

Port of Port Townsend

Port Commission Update

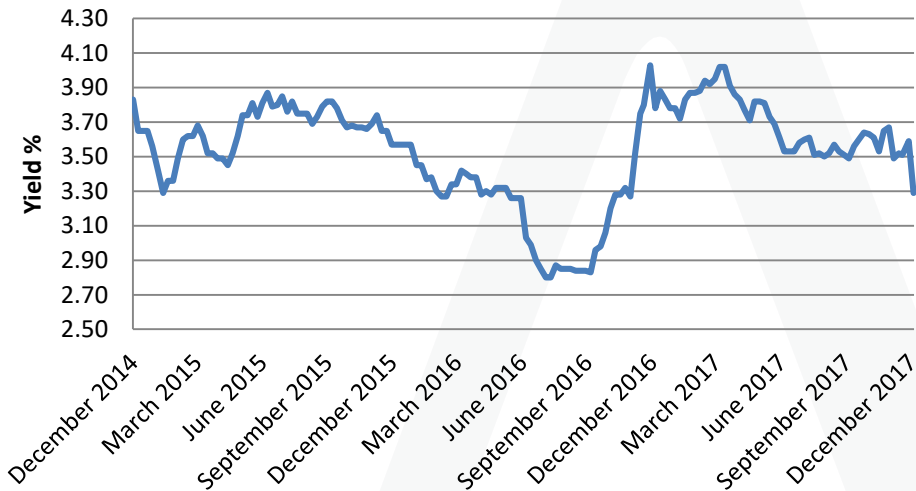


Northwest Municipal Advisors
December 13, 2017

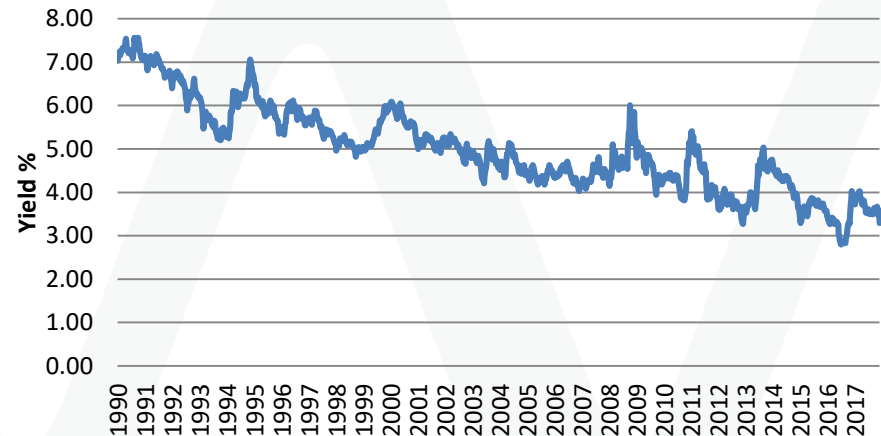
Bond Market

- Interest rates have increased since historical lows in July 2016, particularly after the presidential election
- The market has been volatile recently with the proposed tax law changes
- Rates are still low from a historical perspective
- The graphs below show the same data over two different time periods

Bond Buyer 20-Bond GO Index
December 2014 to 2017



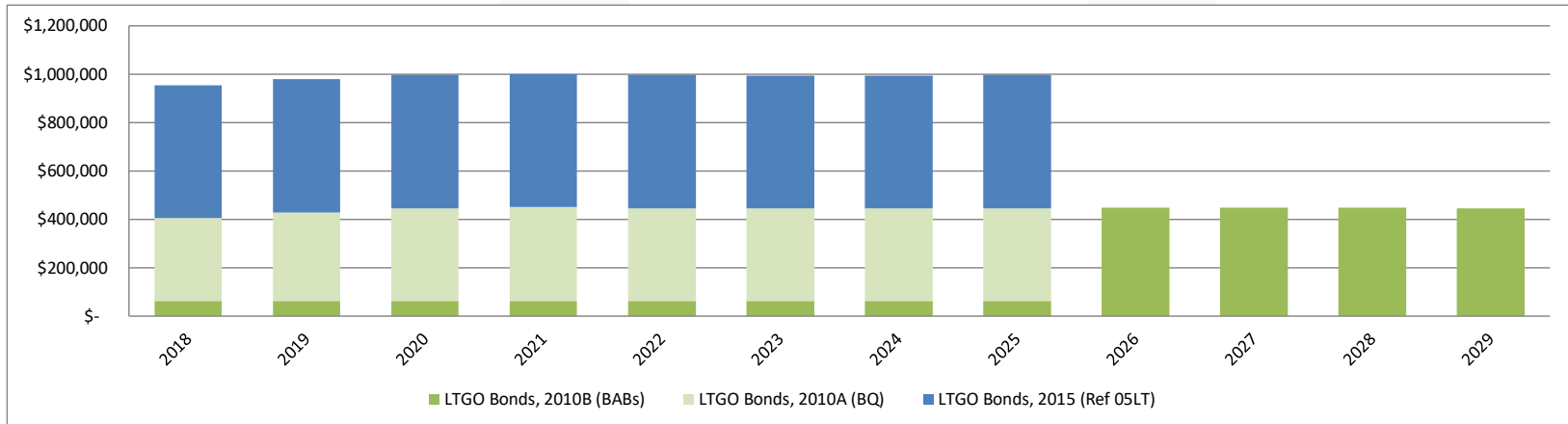
Bond Buyer 20-Bond GO Index
1990 to Present



