

WPPA FINANCE & ADMINISTRATION SEMINAR, JUNE 2023

JEOPARTY!

FINANCING PORT INFRASTRUCTURE

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FINANCING PORT INFRASTRUCTURE

BONDS, JAMES BONDS	GOV LOANS	GRANTS, HUGH GRANTS	P3 PROJECTS	RECENT ACRONYMS	MARKET MISCELLANY
\$200	\$200	\$200	\$200	\$200	\$200
\$400	\$400	\$400	\$400	\$400	\$400
\$600	\$600	\$600	\$600	\$600	\$600
\$800	\$800	\$800	\$800	\$800	\$800
\$1000	\$1000	\$1000	\$1000	\$1000	\$1000

BONDS, JAMES BONDS · \$200

PORT DEBT, TYPICALLY
WITH THE LOWEST
COST OF CAPITAL

← BACK TO PANEL

BONDS, JAMES BONDS · \$200

General Obligation Debt is typically a port's strongest credit, with the lowest cost of capital.

- Unlimited Tax General Obligation: voted bonds, excess levy authorized in any amount necessary to pay d/s.
- Limited Tax General Obligation: unvoted bonds (“councilmanic”), payable from port’s general taxing powers.

← BACK TO PANEL

BONDS, JAMES BONDS · \$200

GO Debt Considerations:

- Taxing power, if any, comes from state law.
- Statutory / Constitutional limitations on outstanding GO debt (e.g., 0.75% of AV for UTGO, 0.25% for LTGO).
- Public willingness to pay port levies.
- Preference to “save” LTGO capacity for port projects.
- Ports are generally conservative; the project risk profile may suggest a P3 project is a better fit.

← BACK TO PANEL



BONDS, JAMES BONDS · \$400

BONDS REPAYED BY GENERAL,
ASSET-BACKED, OR SPECIAL

← BACK TO PANEL

BONDS, JAMES BONDS · \$400

Port Revenue Bonds are generally the next strongest credit:

- Secured by Net Revenue (Gross less O&M) of Port system.
- Not limited by statute or constitutional requirements.
- Functional debt limit determined by MA/underwriter/market based on current and project revenues.
- Can establish lien levels (senior, junior, subordinate) with distinct DSCR/rate covenants.

← BACK TO PANEL

BONDS, JAMES BONDS · \$400

Port Revenue Debt Considerations:

- Financial Covenants.
 - ~ Coverage Ratio (e.g., revenues 125% of annual d/s).
 - ~ Add'l Bonds Tests and Certificates limit future issuances.
- Operating Covenants (e.g., restrictions on sale/disposal of assets).
- Tax Covenants.

← BACK TO PANEL



BONDS, JAMES BONDS · \$600

JAMES BOND'S OFFICIAL TITLE

← BACK TO PANEL

BONDS, JAMES BONDS · \$600 (Commander, Royal Navy)

Bond Issue or Bank Loan?

Bond Issue	Bank Loan
Sold to Multiple Buyers	Sold to Single Purchaser
Increments of \$5,000	Any Increment
Each maturity can have a different interest rate	Generally have a single interest rate

← BACK TO PANEL



"I'm getting subtle hints of what the Fed might do."

BONDS, JAMES BONDS · \$600

Public Issue or Bank Bond?

Bond Issue (Publicly Issued; Negotiated or Competitive Sale)

- Have lower interest rates but higher up-front costs
- Work better for larger amounts of money and longer periods of time
- Allow for interest-only payments and various repayment structures

Bank Loan

- Works well for interim, variable rate financing
- Many banks will not fix a rate for longer than 10-15 years
- Banks often work better for complicated stories or less robust credits

← BACK TO PANEL



BONDS, JAMES BONDS · \$800

IT IS NOT
GOVERNMENTAL USE
IF IT RELIES ON _____
TO PAY DEBT SERVICE

← BACK TO PANEL

BONDS, JAMES BONDS · \$800

Private use may cause bonds to lose TE status:

- Private use where either a private party is relied on for (1) payment on bonds, or (2) use of facilities.
- Threshold is only 10% private use of proceeds of bonds.
- Private use can arise from: · ownership, · lease, · management or incentive payment contract, · take-or-pay or output-type contract, · research contract, etc.
- AMT Bonds may have private use.

← BACK TO PANEL

BONDS, JAMES BONDS · \$800

Governmental TE Bonds have the lowest cost of capital:

- Proceeds put to governmental use (versus private use).
- Finance typical governmental functions.
- Available to the public, or provides services to the public.
- Available generally on a uniform fee schedule.
- No nongovernmental person has special legal entitlements to the financed property.
- Bonds are not subject to AMT.

← BACK TO PANEL



BONDS, JAMES BONDS · \$1000

A PETTY QUARREL, OR
THAT NEW REVENUE
STREAM YOU CAN BOND
AGAINST

← BACK TO PANEL

BONDS, JAMES BONDS · \$1000

Tax Increment Financing via the recently authorized (and repaired) RCW 39.114 LTIF legislation.

- Only two active tax increment areas.
- Ports, Cities, Counties may create.
- Finance public improvements to enable private development.
- Must have reasonable expectation of private development.
- Revenue bonds can pay for improvements, with repayment from LTIF revenues.

← BACK TO PANEL



GOVERNMENTAL LOAN PROGRAMS · \$200

CHOO CHOO CHOOSE
THIS RAIL LOAN

← BACK TO PANEL

GOVERNMENTAL LOAN PROGRAMS · \$200

Railroad Rehabilitation and Improvement Financing (RRIF) program offers direct loans and loan guarantees to finance (or refinance) railroad infrastructure.

Rail projects within the boundaries of a port are eligible.

