

PORT OF EVERETT

We Provide Value: We Create Economic Opportunities



2018 Preliminary Budget

*John Carter
Chief Financial Officer
October 24, 2017*



2018 Budget Overview

Presentation Outline

- Overview of Budget
- Capital Improvement Plan
- Operating Budget highlights
- Budget Funding Plan
- Discussion on Financial Implications
- Budget Schedule

The Budget Document

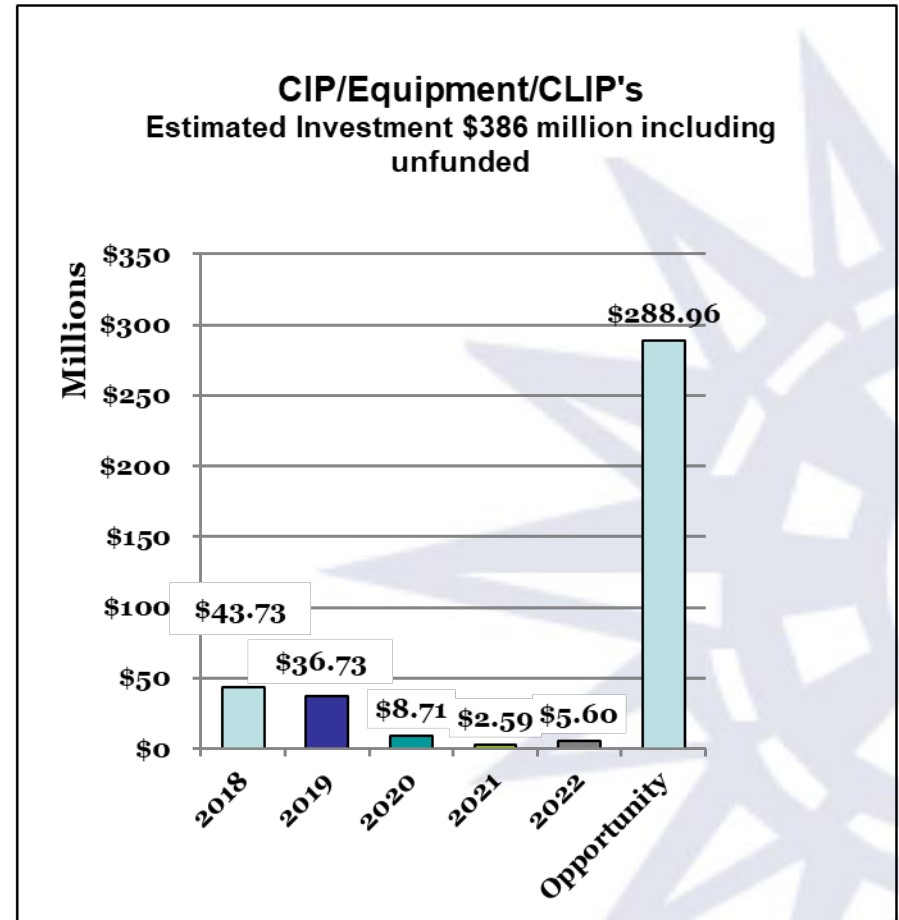
1. One year Operating Budget, five year forecast
2. Five year Capital plan **by Initiative**
 - Added contingency
 - Projects timed for funding and staffing
 - Some projects shown as “Opportunity” will move up
3. Three year funding commitment.
4. Five year financing strategy

5 year Capital Budget Exclusions

- What is not shown as funded in 2018-2022 Capital Budget
 - Seaport
 - Some large elements of modernization project
 - Marina/Properties
 - Later phases of development
 - Marina recapitalization
 - Real estate land purchases
 - Large environmental remediation

