

WELCOME!

Revenue Bond Town Hall

Thursday, September 22, 2022

AB Hall



Meeting Format



20–30-minute presentation on the proposed revenue bond and scope of the associated project.



Questions to follow presentation

In Person	Online	Outstanding questions will be added to FAQs
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Responses will be addressed by

Borough Manager	Bond Bank	Deputy Manager	Borough Treasurer	Port Director	Tourism Director
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Overview

- What is a revenue bond?
- What is the Project Scope?
- Is the project financially viable?
- What happens if the bond passes?
- What happens if the bond fails?
- **Vote Yes for the future of Skagway!**



Revenue Bond FAQs

- **What is a revenue bond?** Revenue bonds are a class of municipal bonds issued to fund public projects which then repay investors from the income created by that project. For instance, a dock can be financed with municipal bonds with creditors' interest, and the principal is repaid from the tariffs or fees collected.
- **Who pays for the dock?** The end users of the Port of Skagway - cruise lines, fuel barges, ore terminal users, etc.
- **Does the revenue bond have to be used on the current Ore Peninsula Redevelopment design:** No, the bond is for dock developments on the Ore Peninsula; 30% design has been approved by the Assembly.
- **Does the Municipality have to issue all \$65 million in revenue bonds if the proposition passes?** No, the Municipality does not have to issue any portion of the bonds until the funds are needed. No interest will accrue until the funds are issued.
- **How long will it take to repay the revenue bonds?** A typical bond term is 30 years. The term could be less (15-20 years) with higher annual payments and a smaller interest rate.
- **Will taxpayers pay for the Ore Peninsula Redevelopment project?** No, a revenue bond is not paid back by taxpayers. Bonds are secured based on historical or projected revenues from the planned project.
- **How much will the total debt service on the bonds cost?** Estimates on a \$65 million revenue bond at 5.25% over 30 years is around \$122 million in total debt service costs, with an annual debt service of \$4.07 million. A \$25 million revenue bond with the same terms is around \$47 million total cost with an annual debt service of approximately \$1.57 million.

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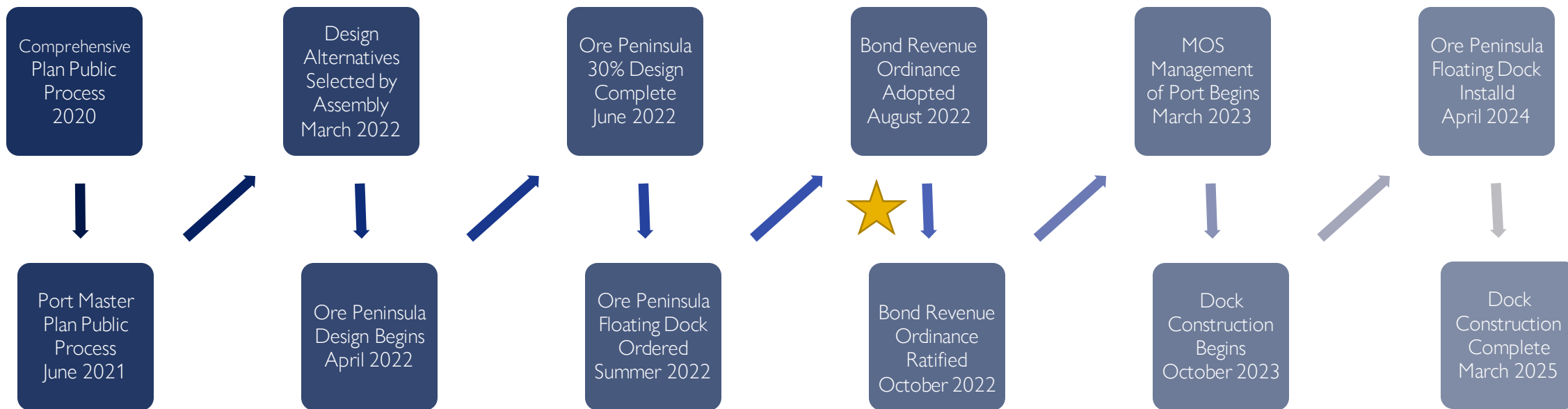


Who Pays for a Revenue Bond?