- Acquire, improve, or rehabilitate intermodal or rail equipment or facilities, including track, components of track, bridges, yards, buildings and shops.
- Develop or establish new intermodal or railroad facilities.

← BACK TO PANEL

GOVERNMENTAL LOAN PROGRAMS · \$200

RRIF Loans

- Fund up to 100% of project.
- Term up to 35 years; no pre-payment penalty.
- Deferrable for 5 years after project completion.
- Buy America requirement.

E.g., Port of Everett, WA (2019), \$6m loan

- 3,300 lineal feet of on-terminal working track, doubling the operational capacity of rail at the port. Relocated a 39,000-square foot warehouse for use to provide cover for rail cargo.

← BACK TO PANEL



GOVERNMENTAL LOAN PROGRAMS · \$400

BEATLES ALBUM
CONTAINING “YELLOW
SUBMARINE” OR A
COWBOY’S PISTOL

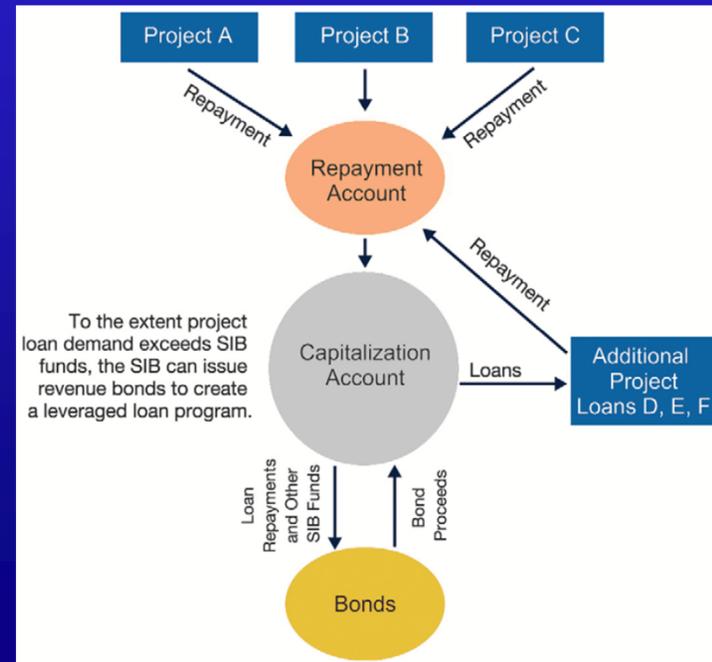
← BACK TO PANEL

GOVERNMENTAL LOAN PROGRAMS - \$400

Revolver

Revolving state loan funds provide low-cost funding for transportation facilities, such as port infrastructure.

- CARB / AAG
- CERB
- PWB



← BACK TO PANEL

GOVERNMENTAL LOAN PROGRAMS · \$400

Direct loans are made to public entities with eligible transportation improvement projects.

- Generally subordinate debt; enhancing senior lien DSCR.
- May be viable bridge financing.

Useful for ports secondary systems: utilities, clean water, broadband, etc.

← BACK TO PANEL



GOVERNMENTAL LOAN PROGRAMS · \$600

WSDOT'S RAIL SMALL-LOAN PROGRAM

← [BACK TO PANEL](#)

GOVERNMENTAL LOAN PROGRAMS · \$600

WSDOT Freight Rail Investment Bank

- Loans for smaller projects/completion of larger projects.
- \$250k limit
- 20% local match
- Public benefits are required; must submit business plan (but benefit criteria are wide-ranging)
- Applications due September 15, 2023; funded July of 2024
- \$8.73 million available 2023-25 biennium

← BACK TO PANEL



GOVERNMENTAL LOAN PROGRAMS · \$800

FEDERAL INFRASTRUCTURE
LOAN PROGRAM CREATED
THE SAME YEAR AS RRIF

← BACK TO PANEL

GOVERNMENTAL LOAN PROGRAMS · \$800

Projects eligible for assistance under title 23 or chapter 53 of title 49

International bridges and tunnels

Intercity passenger bus or rail facilities and vehicles, including those owned by Amtrak

Public freight rail projects

Private freight rail projects that provide public benefit for highway users by way of direct highway-rail freight interchange (a refinement of the SAFETEA-LU eligibility criterion)

Intermodal freight transfer facilities

Projects providing access to, or improving the service of, the freight rail projects and transfer facilities described above

Surface transportation infrastructure modifications necessary to facilitate direct intermodal interchange, transfer and access into and out of a port

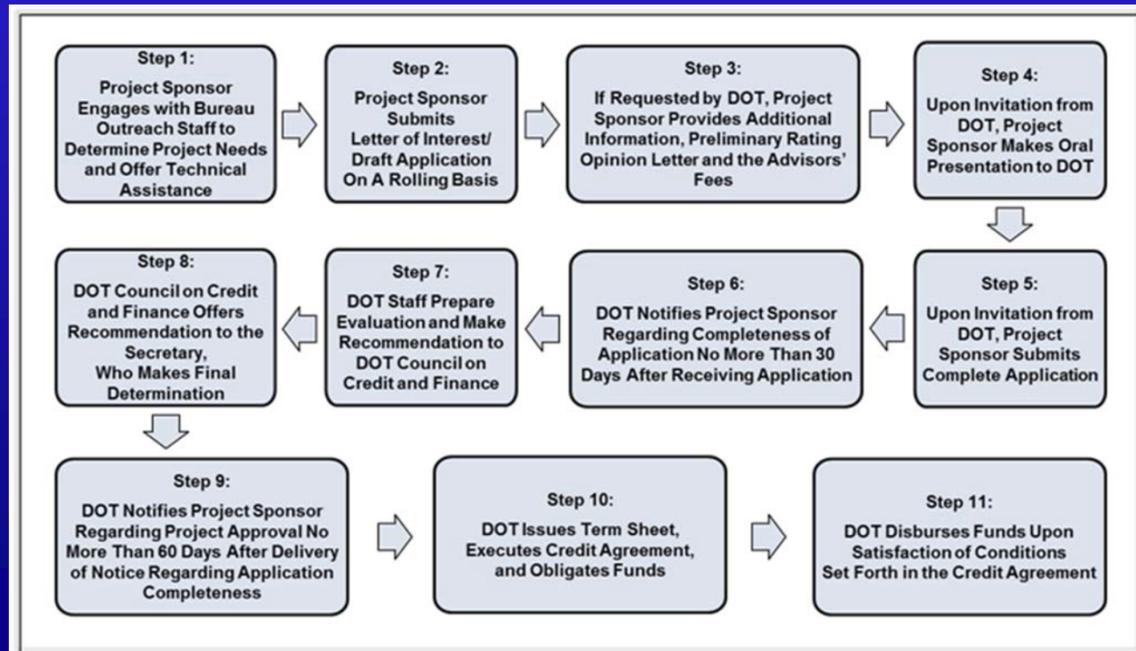
Transportation Infrastructure Finance and Innovation Act (TIFIA) (1998) loans are federal credit for transportation projects; including some port intermodal projects.

