

2019 Forecast Update & 2020 – 2024 Budget Study Session

***Commission Meeting
November 7, 2019***



Agenda



2020 Budget Schedule

2019 Key Messages & Forecast Update

2020 Key Messages

2020 - 2024 Budget

- Capital Investment Plan
- Tax Levy
- Operating Budget
- Discretionary Items
- Plan of Finance
- Financial Measures

Budget Schedule



November 7

Study Session to review the proposed:

- 2019 Forecast Update Summary
- 2020 – 2024 Capital Investment Plan
- 2020 Tax Levy
- 2020 Operating Budget
- 2020 Statutory Operating Budget
- 2020-2024 Plan of Finance

November 25

- Public Hearing
- Adopt 2020 Statutory Operating Budget & 2020 Tax Levy
 - Includes Joint Venture revenue from the NWSA operating budget
- Approve Inter Local Agreements between the Port and NWSA

Presentation Summary



- 2019: We recommend recognizing SR 167 contribution and associated expense
- 2019 POT Net income will still be positive and above budget at \$27.3 Million
- Tax Levy funded eligible projects total \$34.9 million
- Using historical millage rate, proposed tax levy of \$23.2 Million, a \$2.2 million increase
- The 2019-2024 Plan of finance shows:
 - Revenue bond borrowing capacity of \$77 million at 2 times debt service
 - Ending cash in 2024 is \$55 million above minimum cash
 - Fully Diluted Debt service coverage above 2 times in all years except 2021 which is at 1.9 times

2019 P&L Forecast

(\$ millions)



(\$ millions)	2018 Actual	2019 budget	2019 Forecast	Better / (Worse)
Operating Revenues				
NWSA	\$56.0	\$43.9	\$49.8	5.9
Container	2.9	3.4	3.0	(0.3)
Non Container	1.5	3.0	3.4	0.4
Real Estate	19.2	18.5	20.5	1.9
Other	0.0	0.2	0.1	(0.1)
Total Operating Revenues	79.6	69.1	76.8	7.7
Direct Expenses				
Container	2.7	3.6	2.6	1.0
Non Container	0.3	1.1	0.4	0.7
Real Estate	3.4	4.6	4.2	0.4
Other	5.1	3.7	1.6	2.1
Total Direct Expenses	11.5	12.9	8.8	4.2
Administration	3.4	3.5	3.9	(0.4)
Security	0.4	0.3	0.4	(0.1)
Environmental	2.3	4.0	(3.6)	7.6
Total Operating Expense before Depreciation	17.7	20.7	9.4	11.3
Depreciation	26.9	28.1	26.8	1.2
Total Operating Expense	44.6	48.7	36.2	12.5
Operating Income	\$35.0	\$20.3	\$40.5	20.2
<i>Return on Revenue</i>	44.0%	29.4%	52.8%	
Non Operating Income (Expense)	(8.8)	(14.2)	(7.4)	6.8
Income before Tax Levy and Expense	26.2	6.1	33.1	27.0
Ad Valorem Tax Levy	18.6	20.9	20.9	0.0
GO Interest	(4.9)	(4.8)	(4.8)	0.0
Net Tax Levy	\$13.7	\$16.1	\$16.1	0.0
Net Income Before Special Item	\$39.8	\$22.2	\$49.2	27.0
Special Item			(22.0)	(22.0)
Net Income	\$39.8	\$22.2	\$27.2	5.0

May not foot due to rounding.

2019 Forecast vs '19 Forecast

Revenue – Higher NWSA Revenue, increased auto revenue, and new lease revenue offset by lower W. Sitcum security revenue

Expenses

Operations – Decreased intermodal maintenance and lower unplanned maintenance

Administration – Staffing Judgment in budget results in lower 2019 budget compared to Admin forecast

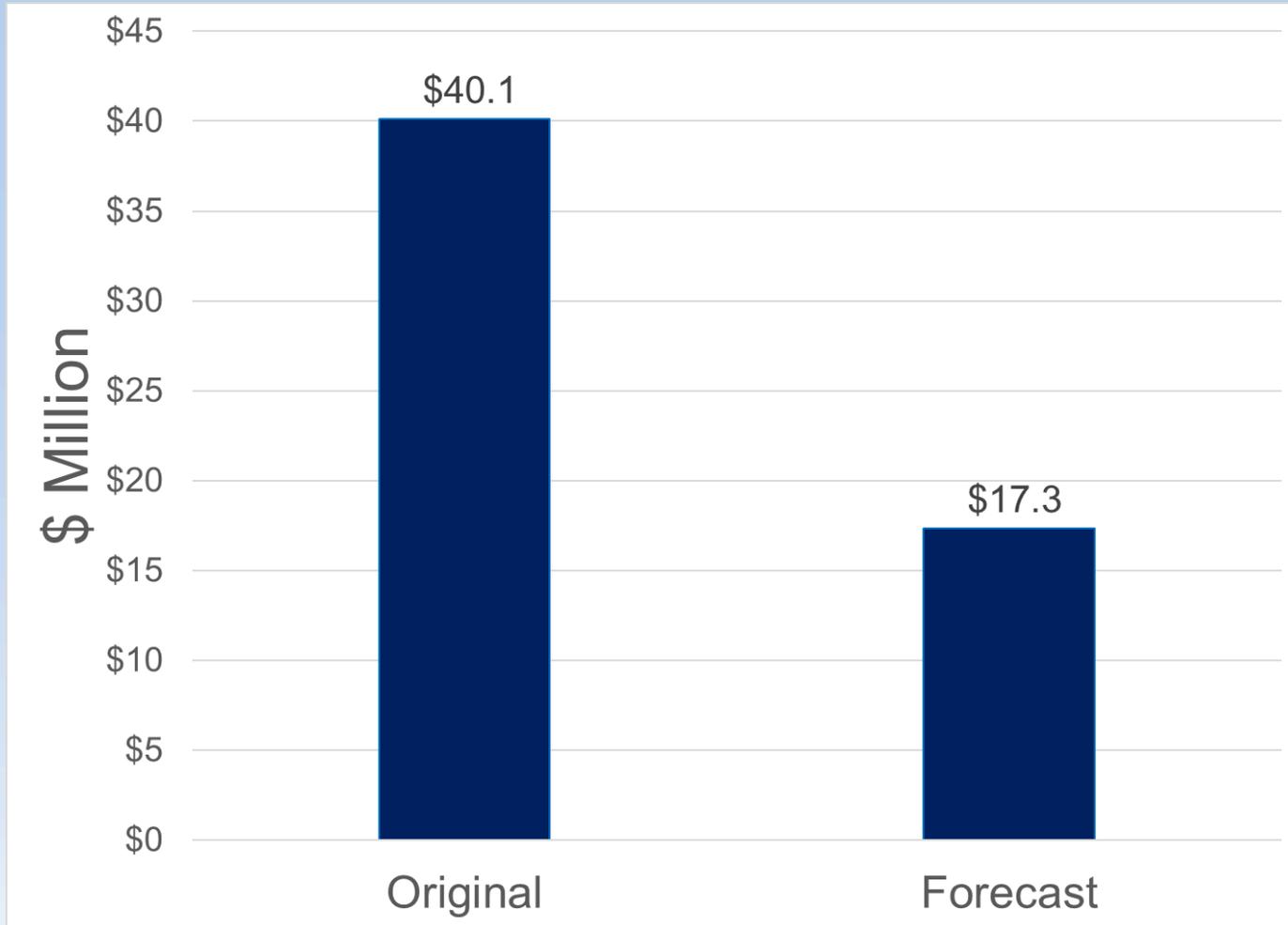
Environmental – reversal of \$7M of previously recognized remediation at Portac property

Depreciation – lower Auto terminal depreciation

Non operating – due to GASB 87 accounting change

2019 forecasted results subject to change

2019 Capitalized Project Spending



2019 Capitalized Spending Forecast

(\$ millions)



Type	2019 Forecast	Major Projects
Auto Terminal	\$11.9	Parcel 77 Auto Terminal and Thorne Rd Stormwater
Building and Land (incl. remediation)	\$1.6	EBC Buildings, Parcel 14 work and Arkema remediation
Technology	\$1.4	Switch Replacements
Rail	\$0.1	Rail track and switch replacement
Others	\$2.4	Habitat Mitigation, Equipment, etc.
Total	\$17.3	

Cargo Forecast



- The cargo forecast for containers, autos, breakbulk, and the majority of intermodal volumes was presented as part of The Northwest Seaport Alliance budget presentation
- The Port of Tacoma revenue is now mainly fixed through real estate leases. Variable revenue for Port of Tacoma May include:
 - Volume above Minimum Guarantee at the new Taylor Way Auto Facility
 - Tariff at the Gypsum dock
 - Industrial intermodal volume (non-container)
 - Auto short-term storage revenue on Port property not licensed to the NWSA

Capital Investment Plan (CIP) Review

Total View: Five Year Planned CIP 2020 - 2024



<i>\$ Million</i>	2019	2020 - 2024					
POT Only	Forecast	2020	2021	2022	2023	2024	Totals
Capitalized	\$17.3	\$33.2	\$20.7	\$13.0	\$11.4	\$51.3	\$129.6
Operating Expense	4.7	9.4	8.0	7.8	5.0	7.4	37.6
Non-Operating Expense	0.7	2.3	1.5	1.4	1.3	23.4	29.9
Grand Total - POT Only	\$22.8	\$44.9	\$30.3	\$22.1	\$17.8	\$82.1	\$197.1

<i>\$ Million</i>	2019	2020 - 2024					
POT + 50% NWSA	Forecast	2020	2021	2022	2023	2024	Totals
Capitalized	\$76.6	\$95.5	\$72.9	\$48.7	\$30.8	\$65.8	\$313.7
Operating Expense	9.9	16.6	19.0	11.5	8.7	11.1	66.8
Non-Operating Expense	2.0	5.7	4.8	2.0	1.3	23.4	37.1
Grand Total: POT & 50% NWSA	\$88.5	\$117.8	\$96.6	\$62.1	\$40.8	\$100.3	\$417.7

