

# TAX INCREMENT FINANCING PROJECT ANALYSIS REVIEW

– PORT OF MOSES LAKE –

APRIL 15, 2024



April 15, 2024

Kim DeTrolio  
Interim Executive Director / Director of Finance and Administration  
Port of Moses Lake  
7810 Andrews N.E. Suite 200  
Moses Lake, WA 98837

Dear Ms. DeTrolio:

This letter confirms the Office of the State Treasurer's ("OST") receipt and review of the Port of Moses Lake's (the "Port") tax increment financing ("TIF") project analysis, consisting of the draft project analysis report dated January 16, 2024. OST and Montague DeRose and Associates, the state's municipal advisor, have reviewed the provided materials. Based on our review, which is detailed in the sections to follow, we believe that the Port's project analysis generally addresses the topics listed in section 020(2) of RCW 39.114 (the "TIF Statute"). However, please see our recommendations provided at the end of this letter.

Please note that this review is based on the information, projections, and assumptions provided by the Port and its consultants in the project analysis. OST has not independently verified the data or its accuracy or performed any feasibility analyses or projections of its own.

### **Executive Summary**

From 2025 through 2049, the Port plans to expend \$333.2 million (in 2024 dollars) on 20 public projects segmented into six categories – Transportation, Wastewater, Water, Power, Life Safety and Land Use – to facilitate private development in the proposed Port of Moses Lake tax increment area ("TIA"). The project analysis notes that the project will be funded, in part or in whole, from TIF revenues, which are forecast to be \$374.2 million in the baseline development scenario and \$120.9 million in the alternate development scenario.

Approximately \$10.0 million of the public improvements will be financed through the planned December 2024 issuance of Limited Tax General Obligation bonds, which will be backed by the full faith and credit of the Port. The Port expects to pay debt service for the bonds using tax increment revenues. In the baseline development scenario, surpluses of TIF revenues in 2025 through 2034 are estimated to average \$9.4 million annually, with a projected cumulative surplus of \$93.8 million. The alternate development scenario estimates \$2.8 million in annual surpluses, with a cumulative surplus of \$27.9 million.

The project analysis indicates that without the public improvements, the private development forecast to occur in the TIA would be delayed, reduced, or canceled. Specifically, the Northern Columbia Basin Railroad Project from Wheeler Road to Port of Moses Lake (NCBRP) is critical to private development. The Port notes it has been planning these rail improvements for over a decade, and local businesses have made investment decisions predicated on the Port's completion of these rail infrastructure improvements. With Port resources insufficient to cover the rising costs, TIA revenues are expected to allow the Port to proceed with implementation of the NCBRP.

Our review of the project analysis found potential risks worth consideration. A discussion of these risks, as well as other factors that could impact tax increment revenue projections, are included later in this review.

**Statutory Role and Purpose of Review**

As enacted by the 2021 Washington State Legislature, section RCW 39.114.020(7)(b) of the TIF Statute requires that prior to the adoption of an ordinance authorizing the creation of a TIA, the local government proposing the TIA must provide a project analysis to OST for review. Upon completing the review, OST must provide to the local government any comments regarding suggested revisions or enhancements to the project analysis that OST deems appropriate. OST received the Port’s draft project analysis report dated January 16, 2024.

OST’s primary goal in our statutorily mandated review is to ensure that the project analysis addresses the topics listed in the TIF statute and that risks to the Port that might result from the implementation of the project are adequately disclosed.

**Project Team**

<p><b>Jurisdiction:</b> Port of Moses Lake</p>
<p><b>County:</b> Grant County</p>
<p><b>Redevelopment Area:</b> Port of Moses Lake TIA</p>
<p><b>Consultants:</b> Tiberius Solutions LLC Northwest Municipal Advisors K&amp;L Gates (bond counsel)</p>

