

COMMISSION AGENDA

Item No.: 6A

Meeting: 11/14/17

DATE: October 31, 2017

TO: Commission

FROM: John Wolfe, Chief Executive Officer
Erin Galeno, Chief Financial and Administrative Officer
David Morrison, Director, Financial Planning and Treasury

SUBJECT: 2018 Budget & Tax Levy

A. ACTION REQUESTED

Consider three resolutions and one action to approve an Interlocal Agreement (ILA) for support services:

1. **Resolution No. 2017-07-PT:** Adopt the 2018 statutory budget.
2. **Resolution No. 2017-08-PT:** Direct the Secretary to certify to the Clerk of the County Council a Tax Levy of \$18,623,291 for the year 2018.
3. **Resolution No. 2017-09-PT:** Authorize the tax levy at \$18,623,291 and a maximum tax levy capacity of \$24,993,244.19.
4. **Support Services ILA:** Authorize the ILA between Port of Tacoma and NWSA for 2018 support services.

B. BACKGROUND

The 2018 Tax Levy and Statutory budget represent the third year of the Port of Tacoma's participation in the Northwest Seaport Alliance (NWSA). The 2018 operating budget and 2018-2022 Capital Improvement Plan for the NWSA has been presented to the public twice and has been approved by the Managing Members. These three resolutions and one action address Port of Tacoma specific actions that need to be taken.

C. FISCAL IMPACT

There are four areas to the 2018 Budget:

1. **Operating Budget:** The operating revenue projection of \$69.8 million includes \$46.6 million Net Distributable Revenue from the NWSA's operating income. This produces an operating income of \$22.3 million. We project a 31.9 percent return on revenue. In 2017, we project \$13.7 million of net income.

2. **Five-Year Capital Improvement Plan:** The \$43.7 million 2018 Port of Tacoma Capital Improvement Plan budget represents the first year of the Port's planned five-year plan, a package totaling \$162.7 million of projects. An additional \$250 million in capitalized project spending for NWSA is included in the Plan of Finance. The 2018 Port of Tacoma planned Capital Improvement Plan includes funds to purchase land for strategic business opportunities, maintain revenue producing Port assets (asset management), construct environmental mitigation, and contribute to road infrastructure projects.
3. **Tax Levy:** The Port has proposed to maintain the targeted millage rate at \$0.18365 per thousand dollars of assessed value, the same as 2017. Because of Pierce County property valuation increases, and the additional valuations from new improvements, the Port of Tacoma levy increases by \$1,963,777 from \$16,659,514 to \$18,623,291. The levy will be used for general obligation bond debt service and governmental projects. We strive to keep the Port levy low, knowing that the unused portion of the legal limit can be available should a requirement materialize.
4. **Plan of Finance:** The Plan of Finance incorporates the Port of Tacoma's share of the NWSA's net distributable revenue and capitalized project spending. The 2018 Port of Tacoma Plan of Finance proposes no debt issues to finance capital spending in 2018. The Plan of finance does show net borrowing of approximately \$42 million in total between 2020 and 2022. Our plan estimates that the Port's 2018 fully diluted debt service coverage will be 2.2. The fully diluted debt service is expected to exceed 2.0 in all years through 2022 based on this budget.