

Item No.: 9A
Date of Meeting: June 2, 2020

Financial Performance Update and Response to Economic Conditions

June 18, 2020



Agenda



- 2020 Forecast Summary
- 2020 Budget and April Year to Date (YTD) summary
- Management actions in response to economic conditions
- 2020 Capitalized CIP forecast
- CIP Project details

Summary



- Due to management actions taken, Net Income is slightly better than budget
 - Net Income before Tax Levy is positive
- Ending cash is less than originally budgeted because we paid down \$27.2 million in debt
 - \$25 million in Commercial paper- can be reissued
 - \$2.2 million to retire 2014A bonds 1-year early
- Slightly below 2x debt service but exceeding all bond covenants

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(\$ Million)			
Beginning Cash & Investments	2020 Budget	2020 Forecast	Better/(Worse)
	\$218.2	\$226.8	\$8.6
Projected Sources of Funds			
Revenues	60.1	53.8	(6.3)
Expenses	(21.7)	(18.3)	3.5
Funds Provided by Operations	38.4	35.6	(2.8)
Interest Income	12.1	12.1	0.0
NWSA Depreciation Cash Add back	7.7	7.6	(0.1)
Other, Net	0.5	2.9	2.4
Other Contributions	5.5	5.5	0.0
Ad valorem tax revenue (net)	23.1	23.1	0.0
Projected Sources of Funds	87.3	86.7	(0.5)
Projected Uses of Funds			
Investment in Northwest Seaport Alliance	62.0	70.9	8.9
Debt Payments (Principal and Interest) - GO Bo	10.0	10.0	0.0
Debt Payments (Principal and Interest) - Reven	30.2	30.2	(0.1)
Debt Payments (Principal and Interest) - Comm	0.4	0.2	(0.2)
Additional Retirement of Revenue Bonds	0.0	2.2	2.2
Additional Retirement of Commercial Paper	0.0	25.0	25.0
Capital Spending - Planned Projects	32.0	25.3	(6.7)
Projected Uses of Funds	134.7	163.8	29.1
Projected Borrowing			
Total Borrowing	0.0	0.0	0.0
Projected Ending Cash & Investments	\$170.8	\$149.8	(\$21.0)
Minimum Cash	\$66.6	\$66.6	(\$0.0)
Sr. Lien Rev. Bond Debt Service Coverage	3.70	3.54	(0.16)
Subordinate Lien Debt Service Coverage	3.32	3.16	(0.16)
Fully Diluted Revenue Bond Debt Service	2.04	1.96	(0.08)



April Year to Date Financial Results

(\$ thousand)



	2020				2019	
	BUDGET	ACTUAL	VARIANCE	VAR %	ACTUAL	VARIANCE
Operating Revenue	9,083	8,969	(113)	-1%	9,025	(55)
Income from NWSA JV	14,118	13,755	(363)	-3%	17,243	(3,488)
Revenue before GASB 87 Adjustment	23,201	22,724	(477)	-2%	26,267	(3,543)
Lease Interest - GASB 87	(2,943)	(2,797)	146	5%	-	(2,797)
Total Revenue	20,258	19,927	(331)	-2%	26,267	(6,340)
Operating Expenses	15,516	14,003	1,513	10%	13,956	(48)
Operating Income	4,742	5,924	1,182	25%	12,312	(6,388)
Interest Income and Exp						
Interest Income	1,107	2,084	977	88%	2,798	(714)
Lease Interest - GASB 87	2,943	2,797	(146)	-5%	-	2,797
Revenue Bond Interest Exp	5,963	6,076	(113)	-2%	6,447	371
Net Interest Expense	1,913	1,195	717	38%	3,649	2,454
Non-Operating Inc/(Exp)	(1,413)	(691)	722	51%	1,872	(2,563)
Grant income	510	80	(430)	-84%	96	(16)
Income Before Tax Levy	1,926	4,118	2,192	114%	10,631	(6,513)
Tax Levy	7,705	7,695	(9)	0%	6,964	731
GO Bond Interest Exp	1,561	1,561	-	0%	1,604	43
Net Tax Levy	6,143	6,134	(9)	0%	5,360	774
Net Income	8,069	10,252	2,183	27%	15,991	(5,739)

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April Year to Date Cash

(\$ Million)