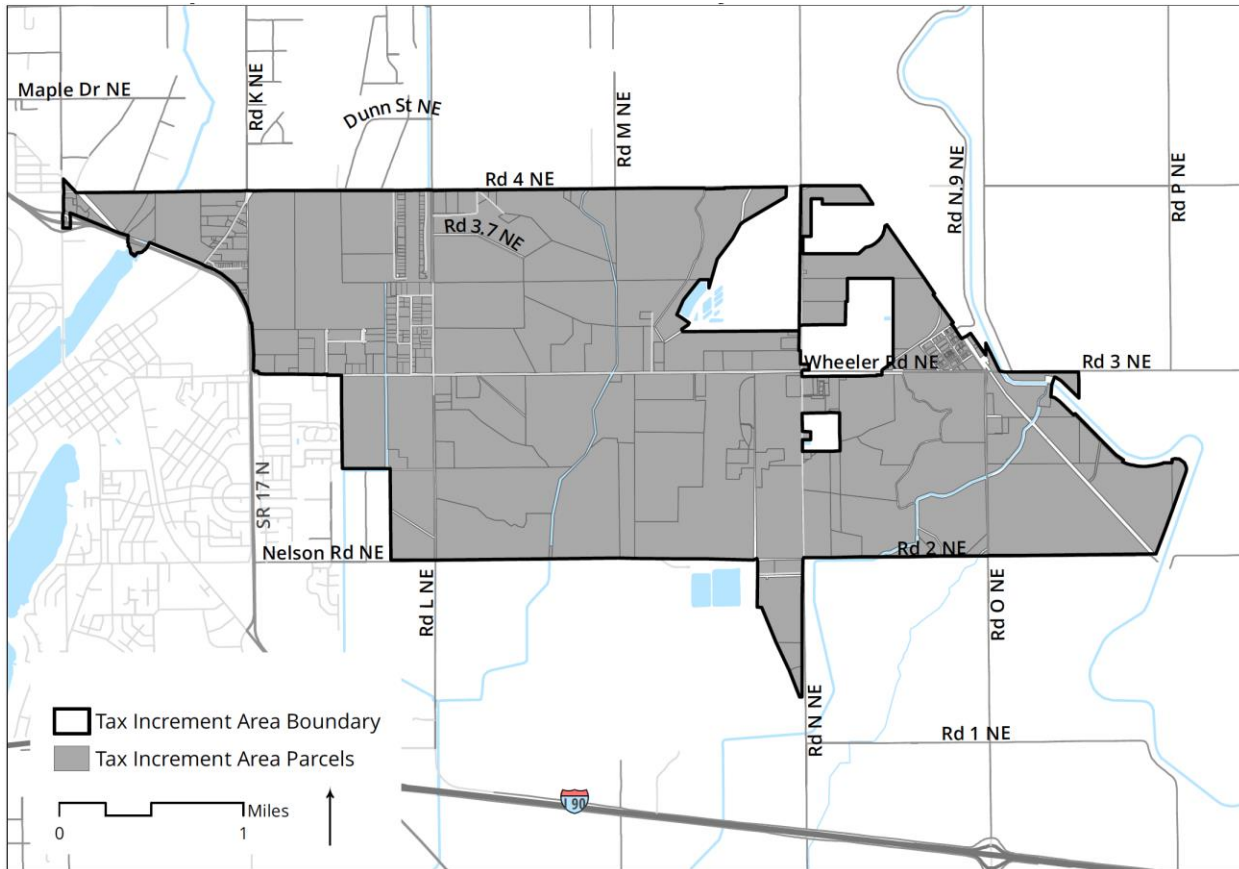
**Proposed Tax Increment Area**

The Port’s proposed TIA of 5,087 acres will be generally bordered by Road 4 NE (Cherokee Road) to the north, the rail line to the east, Road 2 NE to the south, and State Route 17 to the west. The 416 parcels within the TIA had an aggregate market value of \$164,279,410 and a total assessed value of \$130,041,825 for the 2023 tax year.

Based on assessed values, roughly 95% of the parcels are zoned as industrial (various types), agricultural, commercial, or Moses Lake Industrial Park. Excluding rights-of-way, the industrial parcels compose 59% of the acreage and 71% of the taxable assessed value, the agricultural parcels compose 20% of acreage and 6% of taxable assessed value, the commercial parcels compose 1% of acreage and 6% of taxable assessed value, and the parcels within the Moses Lake Industrial Park compose 1% of acreage and 11% of taxable assessed value.

The Port disclosed that it intends to acquire 19 parcels (or portions thereof) representing 1,174 acres within the TIA. The total assessed value of the 19 parcels at \$10,209,150 represents 8% of the total assessed value of the TIA while the aggregate 1,174 acres represents 25% of the TIA’s size. Most of these parcels are currently zoned for industrial uses.

Figure 1 – Map of Proposed Tax Increment Area



Source: Port of Moses Lake

### Impacted Taxing Districts

Seven taxing districts with regular property tax levies would be directly impacted by the TIA. These districts are:

- (1) City of Moses Lake;
- (2) Hospital 1;
- (3) Port 10;
- (4) Library;
- (5) Road District 1;
- (6) Fire District 5; and
- (7) County Current Expense.

After the TIA effective date, the levy rate for each of these jurisdictions will be applied to the increased AV within the TIA, with the tax increment revenues remitted to reimburse the Port for debt service on the bonds and, potentially, to pay for the remaining unfunded public improvements.

