

Item: 10A  
Date: 4/21/22



# **Port of Tacoma Financial Update Year-End 2021 and January/February 2022**

## **Port of Tacoma Commission Regular Meeting**

**April 21, 2022**

**Britt Doughtie**

**Director of Financial Planning and Treasury**

# Port of Tacoma 2021 Financial Highlights



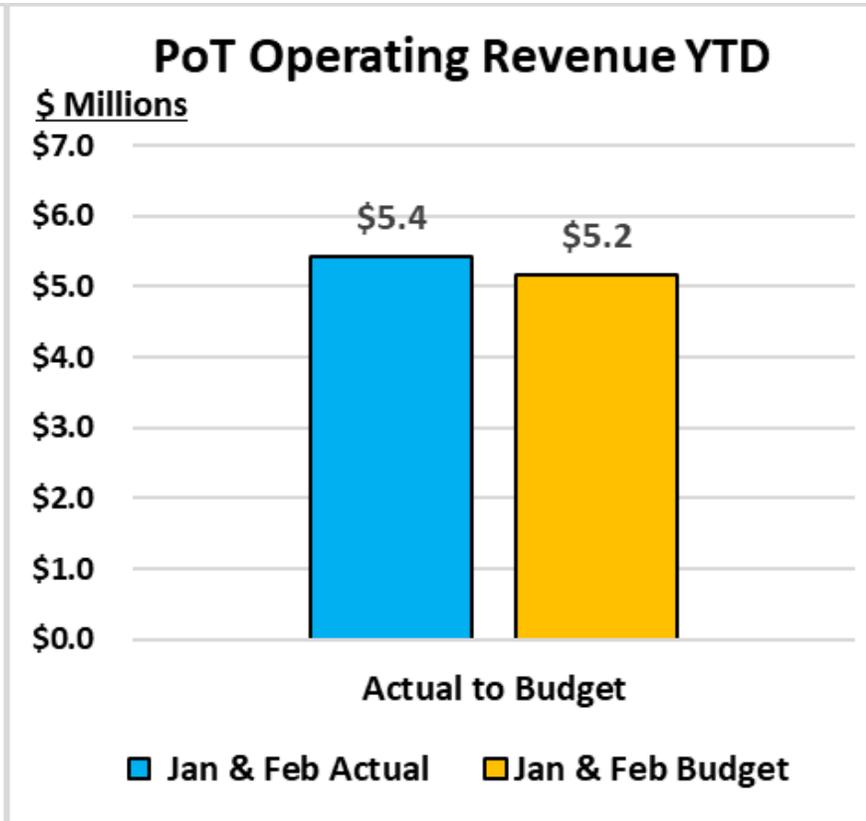
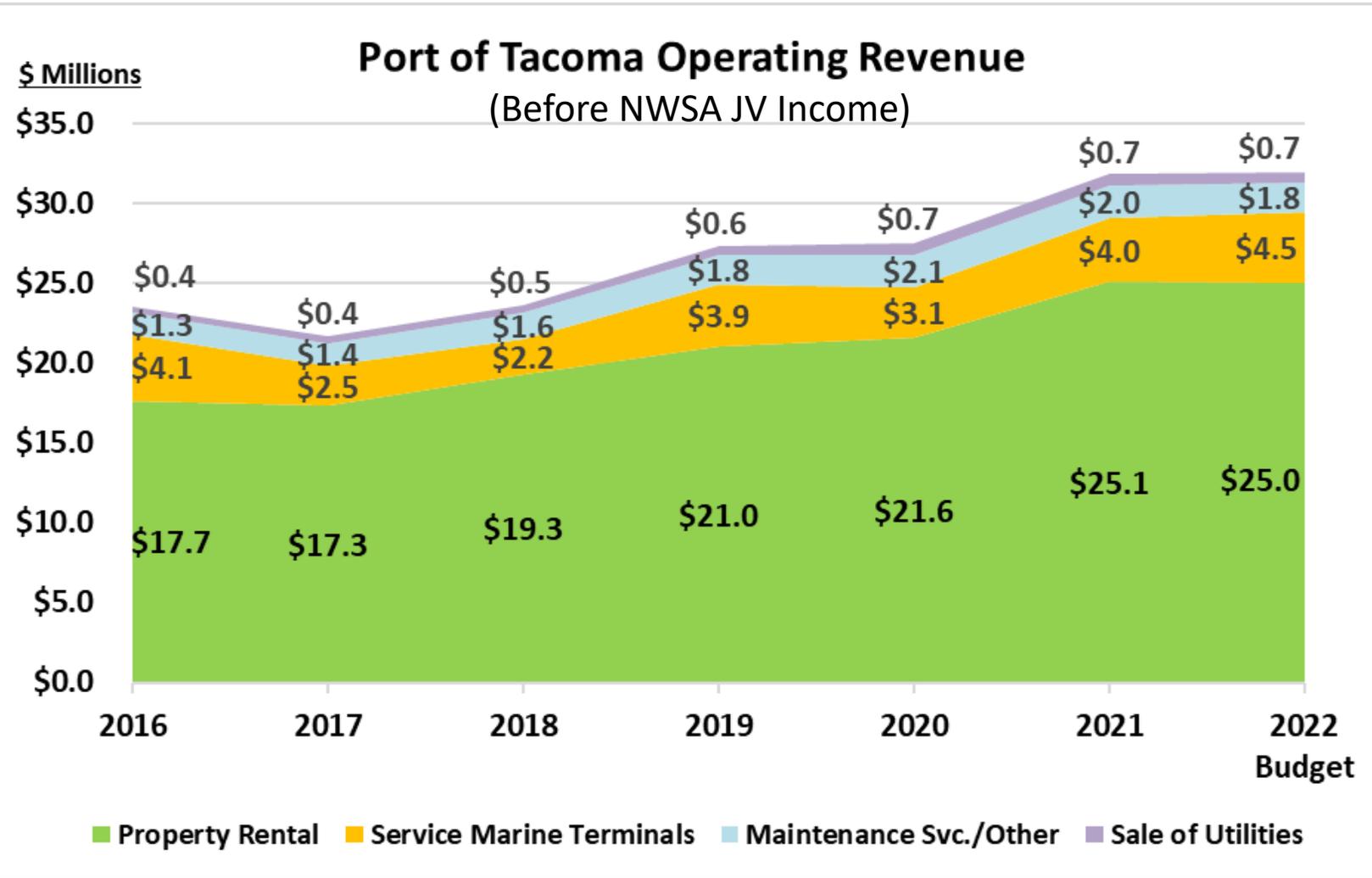
- Port operating revenues grew by 16%, to \$31.8 million vs. \$27.5 million in 2020.
- NWSA JV Income contribution grew by 43%, to \$55.6 million vs. \$38.8 million in 2020.
- Port operating expenses declined by 14%, to \$36.1 million vs. \$42 million in 2020.
- Bond interest expense lower by 7%, \$20.8 million vs. \$22.4 million in 2020.
- Port Net Income totaled \$52.5 million, 74% higher than 2020's \$30.2 million.
- Ended 2021 with \$218 million in Cash and Investments (vs. \$208 million in 2020 YE), facilitating Capital Investment spending with no new borrowing needed until at least 2026, based upon current budget projections and Capital Investment Plan.
- Increased total assets by 2%, to \$1.49 billion vs. \$1.46 billion at 2020 YE.
- Reduced outstanding debt balance by 3%, to \$539.8 million vs. \$555.2 million at 2020 YE.
- Reduced total liabilities by 2%, to \$787.8 million vs. \$807.4 million at 2020 YE.
- Grew total equity by 7%, \$699.2 million vs. \$653.5 million in 2020 YE.

\*2021 adjusted balance sheet to remove impact of GASB 87 lease interest impact.

# Port of Tacoma Operating Revenue



Port of Tacoma Operating Revenue was up 16% in 2021 over 2020, led by an increase in real estate revenue.

