

Draft Plan of Finance 2021-2025 and Tax Levy Briefing

October 27, 2020

Topics

- Financial Policy Recommendations
- Draft Plan of Finance
- Capital Planning and Funding: Airport
- Capital Planning and Funding: Non-Airport
- Tax Levy Background and Update
- Appendix

Financial Management Policy

Recommendations for Changes
to Minimum Operating Fund
Balance Targets

Purpose of Financial Policies

- **The primary purpose is prudent financial management**
 - Provides for financial sustainability to achieve Port's objectives
 - Promotes stewardship of public resources
 - Provides flexibility to withstand adverse circumstances
 - Manages risk
- **A secondary purpose is to maintain the Port's access to capital**
 - Policies support the Port's strong credit ratings
 - Enables the Port to get competitive rates on debt (lower costs)

Minimum Operating Fund Balance Targets

- The Port has two primary operating funds that receive and disburse cash:
 - General Fund: any Port purpose, primarily for Non-Airport businesses
 - Airport Development Fund (ADF): restricted for Airport purposes only
- Minimum balance targets provide a cushion to protect against adverse business events causing negative cash flows
- Work in tandem with targeted cash flow margins
 - Obligations that cannot be paid from cash flow can be paid from cash balances
 - Cash flow margins are the same as revenue bond debt service coverage ratios

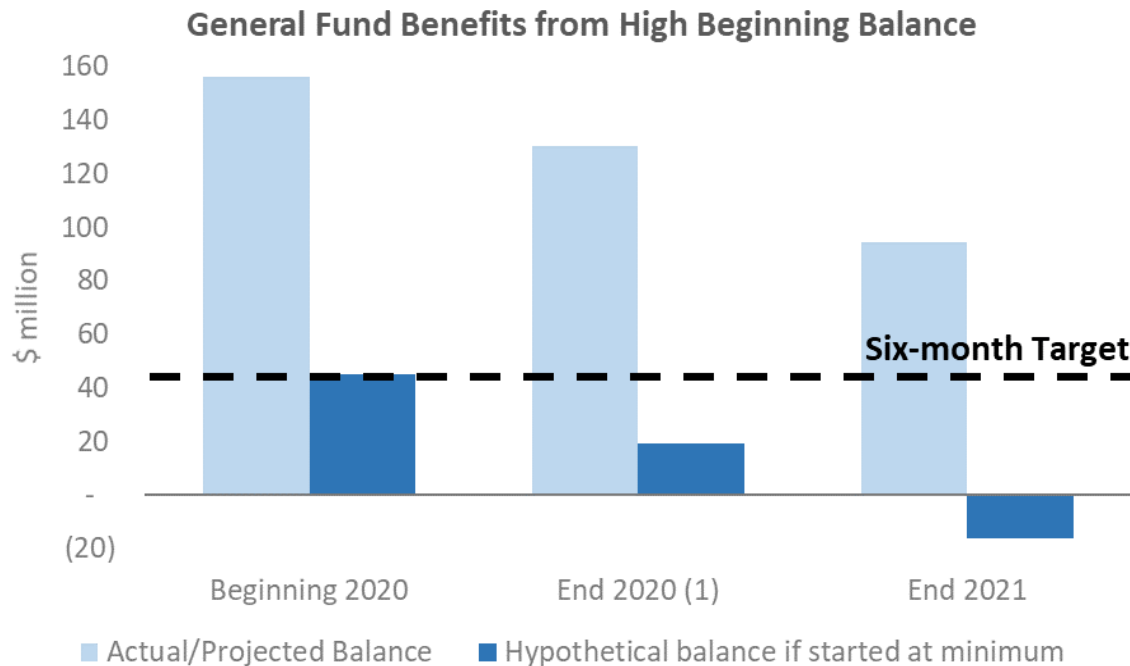
Existing Minimum Fund Balance Target

- Existing Policy

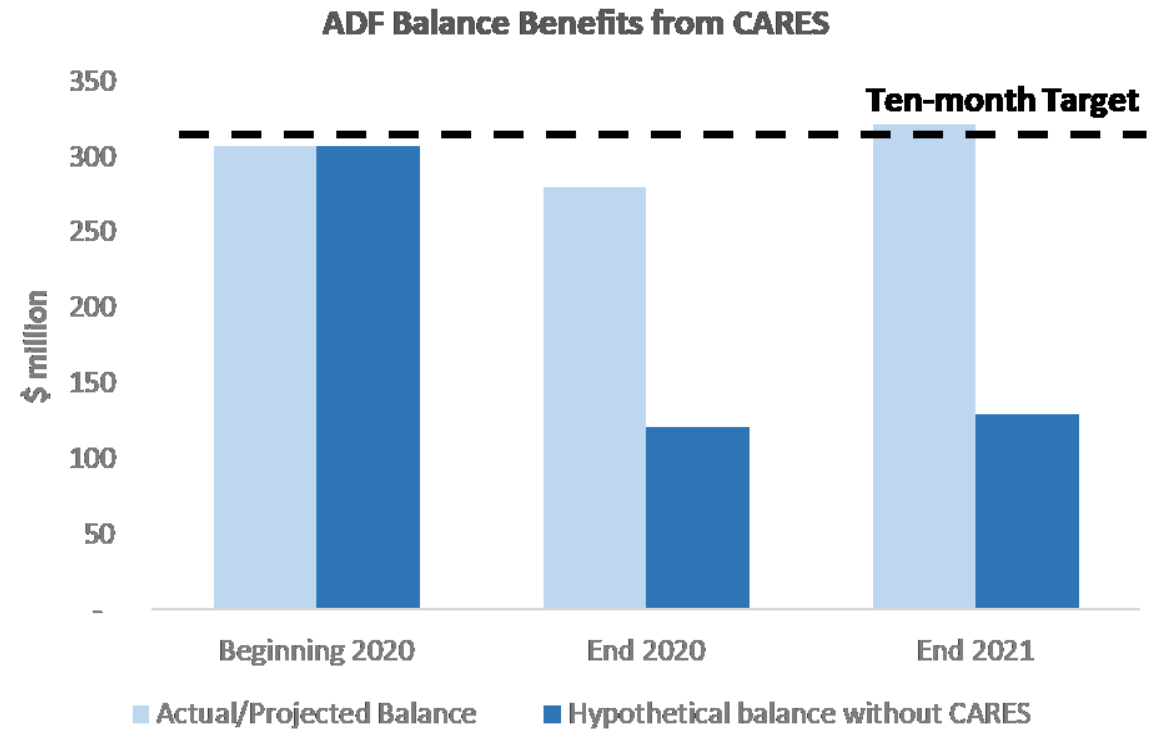
- Developed in 2005 to provide a cushion against unanticipated financial stress
- Port-wide minimum of nine months of operating and maintenance (O&M) expense in the two primary operating funds combined
- Achieved by maintaining a minimum balance of:
 - Six months O&M in the General Fund
 - Ten months O&M in the ADF
 - Difference reflects the different cash flow margins (debt service coverage targets): 1.25x for the Airport, 1.80x for the Non-Airport businesses

Lessons From the Pandemic

- Existing policy did not anticipate a downturn as severe as the pandemic
- Analysis of “what if” hypothetical balances shows they would have significantly impaired the Port’s cash position