CIP high level overview

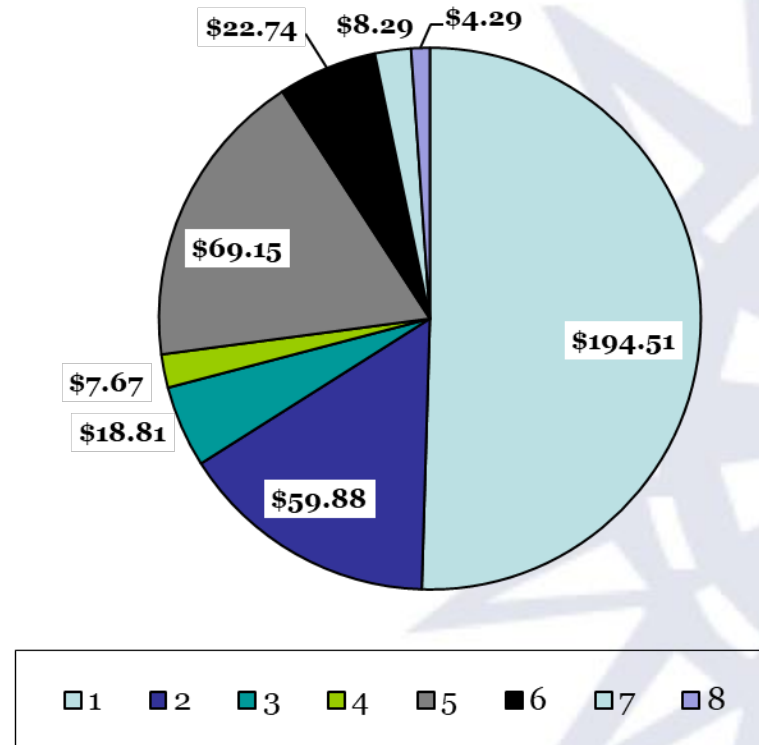
- Five year budget
- First three years in the full funding window.
- Projects to be completed outside of the 5 year window shown as Opportunity Projects
- Total of 115 projects,
 - 56 have activity in 2018.



Strategic Initiative Investments

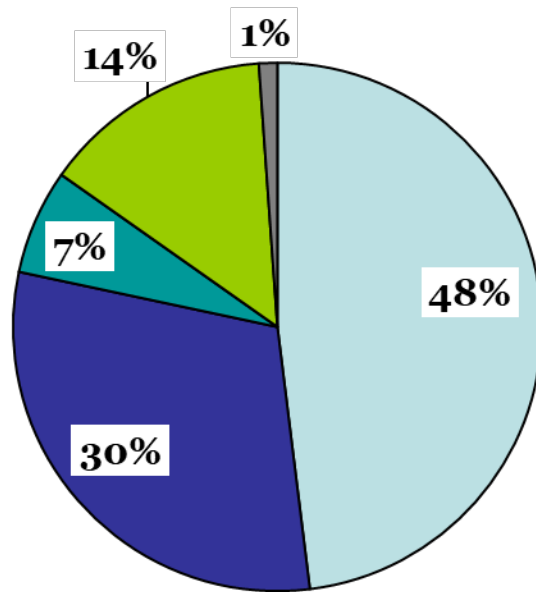
1. Seaport Modernization
2. Creating a new waterfront community
3. Taking care of Existing Facilities
4. Leading in remediating historic contamination
5. Developing sustainable Marina operations
6. Enhancing and optimizing our Real Estate holding
7. Enhancing public assets
8. All other projects

