tax Levy Cash Flow – base case

\$'000	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>10 Years 2013-2022</u>
<u>LEVY SOURCES</u>						
Beginning Tax Levy Fund Balance	48,451	35,408	5,865	8,962	(6,781)	48,451
King County Rail Corridor Reimbursement			13,090			13,090
Annual levy	73,000	73,000	73,000	73,000	73,000	730,000
Total Sources:	121,451	108,408	91,955	81,962	66,219	791,541
<u>LEVY USES</u>						
<u>General Obligation (G.O.) Bonds Debt Service (DS)</u>						
G.O. Bonds DS - existing debt	39,551	39,543	29,851	29,845	29,848	307,184
G.O. Bonds DS for rail corridor - existing debt	805	15,745	15,744			32,294
G.O. Bonds DS New (SR99 Tunnel) (1)				19,850	19,850	138,950
Subtotal G.O. Bond debt service	40,357	55,288	45,594	49,695	49,698	478,428
<u>Other uses</u>						
Subtotal Other	22,907	27,366	16,042	15,853	14,715	189,694
<u>Real Estate Support</u>						
RE Capital - Committed	16,073	8,774	4,542	4,683	2,034	45,491
RE Capital - Business Plan Prospective	300	7,110	13,520	3,350	7,800	107,979
Corporate Capital allocation to RE				744	727	5,121
RE Support for Operating Deficit	6,406	4,004	3,295	3,622	3,728	42,735
Add'l Expense Offset to Cover Revenue Bond Debt Service				10,796	10,921	43,464
Subtotal RE Support	22,779	19,888	21,357	23,195	25,210	244,789
Total Uses:	86,043	102,543	82,993	88,743	89,623	912,912
Projected Ending Tax Levy Fund Balance	35,408	5,865	8,962	(6,781)	(23,404)	(121,371)

Levy Options – 10/23/2012 Meeting

- Commission discussion at October 23 meeting
- Scenario #1 – base case
- Scenario #2 – adds \$24 million to cash contribution to SR99 Tunnel
- Scenario # 3 – upside potential
 - Based on scenario #2 assumptions
 - Environmental recoveries - \$2 million per year
 - Property sales - \$7 million
 - Excess fund balance - \$24 million
- Scenario #4 – upside potential plus extra costs
 - Scenario #3 assumptions
 - Additional environmental costs - \$50 million
 - Property acquisitions - \$20 million

Levy Options – Presented 10/23/2012

	1. Current Projections	2. #1 plus extra T&I deposit	3. #2 plus upside potential	4. #3 plus extra costs
Tunnel funding	\$31 mil. cash & \$250 mil. debt	\$55 mil. cash & 226 mil. debt	\$55 mil. cash & 226 mil. debt	\$55 mil. cash & 226 mil. debt
\$73 mil. Flat Levy funding gap 2022	(121) mil.	(132) mil.	(81) mil.	(151) mil.
Annual increase to close gap	2.8%	3.0%	1.9%	3.4%
2013 Levy (\$mil)	75.0	75.2	74.4	75.5
If delay increase to 2014	3.4%	3.7%	2.3%	4.1%

Levy Options - Revised

- Per Commission discussion on 10/23 – revised Real Estate capital spending
 - Reviewed history of actual spending vs. budget
 - Reduced spending projection by 30%
 - Applied to scenarios #2 & #3
- No changes to scenarios to include potential additional costs
 - Additional environmental remediation costs
 - Changes to the Seaport business that could result in the need for tax support for capital projects
 - Century agenda goals that could require funding beyond operating divisions' resources
 - Sodo traffic mitigation

Levy Options – Revised

	Unchanged		Revised	
	1. Current Projections	2. #1 plus extra T&I deposit	3. #2 plus upside potential	4. #3 plus extra costs
Tunnel funding	\$31 mil. cash & \$250 mil. debt	\$55 mil. cash & 226 mil. debt	\$55 mil. cash & 226 mil. debt	\$55 mil. cash & 226 mil. debt
\$73 mil. Flat Levy funding gap 2022	(121) mil.	(132) mil.	(35) mil.	(105) mil.
Annual increase to close gap	2.8%	3.0%	0.9%	2.5%
2013 Levy (\$mil)	75.0	75.2	73.6	74.8
If delay increase to 2014	3.4%	3.7%	1.1%	3.0%

Discussion

- Staff recommends
 - Additional deposit of \$24 million into the Transportation and Infrastructure Fund to provide a total of \$55 million to the SR99 Tunnel (or related projects)
 - Increase the levy in 2013 by 3% to \$75.2 million
 - Use a long-term planning assumption of 3% which will be reviewed annually and adjusted depending on actual experience
- Other potential options could be employed:
 - Reduce, delay or eliminate some expenditures
 - Increase Real Estate NOI to reduce operating subsidy
 - Consider additional asset sales