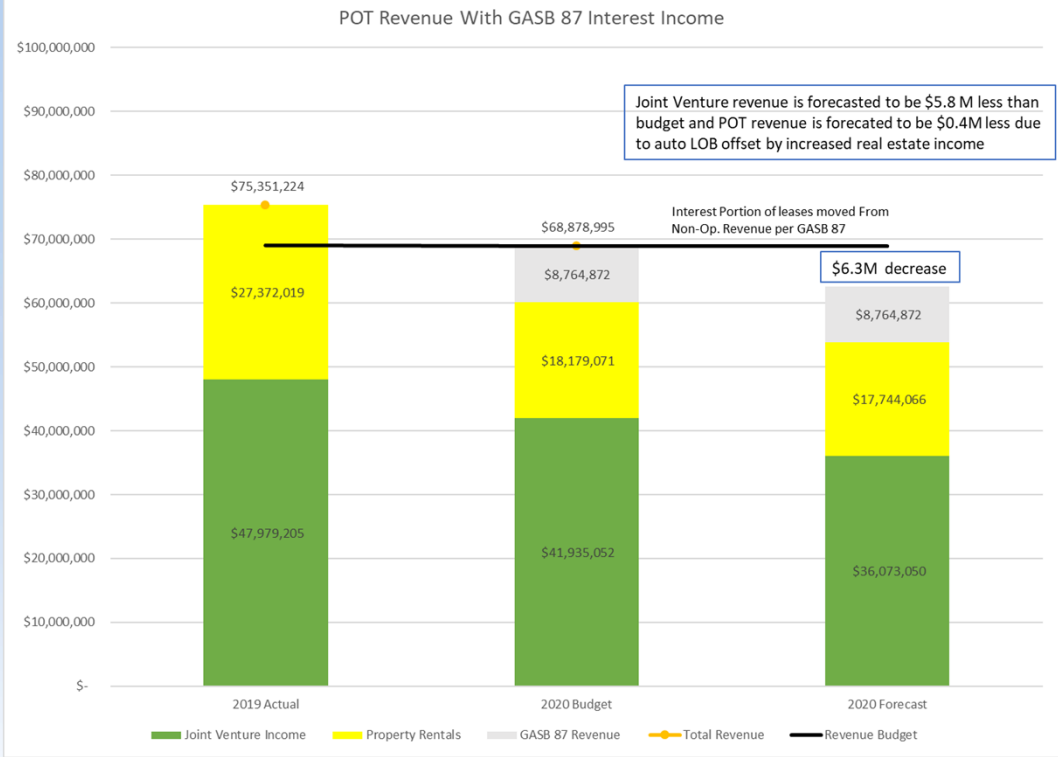


	Apr-20	Dec-19	change
Cash Balance	\$ 6.1	\$ 1.2	\$ 4.9
Investment Balance	226.5	235.8	(9.3)
Total Cash (\$	\$ 232.7	\$ 237.0	(\$4.3)

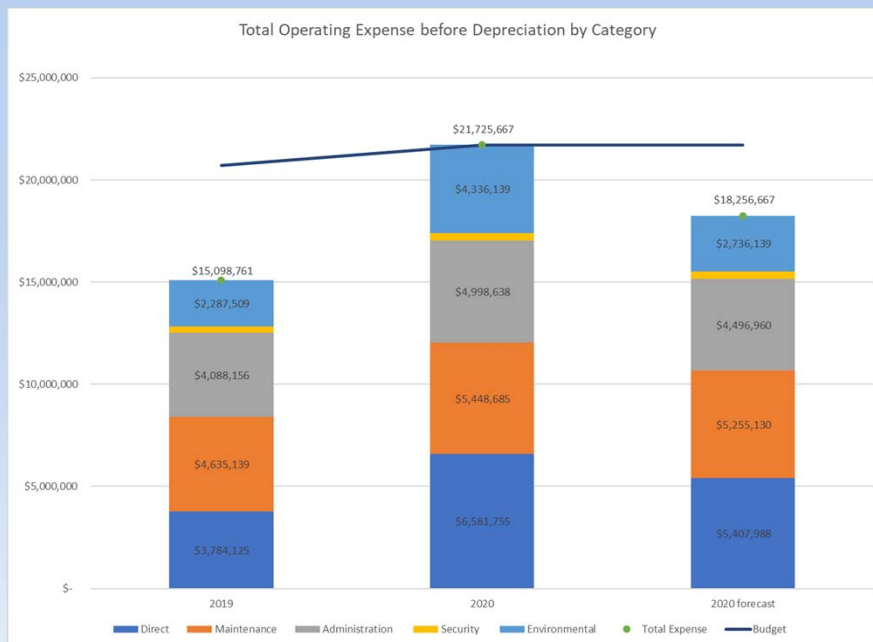
- Ending Cash of \$237 million shown above is \$10.2 million higher than what is used for the plan of finance due to outstanding commitments from prior years
- Cash forecasting is difficult due to timing of payments vs recognition of revenue/expense on the P&L and asset/liability on the balance sheet

