

# Port of Tacoma Mid-Year Financial Update

June 8, 2021

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Port of Tacoma Treasurer and  
Director, Financial Planning & Treasury



# Agenda for Port of Tacoma Financial Update



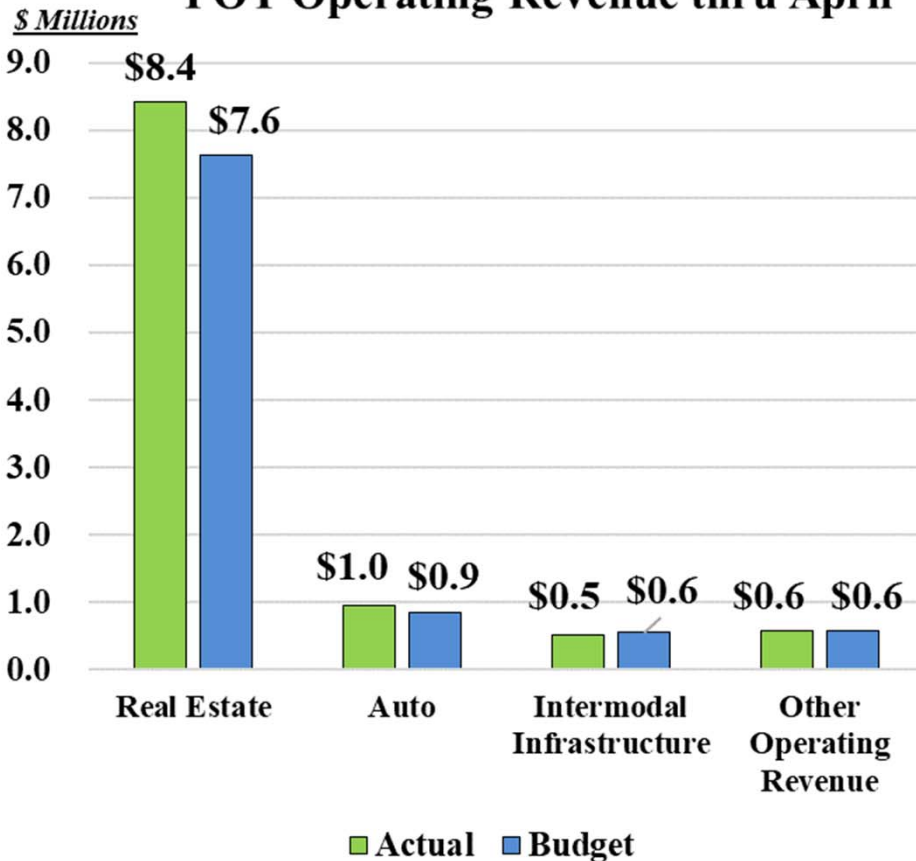
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## Port of Tacoma 2021 Financial Results thru April

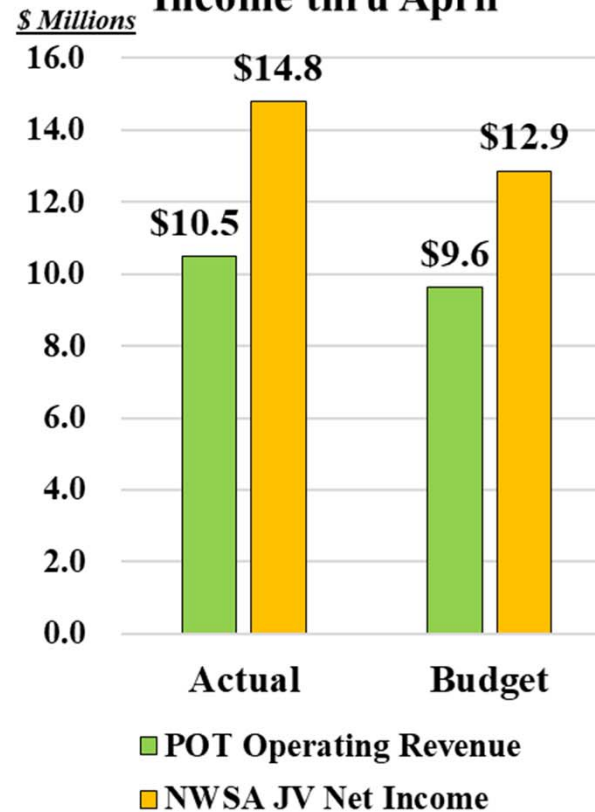
# 2021 Operating Revenue thru April Actual vs. Budget



