

BOARD OF COMMISSIONERS  
The Fabulich Center  
3600 Port of Tacoma Road, Tacoma, WA

Commissioners Present:

Clare Petrich, President  
Don Johnson, Vice President  
John McCarthy, Secretary  
Dick Marzano, 1<sup>st</sup> Assistant Secretary  
Don Meyer, 2<sup>nd</sup> Assistant Secretary  
(telephonically)

Staff Present:

John Wolfe, CEO  
Erin Galeno, CFAO  
David Morrison, Dir. Financial Planning & Treasury  
Carolyn Lake, Legal Counsel  
Juliet Campbell, Clerk of the Port

1. CALL TO ORDER: Commissioner Petrich called the special meeting to order at approximately 12:04 p.m. and led the group in the Pledge of Allegiance.
2. PUBLIC COMMENT: None.
3. STUDY SESSION:
  - A. Port of Tacoma Budget and Financial Position  
*Presented by Erin Galeno and David Morrison*
    - Staff provided an update to the budget since approved in November. The budget reflects 2018 results and changes to the deal that is being reviewed for the North harbor.
    - Results for 2018 were better than anticipated and the Port also underspent on some projects. This resulted in beginning cash for 2019 of approximately \$220 million (previously \$200 million).
    - The updated 2019-2023 Capital Improvement Plan (CIP) for the Port of Tacoma and Northwest Seaport Alliance shows capital at \$354 million. This is up from \$344 million in the 2018 budget. This is because projects that were to end in 2018 have moved into 2019.
    - In the 2018 budget it was originally thought the Port would need to borrow \$1.2 million in 2023 to maintain its minimum cash position. Under the new North harbor scenario, the Port will not need to borrow to maintain its cash above minimum.
    - 2023 Revenue bond borrowing capacity was \$89 million, it is now \$56 million. Staff explained that this drop is driven by a reduction in revenue in 2023. When the budget was approved in 2018, it was assumed that phase 2 of the North harbor strategy would start in 2023. Under current thought, it will not start until 2024 (outside of the 5-year CIP). Once phase 2 revenue comes in 2024, the Port will have additional borrowing capacity.

- Fully diluted debt services coverage is 2.3 (from 2.5). The Commission has a policy of a 2.0x debt service coverage ratio. Meaning it wants to be able to pay its debt after paying all its expenses at least twice. This is policy, it is not codified or required.
- Staff also provided a plan of finance scenario where the Port loses \$10 million a year. Under this hypothetical, the Port would need to borrow \$9.3 million in 2021 and \$32.3 million in 2021, bond debt service coverage would drop down to 1.94. (other options include reducing capital). Staff highlighted that even with such a catastrophic scenario, the Port would be well above its debt servicing, minimum bond requirements.
- Staff also highlighted that the Port of Tacoma is one of the highest rated pier ports in the nation by our bond rating agencies. It was noted the Port is unique because the joint revenue debt line is after all expenses. A fact that staff communicates with the rating agencies to make sure the Port's revenue is not underrated.
- The port also has a policy that income before tax levy and expenses be positive in all years; the Port does not want its tax levy to subsidize operations.
- The one-time Membership Affirmation payment from the Port of Seattle to the NWSA provides \$16 million more cash to the Port of Tacoma.
- The Port pays approximately \$10-15 million a year toward its debt. If the Port does not borrow any more money, the bulk of its debt could be paid by 2039. However, there is a bullet maturity due in 2044 and of \$122million.
- A prioritization of capital investment projects was completed. Projects were categorized as either lease commitments, regulatory requirements, Commission or Managing Member policy, or discretionary.
- Commissioners and staff discussed how projects are prioritized and come before the Commission. Commissioner McCarthy expressed a desire to have more dialog amongst commissioners as to what we think are the most important projects to consider. He wants to see the process expanded. Staff provided examples of how ideas are vetted and come before the Commission. Examples of budgeted items that did not move forward and items not budgeted that were able to be completed were discussed.
- Staff noted that there is approximately \$27.5 million built into the budget allocated for land acquisition or other opportunities yet to be identified. Commissioner Meyer commented that he would like to see a more clarified methodology for the decision mechanism for prioritizing items, specifically land acquisition.

4. RECESS INTO EXECUTIVE SESSION

At 1:00 p.m. the Commission recessed into executive session to pursuant to RCW 42.30.110(1)(g) to evaluate applicants for public employment. Commissioner Petrich announced that no actions or decisions would be made during the executive session. At 2:30 p.m. Commissioner Petrich extended the executive session for 45 minutes.

5. ADJOURNMENT: The executive session ended at 3:10 p.m. There being no further business before the Commission, the meeting adjourned.

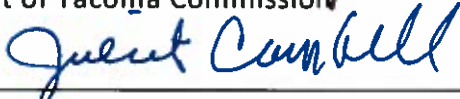


Clare Petrich, President  
Port of Tacoma Commission

ATTEST:



John McCarthy, Secretary  
Port of Tacoma Commission



Juliet Campbell, Clerk of the Port  
Port of Tacoma