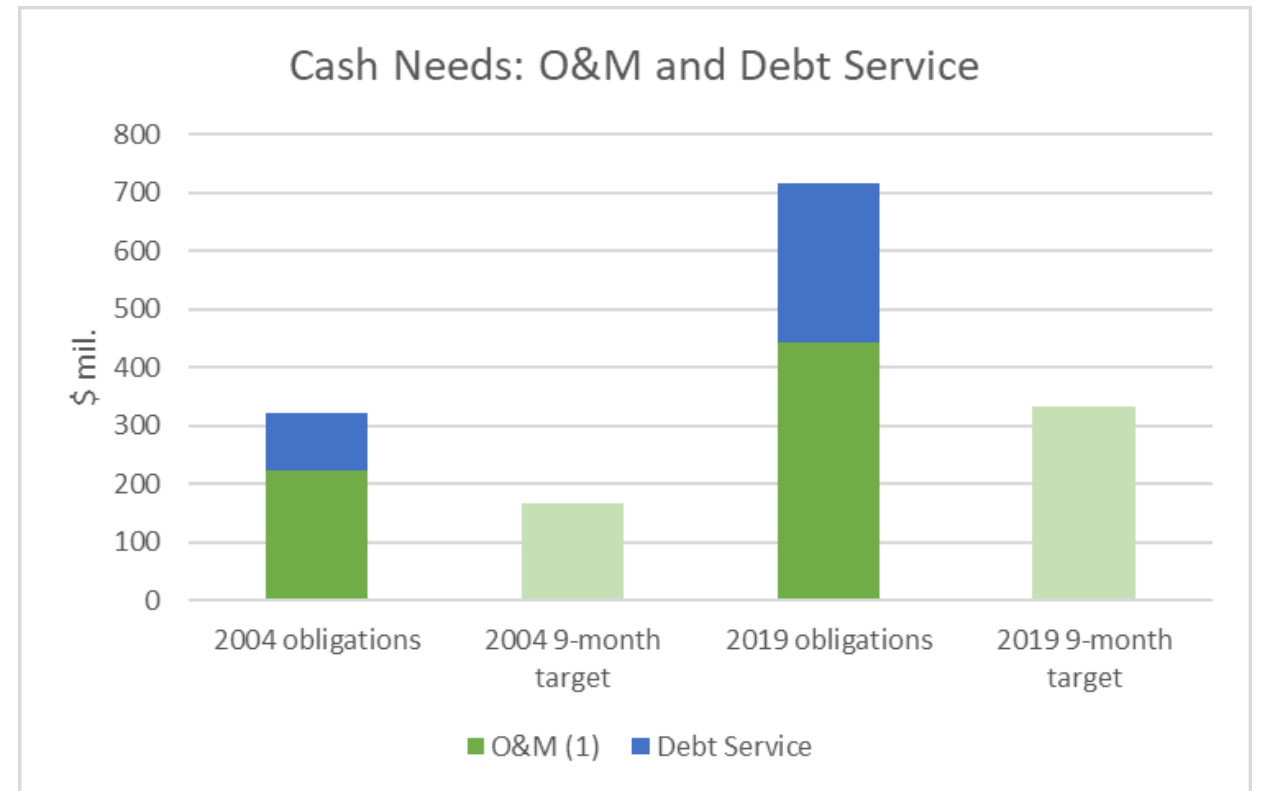


(1) Includes \$25 million environmental settlement



Cash Balance Supports O&M and Debt Service

- Operating cash balance supports debt service as well as O&M obligations
- Debt service has grown more than O&M, resulting in an existing target that provides less cushion
 - 2004: 9 months of O&M provided 6.2 months of combined obligations
 - 2019: 9 months of O&M provided only 5.5 months



(1) Excludes depreciation expense

Policy Development

Metrics

- Most common metric is days or months cash based on O&M
 - Easy to understand and to calculate
 - Provides transparency to public and investors; Port reports O&M every quarter
- Investors and rating agencies also focus on cash coverage
 - Cash on hand divided by debt service

Development Approach

- Review industry best practices
- Research
 - Investor reports
 - Peer airports and seaports
- Analyze of Port data

Recommended Changes

Staff recommends the following fund balance target changes:

- **General Fund**
 - Increase minimum balance target to **twelve months O&M** effective immediately, since surplus cash is available
- **ADF**
 - Increase minimum balance to **eighteen months O&M** and allow for gradual build up by 2025

Draft Plan of Finance 2021-2025

2021 Preliminary Budget

October 27, 2020



The Draft Plan of Finance

- Provided annually to the Commission to inform the budget process and long-term capital investment decisions
- Developed based on a sustainable financial model
 - Detailed five-year business forecasts
 - Financial targets that allow the Port to manage downside risk and maintain strong access to financial markets

2020 Approach

- Operating forecast has a high degree of uncertainty
 - Forecast based on an adverse outcome – slow economic and financial recovery
 - Risk of over optimism is greater than risk of pessimism
- Financial targets provide resiliency
 - Based on recommended changes

	Revenue Bond Coverage	Minimum Fund Balance
Airport	1.25x debt service	18 months ⁽¹⁾
Non-Airport	1.80x debt service	12 months

(1) To be achieved by 2025

Airport and Non-Airport Capital Are Funded Separately

Airport

- Relies on its own operating cash flow from airline cost recovery and non-aeronautical businesses
- Unique funding sources:
 - Airport grants
 - Passenger Facility Charge (PFC)
 - Customer Facility Charge (CFC)
- Funds can only be used for Airport purposes

Non-Airport

- Includes Northwest Seaport Alliance (NWSA), Maritime and Economic Development (EDD)
- Relies on a combination of:
 - Operating cash flow and revenue bonds paid from operating cash flow
 - Tax levy (after payment of other tax levy uses) and general obligation bonds paid from the tax levy

Capital Improvement Plan (CIP) and Funding: Airport

2021 Preliminary Budget

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Airport CIP 2021-2025 \$3.3 billion

	2021-2025 (\$ million)
Airport CIP	
International Arrivals Facility	\$ 57.7
North Satellite Terminal	126.0
Baggage Optimization	515.9
Other Existing Projects	1,292.5
Proposed New Projects	728.9
SAMP Planning/Design ⁽¹⁾	280.1
CIP Reserves	307.5
TOTAL	\$ 3,308.6
Allocated Central Services CIP	30.0
Total Airport Funded CIP	\$ 3,338.6
(1) Sustainable Airport Master Plan	

- Two major projects are winding down
- CIP includes:
 - Sustainable Airport Master Plan (SAMP) planning
 - Proposed new investments
 - Allocated Central Services

Airport Funding 2021-2025

Aviation Funding Sources	2021-2025 (\$ million)
Operating Cash ⁽¹⁾	\$ 186.5
Tax levy ⁽²⁾	1.0
Grants	128.7
Passenger Facility Charge (PFC)	10.0
Customer Facility Charge (CFC)	24.2
Existing revenue bond proceeds	184.5
Future bond proceeds	2,803.6
Total Airport Funding	\$ 3,338.6
Aviation CIP	3,308.6
Allocated Central Services CIP	30.0
Total Aviation Funded CIP	\$ 3,338.6
<small>(1) Includes airport income available after payment of revenue bond debt service.</small>	
<small>(2) Highline Schools noise insulation.</small>	
<small>Note: totals may not add due to rounding</small>	

- Revenue bonds will provide 90% of Airport funding
- Other funding includes:
 - Passenger Facility and Customer Facility Charges
 - Mostly used to pay debt service
 - Table reflects only amounts used to cash fund projects
 - Tax levy funding for Highline School noise mitigation

Capital Improvement Plan (CIP) and Funding: Non-Airport

2021 Preliminary Budget

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Non-Airport CIP 2021-2025: \$550 million