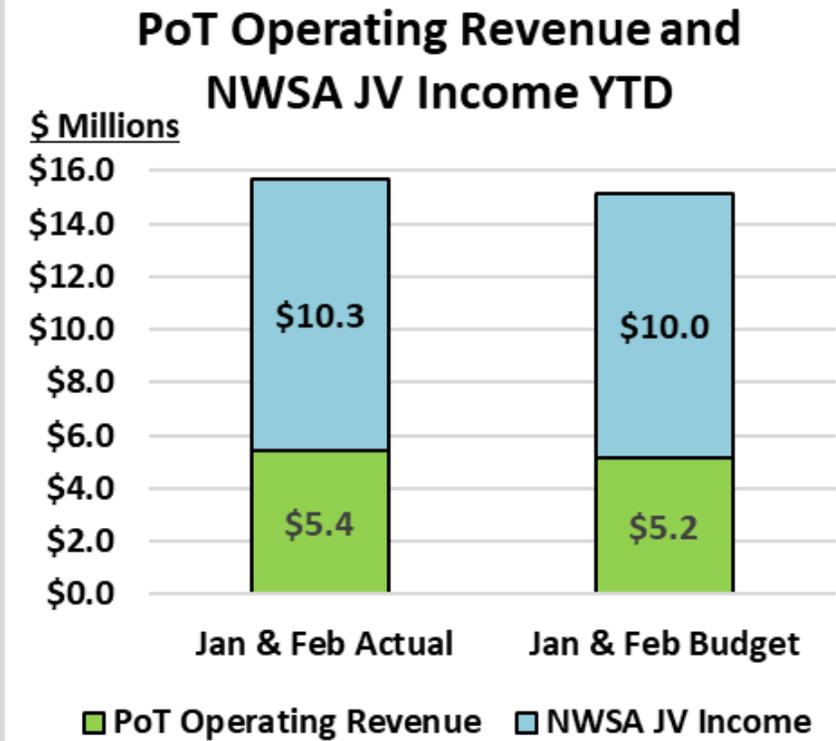
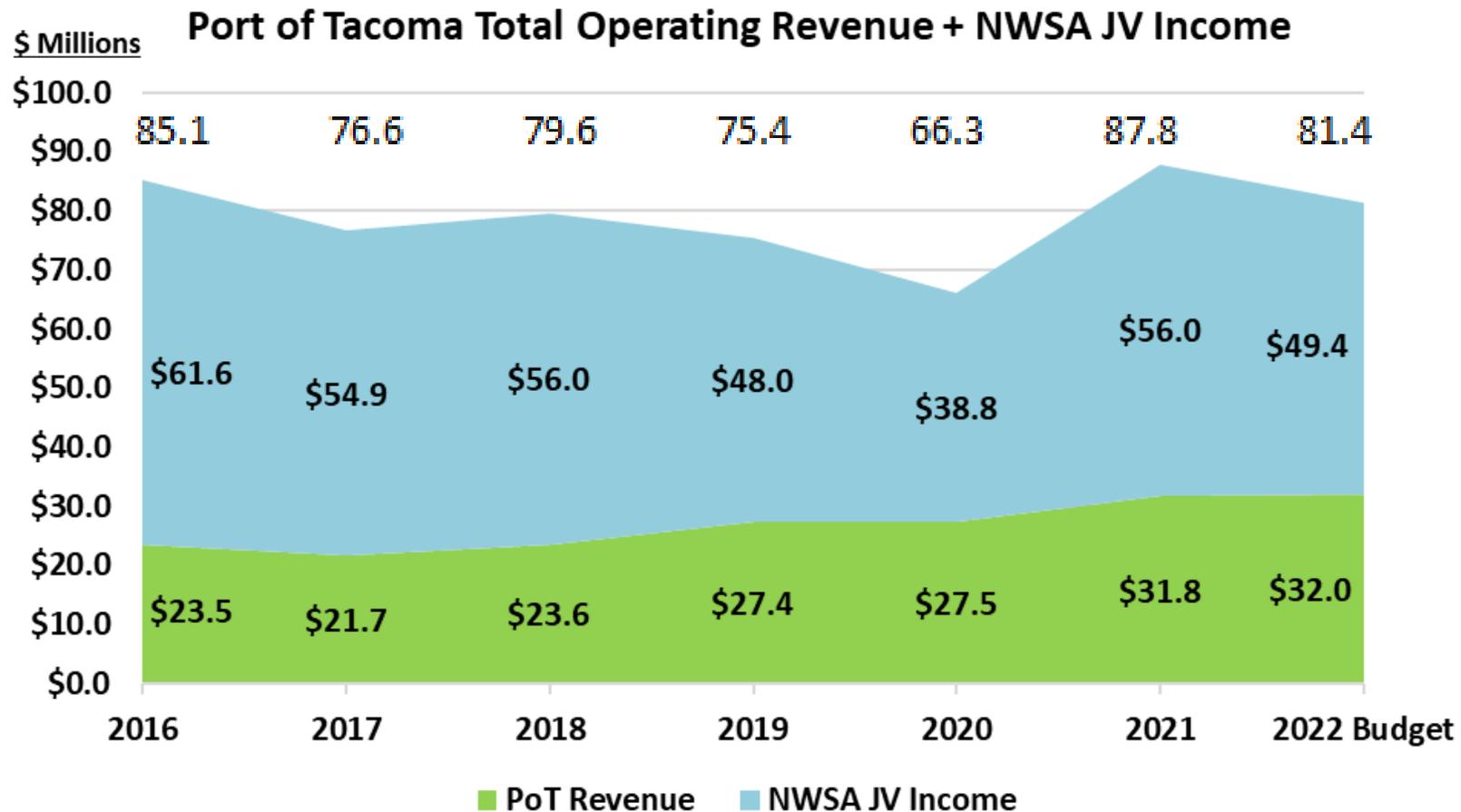


Through February 2022, Port of Tacoma operating revenue is achieving 105% of budget.

# Operating Revenue and NWSA JV Income



Combined Port of Tacoma operating revenue plus NWSA JV income was up 33% over 2020, led by significantly higher NWSA JV income driven by higher revenues across the business.

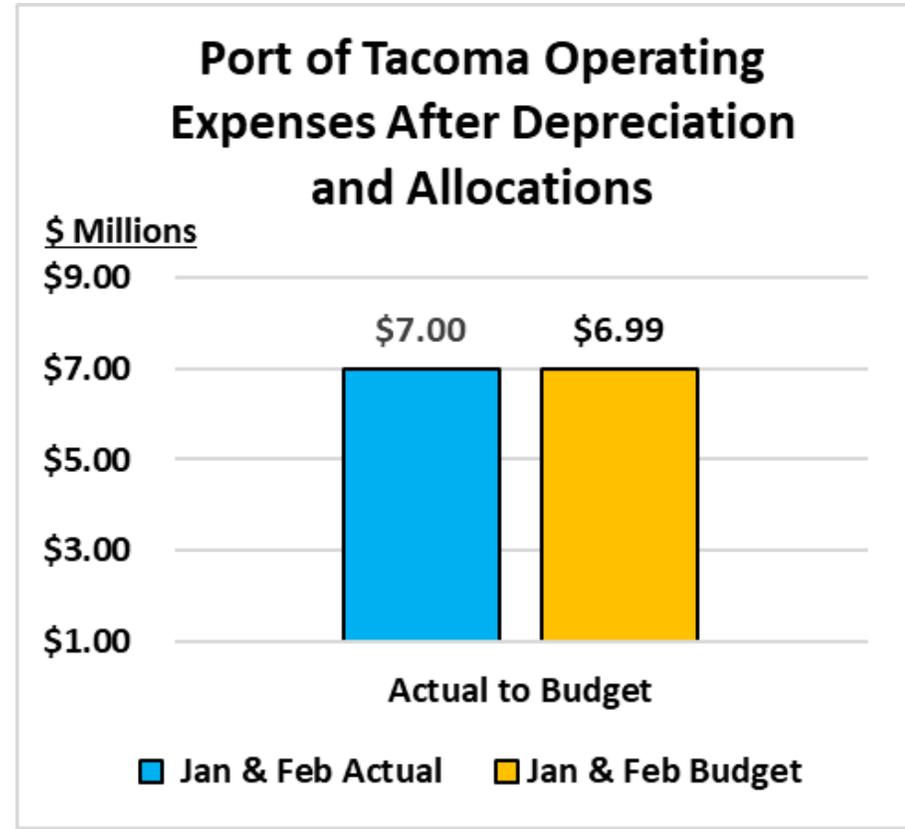
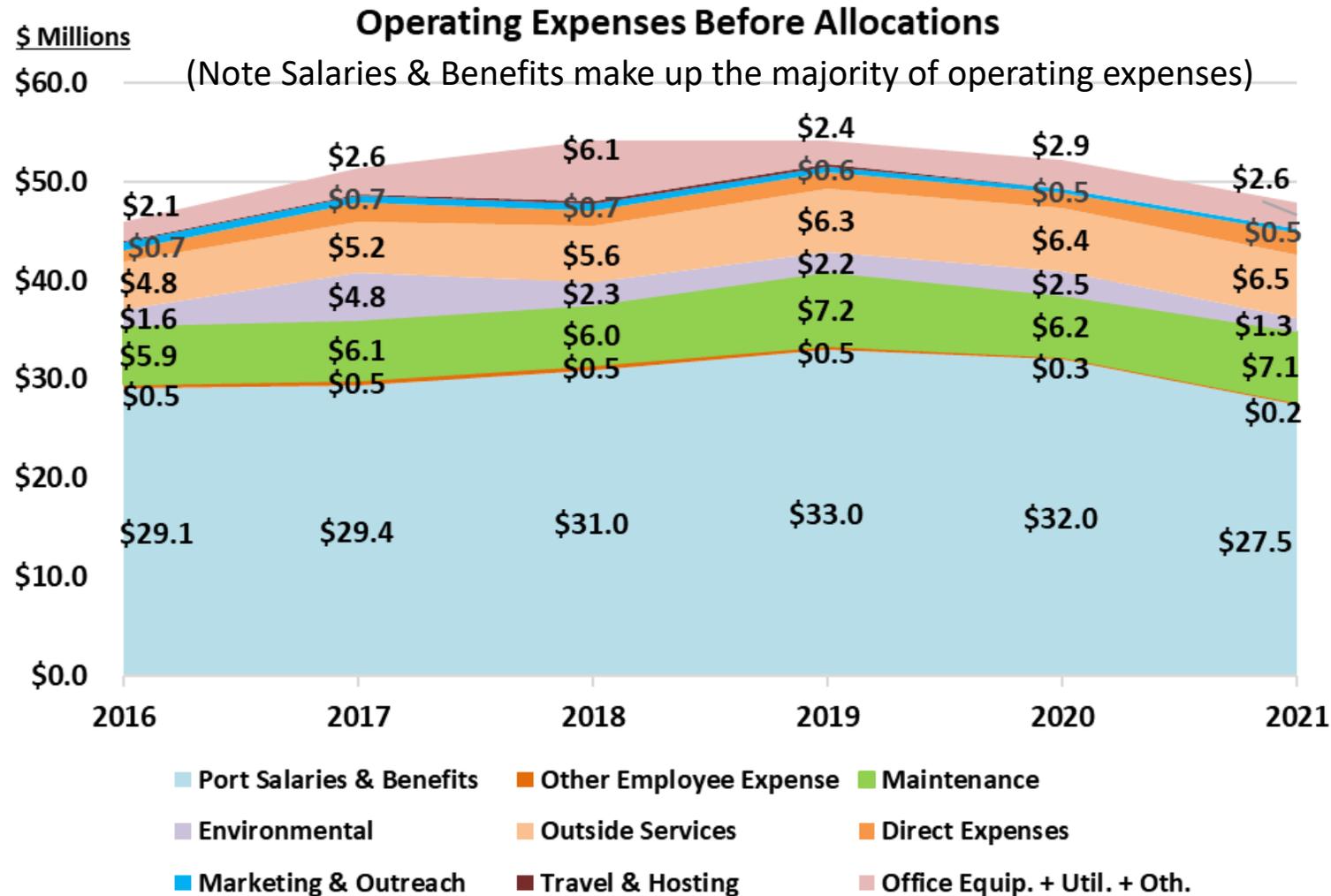


Through February 2022, Port of Tacoma operating revenue plus NWSA JV income was 103.5% of budget.

# Port of Tacoma Operating Expenses



Lower 2021 Port Salaries & Benefits compared to 2020 was driven by a large number of open positions in 2021, 215 were budgeted but headcount averaged under 200 in 2021.

