

Item: 3A, B, C, D

Date: 11/17/22

2023 Tax Levy & 2023 Statutory Budget Public Hearing

Port of Tacoma Commission Meeting
November 17, 2022



- Follow-up from Budget Study Session
- Review proposed 2023 Port of Tacoma Tax Levy
- Review proposed 2023 Port of Tacoma Statutory Budget
- Review 2023-2027 Plan of Finance / Ending Cash
- Public Hearing –
 - Request authorization of resolutions 2022-16PT, 2022-17PT and 2022-17PT
 - Request to approve the ILA for support services

Changes since the study session on 11/3

- Corrected the World Trade Center Tacoma budget amount to reflect no change over 2022
- Updated the WPPA annual amount for 2023

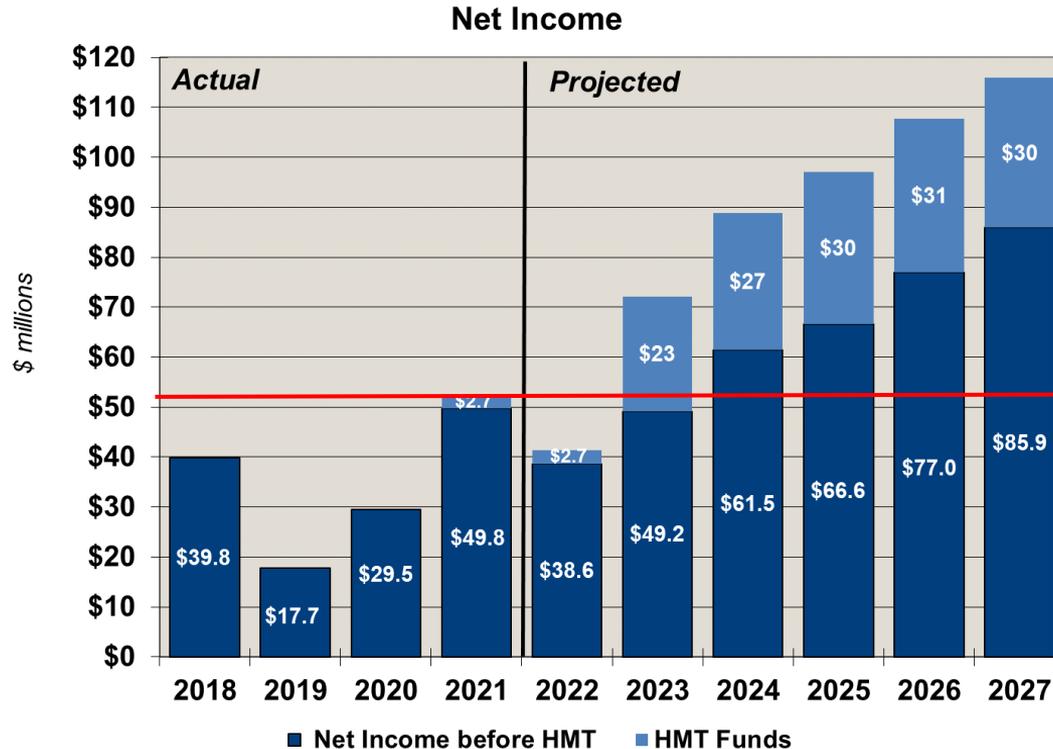
Additional follow-up items

- Reduction of staff in maintenance due T7 crane curtailments and decision to not fill the vacant Director position
- HMT funds have been highlighted as a separate item on the following slides