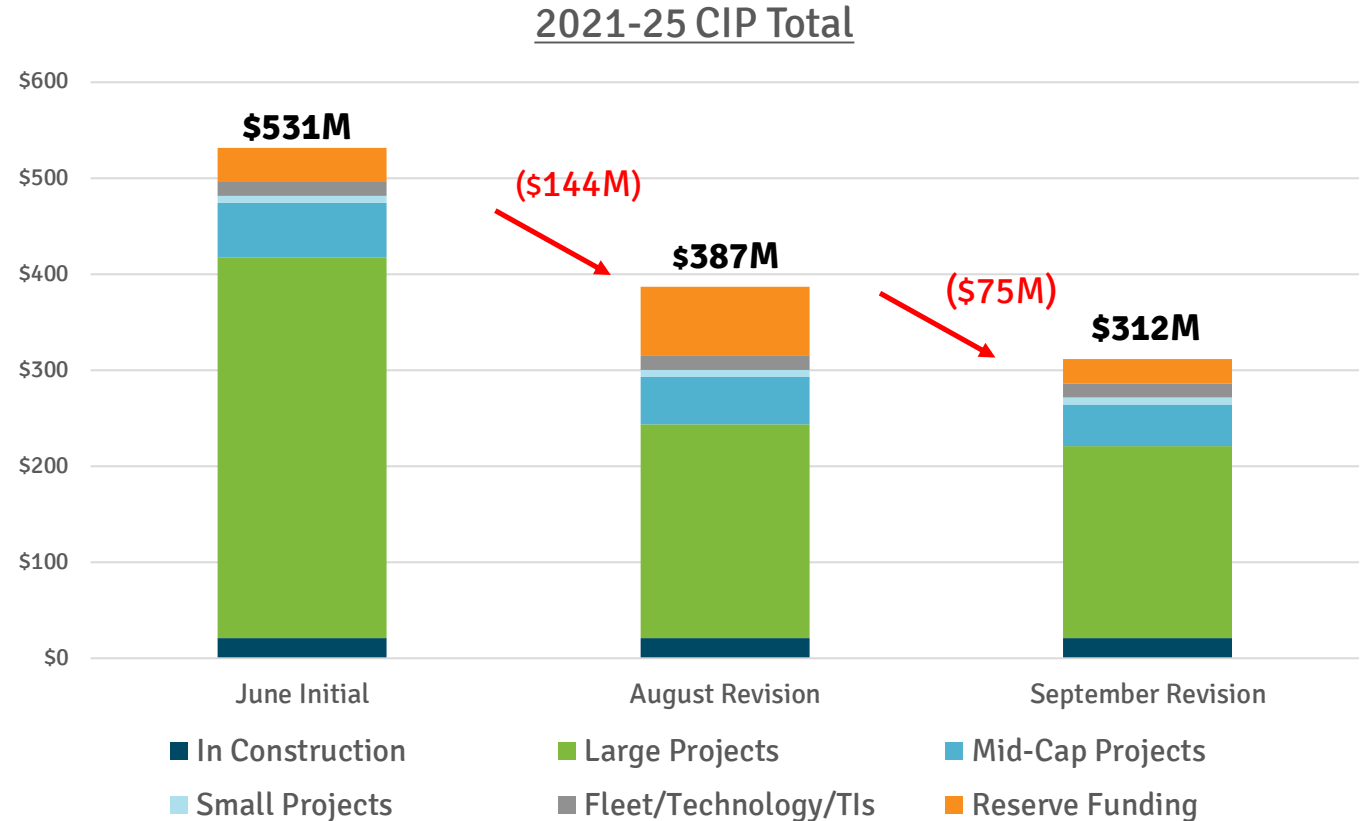
	2021-2025 (\$ million)
Non-Airport CIP	
Maritime & Economic Development CIP	\$ 312.4
NWSA - 50% Share (North & South Harbor)	177.4
NWSA - Reserve & Port Projects ⁽¹⁾	52.4
TOTAL	\$ 542.2
Allocated Central Services CIP	7.2
Total Non-Airport Funded CIP	\$ 549.5
<small>(1) Includes North Harbor channel deepening and other 100% Port legacy costs in North Harbor.</small>	
<small>Note: totals may not add due to rounding</small>	

- Maritime and EDD total \$312 million after deferral of some major investments
- NWSA CIP will be reviewed on Oct. 28
- Port is responsible for certain legacy projects related to NWSA facilities, e.g. channel deepening

Maritime & EDD CIP Developed Based on Reduced Funding

CIP goes through an iterative process

- June: Initial 2021-25 CIP \$531 million
- Preliminary funding analysis in August: \$378 million
- Updated analysis in September: \$312 million



Non-Airport Capital Funding 2021-2025

Non-Airport Funding Sources	2021-2025 (\$ million)
Operating Cash ⁽¹⁾	\$ 94.7
Grants	15.0
Harbor Development Fund	57.4
Tax levy ⁽²⁾	99.3
Future G.O. bond proceeds	283.0
Total Non-Airport Funding	\$ 549.5

(1) Includes non-airport income available after payment of revenue bond debt service.
 (2) Assumes 3% annual levy increase from 2021-2023.
 Note: totals may not add due to rounding

- 80% is from tax levy related sources:
 - Tax levy cash
 - Harbor Development (for T5)
 - G.O. bonds paid by the tax levy
- Operating cash is after the payment of revenue bond debt service
- NWSA and Port anticipate grants for certain investments

Change in Funding from Prior Plan

- Overall capacity has declined by \$130 million
- Funding has shifted to levy resources

(\$ million)	<u>2020-2024</u>	<u>2021-2025</u>	
Operating Cash	214	95	Pandemic reduced revenue forecast
Grants	3	15	NWSA and new Port grants added to TIGER
Revenue Bonds	115	0	Reduced revenues eliminate bonding capacity
Sub total - Revenue based Funding	332	110	
Tax Levy Cash	55	99	Anticipated environmental spending shifted later
Harbor Development Fund	96	57	Spend-down due to T5 construction
G.O. Bonds	197	283	Near maximization of bonding capacity
Sub total - levy based funding	348	440	
TOTAL Funding	679	549	

Non-Airport Capital Funding Capacity

Operating Revenue – Highly Uncertain

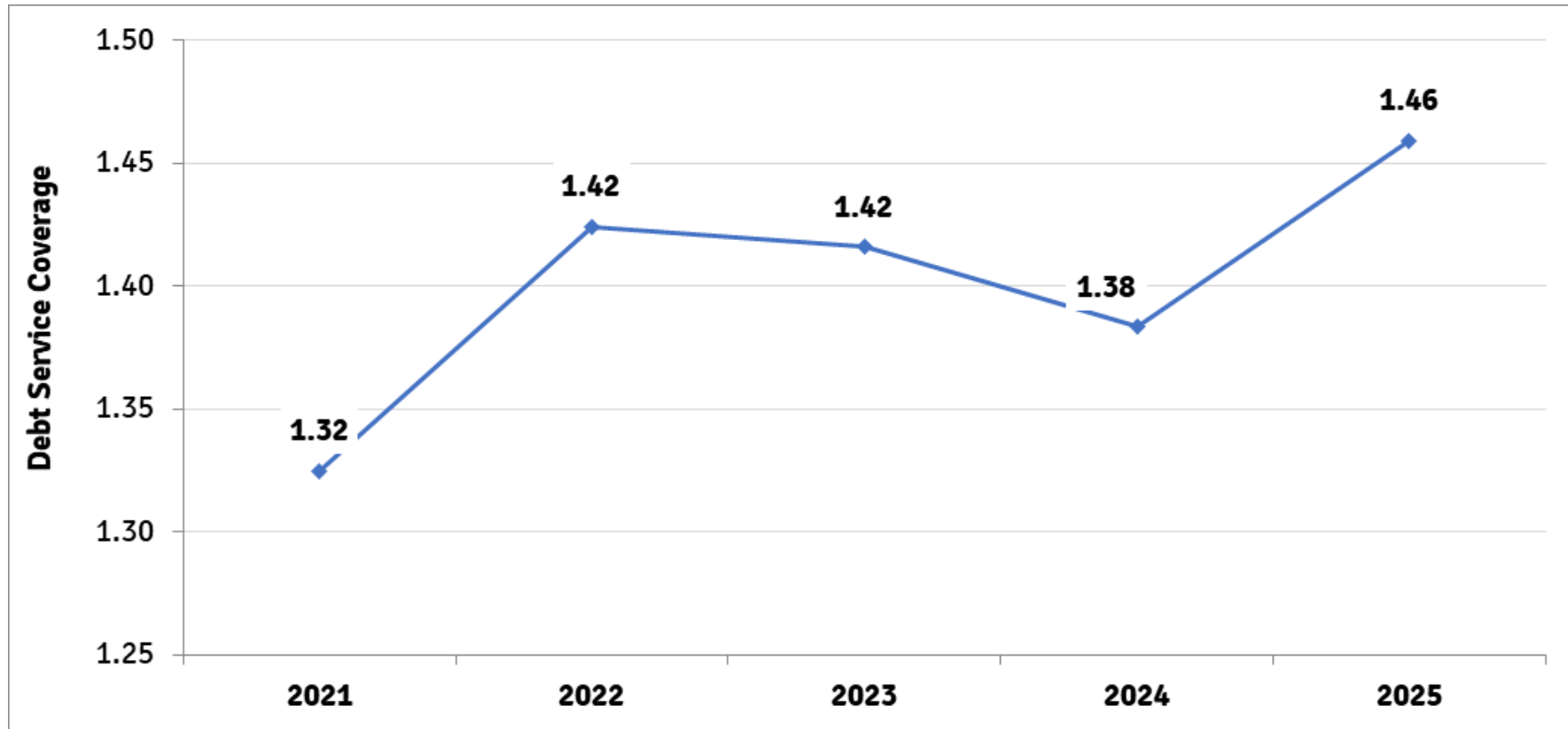
- Based on the current adverse economic forecast
 - Capital funding from revenue is limited
 - No capacity for new revenue bonds
- The Maritime and EDD CIP requires significant deferrals of some investments
- NWSA CIP is fully funded
- By next year the revenue forecast may be significantly different