Note: May not foot due to rounding

Capitalized:

- Assets that depreciate over time
- Non-depreciating land purchases

Operating/Non-operating expense

- Included in the budget as spending

2020 Port of Tacoma CIP Spending

(Does not include NWSA CIP)

(\$ millions)



Type	2020 Budget	Major Projects
Building and Land (incl. remediation)	\$13.0	Parcel 1b remediation, land acquisition placeholder, EBC building
Admin Building Design and Construct	\$9.0	
Habitat/ Mitigation Dev	\$6.9	Lower Wapato Creek Combined Habitat (parcel 14)*
Demolition	\$2.4	1110 Alexander Ave Warehouse
Terminal Development	\$1.7	Thorn Road Stormwater
Unanticipated Projects	\$4.5	\$3M capitalized projects and \$1.5M operating expenses
Others	\$7.4	IT, Roadway Contribution, etc
Total	\$44.9	

* LWC will move to 2021 in next CIP update

Note: May not foot due to rounding

2020 - 2024 Port of Tacoma CIP

(Does not include NWSA CIP) (\$ millions)



Type	2020-2024 Budget	Major Projects
Terminal Development	\$48.3	Blair Tribal Dredge and Thorne Rd Stormwater
Building and Land (incl. remediation)	\$41.3	Arkema, Parcel 2 and Land Acquisitions Placeholder
Roadway Contribution	\$27.8	SR 167 contribution and roadway infrastructuring funding
Rail	\$16.5	Long Tracks Along SR 509 Construction
Admin Building Design and Construct	\$12.0	
Habitat/ Mitigation Dev	\$10.2	Lower Wapato Creek Combined Habitat (parcel 14)
Unanticipated Projects	\$22.5	\$15M capitalized projects and \$7.5M operating expenses
Others	\$18.6	IT, Demolition, Compliance
Total	\$197.1	

2020 - 2024 Port of Tacoma CIP

Environmental Projects

(\$ millions)



Description	2020	2021	2022	2023	2024	Total 2020 - 2024
Environmental Projects	\$12.7	\$10.1	\$7.9	\$10.4	\$7.6	\$48.7
Total Port's Budget	\$44.9	\$30.3	\$22.1	\$17.8	\$82.1	\$197.1
<i>Percentage of Env'l Projects to Total Budget</i>	28%	33%	35%	58%	9%	25%

2020 - 2024 Port of Tacoma CIP



Land Purchases in budget

- This budget includes \$5M of funding for land acquisition in 2020
 - The budget does not include any associated revenue from this budget
- The Plan of Finance (POF) [to be reviewed later] shows funds are available for strategic property purchase
 - The POF can be updated to show the revenue and land purchase cash impact when known.

2020 - 2024 Port of Tacoma CIP Required Projects (\$ thousand)



Project Name	Description	2020	Sum of 2021-2024	2020-24 Total
Parcel 2 Petroleum Remediation	Future clean up obligation of former Alexander Avenue Tank Farm on the Hylebos. Potential cost recovery from Potential Liable Parties. Part of Puget Sound Energy leasehold property for LNG plant	-	4,900	4,900
Parcel 1b (EBC) Remediation Design & Construction	Early Business Center cleanup. Expect Consent Decree to be issued shortly	1,640	3,200	4,840
Blair Backup Environmental Liability (1988 and 2008 land swap)	Part of the Puyallup Tribe Land Claim Settlement. Remediation as part of future Port/Puyallup Tribe development on the Tribal property on the Blair Hylebos Peninsula	-	3,800	3,800
Lincoln Ditch (1988 & 2008 land swap)	Part of the Puyallup Tribe Land Claim Settlement. Remediation as part of future Port/Puyallup Tribe development on the Tribal property where the Emerald Queen Casino Boat is located	-	2,541	2,541
PQ Cleanup and Cost Recovery (parcel 114)	Requiring prior property owner to clean up contamination from their previous operation on the property located at Taylor and 11th street on Blair Hylebos Peninsula	-	1,700	1,700
Parcel 15 (Portac) Remediation - Phase 1 Stormwater & Cap repairs	Future clean up obligation for property purchased from Portac. Required by Department of Ecology Order.	90	1,430	1,520
POT Municipal Stormwater Permit Program (MS4)	State Permit requirement for Stormwater	459	1,009	1,468
Portac Cleanup Monitoring (parcel 15)	required monitoring of clean up of former Portac Property	70	560	630
Tideflats Subarea Plan (amt's shown in 2020 are for cash, already recorded exp)	Ports payment of share of cost for Subarea Plan	500	-	500
1701 POT Rd Roof Repair	Repair roof of existing building. Required to maintain existing revenue flow	446	-	446
Pier 24 & 25 Bank Cleanup Monitoring	Wharf leased to Trident. Consent Decree requirement to Monitor cap integrity	25	400	425
Parcel 1b (EBC) Monitoring	Early Business Center cleanup. Future monitoring requirement	-	336	336
Parcel 2 Petroleum Monitoring	Future monitoring of pending clean up of former Alexander Avenue Tank Farm on the Hylebos.	-	310	310
Upper Clear Creek Habitat Monitoring (parcel 73/82)	Requirement of Consent Decree's 10-year performance period	45	250	295
Head of Hylebos Monitoring	Monitor PCB level. Awaiting EPA & Ecology to approve monitoring plan. Required under Consent Decree	85	210	295
PQ Cleanup Monitoring (parcel 114)	Future monitoring of pending clean up of contamination from their previous operation on the property located at Taylor and 11th street on Blair Hylebos Peninsula	-	260	260
Wasser Winters Cap Repair (parcel 47)	Head of Hylebos cap repair per Consent decree	50	200	250

2020 - 2024 Port of Tacoma CIP Required Projects (\$ thousand)



Project Name	Description	2020	Sum of 2021-2024	2020-24 Total
Upper Clear Creek Mitigation Bank	Port Environmental Mitigation bank to provide mitigation for future POT or NWSA development	100	146	246
Hylebos Cleanup Monitoring (Mouth of Hylebos)	monitor sediment as required by consent decree	61	183	244
Wasser Winters Cleanup Monitoring (parcel 47)	Head of the Hylebos property monitoring per Consent Decree	44	198	242
Slip One Cleanup Monitoring	Slip 1 is the north end of Husky Terminal. This is consent decree monitoring of completed cleanup	60	180	240
PQ Discharge Investigation (parcel 114)	Investigation of solutions for pending clean up of contamination from their previous operation on the property located at Taylor and 11th street on Blair Hylebos Peninsula	220	-	220
Parcel 103 (Steam Plant) Monitoring	Future monitoring of potential clean up of Steam Plant Property	-	203	203
Legacy UST Management	Management of Underground Storage Tanks on all Port owned property as required by Health Department and Department of Ecology	40	160	200
Kaiser Cleanup Monitoring (parcel 77)	Consent Decree monitoring of former Kaiser Property	36	144	180
Head of Hylebos Cleanup (Arkema)	Sediment monitor. Required under Consent Decree	150	-	150
POT ISGP Program Management	Industrial Stormwater General Permit required	42	100	142
Parcel 1b (EBC) Remediation Cost Recovery	Pursing recover of costs for pending clean up of EBC from prior owners	140	-	140
USACE WRDA Funding	US Army Corps of Engineers Water Resource Districting Act. Funds to expedite Federal permit review	25	100	125
Alexander Wetland Restoration Monitoring (parcel 10)	Consent Decree required monitoring	15	107	122
Parcel 14 Habitat Monitoring	Future required monitoring	-	105	105
Blair Backup Cleanup Monitoring	Consent Decree required monitoring	33	70	103
Milwaukee Cleanup Monitoring (parcel 41)	Consent Decree required monitoring	10	91	101
US Gypsum Cleanup Investigation - 3rd Party Coordination (parcel 76)	POT overseeing clean up efforts of prior owner	40	60	100
Maytown Remediation Monitoring	Agreed order monitoring	20	80	100
Portac Environmental Cap Repair (parcel 15) placeholder	Consent Decree required cap repairs	100	-	100

2020 - 2024 Port of Tacoma CIP Required Projects (\$ thousand)



Project Name	Description	2020	Sum of 2021-2024	2020-24 Total
Murray Pacific Enviro Cap Monitoring (parcel 25)	Consent Decree required monitoring	6	76	82
Parcel 2 Petroleum Cost Recovery	Pursing recover of costs for pending clean up from prior owners	80	-	80
Cascade Timber No. 3 Cleanup Monitoring (parcel 30)	Consent Decree required monitoring	6	69	75
Pony Enviromental Cap Monitoring (parcel 86)	Consent Decree required monitoring	6	68	74
Time Oil Groundwater Monitoring (parcel 27)	Consent Decree required monitoring	18	36	54
Parcel 103 (Steam Plant) Cost Recovery	Funds to recoup costs	50	-	50
Union Pacific Monitoring (parcel 69)	Consent Decree required monitoring	6	40	46
Parcel 91 Cleanup Investigation & Cost Recovery	Former Brown and Haley property cost recover efforts	31	-	31
Advanced Mitigation Monitoring (Parcel 88)	Place of Circling Waters monitoring required by Consent Decree	6	20	26
Hylebos Creek (LAGS) Mitigation Monitoring (Parcel 88)	Monitoring activities consistent with plan requirements at the LAGS compensatory mitigation site at part of parcel 88.	5	20	25
Hylebos Legal Support / Cost Recovery	Mouth of Hylebos cost recover efforts	20	-	20
Hylebos Segs 3, 4 and 5 Reporting, Tracking, Oversight (Mouth of Hylebos)	Consent decree required reporting	7	-	7
NRDA/Parsons Habitat Monitoring (Parcel 88)	Consent Decree requirement	1	1	2
Gog-le-hi-te II Habitat Monitoring (parcel 37b)	Consent Decree requirement	1	-	1
Grand Total		4,789	23,363	28,152