2023 Operating Budget

(\$ millions)	2021	2022	2022	2023
	<u>Actual</u>	<u>Budget</u>	<u>Forecast</u>	<u>Budget</u>
Operating Revenues	87.8	81.4	84.3	88.9
Direct Expenses	3.7	11.7	12.2	14.3
Administration	4.2	8.7	8.2	10.7
Security	1.7	2.1	1.9	2.2
Environmental	1.3	3.3	3.1	6.8
Total Operating Expense before Depreciation	10.8	25.7	25.4	34.0
Depreciation	25.3	23.9	23.3	22.3
Total Operating Expense	36.1	49.6	48.7	56.3
Operating Income	\$51.7	\$31.9	\$35.7	\$32.6
<i>Return on Revenue</i>	58.9%	39.1%	42.3%	36.7%
Non Operating Income (Expense)-without HMT	(21.4)	(13.8)	(20.3)	(5.0)
Income before Tax Levy and Expense	30.3	18.1	15.4	27.6
Ad Valorem Tax Levy	23.8	24.5	24.5	25.5
GO Interest	(4.4)	(4.1)	(4.1)	(3.9)
Net Tax Levy	\$19.5	\$20.4	\$20.4	\$21.6
Net Income Before Special Item	\$49.8	\$38.5	\$35.8	\$49.2
Harbor Maintenance Tax Funds	2.7	2.8	2.7	23.0
Net Income	\$52.5	\$41.2	\$38.5	\$72.1

Changes from 2023 Budget Study Session



10-year average before HMT of \$51.6 M

2023 Tax Levy

- Property values (base plus new construction) increased 20% in 2022
- Per current maximum allowable by law, Port could increase levy by 15.6% or \$3.8M
- Propose a flat 4% increase over prior year
 - \$982,714 increase to \$25,550,563
- Continue to bank excess tax levy capacity

Tax Levy Assessed Valuation and Millage Rate

	2022 Forecast	2023 Budget
Assessed Valuation*	\$159,259,716,623	\$191,187,912,091
Target Millage Rate (per \$1,000 valuation)	\$0.15426	\$0.13364
Total Port Tax Levy **	\$24,567,849	\$25,550,563
Debt Service on G.O. Bonds	\$12,156,238	\$12,195,337
Remainder for Governmental Projects	\$12,411,611	\$13,355,226

* New millage rate of \$0.13364, a 13.4% decrease from 2022

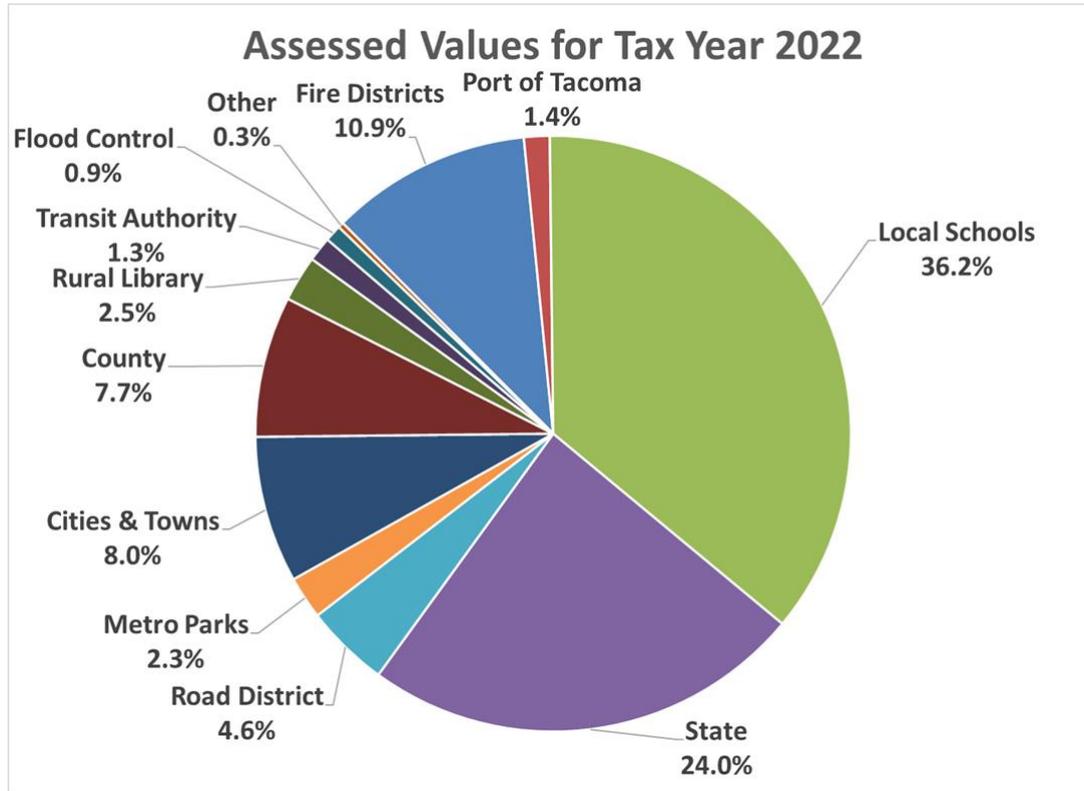
** Will impact growth of ceiling in future years

