



**SEA THE  
FUTURE  
WITH US**

# Port of Everett Debt Story

John Carter, former CFO

For all questions, call Bob Marion

June 13, 2019



@portofeverett | #portofeverett



# ACRONYM **QUIZ**

- FAST ACT
- INFRA
- TIGER
- BUILD
- TIFIA
- RRIF
- CMAQ

# ACRONYM QUIZ

- FAST ACT - Fixing America's Surface Transportation
- INFRA - Infrastructure for Rebuilding America
- TIGER - Transportation Investment Generating Economic Recovery
- BUILD - Better Utilizing Investments to Leverage Development
- TIFIA - Transportation Infrastructure Finance and Innovation Act
- RRIF - Railroad Rehabilitation and Improvement Financing
- CMAQ - Congestion Mitigation Air Quality improvement
  - Program within FAST

# PRESENTATION **OUTLINE**

- Background on the Port of Everett
- High level details on Seaport Modernization Project
- Budget and funding plan for project
- Explanation of Federal and State funding programs
- Lessons to keep in mind



# ABOUT THE **PORT OF EVERETT**

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The Port District and boundaries formed in 1918; serves nearly 100,000 people

Not a countywide port

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Special Purpose District 'economic development' supporting the local economy

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The Port's customs district ranks first in the state at \$21 BILLION in exports (2018) including airplanes.

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Everett is homeport to Naval Station Everett

# ABOUT **PORT OF EVERETT**

## **Overall**

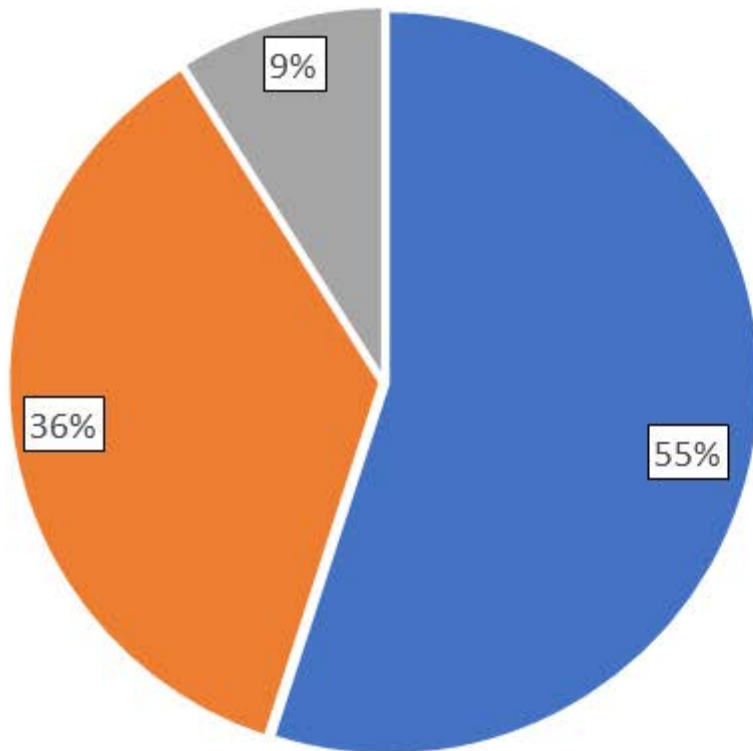
- Formed in 1918
- Port district about 80% of Everett and 50% of Mukilteo
- 3 Commissioners/92 Staff
- 3,000 overall acres
- Organized into 3 profit centers
  - Marine Terminals
  - Marina
  - Real Estate management

## **Financial/budgeting**

- Total 2019 Budget \$102 million
- Sources
  - Operating Revenues \$30.2 million
  - Non-Op Revenue \$6.7 million
  - Grants \$11.5 million
  - Property Sales \$14.7 million
  - Remainder: new debt and cash reserves
- Uses
  - Operating Expenses \$24.2 million
  - Capital/environmental projects \$70.6 million
  - Debt service payments \$6.3
  - Other non-op expenses