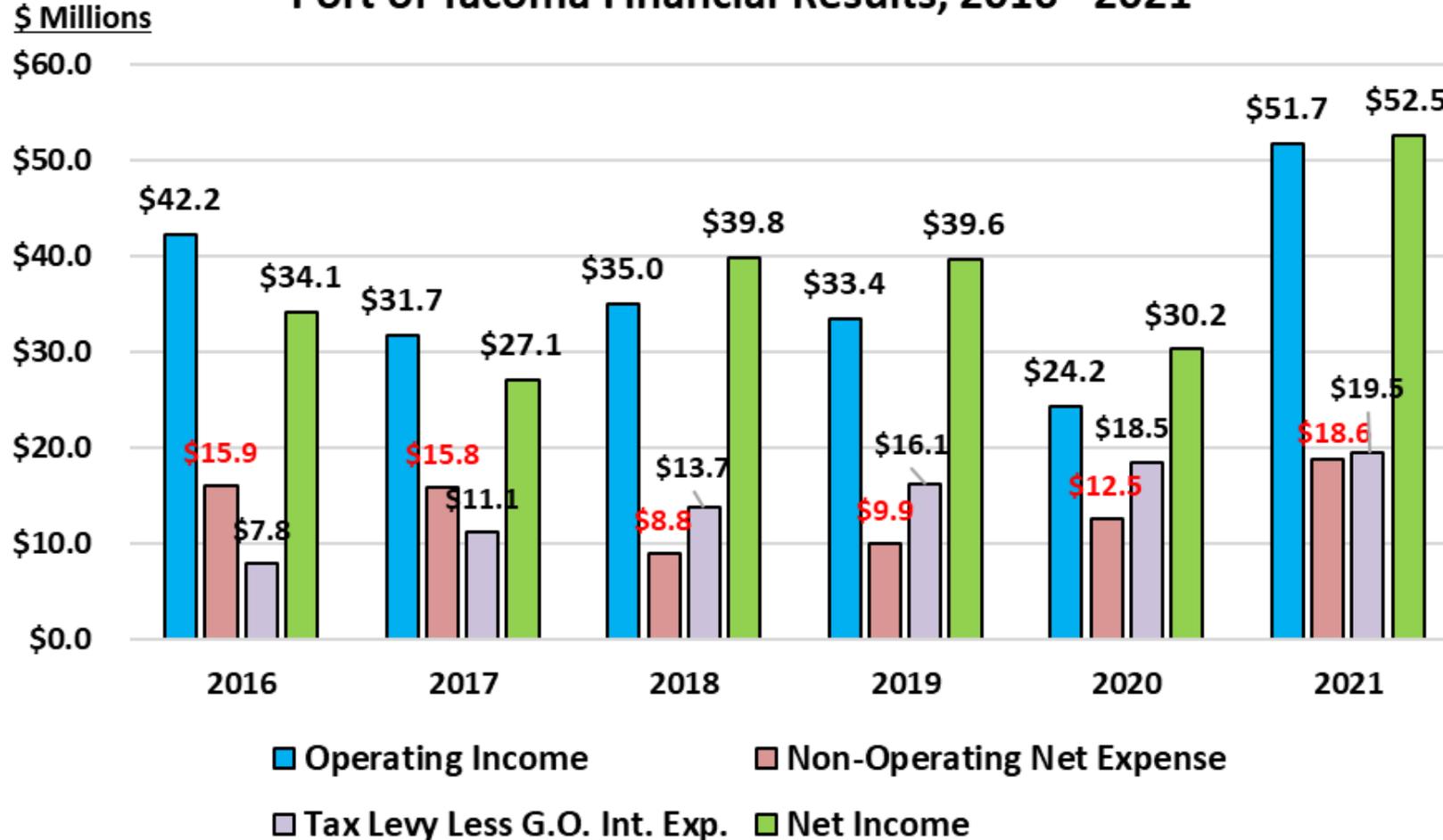


Through February 2022, Port of Tacoma operating expenses after depreciation and allocations totaled 100% of budget.

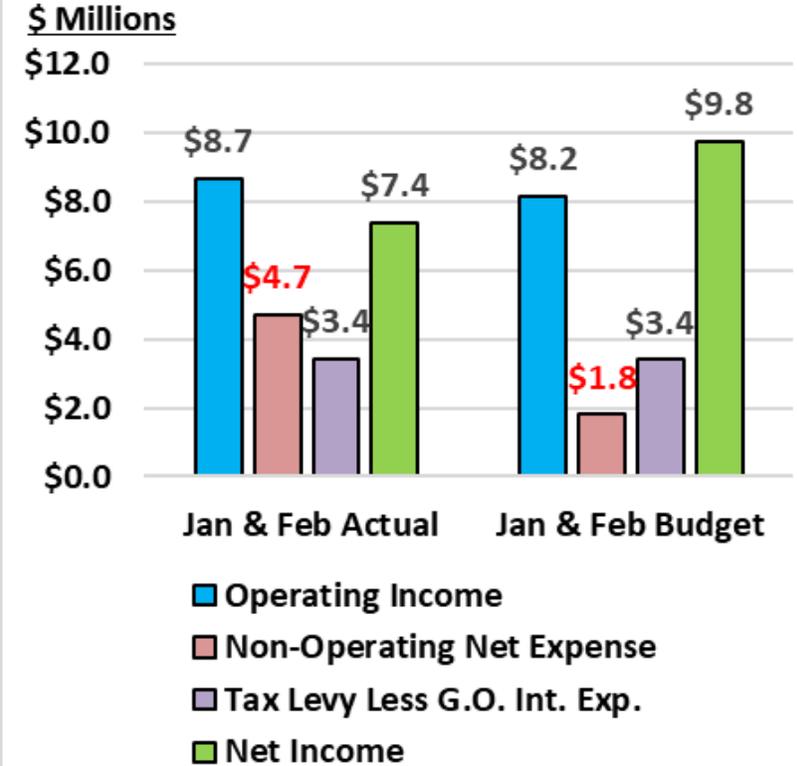
# High-Level Financial Results



## Port of Tacoma Financial Results, 2016 - 2021



## January and February Results

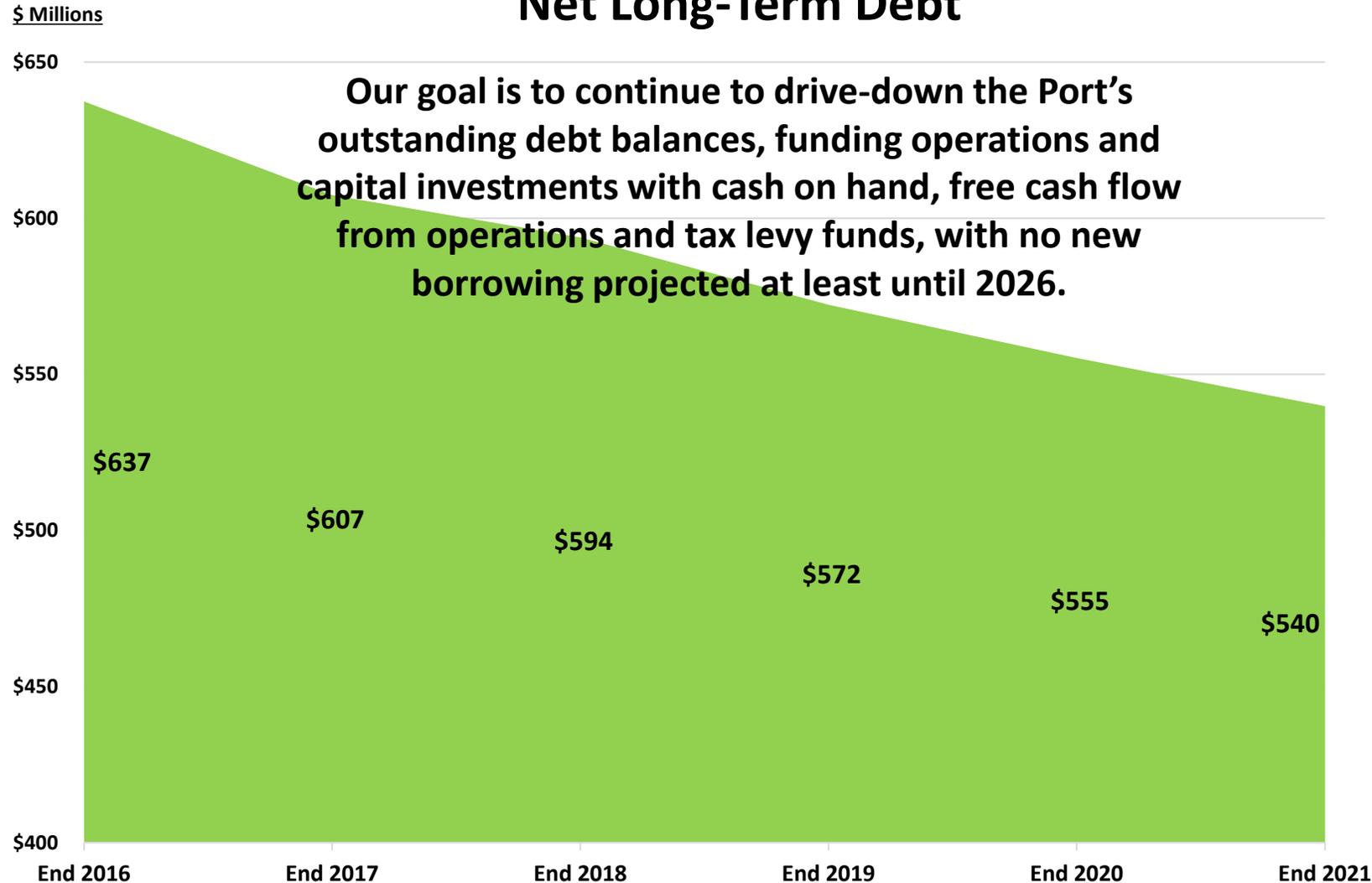


Non-Operating Net Expense had lower interest income and a non-cash reduction in market value of Port investments (bonds mark-to-market).

# Total Debt Balances Continue to Reduce



## Net Long-Term Debt



- The Port continues to drive down long-term borrowings in a steady and consistent manner.
- Current projections indicate no new borrowing needs at least until 2026.