**POT Operating Revenue thru April**



**POT Op. Revenue + JV  
Income thru April**

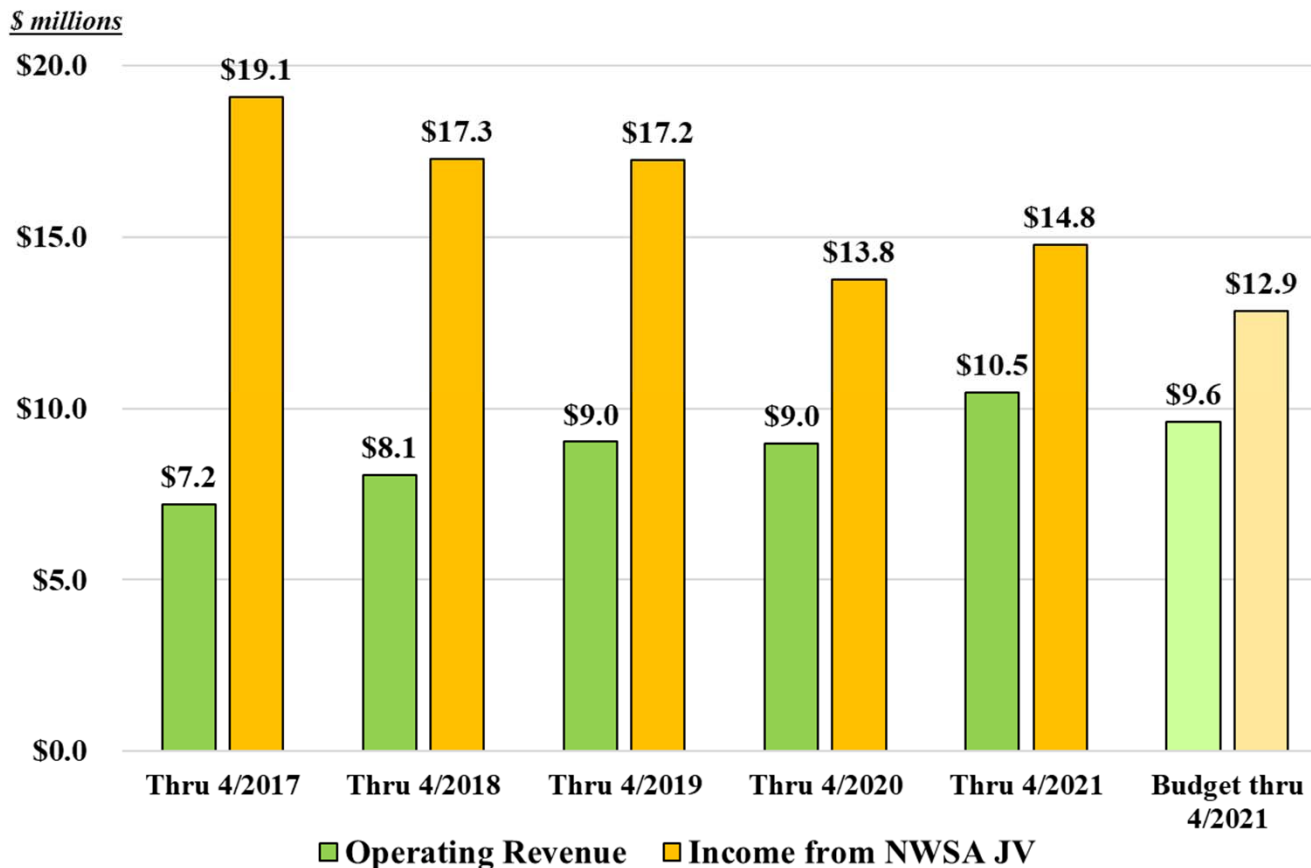


- POT Operating Revenue thru April was 9% above Budget, primarily driven by higher than budgeted real estate revenues from new leases, rent escalations and successful tenant retention.
- Despite NWSA Revenue thru April coming in 5.5% below Budget, NWSA JV Income thru April was 15% above Budget, driven by lower operating expenses, primarily maintenance expenses, but with a portion due to timing which may impact future months.
- Total POT combined Operating Revenue with JV Income thru April was 12% above budget.

# Historical Look at Operating Revenue thru April of Each Year, 2017 - 2021



**Port of Tacoma Operating Revenue and NWSA JV Income, First Four Months of the Year, 2017 - 2021**



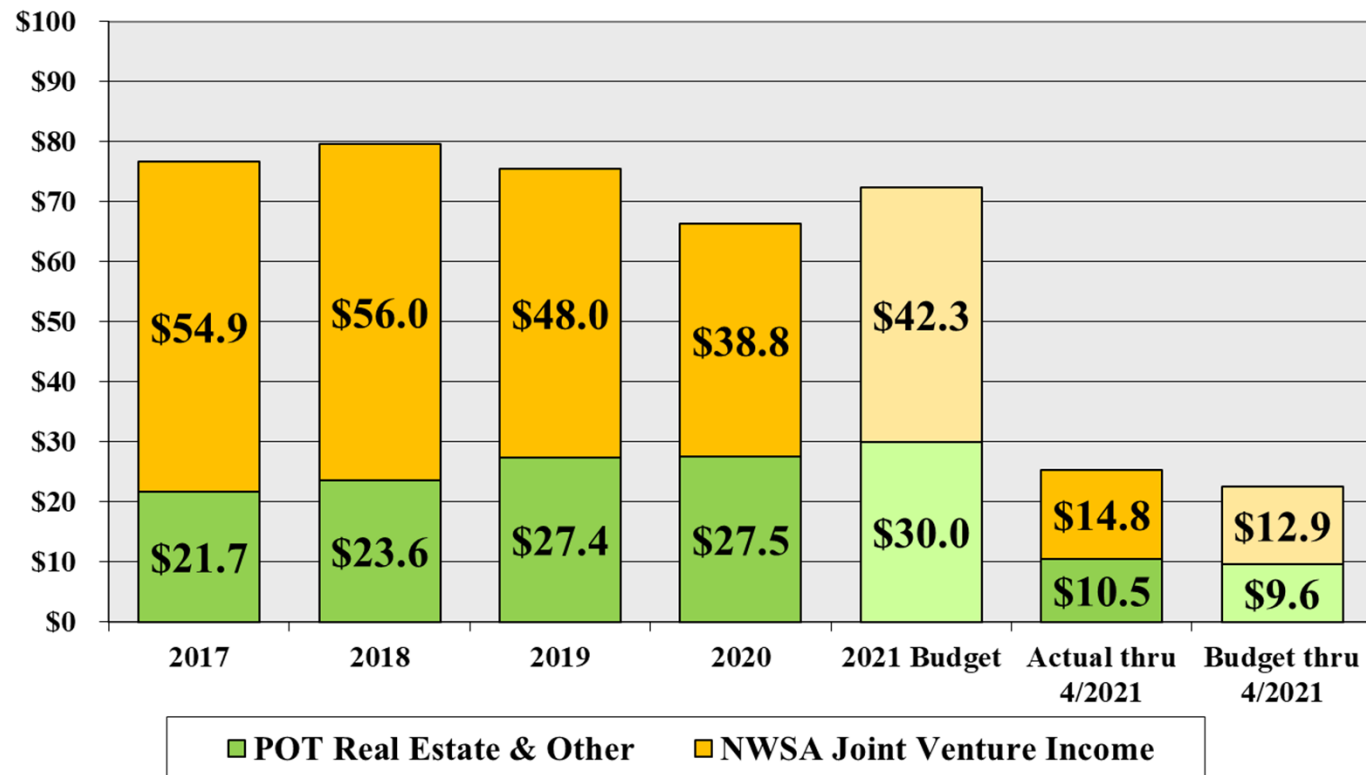
- YTD Port of Tacoma Operating Revenue thru April, 2021, continues the growth shown over the 2017 thru 2019 period, following a more modest 2020 which saw no Operating Revenue growth.
- YTD NWSA JV Income, while slightly higher than 2020, remains below levels seen during the 2017 thru 2019 period.
- YTD Operating Revenue thru April was 9% above Budget, and YTD NWSA JV Income was 15% above budget.

