



**COMMISSION
AGENDA MEMORANDUM**

Item No. 9a

BRIEFING ITEM

Date of Meeting October 22, 2019

DATE: September 17, 2019
TO: Stephen P. Metruck, Executive Director
FROM: Dan Thomas, Chief Financial Officer
SUBJECT: Financial Policy Update Recommendations

EXECUTIVE SUMMARY

The purpose of this briefing is to provide recommendations to the Commission for changes to Port financial policies to be included in the 2020 Preliminary Budget in response to Motion 2018-14.

Staff is recommending a policy that provides guidance on Capital Investment Program (CIP) Reserves (sometimes referred to as CIP contingencies or allowances) for unprogrammed capital spending. The policy is intended to improve the sizing and timing of forecasted cash flows in the CIP reserve by incorporating insights from capital forecasting and spending trend analysis.

Staff is also recommending that the Port's management target for revenue bond debt service coverage for Non-Airport businesses, including the Port's share of the Northwest Seaport Alliance and the Maritime and Economic Development divisions, be changed from 1.5 times revenue bond debt service to 1.8 times. This change is recommended to provide improved resilience to the revenue fluctuations in the container terminal business and to bring the Port's target into a range consistent with with other seaports.

These recommendations were described in detail in a memo distributed to the Commission on August 30, 2019 and are summarized in the attached presentation. Details of the research conducted for the CIP reserve policy were also presented to the Commission as part of the Preliminary 2020 Maritime and Economic Development Capital and Funding Briefing on August 13, 2019.

ATTACHMENTS TO THIS BRIEFING

(1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

August 13, 2019 – Preliminary 2020 Maritime and EDD CIP and Funding Discussion
November 27, 2018 – Adoption of Motion 2018-14