TIFIA offers flexible loan repayment, attractive interest rates, and provisions for subordinate debt.

← BACK TO PANEL

GOVERNMENTAL LOAN PROGRAMS - \$800

So easy, you
won't believe
you didn't do it
sooner!



← BACK TO PANEL

GOVERNMENTAL LOAN PROGRAMS · \$800

TIFIA, like RRIF offers:

- Low interest rate, no interest accrual until drawn.
- Flexible amortization.
- Up to 35 year repayment period.
- IIIA allows up to 75 years for some projects!
- Deferrable for five years after project completion.
- No pre-payment penalty (plus TIFIA covers risk premium).
- Buy America requirement.
- Amount limited to 49% of project costs; typically only 33%.

← BACK TO PANEL



GOVERNMENTAL LOAN PROGRAMS · \$1000

1976: APPLE, ROCKY, AND THIS
REPLACED THE RAILROAD
REVITALIZATION AND
REGULATORY REFORM ACT

← BACK TO PANEL

GOVERNMENTAL LOAN PROGRAMS - \$1000 (RRIF)

Application considerations for governmental loan programs:

- Competitive, so prepare a compelling story.
- Fit with finance plan for the project and Port's debt profile?
- Fit with loan program goals and broader social benefits?
- Difficult approval process and longer timelines vs. bonds.
- Advantageous credit terms.
- No public disclosure requirements or outside bondholders.

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GOVERNMENTAL LOAN PROGRAMS - \$1000

Strengths of successful project applications:

Significance: The extent to which the project is nationally or regionally significant, in terms of generating economic benefits, supporting international commerce, or otherwise enhancing the national transportation system

Private Participation: The extent to which assistance would foster innovative public-private partnerships and attract private debt or equity investment

Environment: The extent to which the project helps maintain or protect the environment

Project Acceleration: The likelihood that assistance would enable the project to proceed at an earlier date than the project would otherwise be able to proceed

Creditworthiness: The creditworthiness of the project, including a determination that any financing for the project has appropriate security features, such as a rate covenant, to ensure repayment

Use of Technology: The extent to which the project uses new technologies, including intelligent transportation systems, that enhance the efficiency of the project

Consumption of the Budget Authority: The amount of budget authority consumed in funding the requested Federal credit instrument

Reduced Federal Grant Assistance: The extent to which assistance would reduce the contribution of Federal grant assistance to the project

← BACK TO PANEL



GRANTS, HUGH GRANTS · \$200

WHICH ACTOR SANG
“KILLING ME SOFTLY” WITH
HIS EYES SHUT IN
ABOUT A BOY

← BACK TO PANEL

GRANTS, HUGH GRANTS · \$200
(Hugh Grant)

Port Infrastructure Development Program (PIDP):

- Administered by U.S. Maritime Administration (MARAD).
- Awarded to projects that improve the safety, efficiency, or reliability of the movement of goods into, out of, around, or within a port.
- 2019-2022 grants focused on coastal seaports, inland river ports, and Great Lakes ports.
- 80% maximum of project costs; may be more for small ports.

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GRANTS, HUGH GRANTS · \$200

Port Infrastructure Development Program:

- Also provides planning and project management assistance to improve ports' capacity and efficiency.
- Provides funding to ports in both urban and rural areas.
- Includes a statutory set-aside for small ports to improve and expand capacity to move freight reliably and efficiently and support local and regional economies.
- 2023 NOFO closed 4/23; possible supplemental by EOY

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GRANTS, HUGH GRANTS · \$200

Grant success criteria (per the 2023 NOFO) are:

- (1) Improving the safety, efficiency, or reliability of cargo, operational improvements (including improving port resilience), or environmental and emissions mitigation.
- (2) Supporting economic vitality;
- (3) Addressing climate change and environmental justice;
- (4) Advancing equity and opportunity for all; and
- (5) Leveraging Federal funding to attract non-Federal sources of infrastructure investment.

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GRANTS, HUGH GRANTS · \$400

‘RED’ RADIATION EMITTED
BY HEATED OBJECTS, OR A
GRANT PROGRAM FOR PORT
INTERMODAL PROJECTS

← BACK TO PANEL

GRANTS, HUGH GRANTS · \$400

INFRA (the Nationally Significant Multimodal Freight & Highway Projects):

- Grants for multimodal freight and highway projects to improve safety, efficiency, and reliability
 - Funding amount of \$8,000,000,000 available 2022-2026
 - Buy America requirement
 - Via the Multimodal Project Discretionary Grant (MPDG)
- NOFO published soon (combining INFRA, Mega, and Rural applications)!