# ABOUT **PORT OF EVERETT**

2018 Revenue of \$29.4 million  
% of total



■ Marine Terminals ■ Marina ■ Real Estate

- Operating Income \$4.0 million
- Debt service coverage ratio 3.2 X
- Budget by Initiative
  - Modernize the Seaport
  - Develop Waterfront community
  - Recapitalize marina
- Total identified capital projects of \$400 million
  - \$110 million is funded





# SEAPORT MODERNIZATION

## Project Goals

- 1400' Berth
- 1000 per square foot load capacity
- 45' draft
- 100 ft gauge gantry cranes
- Tripling of on-terminal rail capacity
- Upgraded electrical capacity



# SEAPORT **MODERNIZATION**

## **Reasons for doing the project?**

- Support Boeing
- Ships getting larger
- Aging infrastructure
- Existing contamination

## **Reasons for NOT doing the project?**

- No new revenue
- Projections for future use vague
- Limited debt capacity



# SEAPORT **MODERNIZATION**

- Project problems:
  - Costs estimated at over \$200 million
  - Timeline uncertain due to clean-up issues
- Decision made to do project in phases and establish clear off ramps
  - 1<sup>st</sup> phase expand rail
  - 2<sup>nd</sup> phase rebuild existing wharf to support larger cranes
  - 3<sup>rd</sup> phase do interim dredging
  - 4<sup>th</sup> phase larger dredging, build out longer wharf





# SEAPORT MODERNIZATION **BUDGET**

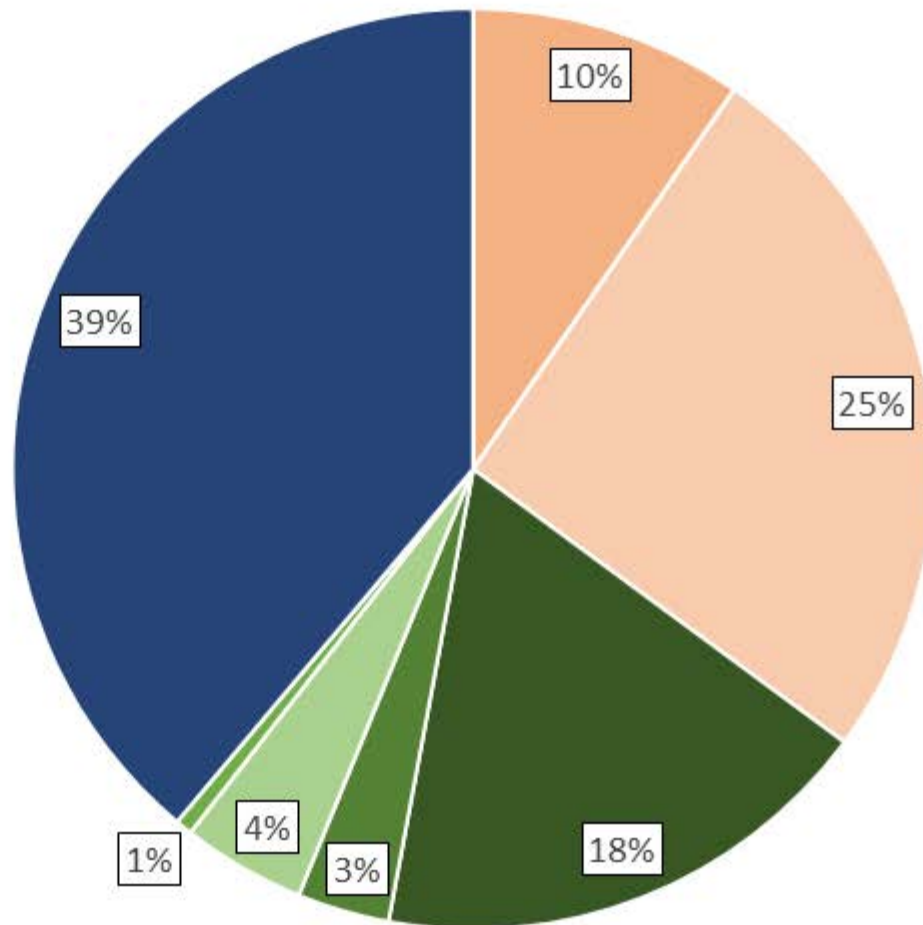
- \$55 million through current phase
  - Planning/engineering \$4 million
  - Rail upgrades \$8 million
  - Move/rebuild warehouse \$2 million
  - Cranes \$9 million
  - Dock strengthening \$32 million
- Original estimates (2015-2016)
  - Planning/engineering \$4 million
  - Rail upgrades \$4 million
  - Move/rebuild warehouse added to project
  - Cranes \$2 million
  - Dock strengthening \$32 million but with significant scope changes

