



Funding Strategy Checklist

The following Funding Strategy Checklist is provided for both experienced and inexperienced port industry professionals alike for use as a general guide in making port capital investment decisions and implementing corresponding financing structures. While the unique characteristics of any given port project and financing will determine the specific tasks to be performed and sequence, the checklist aims to enable port professionals to understand and navigate the project financing process at a broad-based level. For additional information, the checklist contains references to sections of the AAPA Port Planning and Investment Toolkit - *Funding Strategy Module* where further background discussion on a particular topic can be found. Throughout the capital investment process a port should consult with its various advisors (technical, financial, legal, etc.) in an effort to utilize best practices for its projects.

Complete	Task	Toolkit Section Reference
1. Introduction		
_____	Investment Considerations and Relevance	1.2
_____	• Physical Facilities & Current Uses, Land for Development, and/or Master Plan	1.2
_____	• Existing Tenant Lease and Use Agreements	1.2
_____	• Historical Cargo Volumes and Revenues by Type	1.2
_____	• Trade Lanes Data	1.2
_____	• Market Cargo & Revenue Forecasts	1.2
_____	• Port Financial Market Environment	1.2
_____	• Port Operating Models	1.2
_____	• Port Business/Financial Models	1.2
_____	• Outstanding Bonded Indebtedness Amounts and Terms	1.2
_____	• Pro Forma Cash Flow Analysis	1.2
_____	• Financing Capacity to Address Capital Needs and New Business	1.2
_____	• Creditworthiness Assessment	1.2
_____	• Investor and Capital Markets Outreach	1.2
2. Port Profile		
_____	Information Sources	2.2
_____	• Enabling Act	2.2
_____	• Master Plan	2.2
_____	• Strategic Plan	2.2
_____	• Debt/Financing Policy	2.2
_____	• P3 Policy	2.2
_____	Due Diligence Factors	2.3
_____	• Organizational and Regulatory Documents	2.3
_____	• Financial	2.3
_____	• Material Contracts	2.3
_____	• Real Property	2.3
_____	• Labor Contracts	2.3
_____	• Legal	2.3

_____	• Insurance	2.3
_____	• Market Information	2.3
_____	• Environmental	2.3
_____	• Historical and Projected Capital Expenditures	2.3
_____	• Expansion Plans	2.3

3. Project Due Diligence Profile

_____	Feasibility Screening/Key Drivers	3.2
_____	• Demand and Revenue Forecast	3.2
_____	• Project Capital Costs	3.2
_____	• Operating & Maintenance Expense Forecast	3.2
_____	• Renewal & Replacement Cost Forecast	3.2
_____	• Plan of Finance	3.2
_____	Risk Analysis	3.3
_____	• Project Financing Risks and Evaluation Criteria	3.3
_____	• Risk Adjusted Demand & Revenue, O&M and Construction Cost/Implementation Schedules	3.3
_____	• Stress Points in the Project Pro Forma Cash Flow	3.3
_____	• Credit Rating and Investor Risk Mitigation Strategies	3.3
_____	• Short List of Mitigating Financial Strategies	3.3
_____	• Value for Money Public Comparator Approach	3.3
_____	Outstanding Debt Considerations	3.4
_____	• Financial Covenant Thresholds	3.4
_____	• Debt Associated with Existing Facilities	3.4
_____	• Bond Indenture Flexibility / Limitations	3.4

4. Credit/Debt Profile

_____	Credit Elements of Project Finance	4.2
_____	• Socio-Economic Need	4.2
_____	• Economically Justified	4.2
_____	• Revenue Study	4.2
_____	• Construction and Operating Issues	4.2
_____	• Risk Management Plan	4.2
_____	• Public Support and Public Interest	4.2
_____	Port Credit Attributes	4.3
_____	• Market Position	4.3
_____	• Structural and Operational Factors	4.3
_____	• Financial Factors	4.3
_____	• Debt Position and Capital Plan	4.3
_____	• Management and Business Strategy	4.3
_____	Rating Agency Considerations	4.4
_____	• Underlying Credit Ratings Criteria and Stress Testing	4.4
_____	• Program of Communication	4.4
_____	Debt Profile	4.5
_____	• Security for Debt	4.5
_____	• Bond Indenture Flow of Funds	4.5
_____	• Financial Covenants	4.5
_____	• Credit Rating	4.5