- **The end users of the Port of Skagway** (cruise lines, fuel barges, ore terminal users, etc.) will pay tariffs to the Municipality (identified in Port of Skagway Tariff No. 3), and that revenue will be used to repay the revenue bond.
- Example Sources of revenue for the Port of Skagway:
 - **Cruise Lines** (included in financial feasibility table)
 - Commercial Passenger Vessel (CPV) Excise Tax
 - Dockage
 - Wharfage
 - **Alaska Marine Lines** (not included in the financial feasibility)
 - **Yukon Mines** (not included in the financial feasibility)
 - **Petro Marine** (not included in the financial feasibility)
 - **TEMSCO** (not included in the financial feasibility)
 - **Small Boat Harbor** (not included in the financial feasibility)

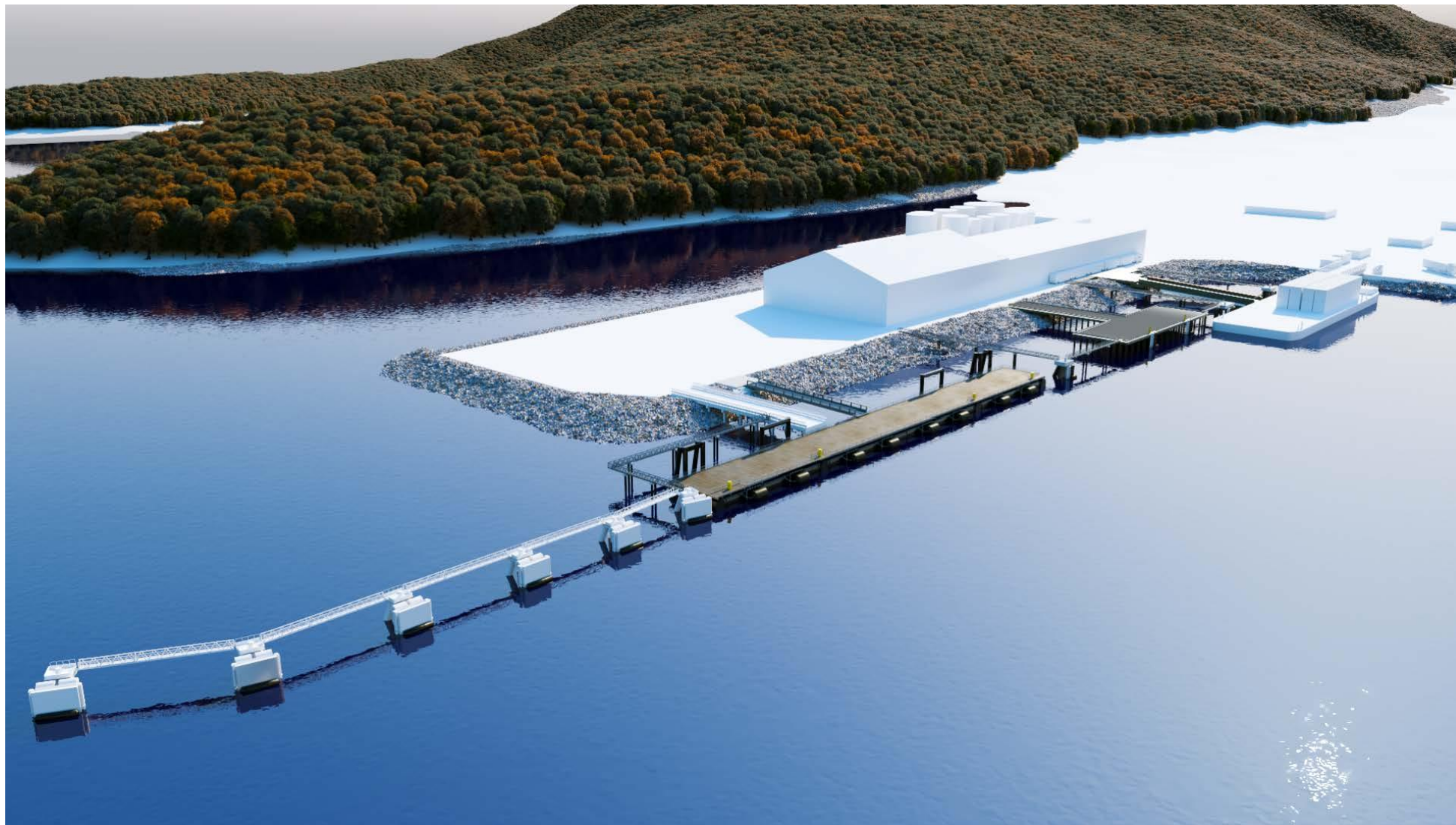


How did we get here?



Project Scope

500' x 50' Cruise Float - New & Reinforced Dolphins - Fuel Header Relocation - Roll-on Roll-off Ramp