# CURRENT **FUNDING PLAN** (IN MILLIONS)

	Costs	RRIF	Rail Bank	Tiger	Fast	Commerce	CMAQ	Port funds
Planning/ Engineering	\$ 3.844		\$ .902			\$ 1.455		\$ 1.287
Rail phase 1	\$ 4.022		\$2.228					\$ 1.794
Rail phase 2	\$ 4.225	\$ 3.254				\$ .970		
Warehouse move	\$ 2.114	\$ 2.114						
Wharf strengthening	\$32.000		\$11.157	\$10.000	\$ 1.812		\$ .333	\$ 8.698
Cranes	\$ 9.000							\$ 9.000
<b>Total</b>	<b>\$55.205</b>	<b>\$ 5.368</b>	<b>\$14.287</b>	<b>\$10.000</b>	<b>\$ 1.812</b>	<b>\$ 2.425</b>	<b>\$ .333</b>	<b>\$21.779</b>

# THE COLOR OF MONEY

Project funding





# MY **DEBT STORY**

(OR WHY I RETIRED EARLY)

- Federal DOT programs
- Managed through the Build America Bureau
- Three separate loan programs
  - TIFIA
  - Innovation Act
  - RRIF



# RRIF LOANS

- Terms
  - Up to 35 years
  - Rate at 30 yr. US Treasury rate plus risk premium
  - Significant up-front costs
  - Significant on-going reporting requirements
  - Inflexible terms may be in conflict with your other debt
  - Process is labored and long



## Railroad Rehabilitation & Improvement Financing Program

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FEDERAL RAILROAD ADMINISTRATION  
U.S. DEPARTMENT OF TRANSPORTATION

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# RRIF **LOAN PROGRAM**

- Capacity: Up to \$35 Billion

- Loans since 2016

• Dallas Area Rapid Transit	\$ 908,000,000
• Port of Everett	\$ 5,949,999
• Massachusetts Bay Trans.	\$ 220,000,000
• Amtrak	\$ 2,450,000,000

## Port of Everett First Port to Secure Federal Rail Loan



**Everett, Wash.** – “As they said in *Star Trek*, to boldly go where no man has gone before ... or in our case, to boldly go where no **Port** has gone before,” said the Port’s Chief Financial Officer as he asked for the Port Commission’s approval of the Federal Rail Rehabilitation Improvement Financing (RRIF) Loan last week.

On October 23, the Port Commission approved a \$5.949 million RRIF loan with the U.S. Department of Transportation Build America Bureau for two key infrastructure projects that support the Port’s Seaport Modernization efforts. The Port of Everett is the first Port to make it through the complex loan process.

“I’ve been proud to work with the Port of Everett to secure federal investments to ensure the Port continues to meet the demands of the 21st century economy, and I’m thrilled to see the federal government bring even more resources to the table. This investment will help complete vital modernization projects and support an important economic hub in Washington state,” said U.S. Senator Patty Murray (D-WA), a senior member of the Senate Appropriations Committee.

“You can’t have a big league economy with little league infrastructure. Safe and efficient rail infrastructure supports thousands of jobs in Washington state. This loan will help the Port of Everett expand rail capacity and alleviate local road congestion, an issue Snohomish County knows well,” said Congressman Rick Larsen (D-WA).