# Port of Tacoma Operating Revenue and Income from NWSA JV, 2017 - 2021



## Annual Port of Tacoma Revenue by Source

\$ millions



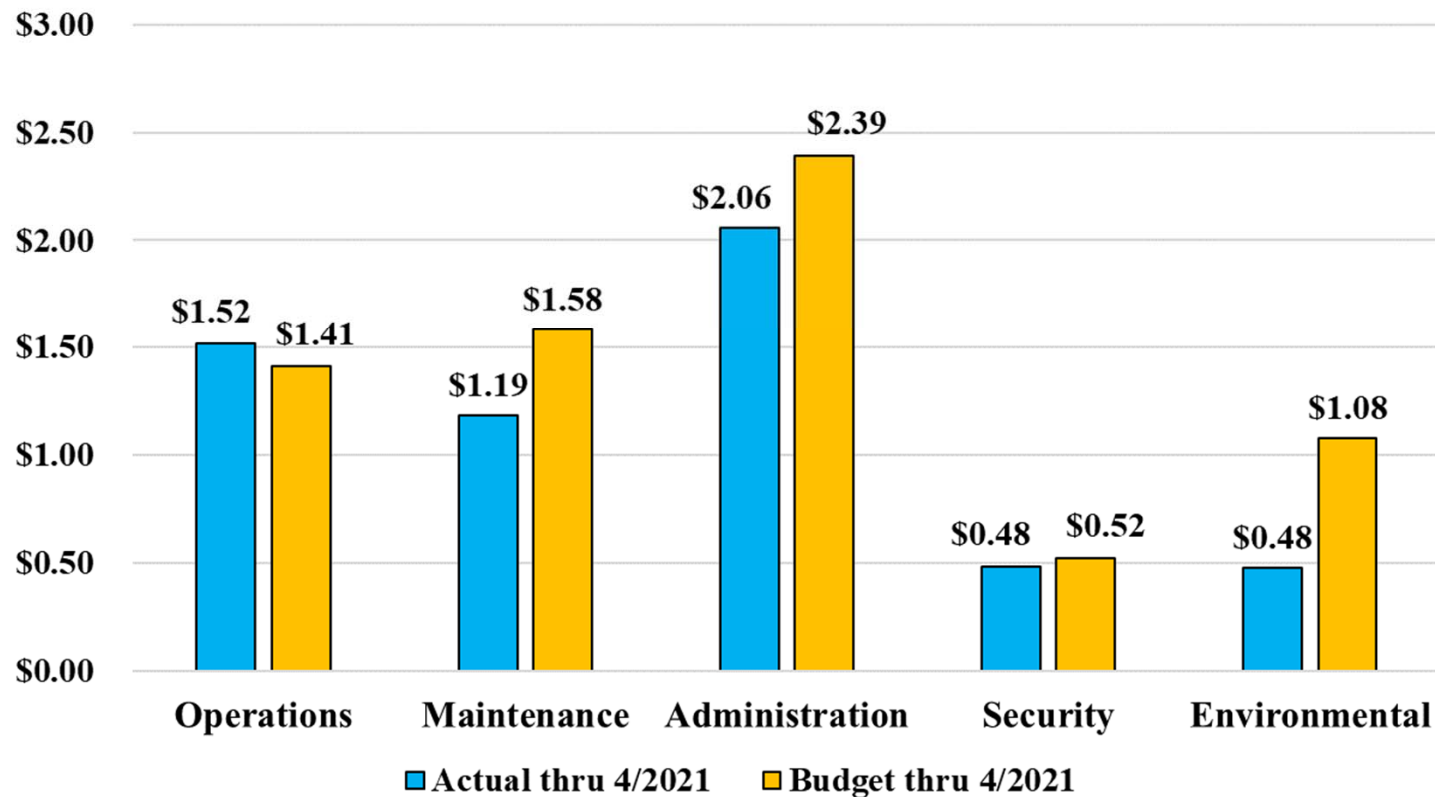
- POT Operating Revenue thru April was 9% above Budget, primarily driven by higher real estate revenues.
- NWSA JV Income thru April was 15% above YTD Budget, primarily driven by lower maintenance cost more than offsetting revenue at 5.5% below Budget.
- Total POT Revenue and NWSA JV Income thru April was 12% above YTD Budget

# Operating Expenses thru April, Actual and Budget



## Port of Tacoma Operating Expenses, Actual vs. Budget, 2021 thru April (excluding Depreciation)

*\$ millions*

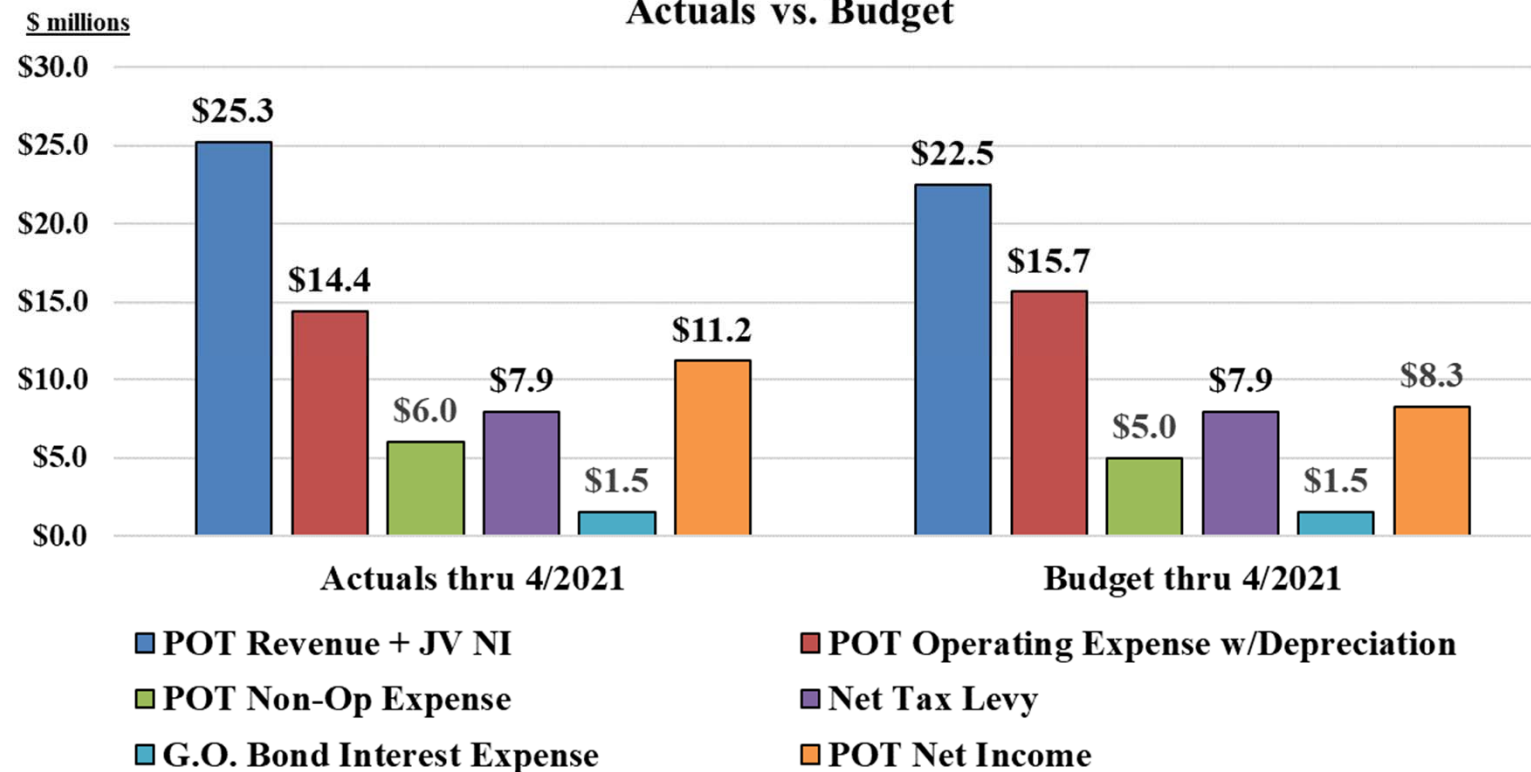


- Port of Tacoma Operating Expenses were 18% below budget through April, excluding Depreciation, primarily due to timing.
- Depreciation thru April totaled \$8.71 million, just over the budgeted \$8.68 million.
- Total Operating Expenses thru April, included Depreciation, totaled \$14.4 million, 8% under the budgeted \$15.7 million.