Outstanding LTGO Bonds

Outstanding Debt

<u>Limited Tax General Obligation Bonds (Moody's: Aa3)</u>	<u>Par Outstanding</u>	<u>Callable Par</u>	<u>Final Mat.</u>	<u>Coupon Range</u>	<u>Call Date</u>	<u>Purpose</u>
LTGO Bonds, 2010A (BQ)	\$ 2,475,000	\$ 1,975,000	12/1/25	4.00% - 4.50%	6/1/20	Boat Haven Marina A&B Docks, Travelift Haul-out pier, uplands improvements
LTGO Bonds, 2010B (BABs)	1,630,000	1,630,000	12/1/29	6.125% (3.98% TE Equiv)	6/1/20 & Ext Call	Boat Haven Marina A&B Docks, Travelift Haul-out pier, uplands improvements
LTGO Bonds, 2015 (Ref 05LT)	3,855,000	-	12/1/25	3.00%	No Call	Improvements to Point Hudson Marina (Ref. 05)
Total LTGO Bonds Debt	\$ 7,960,000	\$ 3,605,000				



* Debt service shown net of full Build America Bonds (BABs) subsidy.

Outstanding Revenue Bonds

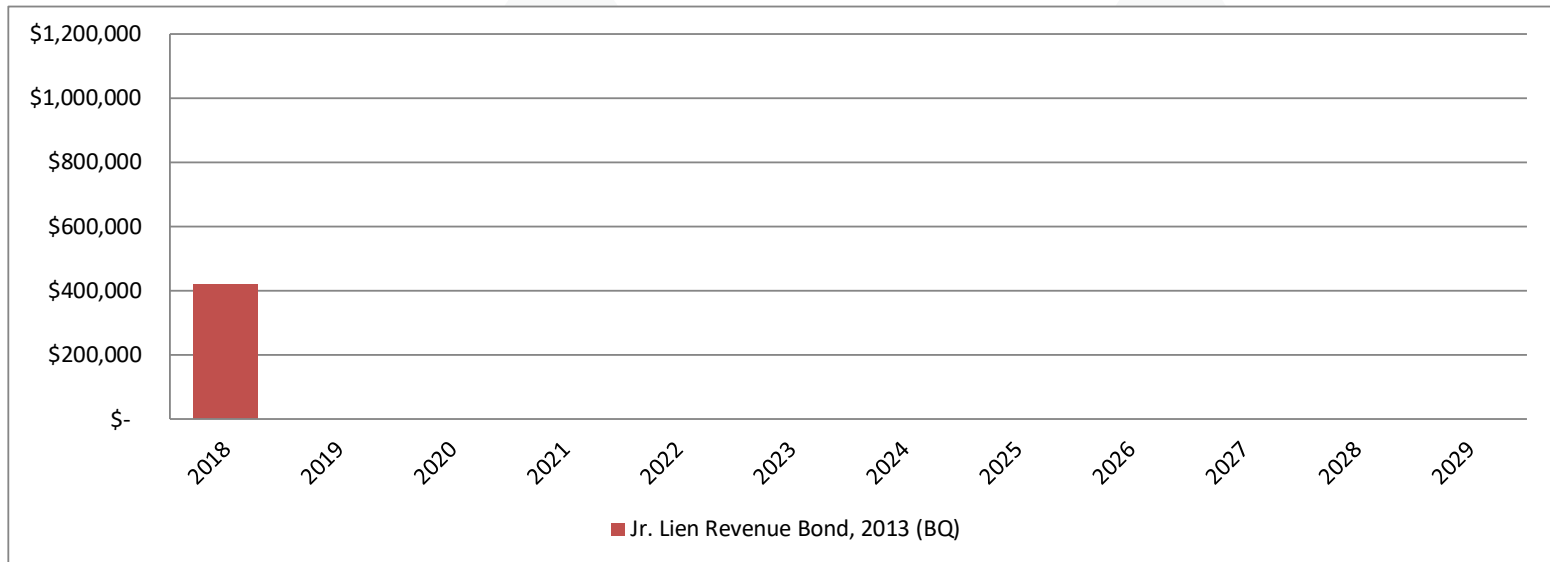
Outstanding Debt

Revenue Bonds

Jr. Lien Revenue Bond, 2013 (BQ)

Total Revenue Bonds Debt

	<u>Par Outstanding</u>	<u>Callable Par</u>	<u>Final Mat.</u>	<u>Coupon Range</u>	<u>Call Date</u>
Jr. Lien Revenue Bond, 2013 (BQ)	\$ 409,507	\$ 409,507	11/1/18	3.00%	Any Time
Total Revenue Bonds Debt	\$ 409,507	\$ 409,507			



Types of Bonds by Security

- General Obligation Bonds
 - Unlimited Tax General Obligation Bonds (UTGO)
 - *Voter approved*
 - Limited Tax General Obligation Bonds (LTGO)
 - *Secured by pledge of taxes collected by Port*
 - *Other sources may be used to pay debt*
 - Capacity limited by State law
 - Least expensive type of debt
 - Port's bond rating: Aa3 (upgraded in January)
