

MEMORANDUM

March 8, 2021

TO: Chris Cummings, Assistant Director, Economic Development
THRU: Melisa Drugge, Regional Development Manager
FROM: Ted Werth, Regional Project Manager
Rich Rodriguez, Finance Officer
SUBJ: Amendment of Funding Opportunity of \$825,000 – Special Public Works Fund Program for Port of Toledo, Environmental Work Building, Project No. L18004

Please accept this memorandum for the *Oregon Infrastructure Finance Authority* (IFA) for funding assistance award amendment. Business Oregon's (statutorily and by rule referred to as *Oregon Business Development Department*) staff administers the IFA. This memorandum will provide a request review, findings and analysis, and staff's recommendation for requested action. There may also be post approval follow-up instructions for staff.

BACKGROUND

AMENDMENT RECOMMENDATION: On November 29, 2017, Business Oregon approved an award of \$1,423,100 from the Special Public Works Fund (SPWF). This was in addition to a Connect Oregon award of \$2,013,900 for a total budget of \$3,437,000. This amount represented a 120% of an engineer's estimate provided by Hod Wells/ Berger ABAM. An RFP was compiled for the project by The Harris Group. Their work estimated an expected bid -15% to +30% of \$8,176,500. In part because there were outstanding questions regarding the geotech requirements for such a large building and the seismic requirements that would be imposed for approval of a final design. At that point the port explored pursuing the project as their own general contractor, worked to reduce costs where possible, and proceeded later that spring after signing a contract in February.

An amendment request was submitted by the Port and the award was increased by \$1,576,400 on December 23, 2019 to \$2,999,500. The project completion date was extended in February to October 1, 2021 to allow the Port to bring this amendment request. The project is expected to be completed in the spring of 2021 for a cost of less than \$6,212,000. The Recipient now requests an amendment to:

1. Increase the previously awarded loan by \$825,000 as shown in the table below. This increase is necessary to finish the project. The Port has a line of credit of \$500,000. \$82,500 of the current requested increase is designated for contingency.

Funding Recommendation

Budget Line Items	SPWF Loan	SPWF Grant	Other Funds	Totals
Design / Construction	\$3,682,000	\$60,000	\$2,013,900	\$ 5,755,900
Construction Contingency	\$82,500	\$0	\$373,600	\$ 456,100
Total	\$ 3,764,500	\$ 60,000	\$ 2,387,500	\$ 6,212,000

	Amount Awarded	Amount Requested by Amendment	Total Amended Award
SPWF Loan	\$ 2,939,500	\$ 825,000	\$ 3,764,500
SPWF Grant	\$ 60,000	\$ 0	\$ 60,000
Total Business Oregon Funds	\$ 2,999,500	\$ 825,000	\$ 3,824,500
Other Funds (Connect Oregon & Port)	\$ 2,387,500	\$ 0	\$ 2,387,500
Total Project Cost	\$ 5,387,000	\$ 825,000	\$ 6,212,000

Financial Findings & Compliance

Repayment source

The table below shows historic revenue from the Applicant’s Boatyard Fund for the last three audited fiscal years ending June 30, 2020 and fiscal year 2021 budget.

Boatyard Fund	
Port of Toledo	current FY

Performance Review	audited	audited	audited	budgeted
FY Ending June 30th	2018	2019	2020	2021
Beginning Fund Balance	239,326	(149,613)	307,830	(93,935)
<i>Revenues</i>				
Charges for Services	2,158,989	3,340,579	2,359,736	4,230,000
Other Operating Revenues	729,558	719,707	844,043	1,223,400
Operating Revenues	2,888,547	4,060,286	3,203,779	5,453,400
Interest and Miscellaneous	2,872	3,783	96,740	4,000
Other Non-Operating Revenues	142,471	41,234	0	200,000
Total Non-Operating Revenues	145,343	45,017	96,740	204,000
Total Revenues	3,033,890	4,105,303	3,300,519	5,657,400
<i>Expenditures</i>				
Personal Services -or- Tot Expend	2,482,636	3,500,659	3,087,244	2,920,500
Materials & Services	0	0	0	1,658,700
Total Operating Expenses	2,482,636	3,500,659	3,087,244	4,579,200
Net Operating Income	405,911	559,627	116,535	874,200
Capital Outlay	0	0	250,566	236,500
Debt Service	819,193	120,281	120,281	120,600
Total Expenses	3,301,829	3,620,940	3,458,091	4,936,300
Net Revenues	(267,939)	484,363	(157,572)	721,100
Net Transfers/Adjustments	(121,000)	(26,920)	(244,193)	(330,000)
Ending Fund Balance	(149,613)	307,830	(93,935)	297,165

The historical ending fund balance has been uneven. The larger transfers out are primarily to the General Fund. Budget 2021 includes some \$200,000 in anticipated grant funding (including MARAD Grant-welding lab).