2020 - 2024 Port of Tacoma CIP

Discretionary Projects (\$ thousand)



Project Name	Description	2020	2021-2024	2020-24 Total
Blair Tribal Dredge	Discretionary in timing or could be renegotiated. IN budget since 2009 agreement signed	-	45,000	45,000
SR 167 Port Contribution placeholder	Subject to Commission approval of contribution to SR 167.	-	22,000	22,000
Long Tracks Along SR 509 Construction	Request by NWSA to support 10,000 ft trains. Policy issue with infrastructure for NWSA outside of licensed properties	-	15,584	15,584
POT Unallocated Capital Improvements (placeholder)	Budget for unplanned capital projects. Based on historical amounts	3,000	12,000	15,000
Admin Bldg Design & Construction	Maintenance and repair of existing POT / S. Harbor admin building. Alternatives could have been cost of new building or lease expense if moving to a commercial building	9,000	3,000	12,000
Lower Wapato Creek Combined Habitat (parcel 14)	Wetland freshwater habitat mitigation for potential Thorne Road Property development. Puyallup Tribe expects the Port to complete this effort	6,650	3,050	9,700
POT Unanticipated Repairs/Misc Expenses (placeholder)	Budget for unplanned expense projects. Based on historical amounts. Frequently, projects planned to complete in prior year carry over to budget year.	1,500	6,000	7,500
Arkema Mfg North Boundary Area Interim Action (parcel 99)	Future clean up obligation of former Arkema site on the Hylebos. Potential cost recovery from Potential Liabe Parties	-	5,093	5,093
Roadway Infrastructure Funding (placeholder)	Funds for Commission to contribute to regional road projects. Added based on prior commission request.	1,000	4,000	5,000
Land Acquisitions	Unspecified land purchase. No revenue included in operating budget. Recommend any increase in this budget include some estimate of revenue from the type of property to be purchased	5,000	-	5,000
Thorne Rd Stormwater & CY Design	Potential development of infrastructure for land to be further developed by NWSA. No revenue in budget as negotiation with NWSA has not been completed	1,704	1,629	3,333
EBC Bldg 9532 Siding Replacement & Enclosure	Existing building has failing siding. Revenue model	2,300	-	2,300

2020 - 2024 Port of Tacoma CIP

Discretionary Projects (\$ thousand)



Project Name	Description	2020	2021-2024	2020-24 Total
Arkema Manufacturing Area Investigation (parcel 99)	Remedial investigation and feasibility study to select most cost effective solution to clean Arkema property	430	1,000	1,430
Maytown Operating Oversight	Ongoing support of Maytown property until sold	230	1,040	1,270
1110 Alexander Ave Warehouse Bldg Demo	Derelict building originally purchased to be removed as part of large terminal development. Land has limited revenue potential with the building in place. Payback of XX years	1,000	-	1,000
New System Implementations (placeholder)	Placeholder for support of emergent IT projects	200	800	1,000
Long Tracks Along SR 509 Design	Design for Long track discussed above	-	900	900
Stewardship & Public Outreach (all sites)	Ongoing upkeep of environmental areas on the tideflats including trash removal and weed control, etc.	150	650	800
Palo Alto Firewall Replacement (2024 only)	Replacement of obsolete technology	-	672	672
Palo Alto Firewall Replacement (2020 only)	Replacement of obsolete technology	672	-	672
Parcel 91 Cleanup Investigation	Remedial investigation and feasibility study to select most cost effective solution to clean former Brown and Haley Site across from Admin building	358	287	645
POT Environmental Sustainability Initiatives	Opportunities to reduce POT environmental footprint	160	480	640
Asset Management	Funds to develop an asset management program	150	450	600
Environmental Analysis for Potential Port Development	Research and Development to support permitting of future facilities development. Mainly used for staff time	120	480	600
Parcel 103 (Steam Plant) Remediation	Future remediation pending cost recover from Tacoma Power for their contamination of the steam Plant Property	-	522	522

2020 - 2024 Port of Tacoma CIP

Discretionary Projects (\$ thousand)



Project Name	Description	2020	2021-2024	2020-24 Total
2220 11th St Bldg Demolition	Demolition of derelict building. Land purchased in preparation for terminal development along 11th street. Payback of 5 years	484	-	484
Parcel 103 (Steam Plant) Site Investigation	Cost recovery from Tacoma Power and investigation work on former Steam Plant Property	120	326	446
Marc Street Improvements	Potential improvements to Marc street to solve stormwater issues and improve road for tenant	443	-	443
Environmental Compliance Program	Derelict vessels and spill response funds	80	320	400
2338 E 11th St Bldg Demolition (Mini Storage & Schilling Graphics)	Demolition of derelict building. Land purchased in preparation for terminal development along 11th street. Payback of 6 years	378	-	378
Maximo Enhancements (mobile & inventory)	Improved technology for inventory control for maintenance	377	-	377
Vehicle Purchases - All Departments (2022 only)	ongoing auto/truck fleet program on a 5 year cycle by year	-	350	350
Vehicle Purchases - All Departments (2024 only)	ongoing auto/truck fleet program on a 5 year cycle by year	-	350	350
Vehicle Purchases - All Departments (2023 only)	ongoing auto/truck fleet program on a 5 year cycle by year	-	350	350
Vehicle Purchases - All Departments (2020 only)	ongoing auto/truck fleet program on a 5 year cycle by year	350	-	350
Vehicle Purchases - All Departments (2021 only)	ongoing auto/truck fleet program on a 5 year cycle by year	-	350	350
Potential Property Acquisition Environmental Due Diligence	Fund in case consultants are required for property acquisition	150	200	350
3502 Lincoln Ave Bldg Demolition	Demolition of derelict building. Payback of 11 years	332	-	332
Maintenance Backup Generator	Provide maintenance building backup generator to keep operations going if power is lost. The Admin building has a backup generator but not the Maintenance building	302	-	302
IT Service Desk Tracking Software	Software to replace inefficient and end of life technology for tracking technology issues	300	-	300
Wireless Network Upgrade (Controller & WAPS) (placeholder)(2023 only)	Replacement of obsolete technology	-	300	300

2020 - 2024 Port of Tacoma CIP

Discretionary Projects (\$ thousand)



Project Name	Description	2020	2021-2024	2020-24 Total
Fiber Lot F to T4 Admin Bldg (PSGP2018)	Part of the Lease Commitment with Husky for redevelopment of the Husky Backlands	295	-	295
EBC Bldg 9532 Lighting Upgrade	Replacement of Metal Halide to LED lighting to reduce energy consumption and provide better lighting for current and future tenants	278	-	278
Saltchuk Beach Design & Construction (parcel 83)	Potential reuse of dredge spoils to construct a shallow water restoration site for salmon habitat	-	250	250
Key Control & Management System	Replace obsolete key management system. Several master keys are missing. This will improve security and control	250	-	250
Encampment Cleanup (all sites)	cleanup of homeless encampments on POT property	50	200	250
Waterway Park Contribution	Contribution as requested by Commission	250	-	250
MDF Switch Replacement (placeholder) (2023 only)	Replacement of obsolete technology	-	250	250
Spreader Bay Doors	Improve ability to maintain crane and strad spreaders. Current curtain system does not provide the required temperature control for welding, making maintenance difficult	239	-	239
2306 E 11th St Bldg Demolition (Fastco)	Demolition of derelict building. Land purchased in preparation for terminal development along 11th street. Payback of 6 years	238	-	238
Invasive Species Action	Snail eradication efforts (ongoing)	50	160	210
UCC Parcel 129 Habitat Design	Potential expansion of mitigation bank on Upper Clear Creek property recently purchased	200	-	200
IDF Switch Replacement - Admin (placeholder) (2024 only)	Replace obsolete technology	-	200	200
Server Equipment Replacements (placeholder) (2023 only)	Replace obsolete technology	-	200	200

2020 - 2024 Port of Tacoma CIP

Discretionary Projects (\$ thousand)



Project Name	Description	2020	2021-2024	2020-24 Total
Hi Rail Truck	Additional truck for track maintenance team. Improve efficiency and ability to work on Track	175	-	175
Parcel 2 Petroleum Investigation	Investigation of Future clean up of former Alexander Avenue Tank Farm on the Hylebos. Potential cost recovery from Potential Liabile Parties. Part of Puget Sound Energy leasehold property for LNG plant	163	-	163
Stormwater Sediment Source Tracing	Prevention of recontamination of Hylebos waterway per Commission Direction	40	120	160
HP SAN Switches Replacement (placeholder) (2023 only)	Replace obsolete technology	-	150	150
Arkema Mound Remediation Monitoring (parcel 99)	Consent Decree required monitoring of Port implemented cleanup of Arkema Mound	30	120	150
Data Storage Equipment (SAN's) (placeholder) (2024 only)	Replace obsolete technology	-	125	125
Bucket Truck Replacement	Replace end of life / obsolete bucket truck used to maintain lights and other equipment mounted in high locations	125	-	125
Track Greasers	Replace manual rail track greasers to improve efficiency and reduce wear on tracks	120	-	120
Audio Codes Replacement (placeholder) (2024 only)	Replace obsolete technology	-	100	100
Server Equipment Replacements (placeholder) (2020 only)	Replace obsolete technology	100	-	100