CIP/Equipment/CLIP's
Estimated Investment \$386 million including unfunded

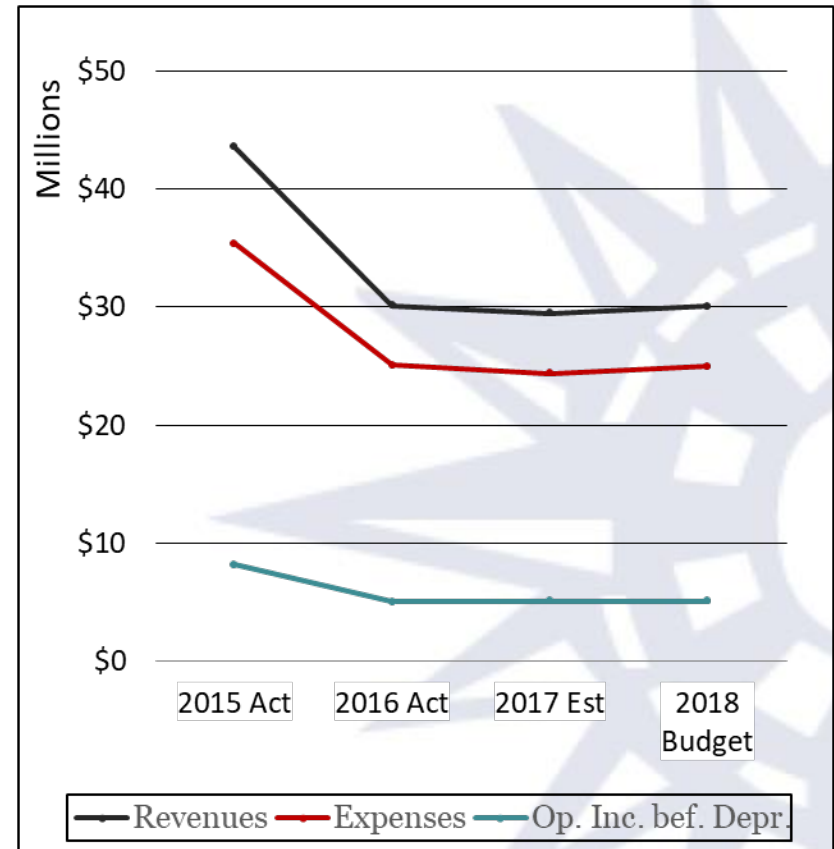


Operating Highlights

Budgeted 2018 Portwide Revenues
All Sources
Total-\$35.5 million

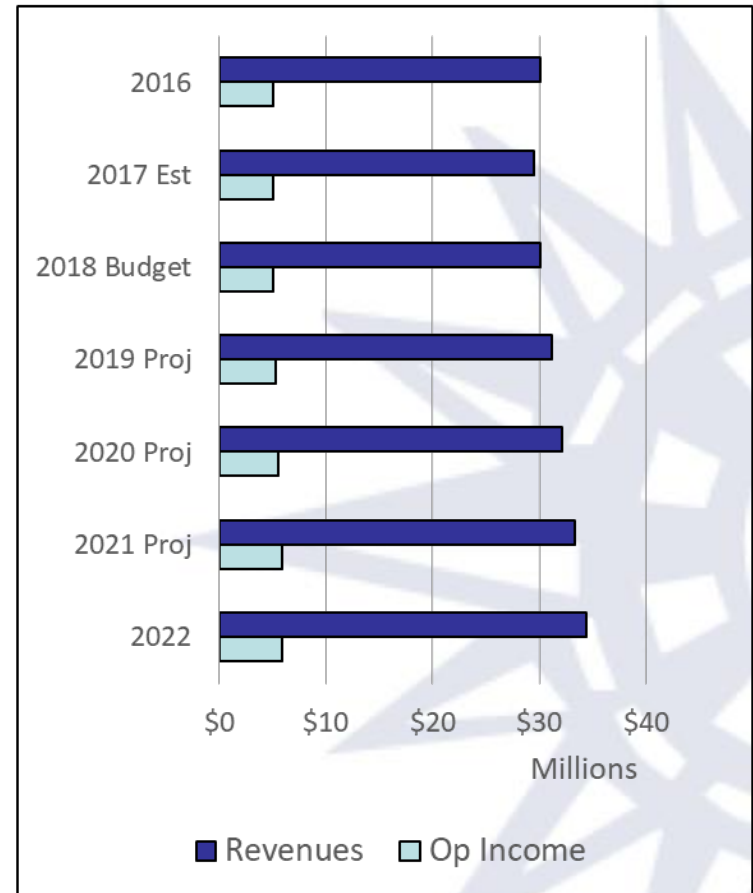


MT
 Marina
 Properties
 Prop Taxes
 Other



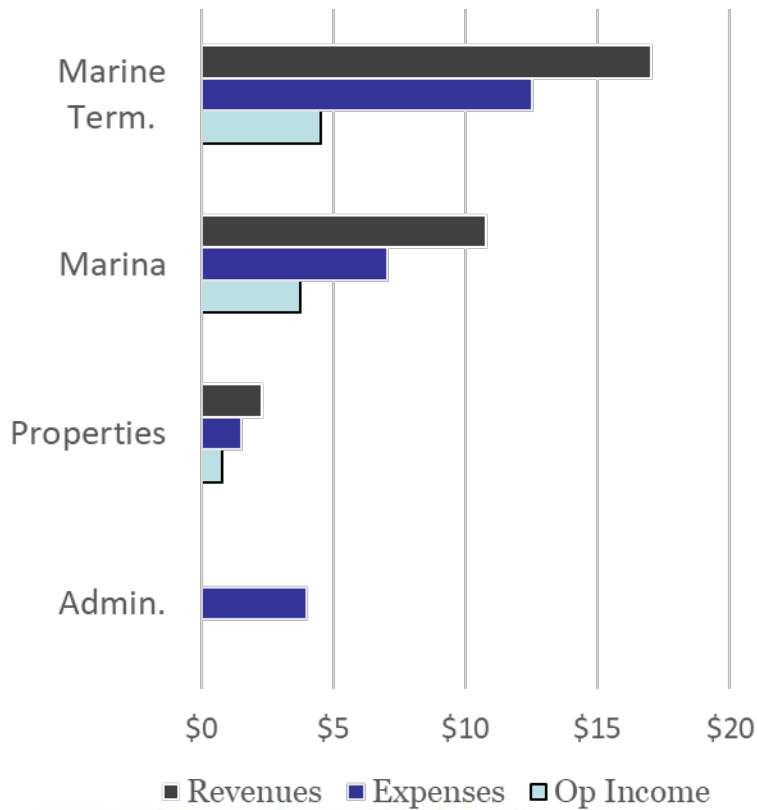
2018 Operating Budget

- Operating Income: \$5.1 million