← BACK TO PANEL

GRANTS, HUGH GRANTS - \$400

INFRA eligible uses:

- Improve safety.
- Generate economic benefits.
- Reduce congestion.
- Enhance resiliency.
- Hold the greatest promise to eliminate freight bottlenecks and improve critical freight movements.

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GRANTS, HUGH GRANTS · \$400

INFRA encourages leverage of grant funds: the degree to which a project uses non-federal sources of funding to pay for construction.

Including State, local, and private sector funding, projects that raise revenue directly, projects that benefit from local self-help, and projects that pair INFRA grants with broader-scale innovative financing.

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GRANTS, HUGH GRANTS · \$600

COMPENSATION AUGMENTATION

← BACK TO PANEL

GRANTS, HUGH GRANTS · \$600

Rebuilding American Infrastructure with Sustainability and Equity (RAISE) Grants:

- Previously were known as TIGER and BUILD grants.
- Projects that modernize roads, bridges, transit, rail, ports, and intermodal transportation and make transportation safer, more accessible, more affordable, and more sustainable.

← BACK TO PANEL

GRANTS, HUGH GRANTS · \$600

RAISE Grants:

- 50% of funding is designated for projects in rural areas, and 50% of the funding is designated for projects in urban areas.
- Nearly two-thirds of 2022 projects were located in areas of persistent poverty or historically disadvantaged communities (100% eligibility vs 80% maximum if not).
- The largest 2022 grant award was \$25 million. (Per statute, award(s) per state could not exceed \$341.25 million.)

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GRANTS, HUGH GRANTS - \$600

RAISE Grants:

- Projects evaluated on safety, environmental sustainability, quality of life, economic competitiveness and opportunity, partnership and collaboration, innovation, state of good repair, and mobility and community connectivity.
- 2023 NOFO closed February 2022, possible supplemental by EOY.

← BACK TO PANEL



GRANTS, HUGH GRANTS · \$800

MR. ROPER'S BLONDE TENANT

← BACK TO PANEL

GRANTS, HUGH GRANTS · \$800

Consolidated Rail Infrastructure and Safety Improvements (CRISI) Grants:

- Improve railroad safety, efficiency, and reliability; mitigate congestion at freight rail chokepoints; and enhance multi-modal connections.
- Improve safety, support economic vitality, create jobs, increase supply chain resilience, apply innovative technology, and address climate change, gender equity and racial equity.

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GRANTS, HUGH GRANTS - \$800

CRISI Grants:

- No set maximum CRISI grant.
- Grant can't exceed 80% of project costs.
- 20% may be public or private funds; no other federal funds.
- 2022 total funding was \$1.4 billion.
- Rural area set-aside of 25%
- Trespassing measures set-aside of \$25,000,000 to prevent trespassing and reduce associated injuries and fatalities.
- 2023 NOFO expected in the fall of 2023

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GRANTS, HUGH GRANTS · \$1000

THIS “SECRET HANDSHAKE”
APPLICATION KEYWORD
GUARANTEES GRANT
APPROVAL

← BACK TO PANEL

GRANTS, HUGH GRANTS · \$1000
(Really, please... Tell me...)

Projects that compete well for grant funding are those that:

- Promote economic competitiveness.
- Generate significant public benefit.
- Are ready to proceed quickly to implementation.
- Diligently address every item in the application; page limits.
- Leverage funding with private/other public funds.
- Environmental risk information; NEPA status of project.
- Plan for Buy America compliance.

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GRANTS, HUGH GRANTS · \$1000

Projects that compete well for grant funding provide:

- Detailed statement of work, detailed project schedule, state and local approvals and permitting, detailed project budget, maps, and graphics to tell story.
- Description of project alignment with merit criteria (each criteria is described in detail in NOFO).

Bring in other grant opportunities – USDA for rural, SMART for technology projects, state grant programs, etc.

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P3 PROJECTS · \$200

DEMONSTRATE A P3 PROJECT'S VIABILITY WITH THIS REPORT

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P3 PROJECTS · \$200

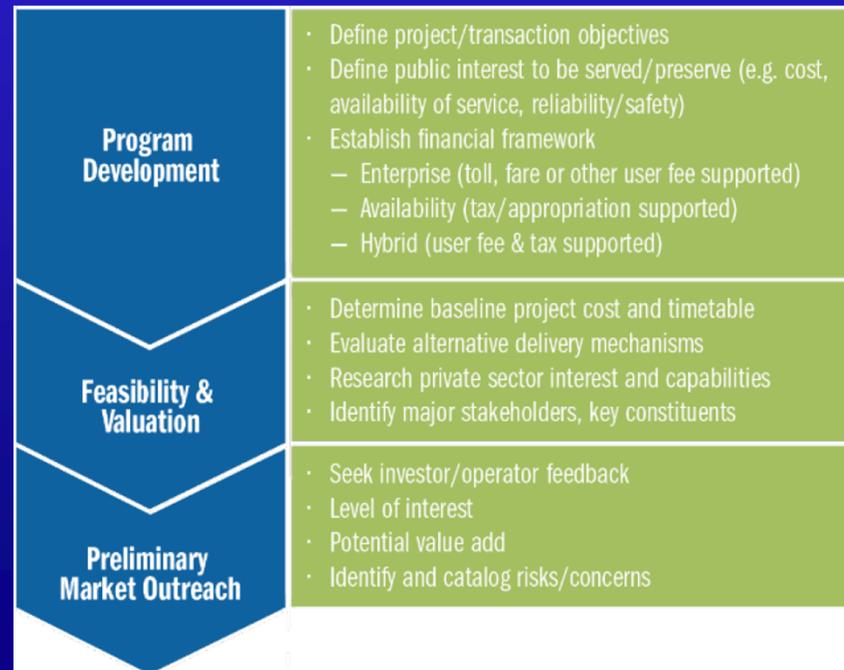
The feasibility report, evaluating the economic viability of a project backed by revenue bonds, is a frequent threshold requirement to securing funding for a P3 project.