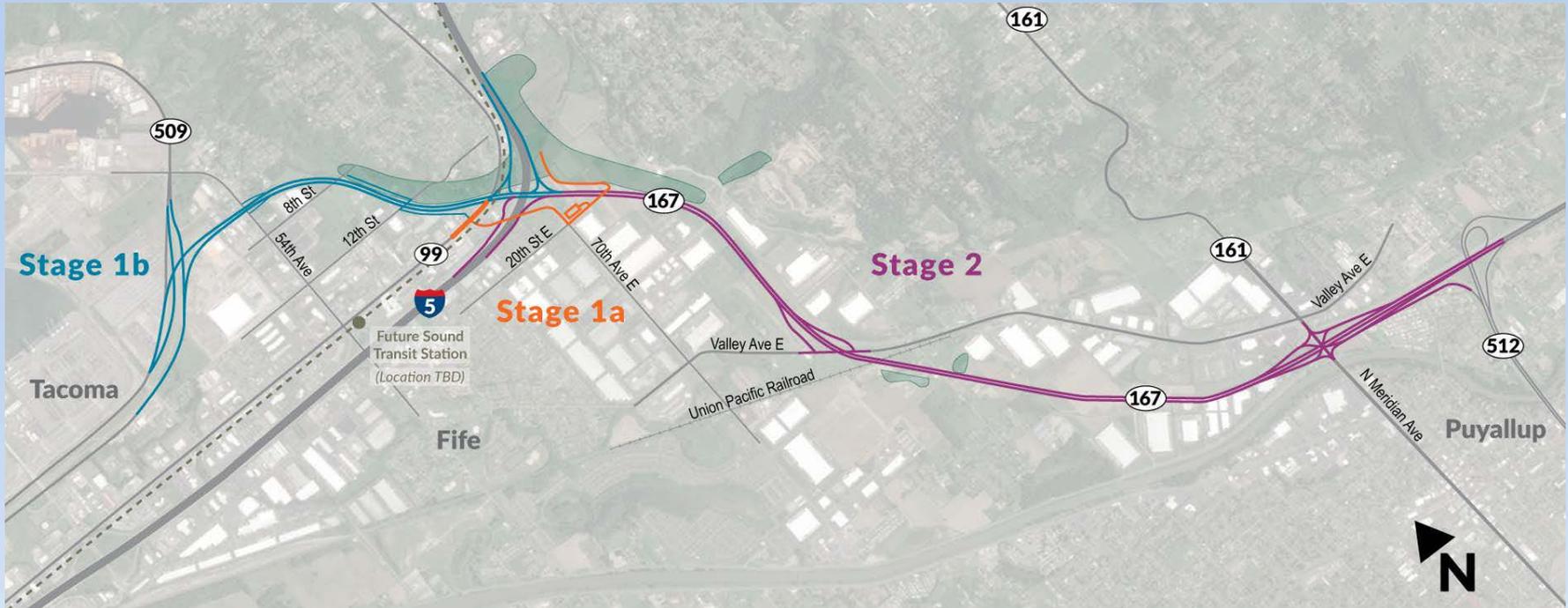
2020 - 2024 Port of Tacoma CIP

Discretionary Projects (\$ thousand)



Project Name	Description	2020	Sum of 2021-2024	2020-24 Total
Equipment Mnt Equipment Purchases (placeholder)	Budget to purchase small tools for equipment maintenance department	99	-	99
Taylor Wy & Alexander Ave Fill Area Investigation (parcel 95, 111 & 117)	Funds to investigate sources of contamination. Required to clear property for future development	90	-	90
Budget & Planning Software	Replace cumbersome and non-integrated budget system currently used	-	80	80
Fab Center Commission Space Assessment	Improve acoustics and remodel for better Managing Member meetings	75	-	75
Parcel 15 (Portac) Investigation	Agreed order to investigate remedies for clean up	70	-	70
Injury & Incident Management System	New system to track workers compensation claims	-	70	70
Maximo Mobile Devices	Improve efficiency for maintenance staff to access maintenance system with mobile technologies	64	-	64
Electrification Roadmap - POT	South harbor Shorepower investigation as part of NW Ports Clean Air Strategy	25	25	50
CanAm Cleanup Investigation (parcel 115)	Oversite of former tenant's clean up of property on Blair Waterway	40	-	40
Parcel 1A UST	Underground Storage Tank at Tote investigation	40	-	40
EBC Bldg 9532 & 9407 Fire Panel Replacement	Replacement of obsolete and failing fire sprinkler control panel	40	-	40
Maytown Property Sale Project	Existing purchase agreement support	10	-	10
Parcel 14 Grading & Site Stabilization Design	Completion of Work on Parcel 14	2	-	2
Grand Total		40,098	129,233	169,331

SR 167 Plan



SR 167 Investment



- Total proposed contribution of \$30 million
 - Commission authorized \$3M in 2018 for 70Th Street overpass (cash to be paid in 2019)
 - Proposed contribution of approximately 11 acres of Parcel 14 with estimated value of \$5 million in future years
 - Cost of land on Port's books is approximately \$350k
 - Recommend recognizing \$22M in non-operating expense in 2019 to formalize commitment
 - Will cover Port's value of land and cash contribution

SR 167 Investment



- Future cash contributions expected to start beyond 2024 and be spread over many years
 - Plan of Finance includes \$22 million in 2024 for funding analysis
- Contribution of dirt from Lower Wapato Creek habitat development may further reduce the cash contribution to the projects
- Port will be credited with full \$30 million contribution

2019 Proposed Tax Levy for 2020 Collection

Tax Levy Usage



State law allows tax levy dollars to be used for paying general obligation debt and for “...general port services.”

Port of Tacoma policy is to use remaining tax levy after paying annual GO bond debt service for “governmental” purposes.

- GO bond Debt retirement
- Road and rail infrastructure
- Environmental projects
- Land Purchases

Tax Levy Eligible Projects

(\$ millions)



Description	2020 Budget
Thorne Rd Stormwater & CY Design	\$1.7
Environmental Monitoring & Remediation	\$12.8
Potential Land Acquisitions	\$5.0
Road contribution	\$0.3
Technology	\$1.7
Roadway infrastructure funding	\$1.0
Others	\$12.4
Total	\$34.9

2020 Tax Levy



	2019 Forecast	2020 Budget
Assessed Valuation*	\$114,163,258,951	\$126,096,129,224
Target Millage Rate (per \$1,000 valuation)	\$0.18365	\$0.18365
Total Port Tax Levy **	\$20,938,250	\$23,157,554
Debt Service on G.O. Bonds	\$10,046,522	\$10,046,636
Remainder for Governmental Projects	\$10,891,728	\$13,110,918

* 2020 Preliminary assess valuations as of September 2019

** Based on 2019 preliminary valuations and targeted millage rate

Port Millage Rate for Single Family Residences



Revaluation for Next Year Levy	2017	2018	2019
Avg. Assessed Value	\$ 322,315	\$ 347,703	\$ 373,347
Port Millage Rate (per \$1,000)	0.18365	0.18365	0.18365
Annual Tax Levy	\$ 59.19	\$ 63.86	\$ 68.57
Monthly Tax Levy	\$ 4.93	\$ 5.32	\$ 5.71
Tax Levy if at Maximum Rate	\$ 86.53	\$ 85.51	\$ 81.72
Monthly Tax Levy at Max Rate	\$ 7.21	\$ 7.13	\$ 6.81

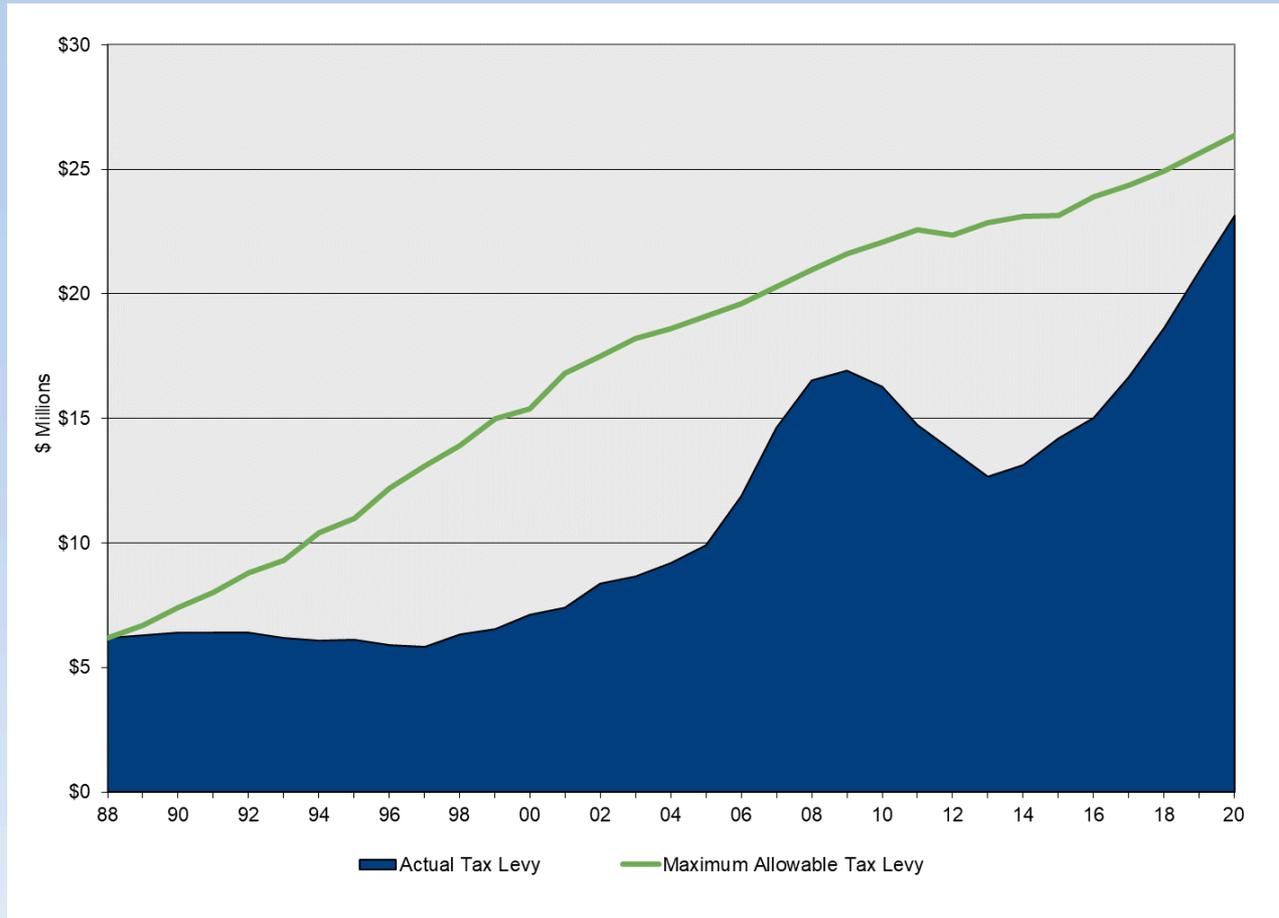
Tax Levy



2020 Recommendation

- Budget \$23.2 Million for 2020
 - Covers 100% of GO bond interest payment (\$5.9M)
 - Covers 100% of GO Bond principal payment (\$4.2M)
 - \$13.1M for Governmental projects
 - \$21.8M of Governmental projects remain funded by operations
 - Maintains millage rate consistent with 2019 rate at \$0.18365 per thousand dollars of valuation