Tax levy Provides Funding Stability

- Tax Levy and G.O. bonds fund 80% of investments in this Plan
 - \$303 million investments included in levy/G.O. bond funding
 - \$57 million Harbor Development Fund
 - \$79 million of General Fund investment to be paid from levy/G.O. bonds in the future
- Plan assumes maximization of G.O. bonds
- A drop in G.O. debt service in 2026 provides future bond capacity for deferred projects

Port-wide Revenue Bond Debt Service Coverage Forecast

- Represents net income from Airport and Non-Airport businesses divided by all revenue bond debt service
- Provides a measure of financial sustainability and is critical to investors and rating agencies



Port-wide funding plan supports the Port's access to credit markets

2021 Finance Initiatives

- Issue Revenue bonds as needed to fund a portion of the Airport CIP
- Refund bonds for debt service savings
 - 2010 Revenue Bonds are currently candidates
 - Monitor other potential candidates
- Manage variable rate debt credit renewals

Tax Levy Background and Update

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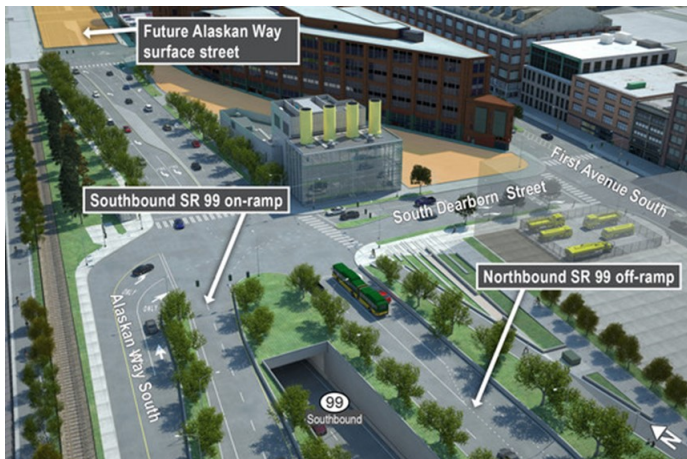


Tax Levy

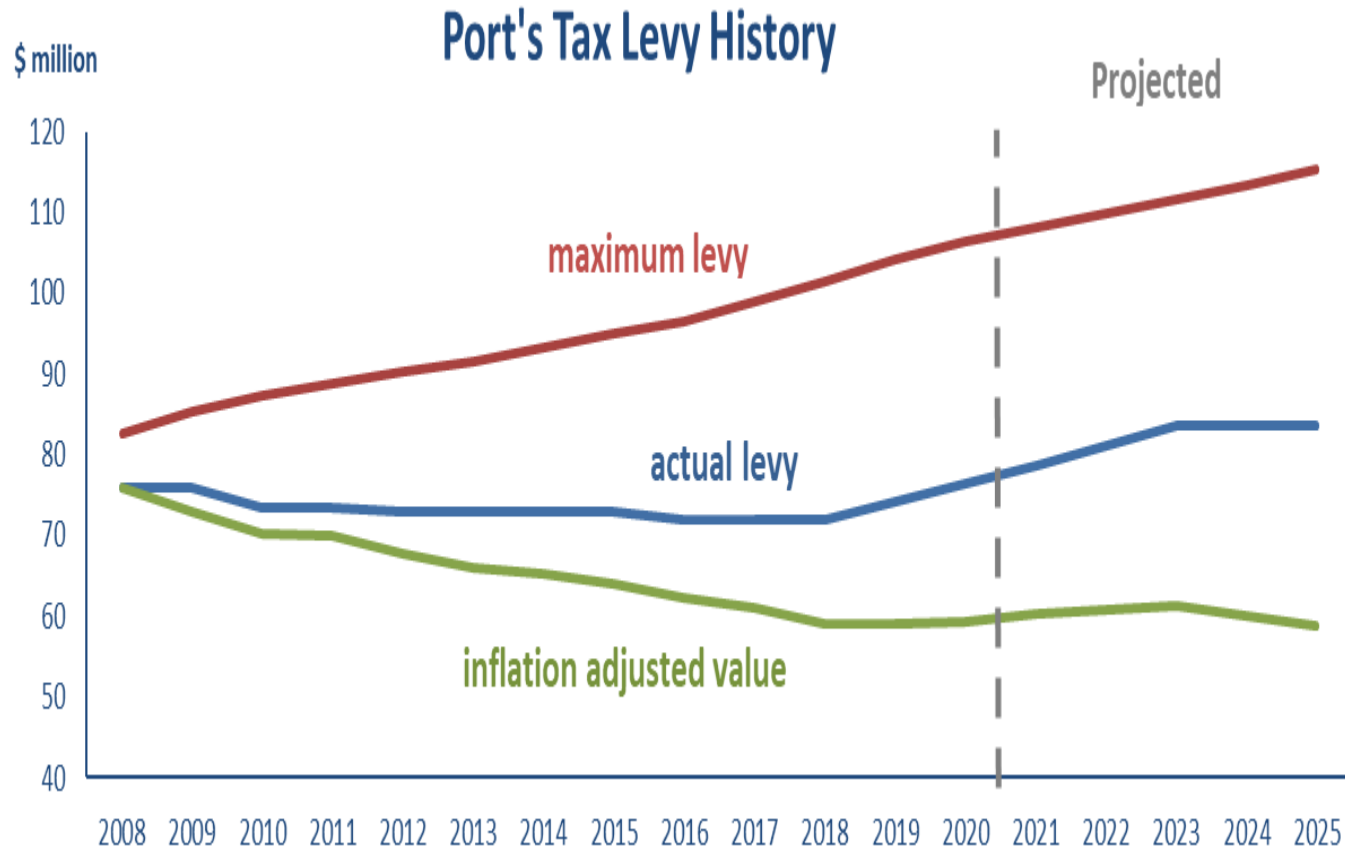
- Washington State ports are permitted to levy a tax on property within the port's district
- The levy dollar amount must be approved annually by the Commission and is part of the budget process
- The Port may approve a levy amount up to the maximum allowable within statutory limits
 - The maximum levy for 2021 is \$108.2 million
 - The 2020 levy is \$76.4 million
 - Proposed 2021 levy is \$78.7 million (a 3% increase)
- The 2021 proposed tax levy is consistent with the plan adopted in 2018 to retain purchasing power needed to invest in the waterfront and maritime industries