The Port's feasibility evaluation is a broad discussion. P3 projects are typically large and complex, with challenged credit profiles and financial feasibility. Understanding of feasibility informs risk and reward allocations to create incentives for both the public and private sectors to proceed.

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P3 PROJECTS · \$200

Any new stand-alone P3 concession is difficult to value and implement without robust project market data and other financial feasibility information available.



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P3 PROJECTS · \$200

- Use existing market, revenue, O&M costs, etc feasibility materials where possible to save time and money. (10b5!)
- Update market and feasibility materials to be current in order to meet credit/investor market scrutiny and credit standards.
- Ongoing O&M and capital R&R requirements are significant components of the overall project financial feasibility, and a subject of P3 contract negotiations.
- Different projects have different requirements, and different engineers may have different perspectives. (10b5!)

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P3 PROJECTS · \$200

Potential P3 Benefits

- *Private financing and project acceleration*
- *Monetization of existing assets*
- *Cost and time savings*
- *Lifecycle efficiencies*
- *Improved project quality*
- *Risk transfer*
- *Public control and accountability*

SOURCE: NCSL's P3 for Transportation Toolkit for Legislators

Potential P3 Concerns and Controversies

- *Loss of public control and flexibility*
- *Private at the public's expense*
- *Loss of future public revenues*
- *Risk of bankruptcy or default*
- *Accountability and transparency*
- *Environmental issues*
- *Labor concerns*
- *Foreign companies*
- *Toll road controversies*
- *Specific contract terms*

SOURCE: NCSL's P3 for Transportation Toolkit for Legislators

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P3 PROJECTS · \$400

NO _____, NO REWARD

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P3 PROJECTS - \$400

Confirm Preferred Contract Structure

- Review Alternative Delivery Options
 - Lease, Concession, Design- Build, Operate- Maintain
- Confirm preferred contract delivery structure
- Update comparative value analysis
 - Traditional delivery vs. proposed P3 delivery
- Finalize preferred procurement process
 - RFI/RFQ/RFP
 - Competitive, negotiated, BAFO

Procurement Design

- Establish RFQ/RFP timeline
- Initiate due diligence process
- Assemble transaction team
- Initiate stakeholder outreach & education
- Maintain investor/operator outreach & feedback

At the center of this comparison lie issues of risk transfer – how much responsibility should the port owner be willing to transfer to established and experienced private entities?

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P3 PROJECTS · \$400

Risks can be addressed in two key ways:

- Risk mitigation where measures are put in place to reduce the risk's probability.
- Risk sharing or transfer where the contracts allocate risk to the construction contractor, terminal operator, or other third party, if the transfer's financial impact on the project is economic.

Risks include:

- Revenue capture
- Economic/inflation
- Material/construction
- Construction delay
- O&M costs
- Life cycle costs
- New competition

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P3 PROJECTS · \$400

E.g., the Draft Concession Agreement by the port owner establishes business parameters to guide development of the project, and clarifies the risk allocation along with cost sharing, operating and financing structures, and equity investments.

Lessor
Description of Property for the Project
Capacity
Financial Expectation for the Private Partner(s)
Project Construction
Financing Assistance
Lease Agreement
Lease Term
Ownership of Project Land
Ownership of Project Infrastructure, Cranes and Equipment
Business Development
Existing Significant Contracts
Security
Environmental
Labor
Expansion
Schedule

← BACK TO PANEL



P3 PROJECTS · \$600

DESPITE PRIVATE USE,
THESE ARE TAX-EXEMPT
BONDS

← BACK TO PANEL

P3 PROJECTS · \$600

Private Activity Bonds (PABs) may be issued by a port to provide debt financing for private or P3 projects developed for a public purpose (and thus exempt facilities under the IRC).

Tax exempt bonds are authorized under IRC 103. Private activity bonds are only TE if they fit within an IRC exception:

- Manufacturing / Processing (IRC 144)
- Nonprofit Issues (IRC 145)
- Exempt Facilities (IRC 142)

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P3 PROJECTS · \$600

The IRC 142 Exempt Facilities exception most often applicable for ports are (a)(2) “docks and wharves,” and (a)(1) “airports.”

Other PABs (e.g., manufacturing) may require volume cap.

PABs are typically payable from payments made by the private user of the property financed; may also be secured by the port system revenues.

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P3 PROJECTS · \$800

SNL CHURCH LADY'S CATCHPHRASE

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P3 PROJECTS · \$800

Special Revenue Bonds may also be used for Port's P3 project funds.

- Paid solely from revenues (e.g., lease revenues) of a single project.
- General revenues not pledged.
- Security may include:
 - ~ Lease
 - ~ Tenant Guaranty



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P3 PROJECTS · \$800

Used For:

- Large project and/or a significant tenant.
- Projects that are separate from port general operations.

Special Revenue Bonds offer port benefits:

- Provides tax-exempt financing for a beneficial project (lower cost of capital).
- Protects the port's debt capacity; both GO and revenue.