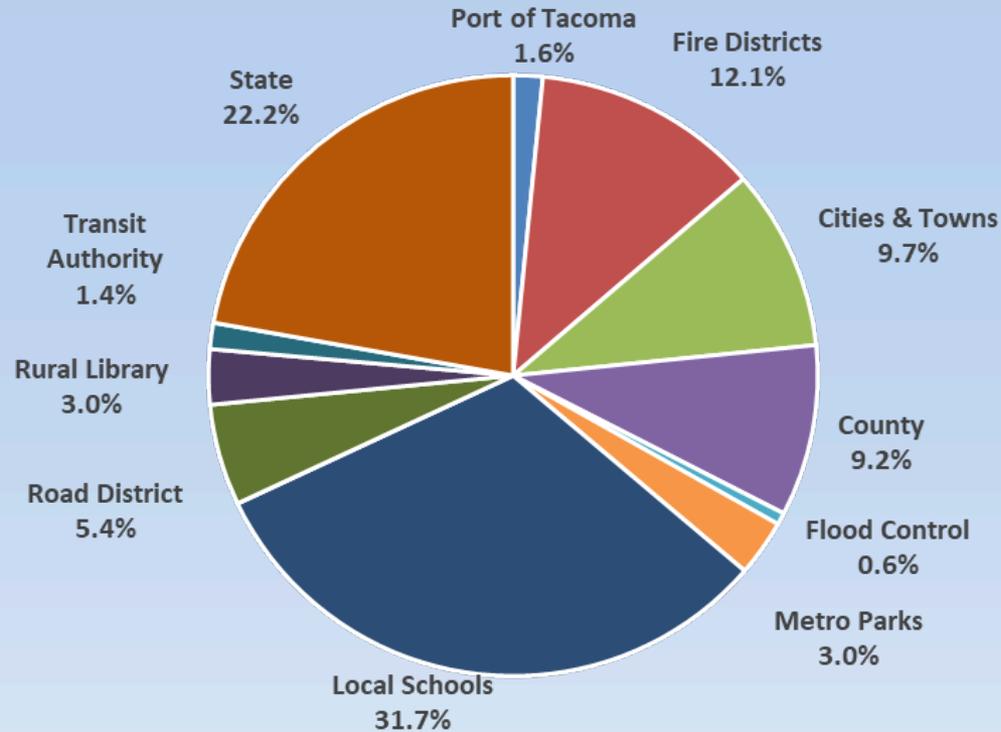
Tax Levy history



* 2020 Preliminary assess valuations as of September 2019

** Based on 2020 preliminary valuations and targeted millage rate

2018 Tax Levies by Taxing District



Source: Pierce County Assessor

2020 Operational Budget

2020 Key Assumptions



- Revenues are based on NWSA, POT real estate and other POT businesses.
 - Split NWSA Distributable Income (Net Income) 50/50
 - Real Estate and Bulk based on existing leases and cargo forecast
 - Intermodal revenue based on industrial rail traffic

Impact of GASB 87 on 2020 Budget



(\$ millions)	2018	2019	2019	2020
	Actual	Budget	Forecast	Budget
Property Rental	\$19.3	\$19.2	\$20.9	\$11.1
Sale of Utilities	0.5	0.5	0.7	0.7
Services Marine Terminals	2.2	3.9	3.7	4.6
Other Revenue	57.6	45.6	51.5	43.3
Operating Revenue	79.6	69.1	76.8	59.7
Port Salaries & Benefits	31.0	35.4	35.7	36.6
Outside Services	5.6	7.5	6.4	8.3
Direct Expenses	1.7	1.9	1.8	1.3
Marketing & Global Outreach	0.7	1.0	0.7	0.9
Travel & Hosting	0.2	0.3	0.2	0.3
Maintenance	6.0	8.2	6.7	8.1
Office Equipment & Supplies	0.6	0.7	0.7	0.8
Utilities	1.6	1.8	1.7	1.7
Other Employee Exp	0.5	0.7	0.5	0.8
Other Expenses	3.9	1.7	0.4	2.2
Environmental	2.3	4.0	(3.7)	4.3
Depreciation & Amortization	26.9	28.1	26.8	26.9
Allocations & Department Closings	(36.4)	(42.4)	(41.5)	(43.5)
Total Operating Expenses	\$44.6	\$48.7	\$36.2	\$48.7
Operating Income	\$35.0	\$20.4	\$40.6	\$11.0
<i>Return on Revenue</i>	44%	30%	53%	18%
Non Operating Revenue and Expenses	(8.8)	(14.2)	(7.4)	(8.6)
Income Before Tax Levy & Expens	26.2	6.2	33.2	2.4
Ad Valorem Tax Levy	18.6	20.9	20.9	23.1
GO Interest	4.9	4.8	4.8	4.7
Net Tax Levy	13.7	16.1	16.1	18.4
Net Assets Before Special Items	39.8	22.3	49.3	20.9
Special Items	0.0	0.0	(22.0)	0.0
Increase in Net Assets	\$39.8	\$22.3	\$27.3	\$20.9

GASB 87 moves \$8.8M from Property Rental to Interest Income in Non-Operating

2019 Budget vs 2020 Budget Revenue Line Item Comparison



(\$ millions)	2018	2019	2019	2020
	Actual	Budget	Forecast	Budget
Property Rental	\$19.3	\$19.2	\$20.9	\$11.1
Sale of Utilities	0.5	0.5	0.7	0.7
Services Marine Terminals	2.2	3.9	3.7	4.6
Other Revenue	57.6	45.6	51.5	43.3
Operating Revenue	79.6	69.1	76.8	59.7

May not foot due to rounding

- Excluding GASB 87, Real Estate revenue lower \$1M due to change in 2602/2608 to ground lease, and various other leases
- Marine terminal services increasing due to auto terminal
- Other Revenue decreasing due to NWSA lower revenue and one-time expenses

BARS POT Net Income



<i>(\$ millions)</i>	2018	2019	2019	2020
	Actual	budget	Forecast	Budget
Operating Revenues				
NWSA	\$56.0	\$43.9	\$49.8	\$41.5
Container	2.9	3.4	3.0	3.2
Non Container	1.5	3.0	3.4	2.6
Real Estate	19.2	18.5	20.5	12.3
Other	0.0	0.2	0.1	0.0
Total Operating Revenues	79.6	69.1	76.8	59.7
Direct Expenses				
Container	2.7	3.6	2.6	2.7
Non Container	0.3	1.1	0.4	0.2
Real Estate	3.4	4.6	4.2	6.1
Other	5.1	3.7	1.6	2.9
Total Direct Expenses	11.5	13.0	8.8	12.0
Administration	3.4	3.5	3.9	5.0
Security	0.4	0.3	0.4	0.4
Environmental	2.3	4.0	(3.6)	4.3
Total Operating Expense before Depreciation	17.7	20.7	9.4	21.7
Depreciation	26.9	28.1	26.8	26.9
Total Operating Expense	44.6	48.8	36.2	48.6
Operating Income	\$35.0	\$20.3	\$40.5	\$11.1
<i>Return on Revenue</i>	44.0%	29.4%	52.8%	18.5%
Non Operating Income (Expense)	(8.8)	(14.2)	(7.4)	(8.6)
Income before Tax Levy and Expense	26.2	6.1	33.1	2.4
Ad Valorem Tax Levy	18.6	20.9	20.9	23.1
GO Interest	(4.9)	(4.8)	(4.8)	(4.7)
Net Tax Levy	\$13.7	\$16.1	\$16.1	\$18.4
Net Income Before Special Item	\$39.8	\$22.2	\$49.2	\$20.9
Special Item			(22.0)	
Net Income	\$39.8	\$22.2	\$27.2	\$20.9

BARS Operating Expenses



	2018 Budget	2018 Actual	2019 Budget	2019 Forecast	2020 Budget
POT Operating Expenses	4,483,350	7,916,080	6,799,342	4,440,777	6,581,755
Grand Total	4,483,350	7,916,080	6,799,342	4,440,777	6,581,755

- 2220 11th St. Building Demolition \$484K
- 2338 11th St. Building Demolition \$275K
- 3502 Lincoln Ave. Building Demolition \$229K
- 1110 Alexander Ave. Building Demolition \$800K
- open headcount in 2019 \$122K
- This is POT expense after allocation to NWSA

BARS Maintenance



	2018 Budget	2018 Actual	2019 Budget	2019 Forecast	2020 Budget
POT Maintenance	5,979,033	3,603,203	6,156,424	4,348,039	5,448,685
Grand Total	5,979,033	3,603,203	6,156,424	4,348,039	5,448,685