- 2% year-over-year increase in Revenue (from 2017 estimate)
- Revenues up in
 - Marina
 - Properties
- Decline in Marine Terminals Revenue
- 2.4% increase in Operating Expenses from '17 Estimate
- 3-5 year forecast is for modest revenue growth

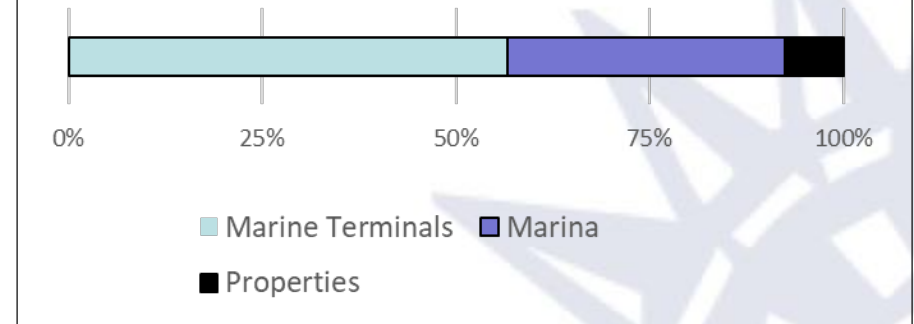


2018 Operating Budget by Division

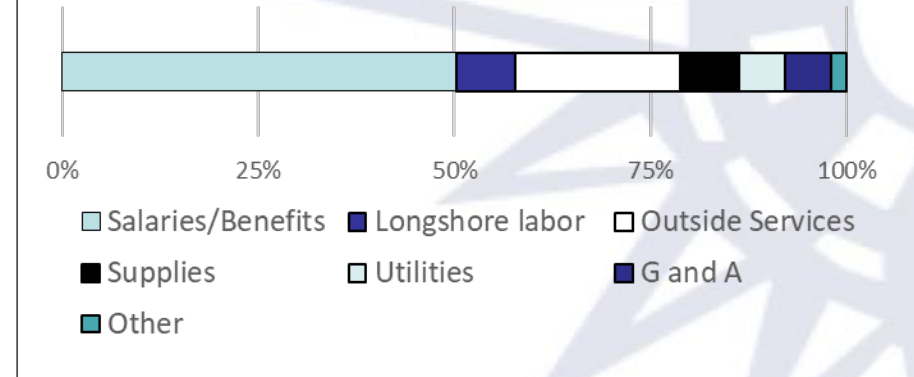
2017 Ops Budget (millions)