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P3 PROJECTS · \$1000

PABS OR TAXABLE BONDS ARE
A GOOD FIT FOR THIS PORT
OPERATING MODEL

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P3 PROJECTS · \$1000

Financing Approach	Public Agency Tax-Backed	Public Agency Operating Revenues	Long Term Landlord Finance	P3 Concession
Operating Model:	Public Operator	Public Operator/ Landlord	Long Term Landlord	Passive Landlord
Primary Management Control:	Public	Public	Public-Private	Private
Typical Contracts & Lease Agreement:	N/A for Grants & Tax Revenues	Multiple Tenants; Variable Contracts Discretionary Terms	Single Tenant; Long Term Must Cover Debt	Single Tenant; Longest Term to Cover Debt & Equity Return
Typical Facilities Financed:	Public Use; Infrastructure such as Roads and Dredging	Private Activity; Docks, Wharves, Cranes, Warehouses, Buildings, etc.	Private Activity; Docks, Wharves, Cranes, Warehouses, Buildings, etc.	Private Activity; Docks, Wharves, Cranes, Warehouses, Buildings, etc.
Sources of Revenues and Security for Debt:	Grants, Gov't Transfers, Taxes	Tariffs, Throughput Fees, Security Fees, Facility Lease Revenue, etc.	Corporate Rental Minimum Guarantee & Throughput Fees	Tariffs/Lease Revenue, etc. Received by Private Concessionaire
Type of Debt:	Agency Revenue Bonds	Agency Revenue Bonds	Agency Special Purpose Conduit Bonds	Privately raised Debt & Equity
Tax Status/Term:	Gov't Purpose & AMT Tax-Exempt 10-30 years	Gov't Purpose & AMT Tax - Exempt 10-30 years	AMT Tax-Exempt 20-40 years	Taxable Debt 50-99 years
Primary Private Partners:	Shipping Company, Railroads, Private Haulers/Trucks	Shipping Company, Railroads, Private Haulers/Trucks, Terminal Operator	Terminal Operator/ Corporate Guarantor (likely operator parent and/or shipping co.)	Private Equity Concessionaire

← BACK TO PANEL



RECENT ACRONYMS · \$200

IRISH PARAMILITARY,
RETIREMENT SAVINGS,
OR THIS

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RECENT ACRONYMS · \$200

The Inflation Reduction Act (IRA) (Section 60102) amends the Clean Air Act to provide:

- \$3 billion in investment to help reduce air pollution and carbon emissions at ports.
- \$750 million specifically earmarked for ports in non-attainment areas.
- Include qualified climate action plans to reduce air emissions.
- Strategy to address effects on low-income and disadvantaged near-port communities.

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RECENT ACRONYMS · \$200

IRA Section 60102 provides for grants that may be used to:

- Purchase or install zero-emission port equipment or technology for use at, or to directly serve, one or more ports.
- Planning or permitting in connection with such purchase.
- Develop qualified climate action plans.

Climate action plans must include (along with reducing gasses):

- Strategy to address effects on low-income and disadvantaged near-port communities.
- Description of measures to increase the resilience of the port.

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RECENT ACRONYMS · \$400

THE BIPARTISAN
INFRASTRUCTURE BILL'S
MORE COMMON NAME

← BACK TO PANEL

RECENT ACRONYMS · \$400

Infrastructure Investment and Jobs Act (IIJA) funding wins:

- INFRA:

- ~ Improve mobility, intermodal or freight projects.
- ~ \$8 billion is a 78% increase over FAST Act funding.

- RAISE:

- ~ Road, rail, transit, and other surface transportation.
- ~ \$7.5 billion guaranteed appropriations, \$7.5 billion STA.

- CRISI:

- ~ Freight intermodal or freight project with public benefit.
- ~ \$5 billion is nearly triple FAST Act funding.

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RECENT ACRONYMS · \$400

IIJA port provisions:

- \$5.225 billion for seaports
- \$27.1 billion for “Port eligible” transportation investments (others can also apply for, like RAISE and INFRA)
- E.g., \$450 million to the PIDP, plus \$234 million of 2022 appropriations, and reallocated funds from 2021, for a total of \$703 million in 2022 PIDP grant funding available.

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RECENT ACRONYMS · \$600

DON'T CALL
HIM SHIRLEY



← BACK TO PANEL

RECENT ACRONYMS · \$600

(Leslie Nielsen as Dr. Rumack)

IIJA funding wins for ports with airports:

- \$20 billion for airports.
 - ~ \$15 billion for infrastructure grants distributed by formula.
 - ~ \$5 billion for a new FAA “terminal program” via grants.
- Airports likely allowed to use these funds for any “PFC-eligible projects” except debt service.
- 55% of grants reserved for large hubs.

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RECENT ACRONYMS · \$600

IIJA funding wins for ports with airports:

- Grants for terminal capacity, passenger access, replace aging infrastructure, disability accessibility, serve historically disadvantaged populations.
- Funds unobligated to be made available in the fifth fiscal year for competitive grants to reduce airport emissions, reduce noise impact, reduce dependence on the electrical grid, or general benefits to the surrounding community.
- Waiting for FAA rulemaking.

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RECENT ACRONYMS · \$800

GLASS,
GERSHWIN,
THIS AGAIN

← BACK TO PANEL

RECENT ACRONYMS · \$800

Other IRA Port-Related Programs:

- Marine Highways, \$25 million
- Electric/Low-Emitting Ferries, \$250 million
- Ferry terminal construction, \$570 million
- Grants for Charging and Fueling Infrastructure, \$2.5 billion
- Promoting Resilient Operations for Transformative, Efficient, and Cost-saving Transportation (PROTECT) Grants, \$1.4 billion

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RECENT ACRONYMS · \$800

Other IRA Port-Related Programs:

- Reduction of Truck Emissions at Ports, \$250 million
- Cyber Response and Recovery, \$100 million
- Truck apprenticeships pilot program
- Expanding Broadband, e.g., “Middle Mile,” \$1 billion
- Carbon Reduction Formula Program, \$6.4 billion
- Electric and Low-Emission Vehicle Infrastructure:
 - ~ \$5B in formula funding to States, \$2.5B in community grants for EV charging (to help fill national gaps)