It should be noted that the TIF Statute requires a mitigation plan if at least 20% of a regional fire protection district's AV is expected to be impacted. As described in the project analysis, the proposed TIF revenues are estimated to reach a maximum of 0.6% of the total assessed value for Fire District 5 in 2049,

and would not require the negotiation of a mitigation plan. Additionally, the anticipated public improvements include two new fire stations; the project analysis does not specify the district of these new stations.

Not all taxing districts would be impacted by the TIA. The property tax levies for State Schools (Part 1 and 2), School District 161, and Mosquito Control District 1 would be excluded from the calculation of tax increment revenues.

## Project Description

### *Public Improvements within the TIA*

To facilitate private development in the TIA, the project analysis identified six categories of public improvements which total \$333.2 million (in 2024 dollars) to be developed over 25 years: Transportation (five projects totaling \$51.0 million); Wastewater (four projects totaling \$72.0 million); Water (five projects totaling \$84.5 million); Power (three projects totaling \$115.4 million); Life Safety (two projects totaling \$9.30 million); and, Land Use – Environmental (one project totaling \$1.0 million). The project analysis did not provide a detailed plan of finance on how the majority of these projects will be funded other than noting that the funding for these 20 projects will be partially, or entirely, from TIF revenues, which are forecast to be \$374.2 million in the baseline development scenario and \$120.9 million in the alternate development scenario.

**Table 1 – Public Improvements to be Funded with TIA Revenues (\$ 2024)**

Project Category	Estimated Project Cost (2024 \$)					Total
	Years 1-5	Years 6-10	Years 11-15	Years 16-20	Years 21-25	
Transportation	\$ 20,600,000	\$ -	\$ -	\$ 27,300,000	\$ 3,100,000	<b>\$ 51,000,000</b>
Wastewater	\$ -	\$ -	\$ -	\$ 16,500,000	\$ 55,600,000	<b>\$ 72,000,000</b>
Water	\$ -	\$ 41,200,000	\$ -	\$ 9,300,000	\$ 34,000,000	<b>\$ 84,500,000</b>
Power	\$ -	\$ 30,900,000	\$ 72,100,000	\$ -	\$ 12,400,000	<b>\$ 115,400,000</b>
Life and Safety	\$ -	\$ 9,300,000	\$ -	\$ -	\$ -	<b>\$ 9,300,000</b>
Land Use - Environmental	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000	<b>\$ 1,000,000</b>
<b>Total</b>	<b>\$ 20,600,000</b>	<b>\$ 81,400,000</b>	<b>\$ 72,100,000</b>	<b>\$ 53,100,000</b>	<b>\$ 106,100,000</b>	<b>\$ 333,200,000</b>

*Source: Port of Moses Lake*

The project analysis indicates that without the public improvements, the private development forecast to occur in the TIA would need to be delayed, reduced, or canceled. The report states that “the private development forecast in this analysis would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future without the proposed public improvements.” Specifically, the NCBRP is critical for the planned private development to occur. The Port notes that rail improvements have been planned for over a decade, and local businesses have made investment decisions predicated on the Port’s completion of these rail infrastructure improvements. With Port resources insufficient to cover the rising costs, TIF revenues are expected to allow the Port to proceed with implementation of the NCBRP. While rail infrastructure is an immediate priority, other public improvements will address existing deficiencies in road, water, wastewater, and power infrastructure which are essential for facilitating longer-term private development efforts in the TIA.

### *Private Development within the TIA*

The project analysis identified 26 potential private industrial projects to be constructed in the TIA between 2023 and 2044, with the total assessed value estimated to be \$3.8 billion (\$ nominal). These projects are for new businesses, expansions of existing businesses, and improvements to existing private facilities. Two businesses are each expected to account for roughly 33% of the future assessed value (5 of the 26 projects) with two additional businesses each forecast to add approximately 16% of the new assessed value (12 of the 26 projects), which, combined, will total 98% of the assessed value created by private development. In order to receive utility services provided by the City of Moses Lake, the TIA revenue forecast assumes all projects developed on parcels located in unincorporated areas of Grant County would be annexed into the boundaries of the City upon completion.

The projection of assessed values and tax increment revenues conservatively assumes that new construction is not added to the tax roll until two years after construction is completed. The timing and value of projected assessed values within the TIA from private development under the baseline development scenario are presented in Table 2 below.