- 1701 POT Road Roof Repair \$426K
- unallocated expense \$1.5M
- This is POT expense after allocation and direct charge to NWSA

BARS Administration



	2018 Budget	2018 Actual	2019 Budget	2019 Forecast	2020 Budget
POT Administration	3,650,760	3,446,476	3,490,171	3,880,226	4,952,238
Grand Total	3,650,760	3,446,476	3,490,171	3,880,226	4,952,238

- Technology project increases \$2M to support projects including costs for RFID at terminals.
- Filing vacant positions \$300k
- Strategic plan for \$300k
- Website upgrades \$144k
- Increased cost for Commission meeting broadcasts of \$100k
- \$160k for graphic design
- This is POT expense after allocation to NWSA

BARS Environmental



	2018 Budget	2018 Actual	2019 Budget	2019 Forecast	2020 Budget
POT Environmental	5,298,396	2,332,089	3,959,335	-3,639,294	4,336,139
Grand Total	5,298,396	2,332,089	3,959,335	-3,639,294	4,336,139

- Parcel 1b remediation \$1.3M
- POT municipal stormwater permit program \$163K
- 2019 reversal of \$7M of previously recognized remediation at Portac property
- This is POT expense after allocation to NWSA

BARS Security



	2018 Budget	2018 Actual	2019 Budget	2019 Forecast	2020 Budget
POT Security	446,590	378,618	292,414	373,248	360,450
Grand Total	446,590	378,618	292,414	373,248	360,450

- reduction in travel budget \$5K
- one time retroactive labor payment for \$81K encompassing 4/18-3/19
- This is POT expense after allocation and direct charge to NWSA

2019 vs 2020 Expense Comparison Salaries & Benefits



	2018	2019 Budget	2019 Forecast	2020 Budget	Var from Forecast	% Var	Var from Prior Budget	% Var
Salary Wages	8,676,951	8,992,321	8,643,571	9,287,885	644,314	6.9%	295,564	3.3%
Hourly Wages	12,700,029	12,775,880	13,509,368	13,663,650	154,281	1.1%	887,769	6.9%
OT Wages	1,963,380	1,519,500	1,866,359	1,696,040	(170,319)	-10.0%	176,540	11.6%
Total Wages	23,340,360	23,287,701	24,019,299	24,647,575	628,276	2.5%	1,359,874	5.8%
F.I.C.A.	1,759,647	1,747,699	1,832,569	1,806,241	(26,328)	-1.5%	58,542	3.3%
S.U.I.	1,584	0	75,463	59,461	(16,002)	-26.9%	59,461	#DIV/0!
Medical Benefits	5,872,774	6,409,755	5,990,626	6,128,303	137,677	2.2%	(281,452)	-4.4%
Employee Pension	2,806,619	2,887,094	2,865,638	2,824,229	(41,409)	-1.5%	(62,865)	-2.2%
Other Benefits	(2,801,842)	1,108,847	884,274	1,131,770	247,497	21.9%	22,923	2.1%
Total Benefits	7,638,782	12,153,395	11,648,571	11,950,004	301,434	2.5%	(203,390)	-1.7%
<i>Benefits % of Total</i>	<i>32.7%</i>	<i>52.2%</i>	<i>48.5%</i>	<i>48.5%</i>				
Port Salaries & Benefits	30,979,141	35,441,096	35,667,870	36,597,580	929,710	2.5%	1,156,483	3.3%

May not foot due to rounding

- **\$201,682 for annual pay increases for salaried employees starting April.**
- **\$23,727 for annual recognition paid to salaried employees in April.**
- **\$23,727 for marketplace adjustment for salaried employees during the year.**
- **Hourly employees will receive a 3% raise in April per contract.**
- **Average Salary of \$102,202.**

Non Operating

(\$ millions)



<i>\$ millions</i>	2018 Actual	2019 Budget	2019 Forecast	2020 Budget
Lease Interest Income	\$0.0	\$0.0	\$0.0	\$8.8
Interest Income	\$6.4	\$6.5	\$7.2	\$4.1
Premium Discount	(\$1.6)	(\$1.5)	(\$1.1)	(\$0.8)
Investment Gain Loss	(1.1)	0.0	2.9	0.0
Capital Grant Income	3.0	0.9	0.5	0.7
Non-Capital Grant Income	0.6	0.2	0.5	0.1
Other Non Operating Income	0.0	2.7	5.2	(1.2)
Non Operating Revenue	17.2	8.8	15.1	11.7
Revenue Bond Interest Expense	19.9	19.8	20.2	17.8
Election Expense	0.0	0.9	0.9	0.0
Other Non Operating Expense	0.0	2.3	1.4	2.5
Non Operating Expense	26.0	23.0	22.5	20.3
Non Operating Revenues (Expense)	\$0.0	(\$14.2)	(\$7.4)	(\$8.6)
Non Operating Revenue and Expenses	(\$8.8)	(\$14.2)	(\$7.4)	(\$8.6)

GASB 87

2019 includes sale of Frederickson

Revenue bond interest down due to lower bank fees. 2019 Includes \$0.8M expense for refunding

May not foot due to rounding

Other non op includes roadway infrastructure for \$1M, \$250k for waterway park contribution and environmental expenses

2020 Memberships over \$10k



Memberships	2019 Budget	2020 budget	Comments
Washington Public Ports Authority	\$210,000	\$215,000	
Puget Sound Regional Council	50,000	51,000	
Tacoma Pierce County Chamber	25,000	25,000	
Executive Council for a Greater Tacoma	14,000	0	Not continuing
All other membership under \$10,000	57,449	30,206	
Total Contracts	\$356,449	\$321,260	

- Other Port memberships all less than \$10,000 per year.
- Membership costs subject to small variations based on fees tied to 2019 actual results

2020 Major Community Contracts



Contract	2019 Contract	2020 Contract
World Trade Center	\$122,500	\$122,500
Economic Development Board	120,000	120,000
Total Contracts	\$242,500	\$242,500

Promotional Hosting



RCW 53.36.120 & 130 requires that Port expenditures for Industrial Development, Trade Promotion, and Promotional hosting be specific budgeted items

Promotional hosting is “Furnishing customary meals, refreshments, lodging, transportation or any combination of those items in connection with: Business meetings, social gatherings, and ceremonies honoring persons or events relating to the authorized business promotion activities of the port”

Promotional Hosting



Organization	2019	2020
POT Promotional Hosting	\$77,000	\$69,000
50% of NWSA Promotional Hosting	103,000	101,000
Total Promotional Hosting	\$180,000	\$170,000

2020 Statutory Cash Budget



<i>(\$ Million)</i>	<u>2020</u>
Beginning Cash & Investments	\$218.2
 <u>Projected Sources of Funds</u>	
Revenues	59.7
Expenses	(21.3)
Memberships	(0.3)
Promotional hosting POT	(0.1)
Promotional hosting NWSA (POT share)	(0.1)
Funds Provided by Operations	<u>37.9</u>
 Interest Income	 12.1
NWSA Depreciation cash	7.7
Other, Net	0.5
Other Contributions	5.5
Ad valorem tax revenue (net)	23.1
Projected Sources of Funds	<u>86.8</u>
 <u>Projected Uses of Funds</u>	
Investment in Northwest Seaport Alliance	62.4
Debt Payments (Principal and Interest) - GO Bonds	10.0
Debt Payments (Principal and Interest) - Revenue Bonds	30.2
Debt Payments (Principal and Interest) - Commercial Paper	0.4
Capital Spending - Planned Projects	33.2
Projected Uses of Funds	<u>136.2</u>
 <u>Projected Borrowing</u>	
Commercial Paper Borrowing	0.0
Total Borrowing	<u>0.0</u>
 Projected Ending Cash & Investments	 <u><u>\$168.8</u></u>

2020 -2024 Plan of Finance

2020-2024

Plan of Finance Assumptions



Revenues

- Includes POT portion of NWSA net income
- Based on business forecast & existing leases

Expenses

- Mild inflation 2.5%
- Real Estate and operating expenses, mainly fixed costs

Non-Operating

- Revenue and GO Bond interest expense
- Investment income
- Road contributions
- Demolition of buildings and asset disposal
- Election expenses (odd numbered years)

NWSA Membership Affirmation

- Includes impact of Port of Seattle capital contribution of \$11M for revaluation based on T5 value in original NWSA capitalization

2020-2024

Plan of Finance Assumptions



Capital totaling \$313.7 million

- Includes POT portion of NWSA CIP
 - Capitalized projects of \$184 million (50% of NWSA capitalized projects totaling \$368 million)
- Includes POT specific Capitalized projects of 129.7 million

Debt Management

- All eligible bonds have been refunded that can economically be refunded
- Normally scheduled GO and Revenue Bond debt payments
- No additional borrowing is required
 - Starting with \$100M more in cash on 1/1/2020 than modeled 1 year ago
- Does not retire \$25 million of Commercial Paper in 2024