# 2021 Financial Results thru April, Actual vs. Budget



**Port of Tacoma Financial Results, YTD 2021 thru April,  
Actuals vs. Budget**



- Revenue includes POT Revenue and the POT's 50% share of the NWSA JV Net Income.
- Operating Expenses include POT Operating Expenses and Depreciation.
- Non-Operating Income (Expense) includes Interest Income, Market Value Adjustments on Bond Interest Rate Swaps, Revenue Bond Interest Expenses, and Grant Income.
- Net Tax Levy is Tax Levy less General Obligation Bond Interest Expense.



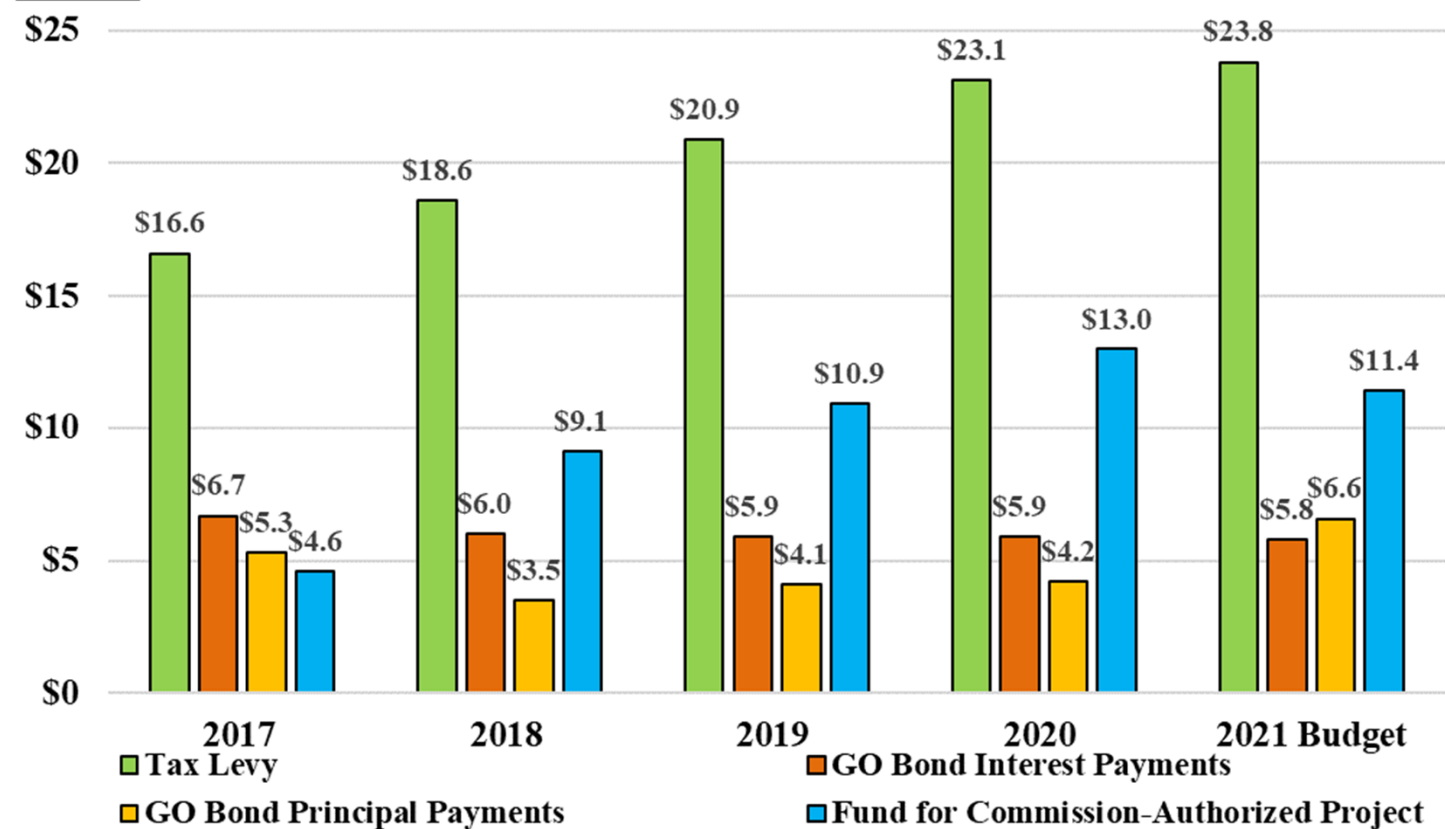
## Tax Levy and General Obligation Bonds