Tax levy Uses

- Investments in maritime infrastructure
- Environmental sustainability
- Regional transportation mobility
- Community: workforce development, partnership grants, Airport communities and tourism



Tax Levy Plan



\$105 mil. lost purchasing power 2008-2020

- Catch-up on purchasing power: Over the prior decade, inflation significantly reduced the purchasing value of the levy
- Last year CPI = 2.2%, construction inflation = 5.5%
- Adopted for 2019: Five-years 2019-2023, annual 3% inflationary levy increase to support investments in the Waterfront Strategy
- Reviewed annually
- 2021 represents the third year of the plan; proposed levy of \$78.7M in 2021

Taxpayer Impact of Proposed 2021 Tax Levy

	2020	2021 preliminary
Tax Levy (\$ million)	76.4	78.7
Estimated millage rate (\$/1000)	0.119	0.122
Median home value (\$) ⁽¹⁾	600,000	600,000
Estimated median home Port tax (\$)	71.67	73.24

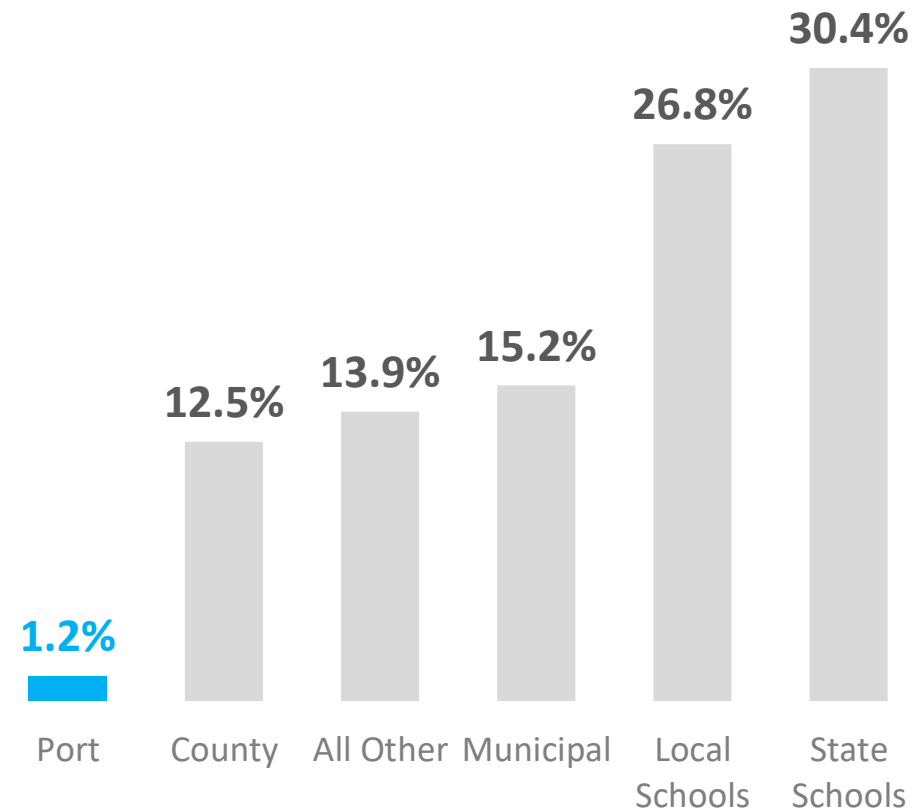
(1) 2018-2020 per King County Assessor; 2020 assumes no additional growth in assessed value

Preliminary estimate indicates that the median homeowner will see an annual increased Port levy payment of \$1.58 in 2021.

Overall Taxpayer Impact - 2020

Only 1.2% of King County taxes go to the Port

- Of the \$5.6 billion of property taxes paid in King County, 1.2% goes to the Port
- In 2020, the median homeowner paid \$5,961 in total property tax with **\$72 going to the Port**



2020 Tax Levy Update

(\$ million)

SOURCES OF TAX LEVY FUNDS

2020 Beginning Levy Fund Balance	
Annual Tax Levy	
Reimbursements	
Investment Income	
Total Sources	

2020	
\$	15.1
	76.4
	0.9
	0.2
\$	92.6

USES OF TAX LEVY FUNDS

G.O. bond debt service (Existing)	
Environmental Remediation Expense	
Community Programs	
NWSA Membership Interest Contribution - net	
Non-Airport Capital Investments	
Total Uses	

\$	39.8
	7.9
	13.0
	5.5
	18.3
\$	84.5

Projected Ending 2020 Levy Fund Balance

\$	8.1
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- Current estimate: \$8 million of levy available for future investments
- In addition to the tax levy, Commission established:
 - Harbor Development fund (HDF) for T-5 redevelopment
 - Transportation Infrastructure fund (TIF) for regional mobility participation
 - Further details on TIF and HDF can be found in Appendix
- Ending balance rolls forward as part of 5-year funding plan

Tax Levy Fund Sources and Uses 2021-2025

(\$ million)

SOURCES OF TAX LEVY FUNDS

	2021-2025
Beginning Balance	\$ 8.1
Tax Levy Collection	410.1
Environmental Receipts	26.8
Transfer from TIF	30.0
Total Sources	\$ 475.0

USES OF TAX LEVY FUNDS

G.O. Bond Debt Service	\$ 252.4
Non-Capital Uses	121.9
Capital Investments	100.3
Total Uses	\$ 474.6

2025 Projected Ending Balance	\$ 0.4
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Tax Levy Fund - Assumptions

- Continuation of planned 3% increase 2021-2023, 0% in 2024 and beyond
- Future insurance recoveries for environmental remediation
- \$30 million moved from TIF to levy – repay post 2025
- Additional G.O. bond debt service payments
- **G.O. bonds can fund \$283 million of investments in addition to the \$99 million paid by tax levy cash**

Tax Levy and G.O. Bond Uses – Capital Investments

(\$ million)	2021-2025
Tax Levy Cash	\$ 100.3
G.O. Bond Proceeds	283.0
TOTAL	\$ 383.3
Capital Investments:	
Environment and Community	\$ 28.8
Fishing and Maritime Industries	140.6
T5 and North Harbor	130.9
Unspecified investments to change funding	79.4
CIP Reserves	3.5
TOTAL CAPITAL TAX LEVY USES	\$ 383.3

- Funding from both tax levy cash and G.O. bond proceeds
- Investments focus on Maritime Industries
- Supports investments in
 - T91 and Fishermen’s Terminal
 - T5 and North Harbor container terminals and channel deepening
 - Habitat restoration, shore power, central waterfront amenities
- Funding forecast requires \$79 million investments moved from General Fund to tax levy/G.O. bonds beginning 2022

2021-2025 Tax Levy Uses – Non Capital Investments

(\$ million)	2021-2025
G.O. bond debt service (Existing)	\$ 173.3
G.O. bond debt service (New)	79.1
Total G.O. bond debt service	\$ 252.4
Non-Airport Environmental Expense	\$ 69.9
Pier 86 - Public Expense	1.0
NWSA Membership Interest Contribution - net	10.5
Workforce Development	6.3
EDD Grants/Programs	8.1
Environmental Grants (ACE) and Energy and Sustainability	0.6
Duwamish Valley Community Equity Program	1.4
Sustainable Aviation Fuels and Air Emissions Program	5.0
South King County Fund	8.5
City of SeaTac Safety Enhancements	7.0
Local Community Advertising Program (Spotlight)	3.6
Total Other Non-Capital Uses	\$ 121.9
TOTAL NON-CAPITAL TAX LEVY USES	\$ 374.3