2018-2024 Budget Forecast - Plan of Finance



<i>\$ millions</i>	2018 Actual	2019 Forecast	2020 Budget	2021 Budget	2022 Budget	2023 Budget	2024 Budget
Port Revenue	\$23.6	\$27.0	\$18.2	\$18.1	\$20.0	\$21.2	\$18.8
Joint Venture Revenue	56.0	49.8	41.5	35.4	45.8	48.2	51.4
Operating Revenue	79.6	76.8	59.7	53.6	65.8	69.5	70.2
Total Operating Expenses	44.6	36.2	48.7	48.4	47.5	43.4	43.3
Operating Income	35.0	40.5	11.0	5.2	18.4	26.0	26.9
<i>Return on Revenue</i>	<i>44.0%</i>	<i>52.8%</i>	<i>18.4%</i>	<i>9.7%</i>	<i>27.9%</i>	<i>37.5%</i>	<i>38.3%</i>
Non Operating Income (Expense)	(8.8)	(7.4)	(8.6)	(8.6)	(7.4)	(7.9)	(6.4)
Income Before Tax Levy & Expenses	26.2	33.1	2.4	(3.4)	10.9	18.1	20.5
Ad Valorem Tax Levy	18.6	20.9	23.1	23.5	23.9	24.6	25.3
GO Interest	(4.9)	(4.8)	(4.7)	(4.5)	(4.3)	(4.1)	(3.9)
Net Income Before Special Item	\$39.8	\$49.2	\$20.8	\$15.5	\$30.5	\$38.6	\$41.9
Special Item	0.0	(22.0)	0.0	0.0	0.0	0.0	0.0
Net Income	\$39.8	\$27.2	\$20.8	\$15.5	\$30.5	\$38.6	\$41.9
Debt Service Coverage Ratio	2.6	3.0	2.0	1.9	2.4	2.6	2.7
Return on Assets	6.8%	3.5%	1.5%	1.1%	2.1%	2.7%	2.8%

Cash position on following slides

2020 Minimum Cash Calculation



Minimum Port of Tacoma Cash & Investments

(\$ Millions)

Port cash and investments to cover 6 months operating expenses	\$10.9
Prorated revenue bond payments	2.5
Prorated G.O. bond payments	0.8
Revenue bond reserves	51.0
Industrial insurance reserve	0.4
Self insurance reserve	1.0
Minimum Port of Tacoma cash & investment balance	<u>\$66.6</u>

Does not include \$25.5 million in working capital contribution to the NWSA

Debt: Outstanding & Projected Principal



(\$ millions)

	Balance 12/31/2019	2020 Issues	2020 Repayments	Balance 12/31/2020
G.O.Bonds	\$146.3		(\$4.2)	\$142.1
Senior Revenue Bonds	203.4		(7.6)	195.8
Subordinate Revenue Bonds	222.5		(3.1)	219.4
Commercial Paper	25.0			25.0
Total	\$597.3	\$0.0	(\$14.8)	\$582.4

Under \$600 Million in debt

Cash Position



POT started 2019 with \$40M more in cash than the 2019 Budget Plan of Finance predicted [\$248M vs \$208M]

- POT CIP underspent by \$9M
 - Despite unbudgeted \$22M spent on new auto facility
- NWSA CIP underspent by \$90M (50% to POT)
- POT Net Income \$2.1M better than forecast
- \$8M payment from Portac for future cleanup

Cash Position



Plan of Finance 2019-2023 comparison (\$ Million)

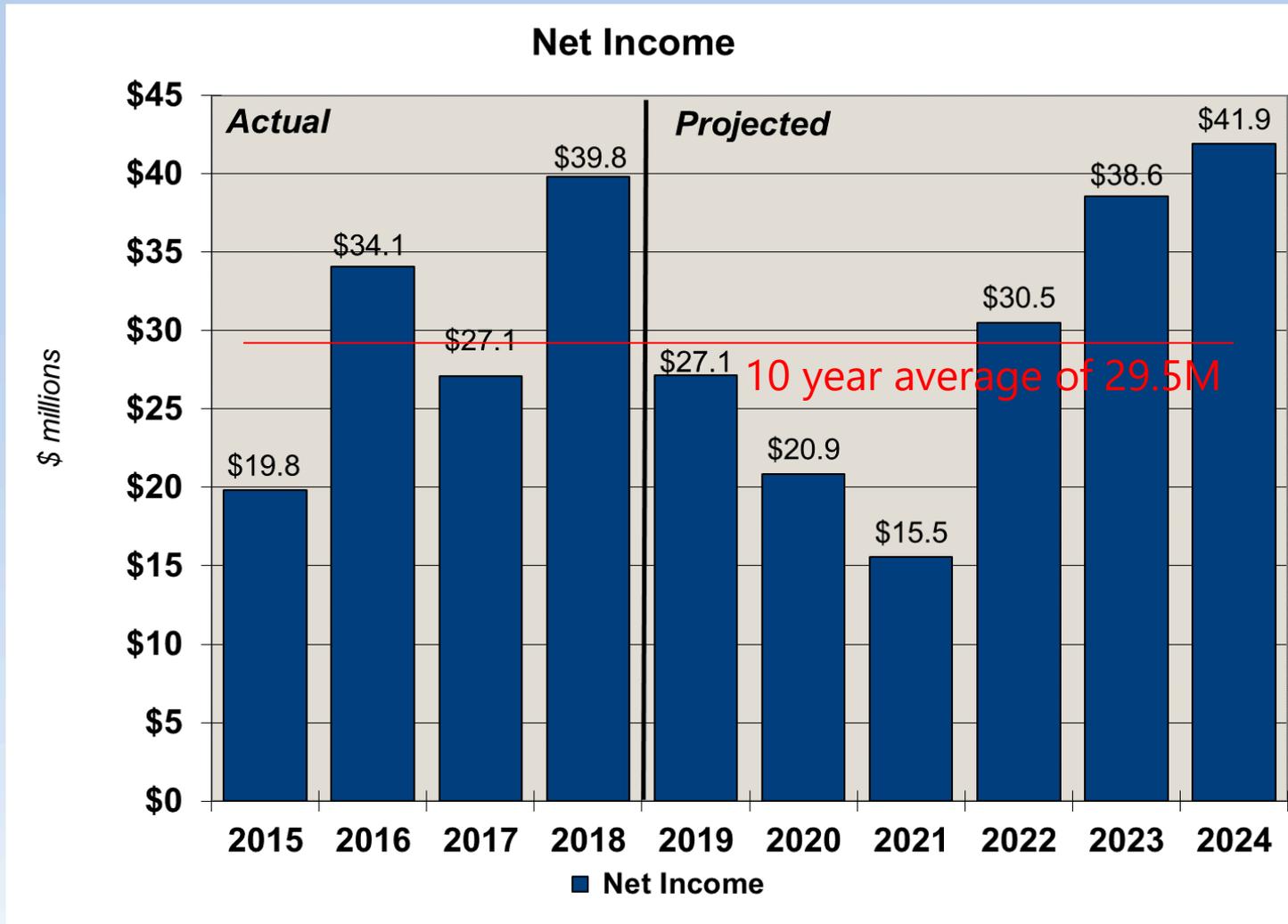
	<u>2019 Budget</u>	<u>2020 Budget / Forecast</u>	<u>Better / (Worse)</u>	
Beginning Cash	\$210.0	\$248.3	\$38.3	
Cash from Operations	294.7	314.1	19.4	
Debt Principal Payment	(84.4)	(83.6)	0.8	
NWSA 5 year CIP (POT 50% share)	(215.5)	(228.9)	(13.4)	
POT 5 year CIP	(127.8)	(95.6)	32.2	Tribal dredge moved to 2024
POS NWSA Equity Contribution		11.0	11.0	
2023 Ending Cash	<u>77.0</u>	<u>154.3</u>	<u>77.3</u>	
2024 Net Cash		(32.6)		Includes tribal dredge in 2024
POT Ending 2024 Cash		\$121.7		
Minimum Cash		-66.5		
POT Cash above Minimum		<u>\$55.2</u>		

