



AUDIT COMMITTEE

Report to the
Board of Harbor Commissioners

Item #4

“FOR DISCUSSION ONLY”

DATE: MAY 8, 2014

TO: AUDIT COMMITTEE OF THE BOARD OF HARBOR COMMISSIONERS

SUBJECT: ISSUANCE OF HARBOR REVENUE BONDS 2014

Based on current cash flows and interest rate trends, we are recommending that the Port borrow money through a bond issue in late July 2014.

We anticipate that the total amount of the issue will be around \$300 million comprised of \$200 million in new borrowings and another \$100 million that will refund existing commercial paper outstanding. Furthermore, there may be an opportunity to refund approximately \$75 million of existing bonds that might create a reduction in the amount of annual interest paid.

While short and long-term interest rates are close to historical lows, we have seen a gradual overall increase in rates that over the next few months make it advantageous for the Harbor Department to begin the borrowing process now.

Combining the three transactions reduces the overall cost of issuance that generally runs about 3% of the debt issued. We project that our total cost of borrowing to be around the 4.5% range. Our existing weighted average cost of capital is approximately 4.49%.

GARY LEE MOORE, P.E.
Interim Executive Director