# Continued Improvement of Port's Balance Sheet

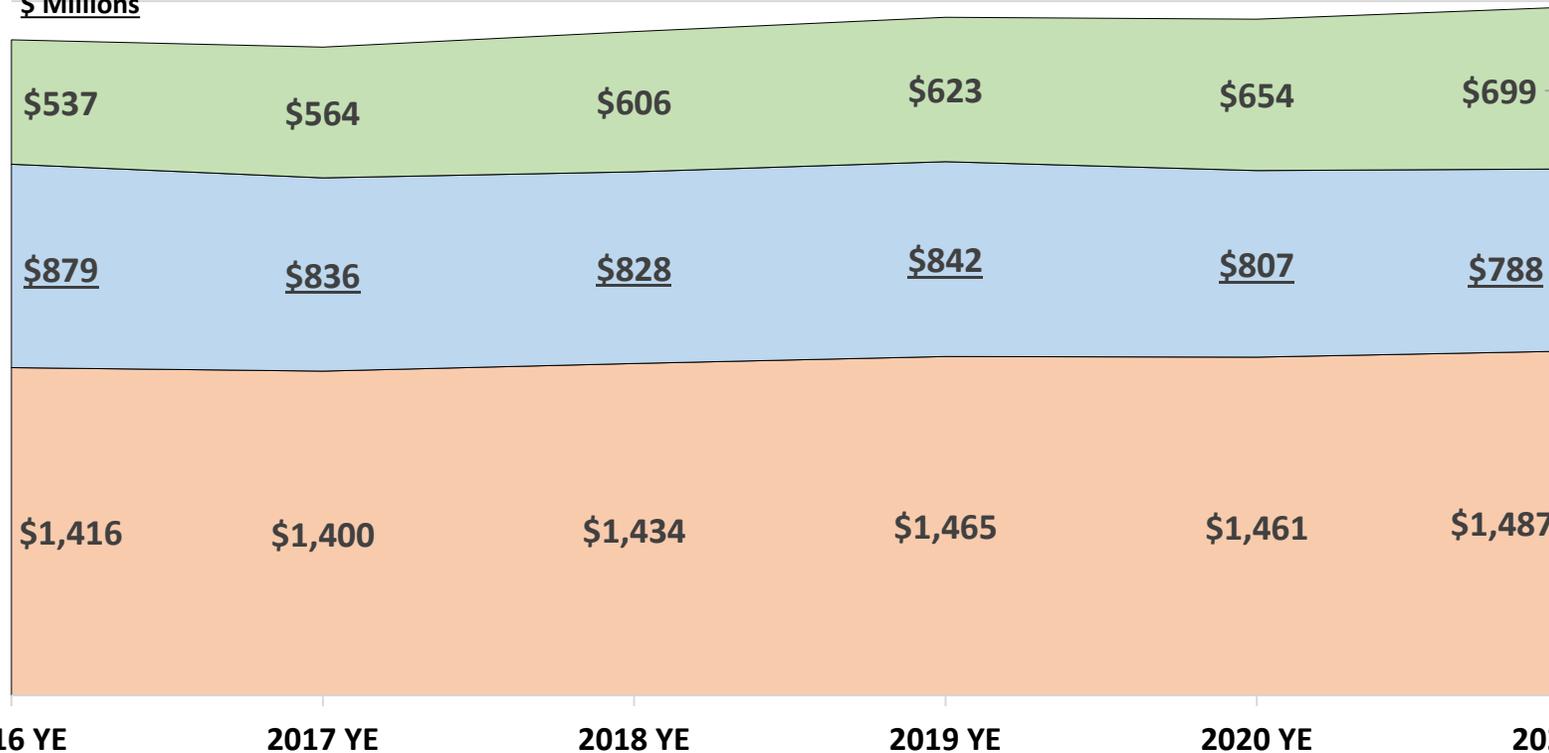


## Liabilities to Equity Ratio

1.64      1.48      1.37      1.35      1.24      1.13

## Port of Tacoma Balance Sheet Assets = Liabilities + Equity

\$ Millions



- The Port continues to drive down long-term borrowings in a steady and consistent manner while growing assets and equity.
- Key Liabilities to Equity Ratio shows the continued balance sheet improvement. The improving L/E Ratio shows that the Port is increasingly funding operations and capital investments with internally-generated cash rather than with new liabilities such as debt.
- In L/E Ratio, all liabilities have been included (principally debt, swap agreement, environmental liabilities and accounts payable).

■ Total Assets   
 ■ Total Liabilities   
 ■ Total Equity

\*2021 adjusted to remove impact of GASB 87 lease interest impact.

# Capital Spending Plan Update



## Port of Tacoma Capital Investment Spending Plan

Presented 11/2020:

In 2021 Budget	<u>2021 (Bud)</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
<b>2022 5-Year CIP</b>	<b>\$55.6</b>	<b>\$29.5</b>	<b>\$28.0</b>	<b>\$20.1</b>	<b>\$27.3</b>	

Presented 11/2021:

In 2022 Budget	<u>2021 (For)</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
<b>2022 5-Year CIP</b>	<b>\$45.9</b>	<b>\$49.8</b>	<b>\$42.5</b>	<b>\$67.4</b>	<b>\$36.1</b>	<b>\$28.8</b>

Updated 3/2022:

CIP Update with	<u>2021 (Act)</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
<b>New CIP Proposals</b>	<b>\$15.8</b>	<b>\$55.3</b>	<b>\$47.9</b>	<b>\$70.3</b>	<b>\$36.1</b>	<b>\$28.8</b>

- 2021 capital expenditures were far below budget, contributing to the increase of 2021 year-end's cash balance about \$30 million over the budgeted amount. Even when adjusting for additional capital spending during 2022 through 2026, the additional cash should push-out Port borrowing needs at least until 2026.

# 2021 Capital Investment Spending and 2022 Revision



<b>POT Top 2021 CIP Budget Items (Forecast &amp; Budget)</b>  Location / CIP Project	<b>Forecasted 2021 CIP Spending in 2022 Budget</b>  (in \$1,000s)	<b>Actual 2021 CIP Spending</b>  (in \$1,000s)	<b>2022 CIP Update w/ Carryover &amp; New Proposals</b>  (in \$1,000s)
Administration Building - Port of Tacoma (Repairs)	\$3,542	\$1,452	\$2,662
Arkema (Investigation and Remediation (P 99); North Boundary Interim Action (P 76/99))	\$529	\$341	\$1,517
Commencement Bay Industrial Development Dist. (Land Acquisitions)	\$20,000	\$0	\$20,000
Earley Business Center (Repairs & New Siding)	\$68	\$68	\$251
Fabulich Center (Repairs & Lighting Upgrade; Boiler Replacement now \$190K)	\$775	\$75	\$890
Information Technology (Replacements/Upgrades/Enhancements)	\$1,477	\$422	\$1,720
Maytown Operating Oversight (Remediation Monitoring and Operating Oversight)	\$150	\$158	\$150
POT Municipal Stormwater Permit Program (MS4) (Permit, Source Tracing, Storm Inf.)	\$418	\$221	\$585
Stewardship (all sites)	\$150	\$144	\$200
Taylor Way & Alexander Ave Fill Area Investigation (Parcel 95, 111 & 117)	\$515	\$274	\$475
Unallocated (Capital Improvements; Unanticipated Repairs and Misc. Expenses)	\$3,000	\$0	\$1,902
	\$1,000	\$0	\$2,557
Vehicle Purchases	\$200	\$248	\$350
Parcel 14 (Lower Wapato Creek Combined Habitat + Parcel 14 Clean-up Program)	<u>\$10,685</u>	<u>\$9,141</u>	\$4,035
Totals Above	\$42,509	\$12,544	\$37,294
(1) Total 2021 Capital Investment Plan Budget; (2) Actuals; (3) 2022 CIP Updated	<u>\$45,890</u>	<u>\$15,759</u>	<u>\$55,325</u>
Percent of 2021 Capital Investment Plan	93%	80%	67%

# Original PoT Budget 2022 - 2026 Cash Sources and Uses

(\$ Million)	2022	2023	2024	2025	2026
<b>Beginning Cash &amp; Investments</b>	\$151.9	\$115.2	\$89.7	\$77.3	\$94.3
<b>ORIGINAL VERSION HERE, SINCE UPDATED WITH FINAL ENDING CASH, CIP ROLL-OVER AND NEW CIP PROJECTS</b>					
<b>Projected Sources of Funds</b>					
Revenues	81.4	81.5	91.7	91.6	96.0
Expenses	(25.7)	(24.8)	(24.9)	(28.6)	(25.0)
<b>Funds Provided by Operations</b>	55.7	56.7	66.8	63.0	71.0
Interest Income	1.7	1.2	1.8	1.7	2.3
NWSA Depreciation Cash Add back	11.6	13.7	15.7	17.7	18.5
Other, Net	3.4	1.6	3.4	0.0	1.1
Other Contributions	0.0	0.0	0.0	0.0	0.0
Ad valorem tax revenue (net)	24.5	25.3	26.0	26.8	27.6
<b>Projected Sources of Funds</b>	97.0	98.5	113.8	109.3	120.6
<b>Projected Uses of Funds</b>					
Investment in Northwest Seaport Alliance	56.3	50.1	42.7	25.7	100.8
Debt Payments (Principal and Interest) - GO Bonds	12.2	12.2	12.2	12.3	12.3
Debt Payments (Principal and Interest) - Revenue Bonds	29.5	29.3	29.4	29.3	29.2
Debt Payments (Principal and Interest) - Commercial Paper	0.0	0.0	0.1	0.3	0.7
Capital Spending - Planned Projects	35.7	32.3	56.0	24.8	22.5
<b>Projected Uses of Funds</b>	133.7	124.0	140.5	92.4	165.5
<b>Projected Borrowing</b>					
Commercial Paper Borrowing	0.0	0.0	14.3	0.0	28.0
<b>Total Borrowing</b>	0.0	\$0.0	\$14.3	\$0.0	\$28.0
<b>Projected Ending Cash &amp; Investments</b>	\$115.2	\$89.7	\$77.3	\$94.3	\$77.4
Minimum Cash	\$77.7	\$77.2	\$77.3	\$79.1	\$77.3