Tax Collection Year	2019	2020	2021	2022	2023
Avg. Assessed Value	\$ 373,347	\$ 373,874	\$ 405,459	\$ 474,204	\$ 568,840
Port Millage Rate (per \$1,000)	0.18365	0.18365	0.17302	0.15426	0.13364
Annual Tax Levy	\$ 68.57	\$ 68.66	\$ 70.15	\$ 73.15	\$ 76.02
Monthly Tax Levy	\$ 5.71	\$ 5.72	\$ 5.85	\$ 6.10	\$ 6.34
Tax Levy if at Maximum Rate	\$ 84.01	\$ 78.18	\$ 79.06	\$ 82.20	\$ 84.50
Monthly Tax Levy at Max Rate	\$ 7.00	\$ 6.51	\$ 6.59	\$ 6.85	\$ 7.04

* 2023 Preliminary assessed valuations as of September 2022

** Based on 2023 preliminary valuations and targeted millage rate

Ad-Valorem Tax Levy – Taxing Districts % of Total



2023 Statutory Budget

2023 Statutory Budget

<i>(\$ Million)</i>	<u>2023</u>
Beginning Cash & Investments	\$162.8
 <u>Projected Sources of Funds</u>	
Revenues	88.9
Expenses	(33.5)
Memberships	(0.3)
Promotional hosting and Items POT	(0.0)
Promotional hosting NWSA (POT share)	(0.1)
Funds Provided by Operations	<u>55.0</u>
Interest Income	6.3
NWSA Depreciation cash	12.0
Other, Net	29.4
Other Contributions	5.0
Ad valorem tax revenue (net)	<u>25.5</u>
Projected Sources of Funds	133.1
 <u>Projected Uses of Funds</u>	
Investment in Northwest Seaport Alliance	69.8
Debt Payments (Principal and Interest) - GO Bonds	12.2
Debt Payments (Principal and Interest) - Revenue Bonds	29.6
Debt Payments (Principal and Interest) - Commercial Paper	-
Capital Spending - Planned Projects	<u>61.7</u>
Projected Uses of Funds	173.3
 <u>Projected Borrowing</u>	
Commercial Paper Borrowing	<u>0.0</u>
Total Borrowing	0.0
 Projected Ending Cash & Investments	 <u>\$122.6</u>

2023 – 2027 Plan of Finance and Ending Cash Position

2023-2027 Plan of Finance: Key Assumptions

Revenues

- Includes PoT portion of Income from NWSA JV as well as PoT-generated revenue.
- Based on detailed business forecasts and existing lease contract terms.

Expenses

- Inflation of 6%;
- Real Estate and operating expenses, mainly fixed costs.

Non-Operating

- Revenue and G.O. Bond interest expense.
- Investment income, negative mark to market.
- Grant Income.
- HMT Funds.
- Road and bridge contributions.
- Demolition of buildings and asset disposal.
- Election expenses (odd numbered years).