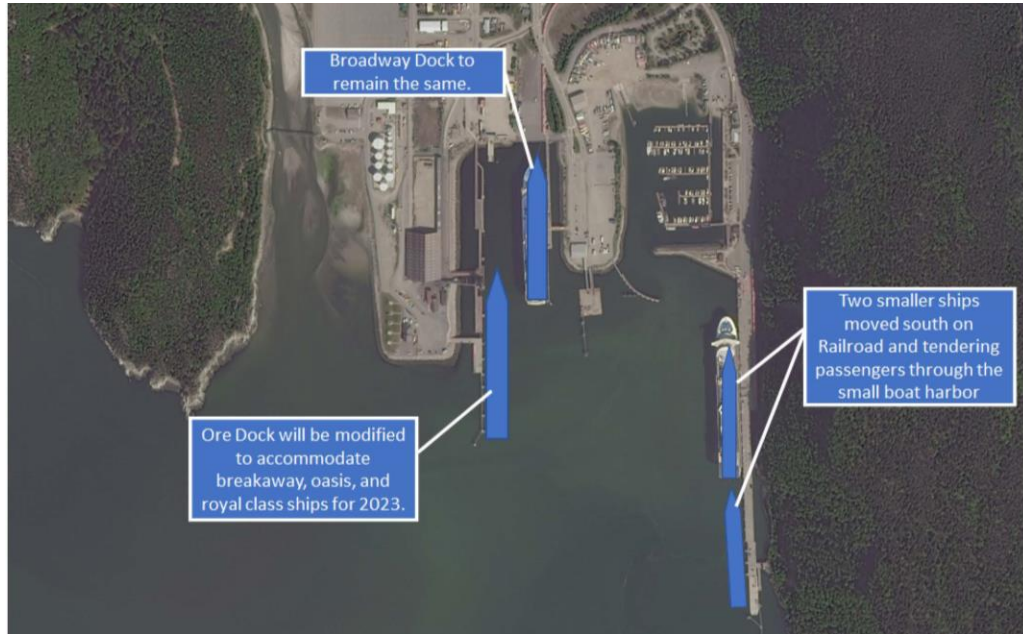
Financial Projections at 80% Capacity

9/21/2022	CY	CY	CY	CY	CY	CY	CY	CY
	2023	2024	2025	2026	2027	2028	2029	2030
Revenues								
Cruise Dockage	\$2,349,621	\$2,426,485	\$2,511,964	\$2,572,616	\$2,677,163	\$2,736,444	\$2,807,630	\$2,901,999
Cruise Wharfage	\$6,065,349	\$6,370,747	\$6,668,508	\$6,979,382	\$7,354,631	\$7,684,254	\$8,056,401	\$8,503,969
Cruise Water	\$182,941	\$187,575	\$192,794	\$196,038	\$202,546	\$205,551	\$209,390	\$214,881
State Cruise Passenger Vessel Shared Revenue	\$4,738,554	\$4,977,146	\$5,130,727	\$5,288,074	\$5,487,093	\$5,644,882	\$5,826,894	\$6,055,250
Total Cruise Revenue	\$13,336,464	\$13,961,952	\$14,503,993	\$15,036,109	\$15,721,433	\$16,271,131	\$16,900,315	\$17,676,099
Metrics								
Total Estimated Passengers	947,711	995,429	1,026,145	1,057,615	1,097,419	1,128,976	1,165,379	1,211,050
Gross revenue per passenger	\$14.07	\$14.03	\$14.13	\$14.22	\$14.33	\$14.41	\$14.50	\$14.60
Debt Service & Operating Expenditures								
Debt Service (principal & interest) @ \$25M	\$1,570,000	\$1,570,000	\$1,570,000	\$1,570,000	\$1,570,000	\$1,570,000	\$1,570,000	\$1,570,000
% of projected Cruise Revenue	11.8%	11.2%	10.8%	10.4%	10.0%	9.6%	9.3%	8.9%
Debt Service (principal & interest) @ \$65M	\$4,070,000	\$4,070,000	\$4,070,000	\$4,070,000	\$4,070,000	\$4,070,000	\$4,070,000	\$4,070,000
% of projected Cruise Revenue	30.5%	29.2%	28.1%	27.1%	25.9%	25.0%	24.1%	23.0%
Subtotal operating expenses	1,284,754	4,124,100	4,208,318	4,291,802	4,378,479	4,463,312	4,549,556	4,637,835
Other Operating Budgets: water/sewer, garbage, fire, police, visitor, public works	2,000,000	2,050,000	2,101,250	2,153,781	2,207,626	2,262,816	2,319,387	2,377,372
Estimated Net Revenues @ \$25M Debt Service	8,481,710	6,217,852	6,624,425	7,020,526	7,565,328	7,975,002	8,461,373	9,090,892
Estimated Net Revenues @ \$65M Debt Service	5,981,710	3,717,852	4,124,425	4,520,526	5,065,328	5,475,002	5,961,373	6,590,892

What Happens if the Bond Passes?

Implement 2023 Alternate Mooring Plan
(\$5.9 million)