**Table 2 – Projected Assessed Values from Private Development (\$ nominal)  
Baseline Development Scenario**

Year on Tax Roll	Taxable Assessed Value		Total
	Real Property	Personal Property	
2025	\$ 496,800,000	\$ 26,100,000	\$ 522,800,000
2026	\$ 1,264,000,000	\$ 26,100,000	\$ 1,322,000,000
2027	\$ 37,000,000	\$ 58,100,000	\$ 38,700,000
2028	\$ 282,400,000	\$ 1,700,000	\$ 297,100,000
2029	\$ 2,500,000	\$ 14,700,000	\$ 2,500,000
2030	\$ 2,600,000	\$ -	\$ 2,600,000
2031	\$ 96,100,000	\$ -	\$ 96,100,000
2032	\$ 993,000,000	\$ -	\$ 1,045,100,000
2033	\$ 2,900,000	\$ 52,100,000	\$ 2,900,000
2034	\$ 3,000,000	\$ -	\$ 3,000,000
2035	\$ 3,200,000	\$ -	\$ 3,200,000
2036	\$ 118,000,000	\$ -	\$ 118,000,000
2037	\$ 3,400,000	\$ -	\$ 3,400,000
2038	\$ 1,400,000	\$ -	\$ 1,400,000
2039	\$ -	\$ -	\$ -
2040	\$ -	\$ -	\$ -
2041	\$ 140,900,000	\$ -	\$ 140,900,000
2042	\$ -	\$ -	\$ -
2043	\$ -	\$ -	\$ -
2044	\$ -	\$ -	\$ -
2045	\$ -	\$ -	\$ -
2046	\$ 173,100,000	\$ -	\$ 173,100,000
2047	\$ -	\$ -	\$ -
2048	\$ -	\$ -	\$ -
2049	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ 3,620,300,000</b>	<b>\$ 178,800,000</b>	<b>\$ 3,772,800,000</b>

*Source: Port of Moses Lake*

The Port's project analysis included an alternate development scenario, which assumed that the value of new construction through 2025 is reduced by 50% compared to the baseline development scenario, and that no new construction would be added to TIA assessed values after 2027. Private development in the TIA was projected to total \$898.9 million (\$ nominal), compared to \$3.8 billion in the baseline development scenario.

### **Assessed Value of the TIA**

As cited in the project analysis, the estimated AV of the parcels within the TIA for the 2024 tax year is \$135.5 million, or 2.1% of the Port's total AV of \$6.3 billion, which is below the statutory limit of the lesser of \$200 million in AV and 20% of the Port's total AV.

The magnitude and timing of real property development in the TIA will drive growth in incremental assessed value and, therefore, will drive growth in tax increment revenues. For both development scenarios provided by the Port, the incremental taxable assessed value of the TIA is estimated by assigning market-based improvement prices reflecting the land use and size of the proposed development.

The Port assumes the TIA base value and the assessed values of newly developed properties will increase based on a combination of the past growth rate in per-capita personal income and the forecasted growth rates for population. The long-term historical trend for per-capita personal income growth for Grant County from 2001-2021 was used as the basis for forecasting a 4.2% annual appreciation rate in the assessed values of existing properties. To project annual increases in assessed value from new construction outside of the TIA, the project analysis applied the population growth rates from the 2022 State Growth Management Act forecast for Grant County for the 2025-2050 period, which calls for a gradual slowing of population growth with average annual growth rates of 1.2% through 2028, 1.1% through 2033, 1.0% through 2039, 0.9% through 2047 and 0.8% through 2050.

### **Tax Allocation Revenue Projections**

The TIA is expected to take effect on June 1, 2024, with 2025 being the first year in which the Port expects to receive tax increment revenues. The term of the TIA is assumed to be 25 years (the maximum allowed) with 2049 being the final year in which tax increment revenues will be received. The Port assumes a 2024 tax increment base AV of \$135.5 million. In the baseline development scenario, a projected \$7.5 billion in incremental AV would be added between 2025 and 2049, with \$3.8 billion from private development and \$3.7 billion from TIA assessed value growth. Under the baseline development scenario, the Port projects \$374.2 million of tax increment revenues would be collected over the 25-year term of the TIA. See Table 3 – Tax Allocation Revenues (Baseline Development Scenario).



