



**COMMISSION  
AGENDA MEMORANDUM**

**Item No.** 7b

**BRIEFING ITEM**

**Date of Meeting** October 22, 2020

**DATE:** October 2, 2020

**TO:** Stephen Metruck, Executive Director

**FROM:** Elizabeth Morrison, Director Corporate Finance  
Scott Bertram, Manager, Corporate Financial Analysis

**SUBJECT: Briefing on the Tax Levy Draft Plan of Finance for 2021-2025**

**EXECUTIVE SUMMARY**

This briefing is intended to inform the Commission's decision on the amount of the tax levy for the 2021 budget year and to inform the Commission on the Port's funding of its 2021-2025 Capital Investment Plan (CIP) - the Draft Plan of Finance.

**BACKGROUND**

Ports in Washington State have authority to levy taxes on property within the port district, within certain statutory limits; the Port may use this strategic resource for any allowable port purpose other than the payment of revenue bond debt service. As part of the Port's budget process, the Commission establishes the amount of taxes to be levied within the Port district for the budget year. Staff will provide information on the uses of the tax levy and will seek Commission guidance on the establishment of the 2021 tax levy amount. For the 2020 budget, the Commission authorized a levy of \$76.4 million as part of a five-year funding plan that included an inflationary increase of the tax levy of three percent each year from 2019-2023. Both the CIP and the Port's funding resources have changed due to the pandemic; however, the funding needs are still consistent with the five-year tax levy plan. The Draft Plan of Finance incorporates the continued three percent annual increase in the tax levy, bringing the 2021 tax levy to \$78.7 million.

As part of the annual budget process, staff provides a Draft Plan of Finance that is updated each year for the subsequent five-year CIP and provides information on the funding sources available to support the CIP. The Draft Plan of Finance is intended to illustrate the Port's capacity to fund projects based on the projected available resources. Projected available resources have been affected by the pandemic, with expected weakness continuing in several Port businesses and significant uncertainty requiring the Port to incorporate adverse outcomes in its projections. Staff has developed a Draft Plan of Finance for the Airport as a self-funding enterprise. The Port's non-Airport operations – Maritime, Economic Development and the Port's participation in the Northwest Seaport Alliance (NWSA) - share funding resources and the Draft Plan of Finance incorporates funding for both Port and NWSA CIPs.

Meeting Date: October 22, 2019

The briefing will also include a recommendation to change the minimum fund balance targets for both the General Fund and the Airport Development Fund. These are the Port's primary operating funds and minimum balances are part of the Port's key financial management policies incorporated in the Draft Plan of Finance. Staff will be recommending an increase to the existing targets in order to provide additional financial resilience. The new recommended targets are based on months of operating and maintenance expense – twelve months for the General Fund and eighteen months for the Airport Development Fund.

**ATTACHMENTS TO THIS BRIEFING**

- (1) Presentation slides –Tax Levy and Draft Plan of Finance 2021-2025

**PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

October 13, 2020 – The Commission was briefed on the Operating Divisions' 2021 Operating Budgets and 2021-2025 CIPs.

September 22, 2020 – The Commission was briefed on the 2021 Central Services Preliminary Budget.

August 6, 2020 – The Commission held a Budget Retreat discussing the 2021 Tax Levy and CIP.

July 29, 2020 – The Commission held a Budget Retreat discussing Industry Analysis and SWOT.

July 14, 2020 – The Commission was briefed on 2021 Budget Development.

June 4, 2020 – The Commission was discussed the 2021 Budget.