_____	• Type of Debt Provider	4.5
_____	• Debt Profile Summary	4.5

5. Identify Structural Alternatives

_____	Port Business Models	5.2
_____	• Public Agency Tax-backed	5.2
_____	• Public Agency Operating Revenues	5.2
_____	• Public Private Partnership	5.2
_____	• Private Concession	5.2
_____	Port Finance Alternatives	5.3
_____	• Pledged Security	5.3
_____	• Financing Instruments	5.3
_____	Private Activity Bond Features	5.4
_____	• Eligibility	5.4
_____	• Security Structure	5.4
_____	Commercial Bank Financings	5.5
_____	• Analysis of Publically Offered Versus Privately Placed Financing	5.5
_____	• Bank Loan Pros and Cons	5.5
_____	Port Project Finance Bond Alternatives	5.6
_____	• Port Net Operating Revenue Bonds	5.6
_____	• Port Asset Backed Debt	5.6
_____	• Port Special Purpose Facility Bonds, Backed by Lessee/Concessionaire Revenue and Parent Guarantee	5.6
_____	• Port Special Purpose Facility Bonds, Backed by the Net Operating Revenue of a Single Terminal Concession	5.6
_____	Port "System" Net Operating Revenue Bonds	5.7
_____	• Security for Debt	5.7
_____	• Bond Indenture Flow of Funds	5.7
_____	• Credit Rating	5.7
_____	• Type of Debt	5.7
_____	Port Asset Backed Debt	5.8
_____	• Security for Debt	5.8
_____	• Bond Indenture Flow of Funds	5.8
_____	• Credit Rating	5.8
_____	• Term of Debt	5.8
_____	• Type of Debt	5.8
_____	Port Special Purpose Bonds - Leasee Guarantee	5.9
_____	• Security for Debt	5.9
_____	• Bond Indenture	5.9
_____	• Credit Rating	5.9
_____	• Type of Debt	5.9
_____	Single Terminal Concession: Stand-alone Special Purpose Bonds	5.10
_____	• Security for Debt	5.10
_____	• Bond Indenture Flow of Funds	5.10
_____	• Credit Rating	5.10
_____	• Tax Status of Debt	5.10
_____	• Equity	5.10
_____	Project Revenue Bond Considerations	5.11
_____	• Security Sources	5.11

_____	• Bond Lien Structure	5.11
_____	• Security Requirements	5.11
_____	• Issuance Timing	5.11
_____	• Credit Enhancement	5.11
_____	• Private Sector Enhancements	5.11

6. Financial Model

_____	Evaluating Project Finance & Delivery Alternatives	6.2
_____	• Modeling/Analysis Approach - Public, P3, Concession, Hybrid	6.2
_____	• Capital Elements and Operating Strategies	6.2
_____	• Container Volume/Rate Scenarios	6.2
_____	• Financial Approaches	6.2
_____	Approach for Development of a Financial Plan	6.3
_____	• Develop Financing and Debt Objectives	6.3
_____	• Prepare a Debt Profile	6.3
_____	• Review Legal Structure	6.3
_____	• Analyze Future Debt Capacity	6.3
_____	• Review Capital Budget	6.3
_____	• Identify Financing Alternatives	6.3
_____	• Iterative Modeling Process - Update Plan of Finance as Project and Market Inputs Change	6.3
_____	• Final Financial Plan	6.3
_____	Project Finance Model	6.4
_____	• Base Case Financial Model	6.4
_____	• Alternative Project and Financial Structures	6.4
_____	• Sensitivity Testing	6.4

7. Debt Implementation & Management

_____	Debt Capacity and Issuance for Capital Improvement Programs	7.1
_____	• Historical Audited Operating and Financial Results	7.1
_____	• Additional Bonds Test Requirements	7.1
_____	• Security Lien	7.1
_____	• Tax Status of Project Debt	7.1
_____	• Product/Source of Debt Funding	7.1
_____	• Credit Ratings	7.1
_____	• Multi-year Capital Requirement Considerations	7.1
_____	Debt Refunding for Savings	7.2
_____	• Issuance Requirements Under Bond Indenture and Market Disclosure	7.2
_____	• Current, Advance, or Forward Refunding	7.2
_____	• Refunding Savings Thresholds and Policy	7.2
_____	• Interest Rate Environment Impact on Savings	7.2
_____	Debt Transaction Management	7.3
_____	• Develop and Monitor Financing Schedule	7.3
_____	• Analyze Debt Structure Alternatives	7.3
_____	• Review Existing Debt Structure	7.3
_____	• Determine Type of Sale	7.3
_____	• Working Group Selection	7.3
_____	• Develop Terms of the Financing and Documents	7.3