2023-2027 Plan of Finance: Key Assumptions

NWSA Membership Affirmation

- Includes impact of Port of Seattle capital contribution of \$10M for final payment on T5 revaluation.

Capital Project Spending of \$535.7 million

- Includes POT portion of NWSA CIP of \$268.9 million;
- Includes POT specific Capitalized projects of \$266.8 million.

SR 167 contribution of \$13M cash set aside in budget

- Expense recognized in previous years.

Debt Management

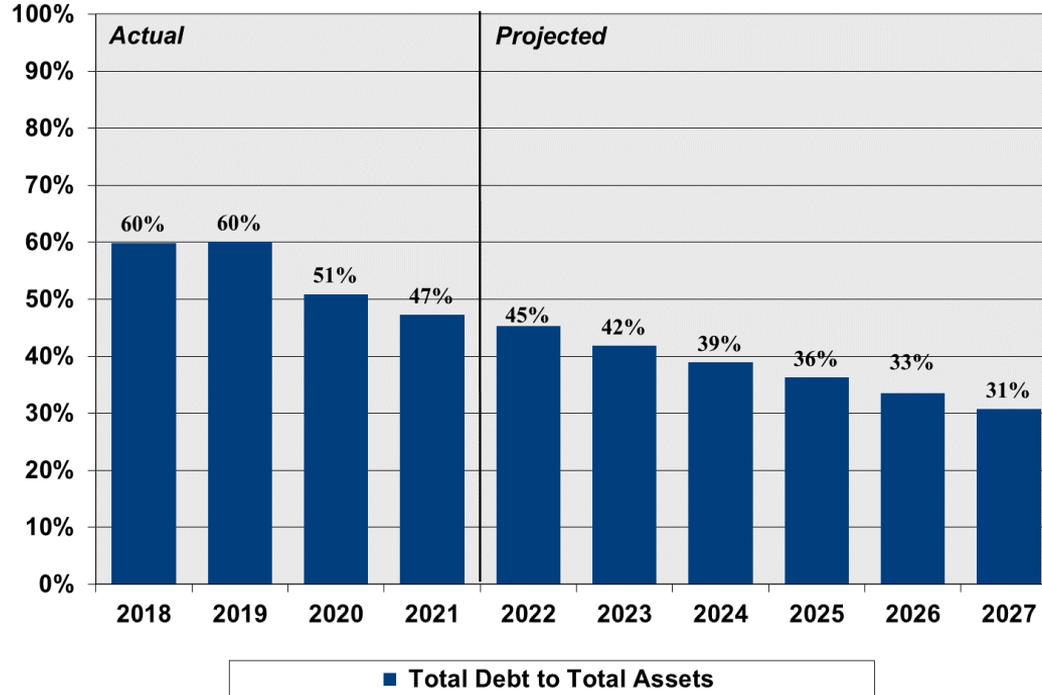
- All eligible bonds have been refunded that can economically be refunded;
- Normally scheduled GO and Revenue Bond debt payments;
- NO NEW BORROWING