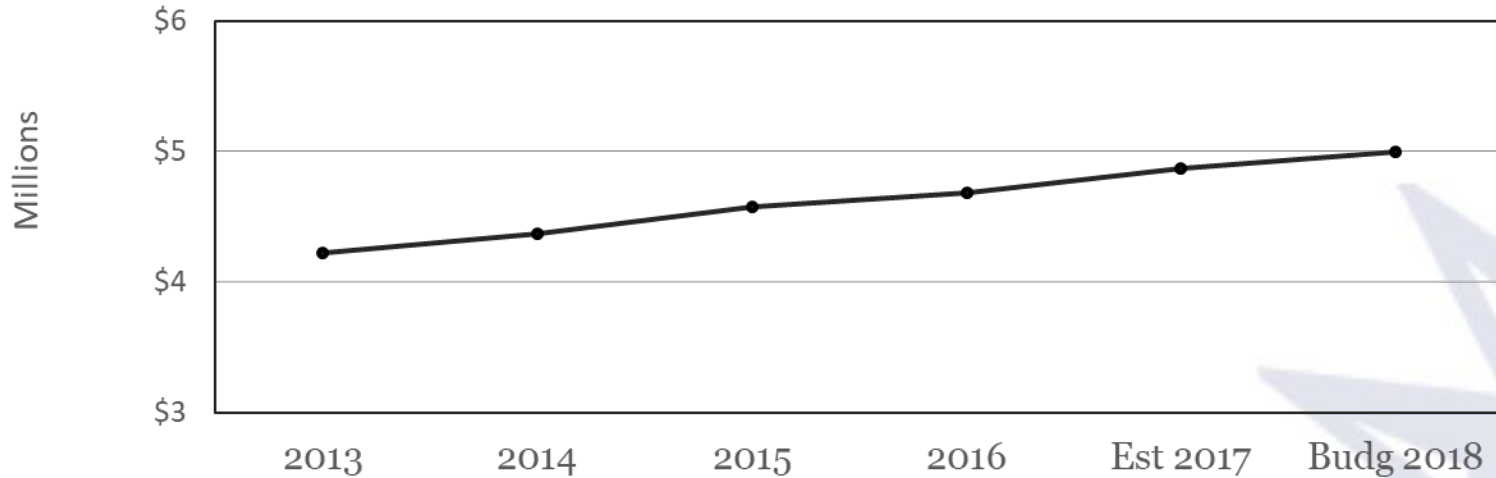
Operating Revenues by Division



Operating Expenses



Property Tax Levy

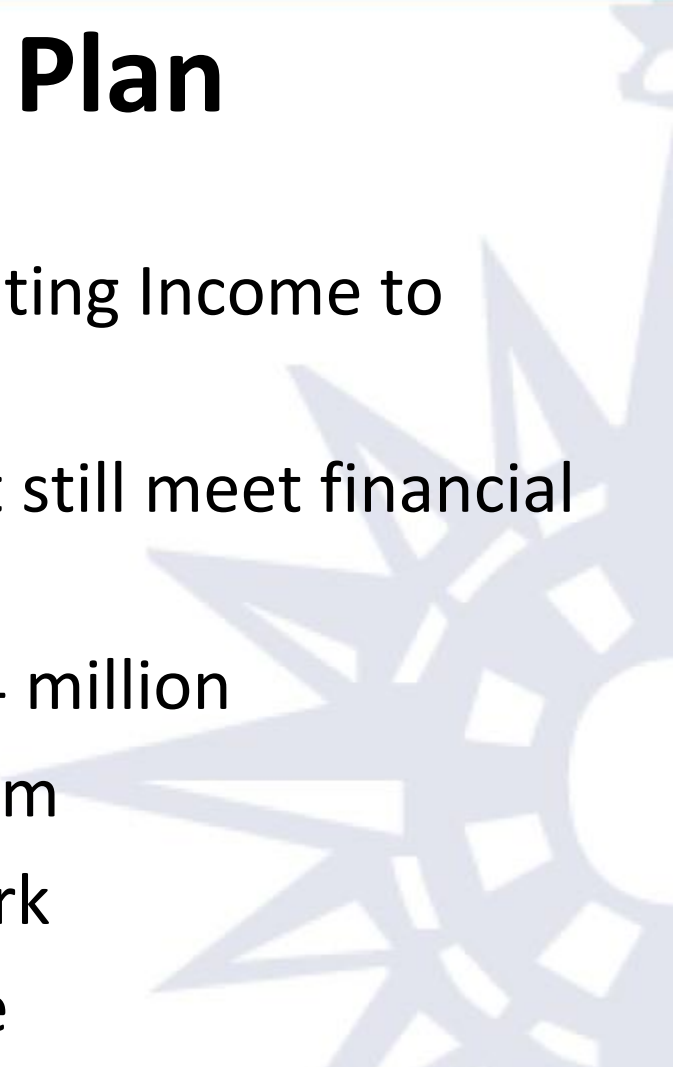


- Assumes 1% increase plus new construction; Levy rate to fall
- Property taxes used to pay for non-revenue generating capital investments.
- 3-5 year forecast tax levy will continue to offset costs for Environmental Cleanups and Public Access projects

Outstanding Debt

- Est. 2017 yearend cash and investments of \$27.6 M
- Total Outstanding Senior debt at end of 2017: \$52.60 M
 - G. O. Bonds \$14.3 M
 - G.O Line of Credit \$ 6.0 M
 - Revenue Bonds \$35.1 M
- Debt service payments-Senior Debt
 - 2017 annual debt service \$4.6 M
- G.O. Bond unvoted capacity of \$45 M (\$31 M available)
- 2017 coverage ratio of 2.95 X Revenue Debt Service

Preliminary Funding Plan

- Assumes slow growth of our Operating Income to about \$5.9 million in 2022.
 - Spend down our cash reserves, but still meet financial guidelines
 - Sale of Port owned property- \$14.4 million
 - Remainder of Mukilteo Tank Farm
 - Portion of Riverside business Park
 - Waterfront Place/Marina Village
- 

Preliminary Funding Plan

- Continue to leverage our balance sheet:
\$34.8 million in new debt
 - G.O. Bonds \$25 million
 - Revenue Bonds none
 - Federal and State Loans \$10.8 million
 - Bank loans and leases -\$1.0 million
- Obtain future grants and third party payments
 - Environmental remediation contributions:
\$6.1 million
 - Capital Grants previously announced: \$16.3 million
 - Future state and federal grant requests \$4 million

Capital Budget Financing

(in millions)