**Table 3 – Tax Allocation Revenues (\$ nominal)  
Baseline Development Scenario**

Tax Year	Assessed Value			Blended Levy Rate	Tax Allocation Revenues
	Total	Base Value	Increment		
2024	\$ 135,503,582	\$ 135,503,582	\$ -	\$ -	\$ -
2025	\$ 637,958,239	\$ 135,503,582	\$ 502,454,657	\$ 5.122600	\$ 2,573,869
2026	\$ 1,907,841,378	\$ 135,503,582	\$ 1,772,337,797	\$ 5.031800	\$ 8,918,077
2027	\$ 1,951,054,949	\$ 135,503,582	\$ 1,815,551,367	\$ 4.955300	\$ 8,996,584
2028	\$ 2,239,858,983	\$ 135,503,582	\$ 2,104,355,401	\$ 4.832400	\$ 10,169,154
2029	\$ 2,269,912,669	\$ 135,503,582	\$ 2,134,409,088	\$ 4.727300	\$ 10,089,972
2030	\$ 2,354,314,635	\$ 135,503,582	\$ 2,218,811,054	\$ 4.586100	\$ 10,175,792
2031	\$ 2,537,179,339	\$ 135,503,582	\$ 2,401,675,758	\$ 4.455300	\$ 10,700,071
2032	\$ 3,632,508,499	\$ 135,503,582	\$ 3,497,004,917	\$ 4.336800	\$ 15,165,877
2033	\$ 3,742,148,474	\$ 135,503,582	\$ 3,606,644,893	\$ 4.235900	\$ 15,277,370
2034	\$ 3,856,501,882	\$ 135,503,582	\$ 3,720,998,300	\$ 4.109500	\$ 15,291,344
2035	\$ 3,979,692,465	\$ 135,503,582	\$ 3,844,188,883	\$ 3.998700	\$ 15,371,782
2036	\$ 4,264,449,739	\$ 135,503,582	\$ 4,128,946,157	\$ 3.879800	\$ 16,019,662
2037	\$ 4,441,786,748	\$ 135,503,582	\$ 4,306,283,166	\$ 3.788800	\$ 16,315,641
2038	\$ 4,624,544,693	\$ 135,503,582	\$ 4,489,041,112	\$ 3.687300	\$ 16,552,220
2039	\$ 4,813,614,682	\$ 135,503,582	\$ 4,678,111,100	\$ 3.588800	\$ 16,789,033
2040	\$ 5,015,581,371	\$ 135,503,582	\$ 4,880,077,789	\$ 3.491500	\$ 17,038,967
2041	\$ 5,367,055,417	\$ 135,503,582	\$ 5,231,551,835	\$ 3.387600	\$ 17,722,390
2042	\$ 5,586,554,786	\$ 135,503,582	\$ 5,451,051,204	\$ 3.287800	\$ 17,921,834
2043	\$ 5,815,273,128	\$ 135,503,582	\$ 5,679,769,546	\$ 3.188900	\$ 18,112,176
2044	\$ 6,053,597,640	\$ 135,503,582	\$ 5,918,094,058	\$ 3.093800	\$ 18,309,350
2045	\$ 6,307,848,741	\$ 135,503,582	\$ 6,172,345,159	\$ 3.000700	\$ 18,521,207
2046	\$ 6,745,834,864	\$ 135,503,582	\$ 6,610,331,283	\$ 2.911000	\$ 19,242,624
2047	\$ 7,021,891,557	\$ 135,503,582	\$ 6,886,387,976	\$ 2.824900	\$ 19,453,083
2048	\$ 7,309,542,631	\$ 135,503,582	\$ 7,174,039,049	\$ 2.739600	\$ 19,653,741
2049	\$ 7,609,275,050	\$ 135,503,582	\$ 7,473,771,468	\$ 2.657500	\$ 19,861,777
<b>Total</b>					<b>\$ 374,243,597</b>

Source: Port of Moses Lake

As noted above, the Port prepared an alternate development scenario wherein private development in the TIA is projected to total \$898.9 million compared to \$3.8 billion in the baseline development scenario. In the alternate development scenario, the Port projects \$2.3 billion of assessed value would be added to the TIA between 2025 and 2049, and \$120.9 million of tax increment revenues would be collected over the 25-year term, which is 68% lower than the \$374.2 million forecast in the baseline development scenario. See Table 4 – Tax Allocation Revenues (Alternate Development Scenario).