# Tax Levy and General Obligation Bonds



## Port of Tacoma Ad Valorem Tax Levy and Usage

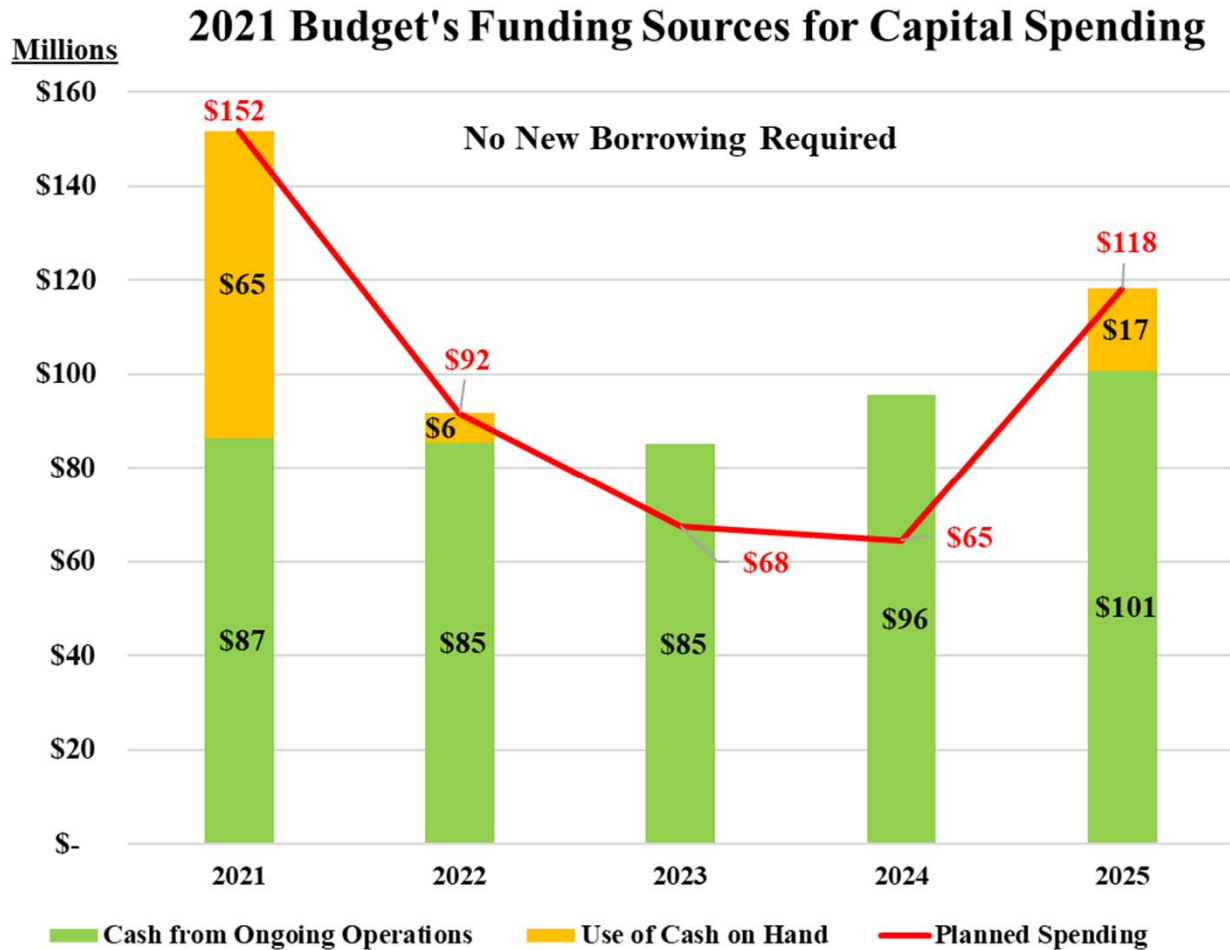
\$ millions



- Beginning in 2021, the POT's Budget assumes a 3% annual growth rate in Ad Valorem Tax Levy collections.
- Ad Valorem Tax Levy funds not used to service General Obligation Bonds are used for Commission-authorized projects at the Port.
- The Port of Tacoma's three outstanding General Obligation Bonds total \$142.1 million as of 4/30/2021.

## Funding for Debt Repayments, NWSA Investments and Port of Tacoma Capital Spending

# Funding for Capital Spending



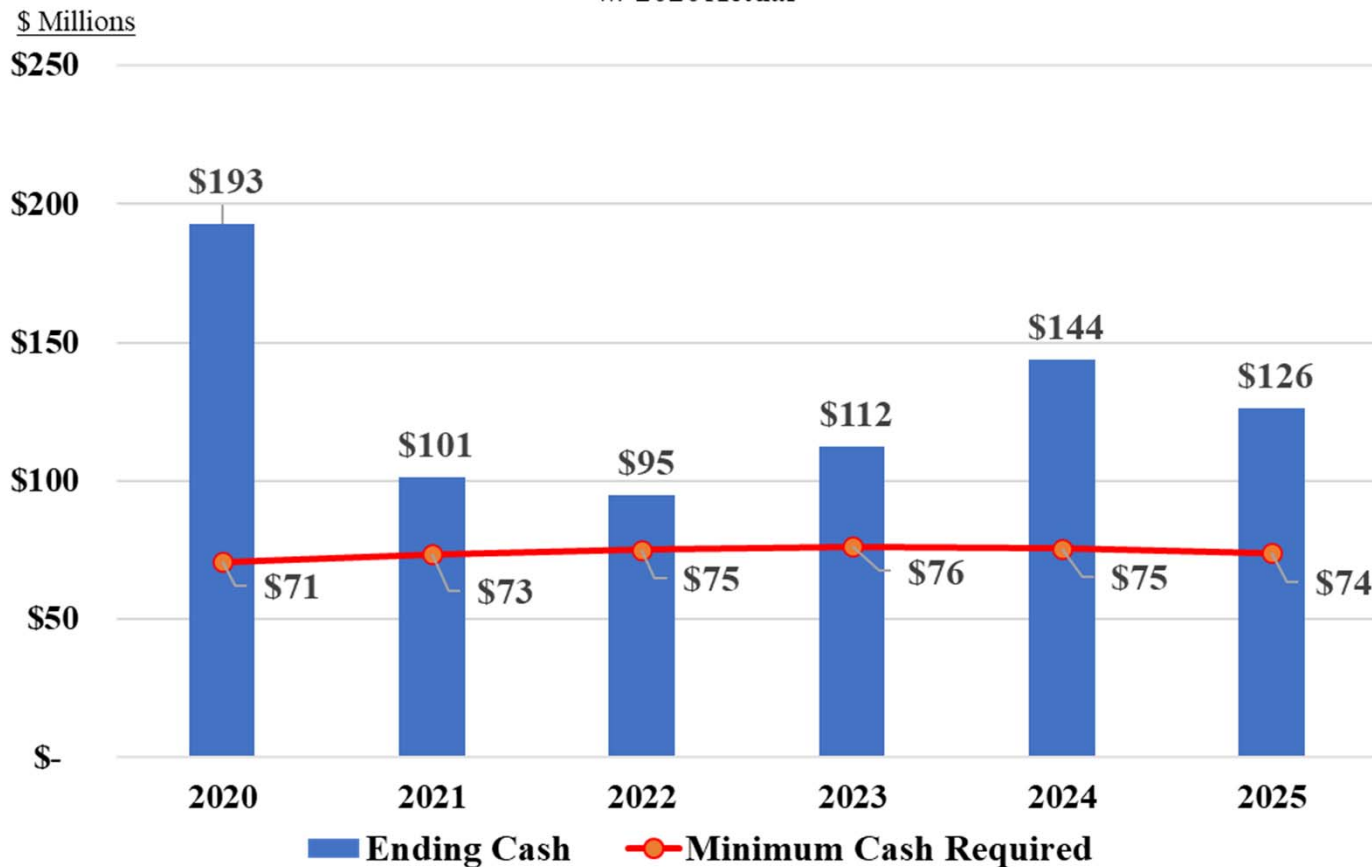
- The red Planned Spending line includes: (1) all planned investments in NWSA + (2) principal and interest payments on all POT bonds + (3) all planned capital spending at the Port of Tacoma. All other spending netted from Cash from Ongoing Operations.
- Cash from Ongoing Operations includes both Operating 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.
- Our 2021 5-Year Budget assumes that all Planned Spending in 2023 and 2024 will be fully funded from Cash from Ongoing Operations.