Ore Peninsula Redevelopment Plan



What Happens if the Bond Fails?

- 2023 Alternate Mooring Plan put on hold
- Develop strategy to pay for \$12M cruise dock construction & storage (\$2,400/day after August 23)
- Re-evaluate feasibility of cruise dock installation
- Develop strategy to pay for Port Development Plan



Conclusion

- **What is a revenue bond?** Revenue bonds are a class of municipal bonds that are paid for by the end users of the Port of Skagway - cruise lines, fuel barges, ore terminal users, etc.
- **What is the Project Scope?** The scope of the project includes 500' cruise dock, new fuel header, and an industrial transfer bridge on the Ore Peninsula.
- **Is the project financially viable?** Yes, the financial projection using 80% of the projected cruise passengers demonstrates sufficient revenue for the Port of Skagway to repay the bonds.
- **What happens if the bond passes?** MOS staff continues to work with White Pass to implement a plan for four ships in 2023 and the larger Ore Dock Redevelopment plan.
- **What happens if the bond fails?** The 2023 Alternate Mooring Plan would be put on hold; staff will develop a strategy to pay for \$12M cruise dock construction & storage (\$2,400/day after August 23); the MOS will re-evaluate the feasibility of the cruise dock installation, and develop a strategy to pay for Port Development Plan.
- **Vote Yes for the future of Skagway!**

MUNICIPALITY OF SKAGWAY BOROUGH

ORDINANCE NO. 22-07

AN ORDINANCE of the Municipality of Skagway Borough authorizing the issuance of port revenue bonds in an aggregate principal amount not to exceed \$65,000,000 to acquire, construct and equip improvements to the Borough's port facilities; authorizing submission to the qualified voters of the Borough at the regular election to be held on October 4, 2022, of a proposition for the port improvement project; appropriating funds for the project, if approved by the voters; and providing for an effective date.



**Protect
Skagway's
Future!**

**Vote YES
on Proposition 1**

