

# COMMISSION AGENDA

Item No.: 4A

Meeting: 11/15/16

**DATE:** November 3, 2016  
**TO:** Commission  
**FROM:** John Wolfe, Chief Executive Officer  
Erin Galeno, Chief Financial and Administrative Officer  
David Morrison, Director, Financial Planning and Treasury  
**SUBJECT:** 2017 Budget & Tax Levy

## A. ACTION REQUESTED

Consider three resolutions and one action to approve an Interlocal Agreement (ILA) for support services:

1. Resolution No. 2016-09-PT to adopt the 2017 statutory budget.
2. Resolution No. 2016-10-PT to direct the Secretary to certify to the Clerk of the County Council a tax levy of \$16,659,514.
3. Resolution No. 2016-11-PT to authorize the tax levy at \$16,659,514 and a maximum tax levy capacity of \$24,392,635.59.
4. Authorization of ILA between Port of Tacoma and NWSA for support services for 2017.

## B. BACKGROUND

The 2017 tax levy and statutory budget represent the second year of the Port of Tacoma's participation in the Northwest Seaport Alliance (NWSA). The 2017 operating budget and 2017-2021 Capital Improvement Plan for the NWSA has been presented to the public twice and has been approved by the Managing Members. These three resolutions and one ILA address Port of Tacoma-specific actions that need to be taken.

## C. FISCAL IMPACT

There are four areas to the 2017 Budget:

1. **Operating Budget:** The operating revenue projection of \$68.4 million includes \$46.8 million Net Distributable Revenue from the NWSA's operating income. This produces an operating income of \$20.4 million. We project a 29.8% return on revenue. In 2017, we project \$13.4 million of net income.

2. **Five-Year Capital Improvement Plan:** The \$56.6 million 2017 Port of Tacoma Capital Improvement Plan budget represents the first year of the Port's planned five-year plan, a package totaling \$159 million of projects. An additional \$109.2 million in capitalized project spending for NWSA is included in the Plan of Finance. The 2017 Port of Tacoma planned Capital Improvement Plan includes funds to purchase land for strategic business opportunities, complete the North Lead Rail Tracks construction, maintain revenue producing Port assets (asset management), construct environmental mitigation and contribute to road infrastructure projects.
3. **Tax Levy:** The Port has proposed to maintain the targeted millage rate at \$0.18365 per thousand dollars of assessed value, the same as 2016. Because of Pierce County property valuation increases, and the additional valuations from new improvements, the Port of Tacoma levy increases by \$1,646,125 from \$15,013,389 to \$16,659,514. The levy will be used for general obligation bond debt service and governmental projects. We strive to keep the Port levy low, knowing that the unused portion of the legal limit can be available should a requirement materialize.
4. **Plan of Finance:** The Plan of Finance incorporates the Port of Tacoma's share of the NWSA's net distributable revenue and capitalized project spending. The 2017 Port of Tacoma Plan of Finance proposes no new long-term debt issues to finance capital spending. Port cash, funds from the 2016 revenue bond issue and investments will be used as required to fund the capital program and operations. Our plan estimates that the Port's 2017 fully diluted debt service coverage will be 2.17. The fully diluted debt service is expected to exceed 2.0 in all years through 2021 based on this budget.