## Ending Cash Position and Minimum Cash and Investments

# 2021 Budget's Projected Ending and Minimum Cash



**2021 Submitted Budget Ending Cash**  
w/ 2020 Actual

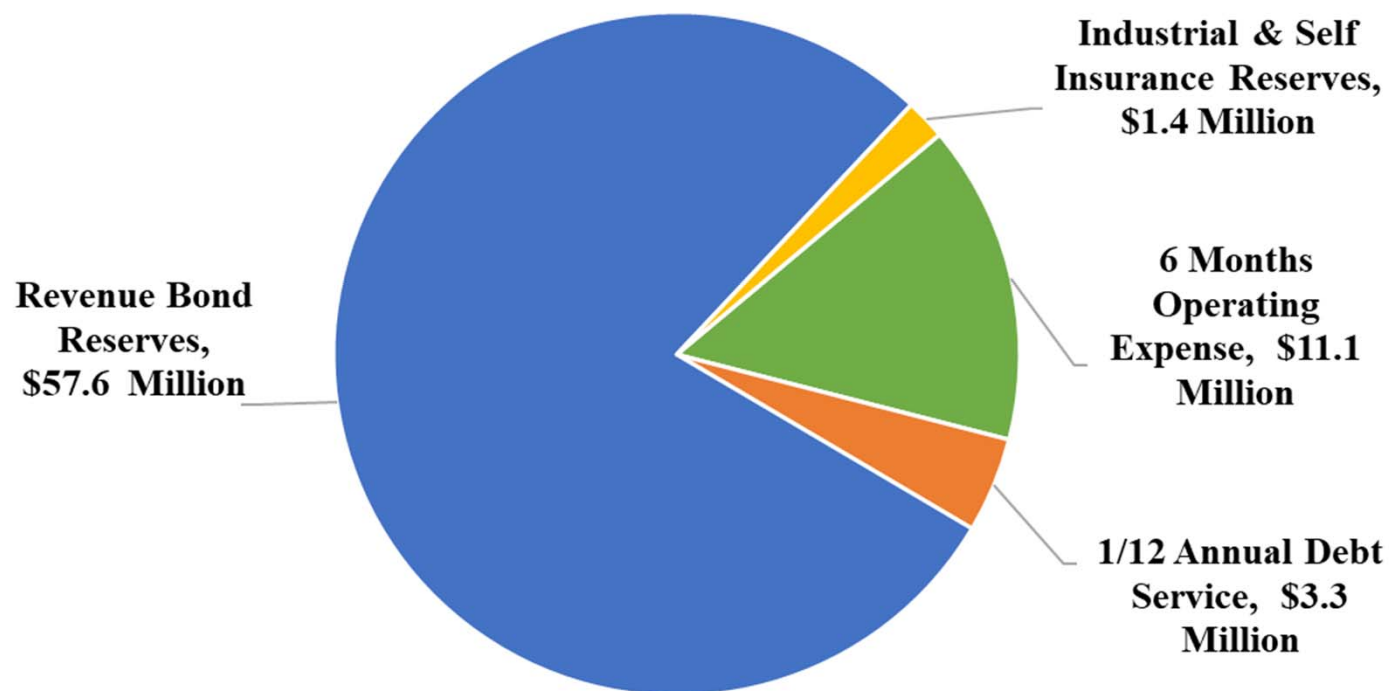


- Although the Port of Tacoma began 2021 with over \$200 million in Cash, the planned spending in our 2021 Budget anticipates Ending Cash at the end of 2021 of \$101 million, which would be only \$25 million over the POT's minimum required cash in 2021, and just \$20 million over minimum required cash in 2022, before our Cash balances are expected to grow again in the outer years, as projected in our 2021 5-Year Budget.
- 2020 Actual and 2021-2025 Projected Ending Cash shown after adjustments for the postponement of recognized commitments into subsequent years.

# 2021 Budget's Projected Minimum Cash & Investments



## 2021 Budgeted Minimum Cash & Investments = \$73.4 Million



- 2021's Revenue Bond Reserves consist of (1) \$17.8 million Senior Revenue Bond Reserve Fund + (2) \$39.8 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.