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RECENT ACRONYMS · \$1000

BONDS ONE LAST TIME:
THESE GIVE A PORT
FREEDOM FROM IRS
RESTRICTONS

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RECENT ACRONYMS · \$1000

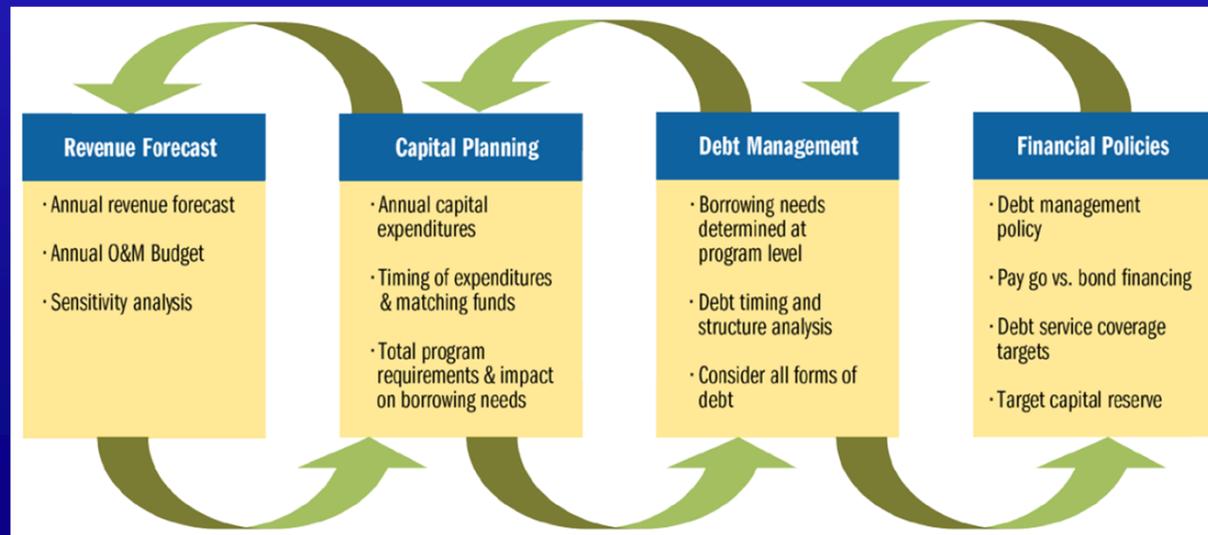
Taxable Bonds: Not “free” money like the grants, but freedom-granting by being unbound from federal tax law requirements:

- Private use okay.
- Do not have to spend on capital projects.
- No arbitrage tracking, no IRS informational filings.
- Advance refunding okay.
- No spend-down timing requirements.

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RECENT ACRONYMS · \$1000

Taxable Bonds are useful in your financial planning toolbox.



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MARKET MISCELLANY · \$200

WHEN ISSUING DEBT, IT
TELLS YOUR STORY
TO THE PUBLIC MARKET

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MARKET MISCELLANY · \$200

A brief review of the bond issuance process...

The Official Statement is the cornerstone of your public presentation to the marketplace.

- OS is a contract with bondholders, along with authorizing bond documents.
- SEC enforces 10b5 violations for material errors/omissions.

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MARKET MISCELLANY · \$400

EVALUATE THE PROJECT'S
SAFETY FOR MOTHER
NATURE WITH THIS

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MARKET MISCELLANY · \$400

- Early identification and review of environmental impacts (natural and human) is essential to a successful project.
- Environmental review varies by region, state, municipality.
- Ports should engage with Federal agencies, their state DOT and MPOs early in the planning process to determine the environmental review process for their project.

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MARKET MISCELLANY - \$400

Projects that include Federal action will fall under NEPA guidelines.

Environmental review and requirements may involve a number of Federal authorities.

U.S. EPA	<ul style="list-style-type: none">• Clean Water Act: stormwater run-off during construction and normal operations, vessel discharge (ballast water)• Clean Air Act: Emissions, General Conformity (dredging)• Storage tanks and spills• Brownfield and Superfund sites• Wetlands
U.S. Fish & Wildlife	<ul style="list-style-type: none">• Invasive species, threatened and endangered species• Wetlands• Oil spill response
U.S. Army Corps of Engineers	<ul style="list-style-type: none">• Dredging permits - berth and private channel dredging, federal channel deepening as well as operations & maintenance dredging, in-water work permits, fill materials; wetlands
U.S. Coast Guard	<ul style="list-style-type: none">• Ballast water, oil spills, waste transfer, vapor control systems, bunkering, compliance with international shipping regulations (IMO)
U.S. Department of Transportation	<ul style="list-style-type: none">• Hazardous materials transport, gas pipelines
Federal Maritime Commission	<ul style="list-style-type: none">• Certain activities of marine terminal operators, passenger vessel operators and carriers

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MARKET MISCELLANY · \$400

- If there is even a possibility your port will seek federal grants or financing for a project, consider following the NEPA environmental review process.
- Environmental review is detailed and experts - driven; engage the team early in the process and allow sufficient time.
- Some regional and state plans also may require reviews of your plan as part of a larger group of projects such as TIPs or Metropolitan Transportation Plans with an air quality analysis or a review of the environmental justice issues.

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MARKET MISCELLANY · \$600

PROCESS OF CONFIRMING
THE OS ACCURATELY
CONVEYS ALL MATERIAL
INFORMATION

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MARKET MISCELLANY · \$600

When taking a project to market, the Underwriter works with the Port to conduct its due diligence and prepare the Official Statement, communicating material information to the market.