**Table 4 – Tax Allocation Revenues (\$ nominal)  
Alternate Development Scenario**

Tax Year	Assessed Value			Blended Levy Rate	Tax Allocation Revenues
	Total	Base Value	Increment		
2024	\$ 135,503,582	\$ 135,503,582	\$ -	\$ -	\$ -
2025	\$ 389,576,485	\$ 135,503,582	\$ 254,072,904	\$ 5.111200	\$ 1,298,609
2026	\$ 1,027,483,145	\$ 135,503,582	\$ 891,979,563	\$ 4.995500	\$ 4,455,845
2027	\$ 1,052,179,553	\$ 135,503,582	\$ 916,675,971	\$ 4.889000	\$ 4,481,593
2028	\$ 1,058,618,327	\$ 135,503,582	\$ 923,114,745	\$ 4.753800	\$ 4,388,274
2029	\$ 1,075,759,563	\$ 135,503,582	\$ 940,255,982	\$ 4.626600	\$ 4,350,182
2030	\$ 1,120,163,745	\$ 135,503,582	\$ 984,660,163	\$ 4.487200	\$ 4,418,360
2031	\$ 1,167,210,622	\$ 135,503,582	\$ 1,031,707,040	\$ 4.351500	\$ 4,489,472
2032	\$ 1,216,233,468	\$ 135,503,582	\$ 1,080,729,886	\$ 4.219900	\$ 4,560,536
2033	\$ 1,267,315,274	\$ 135,503,582	\$ 1,131,811,692	\$ 4.092200	\$ 4,631,576
2034	\$ 1,320,542,516	\$ 135,503,582	\$ 1,185,038,935	\$ 3.968200	\$ 4,702,498
2035	\$ 1,376,005,301	\$ 135,503,582	\$ 1,240,501,720	\$ 3.848000	\$ 4,773,437
2036	\$ 1,433,797,524	\$ 135,503,582	\$ 1,298,293,942	\$ 3.731400	\$ 4,844,414
2037	\$ 1,494,017,020	\$ 135,503,582	\$ 1,358,513,438	\$ 3.618300	\$ 4,915,449
2038	\$ 1,556,765,734	\$ 135,503,582	\$ 1,421,262,153	\$ 3.508500	\$ 4,986,564
2039	\$ 1,622,149,896	\$ 135,503,582	\$ 1,486,646,314	\$ 3.402100	\$ 5,057,779
2040	\$ 1,690,280,191	\$ 135,503,582	\$ 1,554,776,610	\$ 3.298900	\$ 5,128,987
2041	\$ 1,761,271,959	\$ 135,503,582	\$ 1,625,768,377	\$ 3.198700	\$ 5,200,331
2042	\$ 1,835,245,382	\$ 135,503,582	\$ 1,699,741,800	\$ 3.101500	\$ 5,271,831
2043	\$ 1,912,325,688	\$ 135,503,582	\$ 1,776,822,106	\$ 3.007300	\$ 5,343,506
2044	\$ 1,992,643,366	\$ 135,503,582	\$ 1,857,139,785	\$ 2.916000	\$ 5,415,373
2045	\$ 2,076,334,387	\$ 135,503,582	\$ 1,940,830,806	\$ 2.827400	\$ 5,487,452
2046	\$ 2,163,540,432	\$ 135,503,582	\$ 2,028,036,850	\$ 2.741400	\$ 5,559,760
2047	\$ 2,254,409,130	\$ 135,503,582	\$ 2,118,905,549	\$ 2.658100	\$ 5,632,316
2048	\$ 2,349,094,314	\$ 135,503,582	\$ 2,213,590,733	\$ 2.577300	\$ 5,704,992
2049	\$ 2,447,756,276	\$ 135,503,582	\$ 2,312,252,695	\$ 2.498800	\$ 5,777,949
<b>Total</b>					<b>\$ 120,877,083</b>

Source: Port of Moses Lake

Under the TIF Statute, only certain regular levies are applied to the TIA. Both parts of the state school levy, local school district excess levies, voted bond levies, and levies of districts for bond payments are excluded from the TIA levy rate. The TIA's annual levy rate may change year-to-year based on factors including future incremental increases to AV of the TIA, future AV of the taxing districts, and relevant levy limits. The project analysis calculates the levy rate for each of these jurisdictions and applies the levy rates to the projected incremental AV within the TIA, to calculate the projected tax allocation revenues provided in Tables 3 and 4.

## Financing Plan for Public Improvements

To fund \$10.0 million of the proposed public improvements, the Port plans to issue \$10.2 million of taxable LTGO Bonds (the “Bonds”) in December 2024. As stated in the project analysis, because of their general obligation pledge, the Port will be required to pay the full debt service due on the Bonds from available resources, regardless of the amount of tax increment revenues generated within the TIA.

The Port’s baseline structure for the Bonds assumes interest rates as of December 1, 2023, resulting in a true interest cost of 5.51%, with total principal and interest projected at \$13.5 million over the 11-year repayment term. After one year of interest only payments, principal will be repaid from 2026 through 2034 to result in projected annual debt service of \$1.4 million. In the baseline development scenario, the Port projects significant annual surpluses between tax increment revenues and debt service averaging \$9.4 million between 2025 and 2034. By 2034, the projected cumulative surplus is \$93.8 million.

