EXPLANATION OF CONSENT AGENDA ITEM E.2.c.29 – JULY 29, 2015

ITEM:

Consideration of approving staff to negotiate a long-term construction line of credit with current banking relationships for the purpose of providing construction funds to renovate Canaveral Port Authority's Cruise Terminals 5, 8 and 10. Staff is also requesting approval to use funds from the Port's existing line of credit (LOC) with PNC bank to fund capital expenses associated with the renovations projects.

EXPLANATION:

The Port's staff has recognized the need to provide major renovations to its existing cruise terminals in order to prepare itself for the increase in ship size and associated passenger count as a result of 2015 Cruise Master Plan. In order to facilitate these renovations, the Port will need to borrow funds. The funds would be used for piers/berths and gangways as well as ground transportation and parking improvements for Cruise Terminals 5 and 10. Funds from this line of credit will also be used for road and traffic circulation improvements for Cruise Terminals 5 and 6 as well as selected improvements to Cruise Terminal 8 (Disney terminal).The Port currently has a line of credit in place with PNC Bank. The current outstanding balance on the LOC is $21,404,709. Of this balance $9.8M will be paid by grant proceeds anticipated to be received by July 31, 2015. As previously reported and approved by the Commissioners, the balance left on the LOC has been used to purchase the property at I-95 and SR 524, fuel pipeline feeding Cruise Terminal 1, and properties/paving associated with the contemplated roll-on roll-off auto storage and processing business as well as the lease by-back of two Port properties. Staff is seeking approval to utilize this LOC to fund initial capital requirements associated with proposed renovations of Cruise Terminals 5, 8 and 10 as defined above. It is anticipated permanent funds from capital markets/bank loans will be used to repay the construction line of credit. Commission approval will be sought when final terms become available.

Staff is currently in conversations with banks to provide a longer term line of credit and believes it will be advantageous to utilize an interest only line of credit instead of permanent financing at this point. In the current low interest rate environment, the Port's cash flow will be less impacted if it pays interest only until such a time that it will realize increased revenues from future ship deployments anticipated to commence in early 2016. The Ports bond covenants only allow current net income to be utilized in determining its debt service ratio calculations. This means that the Port cannot use future anticipated revenues for the calculation.

In addition to the above, Staff intends to ask permission at a future meeting to refund its 2006A and B Revenue Bonds which become available for refinancing in March of 2016. The structure of this refinancing will allow the Port to lower its debt service requirements in FY2016 and 17 thus releasing additional cash flow that will enable the Port have additional funds available for debt service on the proposed construction line of credit.

Staff recommends approval
Prepared by Rodger Rees