## Debt Outstanding, Debt Service Coverage, and Debt Capacity Forecast

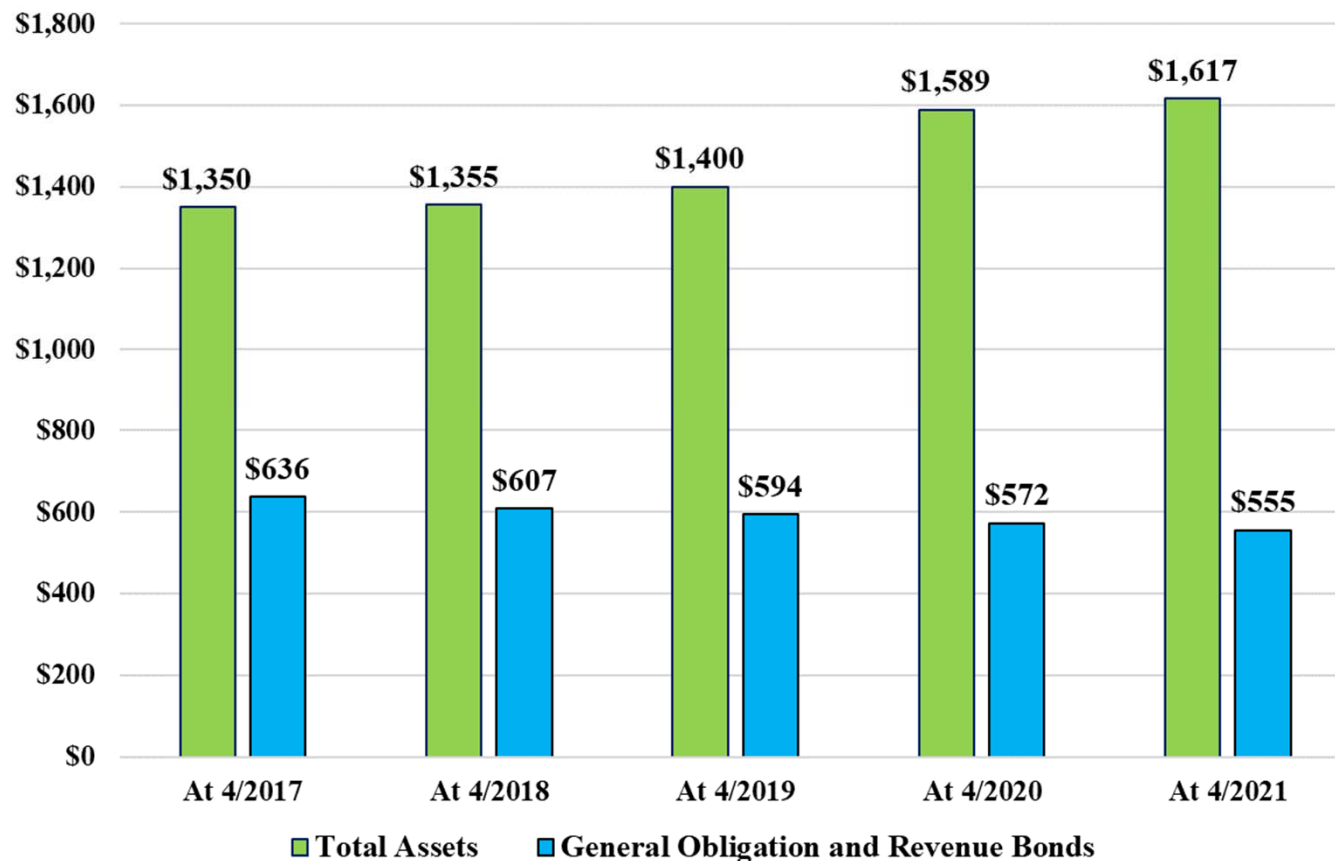


# Port of Tacoma Total Assets and Bond Debt, at End-April 2017 - 2021



\$ Millions

## Total Assets and Bond Debt

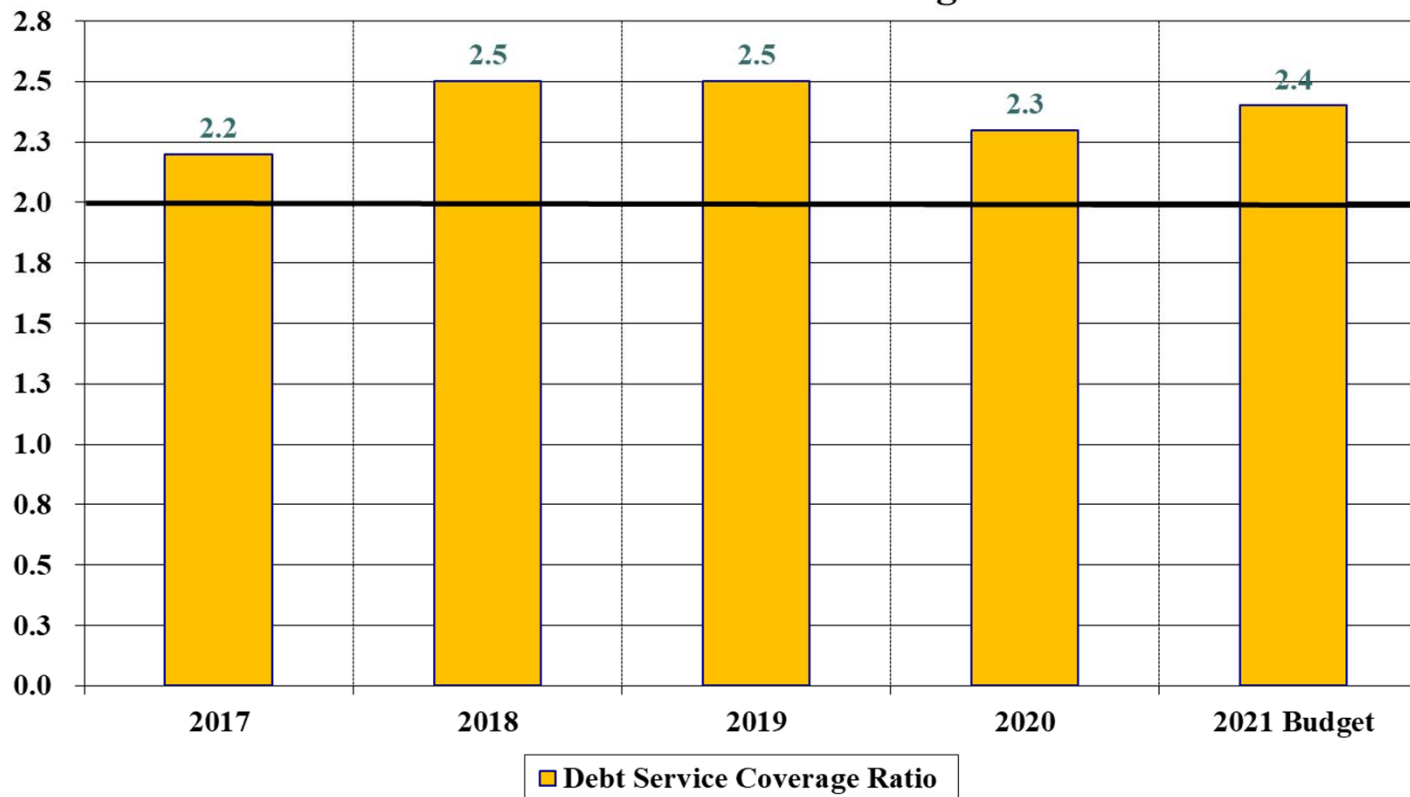


- At 4/2021, Net Long-Term Debt includes three General Obligation Bonds totaling \$135.6 million and seven Revenue Bonds totaling \$404.3 million.
- Bond Debt shown here includes outstanding principal only.
- The Bond Debt total at 4/2021 shown here is different from the 2021 Bond Debt totals shown on pages 19 and 20 because of timing: pages 19 and 20 show 2021 Bond Debt total at year-end, following 2021 June and December principal payments.