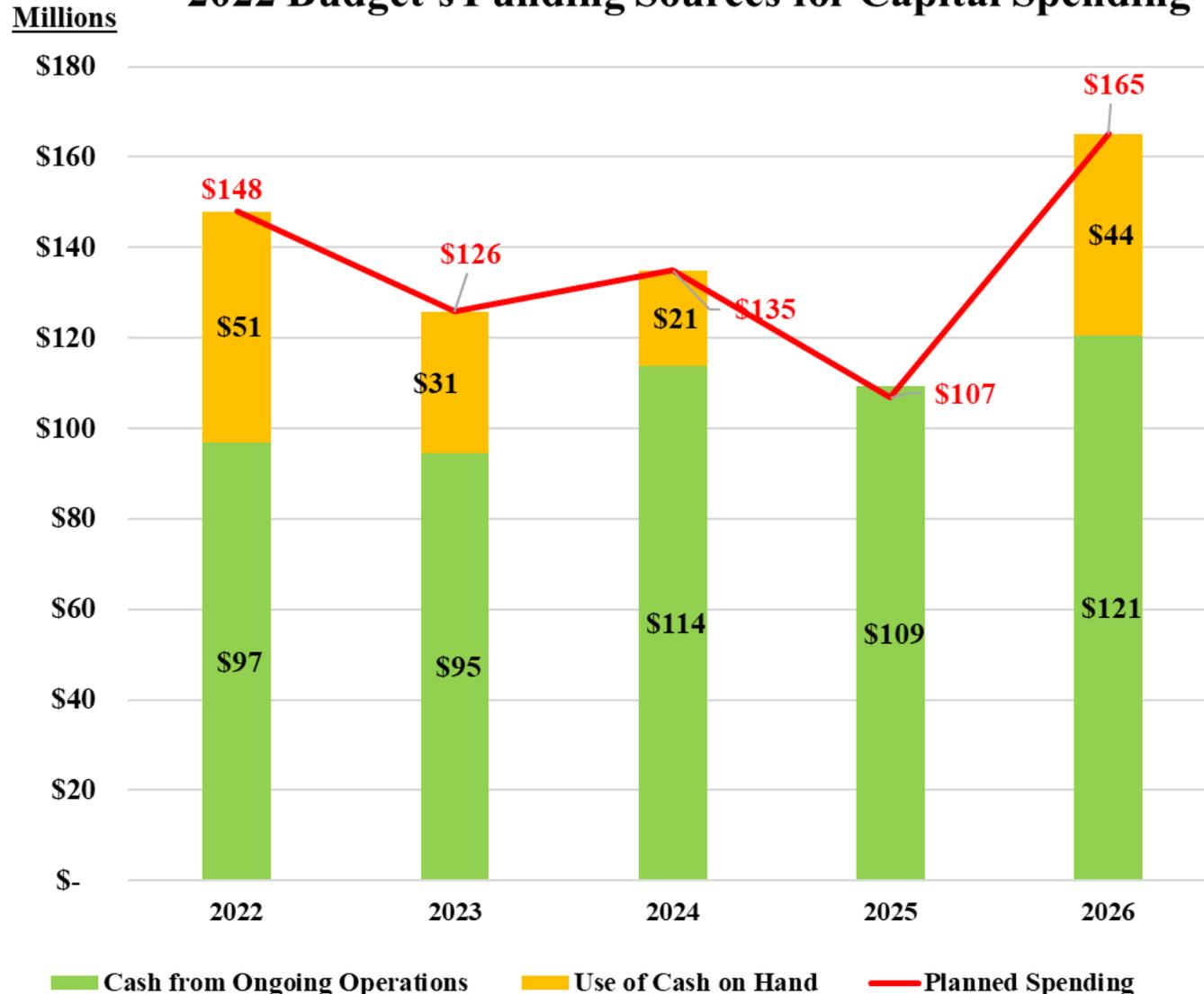
# 2022-2026 Plan of Finance: Updated Cash Flow Forecast

(\$ Million)		2022	2023	2024	2025	2026
 <b>Beginning Cash &amp; Investments</b>		\$197.8	\$146.8	\$115.7	\$94.8	\$97.6
<b><u>Projected Sources of Funds</u></b>						
<b>Revenues</b>		81.4	81.5	91.7	91.6	96.0
Expenses		(25.7)	(28.8)	(24.9)	(28.6)	(25.0)
<b>Funds Provided by Operations</b>		55.7	52.7	66.8	63.0	71.0
Interest Income		1.7	1.4	2.1	2.1	2.3
NWSA Depreciation Cash Add back		11.6	13.7	15.7	17.7	18.5
Other, Net		3.4	1.6	3.4	0.0	1.1
Other Contributions		0.0	0.0	0.0	0.0	0.0
Ad valorem tax revenue (net)		24.5	25.3	26.0	26.8	27.6
 <b>Projected Sources of Funds</b>		97.0	94.7	114.1	109.7	120.7
<b><u>Projected Uses of Funds</u></b>						
Investment in Northwest Seaport Alliance		65.1	49.9	34.5	40.4	100.8
Debt Payments (Principal and Interest) - GO Bonds		12.2	12.2	12.2	12.3	12.3
Debt Payments (Principal and Interest) - Revenue Bonds		29.5	29.3	29.4	29.3	29.2
Debt Payments (Principal and Interest) - Commercial Paper		0.0	0.0	0.0	0.0	0.3
Capital Spending - Planned Projects		41.2	34.4	58.8	24.8	22.5
 <b>Projected Uses of Funds</b>		147.9	125.8	135.0	106.9	165.0
<b><u>Projected Borrowing</u></b>						
Commercial Paper Borrowing		0.0	0.0	0.0	0.0	24.0
<b>Total Borrowing</b>		0.0	\$0.0	\$0.0	\$0.0	\$24.0
<b>Projected Ending Cash &amp; Investments</b>		\$146.8	\$115.7	\$94.8	\$97.6	\$77.3
Minimum Cash		\$77.7	\$79.2	\$77.3	\$79.1	\$77.3

# Funding for Capital Spending



## 2022 Budget's Funding Sources for Capital Spending

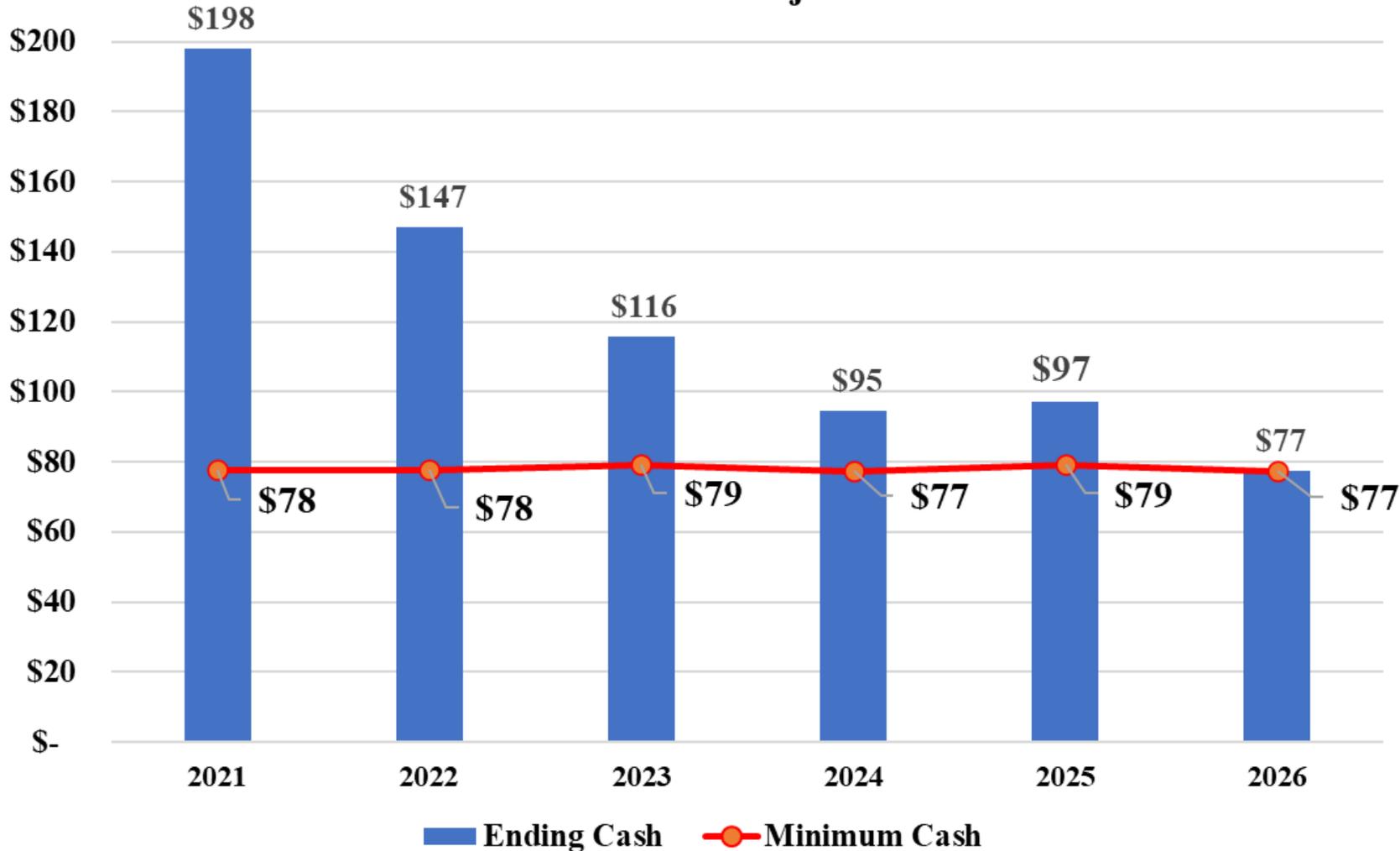


- The red Planned Spending line includes: (1) 50% of all planned investments in NWSA + (2) principal and interest payments on all POT bonds + (3) all planned capital spending at the Port of Tacoma. All other spending netted from Cash from Ongoing Operations.
- Cash from Ongoing Operations includes both Operating and Non-Operating Cash Income, after all Cash Expenses.
- The yellow sections of the bars show Cash usage from the POT's Cash balances, used when Cash generated from Ongoing Operations is insufficient to cover the Planned Spending.
- The adjusted 2022 5-Year Budget assumes some Use of Cash on Hand every year except 2025.