2023-2027 Cash Sources and Uses

(\$ Million)	2023	2024	2025	2026	2027
Beginning Cash & Investments	\$162.8	\$122.6	\$126.5	\$189.4	\$245.4
Projected Sources of Funds					
Revenues	88.9	88.2	106.1	111.5	113.9
Expenses	(34.0)	(29.9)	(31.9)	(31.4)	(27.3)
Funds Provided by Operations	55.0	58.3	74.1	80.1	86.6
Interest Income	6.3	3.9	3.6	5.2	6.0
NWSA Depreciation Cash Add back	12.0	15.8	19.6	21.0	22.1
HMT Funds	23.0	27.4	30.4	30.8	30.0
Other Non-Op (net)	6.4	13.9	(0.8)	(1.3)	(2.5)
Other Contributions	5.0	0.0	0.0	0.0	0.0
Ad valorem tax revenue (net)	25.5	26.6	27.6	28.7	29.9
Projected Sources of Funds	133.1	145.8	154.5	164.5	172.0
Projected Uses of Funds					
Investment in Northwest Seaport Alliance	69.8	55.8	27.4	34.7	81.2
Debt Payments (Principal and Interest) - GO Bonds	12.2	12.2	12.3	12.3	12.3
Debt Payments (Principal and Interest) - Revenue Bonds	29.6	29.5	29.5	29.4	29.4
Debt Payments (Principal and Interest) - Commercial Paper	0.0	0.0	0.0	0.0	0.0
Capital Spending - Planned Projects	61.7	44.4	22.4	32.1	106.2
Projected Uses of Funds	173.3	141.9	91.6	108.5	229.0
Projected Borrowing					
Commercial Paper Borrowing	0.0	0.0	0.0	0.0	0.0
Total Borrowing	0.0	\$0.0	\$0.0	\$0.0	\$0.0
Projected Ending Cash & Investments					
Minimum Cash	\$80.1	\$78.1	\$79.1	\$78.8	\$76.8
Sr. Lien Rev. Bond Debt Service Coverage					
Sr. Lien Rev. Bond Debt Service Coverage	5.26	5.59	6.81	7.40	7.96
Fully Diluted Revenue Bond Debt Service					
Fully Diluted Revenue Bond Debt Service	2.93	3.13	3.83	4.17	4.51

Financial Measure: Debt to Asset Ratio

Projected - Total Debt to Total Assets Ratio



10-year average of 44.5%

Public Hearing Tax Levy and Budget Resolutions

Resolution No. 2022-16-PT

Request authorization for Resolution 2022-16-PT to direct the Secretary to certify to the Clerk of the County Council of Pierce County, Washington, a tax levy of \$25,550,563 for the year 2023.

Resolution No. 2022-17-PT

Request authorization for Resolution 2022-17-PT addressing the tax levy requirements pursuant to RCW 84.55.120 and RCW 84.55.092; and preserving the opportunity for future increase in the limit factor for maximum levy capacity pursuant to RCW 84.55.0101.

Request authorization for the Executive Director to sign the Interlocal Agreement for the 2023 service directives between the Port of Tacoma and the Northwest Seaport Alliance.

Resolution No. 2022-18-PT

Request approval of Resolution 2022-18-PT adopting the statutory cash budget for 2023, including the memberships over \$10,000 and hosting.

Thank you.

Questions?

Addendum

Harbor Maintenance Tax

Harbor Maintenance Tax (HMT): The HMT is assessed on ocean-going international imports that land at U.S. ports to pay for maintenance dredging of waterways through the HMT Trust Fund. It is not, however, assessed on importers who route cargo through non-US ports and afterwards move the cargo into U.S. markets by land. Moreover, the NWSA has received little, if any, benefit from the fund because its facilities are located on natural deep-water harbors that do not require significant maintenance dredging. Since 1986 the ports of Seattle and Tacoma have sought reform of the HMT to provide a greater return to donor ports, such as the NWSA, and to ensure U.S. tax code does not disadvantage U.S. ports and maritime cargo.

Our ports achieved a major milestone in our decades-long effort in December 2020 when Congress passed comprehensive HMT reform legislation as part of the Water Resources Reform and Development Act (WRDA) of 2020. The bill sets aside 8% of annual HMT collections for donor ports like Seattle and Tacoma. If implemented as drafted, the NWSA estimates that between them the two home ports of Seattle and Tacoma will receive over \$30 million annually for our infrastructure projects beginning in federal fiscal year 2023.

In 2021 the ports of Seattle and Tacoma received funds from the federal government through the Section 2106 HMT donor port program—\$2.782 million for Port of Seattle and \$2.744 million for Port of Tacoma. These funds transferred to the NWSA for use on eligible infrastructure projects to enhance the competitiveness of our cargo operations

Thank you!