The two projects financed under the RRIF loan were the Port’s Terminal Rail Improvements Phase II and the Cargo Transit Shed Relocation Project. These two projects, which are now complete, increased the Port’s on-terminal rail footprint from 9,200 lineal feet to 12,500 lineal feet, and provides nearly 40,000 square feet of covered warehouse space for rail loading. Given the Port’s location on the BNSF mainline, enhanced on-terminal rail capacity and more seamless ingress and egress is vital to ensuring efficient freight mobility on the mainline from Seattle to Canada and east along the northern corridor.

“Completing critical infrastructure upgrades like this will better position the Port and its facilities to handle the larger vessels and heavier cargoes and other opportunities on the horizon,” said Glen Bachman, Port of Everett Commission President.

The loan is attractive because it is interest only for the first five years of the investment, stretches up to 30 years, and is fixed at the current treasury yield of 3.32% and does not include a pre-payment penalty.

The RRIF program, which includes \$35 BILLION in available funding, was streamlined as part of the 2016 Grow America Act. Specifically, the Act said it “... will strengthen RRIF by reducing the cost of obtaining a loan, making RRIF more accessible, a vital tool for short line and regional railroads.”

“This funding will help fund a key port in Washington state to handle more cargo, thereby helping our country remain competitive in the increasingly global economy,” said U.S. Transportation Secretary Elaine L. Chao in an agency release.

Since 2002, USDOT has issued 35 loans totaling more than \$2.7 billion across 27 states. Most loan applicants and recipients were passenger train service providers, such as Amtrak, or large railroad corporations.

“USDOT has very attractive infrastructure financial tools that the Port would like to access to support our international trade and economic development,” Port of Everett Acting CEO Lisa Lefebvre said. “Navigating the complex permitting, regulatory and financial requirements to close a federal loan requires advanced planning, diligence, lots of patience and back-up plans. Even though it is a relatively small loan amount, we stayed course because if successful, it would open up opportunities for larger projects in the future. Our diligence paid off, and we now have a financial contract framework to apply to other projects and USDOT loan programs in the future.”

The Port utilizes rail to support U.S. exports and imports, including the aerospace, construction, manufacturing, energy, agricultural and forest products industries. The project allows the Port to safely and efficiently transport goods from ship to shore, with cargo arriving and departing the terminals utilizing rail as well as trucks. The use of rail service for the cargo shipments has the potential to eliminate at least 429 million commercial truck miles off of the local roads and highways. Additionally, these projects will retain and help grow the Port’s 13,614 direct trade-related jobs, and provide approximately 145 construction jobs.

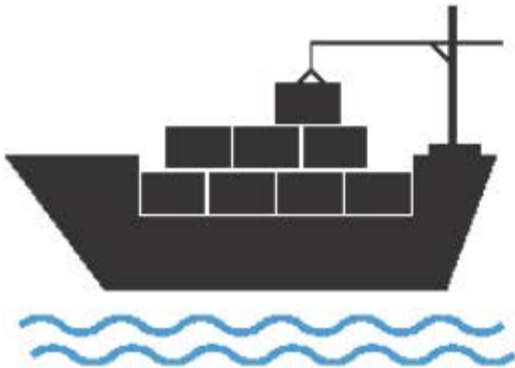
For more information, contact Lisa Lefebvre at [llsam@portofeverett.com](mailto:llsam@portofeverett.com) or by phone at 425.388.0617.

### About the Port of Everett Seaport

The **Port of Everett**, located 25 miles north of Seattle, is a strategic self-operating seaport that supports nearly \$30 BILLION worth of U.S. exports annually, the largest customs district in Washington State. Everett is home to The Boeing Company’s largest manufacturing facility and also homeport to Naval Station Everett. Its regional transportation network supports more than 35,000 jobs and \$313 million in state and local tax revenue. Everett’s seaport is a strategic port that specializes in high-value, over dimensional cargoes. Most notably, the Port of Everett serves as an extension of the aerospace manufacturing process, and plays a critical role in the industry’s just-in-time-delivery schedule. The Port has also been identified as a recovery port to provide resiliency within the region in the event of a man-made or natural disaster near the consumer ports of Seattle and Tacoma (NW Seaport Alliance). It also serves as backup support for the Department of Defense.