In conjunction with the alternate development scenario, the Port prepared a slightly more conservative issuance structure for the Bonds using interest rates as of December 1, 2023 plus 0.50% to result in a true interest cost of 6.01% to finance the \$10.0 million of public improvements. Total principal and interest is projected \$400,000 higher at \$13.9 million over the 10-year repayment term. Primarily due to total tax increment revenues which are projected 68% lower in the alternate development scenario, the average annual surpluses between tax increment revenues and debt service are projected to be \$2.8 million with a cumulative surplus of \$27.9 million.

## Debt Capacity

Based on the Port’s 2024 total assessed value, the Port has \$15,869,497 in total non-voted debt capacity (0.25% of 2024 AV). The Port currently has \$2,898,931 in outstanding non-voted general obligation debt, leaving sufficient net non-voted debt capacity of \$12,970,566 before the \$10,155,000 in TIA Bonds are issued in December 2024. After this debt issuance, the Port’s remaining non-voted debt capacity would be \$2,815,566.

**Table 5 – Debt Capacity (2024 Issuance)**

Assessed Valuation for 2024 Tax Year	\$ 6,347,798,950
Non-Voted Debt Capacity (0.25% of AV)	15,869,497
Less: Outstanding Non-Voted Debt	2,898,931
Remaining Non-Voted Debt Capacity	12,970,566
Less: Bonds Proposed	10,155,000
<b>Projected Remaining Non-Voted Capacity</b>	<b>\$ 2,815,566</b>
<b>Projected Remaining Non-Voted Capacity (%)</b>	<b>17.7%</b>

## Projected Debt Service Coverage

Tables 6 and 7 below summarize the total tax increment revenues, revenue surpluses, and debt service coverage for the baseline and alternate development scenarios. For the baseline development scenario, the average debt service coverage ratio is 7.75x, while the ratio is 2.97x for the alternate development scenario.

**Table 6 – Tax Allocation Revenues and Debt Service Coverage**

Development Scenario	First Year Tax Increment Revenues Exceed Debt Service	Year That Tax Increment Revenues Fully Reimburse Debt Service Shortfalls	Total Projected TIF Revenue (\$MMs)	Total Projected Debt Service (\$MMs)	Projected Maximum Cumulative Shortfall (\$MMs)	Total Surplus/ (Shortfall) Through End of TIA (\$MMs)	Aggregate Debt Service Coverage Ratio
Baseline	2025	N/A	\$374.24	\$13.51	\$0	\$360.73	7.75x
Alternate	2025	N/A	\$120.88	\$13.85	\$0	\$107.02	2.97x

Source: Port of Moses Lake

**Table 7 – TIF Debt Service Coverage**

Year	Baseline Development Scenario					Alternate Development Scenario (\$Ms)				
	Tax Increment Revenues	Debt Service on TIF Bonds	Surplus (Shortfall)	Cumulative Surplus (Shortfall)	Debt Service Coverage	Tax Increment Revenues	Debt Service on TIF Bonds	Surplus (Shortfall)	Cumulative Surplus (Shortfall)	Debt Service Coverage
	2025	\$2,573,869	\$527,131	\$2,046,738	\$2,046,738	4.88x	1,298,609	578,017	720,592	720,592
2026	8,918,077	1,442,131	7,475,946	9,522,684	6.18x	4,455,845	1,478,017	2,977,828	3,698,420	3.01x
2027	8,996,584	1,443,819	7,552,765	17,075,449	6.23x	4,481,593	1,475,997	3,005,596	6,704,016	3.04x
2028	10,169,154	1,445,280	8,723,874	25,799,323	7.04x	4,388,274	1,473,462	2,914,812	9,618,828	2.98x
2029	10,089,972	1,444,225	8,645,747	34,445,070	6.99x	4,350,182	1,473,162	2,877,020	12,495,848	2.95x
2030	10,175,792	1,440,443	8,735,349	43,180,419	7.06x	4,418,360	1,474,610	2,943,750	15,439,598	3.00x
2031	10,700,071	1,443,132	9,256,939	52,437,358	7.41x	4,489,472	1,476,724	3,012,748	18,452,346	3.04x
2032	15,165,877	1,442,149	13,723,728	66,161,086	10.52x	4,560,536	1,474,582	3,085,954	21,538,300	3.09x
2033	15,277,370	1,442,188	13,835,182	79,996,268	10.59x	4,631,576	1,472,870	3,158,706	24,697,006	3.14x
2034	15,291,344	1,443,158	13,848,186	93,844,454	10.60x	4,702,498	1,476,468	3,226,030	27,923,036	3.18x
2035	15,371,782	0	15,371,782	109,216,236	--	4,773,437	0	4,773,437	32,696,473	--
2036	16,019,662	0	16,019,662	125,235,898	--	4,844,414	0	4,844,414	37,540,887	--
2037	16,315,641	0	16,315,641	141,551,539	--	4,915,449	0	4,915,449	42,456,336	--
2038	16,552,220	0	16,552,220	158,103,759	--	4,986,564	0	4,986,564	47,442,900	--
2039	16,789,033	0	16,789,033	174,892,792	--	5,057,779	0	5,057,779	52,500,679	--
2040	17,038,967	0	17,038,967	191,931,759	--	5,128,987	0	5,128,987	57,629,666	--
2041	17,722,390	0	17,722,390	209,654,149	--	5,200,331	0	5,200,331	62,829,997	--
2042	17,921,834	0	17,921,834	227,575,983	--	5,271,831	0	5,271,831	68,101,828	--
2043	18,112,176	0	18,112,176	245,688,159	--	5,343,506	0	5,343,506	73,445,334	--
2044	18,309,350	0	18,309,350	263,997,509	--	5,415,373	0	5,415,373	78,860,707	--
2045	18,521,207	0	18,521,207	282,518,716	--	5,487,452	0	5,487,452	84,348,159	--
2046	19,242,624	0	19,242,624	301,761,340	--	5,559,760	0	5,559,760	89,907,919	--
2047	19,453,083	0	19,453,083	321,214,423	--	5,632,316	0	5,632,316	95,540,235	--
2048	19,653,741	0	19,653,741	340,868,164	--	5,704,992	0	5,704,992	101,245,227	--
2049	19,861,777	0	19,861,777	360,729,941	--	5,777,949	0	5,777,949	107,023,176	--
Total	\$374,243,597	\$13,513,656	\$360,729,941		7.75x	120,877,085	13,853,909	107,023,176		2.97x