Legal requirements:

- Securities Act of 1934 section 17 “knew or should have known” standard
- Rule 10b5 – Anti-fraud rule, unlawful “to make any untrue statement of a material fact or to omit to state a material fact”
- Rule 15c2-12 – Continuing disclosure obligations.

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MARKET MISCELLANY · \$600



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MARKET MISCELLANY - \$600

Consider due diligence factors covering all aspects of the project.

SEC's review standard is the idealized "reasonable investor."

Due Diligence Factors	
Organizational and Regulatory Documents	Legal
Financial	Legal basis to pursue P3 and/or other financing options
Audited financials to include breakout of port costs - 3 years	Attorney letters and pending litigation
Monthly revenue reports, container throughput, and operating statistics - 3 years	Board minutes
Material Contracts	Insurance
Shipping line 1	Summary of coverages
Shipping line 2	Claims - pending and last 3 years
Shipping line 3	Market Information
Operator	Market Studies
Miscellaneous facility use agreements	Master plans
Purchase and supply agreements	Port marketing materials
Real Property	Media clips
Maps/photos, as-built drawings, rail layout	Environmental
Intermodal-rail lease agreements	Phase One assessments
Fixed asset inventory	Permit status, violations, citations
Land and building titles/deeds	Historical and projected capital expenditures
Copies of permits	Historical - past 5 years
Condition assessments	Projected CapEx
Property management forms	Expansion Plans
Labor Contracts	Current design
Terminal/cranes - policy, staffing, performance	Berth & crane capacity analysis
State Department of Transportation Policy	Contracting requirements

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MARKET MISCELLANY · \$800

WHAT YOU OWE THE MARKET AFTER YOUR BONDS ARE ISSUED

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MARKET MISCELLANY · \$800

State filings (e.g., Bond 101 form for WA)

Form 8038 for the IRS

Continuing Disclosure for publicly offered bonds

- Annual financial statements
- Other statistics agreed to and specified in CDU
- Material events – now including all debt!
Even new bank loans!
- Posted to Electronic Municipal Market Access website
(emma.msrb.org)

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MARKET MISCELLANY · \$800

Tax-Exempt Status

- Watch for private use:
e.g., tenants, sale of property, management contracts
- Track bond spending and investments for arbitrage calculations
- Maintain records for the life of the bonds + 3-year audit period

Bond Covenants

- Debt service coverage
- Reserve requirement
- Additional bonds test, other covenants
(rates, sale property, bank reporting)

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MARKET MISCELLANY · \$1000

IMPACT INVESTING'S THREE LETTER ACRONYM

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MARKET MISCELLANY · \$1000

Five years ago, the discussion was about Green Bonds...

THE AVENUE

Green bonds take root in the U.S. municipal bond market

Devashree Saha · Tuesday, October 25, 2016

Is There a Green Bond Premium? The Yield Differential Between Green and Conventional Bonds

S&P Global
Market Intelligence

Global Credit Portal®
RatingsDirect

What's Next For U.S. Municipal Green Bonds?

07-Sep-2016

The issuance of U.S. municipal green bonds – bonds backing projects with positive environmental benefits – is increasing, joining a trend in the broader market for similarly labeled debt instruments. S&P Global estimates the municipal market will see between \$6.3 billion and \$7.2 billion of green bonds in 2016 (

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MARKET MISCELLANY · \$1000

Today, the market has expanded to ESG Bonds:

- Investors looking for “impact investing.”
- Fund or portfolios with ESG selection goals.
- Credit rating agencies integrated ESG factors in their rating processes.
- Other market-based ESG scores and ratings developing that provide context information to investors and other market participants.

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MARKET MISCELLANY · \$1000

Today, the old self-certification model is under pressure...

- SEC and MSRB taking a concern with ESG disclosure.
- SEC rigorously enforcing disclosure issues last seven years.
- SEC proposing rulemaking for corporate ESG disclosure.

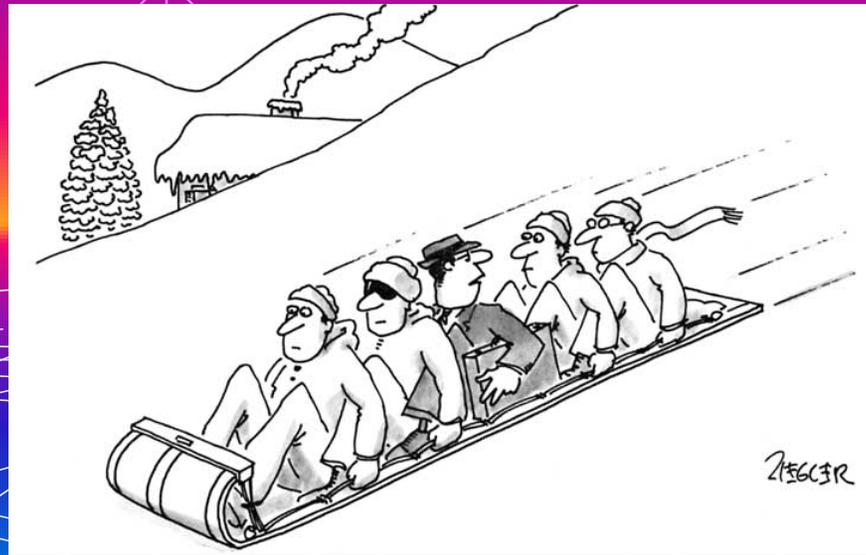
Increasingly worth investing time in:

- Conforming to one of the ESG Bond frameworks
- Considering third-party opinion/verification
- Initial disclosure and continuing disclosure requirements
- Post-issuance vigilance on Web and speech disclosures

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THANK YOU!



“Look, I’m not saying it’s going to be today. But someday—someday—you guys will be happy that you’ve taken along a lawyer.”