# Debt and Borrowing Capacity



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



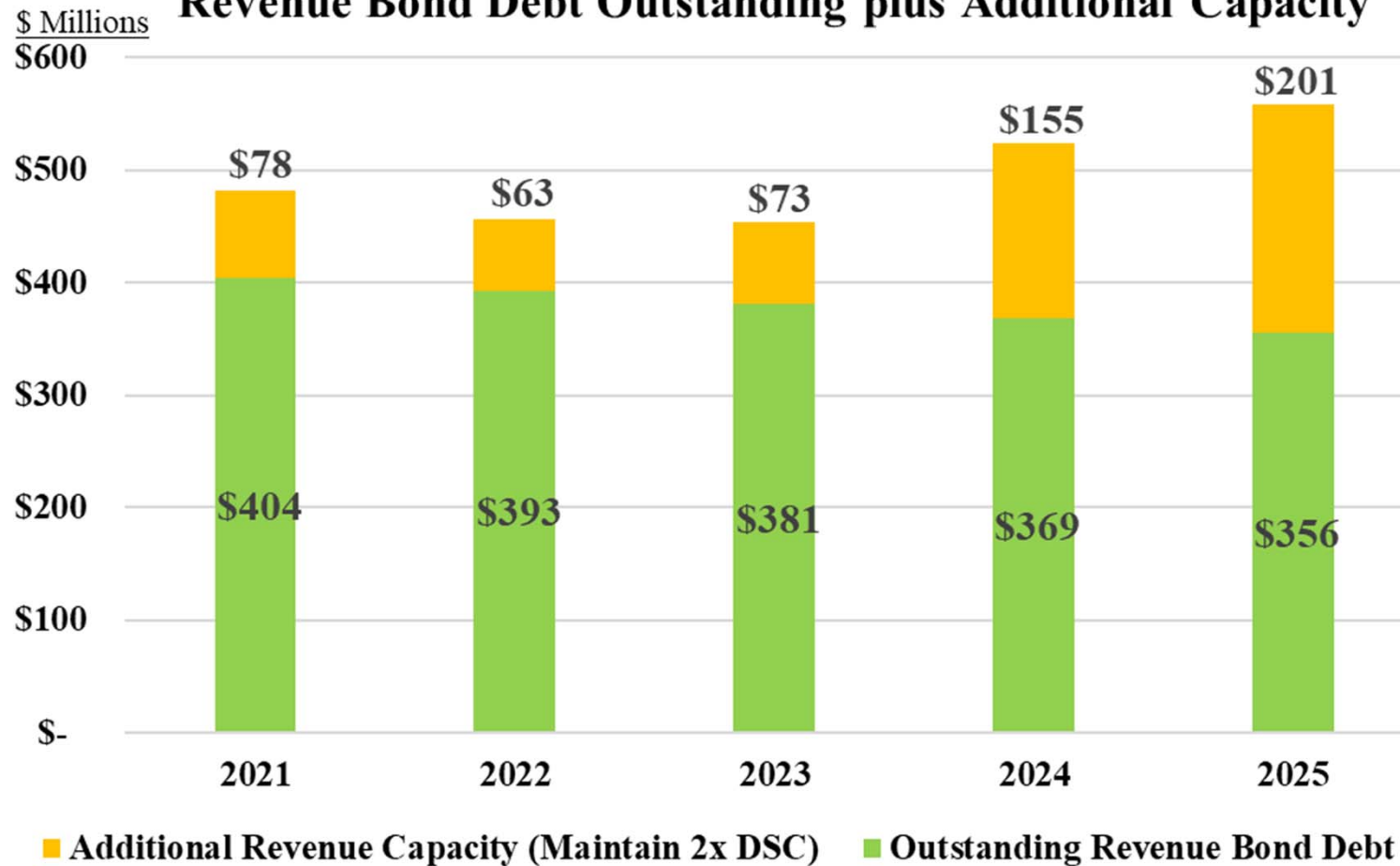
Debt Service Coverage Ratio = Net Revenues Available for Debt Service / Debt Service

- 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



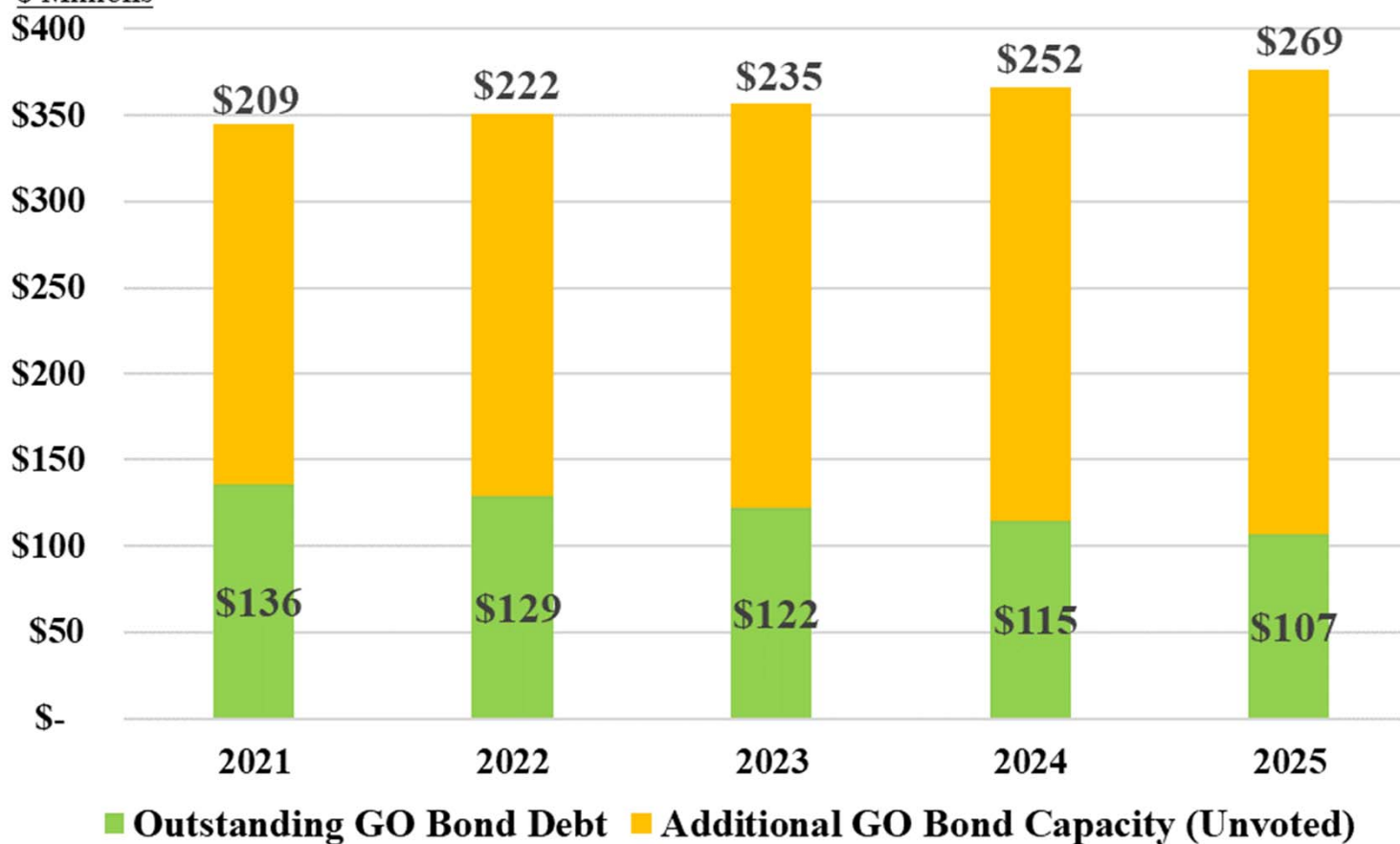
- The yellow section of each bar to the left represents the Port's Additional Revenue Bond Borrowing Capacity while maintaining a minimum cash available for debt service coverage ratio of 2x debt service.
- The green section of each bar to the left represents the outstanding Revenue Bond Debt at each year's end.
- The Port of Tacoma's seven Revenue Bonds total \$413.1 million as of 4/30/2021 and are repaid from Port revenue.

# General Obligation Debt and Additional Capacity



## GO Bond Debt Outstanding plus Additional

\$ Millions



- 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.