Debt: Required Borrowing

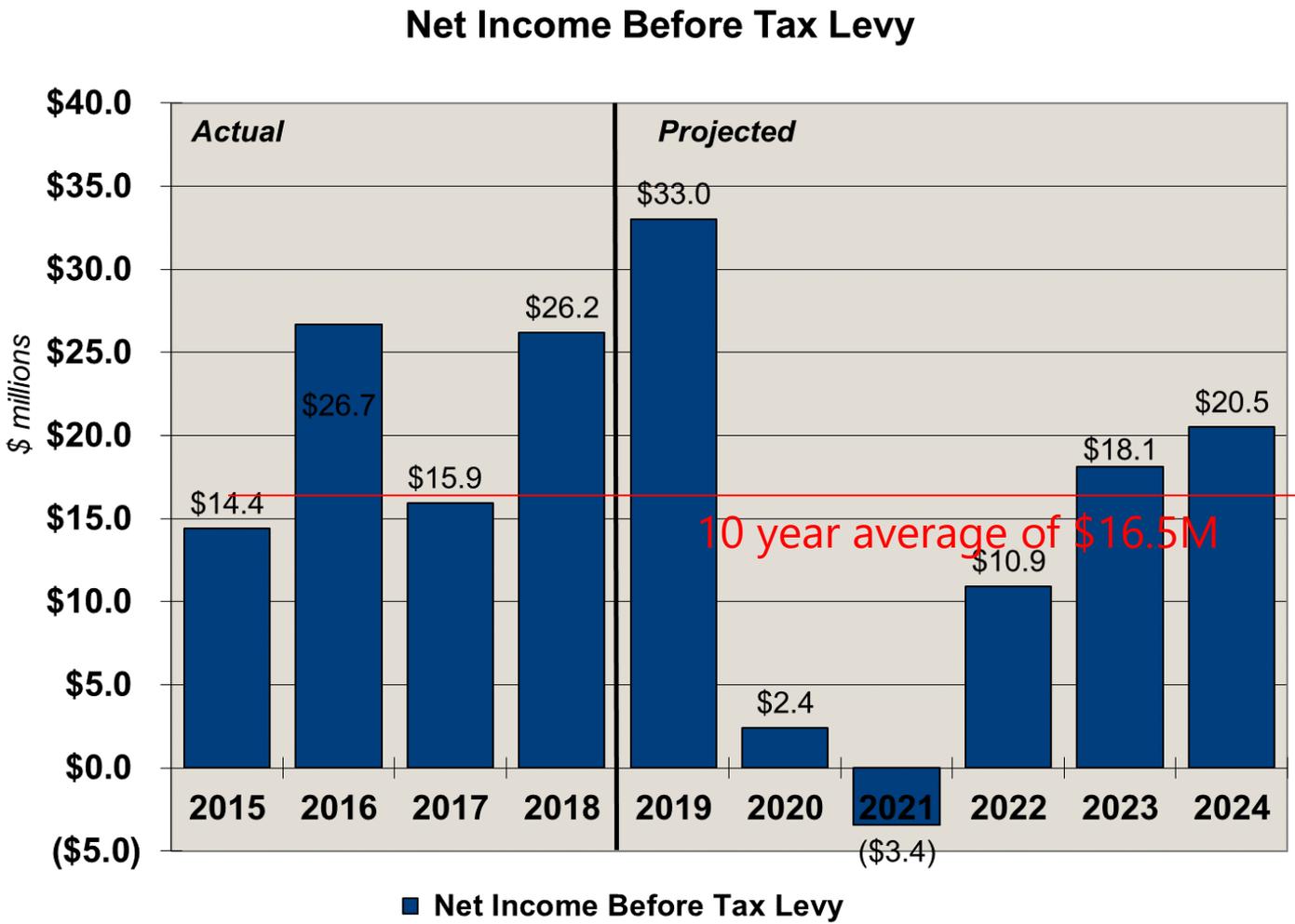


None

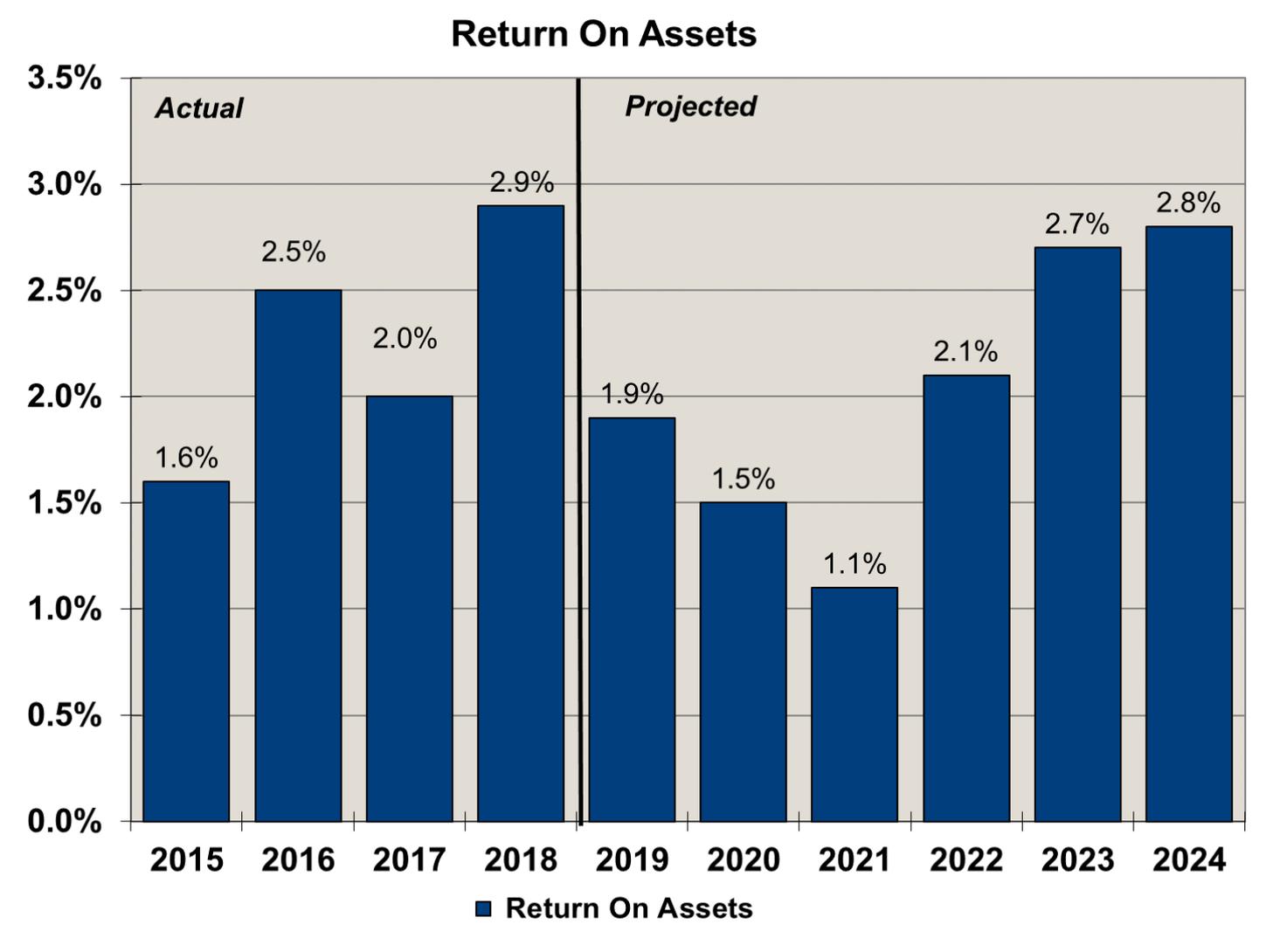
Financial Measure: Net Income



Financial Measure: Net Income before Tax levy



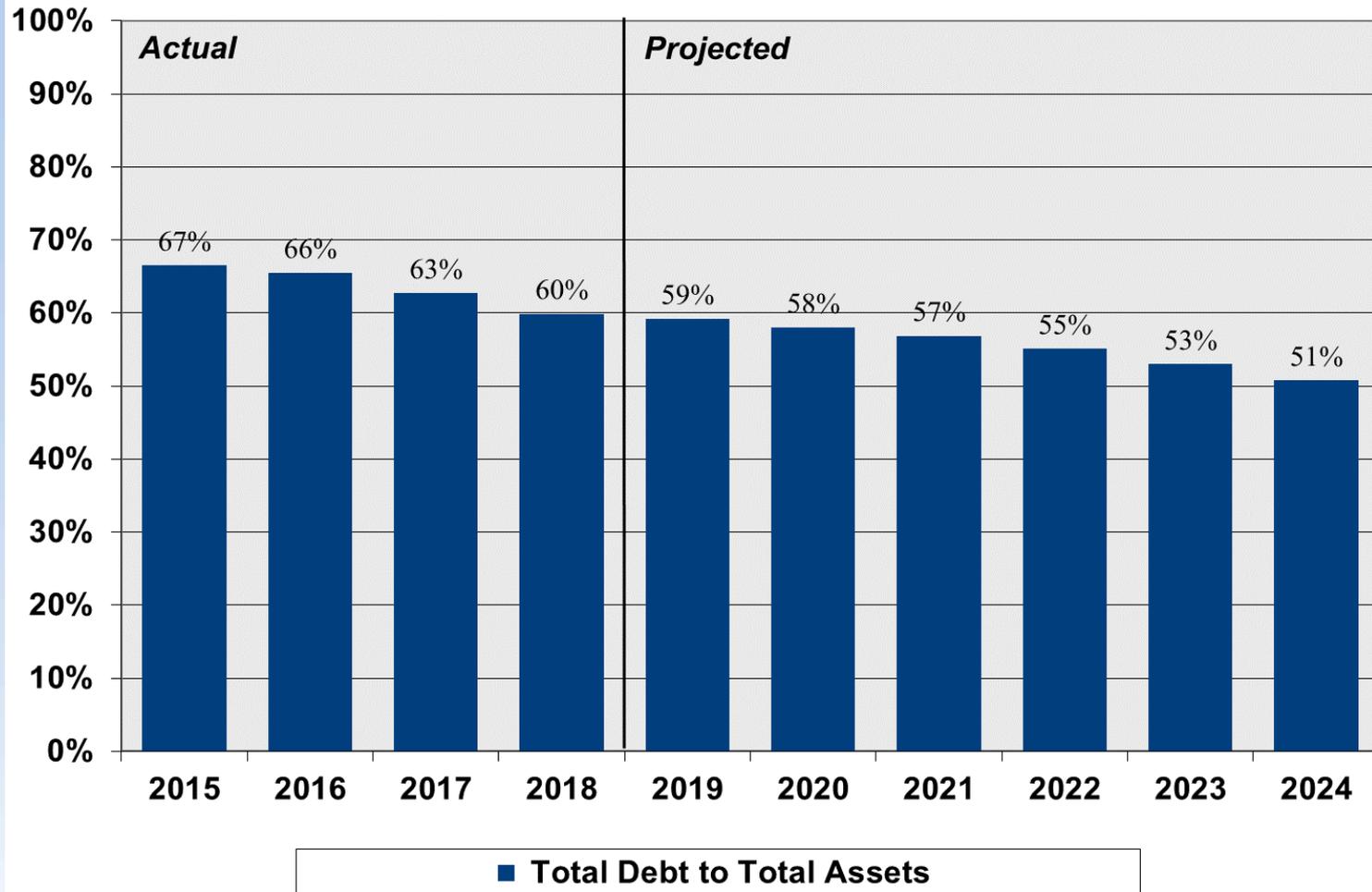
Financial Measure: Return on Assets



Financial Measure: Debt to Asset Ratio



Projected - Total Debt to Total Assets Ratio



2019 Key Messages



- Strong operating income at \$40.6M, \$20.2M higher than budget:
 - Revenue increased by \$10M, mainly NWSA
 - Decreased Expenses
 - Reversal of environmental liability of \$7M and reduced maintenance costs
 - Special item expense of \$22 million for SR 167 commitment
- Net income of \$27.3M

2020 Key Messages



- GASB 87 reduces operating income to \$11 million. No impact to Net Income
- Net income of \$20.9 million
- Proposed tax millage rate same as 2019
- Capital investments include land purchases, waterway widening, and rail investments
- Debt service above commission policy of 2x