- Revenue Bonds
 - Paid by revenues of the Port
 - Tax collections are not pledged but can be used to cover operating costs
 - Capacity limited by demonstrated ability to pay
 - More expensive than general debt
 - *Generally lower rating*
 - *Requires reserve of approximately 1-year's worth of debt service*

General Obligation Debt Capacity – Current

- General obligation debt is limited by State law and the ability to pay
- Debt capacity has increased by approximately \$1 million since the beginning of 2017 due to the payoff of principal in 2017 and the projected increase in assessed valuation

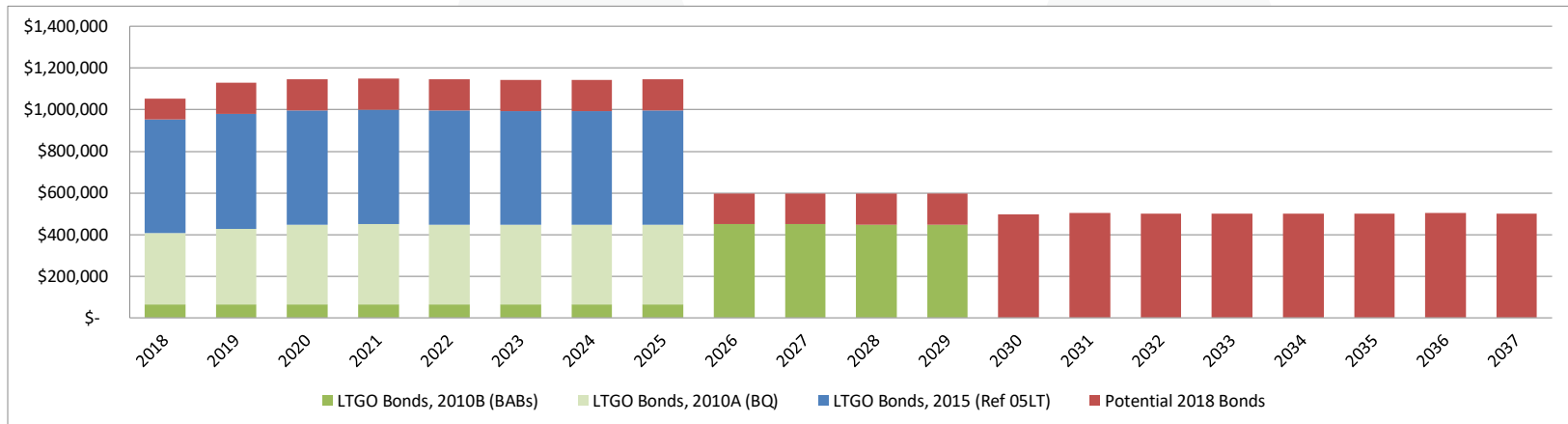
2018 Collection Year Total Assessed Valuation (1)		\$5,108,255,690
		Current
Limited Tax General Obligation Debt Capacity (Non-voted)		
Limited Tax General Obligation Debt Capacity		
(0.25% of Assessed Valuation)	\$	12,770,639
Less: Outstanding Limited Tax General Obligation Bonds		7,960,000
Less: Potential 2018 Bonds		-
Plus: Cash and Investments in Bond Fund		-
Remaining Capacity (Non-voted)	\$	4,810,639
Tax General Obligation Debt Capacity (Voted and Non-voted)		
Total General Obligation Debt Capacity		
(0.75% of Assessed Valuation)	\$	38,311,918
Less: Outstanding Unlimited General Obligation Bonds		-
Less: Outstanding Limited Tax General Obligation Bonds		7,960,000
Less: Potential 2018 Bonds		-
Plus: Cash and Investments in Bond Fund		-
Remaining Capacity (Voted and Non-voted)	\$	30,351,918
(1) Preliminary. Jefferson County Assessor's website.		