The Boatyard has, since 2017, seen extensive capital improvements to construct an environmental work building paid from the Port’s Connect Oregon Grant VI Fund (not this fund), and supported by a line of credit.

General Fund summary

The following table shows a performance review of the Applicant's General Fund for the last three audited fiscal years ending 2020 and fiscal year 2021 budget.

General Fund	
Port of Toledo	current FY

Performance Review	audited	audited	audited	budgeted
FY Ending June 30th	2018	2019	2020	2021
Beginning Fund Balance	524,998	359,218	284,232	293,611
<i>Revenues</i>				
Property Taxes	211,263	214,204	225,404	221,000
Other Operating Revenues	245,966	232,811	187,335	298,989
Operating Revenues	457,229	447,015	412,739	519,989
Interest and Miscellaneous	22,599	30,057	19,214	3,000
Other Non-Operating Revenues	0	0	37,583	164,000
Total Non-Operating Revenues	22,599	30,057	56,797	167,000
Total Revenues	479,828	477,072	469,536	686,989
<i>Expenditures</i>				
Personal Services -or- total Expend	712,036	496,966	627,238	477,100
Materials & Services	0	0	0	306,900
Total Operating Expenses	712,036	496,966	627,238	784,000
Net Operating Income	(254,807)	(49,951)	(214,499)	(264,011)
Capital Outlay	0	0	0	2,500
Debt Service	54,572	55,092	54,112	13,900
Total Expenses	766,608	552,058	681,350	800,400
Net Revenues	(286,780)	(74,986)	(211,814)	(113,411)
Net Transfers/Adjustments	121,000	0	221,193	(17,000)
Ending Fund Balance	359,218	284,232	293,611	163,200

Historical net revenue has been uneven with the transfers in 2018 and 2020, primarily from the Boatyard Fund, bolstering the ending fund balances.

Debt service analysis

Net Revenues for Debt Coverage: The following table reflects the Projected Net Revenues for the Applicant's Boatyard Fund as provided with the Applicant's application. It reflects more than

adequate net revenues necessary to provide the required 1.20 debt service coverage ratio in FYE 2022 and beyond.

Summary of Revenues, Expenditures, and Debt Service Coverage						
Port of Toledo						
PRO FORMA	Current FY			Projected		
Year (ending June 30th)	2021	2022	2023	2024	2025	2026
Beginning Fund Balance	(93,935)	(135,365)	387,544	534,396	769,642	1,077,025
Operating Revenues						
Existing operations	2,697,838	3,639,449	3,842,407	4,057,432	4,256,611	4,465,653
Environmental Building	128,439	982,231	1,445,283	1,786,370	1,993,291	2,211,019
Total Operating Revenues	2,826,277	4,621,680	5,287,689	5,843,802	6,249,901	6,676,673
Operating Expenses						
Personal Services	1,772,301	2,624,433	2,984,915	3,268,061	3,467,439	3,674,958
Materials & Services	599,650	954,912	1,081,509	1,185,888	1,261,211	1,339,888
Cost of Goods Sold	413,317	690,744	786,133	866,326	925,586	987,863
Total Operating Expenses	2,785,268	4,270,089	4,852,556	5,320,275	5,654,237	6,002,709
Debt Service						
Funds Avail for Debt Coverage	41,009	351,591	435,133	523,527	595,664	673,963
525192 Mortgage	90,772	90,772	90,772	90,772	90,772	90,772
525201 BY Expansion	26,088	26,088	26,088	26,088	26,088	26,088
525187 - Tent	3,421	3,421	3,421	3,421	3,421	3,421
IFA Loan - L18004 - With proposed increase	0	8,400	168,000	168,000	168,000	168,000
Total Debt Service	120,281	128,681	288,281	288,281	288,281	288,281
Debt Service Coverage Ratio	<i>0.34</i>	<i>2.73</i>	<i>1.51</i>	<i>1.82</i>	<i>2.07</i>	<i>2.34</i>
Other Activities						
Cash Avail After Debt Service	(79,272)	222,910	146,852	235,246	307,383	385,682
Loan Proceeds / Drawdowns	1,668,632	0	0	0	0	0
Capital Outlay (OUT)	(1,668,632)	0	0	0	0	0
Other Non-Operating Activity	37,842	100,000	0	0	0	0
Net Other Activity	37,842	100,000	0	0	0	0
Oregon Coast Bank LOC Income	1,500,000	0	0	0	0	0
OregonCoast Bank LOC Debt Service	(1,500,000)	100,000	0	0	0	0
Net Transfers & Adjustments	0	100,000	0	0	0	0
Adjustments	0	0	0	0	0	0
Net Transfers & Adjustments	0	200,000	0	0	0	0
Ending Fund Balance	(135,365)	387,544	534,396	769,642	1,077,025	1,462,707

Revenues, expenditures, and ending fund balance in 2021 differ from budget having been impacted due to COVID-19 and resultant business and operational changes at the Port.