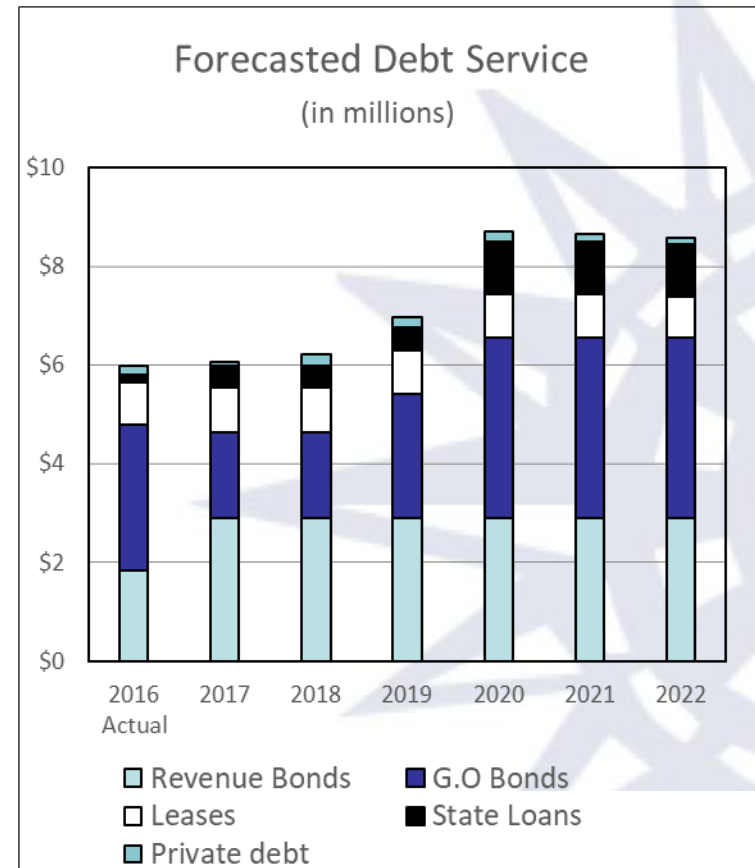
(in millions)	2018	2019	2020	2021	2022	Total
Gross capital budget	\$53.73*	\$36.73	\$ 8.71	\$ 2.59	\$ 5.60	\$107.36
Grants & 3 rd party payments	\$ 5.97	\$10.65	\$ 7.30	\$ 1.27	\$ 1.19	\$ 26.38
Sale of Property	\$ 7.38	\$ 3.00	\$ 0.00	\$ 2.00	\$ 2.00	\$ 14.38
\$ from Ops/Non-Op.	\$10.00	\$ 9.95	\$10.68	\$10.77	\$10.66	\$ 52.06
New Debt	\$21.85	\$15.00	\$ 0.00	\$ -2.00	\$ 0.00	\$ 34.85
Change in cash reserves	\$(13.42)	\$(5.10)	\$ 0.57	\$ 0.81	\$ (0.34)	\$(17.48) Net Change
Ending Cash Balance	\$14.20	\$ 9.10	\$ 9.67	\$10.47	\$10.14	
D/S Coverage Ratio (All Available cashflow/ Senior debt service only)	2.85	2.57	2.43	2.46	2.42	

*2018 includes estimated \$10 million carrying forward from 2016 budget

Overall Projected Debt Service

(in millions)

- Key Assumptions of Finance Plan includes subordinated debt:
 - \$5 million WSDOT Rail Bank loan 10 yr @1%
 - \$4.5 million in Federal Railroad Rehab. and Improvement Loan with five years deferred payments.
 - \$1.85 million in CERB loan with 2 year deferral



Preliminary Funding Plan, cont.

- Debt service payments
 - 2016: \$6.0 million
 - 2021: \$8.6 million

Coverage ratios	2016	2022
• Senior Revenue Debt:	4.99 X	2.42 X
• All Revenue Debt:	3.03 X	1.42 X

Preliminary Funding Plan, cont.

- Options to consider
 - Sale of Assets
 - Public Private Partnerships
 - Industrial Development District tax levy
 - Federal loan programs
 - Bank private placements
 - Phasing or eliminating projects
 - Further reduction of expenses



Budget Adoption Schedule

Oct. 28: 1st of 2 published notices of Public Hearing regarding budget

Oct. 28: Summary Preliminary Budget posted to website

Oct. 28: Citizen budget guide available

Nov. 4: 2nd published notice of Public Hearing

Nov. 7: Preliminary Budget discussion and open public hearing

Budget Adoption Schedule

Nov. 7: Deadline for proposed budget amendments

Nov. 14: Introduce Budget and Property Tax resolutions and close public hearing

Nov 22: Special meeting, if necessary

Nov 29: Additional Commission meeting if necessary to adopt budget

Dec. 4: Deadline for filing budget with County

**Questions?
Thank you!**