_____	• Develop Marketing Plan	7.3
_____	• Develop Rating Strategy and Presentation	7.3
_____	• Sell and Close Bonds	7.3
_____	Post Issuance Compliance	7.4
_____	• Written Post-issuance Compliance Procedures	7.4
_____	• Reporting and Financial Health	7.4

8. Public-Private Partnerships

_____	P3 as an Extension of Project Finance	8.1
_____	• Access to Alternative Sources of Capital	8.1
_____	• Integration with Traditional Sources of Capital	8.1
_____	P3 Background and Rationale	8.2
_____	• Leverage Private Sector Expertise	8.2
_____	• Enhance Financial and Operational Capacity	8.2
_____	• Align Public and Private Interests	8.2
_____	• Project Delivery Models	8.2
_____	P3 Analysis and Valuation	8.3
_____	• Program Development	8.3
_____	• Feasibility & Valuation	8.3
_____	P3 Transaction Development	8.4
_____	• Preliminary Market Outreach	8.4
_____	• Confirm Preferred Contract Structure	8.4
_____	• Procurement Design	8.4
_____	Key Terms	8.6
_____	• Loan Amortization, Interest Rate, Redemption Provisions, Security, Covenants, Fees/Expenses	8.6
_____	• Lessor	8.6
_____	• Description of Property for the Project	8.6
_____	• Capacity	8.6
_____	• Financial Expectation from the Private Partner(s)	8.6
_____	• Project Construction	8.6
_____	• Financing Assistance	8.6
_____	• Lease Agreement	8.6
_____	• Term	8.6
_____	• Ownership of Project Land	8.6
_____	• Ownership of Project Infrastructure, Cranes and Equipment	8.6
_____	• Business Development	8.6
_____	• Existing Significant Contracts	8.6
_____	• Security	8.6
_____	• Environmental	8.6
_____	• Labor	8.6
_____	• Expansion	8.6
_____	• Schedule	8.6
_____	P3 Transaction Execution	8.9
_____	• Market Teaser	8.9
_____	• RFQ Evaluation and Shortlisting	8.9
_____	• Draft Concession Agreement	8.9
_____	• RFP Development including Approval of Evaluation Criteria and Certification of Useful Life Determination	8.9

_____	• P3 and Proposal Evaluation	8.9
_____	• Best and Final Offers	8.9
_____	RFQ & RFP Contents and Evaluation Factors	8.10
_____	• Executive Summary	8.10
_____	• Port Authority Governance and Oversight	8.10
_____	• Project Investment Highlights	8.10
_____	• Project Overview	8.10
_____	• Project Terms and Conditions	8.10
_____	• Evaluation Process and Criteria	8.10
_____	• Submission Requirements	8.10
_____	• Port Authority Reserved Rights	8.10
_____	• Qualifications including Technical Competence, Experience, Operating Capability, and Financial Resources	8.10
_____	• Feasibility of Developing Project	8.10
_____	• Detailed Engineering or Architectural Designs	8.10
_____	• Ability to Meet Schedules	8.10
_____	• Detailed Financial Plan, including Costing Methodology, Cost Proposals, and Project Financing Approach	8.10

9. Positioning Ports for Grant Funding and Government Loan Programs

_____	Federal Grant Programs	9.2
_____	• Review of Available Federal, State and Local Grant Program Funding	9.2
_____	• Project Eligibility	9.2
_____	• Grant Funding Timelines	9.2
_____	Positioning Ports for Grant Funding	9.3
_____	• State of Good Repair	9.3
_____	• Economic Competitiveness	9.3
_____	• Quality of Life	9.3
_____	• Environmental Sustainability	9.3
_____	• Safety	9.3
_____	• Innovations	9.3
_____	• Partnerships	9.3
_____	• Projects Difficult to Fund	9.3
_____	• Projects Ready to Proceed	9.3
_____	Government Loan Programs	9.5
_____	• Review of Available Federal, State and Local Loan Program Funding	9.5
_____	• Project Eligibility	9.5
_____	• Major Project Financial Plan for Federal Projects	9.5
_____	• Loan Funding Timelines	9.5
_____	Positioning Ports for Government Loans	9.6
_____	• Project Significance	9.6
_____	• Private Participation including Funding Sources	9.6
_____	• Environmental Benefits	9.6
_____	• Project Acceleration	9.6
_____	• Creditworthiness	9.6
_____	• Use of Technology	9.6
_____	• Limited Consumption of Lending Authority	9.6
_____	• Reduced Grant Assistance	9.6