2018 Financing

- Provide \$3.5 million for jetty replacement by Spring 2018
- Minimize debt service impact in the early years by “wrapping” new debt around existing debt

Outstanding Debt

Limited Tax General Obligation Bonds	Par Outstanding	Callable Par	Final Mat.	Coupon Range	Call Date	Purpose
LTGO Bonds, 2010A (BQ)	\$ 2,475,000	\$ 1,975,000	12/1/25	4.00% - 4.50%	6/1/20	Boat Haven Marina A&B Docks, Travelift Haul-out pier, uplands improvements
LTGO Bonds, 2010B (BABs)	1,630,000	1,630,000	12/1/29	6.125% (3.98% TE Equiv)	6/1/20 & Ext Call	Boat Haven Marina A&B Docks, Travelift Haul-out pier, uplands improvements
LTGO Bonds, 2015 (Ref 05LT)	3,855,000	-	12/1/25	3.00%	No Call	Improvements to Point Hudson Marina (Ref. 05)
Potential 2018 Bonds	3,305,000	3,305,000	12/1/37			
Total LTGO Bonds Debt	\$ 11,265,000	\$ 6,910,000				



* Debt service shown net of full Build America Bonds (BABs) subsidy.



General Obligation Debt Capacity – After

- After a potential general obligation financing, approximately \$1.5 million of debt capacity would remain
 - \$665,000 of principal will be paid in 2018 on the Port’s existing debt adding to the remaining debt capacity

2018 Collection Year Total Assessed Valuation (1)		\$5,108,255,690	
	Current	After Potential Financing	
Limited Tax General Obligation Debt Capacity (Non-voted)			
Limited Tax General Obligation Debt Capacity			
(0.25% of Assessed Valuation)	\$ 12,770,639	\$ 12,770,639	
Less: Outstanding Limited Tax General Obligation Bonds	7,960,000	7,960,000	
Less: Potential 2018 Bonds	-	3,305,000	
Plus: Cash and Investments in Bond Fund	-	-	
Remaining Capacity (Non-voted)	\$ 4,810,639	\$ 1,505,639	
Tax General Obligation Debt Capacity (Voted and Non-voted)			
Total General Obligation Debt Capacity			
(0.75% of Assessed Valuation)	\$ 38,311,918	\$ 38,311,918	
Less: Outstanding Unlimited General Obligation Bonds	-	-	
Less: Outstanding Limited Tax General Obligation Bonds	7,960,000	7,960,000	
Less: Potential 2018 Bonds	-	3,305,000	
Plus: Cash and Investments in Bond Fund	-	-	
Remaining Capacity (Voted and Non-voted)	\$ 30,351,918	\$ 27,046,918	
(1) Preliminary. Jefferson County Assessor's website.			

Next Steps and Example Schedule

- Next Steps
 - Provide additional options as needed for the Commission and staff
 - Authorization to proceed with financing
- Schedule
 - January 2018 Authorization to proceed
 - February Drafts of Preliminary Official Statement (POS) and Bond Resolution Available for Review
 - February Underwriter Selection
 - March Commission Consideration of Bond Resolution
 - March Presentation to Rating Agency (Moody's)
 - March-April Receive Bond Rating
 - Distribute POS to prospective bond purchasers
 - April Bond Sale
 - April Closing / Funds available