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2020 Revenue Forecast



2020 Operating Expense Forecast



Note: 2019 Actuals include WA State driven reduction of pension expense of \$500,000 (net after allocations to and from NWSA)

Cash Expense Reductions (net of allocations to NWSA) \$ Million



Item	Budget	Reduction	Forecast	% Reduction
POT Salary and Wages	\$11.3	\$0.5	\$10.7	4.6%
Travel & Hosting	\$0.2	\$0.15	\$0.05	75%
Training reduction	\$0.07	\$0.03	\$0.04	40%
Project reduction	\$11.0	\$1.7	\$9.3	15%
Total	\$22.6	\$2.6	\$20.0	11%

2020 P&L Forecast \$ Million

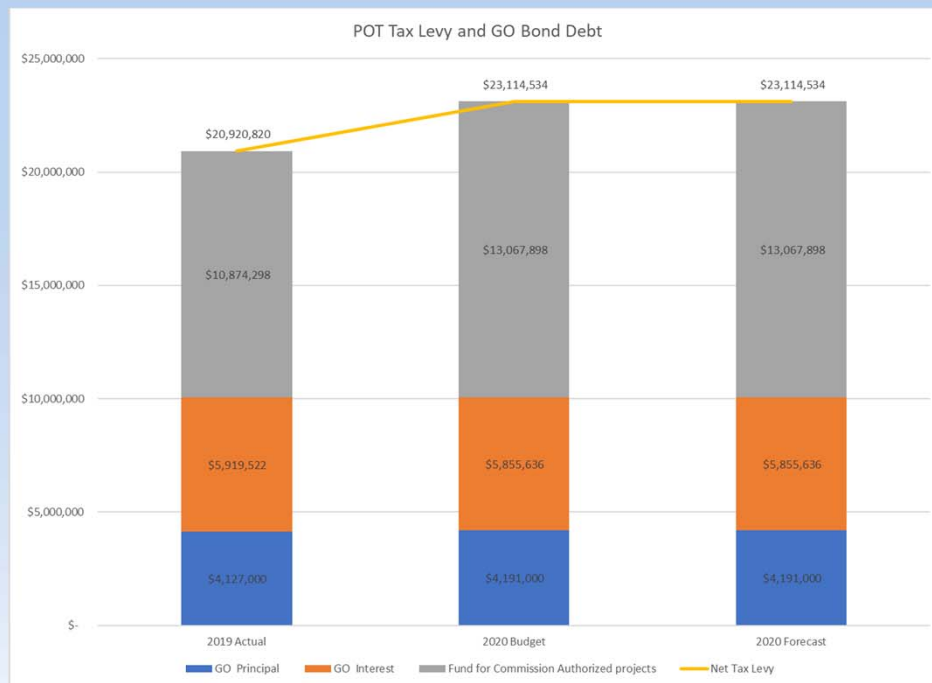


	2019 Actual	2020 Budget	2020 Forecast	Better / (Worse)
Revenue	\$ 75.4	\$ 60.1	\$ 53.8	\$ (6.3)
Expense before Depreciation	15.1	21.7	18.3	3.5
Depreciation	26.9	26.9	26.9	0.1
Operating income	33.4	11.4	8.7	(2.8)
Non operating Income	(9.9)	(8.6)	(5.8)	2.8
Income before Net Tax Levy	\$ 23.5	\$ 2.8	\$ 2.9	\$ 0.1
Net Tax Levy	16.1	18.4	18.4	-
Net Income	39.6	21.2	21.3	0.1

Note: 2019 Actuals include WA State driven reduction of pension expense of \$500,000 (net after allocations to and from NWSA)

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POT Tax Levy and Levy Usage



2020 Capitalized CIP \$ Million



		2020
Original 2020 Capitalized CIP budget	\$	32.0
Reductions to 2020 Spending		(11.5)
Forecated capitalized CIP Spending	\$	20.5
Roll from 2019		2.5
Net Capital		23.0

2020 Expense Projects reduced



Projects Name	Project Description	Original Budget	Reductions to 2020 budget	Sum of 2020 Adjusted Budget
Parcel 1b (EBC) Remediation Design & Construction	Early Business Center cleanup. Expect Consent Decree to be issued shortly.	1,640	(1,630)	10
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	(264)	1,236
Head of Hylebos Cleanup (Arkema)	Clean up completed, sampling done to evaluate performance. Waiting on EPA before drafting OMMP.	150	(97)	53
Wasser Winters Cap Repair (parcel 47)	Cap repair per Consent Decree	50	(50)	-
Maytown Operating Oversight	Ongoing support to maintain mining permit until sold	230	(50)	180
Parcel 2 Petroleum Investigation	Investigate remedies for clean up of former Alexander Avenue Tank Farm on the Hylebos. Potential cost recovery from Potential Liable Parties. Part of PSE leasehold property for LNG plant	163	(40)	123
Wasser Winters Cleanup Monitoring (parcel 47)	Consent Decree required monitoring	44	(5)	39