- G.O. Bond Debt Service - \$252M
- Environmental Remediation and Improvements
- Membership Interest Contribution to the NWSA
- Port Community Programs
 - Levy funded portion
 - Included in 2021 operating and non-op budget

Tax levy Summary

- Important resource for achieving the Port's goals
- Provides financial stability during a time of unprecedented uncertainty
- Lost revenues require greater use of the levy in order to support the Port's mission
- Modest increases help maintain purchasing power

Appendix

2021 Preliminary Budget
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Contents

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39-40	Policy Research
41-50	Additional Tax Levy Information
51-53	Industrial Development District Levy Information
54	Credit Ratings

General Fund Minimum Balance Policy

Research

- Based on standards for Seaports
- Wide range of O&M targets:
 - Six to twenty months of O&M
 - Average is ten plus
- Wide range of cash coverage:
 - 1.4x – 22.4x
 - Average 8.2x

Recommended General Fund Target

- Twelve months O&M
 - Within the range, but above average
- Equates to 2.7x cash coverage
 - Within range, but at the lower end

Airport Development Fund Minimum Balance Policy

Research

- Wide range of balances:
 - Eight to seventy two months of O&M
 - Average is twenty four months
- Recent survey of large airports
 - Average target of fifteen months O&M
 - Up from nine months in 2015
- Narrower range of cash coverage:
 - 1.5x – 4.0x
 - Average 2.7x

Recommended ADF Target

- Eighteen months O&M –
 - Within range of peer airports
- Equates to 2.5x debt service in 2024

Port's Taxing Authority

Port taxing limitations: Port is limited by the most restrictive – currently the 1% limit

- **1% limit**

- The maximum levy is increased each year by the 1% limit factor
- Based on prior year's maximum
- Increased by the lessor of 1% or inflation plus an addition for new construction
- The maximum levy for 2021 is estimated to be ~\$108.2 million

- **45 cent limit**

- The amount of the tax levy in any given year is limited to 45 cents per \$1000 of assessed value
 - (Port 2021 rate is estimated to be 12 cents based on a \$78.7 million levy)
- For 2021, this limit is ~\$290.0 million
- Excludes the amount needed to pay G.O. bond debt service of \$38.5 million

2020 Levy Status

SOURCES AND USES OF TAX LEVY (\$ million)

SOURCES

2020 Beginning Fund Balance
 Annual Tax Levy
 Environmental Grants & Other Reimbursements
 Investment Income

Total Sources

<i>2020 Budget</i>	<i>2020 Est./Act</i>	<i>Budget Variance</i>
\$ 12.6	\$ 15.1	\$ 2.5
76.4	76.4	-
13.3	0.9	(12.5)
-	0.2	0.2
\$ 102.3	\$ 92.6	\$ (9.7)

USES

G.O. bond debt service (Existing)
 Environmental Remediation Expense
 Capital Expenditures - Maritime
 Capital Expenditures - EDD
 NWSA North Harbor Spending
 NWSA Membership Interest Contribution
 Airport Community Ecology (ACE) Fund
 Energy and Sustainability Policy Directives
 Workforce Development
 Economic Development Partnership Program
 Tourism Grants
 Local Community Advertising Program
 Workforce Development Pilot Program - Airport
 Duwamish Valley Community Equity Program
 South King County Fund
 City of SeaTac Safety Enhancements
 Highline Schools Noise Projects

Total Uses

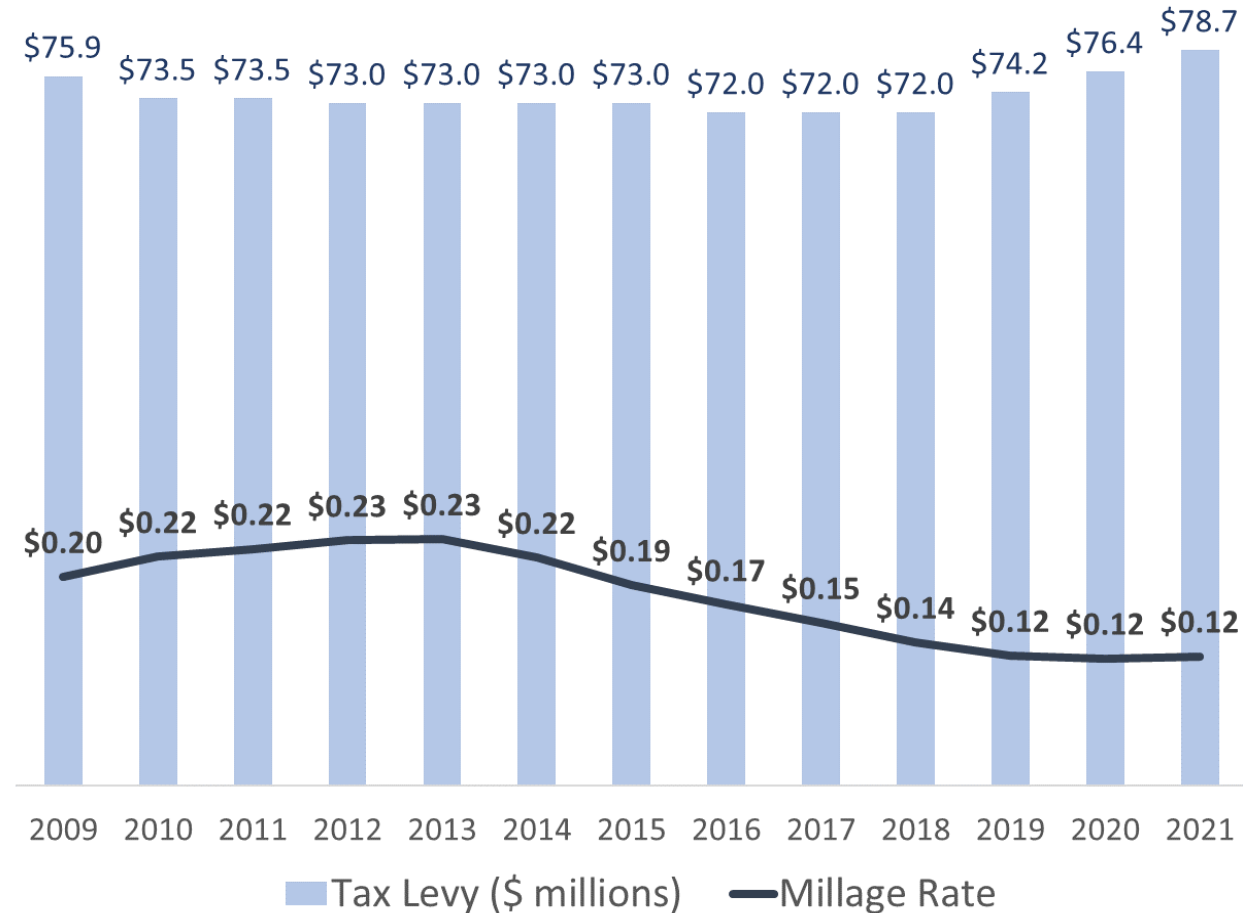
\$ 39.8	\$ 39.8	\$ -
8.2	7.9	0.3
3.3	2.4	0.8
11.3	8.2	3.1
12.1	7.6	4.5
5.5	5.5	-
0.5	0.5	(0.0)
0.3	0.1	0.1
1.4	2.9	(1.5)
1.0	1.0	-
0.2	0.5	(0.3)
1.1	1.1	-
0.3	0.2	0.1
0.3	0.3	-
1.5	1.5	-
1.4	1.4	-
3.5	3.5	-
\$ 91.5	\$ 84.5	\$ 7.1