# 2022 Budget's Projected Ending and Minimum Cash



## 2022 Submitted Budget Ending Cash w/ 2021 Actual & Adjusted CIP



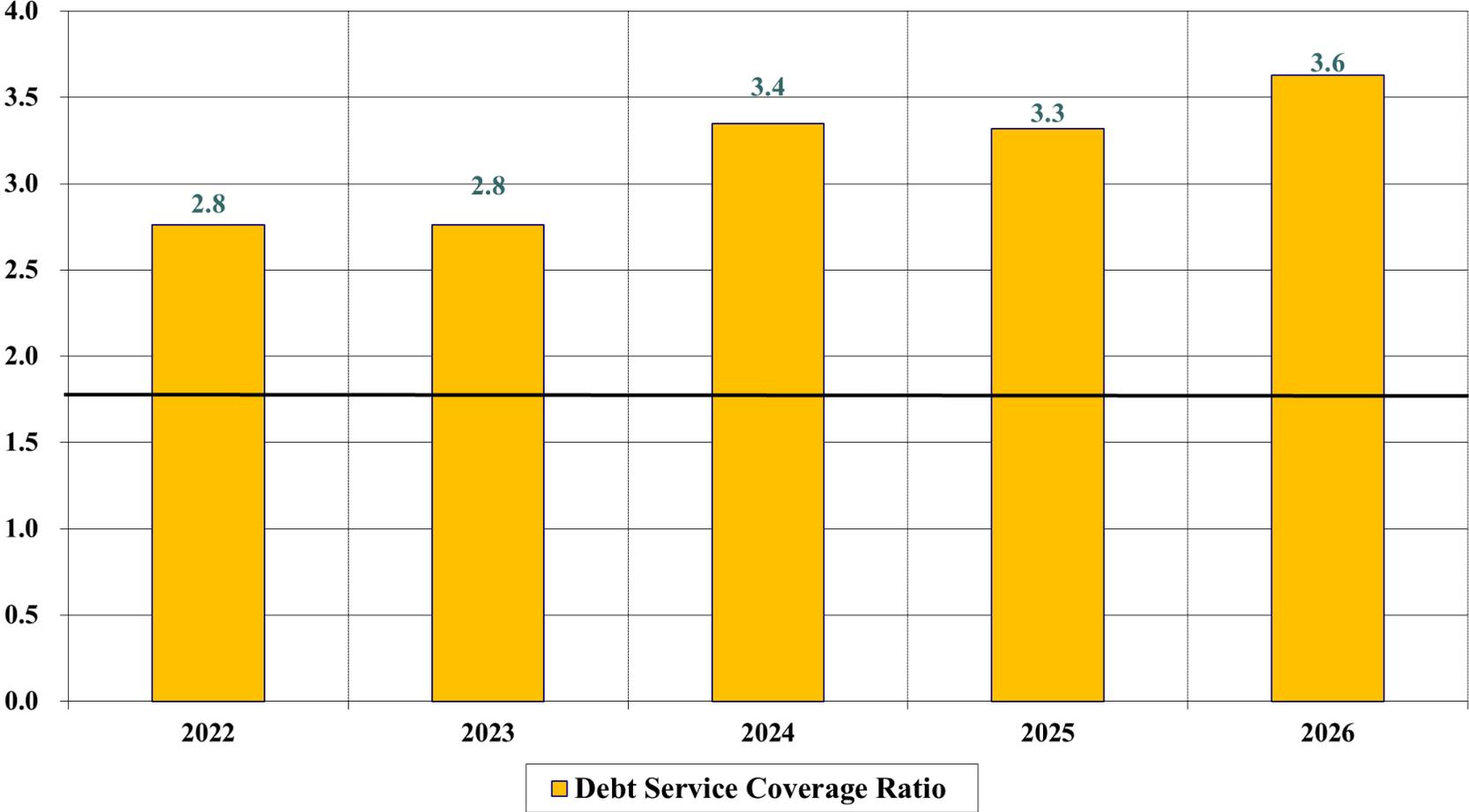
- Although the Port of Tacoma will begin 2022 with almost \$200 million in Cash, the (adjusted) planned spending in our 2022-2026 Budget anticipates Ending Cash dipping below minimum requirements in 2026, forcing borrowing of approximately \$24 million.
- 2021 Actual and 2022-2026 Projected Ending Cash shown after adjustments for the postponement of recognized commitments into subsequent years.

# Projected Debt Service Coverage: 2022-2026



## Port of Tacoma - Subordinated Revenue Bonds - Debt Service Coverage Ratio

Debt Service Coverage Ratio = Net Revenues Available for Debt Service / Debt Service



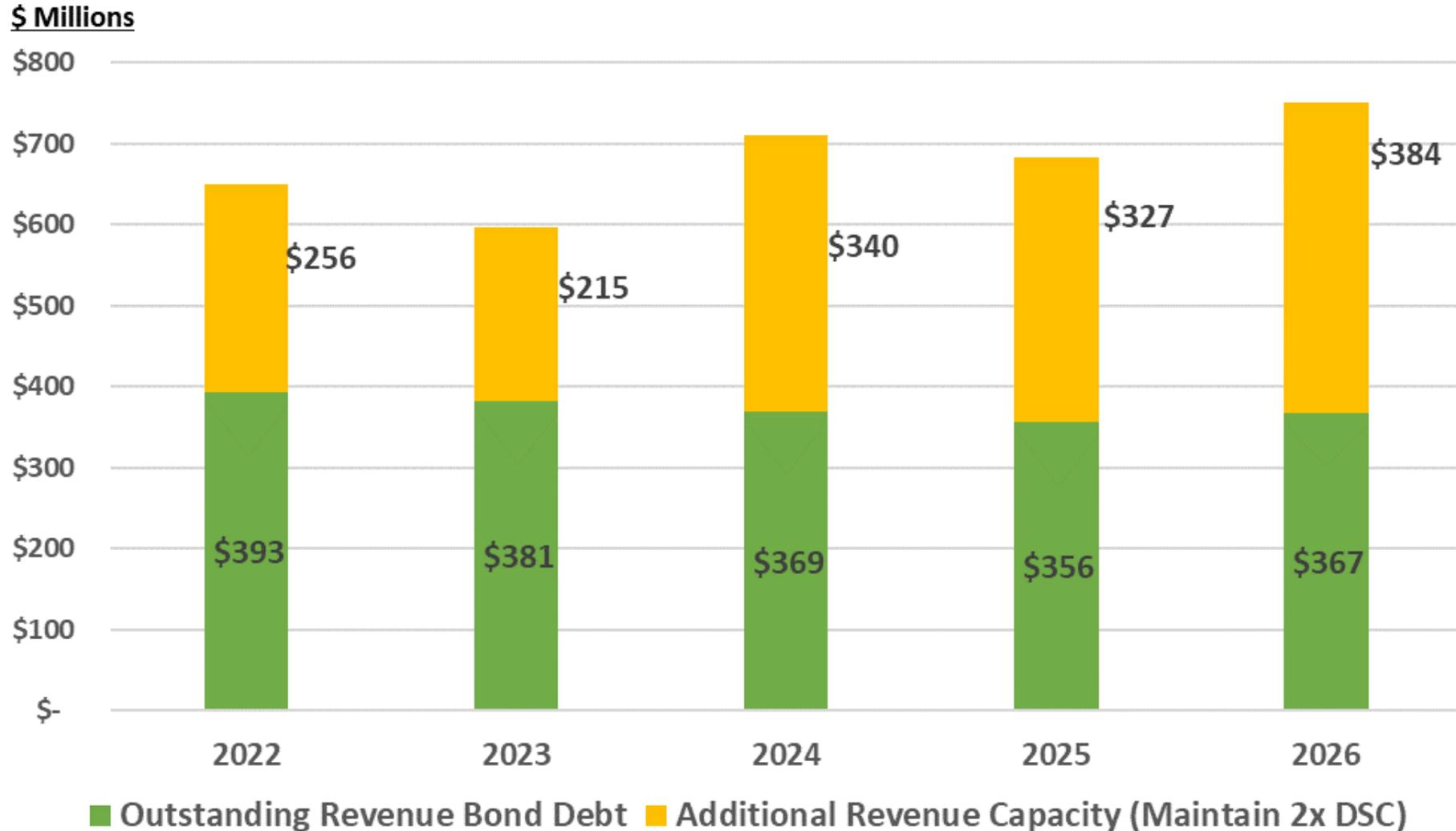
Note: Includes Assumed Borrowing of \$24 million in 2026

- The Port of Tacoma’s total annual debt service remains amply covered by available cash flows.
- The Port’s senior lien bond resolutions require a minimum debt service coverage ratio of 1.35 times.
- The Port’s subordinated lien bond resolutions require a minimum debt service coverage ratio of 1.00 times.
- To maintain a strong financial position and credit ratings, the Port intends that its annual debt service coverage ratio will be no less than 2.0 times annual debt service on all outstanding revenue obligations.

# Revenue Bond Debt and Additional Capacity



## Revenue Bond Debt Outstanding plus Additional Capacity



The yellow section of each bar to the left represents the Port's Additional Revenue Bond Borrowing Capacity while maintaining a minimum cash available for debt service coverage ratio of 2x debt service.

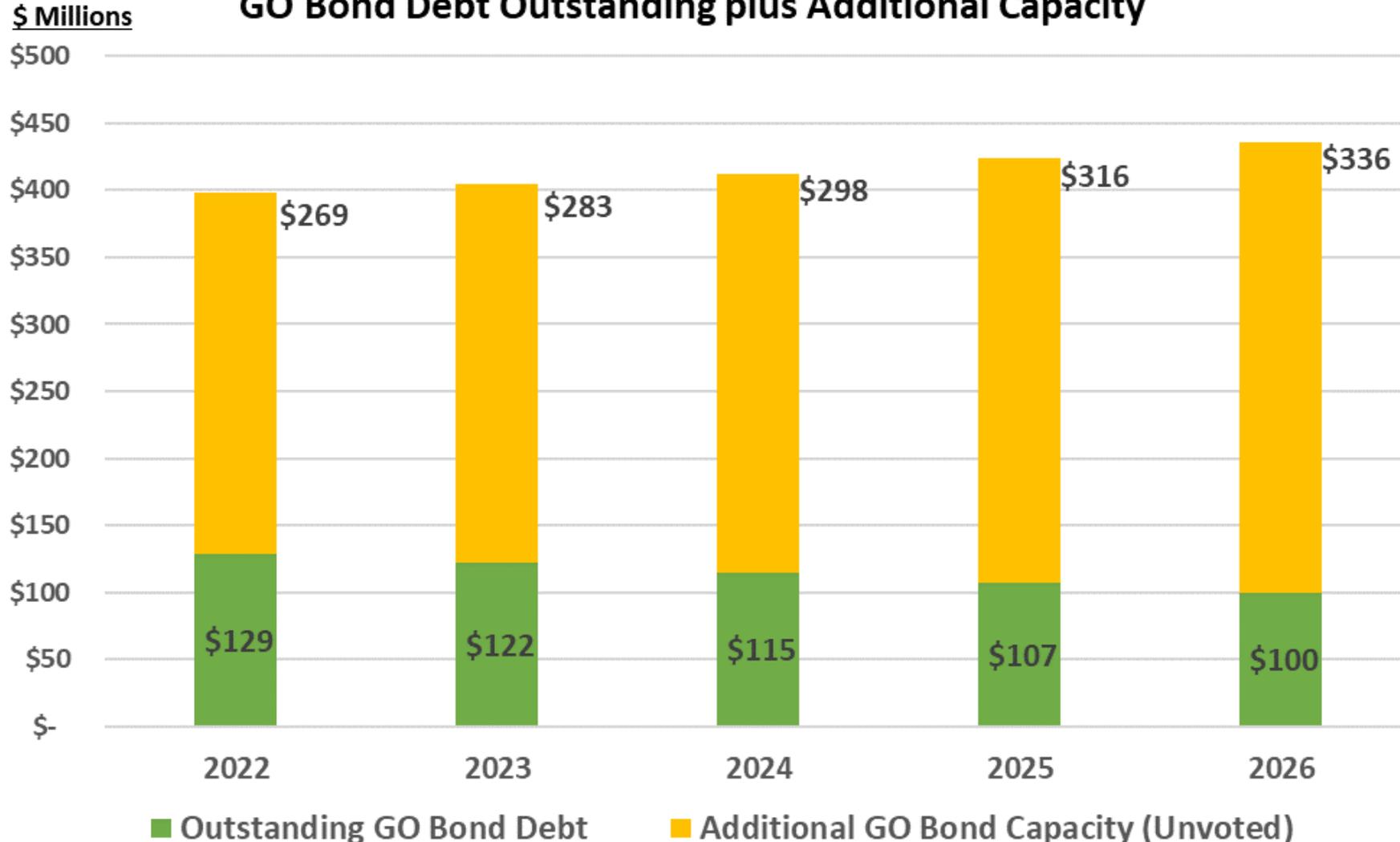
The green section of each bar to the left represents the outstanding Revenue Bond Debt at each year's end.