2020 Expense Projects Increased



Projects Name	Project Description	Original Budget	Reductions to 2020 budget	Sum of 2020 Adjusted Budget
3319 Lincoln Roof Coating & Gutter Repair	(blank)	-	1	1
Union Pacific Monitoring (parcel 69)	Consent Decree required monitoring	6	5	11
Parcel 1b (EBC) Investigation	Early Business Center cleanup. Expect Consent Decree to be issued shortly.	-	10	10
Fab Center Commission Space Conceptual Design	Conceptual design options for commissioner, executive staff & presenter areas, improve acoustic & audio visual capabilities	-	25	25
Parcel 40 Site Investigation	Investigation of existing petroleum plume	-	30	30
Admin Building Shoreline Assessment	Alternative analysis study for repairing shoreline	-	33	33
Parcel 69A UST Investigation & Cleanup	Underground Storage Tank investigation and potential clean up at SIM Yard	-	70	70
Parcel 105 UST Investigation	Underground Storage Tank investigation at W. Hylebos Log Dock	-	136	136
Parcel 86 Bank Stabilization	Repair and stabilize bank on Hylebos due to erosion. Will protect operations and environmental cap.	-	155	155

2020 Capitalized Projects Reduced



\$ Thousand				
Projects Name	Project Description	Original Budget	Reductions to 2020 budget	2020 Adjusted Budget
Admin Bldg Design & Construction	Bldg improvements & repairs to existing POT/SH admin building. Alternatives could have been cost of new building or lease expense if moving to a commercial building	8065	(5,535)	2,530
EBC Bldg 9532 Siding Replacement & Enclosure	Existing building has failing siding. Revenue model.	2300	(2,075)	225
POT Unallocated Capital Improvements (placeholder)	Budget for unplanned capital projects. Based on historical amounts	3,000	(1,870)	1,130
Thorne Rd Stormwater Improvements & 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.	1704	(1,664)	40
Admin Bldg Restroom Improvements	Bldg improvements & repairs to existing POT/SH admin building. Alternatives could have been cost of new building or lease expense if moving to a commercial building	925	(800)	125
Marc Street Improvements	Potential improvements to Marc street to solve stormwater issues and improve road for tenant	443	(443)	-
Parcel 91 Cleanup Investigation	Remedial investigation and feasibility study to select most cost effective solution to clean up former Brown and Haley site	358	(358)	-
Key Control & Management System	Replace obsolete key management system. Several master keys are missing. This will improve security and control.	250	(250)	-
Spreader Bay Doors	Improve ability to maintain crane and strad spreaders. Current curtain system doesn't provide required temperature control for welding, making maintenance difficult.	239	(239)	-
	Additional truck for track maintenance team. Improve efficiency and ability to work on track.	175	(175)	-
Track Greasers	Replace manual rail track greasers to improve efficiency and reduce wear on tracks	78	(78)	-

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2020 Capitalized Projects Increased



Projects Name	\$ Thousand Project Description	Original Budget	Reductions to 2020 budget	2020 Adjusted Budget
UCC Parcel 129 Habitat Design	Develop habitat site for concurrent (Thorne Rd) or advance mitigation credits on Upper Clear Creek	200	1	201
Annie 1 Track Gate Replacement	Install new gate at Annie 1 tracks	-	1	1
CCTV Expansion (PSGP2019)	Install cameras where we currently lack coverage. Grant funds will cover 25% of allowable costs.	-	10	10
Versalift VST50 Basket Truck	Replace existing basket truck used to maintain lights and other equipment mounted in high locations	125	13	138
Power Installation at 2901 Taylor Way	Install power for new tenant	-	39	39
3319 Lincoln Ave Bldg Lighting Upgrade	Upgrade lighting to LED to reduce energy consumption	-	49	49
Ford F550 Hi Rail Truck	Replace existing Hi Rail truck	-	175	175
Parcel 129 Building Demolitions	Demolition of derelict buildings. Land purchased to develop habitat site at Upper Clear Creek for mitigation credits for future development	-	314	314
Admin Bldg Flooring Replacement	(blank)	-	429	429
1701 POT Rd Bldg Roof Replacement	Replace roof on existing building. Required to maintain existing revenue flow.	-	495	495
Fiber Lot F to T4 Admin Bldg (PSGP2018)	Part of the lease commitment with Husky for redevelopment of the backlands. Grant funds awarded for 25% of allowable costs.	295	497	792