Estimated Ending 2020 Tax Levy Fund Balance

\$ 10.8	\$ 8.1
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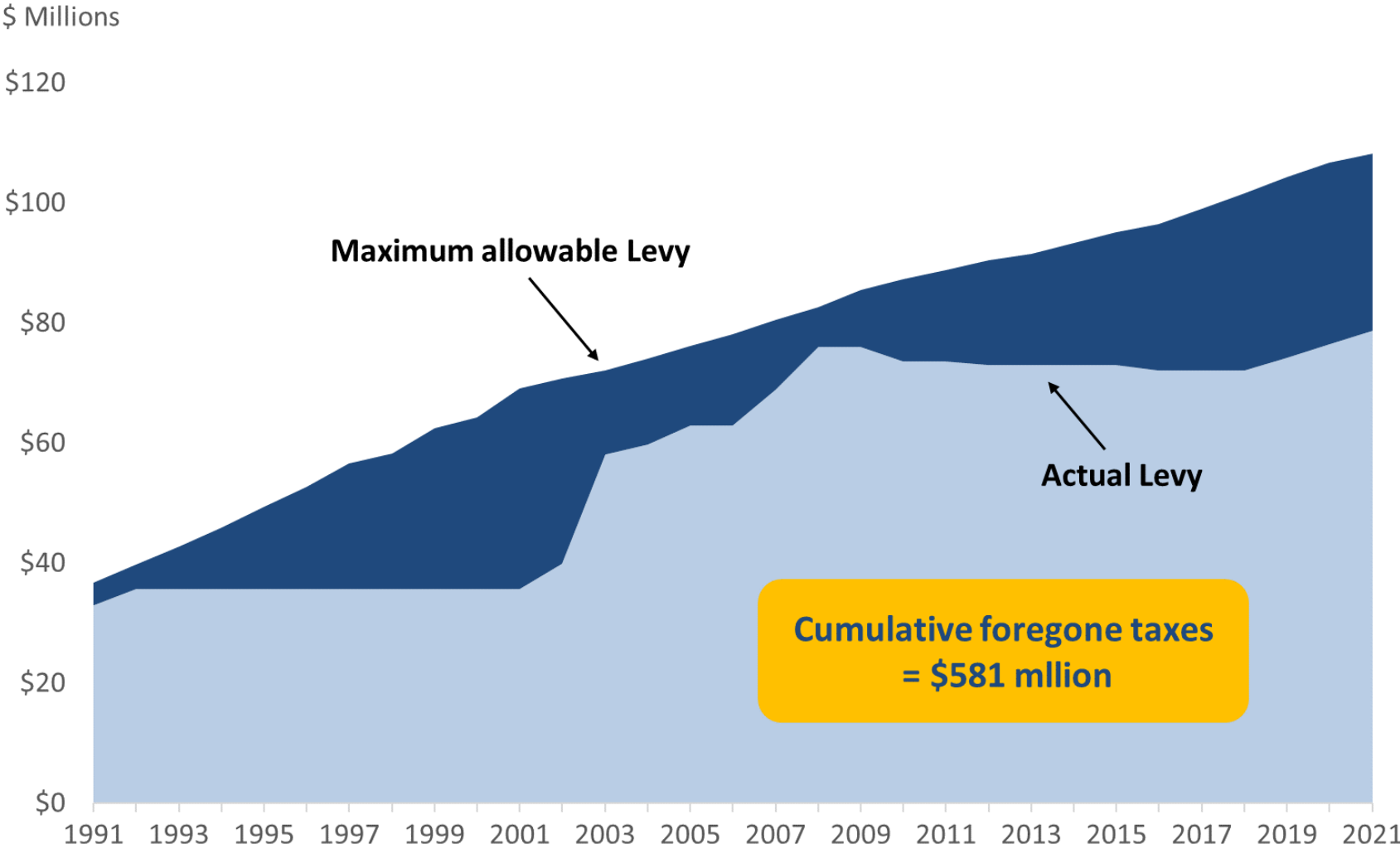
Totals may not foot due to rounding

2009-2021 Tax Levy & Millage Rate (1)



(1) Millage rate represents the amount per every \$1,000 of assessed valuation

Actual vs. Maximum Allowable Levy



Transportation and Infrastructure Fund (TIF)

TIF (\$ million)	2021-2025	Post 2025
Beginning Balance	\$ 70.2	\$ 5.3
Transportation Investments (below)	(34.9)	(22.8)
Transfer (to) from Tax Levy	(30.0)	17.4
Ending Balance	\$ 5.3	-

Transportation Investments (\$ million)	2021	2022	2023	2024	2025	2021-2025	Post 2025
Seattle Heavy Haul Network	\$ 0.1	\$ 4.0	\$ 4.0	\$ 2.0	\$ 2.0	\$ 12.1	\$ 7.8
Fast Corridor I	0.2	-	-	-	-	0.2	-
Fast Corridor II	0.3	-	-	0.7	0.1	1.1	-
N Argo Express Access - Pub Ex	0.2	-	-	-	-	0.2	-
East Marginal Way Phase 2	0.3	-	-	-	-	0.3	-
Safe and Swift	3.5	2.5	-	-	-	6.0	-
Puget Sound Gateway (SR 509)	-	-	-	15.0	-	15.0	15.0
TOTAL	\$ 4.6	\$ 6.5	\$ 4.0	\$ 17.7	\$ 2.1	\$ 34.9	\$ 22.8

Harbor Development Fund (HDF)

SOURCES AND USES OF HARBOR DEVELOPMENT FUND		
(\$ million)		
<u>SOURCES</u>	<u>2020</u>	<u>2021-2025</u>
Beginning Balance	\$ 109.6	\$ 57.4
Investment Earnings	2.0	-
Total Sources	\$ 111.6	\$ 57.4
<u>USES</u>		
T-5 Modernization (Port 50% share)	\$ (54.2)	\$ (57.4)
Ending HDF Balance	\$ 57.4	\$ -

- HDF created in 2017 in anticipation of investment in T5
- \$57 million projected balance available to continue funding
 - Port’s share of remaining (2021-2025) T-5 modernization costs is ~\$81.5 million
 - HDF projected to be depleted in 2022.
 - Additional amounts not funded with HDF will be paid from tax levy cash or G.O. Bonds

Tax Levy Cash Flows for Non-Capital Uses

(\$ million)	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>TOTAL</u>
G.O Bond Debt Service	\$ 38.5	\$ 59.1	\$ 59.1	\$ 47.8	\$ 47.8	\$ 252.4
NWSA Membership Interest Contribution	5.5	-	5.0	-	-	10.5
Environmental Remediation Expense	11.4	6.7	13.8	24.3	13.8	69.9
Pier 86 - Public Expense	-	1.0	-	-	-	1.0
Energy and Sustainability Fund	0.4	-	-	-	-	0.4
Airport Community Ecology Fund	0.2	-	-	-	-	0.2
Economic Development Programs	2.5	1.3	1.4	1.4	1.5	8.1
Workforce Development	1.3	1.3	1.3	1.3	1.3	6.3
Duwamish Valley Community Equity Program	0.3	0.3	0.3	0.3	0.3	1.4
Local Community Advertising Program	0.7	0.7	0.7	0.7	0.8	3.6
South King County Fund	1.5	2.3	2.3	2.3	-	8.5
Sustainable Aviation Fuels and Air Emissions Programs	-	1.7	1.7	1.7	-	5.0
City of SeaTac Safety Enhancements	1.4	1.4	1.4	1.4	1.4	7.0
Total Non-Capital Tax Levy Uses	\$ 63.6	\$ 75.8	\$ 86.9	\$ 81.2	\$ 66.7	\$ 374.3