The projections reflect increasing fund balances over time which are indicative of the desirability, demand, and financial sustainability offered by the environmental work building.

Existing obligations and risks

The following table reflects the applicant’s debt service requirements as of their last audit.

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Summary of Outstanding Debt Obligations						
Port of Toledo						
Loan Source	June 30, 2020 Balance	Annual Debt Service	Payment Source	FF&C Pledged	Debt Priority	Maturity
Net Direct Debt						
Oregon Coast Bank - \$500,000 Line of credit	\$460,000	\$0	General Fund	Yes	N/A	2021
Business Oregon - PRLF - 525195	\$68,836	\$7,186	Trust Property - Assign Rents	Yes	N/A	2032
<i>Net Direct Debt</i>	\$528,836	\$7,186				
Self-Supporting Debt (Boatyard)						
Business Oregon - PRLF - 525201	\$365,901	\$26,088	Boatyard Fund	Yes	N/A	2037
Business Oregon - PRLF - 525187	\$22,797	\$3,341	Trust Property - Assign Rents	Yes	N/A	2028
Business Oregon - PRLF - 525192	\$773,617	\$90,772	Boatyard Fund / Assign Rents	Yes	N/A	2030
Business Oregon - SPWF - L18004 (this request)	\$1,905,405	\$0	Boatyard Fund	Yes	Parity	2044
<i>Self-Supporting Debt</i>	\$3,067,720	\$120,202				
Gross Bonded Debt	\$3,596,556	\$127,388				

The line of credit has been supportive of the cash flow needs of the Port for this project, repayment has no fixed schedule.

In 2020 the Port paid off a Special Direct Association of Oregon loan with funds from the general fund.

COVID-19 Pandemic Response

It has been a difficult year due to the effects of COVID on the fleet using the Port of Toledo Boatyard. Ex-vessel revenues of the Oregon fishing fleet plunged more than 30% due to loss of primary markets (exports and restaurant sales). Seafood sales in grocery stores have been increasing at double digits during the past year. Restaurant sales and exports are expected to improve as the impacts of COVID are controlled.

RISK ANALYSIS SUMMARY:

Like the majority of the State's port districts, Toledo's revenue streams are primarily business-like creating a keen focus on net operating revenues. The largest operating revenue source for The Port of Toledo is the Boatyard. When complete, the environmental work building will offer an attractive opportunity to drive increased net operating revenue thus fostering economic vitality and jobs for the area.

Applicant's bond rating The applicant does not have bonds rated by a nationally recognized ratings agency.

Financial statement of program SPWF, as of February 7, 2021

1. Available funds \$30,556,186
2. Remaining balance, if the project increase is approved, is \$29,731,186
3. All existing Business Oregon loans paid as agreed.

Repayment Phase Loan Summary						
Port of Toledo						
Program	Award Amount	Forgivable Loan or Grant Amount	Loan Amount	Interest Rate	Amortized (in years)	Est. Annual Payment***
SPWF	\$3,764,500	\$0	\$3,764,500	3.55%	25	\$168,000
*** Actual payment will likely be different. Payment rounded to nearest \$100. Construction Period Interest is expected to be paid prior to or with the 1st scheduled P&I payment date.						

Only loan amount is increased, other terms remain unchanged; interest rate of 3.55%, 25-year fully amortizing, approximately equal payment amounts, and quarterly payments.

FINANCIAL CONDITIONS:

Financial conditions remain unchanged.

Recipient to provide an updated disbursement schedule.

Budget recommends that this award come from [] Oregon Bond Bank [X] Program Funds

Signature on File 3/30/2021

David Barnett Date
Senior Finance Accountant (Budget)

APPROVAL:

X Approve project and recommendation as submitted

Approve project and recommendation with the following modifications:

Signature on File 3/30/2021

Chris Cummings, Assistant Director Date
Economic Development

The IFA Board shall consider *loans* over \$2,999,999, *grants* over \$500,000 and Safe Drinking Water forgivable loans over \$750,000 for approval. The Drinking Water Advisory Committee shall consider Safe Drinking Water projects over \$6,000,000.

This project exceeds the regular approval dollar amount.

Infrastructure Finance Authority Board has discussed the proposed project and has concluded to approve the award.

Infrastructure Finance Authority Board has discussed the proposed project and has concluded to approve the award with the following modifications:

Chris Cummings, Assistant Director
Economic Development

Board Meeting Date