Source: Port of Moses Lake

## Key Risks

From OST's review of the project analysis, it appears that the anticipated public improvements and corresponding economic development will provide benefits to the Port and its community. Nonetheless, the proposed project comes with certain risks and costs to the Port, which we attempt to summarize below:

General Obligation Pledge: The LTGO Bonds expected to be issued in connection with the project's plan of finance will obligate the Port to pay the full amount of debt service due from Port revenues and resources, regardless of the amount of tax increment revenues generated from the TIA.

Escalation of Project Costs: With an estimated 25-year timeframe to construct all of the public improvements, inflation could have a significant impact on the cost of these projects.

Construction Delays: Any delay in private development construction timelines could reduce the amount of tax increment revenues produced by the TIA.

Economic Conditions: Growth in the TIA's assessed value could be negatively impacted by depressed economic conditions. A variety of economic factors could negatively impact the demand for development, jeopardizing the timeline, scale, and market value of private development, potentially reducing tax increment revenues.

Assessed Valuations: As private developments are completed, the actual assessed values will depend on factors considered by the County Assessor's office. Tax increment revenues could potentially be lower than projected if the assessed values of the projects are lower than expected or take longer than anticipated to be reflected on the County's tax rolls.

Permits: It is unclear where the projects are in the permitting process. Delays in permits could negatively impact the construction of the private developments within the TIA, potentially reducing the amount of tax increment revenues generated by the TIA.

Interest Rate Risk: The Port will be exposed to interest rate risk until the anticipated bonds are sold. The project analysis assumes interest rates as of December 1, 2023 plus an alternate financing structure with interest rates higher by 0.50%.

Risk Summary: The general impact to the Port from any of the risk factors outlined above could potentially be lower than projected tax increment revenues, resulting in a decreased ability to fund the public improvements and facilitate the expected growth in the TIA.

## Recommendations

To help ensure the financial success of the project, and to minimize unanticipated costs and risks, we recommend the Port consider the following measures:

1. Prior to approving the TIA, we recommend the Port coordinate closely with the taxing districts impacted by the project, and the County Assessor's Office, to ensure that all parties have an accurate understanding of how the TIA will impact them and provide sufficient time to work through any concerns.
2. We recommend that the Port better develop its long-term plan of finance on how it expects to fund the remaining public improvement projects.

3. As the project moves forward, we recommend the Port coordinate with the County Assessor's Office to help ensure that the tax increment revenue projections match the County's assessment process and are as accurate as possible.
4. Given the timeline for public improvements, we recommend the Port revisit public improvement cost projections frequently and utilize a publicly recognized inflation index to inform inflation projections.

Thank you for the opportunity to review the Port's project analysis. Based upon the information provided to date in connection with this project, this concludes our review. If there are material changes in the scope, timing, or cost of the project, please let us know. We wish the Port all the best with its project.

Respectfully,

Mike Pellicciotti  
Washington State Treasurer



Jason Richter  
Deputy Treasurer