# TIFIA

The Transportation  
Infrastructure Finance  
and Innovation Act



Rural communities often face barriers that prevent them from qualifying for financing programs. The Rural Project Initiative is here to solve that problem.

## ABOUT

The Build America Bureau drives investment in infrastructure by offering low-cost, fixed-rate, long term credit assistance. Serving as a single point of contact throughout the credit process, the Bureau offers technical support that draws upon the expertise of the entire U.S. DOT.

The Bureau strives for transparency, speed, and innovation for every project financed.

## CONTACT

Build America Bureau

Telephone: (202) 366-2300  
Email: [BuildAmerica@dot.gov](mailto:BuildAmerica@dot.gov)

U.S. Department of Transportation  
1200 New Jersey Avenue SE  
Washington, D.C. 20590

[www.transportation.gov/buildamerica](http://www.transportation.gov/buildamerica)



U.S. Department of Transportation

## Low-cost loans for rural transportation projects

*A Build America Bureau initiative to help expand and modernize America's Rural transportation system.*



REVITALIZE, REPAIR, REBUILD



<sup>1</sup>Data from the FHWA Office of Planning, Environment, and Realty (O-PE&R).

<sup>2</sup>Data from the FHWA Office of Bridges and Structures.

<sup>3</sup>The interest rate for a qualifying project is equal to 1% of the Treasury rate at the time of closing. As of September 7, 2018, the U.S. Treasury rate was 3.07%.

# FACT

Roughly 40 percent of county roads are inadequate for current travel <sup>(1)</sup>, and over 38,000 rural bridges longer than 20 feet are in poor condition. <sup>(2)</sup>



## WHO CAN APPLY?

## BENEFITS

## ELIGIBLE PROJECTS

Note: Projects must be within an eligible rural area. (Definition below)

State Governments

Local Governments

State Infrastructure Banks

Private Firms

Special Authorities

Transportation  
Improvement Districts

**NO FEES: PAY NO APPLICATION OR  
ADVISOR FEES (While funds last)**

**LOW INTEREST: 1.54 %<sup>(3)</sup>**

**UP TO 35 YEAR LOAN TERM**

**FINANCE UP TO 49% OF ELIGIBLE  
PROJECT COSTS**

**PROJECT SIZE: \$10 - \$75 MILLION**

- 1 Roads and Bridges
- 2 Inter-modal Connectors
- 3 Freight Transfer Facilities
- 4 Transit and passenger rail vehicles and related facilities
- 5 Ports
- 6 Airports (under some circumstances)
- 7 Intelligent Transportation Systems
- 8 Pedestrian and Bicycle Infrastructure Networks

## RURAL

For the Rural Project Initiative, rural is defined as an area with a population of less than 150,000 and located outside a Census-defined urbanized area.



The Department of Transportation's Rural Project Initiative is designed to make federal dollars more accessible to rural communities. Through affordable rural loans, we can begin to revitalize, repair, and rebuild rural America's infrastructure.

## INTERESTED? CONTACT US TODAY!

Build America Bureau  
202-366-2300  
BuildAmerica@dot.gov

[www.transportation.gov/buildamerica](http://www.transportation.gov/buildamerica)

# INFRA REPLACES TIGER



# BUILD REPLACES FAST



\$900 million available for roads, bridges, transit, rail, ports, intermodal projects. Maximum \$25 million, application due July 15

[www.transportation.gov/BUILDgrants](http://www.transportation.gov/BUILDgrants)



# WASH-DOT **RAIL BANK LOANS**

- Revolving loan funds
- Looking for nexus to rail capacity
- Terms very attractive
  - 10 year amortization
  - Interest rate 0%-1.5%
  - Subordinate debt
  - NO LIEN
- Minimal reporting and accounting



# LESSONS **TO SHARE**

- Provide financing capacity as projects tend to morph and change
- TRY to get good financial forecasts and cost estimates
- Do your due diligence on funding options-they change frequently
- Know what “conditions and terms” are
- Measure impact of each form of debt on your future debt capacity
- Use your advisors





# NEXT 100

WE PROVIDE VALUE. WE CREATE ECONOMIC OPPORTUNITIES

THANK YOU!

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