Levy & G.O. Bond Funded Capital Investments

(\$ million)		2021	2022	2023	2024	2025	Total
Status	CIP Description						
Maritime and Economic Development Projects							
5	T117 Restoration ⁽¹⁾	3.3	4.7	0.3	0.3	0.3	8.8
5	P66 BHICC Interior Modernize	0.1	-	-	-	-	0.1
5	T91 Northwest Fender	7.7	0.2	-	-	-	7.9
4	T91 Uplands Development	0.8	17.0	26.0	3.9	-	47.7
4	T91 Berth 6 & 8 Redevelopment	1.2	1.0	11.7	26.0	-	39.9
4	FT Maritime Innovation Center	0.5	5.0	4.0	0.8	-	10.3
4	P66 Shore Power ⁽²⁾	1.0	12.6	-	-	-	13.5
4	FT Gateway Building	1.0	-	-	-	-	1.0
4	Central Waterfront Bridge Elevator Modernization	1.3	0.4	-	-	-	1.7
3	Jack Block Park Pier Replacement	0.4	0.2	1.5	1.7	-	3.8
3	T91 P91W Slope Stabilization	-	-	-	1.0	-	1.0
3	T46 Replace N Pier Structure	-	-	1.0	5.2	20.0	26.2
3	Salmon Bay Fire Suppression	0.2	0.5	-	-	-	0.7
2	FT C-14 Downey Bldg Improv	0.5	2.5	0.1	-	-	3.1
2	FT ADA Compliance Project	0.9	0.5	0.0	-	-	1.4
2	FT C15 Bldg Misc Improv	-	-	-	0.1	1.2	1.3
2	Maritime/Economic Development CIP Reserve	-	1.5	2.0	-	-	3.5
	Subtotal - Levy Funding MD & EDD CIP	18.7	46.2	46.6	39.0	21.5	171.9
NWSA North Harbor and POS-related (JV) Projects							
	Terminal 5 Modernization ⁽³⁾	-	14.6	9.4	-	-	24.0
	Other North Harbor Projects ⁽⁴⁾	4.3	7.0	12.0	16.5	27.0	66.9
	Channel Deepening and other POS-related Projects (JV)	3.5	0.8	13.3	19.3	3.0	40.0
	Subtotal - NWSA North Harbor and POS-related (JV) CIP	7.9	22.4	34.8	35.8	30.0	130.9
	Aviation - Highline School Insulation	-	-	-	-	1.0	1.0
	Total Levy & G.O. Bond Funding of Non-Airport CIP ⁽⁵⁾	26.6	68.6	81.4	74.8	52.5	303.8
⁽¹⁾ Net of existing environmental funds ⁽²⁾ Net of capital grant funding ⁽³⁾ Net of funding from Harbor Development Fund ⁽⁴⁾ Net of NWSA capital grants (Port share) ⁽⁵⁾ Additional tax levy/G.O. bond funding capacity identified in the 2021-2025 Draft Plan of Finance; currently general funded but may need levy funding.							

- Projects identified for levy/G.O. bond funding
- Additional projects appropriate for tax levy/G.O. bonds:
 - T46 North Pier
 - T91 NW Fender
 - Jack Block Park Pier
- An additional \$79 million of projects will be moved from General Fund to levy/G.O. bonds beginning in 2022

Non-Airport Operating Cash Flow Available for Capital

(\$ million)	2021	2022	2023	2024	2025	TOTAL
Cash Flow from NWSA	\$ 42.9	\$ 45.7	\$ 49.4	\$ 49.1	\$ 48.2	\$ 235.3
Maritime net income	(5.1)	3.3	2.3	2.5	8.1	11.2
EDD net income	(8.1)	(6.4)	(6.7)	(6.5)	(5.4)	(33.1)
Revenue bond debt service and adjustments ⁽¹⁾	(36.4)	(38.5)	(28.5)	(28.2)	(28.1)	(159.6)
TOTAL	\$ (6.5)	\$ 4.2	\$ 16.6	\$ 16.9	\$ 22.8	\$ 53.9

(1) Adjustments include certain non-operating revenues and expenses and reimbursements for tax levy & other funded EDD and Corporate expenses

Commission Established Levy Use Criteria for Capital Investments

Uses: Established in 2015, updated in 2018

	Operating Cash	Tax Levy
Asset Renewal	Business income sufficient to support investments	Economic benefit
Strategic Initiatives	Short payback/ Self funding	No or long payback
Location	South Harbor	North Harbor

IDD Levy - Background

- Port can levy property tax within an Industrial Development District (IDD)
 - In addition to regular property tax
 - A port can form multiple districts
 - Coextensive with port district, or
 - Smaller area within the Port district
 - The Port already has two Industrial Development Districts
- Port can implement the levy twice - Port of Seattle implemented first round in 1963
- Purpose is to provide for harbor improvements or industrial development of marginal lands
 - Broadly defined
 - Includes areas of poor planning or declining tax receipts

IDD Levy - Implementation

- Port may implement a second round based on a new formula
 - Maximum of \$1.8 billion over a period of up to 20 years
 - Average amount = \$89 million (for 20 years)
 - Maximum annual amount = \$287 million (45 cents for 6 years)
 - Port can establish a smaller IDD or collect a lesser amount, but cannot bank the unused capacity
- Process to implement
 - Publish notice by April 1 to begin collecting the next year
 - If within 90 days a petition of 8% of voters (voting in the most recent gubernatorial election) opposes, the Port must hold a special election to approve the levy

IDD Levy Information: “Marginal lands” are defined to include property subject to the following (RCW 53.25.030) conditions:

1. An economic dislocation, deterioration, or disuse resulting from faulty planning.
2. The subdividing and sale of lots of irregular form and shape and inadequate size for proper usefulness and development.
3. The laying out of lots in disregard of the contours and other physical characteristics of the ground and surrounding conditions.
4. The existence of inadequate streets, open spaces and utilities.
5. The existence of lots or other areas which are subject to being submerged by water.
6. By a prevalence of depreciated values, impaired investments, and social and economic maladjustment to such an extent that the capacity to pay taxes is reduced and tax receipts are inadequate for the cost of public services rendered.
7. In some parts of marginal lands, a growing or total lack of proper utilization of areas, resulting in a stagnant and unproductive condition of land potentially useful and valuable for contributing to the public health, safety and welfare.
8. In other parts of marginal lands, a loss of population and reduction of proper utilization of the area, resulting in its further deterioration and added costs to the taxpayer for the creation of new public facilities and services elsewhere.
9. Property of an assessed valuation of insufficient amount to permit the establishment of a local improvement district for the construction and installation of streets, walks, sewers, water and other utilities.
10. Lands within an industrial area which are not devoted to industrial use but which are necessary to industrial development within the industrial area.

Current Credit Ratings

	<u>Moody's</u>	<u>S&P</u>	<u>Fitch</u>
General Obligation Bonds	Aaa	AAA	AA-
First Lien Revenue Bonds	Aa2	AA-	AA
Intermediate Lien Revenue Bonds	A1	A+	AA-
Subordinate Lien Revenue Bonds	A2	A+	AA-
Passenger Facility Charge Revenue Bonds	A1	A+	A+
Fuel Hydrant Special Facility Bonds	A1	A-	

Noted Credit Strengths:

- Diverse asset and revenue base
- Airport's market position and enplanement levels
- Strong balance-sheet liquidity levels
- Conservative debt structure and healthy debt service coverage ratios
- Strong governance and management
- Long-range strategic and sustainability plans
- Vibrant and resilient area economy