The Outstanding Revenue Bond Debt in the green bars includes assumed new borrowing of \$24 million in 2026.

# General Obligation Bond Debt and Additional Capacity

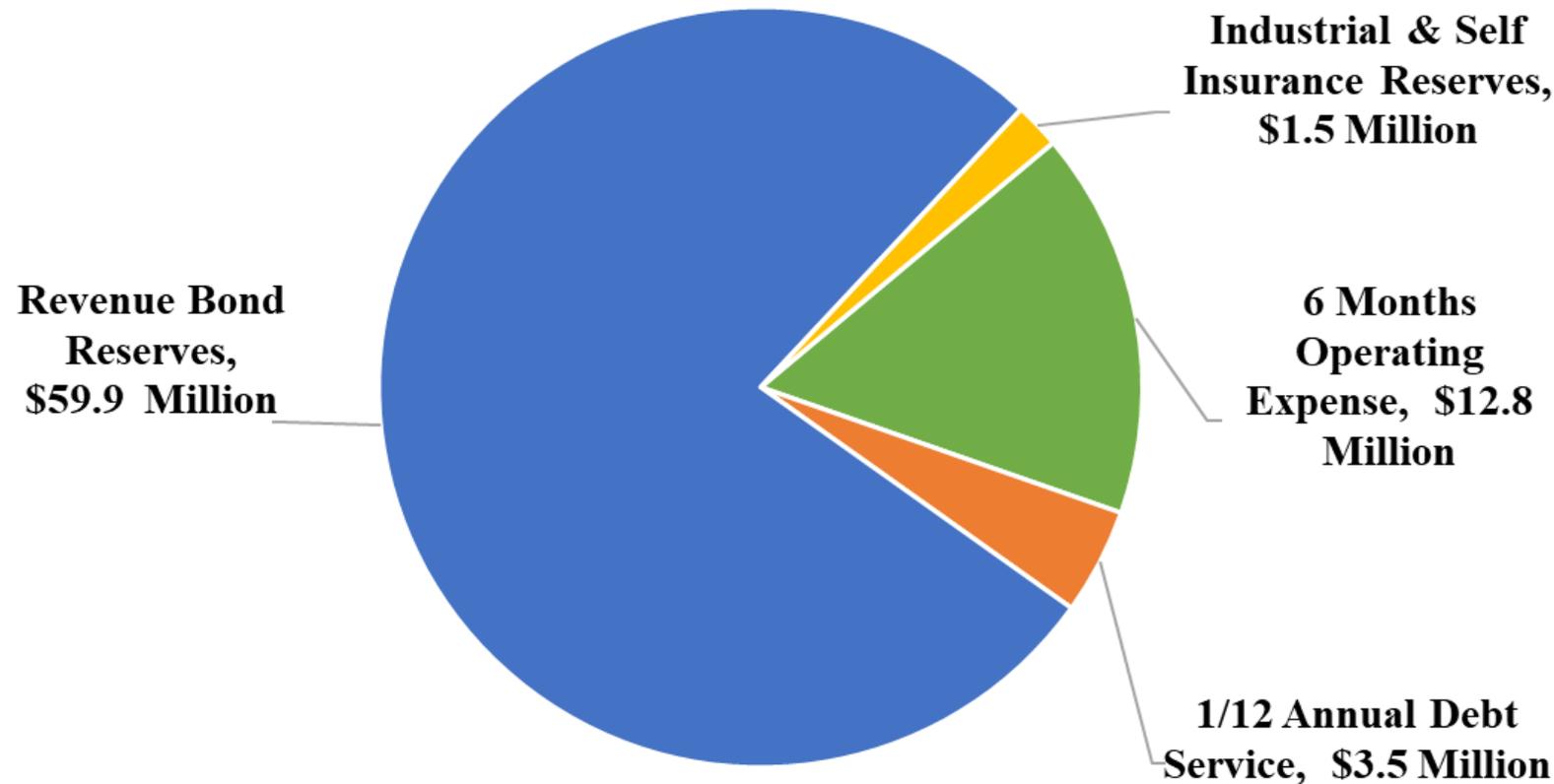


**GO Bond Debt Outstanding plus Additional Capacity**



- Additional G.O. Bond Capacity shown assumes entire unvoted Ad Valorem Tax Levy capacity is collected (1/4 of 1% of property values).
- Current budget expectation is that the Ad Valorem Tax Levy will increase annually by 3%, lower than recent property value increases.
- Port could service additional G.O. debt up to unvoted capacity limit out of existing tax levy as budgeted, but this would erode the excess tax levy available for other projects.
- G.O. Bond Debt Service extended to additional GO Bond Capacity would erode Revenue Bond Capacity due to impact of the Port's free cash flow and subsequent debt service coverage ratios.

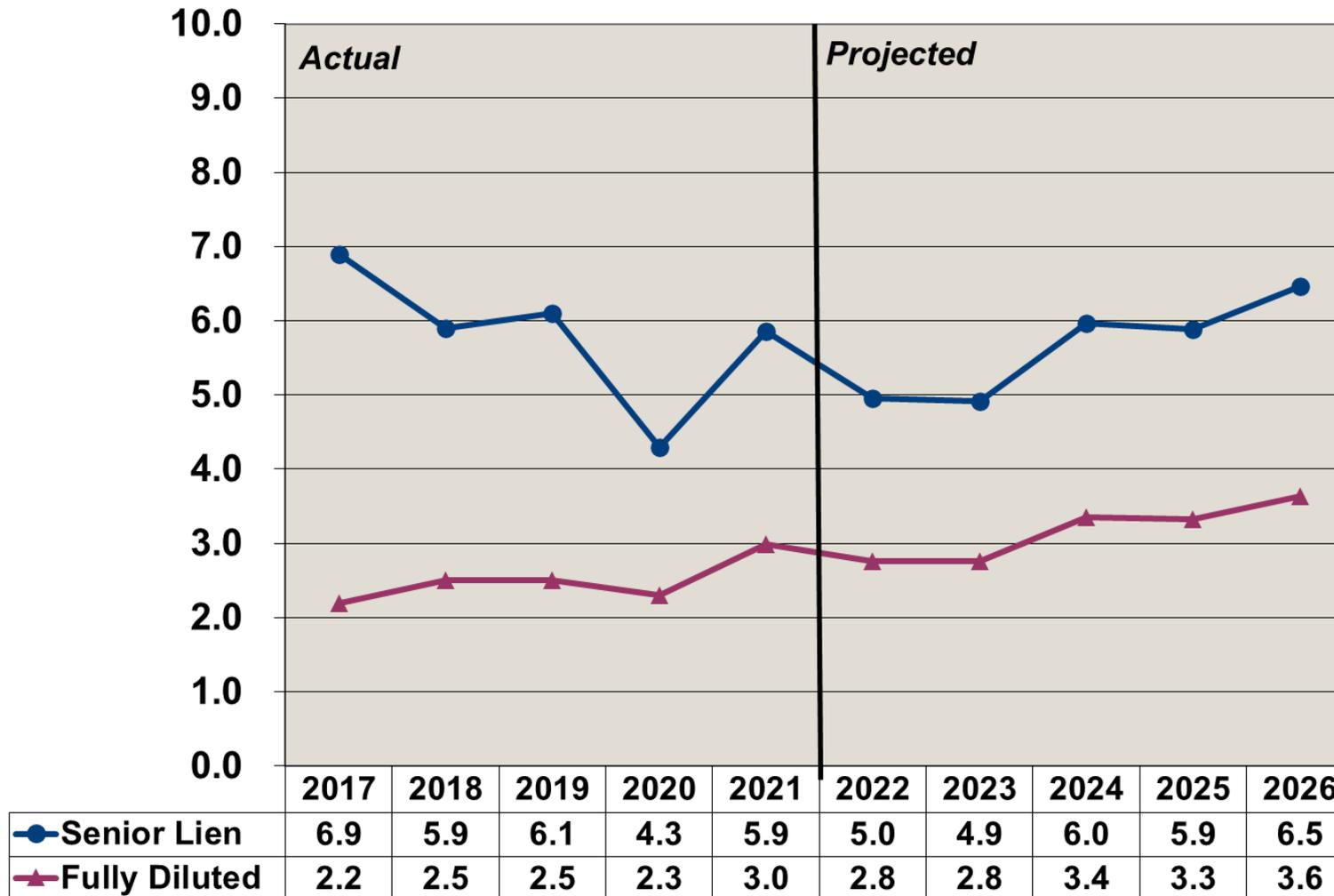
## 2022 Budgeted Minimum Cash & Investments = \$77.7 Million

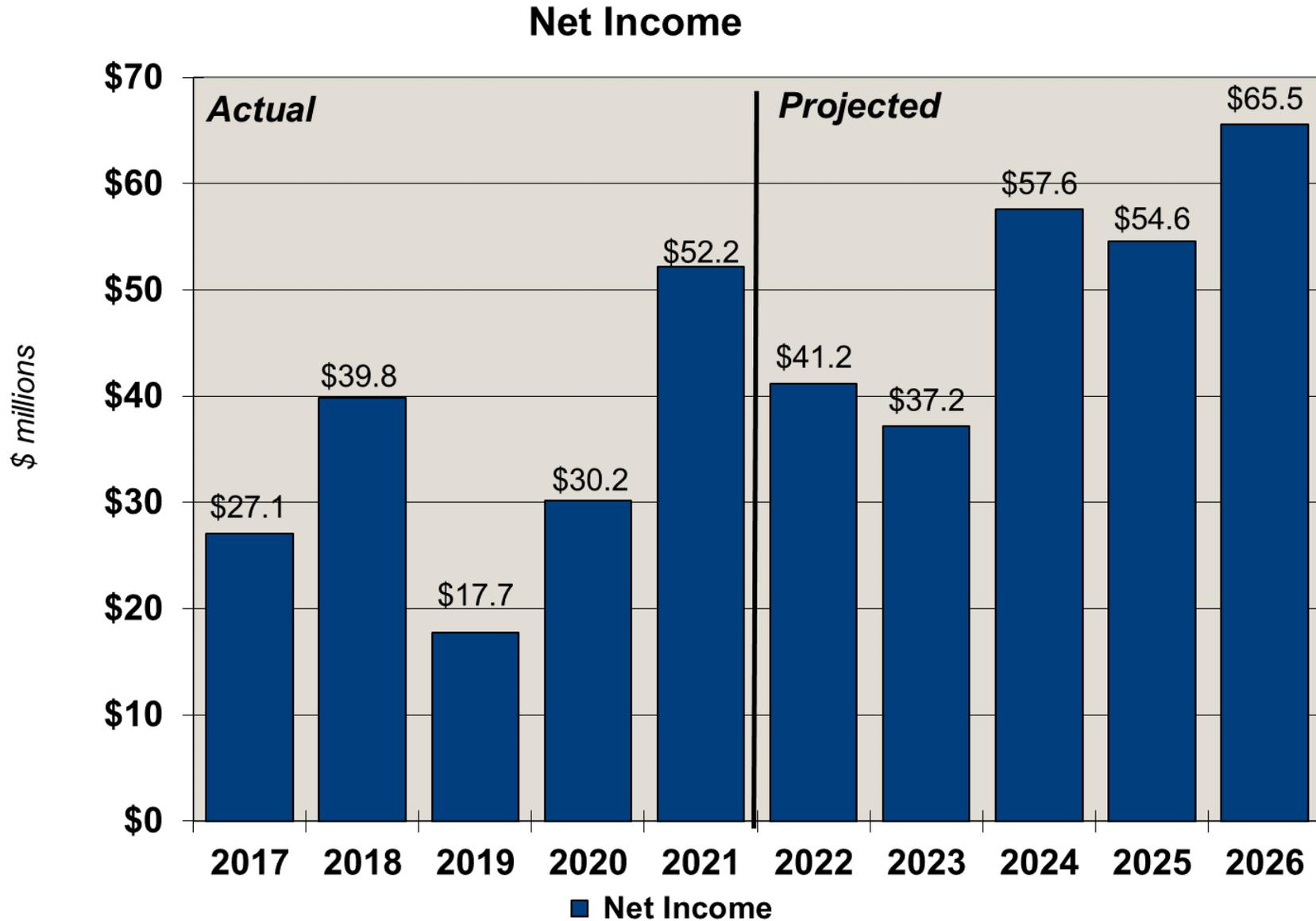


- 2022's Revenue Bond Reserves consist of (1) \$18.1 million Senior Revenue Bond Reserve Fund + (2) \$41.8 million Subordinated Lien Rate Stabilization Fund, each to maintain compliance with revenue bond covenants.
- In 2015, the Port of Tacoma initially contributed \$25.5 million of a total \$51 million capital contribution to NWSA for its initial working capital needs. NWSA policy is to maintain an ongoing working capital balance of at least \$22 million. The pie chart to the left excludes NWSA working capital balance requirements.

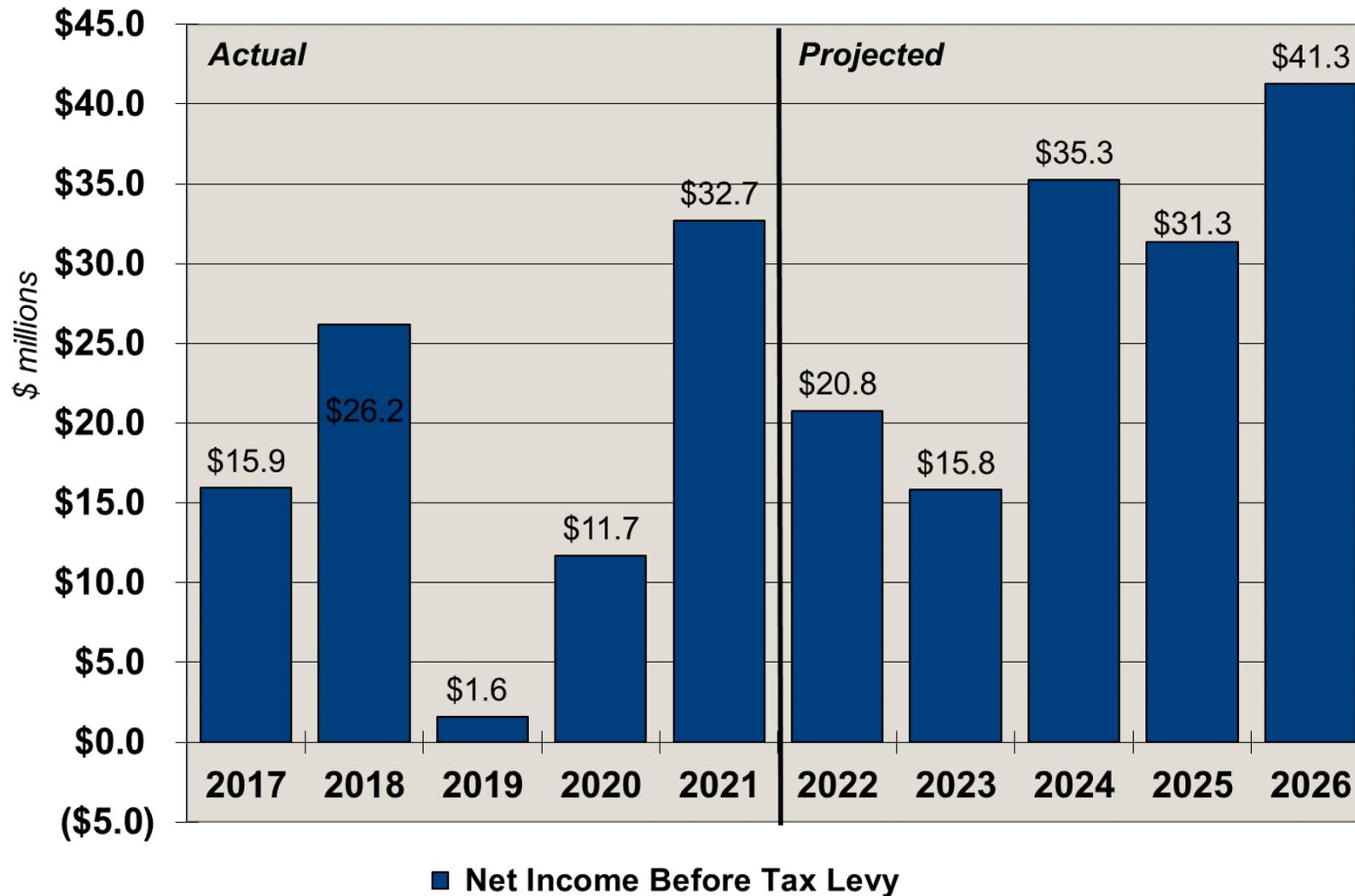
## APPENDIX

## Revenue Bond Coverage

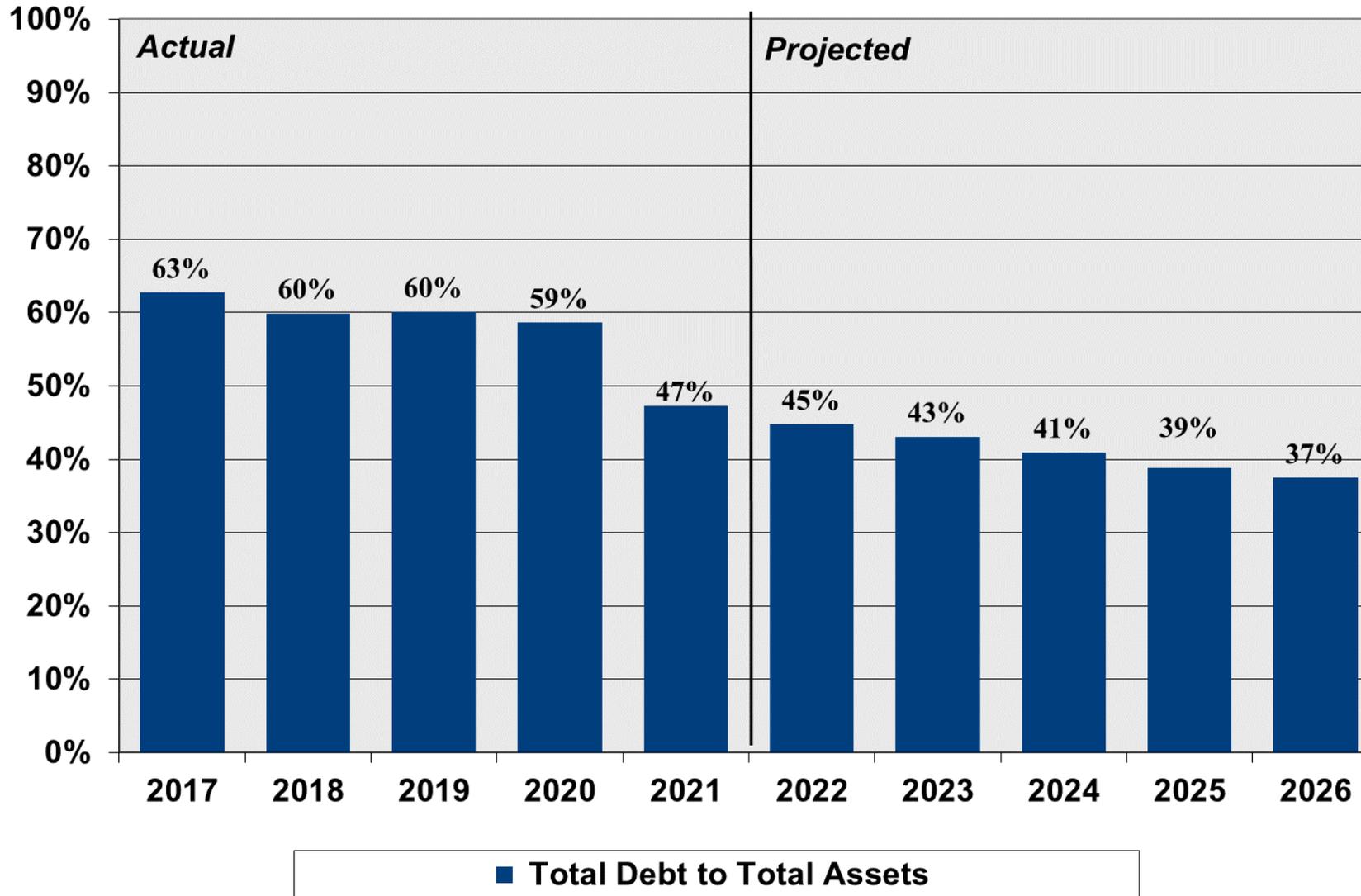




## Net Income Before Tax Levy



## Projected - Total Debt to Total Assets Ratio



Thank you.